

Exchanging Information

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Abstract :

We analyze a class of dynamic games of information exchange between two players. Each agent possesses information about a binary state that is of interest to the other player and cares about the other player's actions. Preferences are additively separable over own and the other player's actions. We fully characterize the set of equilibrium payoffs that can be sustained in such games and construct equilibria that achieve those payoffs. We show that gradual information exchange dominates static (one-shot) communication. Moreover, the whole set of outcomes that Pareto-dominate static communication can be supported in equilibrium.