Evidence Acquisition and Voluntary Disclosure

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Motivation
- People provide information to influence others' decisions
- In contrast to unsupported claims, hard evidence is more convincing
- Agents strategically seek evidence to persuade
  - entrepreneurs → investors
  - sellers → buyers
  - workers → firms
  - lawyers → arbitrators

- But: often no obligation to disclose evidence
  - Non-disclosure of unfavorable evidence if there is uncertainty

Question
Which evidence to seek when disclosure is voluntary?

Model
- Players: Sender (S) and Receiver (R)
- State (project quality) \( \theta \in \Theta = [0, 1] \) unknown to both S and R
- R's privately known outside option \( \omega \sim \) single-peaked density
- R approves the project if posterior mean \( \theta \) above \( \omega \)
- S always wants approval
- S chooses which hard evidence to seek and disclose
  - set \( E \) = {pieces of evidence}
  - S chooses evidence structure \( \pi: \Theta \rightarrow \Delta E \)
  - with probability \( q \in (0, 1] \) obtains \( e \sim \pi(\theta) \)
  - decides whether to disclose \( e \) or not

- What is the optimal evidence structure?

Main Results
Optimal structure depends on \( q \) = probability of obtaining evidence

Result 1:
If \( q \) is low, the optimum \( \pi^* \) is a binary certification: pass/fail test.

Result 2:
Evidence more likely to be obtained \( \Rightarrow \) more stringent standards under binary certification

Equilibrium Evidence Structure

If evidence is likely to be obtained:
- two-sided censorship
  
  If evidence is unlikely to be obtained:
  - binary certification

Intuition
Two forces affect information
1. Information design (which information to seek)
   \( \Rightarrow \) Imprecise information about high quality projects
   \( \Rightarrow \) Upper pooling

2. Voluntary disclosure (what to disclose)
   \( \Rightarrow \) Non-disclosure of unfavorable evidence
   \( \Rightarrow \) Lower pooling

Intuition for optimal evidence structure:
- Under \( q = 1 \): R fully skeptical \( \Rightarrow \) unraveling at disclosure stage \( \Rightarrow \) S solves pure information design problem \( \Rightarrow \) optimum has pooling (revelation) above (below) a threshold
- Under \( q < 1 \): lower \( q \) \( \Rightarrow \) less R's skepticism \( \Rightarrow \) S discloses less \( \Rightarrow \) more pooling at the bottom
- If \( q < \hat{q} \), S uses binary certification to disclose more often
- Moreover, as \( q \) decreases (below \( \hat{q} \)), lower certification standard compensates for lower chance of obtaining evidence by increasing probability of favorable evidence

Takeaway
The interaction between information design and voluntary disclosure can lead to simplicity of verifiable information.

Conclusion
- This paper endogenizes the evidence structure in a game of voluntary disclosure
- The combination of design and disclosure incentives can lead to hard information taking a form of a pass/fail test.
- Interaction between these two forces leads to a reversal of the skepticism effect of uncertainty on the set of concealed states.
- Higher probability of obtaining evidence benefits both players, not just because it allows the sender to communicate more often, but also because she does so more efficiently.