Information Design in Cheap Talk

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Abstract

An uninformed sender publicly commits to an informative experiment about an uncertain state, privately observes its outcome, and sends a cheap-talk message to a receiver. We provide an algorithm valid for arbitrary state-dependent preferences that will determine the sender's optimal experiment and his equilibrium payoff under binary state space. We give sufficient conditions for information design to be valuable or not under different payoff structures. These conditions depend more on marginal incentives—how payoffs vary with the state—than on the alignment of sender's and receiver's rankings over actions within a state. The algorithm can be easily modified to study canonical cheap talk game with perfectly informed sender.

Keywords: marginal incentives, common interest, concave envelope, quasiconcave envelope, double randomization

JEL Classification: D82, D83

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1. Introduction

Starting from Crawford and Sobel (1982), there is a large economics literature that studies how a biased sender can gain from strategic communication with an uninformed receiver. Much of this literature assumes that the sender is endowed with superior expertise. In many scenarios, however, the sender needs to learn about the payoff-relevant state before communicating with the receiver. For example, news media and think tanks that are biased for or against a political candidate or a government policy often collect information and conduct research in order to influence public opinion. Since the public may not have direct access to the data sources, nor the incentive to use time and effort to assess whether the conclusions drawn indeed follow from the original data, these conclusions effectively become cheap-talk messages. Similarly, financial institutions often have research departments whose work provide the basis for their portfolio recommendations to clients, but whether their investment advice is consistent with the findings of their research is often unverifiable. This paper studies optimal information acquisition when the sender cannot commit to communicating the outcome of his investigations in a verifiable way.

Specifically, we consider a strategic communication game where an imperfectly informed sender can acquire costless information and privately observes the information outcome before sending a cheap-talk message to a receiver, who then takes an action. The sender can commit to an arbitrary experiment, but the outcome of his experiment is unverifiable. One can interpret this game as a bridge between strategic communication (Crawford and Sobel, 1982) and Bayesian persuasion (Kamenica and Gentzkow, 2011), in the sense that the sender can commit to the information structure but not to truthful reporting.\(^1\)

We study this game under a binary state space and finite action space. Other than this, we allow the sender to have arbitrary state-dependent preferences, which generalizes Lipnowski and Ravid’s (2020) analysis of the case where sender has transparent motives (i.e., state-independent preferences). State-dependent preferences create a tension between acquiring more information and alleviating the conflicts of interests. The first incentive is straightforward: since the sender’s preferences depend on the true

\(^1\) A canonical cheap talk game with fully informed sender can be considered as a game where sender has no commitment to both information structure and truthful reporting, because it is without loss of generality to assume that sender will acquire perfect information in this case.
state, acquiring more information allows him to make better use of it. However, more information may intensify the conflict of interests between sender and receiver, and so affect the sender’s incentive to misreport. When designing the information structure, the sender needs to consider the credibility issues in the interim stage after different information outcomes are realized.

A generic feature of a model with discrete action space is that the receiver is indifferent between several actions at certain beliefs, even though the sender may not be indifferent over those actions. Lipnowski and Ravid (2020) and Lipnowski et al. (2022) leverage this observation to show that the sender can benefit from greater credibility if the receiver randomizes over the sender’s most preferred action and his less preferred ones at such beliefs. To characterize optimal information design for the sender, it is therefore important not to ignore the actions that are suboptimal for the sender at the interim stage, because inducing such actions may help relax his incentive compatibility constraints.

In Section 3, we provide an algorithm to compute the optimal equilibrium outcomes for the sender by searching the highest probability that the receiver can take the sender-preferred action without violating the sender’s incentive constraints. The optimal experiment generally induces two possible posterior beliefs, and the receiver may take pure or mixed actions at each of these two beliefs. It turns out that for pure actions, we can restrict the receiver to take the sender-preferred action. For mixed actions, the mixing probability is determined by the sender’s indifference condition. “Double randomization” (the receiver taking mixed actions at both posterior beliefs) can be part of optimal information design when the sender has state-dependent preferences, which is never optimal if the sender has transparent motives.

We call $m_i(a) = u_i(a, 1) - u_i(a, 0)$ player $i$’s marginal incentive for action $a$. It is the difference in utility of action $a$ between state 1 and state 0. Graphically, the sender’s marginal incentives are the slopes of his piecewise indirect value function. Whether information can be transmitted crucially depends on whether the sender’s marginal incentives and the receiver’s marginal incentives for different actions are well-ordered. With opposite marginal incentives, the sender cannot credibly transmit information to the receiver as he always has incentive to misreport. Conversely, with aligned marginal incentives, information can be transmitted. Interestingly, the receiver’s randomization can help to smooth the sender’s marginal incentives and therefore restore the correct
order required for incentive compatibility. Less intuitively, whether the sender and receiver have the same ranking over actions given some particular state is not crucial for generating credibility.

Under transparent motives, i.e., state-independent preferences, the sender’s marginal incentives are always equal to zero. Then the algorithm in Section 3 implies that the quasiconcave envelope of the sender’s indirect value function gives the highest achievable payoff to the sender—a result first derived by Lipnowski and Ravid (2020).

Information design is said to be valuable if there exist some prior beliefs such that the highest achievable payoff is strictly greater than sender’s maximum payoff under no information. In other words, there is informative information transmission on path. In Section 4 we provide some sufficient conditions on payoff structures which can guarantee whether information design is valuable or not. With completely opposite marginal incentives, information design is not valuable even if the sender’s value function is not concave (and even if sender and receiver have identical ranking over actions in one state). With completely aligned marginal incentives, information design is valuable if, from sender’s perspective, (i) no action blocks all other actions; or (ii) no action is worst (i.e., worse than all other actions in both states). We also consider the case where sender’s preferences are ordinally state-independent (i.e., his ranking over actions is the same in the two states). In this case, if sender and receiver have aligned marginal incentives, information design is valuable if and only if the sender’s ranking over actions is not identical to receiver’s ranking in either of the two states.

In the end of Section 4, we discuss the situations where the sender and receiver have common interests in one of the state, i.e., the sender’s optimal action in state 0 is also the receiver’s best response. Then the optimal information structure generates a conclusive signal about state 0 with mild restrictions. This example disentangles the tension between acquiring more information and alleviating the conflicts of interests. Specifically, revealing state 0 (rather than pooling state 0 with state 1) generates more information for the sender and allows him to better use this information. On top of this, an experiment that identifies the common-interest state would align the two parties’ interests ex post, which raises the sender’s ex-ante payoff. This leads to a surprising result that, despite the sender and receiver having common interest in state 0, the optimal information structure does not necessarily reveal the true state with probability one when the state is 0.
The optimal experiment in our model can be more or less informative than that under Bayesian persuasion. In section 5, we consider scenarios where there is a best action that the sender prefers the most across states and is chosen by the receiver at moderate beliefs. In such settings, with mild restrictions, the optimal experiment in our model is strictly more informative than the optimal experiment under full commitment for some prior belief.

In Section 6, we link our model with the canonical cheap talk model where the sender is perfectly informed at the beginning. A cheap talk equilibrium is a special case of equilibrium in our model with an additional constraint—namely, that the sender cannot gain by deviating to a more informative experiment than the one he commits to. It turns out that we can further modify our algorithm to search for the sender-optimal equilibrium in the canonical cheap talk game. Generically, the two models lead to different solutions, which implies that acquiring more information may worsen the sender’s equilibrium payoff.

**Related literature.** This paper describes a model of Bayesian persuasion with limited commitment, and is especially close to those papers in this literature that relax the commitment assumption at the communication stage. In Guo and Shmaya (2021) and Nguyen and Tan (2021), the sender cannot commit to reporting the true information outcomes but he incurs a cost of making incorrect claims. Alonso and Camara (2021) allow the receiver to endogenously design an audit scheme, which in turn affects the sender’s cost of misreporting. Lipnowski et al. (2022) discuss the situation where the sender can misreport the information outcomes at an exogenously given probability. In Krähmer (2021), the receiver can cross-check the sender’s reports by privately randomizing over information structures. Regarding communication games with strategic information acquisition, Pei (2015) discusses a cheap talk game where the sender can acquire costly information that is unobserved by the receiver. Felgenhauer and Schulte (2014) consider a promotion game where the sender can privately and sequentially acquire signals generated from a binary experiment. Argenziano et al. (2016) allow the sender to choose the number of trials, which can be public information or the sender’s private information. In the latter two papers, though information cannot be falsified, its interpretation is subject to the sender’s disclosure policies. In contrast to these papers we assume commitment on information structure, and relax the commitment at the communication stage in the sense that the sender’s messages are pure cheap talk.
Ivanov (2010) investigates information design followed by cheap talk in a uniform-quadratic environment. He characterizes the optimal interval information structures. Deimen and Szalay (2019) consider a two-dimensional state space and the sender has access to a signal structure with elliptical distribution. In contemporaneous works, Kreutzkamp (2022) studies costly information acquisition in cheap talk, and Lou (2022) study costless information acquisition in cheap talk. Both consider situations where the state is continuously distributed but is payoff-relevant for the sender only through the expected state. When cost is zero, they show the optimality of bi-pooling structures and characterize the optimal information design in the uniform-quadratic setting. Instead, we focus on binary states and finite actions and provide a complete characterization for arbitrary preferences.

Our model of information design with cheap talk follows Lipnowski and Ravid (2020). They focus on situations where the sender has transparent motives, and find that the highest equilibrium payoff the sender can achieve is the quasiconcave envelope of the sender’s value function. In contrast, we characterize the solution to a model where sender has arbitrary state-dependent preferences under binary state space. The relevance of the quasiconcave envelope comes from the fact that sender’s marginal incentives are identically zero under transparent motives. Two other closely related papers are Lipnowski (2020) and Barros (2022). Instead of characterizing the optimal information design, they provide conditions such that the optimal equilibrium outcome under cheap talk is equivalent with Bayesian persuasion.

Lin and Liu (2022) study the credibility of persuasion assuming that the sender’s deviation in messages is not detectable if the marginal distribution of messages remains the same. Their sender’s incentive constraints arrive at the ex-ante stage, in the sense that the gain from swapping messages in one state cannot outweigh the loss from that in another state. However, our sender’s incentive constraints arrive at the interim stage after the outcome of the experiment is privately revealed to the sender. The incentive constraints in these two papers are not nested. Moreover, Lin and Liu (2022) focus on pure strategy equilibrium where the receiver cannot randomize. Salamanca (2021) studies a mediated communication game in which an informed sender sends an unverifiable message to a mediator, who can commit to a reporting rule based on sender’s message. The receiver then takes an action based on the mediator’s report. This model reverses the order of information acquisition and communication in our paper in the
sense that sender’s communication with the mediator can be interpreted as mediator
acquiring information. Interestingly, our solution provides a lower bound to sender’s
highest achievable payoff in Salamanca (2021) under binary state space. We provide
a more thorough discussion of the relationship between these two papers and ours in
Section 7.

2. The Model

A sender (S) and a receiver (R) initially share a common prior belief about some state
θ. The state space Θ = {0, 1} is binary. We use µ ∈ ∆Θ to represent a probability
distribution over the state, where µ(θ) stands for the probability of state θ. The prior
belief about the state is µ0.

There is a finite set A of actions, with |A| ≥ 2. We use a to represent a typical element
of A, and use α ∈ ∆A to represent a mixed action (i.e., a probability distribution over A).
Each player i ∈ {S, R} is an expected utility maximizer, whose utility ui(a, θ) generally
depends on both the action and the state. We assume no action is strictly dominated
for the receiver.

The game consists of two stages. In the first stage, the sender commits to choosing
a Blackwell experiment (a mapping from the state space to probability distributions
over signals) and conducts the experiment at zero cost. As is standard in the Bayesian
persuasion literature, this is equivalent to choosing a distribution of posterior beliefs
induced by the experiment. In other words, the sender commits to a simple random
posterior P ∈ ∆(∆Θ) such that Eµ[P] = µ0, and P has finite support. After the sender
conducts the experiment, he privately observes the realization of the random posterior
µ ∈ supp(P). We use P(µ) to denote the ex-ante probability that the experiment induces
posterior µ for the sender (given the prior belief µ0). The information structure chosen
by the sender determines the distribution of his private information.

In the second stage, the sender interacts with the receiver in a game of strategic
information transmission. Denote M as a rich finite message space. Given the random
posterior P, the sender’s reporting strategy, σS : supp(P) → ∆M, maps the realization
of the random posterior to a distribution of messages. The receiver’s decision rule,

\footnote{See Denti et al. (2022). Because we are directly working with the random posterior induced by
a Blackwell experiment, we implicitly assume, without loss of generality, that distinct signals induce
different posterior beliefs.}
$\sigma_R : M \to \Delta A$, maps the sender’s message to a distribution of actions. Each player $i$’s expected utility can be written as:

$$U_i(\sigma_S, \sigma_R, P) = \sum_{\mu \in \text{supp}(P), \theta \in \Theta, m \in M, a \in A} P(\mu)\mu(\theta)\sigma_S(m|\mu)\sigma_R(a|m)u_i(a, \theta).$$

In this framework the sender’s posterior belief formation is trivial, and the receiver’s posterior belief is obtained from $P$ and $\sigma_S$ using Bayes’ rule. We focus on Perfect Bayesian Equilibrium, and call $(\sigma_S, \sigma_R, P)$ an equilibrium strategy profile if $\sigma_S$ and $\sigma_R$ are mutual best responses given $P$ and the belief system. The sender chooses the random posterior $P$ to maximize his expected utility subject to an equilibrium. If there are multiple equilibria for a given $P$, we let the sender choose the one that gives him the highest expected utility.

Notice that each player’s equilibrium payoff only depends on the joint distribution of receiver’s posterior belief and the action induced. Therefore, for every equilibrium such that the sender conceals information through mixed reporting strategy, we can find another truth-telling equilibrium where the sender directly coarsens the experiment in the first place and the equilibrium outcome remains the same. The following result is standard, and its proof is provided in the Appendix.

**Lemma 1.** It is without loss of generality to focus on truth-telling equilibria and a binary random posterior, with $|\text{supp}(P)| = |\Theta| = 2$.

Because there are only two states, it is often simpler to represent a probability distribution over the state by the probability of state 1. Henceforth, we use $\mu$ to stand for the probability of state 1. With slightly abuse of notation, let

$$u_i(a, \mu) := \mu u_i(a, 1) + (1 - \mu) u_i(a, 0)$$

be player $i$’s expected utility from action $a$ when player $i$ has posterior belief $\mu$. Let

$$A_R(\mu) := \arg\max_{a \in A} u_R(a, \mu)$$

be the receiver’s best-response correspondence, mapping from belief into a non-empty set of actions. We use $v(\mu) := \co(u_s(A_R(\mu), \mu))$ to denote the sender’s value correspondence given that both the sender and the receiver hold the same posterior belief $\mu$ and
the receiver responds optimally to this belief. Finally, let

$$\bar{v}(\mu) := \max_{a \in A(\mu)} u_S(a, \mu)$$

be sender's value function when both sender and receiver hold the same belief $\mu$ and the receiver takes the sender-preferred action in his best response correspondence.

Given Lemma 1, the sender’s information design problem can be written as:

$$\max_{P \in \Delta(\Theta), \sigma_R(a|\cdot) \in \Delta A_R(\cdot)} \sum_{\mu \in \text{supp} P} P(\mu) \sum_{a \in A_R(\mu)} \sigma_R(a|\mu)u_S(a, \mu),$$

subject to sender’s incentive constraints: for every $\mu, \mu' \in \text{supp}(P)$,

$$\sum_{a \in A_R(\mu)} \sigma_R(a|\mu)u_S(a, \mu) \geq \sum_{a \in A_R(\mu')} \sigma_R(a|\mu')u_S(a, \mu),$$

and subject to the requirement that $|\text{supp}(P)| = 2$ and $P$ is a mean-preserving spread of $\mu_0$. We denote $W^*(\mu_0)$ as the solution value to this program at prior $\mu_0$.

Figure 1 gives two examples of the sender’s value function $\bar{v}$. The left panel refers to the case where the sender has state-dependent preferences (the piecewise slopes of $\bar{v}$ are arbitrary). The right panel refers to the case where the sender has state-independent preferences ($\bar{v}$ is piecewise constant). The red dashed curves $W^*$ represent the highest payoff the sender can achieve for each prior belief (we will elaborate the algorithm to determine $W^*$ in the next section). The function $W^*$ is piecewise affine.
If the sender with arbitrary preferences has full commitment power to truthfully report the outcome of the experiment, then the concave envelope of $\bar{v}$ determines the highest equilibrium payoff the sender can achieve (Kamenica and Gentzkow, 2011). If the sender with state-independent preferences has no commitment power, the quasi-concave envelope of $\bar{v}$ determines the highest equilibrium payoff the sender can achieve (Lipnowski and Ravid, 2020). In our model, the sender has arbitrary preferences and no commitment power. Therefore, $W^*(\cdot)$ is bounded above by the concave envelope of $v(\cdot)$. The relationship between $W^*(\cdot)$ and the quasiconcave envelope of $v(\cdot)$ is in general ambiguous (see the red curve in the left panel). We will elaborate more on this point later.

Lemma 1 suggests that we can focus on random posteriors with a binary support. For a given prior belief $\mu_0$, a binary random posterior is completely pinned down by its support. For example, if $\text{supp}(P) = \{\mu', \mu''\}$, then the requirement that $P$ is a mean-preserving spread of the prior belief $\mu_0$ implies that $\mu'$ and $\mu''$ are induced with probabilities $P(\mu')$ and $1 - P(\mu')$, where $P(\mu') = (\mu'' - \mu_0)/(\mu'' - \mu')$. Therefore, we sometimes refer to a binary random posterior simply by its support.

3. Optimal Information Design

We make an assumption about $A$ in order to clarify the exposition while avoiding burdensome notation. We assume that every element in $A$ is uniquely optimal for the receiver at some belief. This rules out the possibility that an action $a \in A$ is an exact duplicate of another action $a' \in A$ according to the receiver’s preferences (i.e., $u_R(a, \theta) = u_R(a', \theta)$ for all $\theta$). It also rules out the possibility that $a \in A$ is weakly optimal (together with $a', a'' \in A$) for the receiver at exactly one belief, but is strictly worse than $a'$ or $a''$ at any other belief. The analysis in this paper can be suitably extended to handle situations when this assumption does not hold, but at the cost of more clumsy notation.

Given the assumption that every element of $A$ is a unique best response for the receiver at some belief, we have $|A_R(\mu)| \leq 2$ for all $\mu \in [0,1]$. Moreover, we can order the actions in $A$ in an increasing sequence, $\{a_{-j}, \ldots, a_{-1}, a_0, a_1, \ldots, a_K\}$, such that action $a_n$ is receiver’s best response on a closed interval of beliefs $I_n$, where the lowest belief in $I_n$ is equal to the highest belief in $I_{n-1}$.\footnote{Specifically, $I_n := \{\mu \in [0,1] : a_n \in A_R(\mu)\}$.} Here, we let $a_0 = A_R(\mu_0)$ be the
default action of the receiver when she has no information. For actions higher than \(a_0\), we use \(\mu_{k}\) to denote the highest belief that \(a_k\) is a best response for the receiver. For actions lower than \(a_0\), we use \(\mu_{-j}\) to denote the lowest belief that \(a_{-j+1}\) is a best response for the receiver. For completeness, we let \(\mu_{K+1} = 1\) and \(\mu_{-J-1} = 0\). We call \(B := \{\mu_{-J-1}, \ldots, \mu_{-1}, \mu_1, \ldots, \mu_{K+1}\}\) the set of boundary beliefs. The notation adopted under this convention is illustrated by Figure 2. Elements of \(B\) are highlighted in red. We assume the prior \(\mu_0\) is in the interior of \(I_0\) in the figure, but this is not important for our analysis.

**Proposition 1.** For any prior belief, there exists an optimal binary random posterior whose support is a subset of the set of boundary beliefs.

**Proof.** If \(W^*(\mu_0) = \bar{v}(\mu_0)\), the random posterior with support \(\{\mu_{-1}, \mu_1\}\) (which induces the default action \(a_0\)) is optimal. Suppose \(W^*(\mu_0) > \bar{v}(\mu_0)\). Then there is an incentive compatible (non-degenerate) random posterior \(P\) with \(\text{supp}(P) = \{\mu', \mu''\}\) which induces the receiver to take different responses after different messages. Suppose that at least one element of \(\text{supp}(P)\) does not belong to \(B\), say \(\mu'' \in (\mu_k, \mu_{k+1})\). Then, the receiver takes pure action \(a_k\) after sender’s message \(\mu''\). Consider another random posterior \(P'\) with \(\text{supp}(P') = \{\mu', \mu_{k+1}\}\), which is strictly more informative than \(P\). Since \(u_s(a, \cdot)\) is linear, sender’s incentive compatibility constraints (1) still hold at \(\mu_{k+1}\) if it holds at \(\mu''\). Furthermore, incentive compatibility implies that the sender’s payoff is convex in the induced belief. Because \(P'\) is more informative than \(P\), his payoff is higher under \(P'\) (implied by Blackwell’s theorem). A similar reasoning applies when \(\mu'\) does not belong to \(B\).

Proposition 1 is driven by the observation that, for a given pair of actions, if a less in-

Figure 2: The set of boundary beliefs.
formative information structure is incentive compatible, then the two parties’ interests are aligned for each information outcome, which further implies that a more informative information structure is also incentive compatible and provides the sender with a higher expected utility conditional on that the more informative information structure induces the same pair of actions on path. Therefore, it is without loss of generality to consider the most informative information structure that can induce a given pair of actions. Henceforth, we can focus on binary random posterior $P$ such that $\text{supp}(P) = \{\mu_{-j}, \mu_k\}$ for some $j$ and $k$.

For a binary random posterior $\{\mu_{-j}, \mu_k\}$, use $\alpha_{-j} \in \Delta A_R(\mu_{-j})$ and $\alpha_k \in \Delta A_R(\mu_k)$ to represent the mixed strategy taken after message $\mu_{-j}$ and $\mu_k$, respectively. Let $E_{\alpha_k}[u_S(a, \mu_k)] = \sum_{a \in A_R(\mu_k)} \alpha_k(a) u_S(a, \mu_k)$ be the sender’s expected utility if he has a posterior belief $\mu_k$ and the receiver takes mixed strategy $\alpha_k$, where $\alpha_k(a)$ stands for the probability of taking action $a$ under mixed strategy $\alpha_k$. Define $E_{\alpha_{-j}}[u_S(a, \mu_{-j})]$ similarly.

Starting with initial belief $\mu \in (\mu_{-j}, \mu_k)$ (i.e., expectation of the random posterior), the payoff from an experiment that generates posteriors $\mu_{-j}$ and $\mu_k$ and induces $\alpha_{-j}$ and $\alpha_k$ is:

$$W_{-j,k}(\mu; \alpha_{-j}, \alpha_k) := \frac{\mu_k - \mu}{\mu_k - \mu_{-j}} E_{\alpha_{-j}}[u_S(a, \mu_{-j})] + \frac{\mu - \mu_{-j}}{\mu_k - \mu_{-j}} E_{\alpha_k}[u_S(a, \mu_k)].$$

This payoff is linear in $\mu$ with a constant derivative,

$$W'_{-j,k}(\mu; \alpha_{-j}, \alpha_k) = \frac{E_{\alpha_k}[u_S(a, \mu_k)] - E_{\alpha_{-j}}[u_S(a, \mu_{-j})]}{\mu_k - \mu_{-j}}.$$

If $\alpha$ puts probability one on an action $a \in A_R(\mu)$, then it represents a pure strategy. We sometimes replace $\alpha$ by $a$ to emphasize the difference between pure strategy and mixed strategy.

To analyze incentive compatibility issues, both the level of $E_{\alpha}[u_S(a, \mu)]$ and its slope with respect to $\mu$ matter because we need to consider the sender’s payoff when he deviates from truth-telling to induce $\alpha$ at a different belief. We define the marginal
incentive corresponding to a mixed strategy $\alpha$ as:

$$m_S(\alpha) := \mathbb{E}_{\alpha}[u'_S(a, \cdot)].$$

We also use $m_S(a) = u_S(a, 1) - u_S(a, 0)$ to represent the marginal incentive for a pure action $a$.

**Lemma 2.** An information structure that generates posterior beliefs in $\{\mu_{-j}, \mu_k\}$ and induces $\alpha_{-j}$ and $\alpha_k$ at these two beliefs satisfies sender's incentive compatibility constraints (1) if and only if

$$m_S(\alpha_{-j}) \leq W_{-j,k}'(\cdot; \alpha_{-j}, \alpha_k) \leq m_S(\alpha_k).$$

(II)

**Proof.** Sender’s payoff from inducing $\alpha_{-j}$ at belief $\mu_k$ is $\mathbb{E}_{\alpha_{-j}}[u_S(a, \mu_{-j})] + m_S(\alpha_{-j})(\mu_k - \mu_{-j})$. Incentive compatibility requires that this payoff be lower than $\mathbb{E}_{\alpha_k}[u_S(a, \mu_k)]$, which is sender’s payoff from inducing $\alpha_k$ at belief $\mu_k$. This is equivalent to $m_S(\alpha_{-j}) \leq W_{-j,k}'(\cdot; \alpha_{-j}, \alpha_k)$. The second inequality in (II) follows similarly from the requirement that sender has no incentive to induce $\alpha_k$ when his private belief is $\mu_{-j}$. $\square$

Lemma 2 suggests a way to find the optimal information structure. For each binary random posterior $\{\mu_{-j}, \mu_k\}$, we check condition (II) for all pairs $(\alpha_{-j}, \alpha_k) \in \Delta A_R(\mu_{-j}) \times \Delta A_R(\mu_k)$, and select the pair with the highest value of $W_{-j,k}(\mu_0; \alpha_{-j}, \alpha_k)$. Optimizing over $j$ and $k$ would then give the highest achievable payoff $W^*(\mu_0)$ for the sender. The difficulty is that there are infinitely many pairs $(\alpha_{-j}, \alpha_k)$. We now identify the most relevant pairs that will guarantee a solution by searching over such pairs.

For a random posterior $P$ with support $\{\mu_{-j}, \mu_k\}$, there are three types of receiver’s best response we need to consider.

**Pure strategy (PP).** Suppose the receiver takes a pure action after each message. Because receiver’s best response at each boundary belief typically contains two elements, there are four possible PP pairs. We only consider one particular pair. Let $\overline{a}_{-j}$ be the sender-preferred action in $A_R(\mu_{-j})$ at belief $\mu_{-j}$; if the sender is indifferent between $A_R(\mu_{-j})$ at belief $\mu_{-j}$, choose $\overline{a}_{-j} = a_{-j+1}$. Let $\underline{a}_{-j}$ be the remaining action (less preferred by the sender) in $A_R(\mu_{-j})$. Similarly, let $\overline{a}_k$ be the sender-preferred action in $A_R(\mu_k)$ at belief $\mu_k$; if the sender is indifferent, choose $\overline{a}_k = a_{k-1}$. Let $\underline{a}_k$ be the remaining action in $A_R(\mu_k)$. We break the indifference in this way because then the random posterior
Incentive compatibility for pure strategy.

with support \( \{\mu_{-j}, \mu_k\} \) is the most informative information structure that can induce \( \bar{a}_{-j} \) and \( \bar{a}_k \) if the sender reports truthfully.

If inequality (IC) holds for \((\alpha_{-j}, \alpha_k) = (\bar{a}_{-j}, \bar{a}_k)\), we say that the random posterior \( P \) is “IC-PP” and we define \( W_{PP} = W_{-j,k}(\mu_0; \bar{a}_{-j}, \bar{a}_k) \).

Figure 3 illustrates an incentive compatible pair \((\bar{a}_{-j}, \bar{a}_k)\). When \( u_S(\bar{a}_{-j}, \cdot) \) (the black line on the left) is extended to \( \mu_k \), its value is below \( u_S(\bar{a}_k, \mu_k) \) (the black dot on the right). This indicates that the sender would not misreport \( \mu_{-j} \) when his true belief is \( \mu_k \). Similarly he has no incentive to misreport \( \mu_k \) when his true belief is \( \mu_{-j} \).

**One-sided randomization (PM or MP).** Suppose the receiver takes mixed strategy after one of the messages. Consider the case of PM (the MP case is symmetric), and consider the pair \((\alpha_{-j}, \alpha_k) = (\bar{a}_{-j}, \alpha_{PM}^k)\), where \( \alpha_{PM}^k \) puts weight \( \gamma_k \) on \( \alpha_k \) and weight \( 1 - \gamma_k \) on \( \bar{a}_k \). The value of \( \gamma_k \) is determined by the requirement that the sender is indifferent between \( \bar{a}_{-j} \) and \( \alpha_{PM}^k \) at belief \( \mu_{-j} \):\(^4\)

\[
\begin{align*}
  u_S(\bar{a}_{-j}, \mu_{-j}) &= \gamma_k u_S(\bar{a}_k, \mu_{-j}) + (1 - \gamma_k) u_S(\bar{a}_k, \mu_{-j}).
\end{align*}
\]

Notice that the indifference condition (2) determines the highest probability that the receiver can take the sender-preferred action \( \bar{a}_k \) at belief \( \mu_k \) without violating the sender’s incentive compatibility at belief \( \mu_{-j} \). Nevertheless, the value of \( \gamma_k \) that satisfies this equation may be outside \([0, 1]\), in which case \( \alpha_{PM}^k \) is not a probability distribution. By construction, the pair \((\bar{a}_{-j}, \alpha_{PM}^k)\) satisfies the second inequality in (IC) with equality. If

\(^4\) It is possible that \( \gamma_k \) is not uniquely pinned down by the indifference condition. However such situation will not arise in the algorithm we describe below.
it also satisfies and first inequality in (IC), and if $\alpha_{PM}^k$ is a probability distribution and therefore a valid mixed action, we say that the information structure $P$ is “IC-PM,” and we define $W_{j,k}^{PM} = W_{j,k}^{-j}(\mu_0; \alpha_{PM}^k)$.

The left panel of Figure 4 illustrates this construction. Since the sender is indifferent between $a_{-j}$ and $\alpha_{PM}^k$ at belief $\mu_{-j}$, his expected utility from such one-sided randomization equals the expected utility from $\alpha_{PM}^k$ itself. Therefore, it is easy to pin down $W_{j,k}^{PM}(-j; \alpha_{PM}^k)$ graphically. First, draw an affine curve connecting $u_S(a_{-j}, \mu_{-j})$ and the green dot—the intersection point between the extended curves of $u_S(\alpha_k, \cdot)$ and $u_S(\bar{a}_k, \cdot)$. If the sender’s expected utility from $\alpha_{PM}^k$—the blue dot—lies in the sender’s value correspondence $v(\mu_k)$, which is the range between $u_S(\alpha_k, \mu_k)$ and $u_S(\bar{a}_k, \mu_k)$, then $\alpha_{PM}^k$ is a valid mixed action. The value of the affine curve $W_{j,k}^{PM}(-j; \alpha_{PM}^k)$ at $\mu_0$ is the sender’s expected utility from the one side randomization that we identify.

**Double randomization (MM).** This involves the receiver taking mixed strategy after each message. Let $\alpha_{MM}^{\mu}(-j)$ be a mixed action that puts weight $\gamma_{-j}$ on $a_{-j}$ and weight $1 - \gamma_{-j}$ on $\bar{a}_{-j}$. Let $\alpha_{MM}^{\mu}(-j)$ be a mixed action that puts weight $\gamma_k$ on $\alpha_k$ and weight $1 - \gamma_k$ on $\bar{a}_k$. The weights $\gamma_{-j}$ and $\gamma_k$ are chosen in such way that the sender is indifferent between $\alpha_{MM}^{\mu}(-j)$ and $\alpha_{MM}^{\mu}(-j)$ both at belief $\mu_{-j}$ and at belief $\mu_k$:

$$\mathbb{E}_{\alpha_{MM}^{\mu}(-j)}[u_S(a, \mu_{-j})] = \mathbb{E}_{\alpha_{MM}^{\mu}(-j)}[u_S(a, \mu_{-j})], \quad \mathbb{E}_{\alpha_{MM}^{\mu}(-j)}[u_S(a, \mu_k)] = \mathbb{E}_{\alpha_{MM}^{\mu}(-j)}[u_S(a, \mu_k)]. \quad (3)$$

$5$ If $\alpha_{PM}^k$ is not a valid probability distribution, we let $\mathbb{E}_{\alpha_{PM}^k} = \gamma_k u_S(\alpha_k, \mu_{-j}) + (1 - \gamma_k) u_S(\alpha_k, \mu_{-j})$, given that $\gamma_k$ is the solution to equation (2). The corresponding value of $W_{j,k}^{MM}(-j)$ is defined accordingly. We adopt a similar convention for the cases of $PM$ and $MM$. 

Figure 4: Relaxing incentive constraints by randomization.
The two indifference conditions (3) determine the highest probability that the receiver can take the sender-preferred action at both beliefs $\mu_{-j}$ and $\mu_k$ without violating the sender’s incentive compatibility at both beliefs. As by construction, $(\alpha_{-j}^{MM}, \alpha_k^{MM})$ satisfies $m_S(\alpha_{-j}^{MM}) = W'_{-j,k}(\cdot; \alpha_{-j}^{MM}, \alpha_k^{MM}) = m_S(\alpha_k^{MM})$, and so the incentive constraints (IC) hold. The value of $(\gamma_{-j}, \gamma_k)$ that solves these two equations may be outside $[0,1]^2$, in which case one of $\alpha_{-j}^{MM}$ and $\alpha_k^{MM}$ is not a valid mixed action.\footnote{It is possible that $\gamma_{-j}$ and $\gamma_k$ are not uniquely pinned down by the indifference conditions. However such situation will not arise in the algorithm we describe below.} If both $\alpha_{-j}^{MM}$ and $\alpha_k^{MM}$ are valid mixed actions, we say that the random posterior $P$ is “IC-MM,” and we define $W_{-j,k}^{MM} = W_{-j,k}(\mu_0; \alpha_{-j}^{MM}, \alpha_k^{MM})$. This construction is illustrated graphically in the right panel of Figure 4. To verify that $\alpha_{-j}^{MM}$ and $\alpha_k^{MM}$ are valid mixed actions, we just need to make sure that the blue dots in that figure lie on the sender’s value correspondence $v(\cdot)$ at the respective beliefs.

Now we introduce an algorithm that yields the highest achievable payoff $W^*(\mu_0)$, together with an implied optimal random posterior $P^*$.

\textit{Algorithm 1:}

1. For every pair $(-j,k) \in \{-J-1, \ldots, -1\} \times \{1, \ldots, K+1\}$, compute $W_{-j,k}(\mu_0; \bar{a}_{-j}, \bar{a}_k)$ and rank these values from highest to lowest.\footnote{It is not important how we break ties.} Starting from the pair with the highest value, verify whether it is IC-PP or not. Stop the first time an IC-PP pair is found. Assign $W^1 = W_{-j,k}^{PP}$ for such pair and let the set of $(-j,k)$ pairs with $W_{-j,k}^{PP}$ strictly higher than $W^1$ be $S_1$. If there does not exist an IC-PP pair, assign $W^1 = \bar{v}(\mu_0)$ and let $S_1 = \{-J-1, \ldots, -1\} \times \{1, \ldots, K+1\}$.

2. For every pair $(-j,k)$ in $S_1$:
   a. Compute $W_{-j,k}(\mu_0; \bar{a}_{-j}, \alpha_k^{PM})$ and re-rank these values from highest to lowest. Starting with the pair with the highest value, verify whether it is IC-PM or not. Stop the first time when an IC-PM pair is found. Assign $W^{(a)} = W_{-j,k}^{PM}$ for such pair and let the set of $(-j,k)$ pairs with $W_{-j,k}^{PM}$ strictly higher than $W^{(a)}$ be $S^{(a)}$. If none of them is IC-PM, assign $W^{(a)} = \bar{v}(\mu_0)$ and $S^{(a)} = S_1$
   b. \hfill{Go through a symmetric procedure in the case for MP Assign $W^{(b)} = W_{-j,k}^{MP}$ the first time an IC-MP pair is found and let the set of $(-j,k)$ pairs with $W_{-j,k}^{MP}$ strictly higher than $W^{(b)}$ be $S^{(b)}$. If none of them is IC-PM, assign $W^{(b)} = \bar{v}(\mu_0)$ and $S^{(b)} = S_1$.}
Let $W^2 = \max\{W^{(a)}, W^{(b)}\}$. Let $S_2 = S^{(a)} \cup S^{(b)}$.

3. For every pair $(-j, k)$ in $S_2$, compute $W_{-j,k}^{*}(\mu_0; \alpha_{-j}^M, \alpha_k^M)$ and re-rank these values from the highest to lowest. Starting with the pair with the highest value, verify whether it is IC-MM or not. Stop the first time an IC-MM pair is found and assign $W^3 = W_{-j,k}^{MM}$ for such pair. If none of them is IC-MM, assign $W^3 = \bar{v}(\mu_0)$.

4. Assign $W^*(\mu_0) = \max\{W^1, W^2, W^3\}$. The random posterior with support $\{\mu_{-j}, \mu_k\}$ corresponding to the $(-j, k)$ pair that yields $W^*(\mu_0)$ is optimal.

**Theorem 1.** Algorithm 1 determines the highest achievable payoff for the sender.

In the algorithm, although there are infinitely many possible mixed actions that the receiver would take for each pair of $(-j, k)$, we only check four possibilities, namely IC-PP, IC-PM, IC-MP and IC-MM as they determine the highest probabilities that the receiver can take the sender-preferred action without violating the sender’s incentive compatibility. The procedure we describe guarantees a faster searching without checking all possibilities across all $(-j, k)$. We prove the sufficiency of such simplification in the appendix.

To find the highest equilibrium payoff across different prior beliefs as in Figure 1, in principle, we would run Algorithm 1 for every prior belief $\mu_0$. However, it is unnecessary given the linearity of the problem. That is, we only need to re-run the algorithm when the prior belief crosses a boundary belief. Because that is when we need to re-label the actions and when the set of $(-j, k)$ satisfying Bayesian plausibility changes.

The construction behind this algorithm generalizes Lipnowski and Ravid (2020) to the case of binary state with arbitrary preferences. When the sender has state-independent preferences (transparent motives), the marginal incentive $m_S(\alpha)$ is equal to 0 for every mixed action $\alpha$ (including pure action). The incentive compatibility requirement (IC) in Lemma 1 would then require $W'_{-j,k}(\cdot; \alpha_{-j}, \alpha_k) = 0$ for any action pair. This implies that, to find sender’s highest achievable payoff, we can search for the highest piecewise step functions such that every end point of a piece is inside the sender’s value correspondence. This leads to the quasiconcave envelope of $\bar{v}(\cdot)$. In our setup, the fact that $m_S(\alpha_{-j})$ is in general different from $m_S(\alpha_k)$ means that $W'_{-j,k}(\cdot; \alpha_{-j}, \alpha_k)$ is not restricted to be equal to 0. The sender in our setup can achieve a payoff greater than or less than the quasiconcave envelope of $\bar{v}(\cdot)$.

The use of randomization to relax incentive compatibility constraints also follows
Lipnowski and Ravid (2020). Nevertheless, double randomization is never optimal under transparent motives. If the sender is recommending mixed actions $\alpha_{-j}$ and $\alpha_k$ at beliefs $\mu_{-j}$ and $\mu_k$, he could strictly raise his payoff by putting more weight on $\bar{a}_{-j}$ and $\bar{a}_k$ in these mixed actions, provided that the new pair of mixed actions are still incentive compatible. Such deviation is always feasible as long as marginal incentives $m_S(\cdot)$ are equal for all actions. In our model with general preferences, such deviation may not be feasible, and therefore double randomization can remain a candidate as part of optimal information design.

4. When is Information Design Valuable?

The algorithm in Section 3 provides a systematic way to check whether sender’s maximum payoff $W^*(\mu_0)$ under an optimal information structure strictly exceeds his default payoff $\bar{v}(\mu_0)$ for a given prior belief $\mu_0$. We say that information design is valuable if $W^*(\mu_0) > \bar{v}(\mu_0)$ for some prior belief $\mu_0 \in [0, 1]$. Thus information design is not valuable if $W^*(\mu_0) = \bar{v}(\mu_0)$ for all $\mu_0$. This also means no information transmission on path. Unlike Kamenica and Gentzkow (2011) or Lipnowski and Ravid (2020), there is no easy way to characterize the necessary and sufficient condition for information design to be valuable in our model based simply on the concavity or quasiconcavity of $\bar{v}(\cdot)$.\footnote{In a model with discrete action space, sender’s value function $\bar{v}(\cdot)$ is (generically) discontinuous at beliefs for which the receiver is indifferent between different actions. Since a discontinuous function is not concave, information design is always valuable according to our definition when there is full commitment.} In our model, whether information design is valuable depends less on the concavity properties of $\bar{v}(\cdot)$ than on the structure of marginal incentives $m_S(\cdot)$. We provide some economically meaningful sufficient conditions in this section that will settle this question.

We introduce the following concepts that relate to the conflict of interest between sender and receiver.

**Definition 1.** Sender and receiver have opposite marginal incentives if, for any $a', a'' \in A$,

$$m_R(a') < m_R(a'') \iff m_S(a') > m_S(a'').$$
They have aligned marginal incentives if, for any \( a', a'' \in A \),

\[
m_R(a') < m_R(a'') \iff m_S(a') < m_S(a'').
\]

The notion of opposite or aligned marginal incentives has little to do with comparing the level (or the ranking) of utilities attached to different actions at a given belief by the receiver and by the sender. For example, sender and receiver may have identical preference ranking over actions in \( A \) if they know the true state is, say, state 0; yet they may still have opposite marginal incentives according to Definition 1.

Our definition is related to supermodularity or submodularity between action and state. With a binary state space, it is without loss of generality to assume that the receiver preferences are supermodular in \((a, \theta)\) (because we order actions in such a way that higher actions are chosen at higher beliefs). According to this convention, if \( u_S(\cdot, \cdot) \) is strictly submodular, then sender and receiver have opposite marginal incentives. If \( u_S(\cdot, \cdot) \) is strictly supermodular, they have aligned marginal incentives.

**Proposition 2.** If sender and receiver have opposite marginal incentives, then information design is not valuable.

**Proof.** Consider an arbitrary prior belief \( \mu_0 \in (0, 1) \). Take any pair of boundary beliefs such that \( \mu_{-j} < \mu_0 < \mu_k \). Take any arbitrary receiver’s best responses \( \alpha_{-j} \in \Delta A_R(\mu_{-j}) \) and \( \alpha_k \in \Delta A_R(\mu_k) \), with \( \alpha_{-j} \neq \alpha_k \). Our convention of ordering actions implies that \( m_R(\alpha_{-j}) < m_R(\alpha_k) \), and hence \( m_S(\alpha_{-j}) > m_S(\alpha_k) \). By Lemma 1, this pair of actions \((\alpha_{-j}, \alpha_k)\) cannot be incentive compatible. This means that there is no incentive compatible binary information structure that can induce different actions at the boundary beliefs. Therefore an optimal information structure cannot outperform an uninformative experiment. \( \square \)

Proposition 2 is valid regardless of how the sender’s and receiver’s preferences compare in any one of the two states. As long as their marginal incentives are opposite, information design has no value. Figure 5 shows one such example. The sender’s value function \( \overline{v}(\cdot) \) in this figure is obviously not concave. Nevertheless, because the slope in each separate segment of \( \overline{v}(\cdot) \) is decreasing, Proposition 2 implies that, for any prior belief, information design cannot improve the sender’s payoff when he cannot commit to truth telling.
Next, we turn to the case where sender and receiver have aligned marginal incentives.

**Definition 2.** An action \( a' \in A \) blocks \( a'' \in A \) if

\[
u_S(a', \mu') \geq u_S(a'', \mu'') \quad \text{for all } \mu'' \in \{ \mu : a'' \in A_R(\mu) \}.
\]

Action \( a' \in A \) is an *all-blocker* if it blocks all actions in \( A \).

According to Definition 2, action \( a' \in A \) is an all-blocker if and only if

\[
u_S(a', \mu) \geq v(\mu) \quad \text{for all } \mu \in [0, 1].
\]

If \( a' \) does not block \( a'' \) and \( a'' \) does not block \( a' \), then the incentive compatibility constraints (1) can be satisfied and there is an IC-PP information structure at some initial belief that will induce these two actions.

**Definition 3.** An action \( a' \in A \) is worst if, for all \( a'' \in A \),

\[
u_S(a', \theta) \leq u_S(a'', \theta) \quad \text{for all } \theta \in \{0, 1\}.
\]

An action \( a' \in A \) is best if, for all \( a'' \in A \),

\[
u_S(a', \theta) \geq u_S(a'', \theta) \quad \text{for all } \theta \in \{0, 1\}.
\]

If action \( a' \) is worst, the sender prefers any action in \( A \) to this action at any belief \( \mu \).
It implies that any other action in $A$ blocks $a'$, and $a'$ does not block any other action. The converse is not true. Similarly, a best action is necessarily an all-blocker, but an all-blocker need not be best.

**Proposition 3.** If the sender and the receiver have aligned marginal incentives, then information design is valuable if either of the following holds:

(a) No action is an all-blocker for the sender.

(b) No action is worst for the sender.

**Proof of part (a).** For any pair of distinct actions $a', a'' \in A$, there are four mutually exclusive possibilities: (1) $a'$ blocks $a''$ and $a''$ does not block $a'$; (2) $a''$ blocks $a'$ and $a'$ does not block $a''$; (3) neither action blocks the other; or (4) each action blocks the other. Case (4) is impossible under aligned marginal incentives. We claim that at least one pair of actions in $A$ must fall under case (3). Suppose this claim is false, so that case (1) and case (2) mutually exhaust all possibilities on $A$. Then the binary relation “block” on $A$ would be reflexive, complete, and antisymmetric. In the next paragraph, we show that it would also be transitive, and therefore “block” would be a total order on the finite set $A$, which would further imply that there is a maximal action on $A$, i.e., an all-blocker action exists in $A$. This is a contradiction, and therefore we conclude that at least one pair of actions, $a'$ and $a''$, must fall under case (3). This pair of actions are strictly IC-PP because the complement of Definition 2 imposes strict inequality. Thus, an information structure that induces these two actions will improve sender's payoff when, for example, the prior belief is in the interior of $\{\mu : a' \in A_R(\mu)\}$.

To see why transitivity holds under the premise that cases (1) and (2) mutually exhaust all possibilities on $A$, consider $|A| \geq 3$. (If $|A| = 2$, it is immediate that “block” is a total order as the two actions are comparable.) Suppose $a$ blocks $b$ and $b$ blocks $c$, and let $\mu_a$, $\mu_b$ and $\mu_c$ be three distinct beliefs at which these three actions are respective best responses. (a) Suppose $\mu_a < \mu_b$. (a)(i) If $\mu_b < \mu_c$, then $a$ blocks $b$ implies $u_S(a, \mu_b) \geq u_S(c, \mu_c)$ of aligned marginal incentives (supermodularity of $u_S(\cdot, \cdot)$) then imply $u_S(a, \mu_c) \geq u_S(b, \mu_c)$ of aligned marginal incentives then imply that there exists $\mu_a \in \{\mu : a \in A_R(\mu)\}$ such that $u_S(a, \mu_a) > u_S(b, \mu_a) \geq u_S(c, \mu_a)$, where the first inequality follows because $b$ does not block $a$. This shows that $c$ does
not block $a$. Since cases (1) and (2) are mutually exhaustive possibilities under the supposition that no pair of action falls under case (3), $a$ blocks $c$ whenever $c$ does not block $a$. The analysis of (b), where $\mu_a > \mu_b$, is symmetric. In both cases, $a$ blocks $b$ and $b$ blocks $c$ implies $a$ blocks $c$.

The proof of part (b) of Proposition 3 involves finding IC-PM pairs and is more tedious; we leave it to the Appendix. Figure 6 provides two examples to illustrate this proposition. The left panel of Figure 6 shows a case where there is no all-blocker action. Proposition 3(a) implies that there must exist a pair of distinct actions such that neither action blocks the other action. In the figure, the information structure $\{0, \mu_1\}$ is IC-PP for $a_{-1}$ and $a_0$ and it improves the sender’s payoff at prior $\mu_0$.

Next, consider the right panel, where $a_{-1}$ is the least-preferred action in state 1 but is not the least-preferred action in state 0. There is no worst action. In this example, the sender prefers $a_1$ to $a_{-1}$ to $a_0$ at belief 0. Therefore, we can find a randomization $\alpha_{1}^{PM} \in \Delta A_R(\mu_1)$ (shown by the red dot) such that the sender is indifferent between $a_{-1}$ and $\alpha_{1}^{PM}$ at belief 0. Moreover, from aligned marginal incentives, we have $m_S(\alpha_{1}^{PM}) > m_S(a_{-1})$, implying that the sender must strictly prefer $\alpha_{1}^{PM}$ to $a_{-1}$ at belief $\mu_1$. Hence, $\{0, \mu_1\}$ is IC-PM and induces $a_{-1}$ and $\alpha_{1}^{PM}$ at these two beliefs. This information structure improves the sender’s payoff when, for example, the prior belief is $\mu_0$.

Imagine that the payoff corresponding to action $a_{-1}$ in the right panel of Figure 6 shifts down to such an extent that $a_{-1}$ becomes the least-preferred action in both state 0 and state 1. Then any valid mixed action $\alpha_1 \in \Delta A_R(\mu_1)$ would be strictly preferred.
to \( a_{-1} \) at belief 0. Information design would not be valuable in this case because there are no incentive compatible pair of actions.

Note also that action \( a_1 \) in the left panel of Figure 6 is a worst action, and action \( a_1 \) in the right panel is an all-blocker action. This shows that information design can still be valuable when an all-blocker action or a worst action exists for the sender. In other words, conditions (a) and (b) in Proposition 3 are each sufficient for information design to be valuable, but neither of them is necessary.

Proposition 3 suggests that the alignment of marginal incentives between sender and receiver is important for determining whether information design is valuable or not. Given aligned marginal incentives, the alignment of preference ranking over actions matters a lot less. To see this point more clearly, consider a special, yet economically relevant, class of sender preferences.

**Definition 4.** Sender’s preferences are ordinally state-independent if, for every \( a', a'' \in A \),

\[
 u_S(a', 1) > u_S(a'', 1) \iff u_S(a', 0) > u_S(a'', 0).
\]

This definition implies that sender’s ranking over actions is the same at any \( \mu \in [0, 1] \). It is a generalization of transparent motives, because this class of preferences does not require \( m_S(a) \) to be equal to 0 for all \( a \).

Given the labeling we adopt on the action space, the receiver’s ranking over action in state 0 is decreasing in the index of actions, and is increasing in the index of actions when the state is 1. A sender with ordinally state-independent preferences can have arbitrary ranking over actions even though his marginal incentives from each action is a monotone function in receiver’s (when they have aligned marginal incentives).

**Proposition 4.** Suppose sender and receiver have aligned marginal incentives, and the sender’s preferences are ordinally state-independent. Information design is valuable if and only if and the sender’s ranking of actions is non-monotone in the index of actions.

**Proof.** The “only if” part is simple. If the sender’s ranking is monotone in the index of the actions, then there does not exist an informative equilibrium outcome in which the receiver chooses different actions (including mixed actions) after different messages. This implies that information design is not valuable.
To show the “if” part, suppose the sender’s ranking is non-monotone in the index of the actions. This implies that there must be at least three actions in $A$. Moreover there exists an index $n$ such that either (1) the sender prefers $a_{n-1}$ to $a_n$, but $a_{n+1}$ is ranked above $a_n$; or (2) sender prefers $a_n$ to $a_{n-1}$, but $a_{n+1}$ is ranked below $a_n$. Let $I_n := \min\{\mu : a_n \in A_R(\mu)\}$ and $\bar{I}_n := \max\{\mu : a_n \in A_R(\mu)\}$. In case (1a), the sender prefers $a_{n+1}$ to $a_{n-1}$ to $a_n$ at all beliefs, including at belief $I_{n-1}$. Therefore, there exists a mixture $a_n \in \Delta\{a_n, a_{n+1}\}$ that the receiver would optimally choose at belief $\bar{I}_n$ such that the sender is indifferent between $a_{n-1}$ and $a_n$ at belief $I_{n-1}$. Moreover, because $m_S(a_n) > m_S(a_{n-1})$, the random posterior with support $\{I_{n-1}, \bar{I}_n\}$ and an expectation $\mu_0 \in (I_{n-1}, \bar{I}_n)$ is IC-PM given the receiver optimally chooses between $a_{n-1}$ and $a_n$. In case (1b), the sender prefers $a_{n-1}$ to $a_{n+1}$ to $a_n$ at any belief. With a similar reasoning, the random posterior with support $\{I_n, \bar{I}_{n+1}\}$ is IC-MP given the receiver optimally chooses between some $a_{n-1} \in \Delta\{a_{n-1}, a_n\}$ and $a_{n+1}$. In case (2a), the sender prefers $a_n$ to $a_{n-1}$ to $a_{n+1}$. Then the random posterior with support $\{I_{n-1}, \bar{I}_n\}$ is IC-PM given the receiver optimally chooses between $a_{n-1}$ some $a'_{n-1} \in \Delta\{a_{n-1}, a_n\}$. In case (2b), the sender prefers $a_n$ to $a_{n+1}$ to $a_{n-1}$. Then the random posterior with support $\{I_n, \bar{I}_{n+1}\}$ is IC-MP given the receiver optimally chooses between some $a'_{n-1} \in \Delta\{a_{n-1}, a_n\}$ and $a_{n+1}$. 

Ordinal state-independence implies that there does not exist an incentive compatible information structure that induces pure actions by the receiver, because for any two distinct actions $a' \neq a''$, either $u_S(a', \mu) > u_S(a'', \mu)$ for all $\mu \in [0, 1]$, or the opposite (strict) inequality holds for all $\mu \in [0, 1]$. Nevertheless, provided marginal incentives are aligned, Proposition 4 shows that, information design is generally valuable to the sender except in the special case where his ranking over actions is identical to the receiver’s ranking in one of the states. Such information design necessarily requires randomization to relax incentive constraints, and we rely on IC-PM or IC-MP information structures in the proof of Proposition 4.

Finally, in many situations, the sender and the receiver may have common interests in one state but conflicting interests in another state. By this, we mean that receiver’s optimal action in one state is also sender’s most-preferred action in that state (their rankings over other actions in that state can be different).

**Definition 5.** Sender and receiver have common interest in one state if, for $\theta = 0$ or $\theta = 1$,

$$u_S(a, \theta) \geq u_S(a', \theta) \quad \text{for all } a \in A_R(\theta) \text{ and all } a' \in A.$$
With common-interest in one state, we can disentangle sender’s trade-off between acquiring more information and alleviating the conflicts of interest. On the information side, the sender may want to reveal more information about the common interest state—instead of pooling the common-interest state with the other state—so that he can make the correct recommendation more often. On the side of conflicts of interest, since sender and receiver prefer the same action under the common-interest state, revealing it can further increase the sender’s ex-post payoff in that common-interest state and thereby on average increase the sender’s ex-ante payoff.

Proposition 5. Let the common-interest state be state 0, and let the optimal action corresponding to that state be $a_{-j}$.

(a) If $a_{-j}$ is not an all-blocker action, then information design is valuable.

(b) If there exists an action $a_k \in \{A_R(\mu) : \mu \in (\mu_0, 1]\}$ such that $a_{-j}$ does not block $a_k$, then $0 \in \text{supp } P^*$.

Proof. (a) Since $a_{-j}$ is not an all-blocker action, there exists a different action $a'$ such that $u_S(a_{-j}, \mu') < u_S(a', \mu')$ for some $\mu' \in \{\mu : a' \in A_R(\mu)\}$. Moreover, by the definition of common interest in state 0, $u_S(a_{-j}, 0) \geq u_S(a', 0)$. Thus, the random posterior with support $\{0, \mu'\}$ that induces $a_{-j}$ and $a'$ at these two beliefs is IC-PP. Furthermore, it strictly improves the sender’s payoff, for example, when the prior belief is in the interior of $\{\mu : a_{-j} \in A_R(\mu)\}$.

(b) Since $a_{-j}$ does not block $a_k$, we have $u_S(a_k, \mu_{k+1}) > u_S(a_{-j}, \mu_{k+1})$. Let $\bar{a}_{k+1}$ be the sender-preferred action in $A_R(\mu_{k+1})$. Then $u_S(\bar{a}_{k+1}, \mu_{k+1}) \geq u_S(a_k, \mu_{k+1}) > u_S(a_{-j}, \mu_{k+1})$. From the definition of common interest in state 0, $u_S(a_{-j}, 0) \geq u_S(\bar{a}_{k+1}, 0)$. Therefore, the random posterior with support $\{0, \mu_{k+1}\}$ is IC-PP if the receiver optimally chooses between $a_{-j}$ and $\bar{a}_{k+1}$.

By Proposition 1, it is without loss of generality to only consider information structures that generate posteriors that are in the set of boundary beliefs $B$. Consider an incentive compatible random posterior $P'$ with support $\{\mu_{-j}, \mu_k\}$ that induces $a_{-j} \in A_R(\mu_{-j})$ and $a_k \in A_R(\mu_k)$. Consider another random posterior $P$ with support $\{0, \mu_{k+1}\}$ that induces actions $a_{-j}$ and $\bar{a}_{k+1}$ at these beliefs. There are two possibilities.

Case (1) $\mu_k = \mu_{k+1}$. Since $P'$ is incentive compatible, the payoff from this informa-
tion structure is
\[
W_{-j,k'}(\mu_0; \alpha_{-j}, \alpha_{k'}) = \mathbb{E}_p \left[ \max \left\{ \mathbb{E}_{a_{-j}}[u_5(a, \mu)], \mathbb{E}_{a_{k'}}[u_5(a, \mu)] \right\} \right]
\leq \mathbb{E}_p \left[ \max \left\{ \mathbb{E}_{a_{-j}}[u_5(a, \mu)], \mathbb{E}_{a_{k'}}[u_5(a, \mu)] \right\} \right]
\leq \mathbb{E}_p \left[ \max \left\{ u_5(a_{-j}, \mu), \mathbb{E}_{a_{k'}}[u_5(a, \mu)] \right\} \right]
\leq \mathbb{E}_p \left[ \max \left\{ u_5(a_{-j}, \mu), u_5(\bar{\alpha}_{k+1}, \mu) \right\} \right]
= W_{-j,k+1}(\mu_0; \alpha_{-j}, \bar{\alpha}_{k+1}).
\]

The first inequality follows from the fact that \(P\) is a mean-preserving spread of \(P'\); therefore there is positive information value when the receiver’s action space is fixed: belief \(\mu_{k+1}\) is realized more often under \(P\) and the sender can correctly recommend \(\alpha_{k'}\) instead of \(\alpha_{-j}\) at \(\mu_{k+1}\). The second inequality follows from common-interest at state 0, \(\mathbb{E}_{a_{-j}}[u_5(a, 0)] \leq u_5(\alpha_{-j}, 0)\)—revealing state 0 increases the sender’s payoff as the receiver will take a more favorable action when state 0 is realized. The third inequality comes from \(\mathbb{E}_{a_{k'}}[u_5(a, \mu_{k+1})] \leq u_5(\bar{\alpha}_{k+1}, \mu_{k+1})\). The last equality comes from the fact that the random posterior with support \(\{0, \mu_{k+1}\}\) is IC-PP for \(\alpha_{-j}\) and \(\bar{\alpha}_{k+1}\).

Case (2) \(\mu_{k'} \neq \mu_{k+1}\). If the information structure \(\{0, \mu_{k'}\}\) that induces \(\alpha_{-j}\) and \(\alpha_{k'}\) is incentive compatible, then the same argument provided in case (1) shows that this information structure will give a higher payoff to the sender than does \(P'\). So we only need to consider the case that \(\{0, \mu_{k'}\}\) is not incentive compatible. In this case, because \(\alpha_{-j}\) is sender’s most-preferred action in state 0, incentive compatibility can fail only when \(u_5(\alpha_{-j}, \mu_{k'}) > \mathbb{E}_{a_{k'}}[u_5(a, \mu_{k'})]\) (i.e., the sender prefers \(\alpha_{-j}\) to \(\alpha_{k'}\) at belief \(\mu_{k'}\)). Moreover, since the sender prefers \(\alpha_{k'}\) to \(\alpha_{-j}\) at belief \(\mu_{k'}\) (incentive compatibility), by transitivity he prefers \(\alpha_{-j}\) to \(\alpha_{-j}\) at belief \(\mu_{k'}\). He also prefers \(\alpha_{-j}\) to \(\alpha_{-j}\) at belief 0. Because preferences are linear in beliefs, this implies that he prefers \(\alpha_{-j}\) to \(\alpha_{-j}\) at belief \(\mu_{-j}\). Therefore,
\[
\mathbb{E}_p \left[ \max \left\{ \mathbb{E}_{a_{-j}}[u_5(a, \mu)], \mathbb{E}_{a_{k'}}[u_5(a, \mu)] \right\} \right] < \mathbb{E}_p' [u_5(\alpha_{-j}, \mu)]
\leq u_5(\alpha_{-j}, \mu_0)
\leq \mathbb{E}_p \left[ \max \{u_5(\alpha_{-j}, \mu), u_5(\bar{\alpha}_{k+1}, \mu)\} \right].
\]

The first inequality follows from the fact that \(\alpha_{-j}\) is strictly better than \(\alpha_{-j}\) and \(\alpha_{k'}\) at belief \(\mu_{-j}\) and belief \(\mu_{k'}\), respectively. The last inequality follows from the fact that the
information structure \(P\) is incentive compatible for \(a_{-J}\) and \(\bar{a}_{k+1}\). Therefore there is positive information value as the sender can correctly recommend \(\bar{a}_{k+1}\) instead of \(a_{-J}\) at belief \(\mu_{k+1}\).

Proposition 5 implies that as long as \(u_s(a_{-J}, \mu) \leq \bar{v}(\mu)\) for some \(\mu > \mu_0\), the support of the optimal random posterior contains 0. If it also contains 1, then the optimal experiment reveals perfect information. If it does not contain 1, the optimal experiment will generate a conclusive signal of the common-interest state. In other words, the underlying Blackwell experiment corresponding to this optimal random posterior will produce a signal that reveals the common-interest state 0 with probability strictly less than 1 when the true state is 0, and never produces a signal that would suggest the state is 0 when the true state is 1. This means that the ex ante probability that the receiver takes action \(a_{-J}\) under the optimal information structure cannot exceed \(1 - \mu_0\).

5. Informativeness Compared to Bayesian Persuasion

In general, the optimal experiment when the sender has no commitment power can be more or less informative than (or not Blackwell-comparable to) the optimal experiment chosen when the sender can commit to truthfully revealing the outcome of the experiment. For example, when sender and receiver have opposite marginal incentives, Proposition 2 shows that the optimal experiment in our setup is a totally uninformative experiment, while the optimal experiment with full commitment is typically non-degenerate, as the concave envelope of \(\bar{v}(\cdot)\) does not coincide \(\bar{v}(\cdot)\) itself.

For an example in which the optimal experiment in our setup is more informative than that in a model with full commitment, consider the case where there is a best action \(a_n\) that the sender prefers the most in both states. Let \(a_n\) be the receiver’s best response when the belief is in the interval \([L_n, \bar{I}_n]\). Let the prior belief \(\mu_0\) be lower than \(\bar{I}_n\). The lesson we learn from Kamenica and Gentzkow (2011) is that if the optimal experiment with full commitment induces \(a_n\) and some other action, it maximizes the ex ante probability that \(a_n\) will be taken by inducing the smallest posterior belief \(L_n\) that is just enough to induce the receiver to choose \(a_n\). When the sender lacks commitment power in communication, inducing the pure action \(a_n\) is not incentive compatible. However, it may be incentive compatible to induce a mixture action between \(a_n\) and \(a_{n+1}\) at belief \(\bar{I}_n\). Because \(\bar{I}_n\) is farther from \(\mu_0\) than \(L_n\) is from \(\mu_0\), the resulting experiment is more
Figure 7: Optimal experiment with and without commitment.

informative than the optimal experiment under full commitment. The next proposition specifies the precise conditions for an analogous argument to be valid.

**Proposition 6.** Assume that sender and receiver have aligned marginal incentives and $|A| \geq 3$. If an action $a_n$ ($n \neq -J,K$) is (strictly) best, then the optimal information structure in our model is (strictly) more informative than the optimal experiment under full commitment for some prior belief.

The proof of this proposition is in the Appendix. Consider Figure 7, $a_n$ is the best action for the sender and the dotted red envelope is the concave envelope of the sender's value function. The optimal experiment under full commitment at prior $\mu_0$ has support $\{I_n', I_n''\}$. The the optimal experiment under full commitment at belief $\mu_0'$ has support $\{I_n', I_{n''}\}$.

In the left panel (case a), the sender with belief $I_{n'}$ strictly prefers $a_n$ over $a_{n'}$ over $a_{n''}$. It implies that there exists a randomization $\alpha_{n}^{PM}$ between $a_n$ and $a_{n''}$ such that the experiment with support $\{I_n', I_{n''}\}$ is IC-PM. Recall that with aligned marginal incentives, $m_S(\alpha_{n}^{PM}) > m_S(a_n)$. Therefore the expected payoff from such IC-PM experiment (the orange triangle) is strictly higher than $u_S(a_{n'}, I_{n'}) + m_S(a_n)(\mu_0 - I_{n'})$ (lying on the gray dashed line). Moreover, with aligned marginal incentives, any incentive compatible experiment that inducing $a_{n'}$ and some action smaller than $a_n$ can only lead to an expected payoff strictly below $u_S(a_{n'}, I_{n'}) + m_S(a_n)(\mu_0 - I_{n'})$. For example, in Figure 7(a), the experiment with support $\{I_{n''}, I_{n'}\}$ is IC-PP for $a_{n'}$ and $a_{n'+1}$. However, sender's expected payoff from it is bounded by the gray dashed line because the slope of sender's
expected payoff is smaller than the marginal incentives of $a_{n'+1}$ (implied by Lemma 2) which is smaller than $m_s(a_n)$. Thus, in this case, under the prior belief $\mu_0$, the optimal experiment in our model is more informative than that under full commitment.

It is possible that the sender with belief $\mu_n'$ strictly prefers all actions higher than $a_n$ over $a_n'$, so that we cannot find an incentive compatible experiment that is more informative than $\{I_{n'}, I_n\}$. This happens in the right panel (case b). However, given the assumption of aligned marginal incentives, there must exist in this case two actions (weakly) smaller than $a_n$ such that the sender with belief $\tilde{I}_{n''}$ prefers one over $a_{n''}$ over the other one. In Figure 7(b), type-$\tilde{I}_{n''}$ sender prefers $a_n$ over $a_{n''}$ over $a_n'$. With a similar reasoning as in case (a), under the prior belief $\mu_0'$, the optimal experiment in our model is more informative than that under full commitment.

6. Canonical Cheap Talk

In this section, we discuss the connection between our model and the canonical cheap talk model under binary state space and finite action space. We introduce a modification of Algorithm 1 to find the highest equilibrium payoff for the sender in canonical cheap talk game.

In the canonical cheap talk game, the sender is initially perfectly informed about the true state. His reporting strategy is essential for generating credible information transmission. It is obvious that for every equilibrium in the canonical cheap talk game, there is a corresponding game in our model inducing the same equilibrium outcome—namely, the sender commits to the information structure that is his reporting strategy in the canonical cheap talk game, and then truthfully reports his private information outcomes.

Conversely, pick a truth-telling equilibrium in our game. To ensure that its outcome is also feasible in the canonical cheap talk, we need to verify an additional constraint, which requires that deviating to a more informative information structure is not profitable given that the receiver’s action is restricted by the set of actions chosen in the truth-telling equilibrium. If this constraint fails, using the information structure in our game as the reporting strategy is not incentive compatible for a sender who knows the true state.

To illustrate the logic behind this constraint, Figure 8(a) provides an example of one-
sided randomization (PM). The random posterior $\{\mu_{-j}, \mu_k\}$ is IC-PM that the sender is indifferent between mixed action $\alpha_{k}^{PM}$ and pure action $\overline{a}_{-j}$ at belief $\mu_{-j}$, and strictly prefers $\alpha_{k}^{PM}$ to $\overline{a}_{-j}$ at belief $\mu_k$. Because both $\mu_{-j}$ and $\mu_k$ are interior and preferences are linear in beliefs, this in turn implies that the sender strictly prefers $\alpha_{k}^{PM}$ to $\overline{a}_{-j}$ at belief 1 and strictly prefers $\overline{a}_{-j}$ to $\alpha_{k}^{PM}$ at belief 0. The equilibrium outcome induced by this one-sided randomization cannot be sustained as an equilibrium outcome in the canonical cheap talk game. To produce an outcome which induces interior beliefs $\mu_{-j}$ and $\mu_k$, the sender must adopt a reporting strategy that recommends both actions with positive probabilities in each state, but this is not incentive compatible for a sender who knows the true state. To put it slightly differently, the information structure with support $\{\mu_{-j}, \mu_k\}$ cannot be sustained as an equilibrium outcome if the sender cannot commit to this experiment, because he can gain from deviating to learn more about the state.

Figure 8(b) modifies the example to show when one-sided randomization can be supported as an equilibrium outcome in the canonical cheap talk game. In Figure 8(b), the pure action $\overline{a}_{-j} = a_j$ is taken at degenerate belief 0. To produce the random posterior $\{0, \mu_k\}$ under cheap talk, the sender must adopt a reporting strategy which recommends the mixed action $\alpha_{k}^{PM}$ only in state 1, and recommends both actions with positive probability in state 0. Since the sender is indifferent between these two actions in state 0, such reporting strategy is indeed incentive compatible and will produce an interior belief $\mu_k$ for the receiver upon getting the recommendation to choose $\alpha_{k}^{PM}$.

This example demonstrates that an IC-PM or IC-MP outcome in our model cannot
be supported as an equilibrium outcome of the cheap talk game if the pure action is chosen at an interior belief and sender has strict preference at the other belief, but it is an equilibrium outcome of the cheap talk game if the pure action is chosen at extreme beliefs (0 or 1). In other words, when looking for pure action in an IC-PM or IC-MP equilibrium of the canonical cheap talk game, we only need to consider actions $a_{-j}$ and $a_k$. Similarly, when looking for an IC-PP equilibrium in the canonical cheap talk game, we only need to consider the two extreme pure actions $a_{-j}$ and $a_k$. On the other hand, if a pair of IC-MM actions are indifferent at beliefs $\mu_{-j}$, $\mu_k$, by construction they are also indifferent at beliefs 0 and 1. An IC-MM outcome in our model therefore can be supported as an equilibrium outcome in the canonical cheap talk game.

This suggests that the sender-optimal equilibrium in the cheap talk model can be obtained from a straightforward modification of Algorithm 1. For pure strategy (PP), we only test incentive compatibility between $a_{-j}$ and $a_k$ at beliefs $\mu_{-j} = 0$ and $\mu_k = 1$. For one-sided randomization, we let $\mu_{-j} = 0$ under PM and let $\mu_k = 1$ under MP. For double randomization, we search for all possible pair of $(-j, k) \in \{-J, ..., -1\} \times \{1, ..., K\}$. This search procedure determines the sender’s highest equilibrium payoff of the canonical cheap talk game with binary states and finite actions.

7. Discussion

The model in this paper has a close relation with a particular scheme of mediated communication, in which a mediator maximizes the ex-ante welfare of an informed sender (Salamanca, 2021). Specifically, a perfectly informed sender sends a message about his private information to a mediator. The mediator then communicates a message to the receiver according to a noisy reporting rule that the mediator commits to at the beginning of the game. After receiving the message from the mediator, the receiver takes an action. If we consider the mediator’s reporting rule as a mapping from the sender’s private information to a distribution of action recommendations, this rule can be interpreted as an information structure. The incentive constraints for this mediated communication game are imposed at the ex ante stage, which require every type of

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9If the sender is indifferent at the other belief that induces the mixed action, then such one-sided randomization can be an equilibrium outcome in cheap talk game. However, it is covered by IC-MM.

10Recall that the indifference conditions (3) may not have unique solution. With the modification, this case may arouse in the algorithm. If this is the case, we pick the mixed actions that maximize the sender’s ex ante payoff.
sender who perfectly knows the state to report his private information truthfully before observing the message sent by the mediator.

In contrast, the sender in our model is uninformed when he commits to an information structure, and then reports his private information to the receiver after observing the outcome of the experiment. Therefore, our model requires \textit{interim-stage} incentive constraints, such that the sender with an interim belief derived from the observed outcome prefers to report his private information truthfully. In spite of this difference, if our sender and the mediator in Salamanca (2021) commit to the same information structure in equilibrium, then both models will yield the same equilibrium outcomes.

Interestingly, under binary state space, the highest equilibrium payoff $W^*(\mu_0)$ that the sender can achieve in our model is always weakly lower than the maximum ex-ante welfare of the sender (i.e., evaluated at $\mu_0$ before the sender becomes perfectly informed) in Salamanca (2021) for any $\mu_0$.

To see this, suppose the optimal random posterior in our sender-receiver game has support $\{\mu', \mu''\}$ and the receiver optimally chooses $a' \in A_R(\mu')$ and $a'' \in A_R(\mu'')$ at the respective beliefs (the same argument will go through if the receiver takes mixed strategy). Without loss of generality, let $\mu' < \mu''$. Then incentive compatibility constraints (1) in our model implies that the following also holds:

$$u_S(a', 0) \geq u_S(a'', 0), \quad u_S(a'', 1) \geq u_S(a', 1).$$

This means that it is incentive compatible for an informed sender to truthfully report his private information (belief 0 or 1) to the mediator, whenever the mediator commits to a reporting rule that recommends $a'$ more often if the sender reports 0 and recommends $a''$ more often if the sender reports 1. Therefore, the sender's incentive constraints in the mediated communication game are satisfied if the mediator commits to the same information structure as the underlying experiment that induces our optimal random posterior. In other words, interim incentive compatibility in our model is more stringent than the incentive compatibility restrictions required by the mediator model, and therefore our model delivers a (weakly) lower expected payoff for the sender than that achievable in Salamanca (2021).

The connection between our paper and Lin and Liu (2022) is more subtle. Lin and Liu (2022) focus on a scenario where the sender's deviation in reporting strategy is
not detectable if the marginal distribution of messages is unchanged. In other words, their sender maximizes the ex ante expected payoff subject to the constraint that the marginal distribution of messages remains the same. Therefore, sender’s credibility requires either (1) the sender’s gain from swapping messages in one state is smaller than the loss from swapping messages in another state, or (2) the sender cannot swap messages without affecting the marginal distributions. That is, the credibility constraint arrives at the ex ante stage. However, in our model, sender’s incentive compatibility arrives at the interim stage.

Figure 9 provides two examples to show these two setups are not nested. In the left panel, the sender prefers $a'$ to $a$ in both states, therefore there is no incentive compatible experiment in our paper, i.e., the highest payoff for the sender under $\mu_0$ is the default payoff (plotted as the orange circle). However, in Lin and Liu (2022), the blue square can be supported as equilibrium payoff, because the sender’s gain from recommending $a'$ instead of $a$ at state 0 is smaller than his loss from recommending $a$ instead of $a'$ at state 1. In the right panel, on the contrary, our model can support a higher equilibrium payoff for the sender than Lin and Liu (2022). The random posterior that induce the orange circle is IC-PP in our model, but is not credible in Lin and Liu (2022) as its support contains two non-degenerate beliefs. In order to produce the payoff indicated by the orange circle, the sender recommends both actions $a$ and $a'$ with positive probabilities in both states. However, the sender strictly prefers $a'$ over $a$ at state 1 and strictly prefers $a$ over $a'$ at state 0, which implies the gains from swapping messages—replace the recommendation of $a'$ by $a$ in state 0 and replace the recommendation of $a$ by $a'$ in state 1—are positive in both states. Moreover, the sender can swap messages in such a
way without affecting the marginal distributions. Therefore, the orange circle is not an equilibrium payoff in Lin and Liu (2022).
Appendix

Proof of Lemma 1. Given $P$, $\sigma_S$, and a message $m \in M$, the receiver forms a posterior belief $\hat{\mu}^m$, where

$$\hat{\mu}^m(\theta) = \frac{\sum_{\mu \in \text{supp}(P)} P(\mu) \sigma_S(m|\mu) \mu(\theta)}{\sum_{\mu \in \text{supp}(P)} P(\mu) \sigma_S(m|\mu)},$$

for $\theta \in \Theta$. We use $\hat{\mu} \in \Delta(\Delta \Theta)$ to denote the distribution of the receiver’s posterior beliefs, with $\hat{\mu}(\hat{\mu}^m) = \sum_{\mu \in \text{supp}(P)} P(\mu) \sigma_S(m|\mu)$. Then player $i$’s expected utility can be simplified to:

$$U_i(\sigma_S, \sigma_R, P) = \sum_{m \in M, \theta \in \Theta, a \in A} \hat{\mu}(\hat{\mu}^m) \hat{\mu}^m(\theta) \sigma_R(a|m) u_i(a, \theta).$$

Thus each player’s expected utility only depends on the joint distribution of receiver’s posterior belief and the action. If we let the sender directly commits to the random posterior $\hat{\mu}$, and construct a (truth-telling) reporting strategy $\hat{\sigma}_S$ such that for all $\mu \in \text{supp}(\hat{\mu})$, $\hat{\sigma}_S(m|\hat{\mu}^m) = 1$, then player $i$’s expected utility further simplifies to:

$$U_i(\sigma_S, \sigma_R, P) = U_i(\hat{\sigma}_S, \sigma_R, \hat{\mu}).$$

Moreover, $(\sigma_S, \sigma_R, P)$ being an equilibrium strategy profile implies $(\hat{\sigma}_S, \sigma_R, \hat{\mu})$ is an equilibrium strategy profile. Since reporting $m \in M$ is a best response to $\sigma_R$ for every sender type of $\{\mu \in \text{supp}(P) : \sigma_S(m|\mu) > 0\}$, reporting $m$ is also a best response for sender type $\hat{\mu}^m$, as $\hat{\mu}^m$ is a convex combination of $\{\mu \in \text{supp}(P) : \sigma_S(m|\mu) > 0\}$.

To prove the second part, suppose a random posterior $P$ with $|\text{supp}(P)| > |\Theta|$ that can lead to a truth-telling equilibrium is optimal. By Carathéodory’s Theorem and Krein-Milman Theorem, $\mu_0 = E_p[\mu]$ can be written as a convex combination of $|\Theta|$ elements of $\text{supp}(P)$, denoted as $P' \in \Delta(\Delta \Theta)$ with $|\text{supp}(P')| = |\Theta|$ and $\text{supp}(P') \subset \text{supp}(P)$. Let the receiver preserve $\sigma_R$, then $P'$ can lead to a truth-telling equilibrium. Let $c : \text{co}(\text{supp}(P)) \to \mathbb{R}$ be the smallest concave function such that $c(\mu) \geq \sum_{a \in A} \mu(a) u_S(a, \theta)$ at all $\mu \in \text{supp}(P)$. The random posterior $P'$ can perform equally well as $P$ because $c$ must be affine on $\text{co}(\text{supp}(P))$.

Proof of Theorem 1. Suppose a random posterior has support $\{\mu_{-j}, \mu_k\}$. We show that
there is an increasing linear function \( \phi \) between payoff among all IC-MP mixed actions. A lower payoff than \( \gamma < \gamma \) implies that there is a unique \( \gamma \) for which the fact that the sender’s payoff is bounded above by \( \max\{W_{-j,k}^{PP}, W_{-j,k}^{PM}, W_{-j,k}^{MP}, W_{-j,k}^{PP}\} \). Hence searching over the actions prescribed by Algorithm 1 leads to the optimal random posterior.

First, actions \( \alpha_{-j} \) and \( \alpha_k \) will give the highest possible payoff to the sender at beliefs \( \mu_{-j} \) and \( \mu_k \), respectively, if this pair is IC-PP.

Next, suppose inducing \( \alpha_{-j} \) at belief \( \mu_{-j} \) is not incentive compatible while inducing \( \alpha_k \) at \( \mu_k \) is incentive compatible. Consider the pure action that plays \( \alpha_{-j} \) with probability 1, and the mixed action \( \alpha_k \) that randomizes between \( \alpha_k \) and \( \alpha_k \) with probabilities \( \gamma \) and \( 1 - \gamma \), respectively. We have

\[
F(1, \gamma) := m_s(\alpha_{-j}) - W_{-j,k}^{'}(\cdot; \alpha_{-j}, \alpha_k) \leq 0,
\]

\[
G(1, \gamma) := W_{-j,k}^{'}(\cdot; \alpha_{-j}, \alpha_k) - m_s(\alpha_k) > 0,
\]

for \( \gamma = 1 \). Note that \( G(1, \gamma) \) linear in \( \gamma \). If \( G(1, 0) > 0 \), there is no IC-PM action pair. Otherwise there is a unique \( \gamma_k^{PM} \in [0, 1) \) such that \( G(1, \gamma_k^{PM}) = 0 \). This corresponds to \( \alpha_k^{PM} \) in Algorithm 1. If \( F(1, \gamma_k^{PM}) > 0 \), there is no IC-PM action pair. Otherwise \( \alpha_k^{PM} \) is IC-PM. In the latter case, all mixed actions with \( \gamma < \gamma_k^{PM} \) are also IC-PM, but they give a lower payoff than \( W_{-j,k}^{PM} \). A similar argument establishes that \( \alpha_{-j}^{MP} \) gives the highest payoff among all IC-MP mixed actions.

Finally, suppose inducing \( \alpha_{-j} \) at belief \( \mu_{-j} \) is not incentive compatible and inducing \( \alpha_k \) at \( \mu_k \) is also not incentive compatible. Consider mixed action \( \alpha_k \) that randomizes between \( \alpha_k \) and \( \alpha_k \) with probabilities \( \gamma \) and \( 1 - \gamma \), and mixed action \( \alpha_{-j} \) that randomizes between \( \alpha_{-j} \) and \( \alpha_{-j} \) with probabilities \( \gamma' \) and \( 1 - \gamma' \). We have

\[
F(\gamma', \gamma) = m_s(\alpha_{-j}) - W_{-j,k}^{'}(\cdot; \alpha_{-j}, \alpha_k) > 0,
\]

\[
G(\gamma', \gamma) = W_{-j,k}^{'}(\cdot; \alpha_{-j}, \alpha_k) - m_s(\alpha_k) > 0,
\]

for \( \gamma' = \gamma = 1 \). At step 3 of Algorithm 1, there is no IC-PM pair at beliefs \( \mu_{-j} \) and \( \mu_k \). This means that either (a) \( G(1, 0) > 0 \); or (b) there exists \( \gamma_k^{PM} \in [0, 1) \) such that \( G(1, \gamma_k^{PM}) = 0 \) and \( F(1, \gamma_k^{PM}) > 0 \). In case (a), \( G(1, 1) = 0; G(1, 0) > 0 \), together with the fact that \( G(\gamma', \gamma) \) is linear in its two arguments and decreasing in \( \gamma' \), imply that \( G(\gamma', \gamma) > 0 \) for all \( (\gamma', \gamma) \). In other words, an IC-MM pair does not exist. In case (b), \( G(1, 1) > 0 \) and \( G(1, 0) \leq 0 \) imply \( G(\gamma', \gamma) \) is increasing in \( \gamma \). Since \( G(1, \gamma_k^{PM}) = 0 \), there is an increasing linear function \( \phi : [0, \gamma_k^{PM}] \to \mathbb{R} \) with \( \phi(\gamma_k^{PM}) = 1 \) such that
\[ G(\phi(\gamma), \gamma) = 0 \text{ for } \gamma \in [0, \gamma_{k}^{PM}]. \] Recall that \( F(\phi(\gamma), \gamma) \) is linear in \( \gamma \) and is positive at \( \gamma = \gamma_{k}^{PM} \). If \( F(\phi(\gamma), \gamma) > 0 \) for all \( \gamma \in [0, \gamma_{k}^{PM}] \), there is no IC-MM pair. Otherwise, let \( \gamma_{k}^{MM} \in [0, \gamma_{k}^{PM}] \) be the unique value that satisfies \( F(\phi(\gamma_{k}^{MM}), \gamma_{k}^{MM}) = 0 \). The mixing probabilities \( \gamma' = \phi(\gamma_{k}^{MM}) \) and \( \gamma = \gamma_{k}^{MM} \) correspond to the action pair \((\alpha_{-j}^{MM}, \alpha_{k}^{MM})\) of Algorithm 1, and is IC-MM by construction.

Whenever there exists an IC-MM pair, \( G(\gamma', \gamma) \) is increasing in \( \gamma \) (and decreasing in \( \gamma' \)). Therefore, any pair of mixing probabilities in the set,

\[ IC_{G} = \{ (\gamma', \gamma) \in [0, 1]^2 : \gamma \leq \gamma_{k}^{PM} \text{ and } \gamma' \geq \phi(\gamma) \}, \]

will satisfy \( G(\gamma', \gamma) \leq 0 \). In this case we can also define a linear function \( \psi : [0, 1] \rightarrow \mathbb{R} \) such that \( F(\psi(\gamma), \gamma) = 0 \) for \( \gamma \in [0, 1] \). By construction, \( \psi(\gamma_{k}^{MM}) = \phi(\gamma_{k}^{MM}) \). Moreover, at step 3 of Algorithm 1, there is no IC-MP pair. By a similar reasoning as above, if an IC-MM pair exists, \( F(\gamma', \gamma) \) must be increasing in \( \gamma' \) (and decreasing in \( \gamma \)). Therefore \( F(1, \gamma_{k}^{PM}) > 0 \) implies \( \psi(\gamma_{k}^{PM}) < 1 = \phi(\gamma_{k}^{PM}) \). This means \( \psi(\cdot) \) crosses \( \phi(\cdot) \) at \( \gamma = \gamma_{k}^{MM} \) and from above. Any pair of mixing probabilities in the set,

\[ IC_{F} = \{ (\gamma', \gamma) \in [0, 1]^2 : \gamma' \leq \psi(\gamma) \}, \]

will satisfy \( F(\gamma', \gamma) \leq 0 \). The set of incentive compatible mixing probabilities is

\[ IC_{G} \cup IC_{F} = \{ (\gamma', \gamma) \in [0, 1]^2 : \gamma \leq \gamma_{k}^{MM} \text{ and } \phi(\gamma) \leq \gamma' \leq \psi(\gamma) \}. \]

Because both \( \psi \) and \( \phi \) are increasing functions, any \((\gamma', \gamma)\) in the incentive compatible set is smaller (component-wise) than \((\phi(\gamma_{k}^{MM}), \gamma_{k}^{MM})\). Thus \((\alpha_{-j}^{MM}, \alpha_{k}^{MM})\) gives the highest payoff among all IC-MM mixed actions. \( \square \)

**Proof of Proposition 3, part (b).** Let \( a_{n} \) be the least-preferred action for the sender in state 0 and \( a_{l} \) be his least-preferred action in state 1. (If there are multiple least-preferred actions in one state, just pick any one of them.) We have \( a_{n} \neq a_{l} \), otherwise \( a_{n} \) would be a worst action. Moreover, \( u_{S}(a_{l}, 0) > u_{S}(a_{n}, 0) \) and \( u_{S}(a_{n}, 1) > u_{S}(a_{l}, 1) \). This implies \( m_{S}(a_{l}) < m_{S}(a_{n}) \). By aligned marginal incentives, \( m_{R}(a_{l}) < m_{R}(a_{n}) \), and therefore the interval of beliefs for which \( a_{l} \) is receiver’s best response, denoted \( I_{l} \), is to the left of the interval \( I_{n} \) for \( a_{n} \). Following the same convention adopted in the text, we let \( L_{l} \) represent the lowest belief in \( I_{l} \) and let \( L_{n} \) represent the highest belief in \( I_{n} \).
There are three mutually exclusive cases. (1) \( a_i \) and \( a_n \) are strictly IC-PP for \( \{ L, \bar{I}_n \} \); (2) \( a_i \) blocks \( a_n \) (but \( a_n \) does not block \( a_i \)); and (3) \( a_n \) blocks \( a_i \) (but \( a_i \) does not block \( a_n \)). In case (1), information design is valuable, for example when \( \mu_0 \) is in the interior of \( I_i \). Cases (2) and (3) are symmetric; thus we consider case (2) only.

Denote \( a_{n+1} \) as the next action higher than \( a_n \); i.e., the receiver is indifferent between \( a_{n+1} \) and \( a_n \) at belief \( \bar{I}_n \). There are several possibilities:

(2a) Suppose \( a_i \) is (weakly) worse than \( a_{n+1} \) at belief \( \bar{I}_n \). Note that under case (2) \( a_i \) is better than \( a_n \) at both belief \( I_i \) and \( \bar{I}_n \). Therefore, there is a mixed action \( \alpha_n \in \Delta\{a_n, a_{n+1}\} \) such that the sender with belief \( I_i \) is indifferent between \( a_i \) and \( \alpha_n \). Moreover, by aligned marginal incentives, \( m_S(a_n) > m_S(a_i) \). Thus, the random posterior with support \( \{I_i, \bar{I}_n\} \) is IC-PM for action \( a_i \) and some mixed action \( \alpha_n \) and information design is valuable, for example when \( \mu_0 \) is in the interior of \( I_i \).

(2b) Suppose \( a_i \) is (strictly) better than \( a_{n+1} \) at belief \( \bar{I}_n \).

(i) If \( a_{n+1} \) is better than \( a_i \) at belief \( \bar{I}_{n+1} \), then \( \{I_i, \bar{I}_{n+1}\} \) is IC-PP.

(ii) If \( a_{n+1} \) is worse than \( a_i \) at belief \( \bar{I}_{n+1} \), then let \( a_{n'} \) be the highest action that \( a_i \) blocks. Notice that \( a_{n'} < a_K \), where \( a_K = A_K(1) \), because \( m_S(a_K) > m_S(a_n) \) and \( u_S(a_K, 0) \geq u_S(a_n, 0) \) imply that \( u_S(a_K, 1) > u_S(a_n, 1) \). Since \( a_i \) is the least-preferred action in state 1, we have \( u_S(a_n, 1) > u_S(a_i, 1) \), and thereby \( u_S(a_K, 1) > u_S(a_i, 1) \). Therefore \( a_i \) does not block \( a_K \). Then with a similar argument as in (2a) and (2b-i), either of the following is true: \( \{I_i, \bar{I}_{n'}\} \) is IC-PM, or \( \{I_i, \bar{I}_{n'+1}\} \) is IC-PP. The existence of \( a_{n'+1} \) comes from \( a_{n'} < a_K \).

**Proof of Proposition 6.** With aligned marginal incentives, the concavification result in Kamenica and Gentzkow (2011) implies that there exists an \( n' < n \) such that with prior belief \( \mu_0 \in (I_{n'}, \bar{I}_n) \), the optimal experiment under full commitment has support \( \{I_{n'}, L_n\} \). Similarly, there exists an \( n'' > n \) such that with a different prior belief \( \mu'_0 \in (I_{n''}, \bar{I}_{n''}) \), the optimal experiment under full commitment has support \( \{\bar{I}_n, \bar{I}_{n''}\} \). We want to show that, in our model, the optimal experiment is strictly more informative than that under full commitment either when the prior is \( \mu_0 \) or when the prior is \( \mu'_0 \). There are only two cases. (a) There exists a \( k \geq n \) such that \( u_S(a_k, I_{n''}) \geq u_S(a_{n'}, I_{n''}) \geq u_S(a_{k+1}, I_{n''}) \).

(b) For every \( k \geq n \), \( u_S(a_k, I_{n''}) > u_S(a_{n'}, I_{n''}) \). Notice that if there exists an experiment with support \( \{I_{n''}, \mu\} \) where \( \mu \in (\bar{I}_{n''}, I_{n''}) \) that is incentive compatible, then the sender’s expected payoff from such experiment is smaller than \( u_S(a_{n'}, I_{n''}) + m_S(a_n)(\mu_0 - I_{n''}) \) (this is implied by Lemma 2). Similarly, if there exists an experiment with support \( \{\mu, \bar{I}_{n''}\} \)
where \( \mu \in (\overline{I}_n, \overline{I}_{n'}) \) that is incentive compatible, then the sender’s expected payoff under \( \mu'_0 \) from such experiment is smaller than \( u_S(a_{n''}, \overline{I}_{n''}) - m_S(a_n)(\overline{I}_{n''} - \mu'_0) \).

In case (a), the experiment with support \( \{I_{n''}, \overline{I}_k\} \) is IC-PM given aligned marginal incentives. Moreover, sender’s expected payoff from such experiment is greater than \( u_S(a_{n''}, I_{n''}) + m_S(a_n)(\mu_0 - I_{n''}) \). Because the receiver randomizes between \( a_k \) and \( a_{k+1} \) at belief \( \overline{I}_k \) and thereby the marginal incentive from such randomization \( \alpha_k \) is greater than \( m_S(a_n) \). Also, from the construction of IC-PM, sender’s expected payoff equals \( u_S(a_{n''}, I_{n''}) + m_S(a_k)(\mu_0 - I_{n''}) \). Therefore, under \( \mu_0 \), there exists an experiment with support \( \{I_{n''}, \overline{I}_k\} \) that is better than any IC experiment with support \( \{I_{n''}, \mu\} \) where \( \mu \in (\overline{I}_{n''}, I_{n''}) \).

Moreover, there cannot exist an IC experiment \( \{\mu, \mu'\} \) with \( \mu < I_{n''} \) and \( \overline{I}_{n''} < \mu' < I_{n''} \) that yields the sender an expected payoff higher than \( u_S(a_{n''}, I_{n''}) + m_S(a_n)(\mu_0 - I_{n''}) \). To see this point, note that Lemma 2 implies that the slope of sender’s expected payoff is smaller than \( m_S(a'_k) \) where \( a' \in A_R(\mu') \), which in turn is smaller than \( m_S(a_n) \) from aligned marginal incentives. This implies the sender’s expected payoff from such experiment, if the prior belief is \( I_{n''} \), would be higher than \( u_S(a_{n''}, I_{n''}) \), which contradicts the fact that \( u_S(a_{n''}, I_{n''}) \) lies on the concave envelope of \( \overline{v}(\cdot) \).

Since \( \overline{I}_k > I_{n''} \), the optimal experiment in our model under \( \mu_0 \), which has support \( \{I_{n''}, \overline{I}_k\} \), is strictly more informative than the (full commitment) experiment with support \( \{I_{n''}, I_{n''}\} \).

In case (b), since \( u_S(a_{n''}, I_{n''}) > u_S(a_{n''}, I_{n''}) \), we have \( u_S(a_{n''}, \overline{I}_{n''}) > u_S(a_{n''}, \overline{I}_{n''}) \) under the assumption of aligned marginal incentive. Then there must exist an \( a_k \) with \( n'' < k \leq n \) such that \( u_S(a_k, \overline{I}_{n''}) \geq u_S(a_{n''}, \overline{I}_{n''}) \geq u_S(a_{k-1}, \overline{I}_{n''}) \). Therefore, there exists an IC-PM experiment with support \( \{I_{k-1}, \overline{I}_{n''}\} \) such that the receiver randomizes between \( a_k \) and \( a_{k-1} \) at belief \( I_k \) and such randomization \( \alpha_k \) has a marginal incentive \( m_S(a_k) \) smaller than \( m_S(a_n) \). Under \( \mu'_0 \), this experiment generates the sender an expected payoff higher than \( u_S(a_{n''}, \overline{I}_{n''}) - m_S(a_n)(\overline{I}_{n''} - \mu'_0) \). Moreover, such experiment is better than any IC experiment with support \( \{\mu, \overline{I}_{n''}\} \) where \( \mu \in (\overline{I}_n, \overline{I}_{n''}) \). Because \( I_k < I_n \), the optimal experiment in our model under \( \mu'_0 \), which has support \( \{I_k, \overline{I}_{n''}\} \), is strictly more informative than the (full commitment) experiment with support \( \{I_n, \overline{I}_{n''}\} \).
References


