

Contents

1	Introduction	1
2	Decisions under Uncertainty and Information	7
2.1	Decision Making under Uncertainty	7
2.2	Uncertainty and Information	12
2.2.1	Information Structures	13
2.2.2	Revision of Probability Beliefs	15
2.2.3	General State and Signal Spaces	16
2.2.4	The Value of Information	18
2.2.5	Good News and Bad News	23
2.3	Conclusion	26
3	The Ordering of Information Structures	27
3.1	Blackwell's Criterion	28
3.1.1	The Garbling of Signals	28
3.1.2	The Case of Binary Information Structures	32
3.1.3	Characterization in Posteriors	36
3.1.4	Blackwell's Theorem	43
3.1.5	Characterization with Uncertainty Functions	47
3.1.6	A More General Equivalence	48
3.2	Weaker Ranking Criteria	50
3.2.1	Lehmann's Criterion	51
3.2.2	Kim's Criterion	55
3.3	Criteria Defined on Posteriors	60
3.3.1	Three Notions of Dispersion	62
3.3.2	Deriving the Effects of Better Information	66

3.4	Relating the Approaches	67
3.5	Conclusion	76
4	Production under Endogenous Uncertainty	77
4.1	The Competitive Firm and Uncertain Factor Prices	77
4.1.1	The Model	80
4.1.2	Transparency, Production and Profits	84
4.1.3	Effects on Welfare	97
4.2	International Trade and Uncertain Factor Import Prices . . .	99
4.2.1	The Model	101
4.2.2	The Role of Transparency	108
4.3	Conclusion	111
5	Summary and Concluding Remarks	113
	Bibliography	IX