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"Beliefs, Payoffs, Information: On the Robustness of the BDP Property in
Models with Endogenous Beliefs"
(joint with Martin Hellwig)

Abstract:

According to Neeman (2004) and Heifetz and Neeman (2006), the scope for rent extraction under incomplete information with correlated values depends on whether agents' payoffs can be inferred from their beliefs about other agents. Whereas they have argued that this so-called BDP property ("beliefs determine preferences") holds on a negligible set of incomplete-information models only, we show that this property is generic in an abstract-type-space formulation, if beliefs are derived by conditioning on agents' information, including their own payoffs, and if the set of objects about which beliefs are formed is sufficiently rich.