

Cost over Content: Information Choice in Trade
Kristóf Madarász (LSE) and Marek Pycia (U Zurich)*

November 2025

Abstract

A privately-informed buyer takes an action that impacts the distribution of information between her and the seller. The available actions differ in both content (what information is revealed and what remains hidden) and costs. For a large class of trading environments where buyers can choose from an arbitrary set of dynamic signal-generating processes and the costs of these processes can depend on the buyer's private information, we establish a "cost-over-content" theorem: buyers will only choose least expensive processes. We explore implications for data trade, market power, and the power of setting a default information structure in trade regulation.

Keywords: Communication Costs, Default-based Regulation, Data Trade, Dynamic Pricing, Privacy Paradox.