

**Christopher Gertz**

**“Quality Uncertainty with Imperfect Information Acquisition”**

Abstract:

We analyze a monopolistic model of quality uncertainty but with the possibility of information acquisition on the consumer side. Information is costly and its amount is chosen by the consumer. Our analysis of Bayesian equilibria shows the possibility of three equilibrium classes, only one of which leaves positive utility to the consumer. The classic adverse selection results of these markets are weakened in this situation. We show that cheaper information does not necessarily benefit the consumer but can instead rule out the buyer-friendly and welfare maximizing equilibria.