

Social values of information under irreversible decision making

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Abstract:

We consider irreversible decision-making problems with strategic interaction in a two-period model. In this setting, we investigate quasi-option values and expected values of perfect information under strategic interactions. By comparison with the standard model, we show the effects of interactions for these values. In addition, we suppose a social planner who is not a participant in a game but tries to maximize the social welfare, possesses some information in the decision problems. Then we show that she derives higher social welfare by controlling the flow of information.

Key words: quasi option value, AFHH value, value of information, information structure, irreversible decisions, environmental development.

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