Who Talks? Disclosure and Price Inference in Production Networks

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Question

How do firms learn about macroeconomic conditions?

Strengths

- Rich data: randomized information treatment + universe of B2B links
- Strong identification strategy
- Tight connection between theory and empirics
- Novel evidence that firms learn through something beyond prices

Production networks transmit information and the transmission mode is itself an equilibrium object.

Relation to the Literature

Expectation formation

- How do firms update beliefs?
- This paper: firms learn from network partners, not just in isolation.

Information frictions

- Why isn't information transmitted perfectly?
- This paper: transmission as an endogenous choice.

Learning from prices

- When are prices sufficient statistics for information?
- This paper: communication can substitute for learning from prices.

Strategic communication

- When can repeated relationships sustain truthful disclosure?
- This paper: repeated ties make honest disclosure incentive compatible.

Andrade et al. (2022), Afrouzi (2024), Huo et al. (2025), Fang et al. (2025), La'O & Tahbaz-Salehi, Nikolakoudis, Crawford & Sobel (1982)

Closest papers: Hajdini, Kumar, Malik, Norris & Pedemonte (2025), Coibion, Gorodnichenko & Ropele (2020).

Summary

Experiment

- Randomly inform some suppliers about inflation
- Observe buyer-supplier links
- Measure whether buyers update beliefs

Main findings

- Buyers respond more to treated suppliers
- Effect stronger in long-standing supplier relationships
- Short relationships rely more on prices
- Long relationships rely more on communication

Model: Repeated relationships make truthful communication incentive compatible.

Comment 1: What Is Identified?

The experiment identifies:

$$\text{Supplier informed} \rightarrow \text{Buyer updates beliefs}$$

Observed: supplier expectations (survey), supplier prices, buyer expectations, transaction links
Unobserved: communication, contract negotiations, price guidance, sales forecasts

- Convincingly identifies a channel beyond prices
- Structural model provides an interpretation

Suppliers in close relationships communicate private information directly, rather than leaving buyers to infer it solely from prices.

The treatment itself is public CPI data. What is really disclosed? Most likely the suppliers' understanding of how this maps into their costs.

Comment 2: Is Strategic Disclosure Unique?

The model motivates stronger communication with repeated-game incentives

- Long relationships: trust and organisational integration. Can these produce the same pattern?
- Yes, and Fact 3 provides evidence for incentives over integration (info transmission tracks the sender's margin, not the receiver's).

Information treatment is randomised. Relationship value, persistence and breadth are realised outcomes. A good relationship could show more contact and persistence for reasons unrelated to repeated-game discipline.

- Ruling out reverse causality in Fact 3: instrument or shock to relationship value/persistence?
- Disclosure cost (ψ): cost of a verifiable reporting channel (shared source documents, accounting transparency, mutual familiarity). Could low ψ and no repeated-game threat lead to the same sender-side pattern?

Comment 3a: Heterogeneity and Dynamics

Who does this apply to? Where is the effect concentrated?

- Small firms/firms with fewer suppliers/cash-constrained firms/firms more exposed to imported inputs?
- Suppliers with many upstream links might disclose less because their own information is harder to summarize.

How general is it?

- Since treatment is persistent, not one-off: does the belief effect accumulate with cumulative exposure to a treated partner (a stock), or stay flat regardless of treatment tenure (a flow)?
- Calibration identified during a high-inflation episode. Would predictions differ in a low-inflation regime?
- Relatedly: aggregate stabilization has "limited traction" on a bilateral communication problem. Successful stabilization shrinks the wedge-gain from disclosure (scales with macro volatility) and thereby the incentive to disclose?

Comment 3b: Evidence and Extensions

Strengthening the evidence

- Supplier beliefs come from a survey: measurement error would attenuate the pass-through. Would the true effect on buyers may be larger?
- Disclosure is binary in the calibration, not the empirics. Is there an empirical proxy for disclosure intensity, beyond belief loadings?

Macro extensions

- Network centrality: do a handful of well-connected suppliers end up shaping aggregate beliefs disproportionately?

Conclusion

- Excellent identification: compelling evidence that firms learn through production networks beyond prices.
- Structural interpretation is plausible, but is it uniquely identified? Robustness rules out three alternatives (the price channel, generic attention/contact, organisational integration)
- A few more testable implications could sharpen the data and mechanism in what is already a very good paper.