

Abstract

In their classic paper Crawford and Sobel argue that even in the presence of an incentive to lie, there could still be meaningful communication through imprecise cheap-talk. We extend their model to study communication when the receiver is uninformed about the conflict of interest. We find that compared to a scenario where the conflict is disclosed prior to the game, uncertainty allows the sender to be more precise when her incentive to lie is great and it might allow her more precise communication in all contingencies. We also show that if players are sufficiently sensitive to bad advice then *non-disclosure* of conflict of interest allows for higher welfare for both parties. We discuss revelation of the conflict through cheap talk and show situations where revelation allows for meaningful communication but disclosure does not.