Abstract of a paper to be presented at the
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False Advertising and Consumer Protection Policy

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There is widespread evidence that some firms use false advertising to overstate the value of their products. In a standard setting with rational consumers and a general form of demand, we present a model in which a regulator is able to verify and punish false claims. There is a natural equilibrium in which firms over-claim probabilistically, and in which tougher regulation leads to more informative advertising. To assess a range of policy issues, we then establish a set of demand and parameter conditions to characterise the optimal level of regulatory punishment under different welfare objectives.