Experts & Experiments*

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Abstract

We develop a two-period model of decision making under uncertainty. The key novelty is that the decision maker can both consult an expert for advice *and* experiment, learning from his experience. We characterize a family of equilibria in which expert advice and experimentation coexist on the equilibrium path. We show the decision maker's ability to experiment shapes the advice he receives from the expert and, in turn, that the expert's advice shapes the experiments the decision maker undertakes. In equilibrium, expert advice and experimentation are complements. The more precisely the expert communicates, the greater the decision maker's incentive to experiment. However, there exists an upper bound on the quality of advice that the expert can provide in equilibrium, and this bound is lower than when the decision maker cannot experiment. The ability to experiment empowers the decision maker but, in so doing, makes communication with the expert more difficult, so much so that both players can be left worse off.

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