

5/22 Prof Zapechelnyuk's title+abstract:

The title is “Optimal Inquiry” (joint with Tai-Wei Hu, University of Bristol)

Abstract: We propose a new framework of costly information processing. A decision maker processes information about an uncertain state of nature by a procedure called inquiry. An inquiry starts with an initial question about the state, specifies subsequent questions depending on earlier answers, and, eventually, prescribes decisions.

The decision maker bears a cost proportional to the length of inquiry. Thus, more refined information is costlier. We characterize optimal inquiries and show their dynamic consistency. We also expose two behavioral biases of optimal inquiry: focused attention (the decision maker focuses on a subset of decisions and assigns them different priorities) and confirmation bias (the decision maker seeks evidence through inquiry to confirm her prior guess of which decisions are optimal).