

Restless Strategic Experimentation

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Resumo/Abstract:

I study a game of strategic experimentation with two-armed bandits in which the state of the world is restless, “reboots” at exponentially distributed random times. Players observe neither the initial state of the world nor reboot times, but may learn about whether the current state is good via news that arrives at exponential times. With restless state, players may experiment beyond the single-player threshold, and so the encouragement effect may be present even with learning via perfect good news. There also exists a range of parameters for which myopic behavior is socially optimal, and the equilibrium is efficient.