Learning through consumption and contemplation

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Abstract

This paper models an individual who faces taste uncertainty in a two-period environment. In the first period, the individual chooses a lottery that yields a pair of a consumption alternative for the current period and a decision problem for the next period. She anticipates learning her tastes through consumption and costly contemplation. Because of the contemplation cost, the individual prefers the early resolution of objective uncertainty regarding the second-period decision problem. We consider a preference over lotteries over consumption-menu pairs and give a behavioral characterization of learning through consumption and contemplation.

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