

Title: Managing Consultation for Money

Abstract:

We investigate a model of an expert and a decision maker, where the expert sends cheap-talk messages and monetary transfers. By ignoring advice, the decision maker can induce the expert to pay transfers for costly signalling. Consequently, equilibria such that information is fully revealed are not optimal for the decision maker, even if the parties have a common interest. We also show that a conflict of interest enhances the expert's signalling incentive through monetary transfers, which is preferable for the decision maker.