

# A delegation-based theory of expertise

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## Abstract

We investigate competition in a delegation framework. An uninformed principal is unable to perform a task herself and must choose between one of two experts to do the job. The experts, who are biased and imperfectly informed, propose action choices simultaneously. In equilibrium experts may exaggerate their biases, taking into account the expected information content of the rival's proposal and the fact that the principal's optimal choice serves to offset this exaggeration - similar to bidders reacting to the winner's curse phenomenon in common value auctions. We show that having a second expert can benefit the principal, even if the two experts have the same biases or if the first expert is known to be unbiased. In contrast with other models of expertise, in our setting the principal prefers experts with equal rather than opposite biases. The principal may also benefit from commitment to an "element of surprise," making an ex post suboptimal choice with positive probability.

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