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ACCEPTED MANUSCRIPT

Will Truth Out?—An Advisor's Quest To Appear Competent *

Nicolas Klein† Tymofiy Mylovanov‡

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Abstract

We study a dynamic career-concerns environment with an agent who has incentives to appear competent. It is well known that dynamic career concerns create incentives for an agent to be conservative and to tailor his reports towards a commonly held prior opinion. The existing models, however, have focused on short time horizons. We show that, for long time horizons, there exist countervailing incentives for the agent to report his true opinion. In particular, if the agent is sufficiently patient, the time horizon is sufficiently long given the agent's patience, and the quality of the competent expert is high enough given the time horizon and the discount factor, the beneficial long-term incentives overwhelm any harmful myopic ones, and the incentive problem vanishes.

KEYWORDS: Reputational cheap talk, career concerns, advisors, strategic information transmission.

JEL CLASSIFICATION NUMBERS: C73, D83.

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