

## ABSTRACT

In the first chapter, we study the effect on the economy of platforms for online consumer reviews. Consumer reviews may have perverse effects, including delays in the adoption of new products of unknown quality when consumers are boundedly rational. When consumers fail to take into account that past reviewers self-select into purchases, a monopolist may manipulate the posterior beliefs of consumers who observe the reviews, because the product price determines the self-selection bias. The monopolist will charge a relatively high price because the positive selection of the early adopters increases the quality reported in the reviews.

In the second chapter, we study a game between a sender and a receiver in a framework of Bayesian persuasion. A sender choosing a signal to be disclosed to a receiver can often influence the receiver's actions. Is persuasion more difficult when the receiver has additional information sources? Does the receiver benefit from having the additional sources? We extend a Bayesian persuasion model to a receiver's acquisition of costly information. The game can be solved as a standard Bayesian persuasion model under an additional constraint: the receiver never gathers her own costly information. The 'threat' of learning hurts the sender. However, the resulting outcome can also be worse for the receiver. We further propose a new solution method which does not rely on concavification, and which is also applicable to standard Bayesian persuasion.

The last chapter focuses on habit formation. Using a laboratory experiment, we study whether habits form mechanically as a consequence of past decisions, or whether they form only if they help the person to improve her decision-making in a complex, stochastic environment. We define habits as action inertia and study them in multiple-period binary tasks with serially correlated incentives. For a fixed sequence of decision problems, habits form when (i) the subjects do not observe past payoff states, and they do not form when (ii) the past states are observed. Since the past actions contain useful information in treatment (i) but not in (ii), the data suggests that habits are a functional adaptation.