

Abstract:

This paper suggests an explanation for the phenomenon of diverging opinions. We present a Bayesian model with two-dimensional uncertainty and multiple agents in which there is no prior disagreement about an optimal decision. Nevertheless, a disagreement among agents may arise and continually increase if additional information becomes available. The model provides testable implications about how occurrence of disagreement depends on the structure of new information. We verify our model experimentally by showing that disagreement is more likely to be observed in the experimental treatment than in the control treatment. Furthermore, in the experimental treatment, the disagreement tends to be *larger* for the subjects whose behavior is more *consistent* with Bayesian updating.