

Abstract

Title: Payoff Consequences of Social Learning - A Meta Analysis
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The paper presents a meta data set consisting of data from 12 experimental studies, all of which essentially conducted the same game of social learning by Bikhchandani, Hirshleifer, and Welch (1992). In these games, it has been shown that the participants often learn from others, but also that there are systematic deviations from Bayes-Nash play. In particular, several studies report estimates of structural behavioral models that indicate that the participants give excessive weight to their own information. These results, however, rely on the maintained assumptions about beliefs about others' strategies. With the large amount of available data, one can address related questions for a large set of decision tasks in a simple way, and without relying on structural assumptions:

- (i) Which of two available actions is the ex-post better one?
- (ii) What proportion of the participants chose the optimal action?
- (iii) How much of the feasible payoffs do the players give up due to the observed behavioral biases?

Among other things, it is found that in situations where the subjects should learn from others and should therefore disregard their own information, they receive 53% of the feasible payoff on average -- only slightly more than what they would earn by randomization. With payoff-maximizing choices, they would have received 64% of the feasible payoff, in these situations. In the remaining situations, where they should not learn from others, they realize a much bigger share, 73% out of the 75% that they could have received. Moreover, for the average participant to disregard their own information with a probability of more than one half, the evidence conveyed by the other players has to be very strong: The likelihood of disregarding being optimal needs to be twice as big as the likelihood for the complementary event.