

Information hoarding in private learning and social learning settings: experimental evidence

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ABSTRACT

The implicit assumption that private information (observing signals) is equivalent to social information (observing others' choices) that contains identical informational content is a cornerstone of existing theories of social learning games and particularly of rational herding models. While existing experimental studies challenge this assumption and find that private information seems to be overweighted, we argue that the interpretation of existing experimental evidence is confounded. To fill the gap in the literature, we design a novel experiment that precludes the confounding factors, and collect both choice data and reservation price data. We find that reservation prices of private information are significantly higher than social information, which provides direct evidence that refutes the implicit assumption and echoes the indirect evidence of existing experimental studies. We also build a novel belief disturbance model in which people form a random posterior but with a kernel of Bayesian posterior to explain experimental findings. A structural estimation of the model shows that both participants' belief disturbance and their viewing others' belief disturbance greater than theirs contribute to the gap in reservation prices.

Keywords: private learning, social learning, belief disturbance

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