

Adaptive Social Learning

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Abstract

This paper investigates the learning foundations of economic models of social learning. We pursue the prevalent idea in economics that rational play is the outcome of a dynamic process of adaptation. Our learning approach offers us the possibility to clarify when and why equilibrium is likely to capture observed regularities in the field. Contrary to the eductive justification for equilibrium, a learning-theoretic model must address the issue of individual and interactive knowledge before the adaptive process starts. We argue that knowledge about the private belief distribution is unlikely to be shared in most social learning contexts. Absent this mutual knowledge, we show that the long-run outcome of the adaptive process favors non-Bayesian rational play.

JEL CLASSIFICATION: C73, D82, D83.

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