

Herd Behavior and Dynamic Coordination (Spring 2019)

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- Course description: We will cover literature on herd behavior and coordination. Herd behavior, observed in many social phenomena, may appear irrational. Literature on herd behavior attempts to explain it as a consequence of rational decision-making subject to constraints in the environment. Herd behavior can also be viewed as resulting from attempts to coordinate among agents. We will start with a simple framework to analyze herd behavior and coordination and read papers which employ various techniques to explain observed phenomena.

- Reading List:
 1. Ivo Welch (1992) "Sequential Sales, Learning, and Cascades," The Journal of Finance, VOL. XLVII, NO. 2.
 2. Abhijit V. Banerjee (1992) "A Simple Model of Herd Behavior," The Quarterly Journal of Economics, Vol. 107, No. 3, pp. 797-817
 3. Sushil Bikhchandani, David Hirshleifer, and Ivo Welch (1992) "A Theory of Fads, Fashion, Custom, and Cultural Change as Informational Cascades," The Journal of Political Economy, Vol. 100, No. 5, 992-1026
 4. In Ho Lee (1993) "On the Convergence of Informational Cascades," Journal of Economic Theory, Vol 61, 395-411
 5. Lones Smith AND Peter Sorensen (2000) "Pathological Outcomes of Observational Learning," Econometrica, Vol. 68, No. 2, 371-398
 6. In Ho Lee (1998) "Market Crashes and Informational Avalanches," Review of Economic Studies, 65, 741-759
 7. Stephen Morris and Hyun Song Shin (1998) "Unique Equilibrium in a Model of Self-Fulfilling Currency Attacks," American Economic Review, Vol. 88, No. 3, 587-597
 8. In Ho Lee and Robin Mason (2008) "Uncertainty, Co-ordination and Path Dependence," Journal of Economic Theory, Vol 138, 262-287