

Abstract

In this thesis I study the effect of decision importance on propensity to engage in herding behaviour and what is bounded rational, optimal, utility maximizing strategy for agents. In the beginning, prior literature on herding behaviour and decision importance is reviewed. The only research connecting these two issues was done in psychology. Therefore a comparison and critique of psychological research versus experimental economics is provided in the methodological part. The main part of this thesis is designing an experiment aimed at differentiation of the propensity to engage in herding behaviour with respect to the importance of the decisions being made. People decide in a cascade among two option according to signals obtained. Eight different treatments are run, each with different size of monetary reward as a motivation. Everyone gets two signals, one private and one public. In situations when these signals are contradictory and of the same informativeness, decisions are measured and compared among treatments. Main hypothesis is that people are less likely to be influenced by other people's decisions as the task importance rises. Also data analysis is outlined.

JEL Classification

C92

Keywords

Herding behaviour, informational cascades, importance, experimental economics

Author's e-mail

alzbeta.kocova@gmail.com

Supervisor's e-mail

cingl@fsv.cuni.cz