Abstract

We consider two types of models: (i) a rational inattention problem (as known from the literature) and (ii) a conformity game, in which fully informed players find it costly to deviate from average behavior. We show that these problems are equivalent to each other both from the perspective of the participant and the outside observer: Each individual faces identical trade-offs in both situations, and an observer would not be able to distinguish the two models from the choice data they generate. We also establish when individual behavior in the conformity game maximizes welfare.

Keywords: conformity, equivalence, rational inattention, social norms

JEL classification: D81 (Criteria for Decision-Making under Risk and Uncertainty), D83 (Search; Learning; Information and Knowledge; Communication; Belief; Unawareness), D91 (Role and Effects of Psychological, Emotional, Social, and Cognitive Factors on Decision Making)