

## Conformity Concerns: A Dynamic Perspective

### ***Abstract:***

In many settings, individuals imitate their peers' public decisions for one or both of two reasons: to adapt to a common fundamental state, and to conform to their peers' preferences. In this model, the fundamental state and peers' preferences are unknown, and the players learn these random variables by observing others' decisions. With each additional decision, the public beliefs about these unknowns become more precise. This increased precision endogenously increases the desire to conform and can result in decisions that are uninformative about a player's preferences or perceptions of the fundamental state. When this occurs, social learning about peers' preferences and fundamentals ceases prematurely, resulting in inefficient decisions. In line with findings from social psychology, I show that interventions aimed at correcting misperceptions of peers' preferences may lead to more efficient decision-making in settings where interventions aimed at correcting misperceptions of the fundamental state may have no effect.