Economists should learn from group behaviour

Dutch diners will often split the bill according to what each ordered. Italians are more likely to divide the total amount equally - pagare alla romana. In the Balkans a nod means ‘no,’ while a shake of the head means ‘yes’. While on the face of it such examples demonstrate how culture and tradition define everyday behaviour, they also illustrate the extent of conformity within social groups, which influences the economic choices that people make.

Bulat Sanditov’s thesis titled “Essays on Social Learning and Imitation,” explores the parallels between socially defined patterns of behaviour and economic practices. Sanditov, a PhD candidate at UNU-MERIT -- a joint research and training centre of United Nations University, and Maastricht University in the Netherlands -- will defend the thesis on 14 December 2006.

“There are good reasons for economists to study imitation,” Sanditov notes at the outset. Building on scientific observations of animal and human behaviour he investigates a variety of economic contexts in which social learning plays a crucial role. Examples include: ‘herding in financial markets,’ which is reflected in growth-bubble-burst-growth economic cycles; the ‘keeping up with the Joneses’ phenomenon that leads to conspicuous consumption; or ‘learning-by-copying’ - a widely practiced strategy for catching up with more technologically advanced firms and countries.

Sanditov formulates several models to examine different sets of relationships and determine what social factors are most significant, from an economic perspective. To examine the relationship between consumption behaviour and social emulation, for instance, he uses a simple evolutionary model of diffusion to show that in a society with a more equitable class structure and liberal social norms (encouraging behavioural variety), there are likely to be more product innovations, and faster diffusion of consumer goods. Similarly, it was changes in the social structure and social norms regarding consumption in the 18th century that prepared the ground for the introduction of industrialization in Western Europe.

Other social-economic relationships examined in the dissertation include:
- The effects of information and communication technologies (ICT) based globalization;
- The impacts of close, or distant, social linkages between economic actors – for instance suppliers and consumers/companies and investors;
- Knowledge flows through the patent system;
- Mutual reinforcements between technological and financial bubbles.

Bulat Sanditov will defend his PhD thesis titled “Essays on Social Learning and
Imitation,” on Thursday 14 December 2006 16.00 hrs at the Aula, Minderbroedersberg 4-6, Maastricht.

A summary of the dissertation is available at:
http://www.merit.unu.edu/seminars/docs/20061214_sanditov.pdf

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About UNU-MERIT
(United Nations University – Maastricht Economic and social Research and training Centre on Innovation and Technology)

UNU-MERIT is a joint research and training centre of United Nations University, based in Tokyo, Japan, and the University of Maastricht in The Netherlands. It integrates the former UNU-Institute for New Technologies (UNU-INTECH) and the Maastricht Economic Research Institute on Innovation and Technology (MERIT).

UNU-MERIT provides insights into the social, political and economic contexts within which innovation and technological change is created, adapted, selected, diffused, and improved upon. The Institute’s research and training programmes address a broad range of relevant policy questions dealing with the national and international governance of innovation, intellectual property protection, and knowledge creation and diffusion.

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United Nations University (UNU) is an international community of scholars engaged in research, postgraduate training and the dissemination of knowledge aimed at resolving the pressing global problems of human survival, development and welfare, in line with the purposes and principles of the Charter of the United Nations.

Established in 1976, Universiteit Maastricht (Maastricht University) is the youngest university in the Netherlands. It has gained a reputation at home and abroad for its unique “Problem-based learning” approach. Approximately 12,000 students and 3,250 staff currently study and work within the University’s seven faculties.