

Referee report on paper by Hargreaves-Heap

This is a well written and engaging, and very up-to-date in the findings it reports. The trouble is that its focus is on what has been found in experimental psychology about conformism, so it is in effect a survey article. I suspect that the editors of the Special Issue may not want a survey piece and would prefer something that pushes at the frontiers of using economics in psychology. At the very least, it would be worth allowing the author space to expand the paper to set out where this kind of literature might help us push the frontiers of economics.

A consequence of its survey focus is that it says surprisingly little about how the findings relate to economic theory, whether existing contributions (for example, there is no discussion of Stephen Jones's 1984 book *The Economics of Conformism* (based on his PhD done under Akerlof's supervision, nor of his subsequent *American Journal of Economics and Sociology* 1992 article 'Was there a Hawthorne effect?)). It could push much harder in spelling the lessons that economists should be picking up. beyond the point about the difficulty for using the Pareto criterion.

Section 2's focus on information cascades implicitly reveals that interest remains on information cascades to the exclusion of conformism due to what Earl, Peng and Potts described (in the *Journal of Economic Psychology*, 2007) as 'decision-rule cascades', which is a different but complementary way of explaining herding.

Section 3 is where the earlier literature on social impacts on productivity might have warranted at least a paragraph, but I think the discussion could have focused more on the problem of uncertainty issue that workers face. Hargreaves-Heap's discussion of what he should see as reasonable for a 100m sprint is focussed on self-esteem rather than on the bigger issue of knowing what is a reasonable and feasible level of output in the long run, especially if one is competing with others for promotion and there may be scope for being punished by others if one is a 'rate-buster' (or 'spoil market' in Singapore English, where it is taken to mean someone who works so hard they make others look bad 00 put 'spoil market' into a google search and you will see what I mean!). The experiments are well away from these issues because they cannot present an environment in which subject compete in a game over periods so long, and for such big stakes, that exhaustion becomes an issue (such research wouldn't pass an ethics committee): in the experiments, stepping up effort may be easy because the experiment is only going on for an afternoon.

Section 4 mentions punishment for not conforming in patterns of consumption but because the work being discussed is from psychology/economics it seems to be omitting the kind of perspective that comes out of, say, the work of Goffman in sociology on deviance, or the classic work in ethnomethodology by Garfinkel, where social pressure requires the deviant to justify their behaviour. This may be costly, both in terms of the time one has to spend gathering ammunition and in terms of the time it takes to make one's case and the diversion of having to do so from other issues), so the benefits may be judged less than the costs of deviance and hence one conforms, especially if one is prone to hyperbolic discounting. The justification issue is mentioned in Earl (1983) *The Economic Imagination*, via Goffman and Garfinkel but has not really been picked up by other economists (that discussion predates the hyperbolic discounting literature that seems to add weight to the idea that costs of having to justify deviance will loom large and deter people from going against the grain in pursuit of long-run gains. Again, in the real world something that tends to involve complex situations where knowledge is required to satisfy demands for justification and those whose world views are being challenged may have trouble soaking up the message (a tacit knowledge problem) and continue to harass the deviants.

I am not sure that the music downloading experiment reported in section 4 should be seen as an example of preference conformity. It might be, but one needs to recognise that a music track is essentially a stream of information and without downloading it one doesn't know whether it is worthwhile to take the trouble to do so, given the opportunity costs of checking it out. Thus, information about frequency of downloads may be being

used just as with the restaurant example in section 2, as a means of judging quality. I may know the kind of music I like but not know what a particular piece of music is like.

The end of the music download experiment's discussion mentions bandwagon effects in passing, but without any reference to Leibenstein's classic QJE1950 article. If one takes bandwagon effects seriously in this sector, the obvious thing to do is to try to predict peak position of a song based on its entry level in the chart and its movement between the first and second week in the chart, much in this spirit. One of my masters students tried this with some data from his home country and the simple model he made worked well as part of his thesis, but there are no journal articles on the pop charts that have tried anything similar with fancier econometrics.

I liked the more critical tone of the final paragraph of section 4 and the point there made about investing in knowing about commonly consumed cultural product such as TV programmes in order to get the benefits of conversing with others. But a further point that might be made is that we mustn't forget that an individual's identity may limit the extent to which they will conform and we need more recognition of this both in these experiments and by theorists: I'm 'not the sort of person' who will knowingly download particular kinds of music (say, country and western, or rap), even if with some categories I may use download popularity of particular tracks on iTunes as a means of judging quality where I know something about the artist or genre.