

Preferences and Social Influence*

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May 20, 2016

Abstract

Interaction between decision makers may affect their preferences. We consider a setup in which each individual is characterized by two sets of preferences: his unchanged core preferences and his behavioral preferences. Each individual has a social influence function that determines his behavioral preferences given his core preferences and the behavioral preferences of other individuals in his group. Decisions are made according to behavioral preferences. The paper considers different properties of these social influence functions and their effect on equilibrium behavior. We illustrate the applicability of our model by considering decision making by a committee that has a deliberation stage prior to voting.

Keywords: Risk aversion, social influence, behavioral preferences.