Observational Learning with Ordered States*

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Abstract

When does society eventually learn the truth, or underlying state, via observational learning? In a general model of sequential learning over networks, we develop the interplay of preferences satisfying single-crossing differences (SCD) and a new informational condition, directionally unbounded beliefs (DUB). For a wide class of social network structures, SCD preferences and DUB information are a minimal pair of sufficient conditions for learning. Unlike "unbounded beliefs", which is the informational condition that characterizes learning for all preferences, DUB is compatible with the monotone likelihood ratio property. More broadly, we establish that for arbitrary preferences and information, there is "information diffusion".

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