

➤ Wednesday, January 19th, 2022

16:00 - 17:00

IRISK RESEARCH SEMINAR



EMPOWERING CHANGEMAKERS FOR A BETTER SOCIETY



ABSTRACT

UNPACKING OVERCONFIDENT BEHAVIOR REVISITING THE HARD-EASY EFFECT

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We investigate overconfident behavior as resulting from two discrepancies from Bayesian behavior: a bias in beliefs, usually known as overconfidence, and a bias in attitude towards ambiguity. We propose a method, valid under recent theories of decision under uncertainty, to separate the effects of subjective probabilities and ambiguity attitudes on overconfident behavior in two incentivized experiments. Our first study reveals the impact of ambiguity attitudes on overconfident behavior. While subjective probabilities were underconfident, subjects were ambiguity seeking. In the second study, our method replicates the hard-easy effect on beliefs: easy tasks lead to underestimation of absolute performance and overplacement whereas hard tasks lead to the opposite. Additionally, we find that the task's difficulty affects not only beliefs but also ambiguity attitudes. Easier tasks lead to more optimistic ambiguity attitudes for absolute and relative performance. In other words, while hard and easy tasks have opposite patterns on the belief component of overconfident behavior, easy tasks always contribute more to overconfident behavior than hard tasks.