ABSTRACTS OF PAPERS

Paper Session 1: Risk Perception I

1.1 Colman
Andrew M. Colman, Briony D. Pulford, University of Leicester

Strategic ambiguity aversion
To investigate whether ambiguity aversion influences strategic decisions, 195 undergraduate students played nine games against unknown co-players for up to £81, according to payoffs, awarded to a participant selected by lottery after the experiment. For each game, the participant chose either a known-risk option in which, according to game-theoretic assumptions, the co-player was equally likely to choose any strategy or an ambiguous option in which the co-player could be any one of several types represented by payoff matrices having different dominant strategies for the co-player. Half the participants were told that the co-player types were equally probable. Half were told that the lottery winner's payoffs would be calculated and the cash handed over a week after the experiment, rather than immediately. Known-risk options were chosen in 59% of games, confirming a significant ambiguity aversion effect in strategic decisions. Participants who knew that the ambiguous co-player types were equally probable were significantly less ambiguity-averse than those without the probability information, this difference being significant only in the one-week-delay condition. Self-rated decision confidence was significantly higher in 2 x 2 than 3 x 3 and 4 x 4 games and this effect size was large.

Paper Session 4: Group decisions I

4.3 Pulford
Briony D. Pulford & Andrew M. Colman, University of Leicester

Testing the confidence heuristic: Are confident communicators more persuasive?
The theoretical propositions of the confidence heuristic, proposed by Thomas and McFadyen (1995), were empirically tested using pure coordination games of incomplete information. Working in dyads, 56 participants attempted to determine which face, from an array of 9 photos, looked most like an E-fit. On 8 trials each, one participant was given a very good e-fit likeness of one of the faces (strong evidence), designed to induce high confidence and high accuracy, while the other participant was given a weak e-fit likeness of one or more of the other faces. Participants couldn't see each other's e-fits but were allowed two minutes discussion time before choosing one face. Individual differences such as assertiveness, need for cognition, need for closure and overconfidence were measured. Players disagreed with each other less than 8% of the time, and half of the pairs never failed to reach agreement with each other. The number of times that the person with the strong evidence persuaded the other to agree on the correct face was significantly higher than the number of times the person with the weak evidence persuaded the one with the strong evidence to agree on the incorrect face, thus supporting the concept of a confidence heuristic.
 Effects of positive biases on decisions to enter a competitive market

When the conditions of a competitive market are simulated in a game, the number of people deciding to enter each round becomes roughly optimal after a few rounds. This occurs even when there is no communication between players, and the only feedback each round regards the number of entrants. However, in real markets entry is consistently too high, resulting in excessive failure rates. Previous research has suggested that this over-entry is the consequence of entrants believing themselves to be more skilful than other potential entrants, thus more likely to succeed. This hypothesis has not so far been adequately tested because beliefs regarding chances of success relative to others have not been fully manipulated or measured. We report the results of two experiments designed to test this hypothesis and also an alternative hypothesis that it is a different positive bias - entrants' belief in their skill per se rather than relative to competitors - that is responsible for excess entry. The results support the general hypothesis that positive biases are largely responsible for excess entry, with overconfidence in one's own abilities being the best predictor of entry into the market on skill-based rounds: competitors' skills seem largely to be ignored.