The Impact of Rare and Extreme Events in Decisions from Experience and the Function of Source Monitoring.

When faced with repeated choices between safe options and risky gambles people often choose as if they underweight rare outcomes, relative to a normative prescription. However, some recent studies have shown that when controlling for rarity and expected value, extreme events (i.e., values at the edge of the distribution) are better remembered and sometimes overweighted in choice. In two experiments, we tested these two features of choice situations – rarity and extremity - against each other within a decisions-from-experience paradigm. We also manipulated the complexity of the task by increasing the number of discrete outcomes participants needed to monitor (i.e. source monitoring). The results suggested that the rarity of an outcome had a greater influence on choice than its extremity, but that this effect was less evident as complexity increased. We also found evidence for a sequential bias following the experience of extreme events - suggesting that under higher complexity conditions, rare and extreme events had a greater impact on choice in trials that followed. Results from a new related project with a novel manipulation of source monitoring also appear to show stronger sequential biases towards the extremes under high demand. Moreover, the increased demand appears to improve rather than impair overall performance. The implications of these results for theories and models of experience-based risky choice will be discussed.

Date/Time
Thursday 5th December 2019
2.30 pm – 3.45 pm
Location
Library, Wolfson 1