

HOW FALSE FEEDBACK INFLUENCES DECISION-MAKERS' RISK PREFERENCES

Petko Kusev, Paul van Schaik, Joseph Teal, Rose Martin, Lars Hall and Petter Johansson

Highlights

- We present a two-stage risk elicitation tool that measures people's shift in preferences.
- We found that providing participants with false feedback shifts their subsequent decisions in the direction of the false feedback.
- Our work provides further evidence that human preferences are constructed on the fly, influenced by recent decision-making experience.

Extended Summary

This research article is published in the internationally excellent and peer-reviewed *Journal of Behavioral Decision Making*. In this work, we empirically demonstrate the lability of human preference and argue that choice is informed by the most recent experiences, and not by the stable and defined preferences of the decision-maker.

The foundation of normative economic theory is the idea that people have stable identifiable preferences which inform their decisions (Elster, 1986). However, evidence from decision-making experiments conducted on human participants indicates that people's preferences are labile, and highly dependent on decision-making content and context (Kusev et al., 2020, 2022). For instance, in experimental settings, human risk preferences shift according to changes made to the method of preference elicitation (Kusev et al., 2020). Moreover, memory of everyday experiences can also leak into people's risky decisions (Kusev et al., 2009). In the current work, we reveal that humans make decisions based on recent decision-making experience – both for decisions they have made and decisions they have not (but think they have) made.

We devised an experiment to test the influence of decision feedback on decision-making. We found that, as expected, after receiving feedback on their choices, participants subsequent decisions were in-line with their previous decisions. In other words, participants' most recent choices guide their risk preferences.



However, in some conditions, the feedback we provided was false – we highlighted the option that participants did not prefer and asked participants to confirm their selection. Not only did participants confirm that they preferred this option, but they even made subsequent decisions favouring it. In this case, participants were guided not by their most recent choices, but by choices they thought they had made.

Our novel proposal and experimental method counter the argument for preference consistency and instead provide unique demonstrations of a shift in preferences (by means of providing false feedback on previous decisions). Thereby, our work further supports existing evidence from decision-making research that preferences are constructed “on the fly,” influenced by the decision-making context and recent decision-making experience.

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