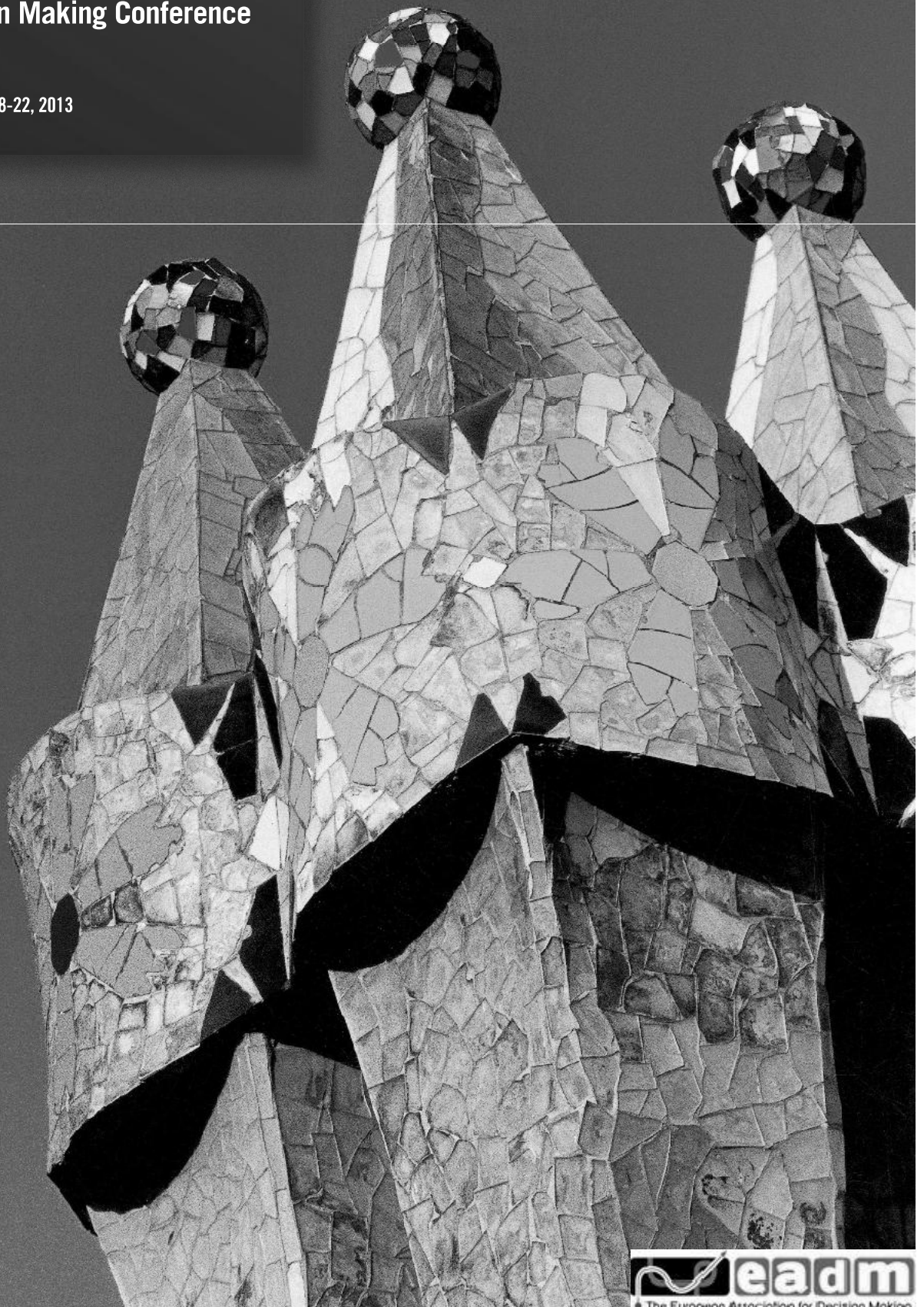


# SPUDM24

Subjective Probability, Utility,  
and Decision Making Conference

Barcelona, August 18-22, 2013



**5. Are people optimistic in their belief updating? Formal analysis and new evidence suggests not.**

*Adam J. L. Harris, University College London*

*Punit Shah, University of Surrey*

*Ulrike Hahn, Birkbeck College*

*Caroline Catmur, University of Surrey*

*Geoffrey Bird, King's College London*

Received academic wisdom holds that human judgment is characterized by unrealistic optimism, the tendency to underestimate the likelihood of negative events and overestimate the likelihood of positive events. Author (2011) recently raised question marks over the reliability of these conclusions, demonstrating that the methods most frequently used could generate optimistic *seeming* responses from a population of rational, unbiased agents. What optimism research therefore requires is a new, better, test of optimism. A recent series of high profile papers have provided evidence suggesting that people incorporate new information regarding their risk of experiencing future negative events in a biased fashion. Specifically, people update their risk estimates more in response to desirable information (information that suggests that they are less at risk than they had previously thought) than undesirable information. These findings are of considerable import for two reasons. Firstly, they tip the balance of evidence in favor of a general optimistic bias in human judgment, despite Harris and Hahn's critiques of previous methods. Secondly, they provide a mechanism through which such a bias is obtained: selective belief updating. We provide a formal critique of the methodology used in these studies ('the update method'). We subsequently present the results of two studies that control and correct for the identified flaws, concluding that there is no evidence for a general optimistic belief updating bias.