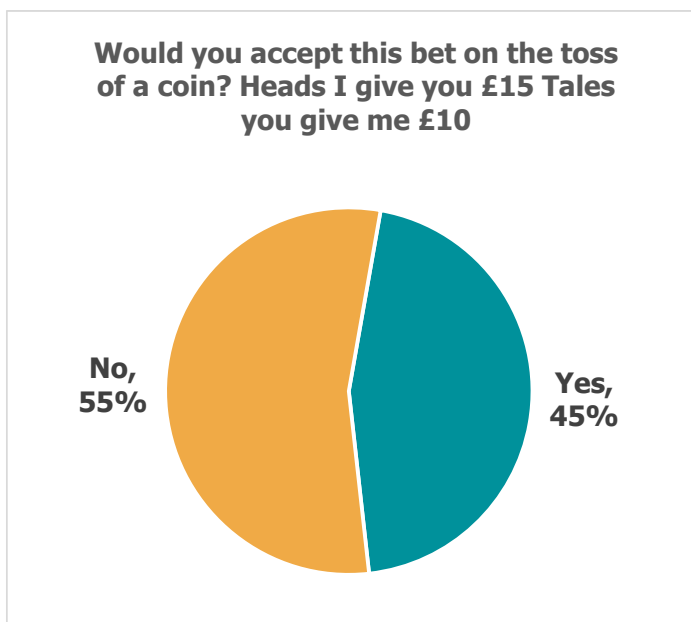


Predictably Human Survey results February 2024

The Predictably Human Survey was created to help expose some of the behavioural effects which affect our decision making. These effects are sometimes referred to as "cognitive biases" because they lead to decisions which are sub-optimal when considered in purely economic terms, so for example they can lead to spending more money than needed.

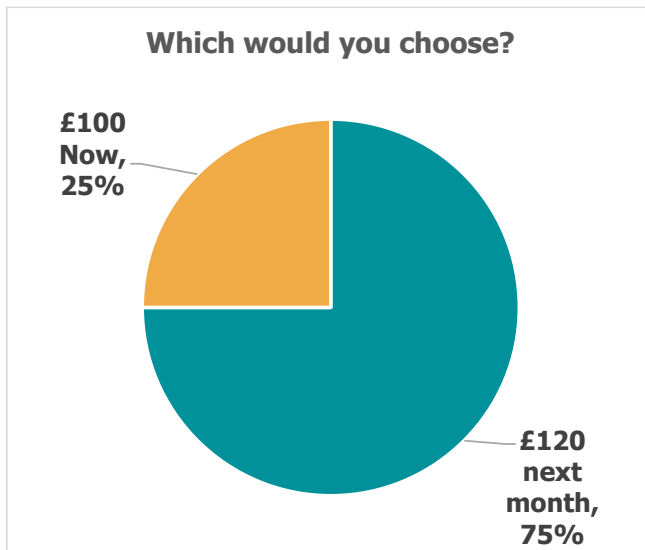
The first survey question illustrates this point – in pure economic terms you would take a bet where you have an equal chance of winning £15 or losing £10 (the expected value being +£2.50), but typically less than half do because of Loss Aversion which means humans put greater value on losses than on gains. In the latest wave of the survey 45% took the bet (see Figure 1), but in other waves of the same survey it's been as low as 21%, illustrating the important point that people vary and, more particularly, their circumstances vary.

Figure 1



The next question aims to illustrate the point that time matters and that humans tend to place greater value on things that are nearer, with this having negative consequences for longer term things like a pension, and things which require an upfront cost such as a Season ticket or Heat Pump. In this survey the time horizon is relatively short at just a month, but even so in pure economic terms it makes sense to what a month to get 20% more, but not everyone did (Figure 2). Of course, in the real world there are many reasons why £100 now is more use than £120 in the future, even if the future is only a month away. In the next wave of the survey the length of the time is explored further with the choice being £100 now or £120 in a year.

Figure 2



The difference between losses and gains is explored further in Figure 3 which compares the same question frames as a gain or a loss:

Which would you choose?

Q3 Winning a certain £500 or 50% chance of winning £1,000

Q4 A certain loss of £500 or 50% chance of losing £1,000

If survey respondents were utility maximising "econs" there would be no difference between the responses to these questions, but the fact that they are different shows that respondents were human who treat losses and gains differently.

Figure 3

