



UEL Research & Knowledge Exchange Conference 2013

Call for Abstracts

Name & Title of Presenter:	Dr. Volker Thoma
School:	Psychology
Co investigators:	
Title of Abstract:	Good thinking or gut feeling? Decision-making style and rationality in traders, bankers and financial non-experts
Key Theme/ Key words:	

Abstract (No more than 400 words):

Research in cognitive psychology and behavioural finance has suggested that human decision-making is subject to the use of 'heuristics' – simple decision rules that produce systematic biases away from normative decision outcomes (Kahneman, 2003), and that even financial experts may be susceptible to heuristic thinking (e.g., Taleb, 2004).

The current study investigated differences in decision-making style and the susceptibility to heuristics between financial traders, non-trading bank employees, and people not working in finance. Traders scored significantly higher than participants in the other two groups on the cognitive reflection task (CRT; Frederick, 2005) which measures the tendency to inhibit automatic but frequently false responses in reasoning tasks. Scores for traders were also higher on a self-rated scale for reflective thinking (REI; Pacini & Epstein, 1999) in decision-making. There were no group differences in the propensity for intuitive thinking, although self-rated experientiality (REI-E) correlated with age. These results indicate that traders have a higher self-rated tendency for reflective thinking and a greater propensity to inhibit the use of mental shortcuts (heuristics) when solving problems in judgment and decision making. However, traders in the current study showed no elevated preference to use 'intuition' in their decision-making compared to other groups. These group effects cannot be explained by differences in sex, age, or qualification, a conclusion that is supported by Toplak, West, and Stanovich (2011) who previously showed that performance on the CRT predicted heuristic thinking even when measures of cognitive ability and executive functioning were controlled for.

