

In this project we wish to explore under what conditions people are likely to be excessively confident about their own qualities and abilities. Previous literature suggests that such a fallacy is quite common. For example, large majority of drivers claim that they are better than a typical driver, which obviously must be far from the truth. This and related tendencies are described with the notion of “overconfidence”. It has been suggested that overconfidence may help explain many different puzzling observations, including prevalence of sports betting, insufficient saving, excessive trading on the stock exchange and (grossly) unprofitable mergers and acquisitions in the corporate world. To be sure, there are also alternative explanations to these complex phenomena.

Laboratory experiments make it possible to observe overconfidence more directly, and the conditions under which people make their predictions can be easily manipulated. This may help us understand the phenomenon better. In particular, if people report high confidence to appear skilled or competent, making their predictions public may strengthen the tendency. By contrast, making the possibly embarrassing *actual performance* public can reduce overconfidence, and so can providing direct monetary rewards for predicting correctly. The disadvantage of using experiments is that their results may or may not generalize to less artificial tasks and contexts, social groups other than students, higher stakes etc.

In this project we will implement novel designs of laboratory, but also field, and natural experiments to achieve possibly clean identification of overconfidence in large and diversified samples. We will study forecasts and behavior of amateur runners and parlor game players, as well as student population.

We will use two main measures of overconfidence. In our studies of runners *forecast error* will be calculated as the difference (positive or negative) between the time in which the runner predicted she would complete the race and the actual time she needed. On the other hand, *Slowdown* will reflect the difference between the speed in the first and the second half of the race, calculated using final and split times. Large slowdown suggests an overly optimistic (overconfident) start. Similarly we will observe both explicit forecasts and choices signaling confidence or lack thereof in parlor games and in laboratory tasks.

We will use these measures to study several under-researched topics related to overconfidence. We will look at the differences between various professions, to check if, say, lawyers that are trained to appear self-confident and possibly rewarded for that are indeed more overconfident than, say, librarians. We will investigate the role of experience with the task, exploring if seasoned runners make more reliable forecasts and plan their pace better. We will investigate the role of predictions being made privately vs. publicly. It is possible, for example, that typically observed male overconfidence is merely a matter of different self-presentation styles being perceived as appropriate for the two genders. We will also check if rewarding correct predictions makes a difference. Finally, we will compare overconfidence in easier vs. more difficult tasks, for example shorter vs. longer races.

To summarize, we will investigate several dimensions that might affect the likelihood of overconfident declarations and behaviors but have not been subject to sufficient study so far. This was mostly because suitable data sets were not available, the problem we solve with our innovative approach to identifying overconfidence in the field.