

Coping with Hindsight Bias in the Field:

An Analysis of Coping Measures and their Applicability for Decision Making in Social Institutions

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Abstract

In this work we examine the effect of hindsight bias on the functioning of social institutions, and possible ways to cope with this effect. Hindsight bias is the well documented psychological phenomenon by which when people possess information regarding the outcome of an event, they overestimate the ex-ante predictability of what actually occurred relative to alternative outcomes that may have seemed likely at the time of the event. This process biases the benchmark against which the quality of past decision making is evaluated, resulting in unfair judgment, and also hinders learning from experience.

As a first step we performed a typology of the various contexts in which hindsight bias affects the functioning of social institutions, and identified a number of important properties of these contexts that are relevant for selecting appropriate coping measures. These properties are: the degree of formality of the decision making context, whether the negative consequence of hindsight bias pertains to evaluating behavior or to learning from experience, and the degree of regularity of outcomes in the domain under consideration.

Next, we surveyed the coping measures that have been suggested in the literature on hindsight bias and analyzed them according to their effectiveness and applicability for the different types of decisions identified in the first section. This analysis suggests a number of novel ideas for measures worthy of further examination.