



[RETIRED] Semester Course 1.6 Confirmation Bias and Overconfidence

Student Activity Packet
UNIT: BEHAVIORAL ECONOMICS

Name:

Students will be able to:

- Understand what confirmation bias and overconfidence are
- Explain how these two biases can influence their decision making
- Explore strategies to avoid confirmation bias and overconfidence

NOTE: Vocabulary for this unit can be found in the [NGPF Personal Finance Dictionary](#)



INTRO

PROMPT: Vowel Cards

Use the space below to answer the prompt.

1. Which card(s) do you need to turn over to see if I am telling the truth?



DO IT

EXPERIMENT 3: Find the Sequence Rule

Can you guess the rule that goes with a simple sequence of numbers? It may be harder than you think! Follow your teacher's instructions to complete this experiment, and use the table below to list possible sequences and rules.

Instructions

- Your teacher will provide you with a sequence of 3 numbers.
- Your goal is to determine what rule generated that sequence.
- You may suggest possible sequences that you think fit the rule and your teacher will tell you if your proposed sequence fits the rule or not.

Example

- a. You are presented with 1, 2, 3.
- b. You might suggest that the rule is +1 to the previous number.
- c. You might suggest 10, 11, 12 as a sequence that fits the rule
- d. For each suggestion that you give, your teacher will tell you whether it is correct or not.

1. List possible sequences and rules for your teacher's sequence.

Round/ Guess	Possible sequences that fit the rule:	Possible rule:
1		
2		
3		
4		

2. Reflect: Your teacher will tell you which of the questions below to answer.

- Outcome 1: If this experiment took several attempts before the rule was found, why do you think it took so long?
- Outcome 2: If someone quickly came up with the rule, why do you think that the people in the video struggled with finding the rule?

[Confirmation Bias \(explained in a minute\) - Behavioural Finance](#)



VIDEO: [Confirmation Bias Explained](#)

In the past few exercises, you saw how human beings have a tendency to look for information that confirms what they already know. This cognitive bias, known as confirmation bias, can sometimes lead to poor decision making. Watch the video to learn more about confirmation bias. Then, answer the questions.

1. In your own words, explain what confirmation bias is and how it works.

2. The video suggests you not only challenge yourself, but also get someone else to challenge you. How do you think involving another person could help you overcome confirmation bias?
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INFOGRAPHIC: [Types of Confirmation Bias](#)

Our tendency towards confirmation bias can show up in a number of ways. Review the infographic to learn about four different ways we try to manage information so that it confirms our beliefs. Then, consider each of the scenarios to decide which type is being displayed.

1. **Scenario 1: You are presented with a new job opportunity that you are very excited about. While doing some research on the company, you only visit the company's website and its Facebook and Instagram pages to learn more about the company's practices and strengths.**
 2. **Scenario 2: You see that shares of a particular stock are on the rise. They have gone up 3 straight days and you want to buy the stock while it's on the rise. While doing research you find several pieces of evidence that the company will not turn a profit and one that touts the strengths of the new CEO. You decide to buy a large number of stocks because you think that the new CEO will be able to turn things around.**
 3. **Scenario 3: A co-worker, who has a track record of making good investments, asks you to invest in a new startup company. Later, your brother-in-law, who also works in investing, presents you with evidence that this new startup will not be successful. You decide to invest anyway and end up losing money.**
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EDPUZZLE: [Overconfidence](#)

You've learned about confirmation bias and how it can affect our decision making. Now let's look at another cognitive bias that we often face as a direct result of confirmation bias: overconfidence. Watch this video, answering the questions presented along the way. Then, answer the questions below.

1. **In your own words, what is overconfidence?**

2. Did you fall victim to overconfidence while watching the video? If so, why were you so confident? If not, why did you question yourself?

3. Consider the following statistics:

- 73% of people believe that they are above average drivers
- 65% of people believe that they have above average intelligence
- 74% of professional investors believe that they are above average while 26% believe that they are average. NONE of them believe that they are below average.

Explain how overconfidence bias makes these statistics unrealistic.

4. How might being aware of our tendency to be overconfident help us counteract this bias?



EXIT TICKET

Follow your teacher's directions to complete the Exit Ticket.