Taylor & Francis
Online

Home ► All Journals ► Economics, Finance & Business ► Journal of Behavioral Finance ► List of Issues
► Volume 9, Issue 2 ► Is Satisficing Absorbable? An Experiment ....

ARTICLE

Is Satisficing Absorbable? An Experimental Study

Werner Güth, M. Vittoria Levati & Matteo Ploner

66 Cite this article   ↗ https://doi.org/10.1080/15427560802107389

📄 Full Article   🖼 Figures & data   📑 References   66 Citations   📊 Metrics

🖨 Reprints & Permissions   Read this article   ◄ Share

Abstract

We experimentally investigate whether the satisficing approach is absorbable, that is, whether it still applies when participants become aware of it. In a setting where an investor decides between a riskless bond and either one or two risky assets, we familiarize participants with the satisficing calculus applied to specific portfolio selection tasks. After experimenting with this calculus repeatedly, participants can either continue using it or select their portfolio freely. The results reveal some absorbability of the satisficing approach in the simpler two-state setting, whereas more complexity renders the satisficing heuristics more difficult and their absorption less likely.

Keywords:

Theory Absorption   Satisficing   Portfolio Selection   Complexity

Notes

[a] N denotes the number of observations.

[a] N has the same interpretation as in Table 2.

[1] Choices were elicited in a random order so as to exclude ordering effects.

[2] These observations are kept in the analysis. Dropping them does not alter results.

[3] To check whether the different aspirations and investments in the second phase of the two-state treatment are due to the use of the decision aid, we performed Wilcoxon rank sum tests (two-sided) comparing aspirations and portfolio choices in case of $\delta = 0$ and $\delta = 1$. No significant influence of the aid on any of the considered variables was observed ($p > 0.140$ for each comparison).

[4] For the three-state scenario, variables b and i are found to differ significantly when participants require the decision aid ($p = 0.004$ for both i when $\delta = 1$ vs. i when $\delta = 0$ and j when $\delta = 1$ vs. j when $\delta = 0$).

[5] In the three-state treatment, the frequency of A1 = A2, A2 = A3 and A1 = A3 was 10.67%, 16.66% and 3.64%, respectively.

[6] The difference in requests between treatments is highly significant ($p < 0.001$, two-sided Wilcoxon rank sum test).

[7] Since using the aid was compulsory in phase 1, the rates for periods 1–6 refer to the full sample. The sample size for periods 7–12 is smaller and refers only to those who willingly use the routine. Restricting phase 1's sample to the subjects who keep on (voluntarily) using the aid in at least 4 periods of phase 2 does not qualitatively change results.

[8] Although compliance with the satisficing heuristics seems to somehow promote performance, this may be due to special skills of those who fulfill the requirements.

Related research ℹ

Information for

Authors

R&D professionals

Editors

Librarians

Societies

Opportunities

Reprints and e-prints

Advertising solutions

Accelerated publication

Corporate access solutions

Open access

Overview

Open journals

Open Select

Dove Medical Press

F1000Research

Help and information

Help and contact

Newsroom

All journals

Books

Keep up to date

Register to receive personalised research and resources by email

✉ Sign me up

Taylor and Francis Group