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Priors, informative cues and ambiguity aversion

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Abstract: Ambiguity aversion, or the preference for options with known rather than unknown probabilities, is a robust finding within the decision making literature (see Camerer & Weber, 1992, for a review). There are some suggestions this averseness is due differences in the inferred prior distribution (Güney & Newell, 2015). In this study we investigated the relationship between prior distributions and information cues on decision making and participants' judgments of underlying distribution. We used three different prior cues; a positive underlying distributional cue, a negative underlying distributional cue, and a neutral cue. We also used five different information cues which varied both the bias of the information and the degree of ambiguity. Whilst we found that both prior and information manipulations had the expected impact for participants' judgments of underlying distributions, they only impacted the decisions participants made in some cases. There were also interesting interactions between the prior and information manipulations.