

Decision Processes Colloquia

Monday, December 15, 2025

Where: JMHH 255

When: 12:00 – 1:20 pm

Ben Enke

Associate Professor at Harvard's Department of Economics and a Faculty Research Fellow at the NBER

Harvard

Cognitive Comparison Effects

ABSTRACT:

Empirical work across households, firms, and markets shows that economic decisions often depend on comparisons to reference points, anchors, goals, norms and other comparators. A well-known puzzle is that decisions sometimes increase in these comparison points and sometimes decrease in them. We develop and test a taxonomy that predicts the sign of comparison effects. The core idea is that comparison points serve as information when people are uncertain how to map problem inputs into decisions. In a simple model, this uncertainty predicts that decisions decrease in input comparators---those tied to exogenous decision inputs---and increase in output comparators---those tied to endogenous decision outcomes. Experiments across both preference-based and objective decision problems, involving both social and expectations-based comparison points, confirm these predictions. Moreover, both types of comparison effects weaken when subjects' decision uncertainty is experimentally reduced as well as when comparators are less informative, consistent with a mechanism of comparison points providing information. A preliminary review of empirical and experimental studies in the literature supports the broader applicability of our taxonomy.

