

Ignorance is bliss: A game of regret

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Abstract: To experience regret, an individual must learn the outcome of an unchosen alternative. But in many situations, this is possible only if someone else chose it. We design and implement an experiment to test how regret aversion impacts decision making when the ex-post information available depends own choice and on that of others. The interdependence means that what seems like two individual decision problems is really a behavioural game - the regret game – since psychological payoffs are linked. For regret-averse individuals, the game is one of coordination game, whereas for non-regret-averse individuals, it admits a dominant strategy. The experimental results, using close to 1,000 subjects, confirm this prediction: regret-averse participants are significantly more likely to coordinate, while non-regret-averse ones follow the dominant strategy.