

How Malleable Are Choice Brackets? The Case of Myopic Loss Aversion

Daniel Hilgers and Matthias Wibrals

Accumulating evidence suggests that in many contexts people bracket their choices narrowly, i.e., view each choice in isolation. A key open question is how malleable choice brackets are. We study whether a change in the framing of the decision problem can affect the way an individual brackets her choices in the context of myopic loss aversion. Experiments on myopic loss aversion find that more frequent feedback on the performance of an investment seems to induce narrow bracketing. We show that this result does not hold unambiguously when individuals are exposed to a change in feedback frequency. Our main finding is an asymmetric effect of such changes: While subjects who go from a high to a low frequency of feedback increase their investment, those who go from low to high frequency of feedback do not reduce their investment. Our findings suggest that there are limits to the malleability of choice brackets. In our context, a narrow choice bracket can be broadened, but a broad choice bracket cannot be narrowed down again. Our results also suggest that narrow bracketing is a mistake rather than the outcome of preferences.