

A Sound Decision? The Impact of Audio Descriptions on Economic Rationality

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Perception

- Costly or imprecise (Woodford, 2020; Frydman and Jin, 2022)
- Shapes economic behavior (Bordalo et al., 2016)

Audio Descriptions

- Social judgements (Lavan, 2023; Aung et al., 2024)
- Financial markets outcomes (Gorodnichenko et al., 2023)
- Inferior auditory capacity (Cohen et al., 2009; Kaiser, 2015)

Question

- Impact of audio descriptions on economic decision-making?

Laboratory Experiments

Revealed preference setup with decision-making under risk

- 1 Audio vs. Visual treatments
 - Natural human speech

Impacts of Audio Descriptions

- 1 Severe impairment in economic rationality across measures
 - Despite increased decision times

Laboratory Experiments

Revealed preference setup with decision-making under risk

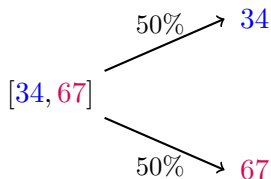
- ① Audio vs. Visual treatments
 - Natural human speech
- ② Calibrated Audio vs. Calibrated Visual treatments
 - Speed fine-tuned
 - Sequential nature controlled

Impacts of Audio Descriptions

- ① Severe impairment in economic rationality across measures
 - Despite increased decision times
- ② Mechanisms
- ③ Behavioral implications

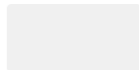
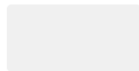
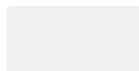
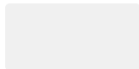
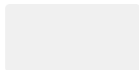
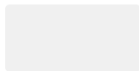
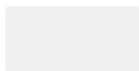
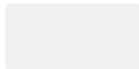
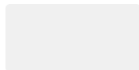
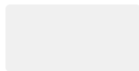
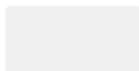
Decision-Making under Risk

- Makes a choice from 11 options in 20 problems (Kim et al., 2018)
- All options and problems are randomly ordered



Example of Decision Problem

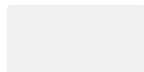
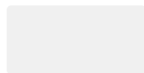
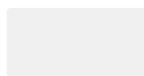
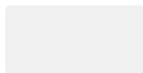
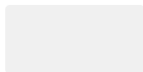
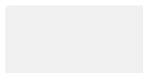
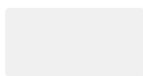
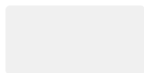
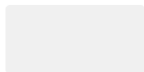
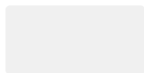
Decision Problem Entry



Audio Treatment

Natural speech respecting prosody and pauses:

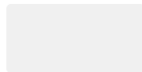
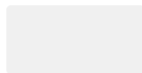
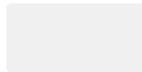
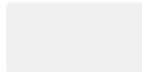
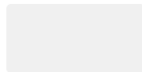
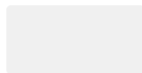
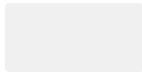
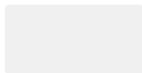
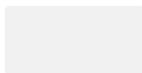
- Female Mandarin voice
- Moderate speed rate (120 words per minute)
- Audio played for one option at a time:
 - Mean audio duration: 4.2 seconds
 - Example: “34”-“or”-“67” (4.2s)



Display one option at a time:

- Duration: 4 seconds

[34, 67]



Consistency with Preference Maximization

- Procedure developed by Nishimura et al. (2017)
 - Resembles the Generalized Axiom of Revealed Preference
 - (Weak) Monotonicity
- *Consistency*: A binary indicator of whether subjects pass the test or not

Houtman–Maks Index (HMI)

- The minimal number of choice observations needed to be removed to achieve consistency (Houtman and Maks, 1985)
- Inferred as choice “mistakes”

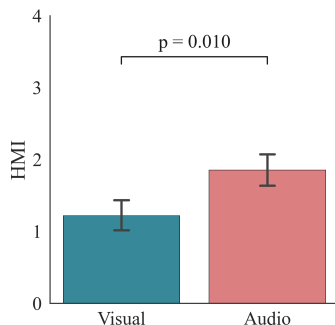
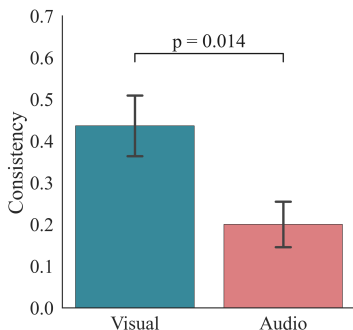
Laboratory Experiment

- Adequate distance to minimize noise
- Comprehension tests
- Controls:
 - Cognitive ability
 - Demographics
 - Decision time

Sample

- 110 in total
 - 50% in each treatment
 - Mean age ≈ 22 , female $\approx 47\%$
 - All native in Mandarin

Experiment 1: Economic Rationality

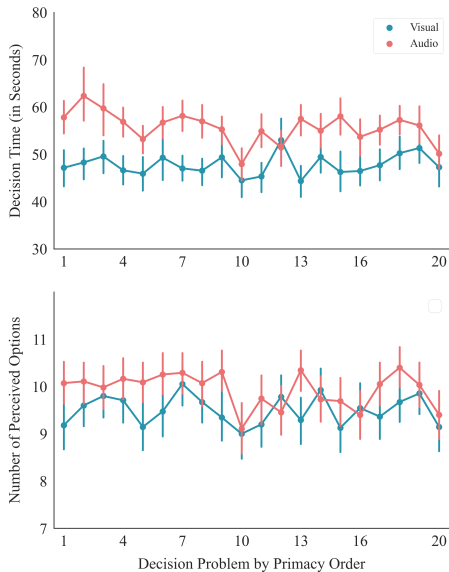


Audio (vs. Visual):

- Impairs Consistency by 54% (0.436 vs. 0.2)
- Exacerbates HMI by 52% (1.218 vs. 1.855)

Note: Error bars indicate the standard error of means; P-values from the chi-square and the Mann-Whitney U-Test, respectively

Experiment 1: Perceptual Behavior Dynamics



Experiment 2

Calibrated Audio Treatment

Slow speed rate: 60 words per minute (half of Audio treatment)

- Each number's audio duration calibrated around its digit count
- Mean audio duration: 5s
- Example: “34”—“67” (5.1s)

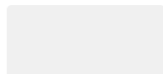
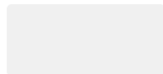
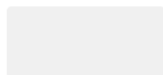
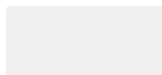
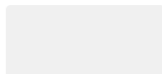
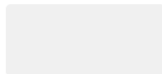
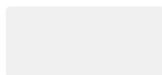
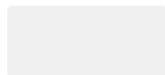
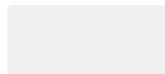
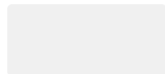


Calibrated Visual Treatment

Sequential display of each digit:

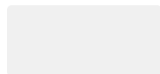
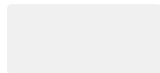
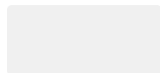
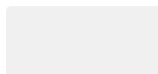
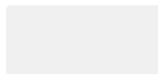
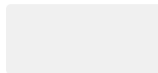
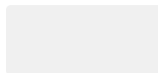
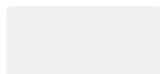
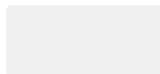
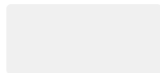
- Duration of each digit: 1 seconds
- Mean option duration: 4.9s
- Example: “3”, “4”—“6”, “7” (4.5s)

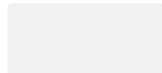
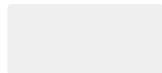
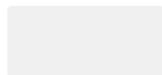
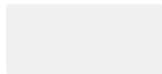
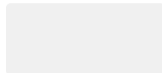
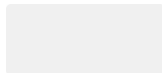
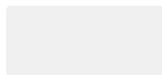
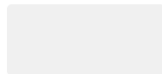
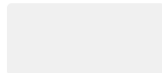
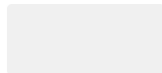
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Calibrated Visual Treatment

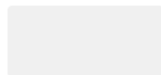
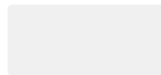
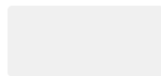
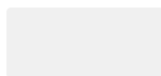
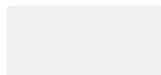
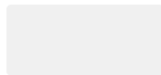
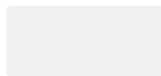
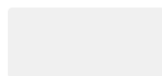
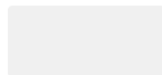
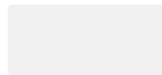
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Calibrated Visual Treatment

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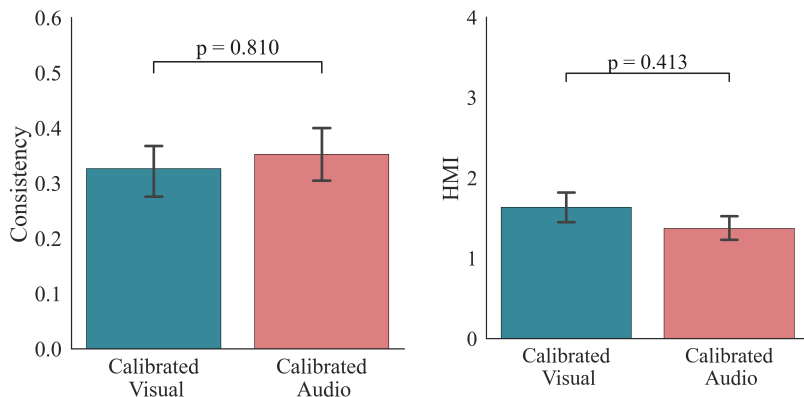
Calibrated Visual Treatment

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Experiment 2: Procedure

- Same logistics as Experiment 1
- 203 subjects:
 - 51% in the Calibrated Audio Treatment
 - Mean age ≈ 23 , female $\approx 66\%$
 - All native in Mandarin

Experiment 2: Economic Rationality

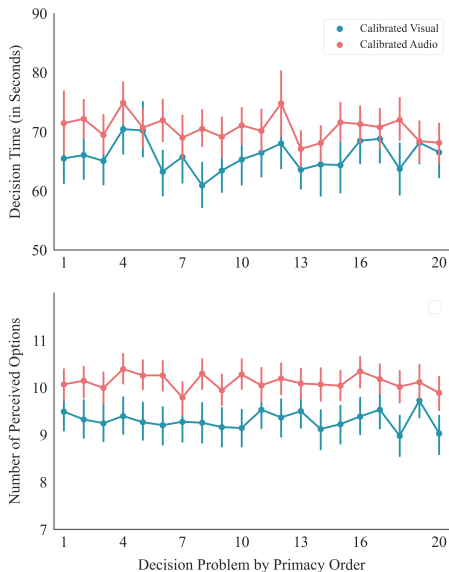


Similar levels in Calibrated Audio and Calibrated Visual:

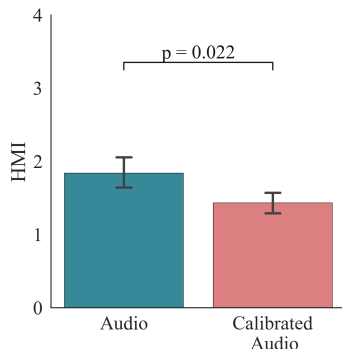
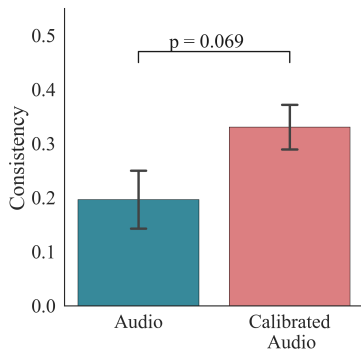
- Consistency: 0.327 vs. 0.352; HMI: 1.633 vs 1.371

Error bars indicate the standard error of means; P-values from the chi-square and the Mann-Whitney U-Test, respectively

Experiment 2: Perceptual Behavior Dynamics



Calibrated Audio vs. Audio



Calibrated Audio (vs. Audio):

- Improves consistency by 72% (0.2 vs. 0.352)
- Mitigates HMI by 35% (1.855 vs. 1.371)

Error bars indicate the standard error of means; P-values are obtained from the chi-square test

Highlight

Impaired rationality in decisions made with audio descriptions:

- ① Sequential nature of audio information acquisition
- ② Severity linked to speed—slower may help

Future Avenues

- Explore other choice domains with audio descriptions
- Integrated audiovisual information

Thank You!

Any Question?

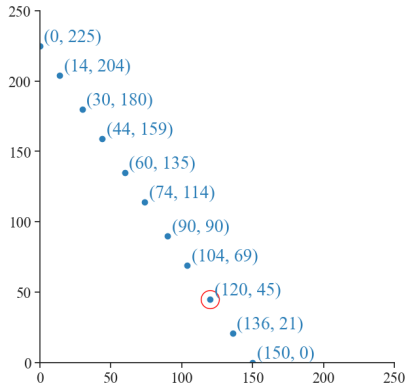
For any two menus A, B and choices $c(A) = x, c(B) = y$:

- xR^Dy if there exists some $z \in A$ such that $z \geq y$
- xR^Sy if there exists some $z \in A$ such that $z \gg y$
- xRy if there exists some sequence $\{x, z_1, z_2, \dots, z_k, y\}$ such that $xR^Dz_1, z_1R^Dz_2, \dots, z_kR^Dy$.

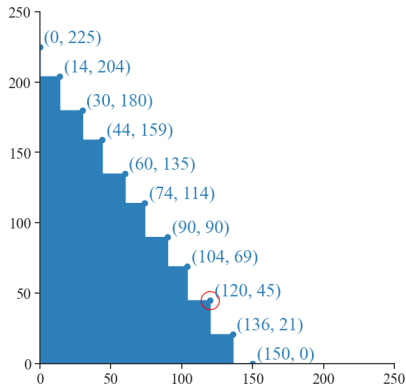
GARP requires:

- xRy implies that yR^Sx does not hold.

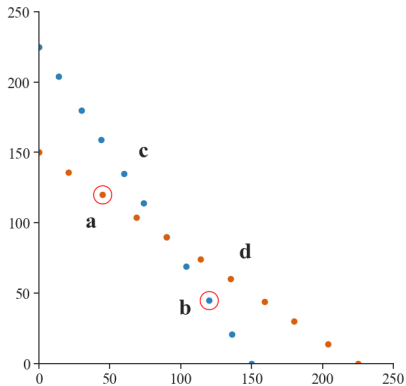
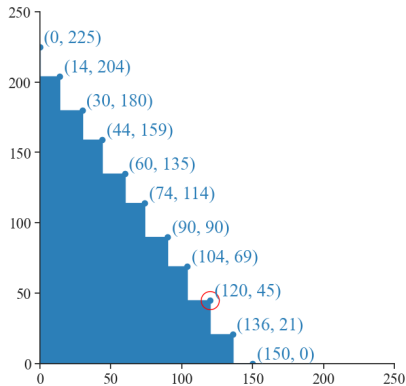
Testing Economic Rationality



Testing Economic Rationality



Testing Economic Rationality

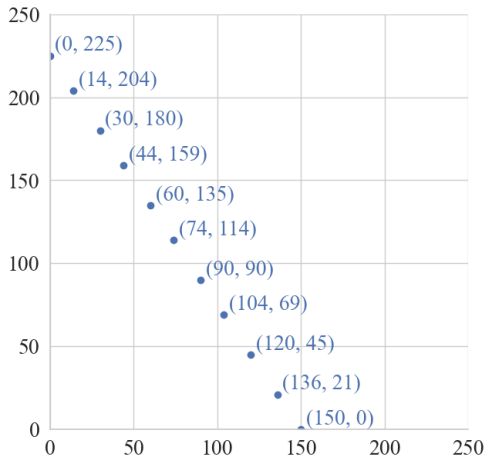


● $a \succsim b$ but not $b \succsim a$ (as $d \gg b$)

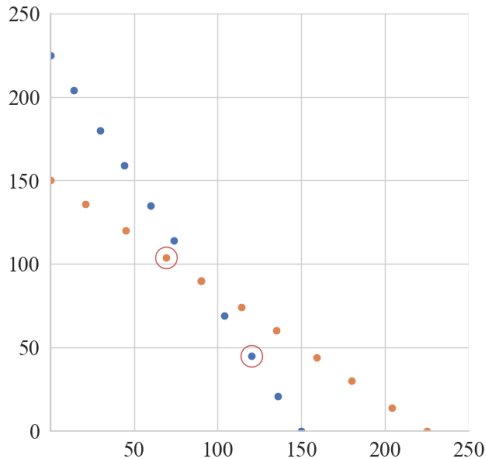
● $b \succsim a$ but not $a \succsim b$ (as $c \gg a$)

} **Inconsistency!**

Graphical Representation of Decision Problems



Graphical Representation of GARP Violation



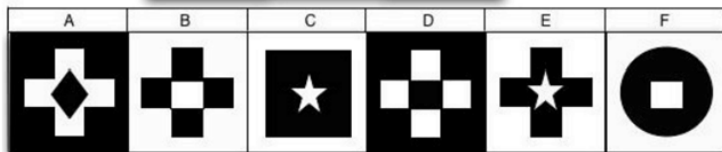
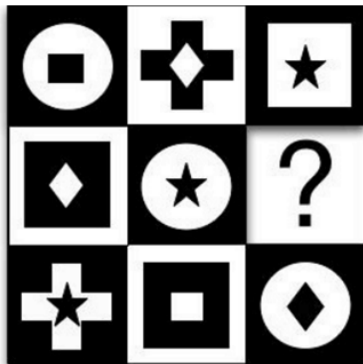
- Strictly prefers a to b
 - Strictly prefers b to a
- } **Inconsistency!**

Cognitive Ability

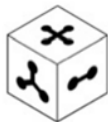
- Main: International Cognitive Ability Resource (Condon and Revelle, 2014)
- Selective attention (Stroop, 1935) and working memory capacity (Sternberg, 1966)

Additional Information

- Demographics: age, gender, education
- Response time



International Cognitive Ability Resource



X



A



B



C

None of
the cubes
could be a
rotation.

D



E



F



G

I do not
know
the
solution.

H

Stroop Task

blue

What's the *color* of the word shown above?

Please press for red, for green, for blue and for orange.

If the screen does not respond, please click on this bar.

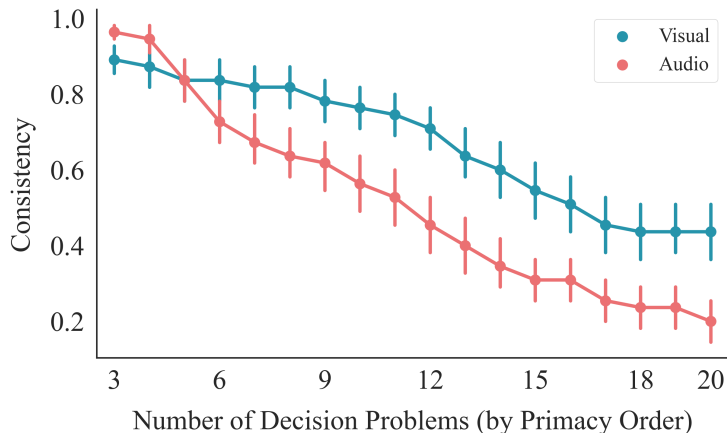
Sternberg Task

1

Please memorize these digits.

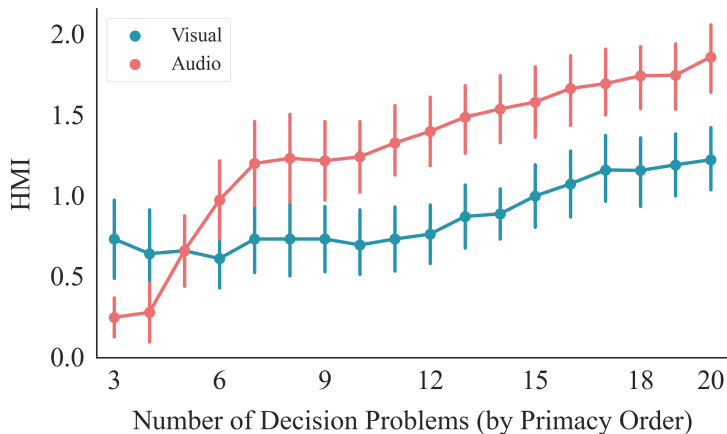
If the screen does not respond, please click on this bar and then press space.

Experiment 1: Economic Rationality Dynamics



- The gap emerges with a smaller number of choices

Experiment 1: Economic Rationality Dynamics

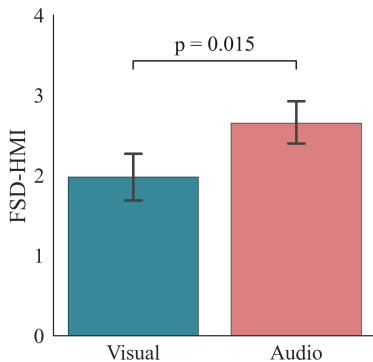
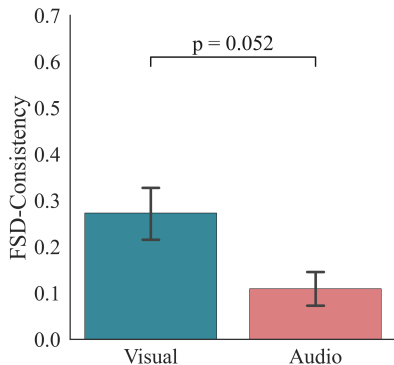


Note: Error bars indicate the standard error of means

First-Order Stochastic Dominance (FSD)

- *FSD-Consistency*
- *FSD-HMI*

Experiment 1: Economic Rationality (FSD)

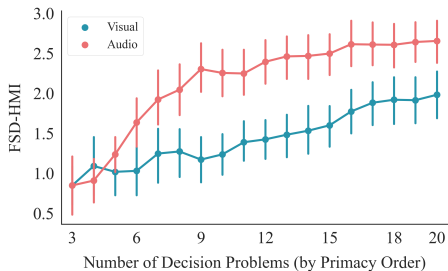
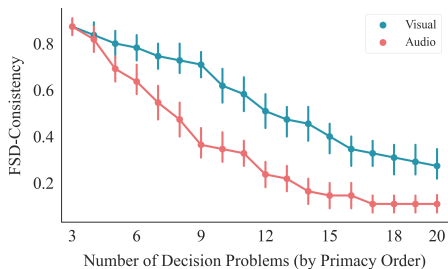


Audio (vs. Visual):

- ↓ FSD-consistency by 60%
- ↑ FSD-HMI by 34%

Note: Error bars indicate the standard error of means; P-values from the chi-square and the mann whitney u test.

Experiment 1: Economic Rationality (FSD) Dynamics



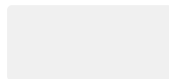
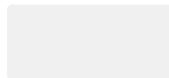
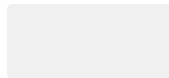
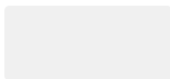
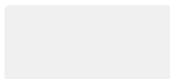
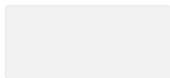
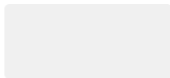
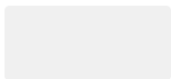
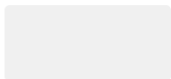
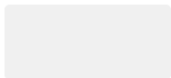
Calibrated Visual Treatment

3, _ _ _

Calibrated Visual Treatment

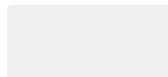
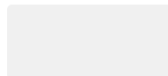
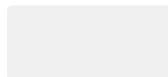
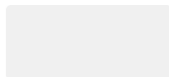
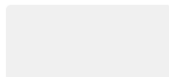
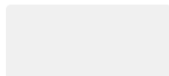
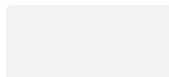
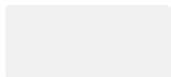
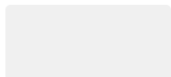
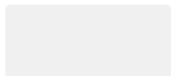
--4.---

Calibrated Visual Treatment



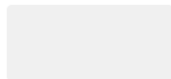
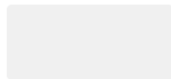
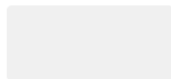
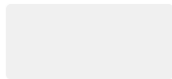
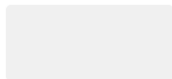
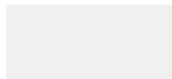
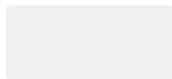
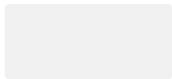
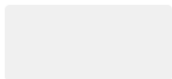
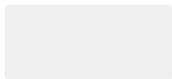
Calibrated Visual Treatment

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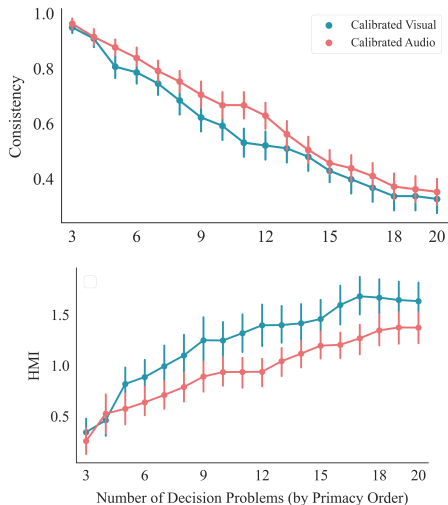


Calibrated Visual Treatment

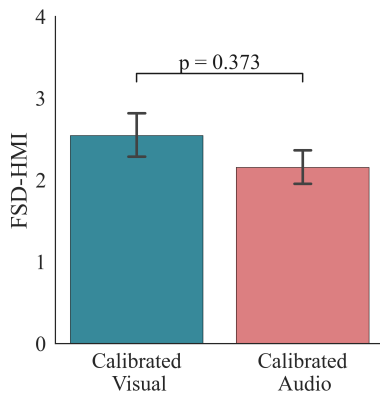
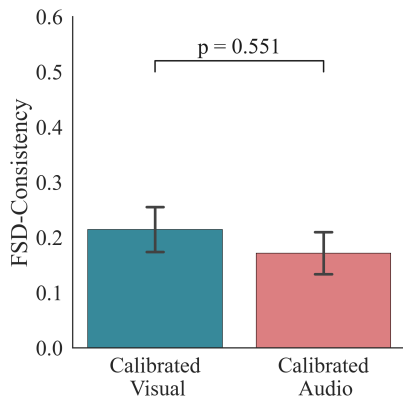
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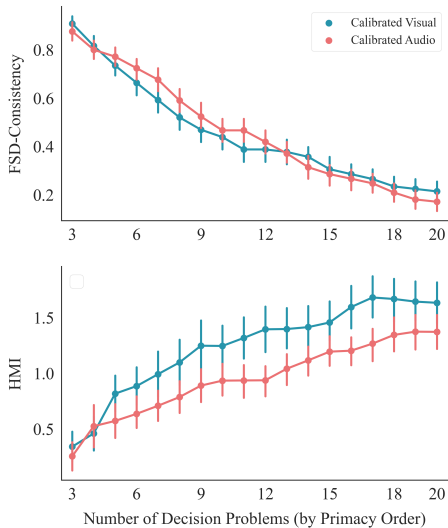
Experiment 2: Economic Rationality Dynamics



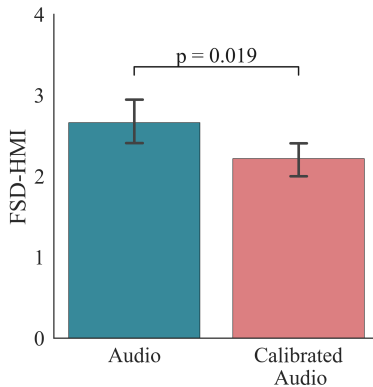
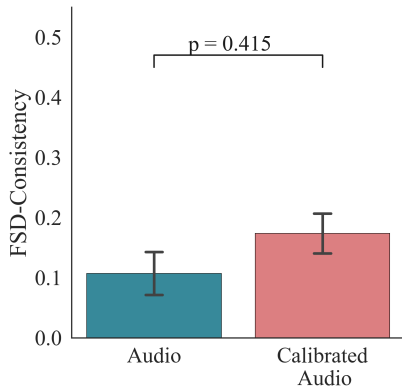
Experiment 2: Economic Rationality (FSD)



Experiment 2: Economic Rationality (FSD) Dynamics



Calibrated Audio vs. Audio (FSD)



Estimating Risk Preferences

- Nonlinear least squares estimation method (Choi et al., 2007)
- Constant Relative Risk Aversion utility function:

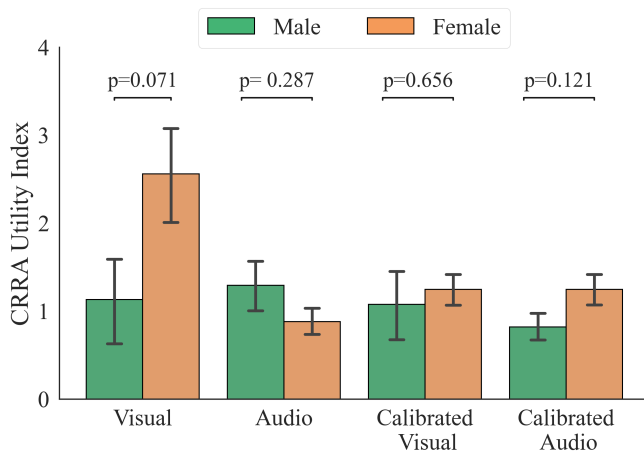
$$\min_{\rho} \sum_{i=1}^{20} \left\| (x_1^i, x_2^i) - \arg \max_{x^i \in M^i} \left(0.5u(x_1^i; \rho) + 0.5u(x_2^i; \rho) \right) \right\|;$$

$$u(x_s^i; \rho) = \begin{cases} \frac{x_s^{i(1-\rho)}}{1-\rho} & , \rho \geq 0 \\ \ln(x_s^i) & , \rho = 1 \end{cases}, \text{ for } s = 1, 2;$$

- where ρ is the CRRA utility index

Estimated Risk Preferences Across Treatments

Sample with HMI (with first order stochastic dominance) ≤ 1 :



- Risk aversion of females ↓

Regressions on Risk Preferences

- Results based on the sample with $FSD-HMI \leq 1$:

| | CRRA Utility Index | | | |
|--------------------------------------|---------------------------------|----------------------|--------------------------------|---------------------|
| | Calibrated Visual vs. Visual | | Calibrated Audio vs. Visual | |
| | (1) | (2) | (3) | (4) |
| Female | 1.101*** (0.352) | 2.452*** (0.658) | 1.096*** (0.309) | 2.412*** (0.680) |
| Sequential Treatment | -1.080** (0.491) | 0.348 (0.301) | -0.711 (0.582) | 0.508 (0.410) |
| Female \times Sequential Treatment | | -2.449*** (0.769) | | -1.982** (0.757) |
| Controls | Yes | Yes | Yes | Yes |
| Observations | 73 | 73 | 87 | 87 |

Note: Controls include cognitive ability, demographics, and decision time; Robust standard errors in parentheses;
*** $p < 0.01$, ** $p < 0.05$