Statistics 1B Interludes

1. Bias

Left hand side of class

- Do you think the population of the Philippines is greater than 20,000,000?
- What do you estimate the population of the Philippines to be?

Right hand side of class

- Do you think the population of the Philippines is less than 120,000,000?
- What do you estimate the population of the Philippines to be?
Anchoring
(Kahneman and Tversky)

- People are biased by their first impression / ‘prime’
- Should emphasise spread (variance) as well as the central estimate

2011: Hurricane Irene (without ‘anchor’)
Bank of England Fan Charts

- Adopted by many central banks
- Deliberate attempt to stop anchoring, by not giving a central projection

Chart 5.1 GDP projection based on market interest rate expectations

Can compare with what happened