

Two Dimensions of Subjective Uncertainty

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In my talk I will argue that people maintain dual intuitions about the nature of uncertainty, and these intuitions can have a critical impact on a wide range of judgments and choices. We attribute the first form of uncertainty to deficiencies in our knowledge, information, and/or mental model of relevant events (knowable or “epistemic” uncertainty); we attribute the second form of uncertainty to causal systems whose behavior is inherently unpredictable (random or “aleatory” uncertainty). In the first part of my talk I’ll show that people intuitively distinguish uncertainty along these two dimensions: it is reflected in their use of natural language, can be measured reliably using a simple rating scale that loads on two independent factors, and is associated with attributions of skill versus luck. In the second part of my talk I’ll show implications of the epistemic-aleatory distinction for understanding judgmental overconfidence, ambiguity aversion, consumer financial decision making, and other empirical phenomena.