

Thinking in a Foreign Language Overcomes the Developmental Reversal in Risky Decision-Making: The Foreign Language Effect in Risky Decision-Making

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Abstract : In risk decision making, individuals are found to be susceptible to 'frames': people tend to be risk averse when the choice is described in terms of potential 'gains' (gain frame), whereas they tend to be risk seeking when the same choice is described in terms of potential 'losses' (loss frame); this effect is termed the framing effect. The framing effect has been well documented and some studies even find a developmental reversal in the framing effect: The more experience an individual has in a certain field, the easier for him to be influenced by the frame relevant to the field, resulting in greater decision inconsistency. Recent studies reported that using a foreign language can reduce the framing effect. However, it is not clear whether foreign language use can overcome the developmental reversal in the framing effect. The present study investigated three potential factors that may influence the developmental reversal in the framing effect: specialized knowledge of the participants, the language in which the problem is presented, and the types of problems. The present study examined the decision making behavior of 188 Chinese-English bilinguals who majored in Finance, with a group of 277 English majors as the control group. They were asked to solve a financial problem (experimental condition) and a life problem (control condition). Each problem was presented in one of the following four versions: native language-gain frame, foreign language-gain frame, native language-loss frame, and foreign language-loss frame. Results revealed that for the life problem, under the native condition, both groups were affected by the frame; but under the foreign condition, this framing effect disappeared for the financial majors. This confirmed that foreign language use modulates framing effects in general decision making, which served as an effective baseline. For the financial problem, under the native condition, only the financial major was observed to be influenced by the frame, which was a developmental reversal; under the foreign condition, however, this framing effect disappeared. The results provide further empirical evidence for the universal of the developmental reversal in risky decision making. More importantly, the results suggest that using a foreign language can overcome such reversal, which has implications for the reduction of decision biases in professionals. The findings also shed new light on the complex interaction between general decision-making and bilingualism.

Keywords : the foreign language effect, developmental reversals, the framing effect, bilingualism

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