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Personal transmission as a selection device for information

Carsten Cramme, Hagen Lindstädt, Michael Wolff*

Abstract

The question as to whether more information and increased processing activity beyond a certain level improves economic decisions is a classic one. The fact of an individual's restricted processing ability and capacity is discussed with the concept of bounded rationality in economic terms. Cognitive psychology provides attention, memory, perception and understanding in particular as potential explanations for this phenomenon. In empirical terms two opposing hypotheses on the relationship between decision efficiency and increased information processing activity compete with each other: the hypothesis of the flattening increase in decision efficiency and of falling decision efficiency beyond a particular saturation point. The relevance of the information in question, which can hardly be assessed a priori, appears to be key. Our empirical study shows increasing decision efficiency in 11 out of 12 cases for personal information processing activities, compared with zero out of three cases for impersonal ones. Therefore the method of transfer – personal or impersonal – appears to be an important relevant filter that has hardly been discussed in the literature to date.

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