Abstract:

In this talk, I begin by distinguishing three forms of overconfidence: overestimation, overplacement, and overprecision. Of these, overprecision (inflated confidence in the accuracy of our knowledge or predictions) is the most robust and least understood. I document its role in test performance, corporate earnings forecasts, and macroeconomic forecasts. I then explore some of the challenges measuring overprecision, and show the large inconsistencies between different approaches to measurement. This forces an epistemological exploration regarding what it means to be overprecise: the challenge of being both wrong and knowing it; that is, holding beliefs about which one is appropriately skeptical, and well-calibrated about the possibility that one’s beliefs are incorrect.