Beware of artificial intelligence's ability before you trust them: Evidence from a stock price forecasting experiment*

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Abstract

We experimentally investigated the relationship between participants' reliance on algorithms, their familiarity with the task, and the performance level of the algorithm. We found that, when participants could freely decide on their final forecast after observing the one produced by the algorithm (a condition found to mitigate algorithm aversion), the average degree of reliance on high and low performing algorithms was not significantly different. Experienced participants relied less on the algorithm than inexperienced participants, regardless of its performance level. The reliance on the low performing algorithm was positive even when participants could infer they outperformed the algorithm. Indeed, participants would have done better without relying on the low performing algorithm at all. Our results suggest that, at least in some domains, excessive reliance on algorithms, rather than algorithm aversion, should be of concern.

Keywords: algorithms, financial market, forecasting, modification, technology adoption

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1 Introduction

The use of artificial intelligence (AI) pervades various spheres of society, including financial markets, as noted, for example, by the OECD (2019). In both academia and industry, there is a growing trend of investigating and applying AI to predict future stock prices (Kolanovic and Krishnamachari, 2017; Bank of England, 2019; Henrique et al., 2019; Gu et al., 2020) and to trade (Lewis, 2014; Meng and Khushi, 2019; Liu et al., 2020). Such a rise in the use of AI allows investors to utilize advice generated by AIs in addition to their own judgment in making various decisions. Despite the widespread use of algorithms in financial transactions, as demonstrated by the prevalence of algorithmic trading, it is not yet well understood how individual investors trust and utilize AIs in their decision-making. In this paper, we investigate the extent to which individuals rely on inputs from AI (an algorithm) in forecasting future stock prices.

The literature disagrees about people's tendency to rely on algorithms in making decisions. On the one hand, there are studies reporting evidence of "algorithm aversion" (Dietvorst et al., 2015), i.e., people's tendency to rely more on inputs from humans than from algorithms, in various domains such as predicting students' performance (Dietvorst et al., 2015), medical recommendations (Promberger and Baron 2006; Longoni et al. 2019), predicting joke funniness (Yeomans et al., 2019), and forecasting future stock prices (Önkal et al., 2009). Castelo et al. (2019) argue that the degree of algorithm aversion can be task dependent by showing evidence that algorithms are appreciated more for objective tasks that involve cognitive ability than for subjective tasks that involve emotional ability.

On the other hand, Logg et al. (2019) present evidence of "algorithm appreciation" in tasks such as human weight estimation, forecasting song rank, and forecasting human face attraction when asked to choose between following the advice from algorithms and that from other people. They note that the "algorithm aversion" found in prior studies may simply be a manifestation of "advice aversion" (people's general tendency to rely more on their own judgments than those of others irrespective of

whether these others are other people or algorithms). "Advice aversion" may also explain the significant increase in reliance on algorithms when participants can slightly adjust the advice given by the algorithm in making their final decision, compared with situations in which such adjustment is not possible (Dietvorst et al., 2018).

With the exception of Dietvorst et al. (2015), many of the experimental studies that ask participants to choose between their own judgment and the one from the algorithms, including two studies that investigated forecasting future stock prices (Önkal et al., 2009; Castelo et al., 2019), do not give participants the opportunity to experience the task and compare their own performance with that of the algorithms before deciding how much to rely on the algorithm. Thus, participants' reluctance to rely on the algorithm (Önkal et al., 2009) as well as willingness to do so (Castelo et al., 2019) may simply be due to differences in participants' subjective judgment about their own skills and those of the algorithms in the specific tasks studied, as task dependency of reliance on algorithms (Castelo et al., 2019) suggests.

As already noted, in the experiment by Dietvorst et al. (2015), participants were given opportunities to directly compare their own performance with that of the algorithms before deciding how much to rely on the algorithms. The authors found that participants were especially averse to algorithmic forecasters after seeing them err, even when they saw them outperform a human forecaster. It is not clear, however, how the degree of reliance would depend on the relative performance of the algorithm and participants themselves.

In this study, we aimed to fill this gap in the literature by examining how participants' reliance on algorithms varies depending on how much they know about their own performance and that of the algorithm in the given task. In particular, we proposed the following set of research questions:

R1: *Does the degree of reliance on the algorithm by participants who have little experience in the specific task vary depending on the performance level of the algorithm?*

R2: *How do participants' experiences and learning about their own skill in the given task influence their degree of reliance on the algorithm?*

We addressed these questions by conducting a set of experiments in which participants forecast future stock prices. In our experiment, we varied the performance level of algorithms (high vs. low) and whether participants were able to learn about their own performance during the practice stage. Furthermore, we compared cases where participants learned only about their own performance with those where they learned about both their own and the algorithm's performance. There were two main tasks. In task 1, participants made a forecast first, and after seeing the advice (i.e., a forecast) from an algorithm, decided which forecast, their own or that of the algorithm, to submit as the final forecast. The task 2 procedure was similar to task 1, except that after seeing the algorithm's forecast, participants were able to submit a new forecast as their final forecast.

We found that the degree of reliance on the algorithms did not differ depending on the performance level of the algorithm for those participants with little experience in the task (and thus, with little idea about their own skill). Those participants who had experienced the task and learned about their own skill relied on the algorithm significantly less than those without experience, both when they could infer that they had outperformed the algorithm and when they could infer that the algorithm outperformed them. Interestingly, in terms of average forecasting performance, participants relied just enough on the high performing algorithm in our experiment (where increasing the reliance would not have resulted in significantly better forecasting performance), but they relied too much on the low performing algorithm in that they would have done better without the algorithm. While some recent research is concerned about how one can mitigate the aversion to algorithms (e.g., Dietvorst et al., 2018), our results suggest that, at least in some domains, one should be concerned about the excessive reliance on algorithms.

In the remainder of the paper, Section 2 presents the experimental design, Section 3 summarizes the results, and Section 4 provides a concluding discussion.

2 Experimental Design

2.1 Procedure

In our experiment, participants were asked to play the role of financial advisors and shown a series of 20 graphs of 12 months' worth of end-of-day prices of randomly selected stocks from the S&P 500 starting from a randomly selected day between January 1, 2008, and December 1, 2018. They were not told the name of the stock or the starting date. The prices were rescaled so that all starting prices were equal to 100 (see Figure 1 for a sample graph).

Fig 1. Sample of the graph

For each graph, participants were asked to forecast the closing price of these stocks 30 days after the last price shown on the graph. Participants first entered their forecast for each of the 10 graphs (shown in random order). Then, for the same set of 10 graphs, one by one in a random order, they were informed of the algorithm's forecast and asked to submit their final forecast either by selecting between their own forecast and that of the algorithm (task 1), or by freely modifying the forecasts (task 2). The

order of two tasks and the order of the 10 graphics within each task were randomized across participants.

We measured performance of the algorithm as well as that of a participant for a particular forecasting task by the absolute percentage error (APE) of their forecast from the realized price using the following equation.

$$APE = \left|\frac{Forecast - realized\ price}{realized\ price}\right| \times 100$$

We designed six treatments, varying the performance level of algorithms (high or low) and the opportunity for participants to learn about their own and the algorithms' performance through the practice stage. Below we call the high and the low performing algorithm "Good" and "Bad" algorithms, respectively.[1]

In each treatment, participants were told that their company had created an algorithm that was designed to forecast stock prices as follows:[2]

"This algorithm makes the future stock price forecast by learning the historical stock price information, from January 1, 2000, to January 1, 2020, of 83 target companies ranked top in their

[1] Both of these algorithms give unbiased forecasts in that the average percentage error is equally close to zero (see Appendix A2).

[2] Readers may be concerned about the effect of the wording in the experimental instructions, that the participants were to play the role of "financial advisor" and "their company had created an algorithm" may have induced them to rely more heavily on the algorithm. To address such concerns, we conducted an additional set of experiments without these framings. In the additional nonframed experiments, we removed the frames about the role of financial advisors and developers (i.e., their company) of the algorithms. Specifically, participants in the additional nonframed experiments were told: "*In this experiment, you are asked to forecast the future stock price based on historical price information. A robot has been created to forecast future stock prices.*" In total, 252 participants from the same subject pool who had never previously participated in a similar experiment participated in this additional set of experiments. We found no significant difference between the results of the framed and nonframed experiments for all but one treatment, and even in that treatment, the degree of reliance on the algorithm was higher in the nonframed experiment than in the framed version. We therefore conclude that the results we report in the main text were not driven by these frames in the experimental instructions. See Appendix A10 for details. For completeness, Appendix A11 reports the results of the same set of analyses that we report in the main text using the data gathered in the nonframed experiments.

capital market sectors (i.e., Basic Materials, Consumer Goods, Healthcare, Services, Utilities, Conglomerates, Financial, Industrial Goods, Technology).”

Participants were also told that the mean absolute percentage error (MAPE) of the algorithm was either around 4.9% (Good algorithm in Treatment 1 (or T1), T2, and T3) or 18.4% (Bad algorithm in T4, T5, and T6).[3] The MAPE is calculated as follows, where n = 5311, which is the number of predictions used to measure the performance of the algorithm.

$$\left(\frac{1}{n}\sum\left|\frac{Forecast - realized\ price}{realized\ price}\right|\right) \times 100$$

To vary the opportunity for participants to learn about their own and the algorithms' performance, there was a practice stage in four of our treatments. In the practice stage, just as in the main task, participants were shown a series of 10 graphs generated in the same way as the main task, and for each graph, they forecast the end-of-day price for these stocks 30 days after the last price shown on the graph.[4] At the end of the practice stage, after participants had finished entering their forecasts for all 10 stocks, we either showed only their own performance (T2 and T5) or both their own and the algorithm's performances (T3 and T6) for each of the 10 stocks separately as well as the average across all 10 stocks. That is, in T2 and T5, participants were informed of the realized price, their own forecast, and the associated APE for each of 10 stocks, and the MAPE for their own 10 forecasts. In T3 and T6, participants were also informed of the forecast of the algorithm and the associated APE for each of the 10 stocks, and the MAPE of the algorithms' 10 forecasts. There was no practice stage in T1 or T4. See

[3] We have created two types of algorithm (good algorithm and bad algorithm). We have designed the good and bad algorithms so that they would perform better and worse, respectively, than humans on average. The details of the preparation of our algorithms are shown in Appendices A7 and A8.

[4] We confirmed that there were no significant differences in the MAPE of the algorithm's forecast among the randomly selected 10 graphs in the practice stage, task 1, and task 2, using pairwise t-test.

Table 1 for the summary of our six treatments.

Table 1. Summary of treatments

Treatment	Algorithms	Practice stage	Number of participants
1	Good	No practice stage	49
2	Good	Human	47
3	Good	Human and algorithm	50
4	Bad	No practice stage	50
5	Bad	Human	45
6	Bad	Human and algorithm	47
Total number			288

At the end of each task, participants were asked to evaluate the accuracy of their forecasts relative to those of the algorithm between –5 (*the lowest, where your forecast is less accurate than the algorithm's forecast to a great extent*) and 5 (*the highest, where your forecast is more accurate than the algorithm's forecast to a great extent*), with 0 indicating that the participant's forecast had the same accuracy as the algorithm.

Participants were rewarded based on the accuracy of their final forecasts in one randomly chosen graph (out of 20 graphs from two tasks) as follows.

$$\text{Max}\left[200 - 100 \times \left|\frac{your\ final\ forecast - realized\ price}{realized\ price} \times 100\right|, 0\right]$$

If a participant's final forecast in the chosen graph matched the realized price exactly, the participant received 200 points. For each percentage point difference between the participant's final

forecast and the realized price, 10 points were subtracted. If the participant's final forecast differed from the realized price by more than 20%, 0 points were awarded. The exchange rate was 1 point = JPY 6.

3 Results

The experiment was conducted online from December 1, 2020, to December 7, 2020. We recruited 299 participants who were students of Osaka University registered to the ORSEE (Greiner, 2015) database of the Institute of Social and Economic Research at Osaka University. Participants gave online consent by clicking a button before entering the experiment. Participants received JPY 500 as a participation fee for completing 45 minutes of experiments, and could earn up to an additional JPY 1200 reward depending on their forecasting performance. We dropped 11 participants (out of 299) from our analyses because they completed the experiment in a very short time (less than 10 minutes).[5] We also dropped one observation of task 2 Question 9, in which the participant entered a huge number in one forecast due to a typo. The final sample was 66% male and 81% undergraduate students, predominantly from the following majors: 37% engineering, 11% economics and management, 10% foreign studies, 9% law, 8% medicine, 7% science, and 8% human science. The final sample had an average financial literacy score of 67% (8 out of 12 questions).[6]

We measured the degree of "reliance on algorithms" (Logg et al., 2019; Castelo et al., 2019) by the "shift rate" (Önkal et al., 2009), which is defined for participant *i* in stock *s*, as follows.

[5] We conducted a robustness check for the results by including all participants. In treatment 5, one participant completed the experiment in 8 minutes and misunderstood task 2 by inputting small numbers for the final forecast in 10 questions. We omitted these observations, and obtained similar results.

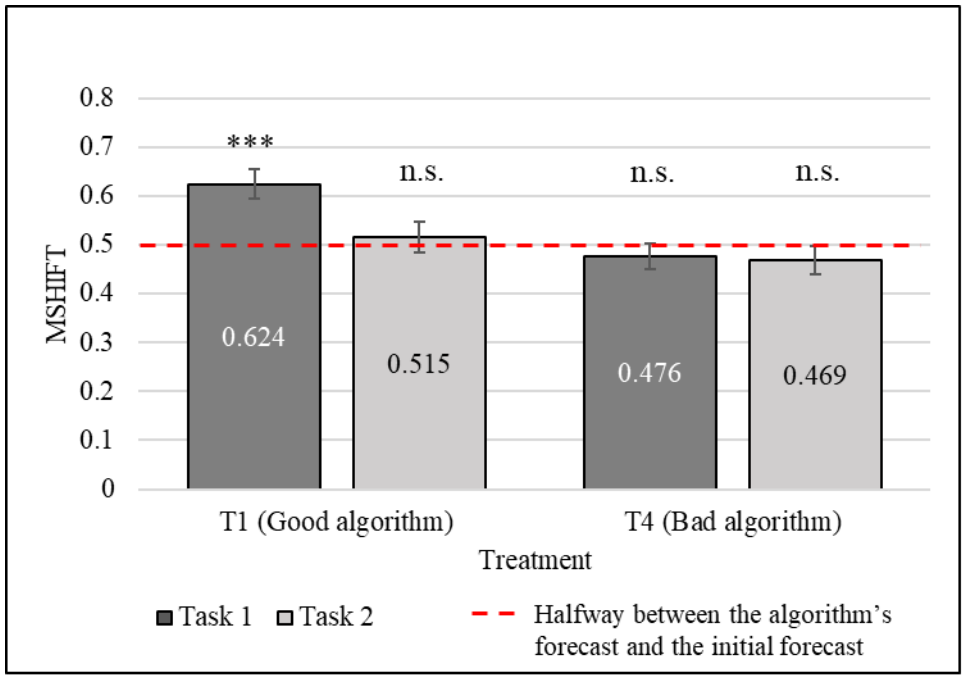
[6] In addition, we gathered information regarding participants' degree of risk aversion and cognitive ability. Participants' characteristics, except for the financial literacy score, were not statistically significantly different across treatments (see Appendix A2). In the main text, we reported the average treatment effect without controlling for these individual characteristics because we obtained qualitatively similar results even after controlling for them (see Appendix A2 for these additional analyses).

$$Shift\ Rate_s^i = \frac{Final\ Forecast\ _s^i - Initial\ Forecast\ _s^i}{Algorithm's\ Forecast\ _s\ - Initial\ Forecast\ _s^i}$$

A shift rate > 0.5 indicates that the final forecast is closer to the algorithm's forecast than the participant's own initial forecast. The opposite is true for shift rate < 0.5. A shift rate of 1 indicates that the final forecast is exactly the same as the algorithm's forecast, while a shift rate of 0 indicates that the final forecast is exactly the same as the participant's initial forecast. We calculated the mean shift rate (MSHIFT) of 10 graphs in each task in each treatment.

Our discussion is organized as follows. We first compare the degree of reliance on the algorithm when participants are only informed about the average performance level of the algorithm without experiencing the task (T1 vs. T4). We also compare reliance on the algorithm between task 1, when participants have to choose between either their own forecast or that of the algorithm as the final forecast, and task 2, when there is no such restriction regarding the choice of final algorithm. We then investigate, for both types of algorithm, the effect of experiencing the task and comparing their own performance with the average performance of the algorithm (T2 and T5), or comparing their own and the algorithm's performance side by side (T3 and T6).

3.1 Effect of information about the algorithm's performance for inexperienced participants



Note: p-values were calculated based on a single-sample t-test. MSHIFTs were compared against the level of 0.5, which is the halfway between the algorithm's forecast and the initial forecast. *, **, and *** indicate significance at the 0.10, 0.05, and 0.01 levels, respectively. n.s. means the difference is not statistically significant at 0.1. See Table A1 in Appendix A1 for details.

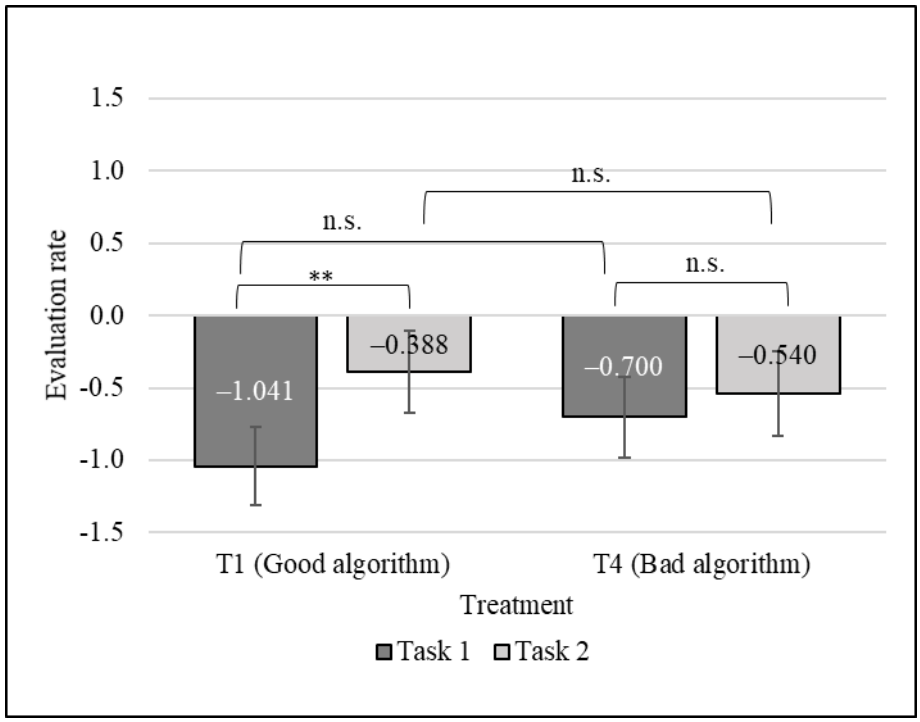
Fig 2. MSHIFT in T1 and T4

Figure 2 shows the average MSHIFT in T1 and T4 for task 1 (dark gray) and task 2 (light gray). The error bars correspond to the two standard error range (i.e., ± one standard error). The average MSHIFTs were 0.624 in T1 and 0.476 in T4 for task 1, and 0.515 in T1 and 0.469 in T4 for task 2. The MSHIFT was significantly different from 0.5 only in T1 in task 1. The participants had been informed that the MAPE of the algorithm was 4.9% in T1 and 18.4% in T4.

The task 2 result shows that when participants can choose their final forecasts freely, regardless of the average performance level of the algorithm provided, on average, they choose a point midway between their own forecast and the one provided by the algorithm. When participants had to choose

between the two as their final forecasts in task 1, for the bad algorithm they were equally likely to choose the algorithm's or their own initial forecast, but for the good algorithm, they were more likely to choose the forecast provided by the good algorithm (on average 0.15 more likely than the bad algorithm).

This suggests that for those participants without experience in the task, and thus without a good idea about their own performance, information regarding the performance level of the algorithm does not have a strong effect on their reliance on the algorithm.[7]



Note: p-values were calculated based on the F test, comparing the estimated coefficient on treatment dummies in the OLS regression model of evaluation rate on treatment with robust standard error. *, **, and *** indicate significance at the 0.10, 0.05, and 0.01 levels, respectively. n.s. means the difference is not statistically significant at 0.1. See Tables A2 and A3 in Appendix

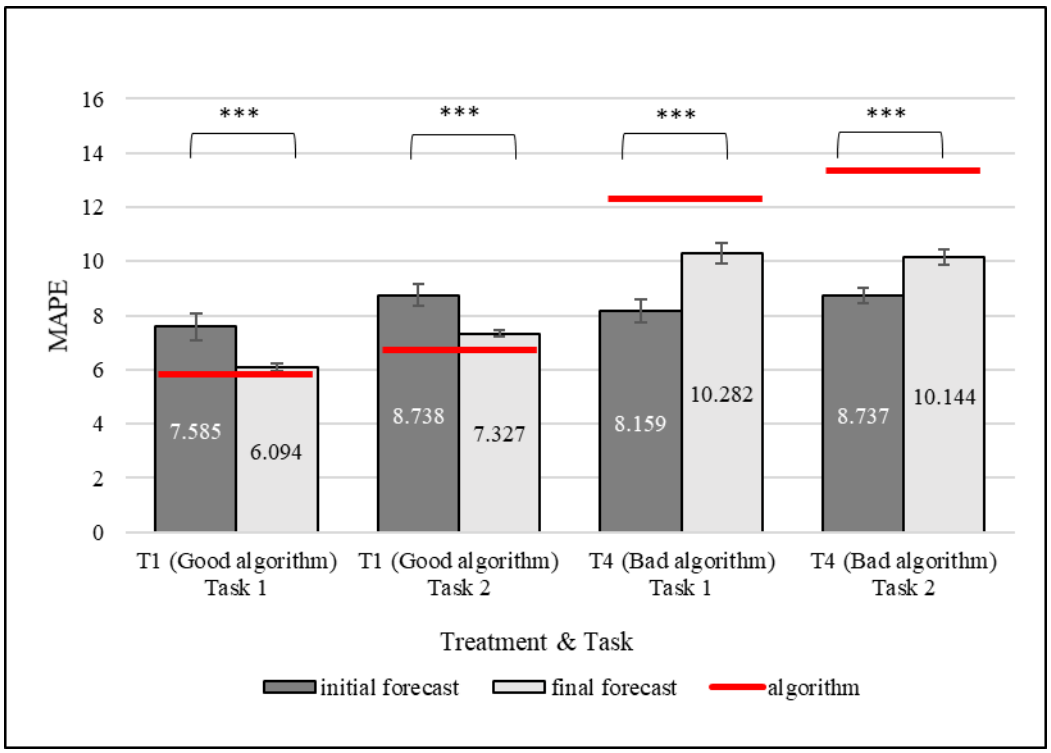
[7] It is interesting to note, however, that our MSHIFT was much higher than the 0.28 reported by Önkal et al. (2009) for a similar forecasting task. The lower reliance on the algorithm found by Önkal et al. (2009) may be due to participants not being informed about the performance level of the algorithm, but could also be due to the difference in the general perception regarding the algorithm between pre-2010 and now.

A1 for details.

Fig 3. Evaluation of the accuracy of the initial forecast relative to the algorithm's forecast in T1 and T4

Participants considered their forecasts to be slightly less accurate than those of the algorithm in both T1 and T4 (see Figure 3). The average subjective evaluations of the accuracy of their own forecasts relative to those of the algorithm were –1.041 (task 1) and –0.388 (task 2) in T1, and –0.7 (task 1) and –0.54 (task 2) in T4. As shown in Figure 3, there was no statistically significant difference between the subjective evaluations between T1 and T4 in either of the two tasks.

As one can easily imagine from the similar degree of reliance on the algorithms in T1 (good algorithm) and T4 (bad algorithm), participants' final forecasts became better than their initial forecasts in T1 while they became worse in T4, as shown in Figure 4.



Note: p-values for the estimated coefficient on final forecast dummies are shown. *, **, and ***

indicate significance at the 0.10, 0.05, and 0.01 levels, respectively. n.s. means the difference is not statistically significant at 0.1. See Tables A2, A4, and A5 in Appendix A1 for details.

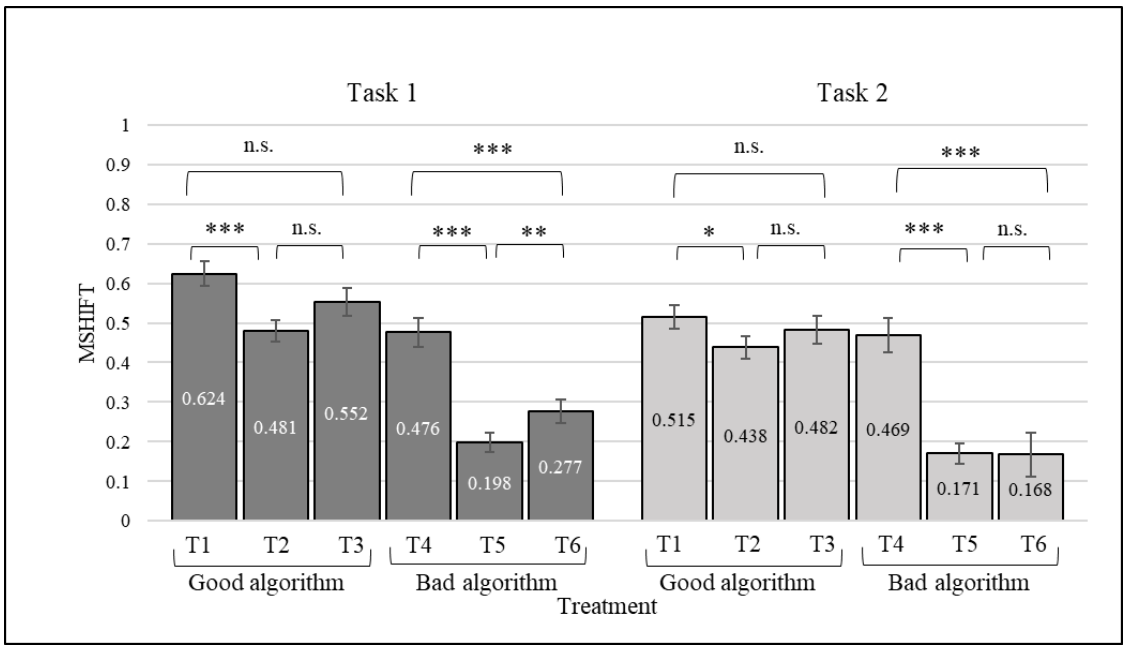
Fig 4. MAPE in T1 and T4

3.2 Effect of information about the algorithm's performance when participants have experience in the task

We now turn to the effect of letting participants experience the task and informing them about their performance. In T2 and T5, participants were only informed about their own performance at the end of the practice stage. The average MAPEs (and the standard errors) during the practice stage were 8.300 (0.578) and 8.100 (0.386) in T2 and T5, respectively. Therefore, participants in T2 were aware that the algorithm (with MAPE of 4.9%) outperformed them, on average, and those in T5 were aware that they outperformed the algorithm (with MAPE of 18.4%), on average.

In T3 and T6, participants could directly compare the performance of their own forecasts with those of the algorithm. The average MAPEs (and the standard errors) during the practice stage were 8.064 (0.386) for the participants and 5.889 for the algorithm in T3, and 7.861 (0.359) for the participants and 10.144 for the algorithm in T6. Note that the MAPEs of the algorithm in the practice stage of T3 and T6 were both quite different from the ones that participants had seen in the instructions (4.9 and 18.4). This is because the MAPEs of the algorithms in the instructions were computed based on the large sample of the trials, and not tied to the small samples of the specific stock periods used in the experiment. This discrepancy, however, could have resulted in participants considering the good algorithm to perform poorly in T3 in comparison to T1 and T2 (thus to rely on the good algorithm less in T3 than in T2), or the bad algorithm to perform better in T6 compared to T4 and T5 (thus to rely on the bad algorithm more in T6 than in T5).

Figure 5 shows the MSHIFT in task 1 (dark gray) and task 2 (light gray) in each treatment. The results of T1 and T4 are also included for reference. Let us first consider task 1. First, regardless of the performance level of the algorithm, we observed that allowing participants to gain experience and learn about their own performance level on the specific task decreased their reliance on the algorithm, on average. Furthermore, regardless of the performance level of the algorithm, on average, participants' reliance on the algorithm increased when they were able to directly compare their own forecasts with those of the algorithm. MSHIFT decreased significantly from 0.624 in T1 to 0.481 in T2, then increased, although not significantly, to 0.552 in T3. Similarly, MSHIFT decreased significantly from 0.476 in T4 to 0.198 in T5, then increased significantly to 0.277 in T6. Such a U-shaped change in MSHIFT, however, was not observed for task 2.



Note: p-values are calculated based on the F test comparing the estimated coefficient on treatment dummies. *, **, and *** indicate significance at the 0.10, 0.05, and 0.01 levels, respectively. n.s. means the difference is not statistically significant at 0.1. See Table A2 in Appendix A1 for details.

Fig 5. MSHIFT in tasks 1 and 2

The significantly lower reliance on the algorithm observed in T2 and T5, compared with T1 and T4, respectively, suggests that, on average, participants who did not experience the task (in T1 and T4) expected their performance to be worse than 8% MAPE (the average MAPE achieved by participants during the practice stage in T2 and T5). This interpretation is corroborated with their subjective evaluation of the accuracy of their own forecasts relative to those of the algorithm, as shown in Figure 6. The subjective evaluation of their own forecasts slightly improved from –1.041 in T1 to –0.596 in T2. The improvement was much greater from T4 to T5 (–0.7 to 1.178). Indeed, there was a positive (and statistically significant) relationship between MAPE during the practice stage and MSHIFT in T2. That is, those who performed poorly (higher MAPE) relied on the good algorithm more. For T5, however, we did not observe such a relationship (see Table A14 in Appendix A4).

The significantly increased reliance on the algorithm in T6 compared with T5 in task 1 can be understood from our discussion mentioned above regarding the potential effect of the discrepancy between the MAPE of the algorithm communicated to participants in the instruction (18.4) and what they observed during the practice stage (10.144). Recall that in T6, the performance of the algorithm was higher during the practice stage than participants had been informed it was when given the instructions (this was the only information participants received about the algorithm in T5). Although, in T3, the performance of the algorithm was lower (MAPE = 5.889) during the practice stage than the participants had been informed it was when given the instructions (MAPE = 4.9), this difference was not enough to result in a significant difference in MSHIFT between T2 and T3.

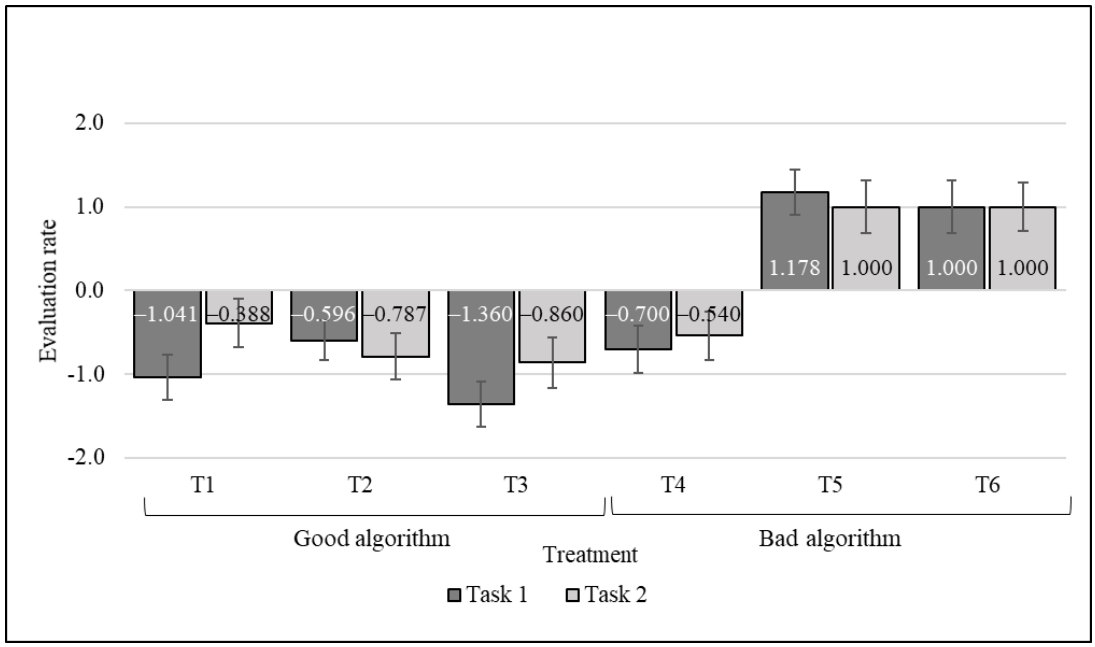
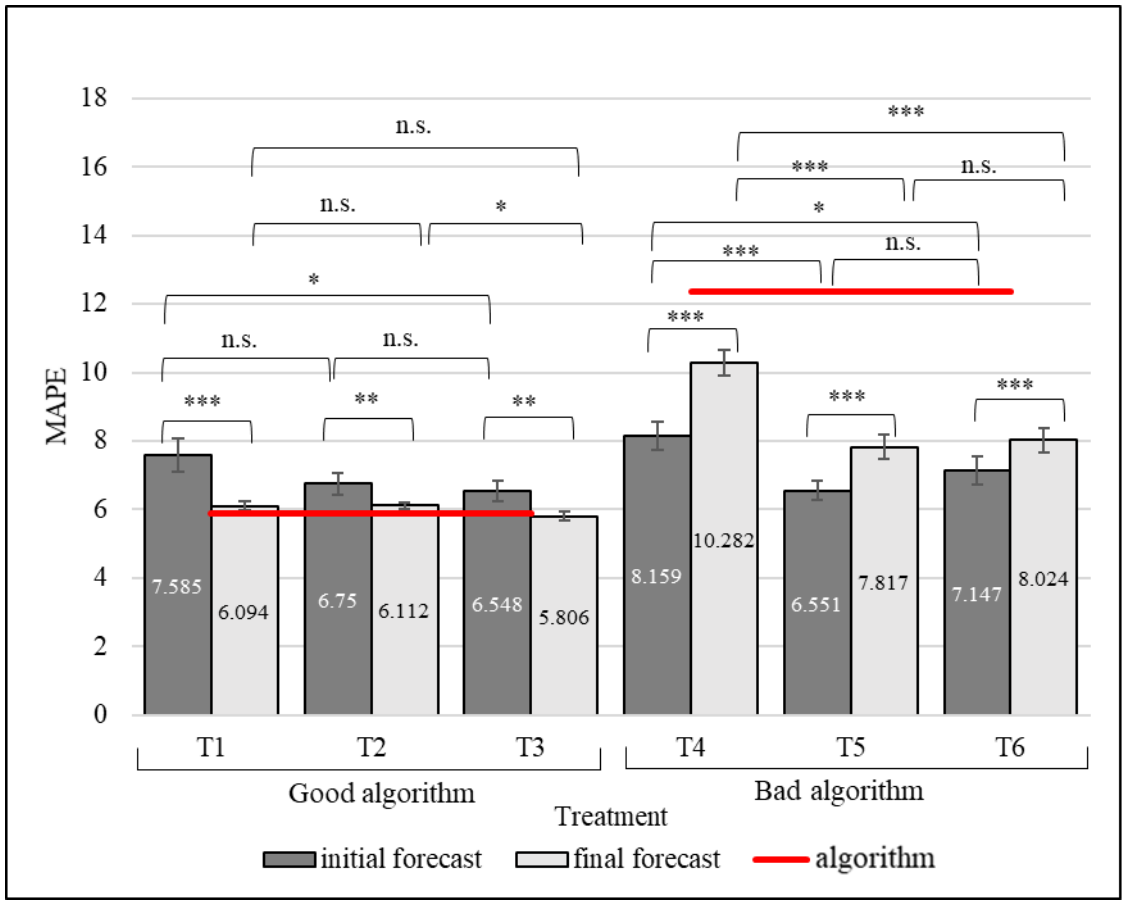


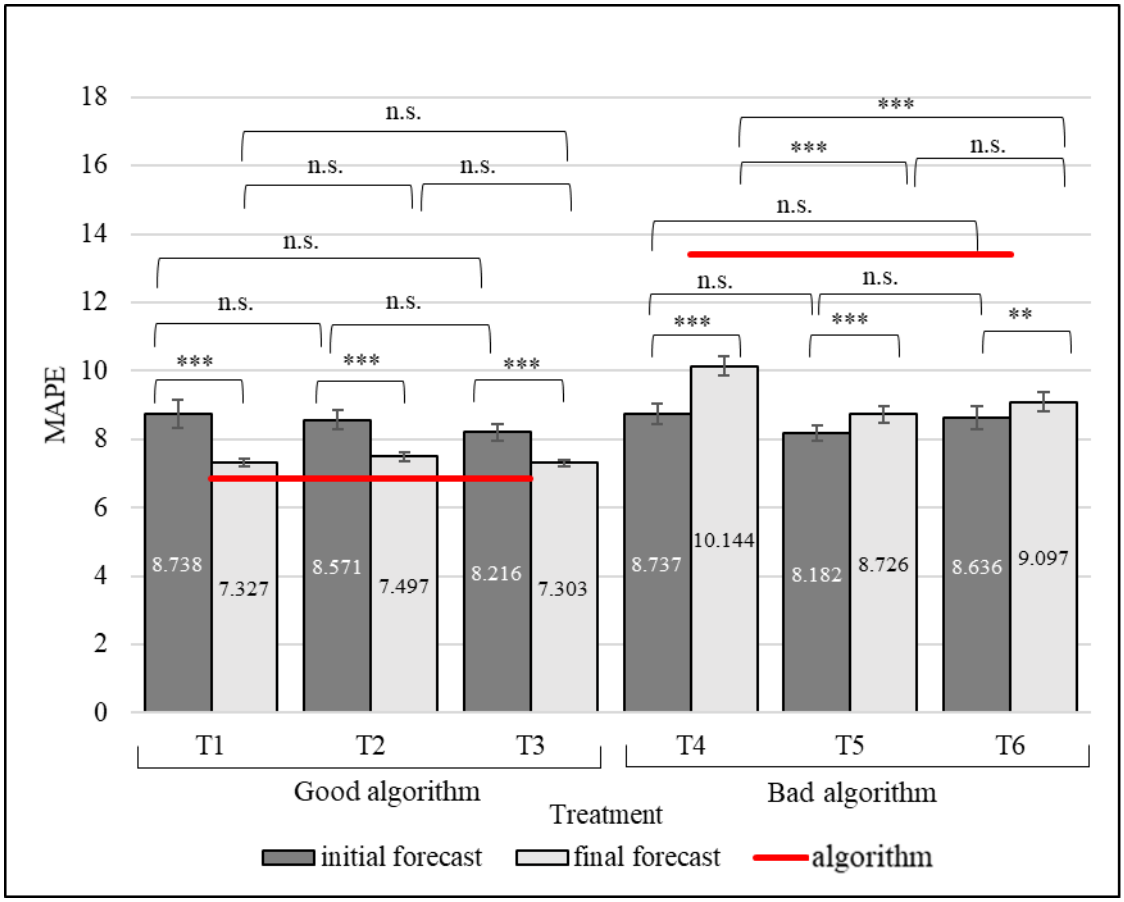
Fig 6. Evaluation of the accuracy of participants' initial forecast relative to the algorithm's forecast

Differences in MSHIFT across the treatments we observed also resulted in variation of performance of the final forecasts, measured by MAPE, as shown in Figure 7(a) for task 1 and Figure 7(b) for task 2. The figures also show the MAPE of the initial forecast, as well as that of the algorithm (in red line). We first discuss the results of task 1, as shown in Figure 7(a).



Note: p-values are calculated based on F test comparing the estimated coefficient on treatment dummies. *, **, and *** indicate significance at the 0.10, 0.05, and 0.01 levels, respectively. n.s. means the difference is not statistically significant at 0.1. See Tables A2 and A4 in Appendix A1 for details.

Fig 7(a). MAPE in task 1



Note: p-values are calculated based on F test comparing the estimated coefficient on treatment dummies. *, **, and *** indicate significance at the 0.10, 0.05, and 0.01 levels, respectively. n.s. means the difference is not statistically significant at 0.1. See Tables A2 and A5 in Appendix A1 for details.

Fig 7(b). MAPE in task 2

We observed some evidence that suggested participants improved their initial forecasts after the practice stage. The MAPE of the initial forecasts was 7.585 in T1, 6.750 in T2, 6.548 in T3 (the difference between T1 and T3 was marginally significant at $p < 0.1$), and 8.159 in T4, 6.551 in T5, and 7.147 in T6. The difference between T4 and T5 was significant, and the difference between T4 and T6 was marginally significant.

The MAPE of final forecasts was 6.112 in T2 and 5.806 in T3, significantly lower than those of the initial forecasts. Furthermore, the MAPE of final forecasts in T3 was not significantly different than that of the algorithms ($p = 0.619$, see Table A15 in Appendix A5 for details). The significantly lower reliance on the algorithm we observed above for T2 compared with T1 did not result in significantly worse forecasts.

By contrast, participants relied too much on the low performing algorithm. The MAPEs of the final forecasts in T5 and T6 were 7.817 and 8.024, respectively. Although they were significantly lower than in T4 (10.282) due to both better initial forecasts and lower reliance on the low performing algorithm, they were still significantly higher than participants' initial forecasts. Thus, participants would have been better off without the algorithm.

Similar observations can be made for task 2, as shown in Figure 7(b). In particular, participants' final forecasts were significantly worse, in terms of MAPE, than their initial forecasts in the presence of the low performing algorithm.

4 Conclusion

In this paper, we reported the results of a set of controlled online experiments on forecasting stock prices, exploring (1) whether the degree of reliance on the algorithm by participants who have little experience in the specific task varies depending on the performance level of the algorithm, and (2) how participants' gaining some experiences and learning about their own skill in the given task influenced the participants' degree of reliance on the algorithm.

We found that, for those participants with little experience in the task (and thus, with no idea about their own skill), the degree of reliance on the algorithm did not differ significantly as a function of the algorithm's performance level when participants were free to adjust their forecasts after receiving the algorithm forecast. Those participants who had experienced the task and learned about their own skill

relied on the algorithm significantly less than those without experience, both when they could infer they outperformed the algorithm and when they could infer the algorithm outperformed them. In terms of average forecasting performance, participants relied on the high performing algorithm quite well in our experiment (there are cases in which increasing the reliance would not have resulted in significantly better forecasting performance), but they relied too much on the low performing algorithm, even when they could infer that they outperformed the algorithm—they would have done better without relying on the algorithm at all. While some recent research has been concerned with how the aversion to algorithms can be mitigated (e.g., Dietvorst et al., 2018), our results suggest that, at least in some domains, one should be concerned about the excessive reliance on algorithms.

This study leaves some questions unanswered. First, we did not investigate the dynamics of algorithm reliance. It is possible that if participants learned about the performance of the algorithm relative to their own performance, they might increase their reliance on good algorithms and decrease their reliance on bad ones. Thus, excessive reliance on low performing algorithms may simply be a temporary phenomenon. Second, in our experiment, the advice from the algorithm was provided for free. Yet, in many situations, information has value, and one needs to pay to obtain it. It is possible that if participants have to pay for advice from an algorithm, they may refuse to pay for advice from the low performing algorithm, thus solving the problem of excessive reliance on them. Therefore, it is of great interest to investigate how well participants evaluate the value of the advice coming from algorithms. We plan to investigate these issues in future research.

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"Beware of artificial intelligence's ability before you trust them: Evidence from a stock price forecasting experiment"

Tables of Contents

Appendix A1: Results for figures
Appendix A2: Analyses of experimental results conditional on personal characteristics
Appendix A3: Robustness in experimental design
Appendix A4: The relationship between MSHIFT and MAPE of human forecast in the practice stage
Appendix A5: Comparison of MAPE between algorithm forecast and final forecast
Appendix A6: Summary of the graphs in the practice stage, task 1, and task 2
Appendix A7: Data preparation for creating AI model
Appendix A8: Model structure and training setting
Appendix A9: Experiment Instructions
Appendix A10: Comparison between framed experiments and nonframed experiments
Appendix A11: Results of nonframed experiments

A1. Results for figures

Table A1. Comparison between MSHIFT and the halfway point between the algorithm's forecast and the initial forecast using single-sample t-test

Treatment	Task	MSHIFT (Std. Err.)	Obs.	Halfway between algorithm's forecast and initial forecast	t-value (p-value)
T1	1	0.624 (0.031)	49	0.5	4.007 (<0.01)
T1	2	0.515 (0.031)	49	0.5	0.500 (0.619)
T4	1	0.476 (0.037)	50	0.5	–0.645 (0.522)
T4	2	0.469 (0.044)	50	0.5	–0.695 (0.491)

The number of observations is the number of participants in each treatment.

The ordinary least squares (OLS) linear regression model was used to test the impact of treatment effect on evaluation rate, MSHIFT, MAPE of initial forecast, and MAPE of final forecast in tasks 1 and 2. The dependent variables were evaluation rate in model (1) (2), MSHFT in model (3) (4), MAPE of initial forecast in model (5) (6), and MAPE of final forecast in model (7) (8). The independent variables were treatment dummies. In the estimation, we calculated the robust standard error under heteroskedasticity. Table A2 shows the predicted margin and standard errors estimated by the delta method. We performed an F test to compare the estimated coefficient on treatment dummies for evaluation rate, MSHIFT, MAPE of initial forecast, and MAPE of final forecast. The p-values associated with F test are shown.

The dataset was reshaped from wide to long. We generated a task 2 dummy that equaled 0 for task 1 and 1 for task 2. An OLS linear regression model was used to test the impact of task type on evaluation

rate in each treatment. The dependent variable was evaluation rate. The independent variable was task 2 dummy. In the estimation, we calculated the robust standard error under heteroskedasticity with participant-level clustering. Results are shown in Table A3.

Table A2. Predicted evaluation rate, predicted MSHIFT, and predicted MAPE for treatment dummies using OLS regression with robust standard error

Variables	(1) Evaluation Task 1	(2) Evaluation Task 2	(3) MSHIFT Task 1	(4) MSHIFT Task 2	(5) MAPE initial forecast Task 1	(6) MAPE initial forecast Task 2	(7) MAPE final forecast Task 1	(8) MAPE final forecast Task 2
Treatment 1	–1.041	–0.388	0.624	0.515	7.585	8.738	6.094	7.327
	(0.270)	(0.286)	(0.031)	(0.031)	(0.485)	(0.401)	(0.136)	(0.122)
Treatment 2	–0.596	–0.787	0.481	0.438	6.750	8.571	6.112	7.497
	(0.241)	(0.274)	(0.027)	(0.029)	(0.313)	(0.284)	(0.100)	(0.123)
Treatment 3	–1.360	–0.860	0.552	0.482	6.548	8.216	5.806	7.303
	(0.272)	(0.304)	(0.035)	(0.035)	(0.306)	(0.242)	(0.120)	(0.103)
Treatment 4	–0.700	–0.540	0.476	0.469	8.159	8.737	10.282	10.144
	(0.280)	(0.293)	(0.037)	(0.044)	(0.413)	(0.302)	(0.381)	(0.284)
Treatment 5	1.178	1.000	0.198	0.171	6.551	8.182	7.817	8.726
	(0.272)	(0.311)	(0.024)	(0.026)	(0.286)	(0.217)	(0.355)	(0.246)
Treatment 6	1.000	1.000	0.277	0.168	7.147	8.636	8.024	9.097
	(0.317)	(0.285)	(0.030)	(0.055)	(0.420)	(0.340)	(0.357)	(0.281)
	Prob > F	Prob > F	Prob > F	Prob > F	Prob > F	Prob > F	Prob > F	Prob > F
T1 = T2	0.220	0.313	0.000	0.072	0.149	0.734	0.913	0.328
T2 = T3	0.036	0.859	0.111	0.344	0.647	0.342	0.051	0.228
T1 = T3	0.406	0.258	0.124	0.470	0.072	0.266	0.113	0.880
T4 = T5	0.000	0.000	0.000	0.000	0.002	0.137	0.000	0.000
T5 = T6	0.671	1.000	0.045	0.961	0.242	0.261	0.682	0.322
T4 = T6	0.000	0.000	0.000	0.000	0.087	0.825	0.000	0.009
T1 = T4	0.382	0.710	0.002	0.393	0.369	0.997	0.000	0.000
T2 = T5	0.000	0.000	0.000	0.000	0.640	0.277	0.000	0.000
T3 = T6	0.000	0.000	0.000	0.000	0.251	0.315	0.000	0.000
Observations	288	288	288	288	288	288	288	288

a: Treatment 1 dummy equals 1 for treatment 1, and 0 otherwise. Treatment 2 dummy equals 1 for treatment 2, and 0 otherwise. Treatment 3 dummy equals 1 for treatment 3, and 0 otherwise. Treatment 4 dummy equals 1 for treatment 4, and 0 otherwise. Treatment 5 dummy equals 1 for treatment 5, and 0 otherwise. Treatment 6 dummy equals 1 for treatment 6, and 0 otherwise.

b: The unit of observation is the number of participants. The total number of observations is the number of participants in all treatments.

c: The robust standard errors are in parentheses. *** $p < 0.01$, ** $p < 0.05$, and * $p < 0.1$.

Table A3. Comparison of evaluation rate between tasks 1 and 2 using OLS regression of evaluation rate on task dummy with robust cluster standard error on participant level

	(1)	(2)	(3)	(4)	(5)	(6)
Variables	T1	T2	T3	T4	T5	T6
Task 2 dummy	0.653**	–0.191	0.500*	0.160	–0.178	0.000
	(0.284)	(0.188)	(0.251)	(0.289)	(0.252)	(0.287)
Constant	–1.694***	–0.404	–1.860***	–0.860*	1.356***	1.000*
	(0.476)	(0.335)	(0.427)	(0.489)	(0.423)	(0.535)
Observations	98	94	100	100	90	94
R-squared	0.028	0.003	0.015	0.002	0.002	0.000
Clusters	49	47	50	50	45	47

a: A task dummy equals 0 for task 1 and 1 for task 2.

b: The unit of observation is the number of participants. The total number of observations is the number of participants in each treatment × 2.

c: The robust standard errors clustered by participant levels are in parentheses. *** $p < 0.01$, ** $p < 0.05$, and * $p < 0.1$.

The dataset was reshaped from wide to long. We generated a final forecast dummy that equaled 0 for initial forecast and 1 for final forecast. An OLS linear regression model was used to compare the MAPE of initial forecast and MAPE of final forecast in each treatment. The dependent variable was MAPE. The independent variable was final forecast dummy. In the estimation, we calculated the robust standard error under heteroskedasticity with participant-level clustering. Task 1 results are shown in Table A4, and task 2 results are shown in Table A5.

Table A4. Comparison of MAPE between initial forecast and final forecast in task 1 using OLS regression of MAPE on final forecast dummy with robust cluster standard error on participant level

	(1)	(2)	(3)	(4)	(5)	(6)
Variables	T1	T2	T3	T4	T5	T6
Final forecast	–1.492***	–0.637**	–0.742**	2.123***	1.266***	0.877***
	(0.472)	(0.279)	(0.290)	(0.377)	(0.244)	(0.300)
Constant	7.585***	6.750***	6.548***	8.159***	6.551***	7.147***
	(0.488)	(0.315)	(0.308)	(0.415)	(0.288)	(0.422)
Observations	98	94	100	100	90	94
R-squared	0.084	0.039	0.049	0.127	0.081	0.027
Clusters	49	47	50	50	45	47

a: The final forecast dummy equals 1 for final forecast and 0 for initial forecast.

b: The unit of observation is the number of participants. The total number of observations is the number of participants in each treatment × 2.

c: The robust standard errors clustered by participant levels are in parentheses. *** $p < 0.01$, ** $p < 0.05$, and * $p < 0.1$.

Table A5. Comparison of MAPE between initial forecast and final forecast in task 2 using OLS regression of MAPE on final forecast dummy with robust cluster standard error on participant level

	(1)	(2)	(3)	(4)	(5)	(6)
Variables	T1	T2	T3	T4	T5	T6
Final forecast	–1.411***	–1.074***	–0.913***	1.408***	0.545***	0.461**
	(0.330)	(0.219)	(0.217)	(0.289)	(0.151)	(0.205)
Constant	8.738***	8.571***	8.216***	8.737***	8.182***	8.636***
	(0.403)	(0.286)	(0.243)	(0.303)	(0.219)	(0.342)
Observations	98	94	100	100	90	94
R-squared	0.106	0.115	0.109	0.105	0.030	0.012
Clusters	49.000	47.000	50.000	50.000	45.000	47.000

a: The final forecast dummy equals 1 for final forecast and 0 for initial forecast.

b: The unit of observation is the number of participants. The total number of observations is the number of participants in each treatment × 2.

c: The robust standard errors clustered by participants level are in parentheses. *** $p < 0.01$, ** $p < 0.05$, and * $p < 0.1$.

A2. Analyses of experimental results conditional on personal characteristics

We used the survey datasets of participants' personal characteristics (Hanaki et al., 2021) measured before the experiment. Personal characteristics include being female, being undergraduate student, financial literacy score, risk aversion score, and cognitive reflection test (CRT) score.

Risk aversion scores were measured using the method used by Masuda and Lee (2019). The elicitation task was originally proposed by Noussair et al. (2014). Participants are asked to choose between a risky lottery in which they have a 50% chance of getting JPY650 and a 50% chance of getting JPY50, and a sure payment of JPY X (where X may be 200, 250, 300, 350, or 400). If the two options are indifferent to the respondent, then the X is a certainty equivalent. The larger the risk premium, the more risk averse they are. Usually, we assume that individuals will consistently choose the risky option only when X is less than their certainty equivalent, so the fewer times they choose the risky option, the more risk averse they are.

The CRT is applied following Finucane and Gullion (2010). The three questions were as follows.

(1) If it takes 2 nurses 2 minutes to measure the blood pressure of 2 patients, how long would it take 200 nurses to measure the blood pressure of 200 patients? (in minutes). [Correct answer: 2 minutes; intuitive answer: 200 minutes]

(2) Soup and salad cost 5.50 euros in total. The soup costs 5 euros more than the salad. How much does the salad cost? (in euros). [Correct answer: 0.25 euro; intuitive answer: 0.5 euro]

(3) Sally is making some tea. Every hour, the concentration of the tea doubles. If it takes 6 hours for the tea to be ready, how long would it take for the tea to reach half of the final concentration? (in hours). [Correct answer: 5 hours; intuitive answer: 3 hours]

The financial literacy scores were measured by following Fernandes et al. (2014). The 12 questions were as follows.

(1) Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After 1 year, would you be able to buy: 1. More than today with the money in this account 2. Exactly the same as today with the money in this account 3. Less than today with the money in this account 4. Don't know 5. Refuse to answer [Correct answer: 3]

(2) Do you think that the following statement is true or false? “Bonds are normally riskier than stocks.” 1. True 2. False 3. Don't know 4. Refuse to answer [Correct answer: 2]

(3) Considering a long time period (for example 10 or 20 years), which asset described below normally gives the highest return? 1. Savings accounts 2. Stocks 3. Bonds 4. Don't know 5. Refuse to answer [Correct answer:2]

(4) Normally, which asset described below displays the highest fluctuations over time? 1.Saving accounts 2. Stocks 3. Bonds 4. Do not know 5. Refuse to answer [Correct answer:2]

(5) When an investor spreads his money among different assets, does the risk of losing a lot of money: 1. Increase 2. Decrease 3. Stay the same 4. Do not know 5. Refuse to answer [Correct answer:2]

(6) Do you think that the following statement is true or false? “If you were to invest ¥$1000 in a stock mutual fund, it would be possible to have less than ¥$1000 when you withdraw your money. 1. True 2. False 3. Don't know 4. Refuse to answer [Correct answer: 1]

(7) Do you think that the following statement is true or false? “A stock mutual fund combines the money of many investors to buy a variety of stocks.” 1. True 2. False 3. Don't know 4. Refuse to answer [Correct answer: 1]

(8) Do you think that the following statement is true or false? “A 15-year mortgage typically requires higher monthly payments than a 30-year mortgage, but the total interest paid over the life of the loan will be less.” 1. True 2. False 3. Don't know 4. Refuse to answer [Correct answer: 1]

(9) Suppose you had $100 in a savings account and the interest rate is 20% per year and you never withdraw money or interest payments. After 5 years, how much would you have on this account

in total? 1. More than $200 2. Exactly $200 3. Less than $200 4. Don't know 5. Refuse to answer [Correct answer: 1]

(10) Which of the following statements is correct? 1. Once one invests in a mutual fund, one cannot withdraw the money in the first year 2. Mutual funds can invest in several assets, for example invest in both stocks and bonds 3. Mutual funds pay a guaranteed rate of return which depends on their past performance 4. None of the above 5. Don't know 6. Refuse to answer [Correct answer: 2]

(11) Which of the following statements is correct? If somebody buys a bond of firm B: 1. He owns a part of firm B 2. He has lent money to firm B 3. He is liable for firm B's debts 4. None of the above 5. Don't know 6. Refuse to answer [Correct answer: 2]

(12) Suppose you owe $3,000 on your credit card. You pay a minimum payment of $30 each month. At an Annual Percentage Rate of 12% (or 1% per month), how many years would it take to eliminate your credit card debt if you made no additional new charges? 1. less than 5 years 2. between 5 and 10 years 3. between 10 and 15 years 4. Never 5. Don't know 6. Refuse to answer [Correct answer: 4]

Table A6 summarizes participants' personal characteristics. We conducted a one-way ANOVA test to compare personal characteristics among all treatments. There were no statistically significant differences in personal characteristics among treatments, except in the financial literacy score.

Table A6. Summary of participants' personal characteristics

	Treatments						One-way ANOVA	
	T1	T2	T3	T4	T5	T6	F	Prob > F
Female	0.347	0.383	0.380	0.300	0.311	0.319	0.27	0.930
	(0.069)	(0.072)	(0.069)	(0.065)	(0.070)	(0.069)		
Undergraduate	0.776	0.894	0.860	0.700	0.778	0.766	1.47	0.200

student	(0.060)	(0.045)	(0.050)	(0.065)	(0.063)	(0.062)		
Financial literacy	8.694	7.787	8.180	8.140	8.311	7.170	2.37	0.040
score	(0.302)	(0.349)	(0.372)	(0.345)	(0.308)	(0.327)		
Risk aversion score	2.898	3.106	3.380	3.080	3.200	3.340	0.66	0.657
	(0.211)	(0.213)	(0.202)	(0.237)	(0.257)	(0.216)		
CRT score	2.633	2.681	2.540	2.660	2.444	2.681	0.89	0.486
	(0.095)	(0.092)	(0.104)	(0.093)	(0.117)	(0.092)		
Obs.	49	47	50	50	45	47		

a: The female dummy equals 1 for female, and 0 otherwise. The undergraduate student dummy equals 1 for undergraduate student, and 0 otherwise. Financial literacy score range = 0–12 (higher score indicates greater financial literacy). Risk aversion score range = 0–5 (higher score indicates a higher level of risk aversion). CRT score range = 0–3 (higher score indicates greater cognitive ability).

b: The unit of observation is the number of participants. The total number of observations is the number of participants in each treatment.

c: The standard errors are in parentheses.

An OLS linear regression model was used to test the impact of treatment effect on evaluation rate, MSHIFT, MAPE of initial forecast, and MAPE of final forecast in tasks 1 and 2, conditional on personal characteristics as described in Table A6. The dependent variables were evaluation rate in model (1) (2), MSHFT in model (3) (4), MAPE of initial forecast in model (5) (6), and MAPE of final forecast in model (7) (8). The independent variables were treatment dummies. The control variables were female, undergraduate student, financial literacy score, risk aversion score, and CRT score. In the estimation, we calculated the robust standard error under heteroskedasticity. In Table A7, we report the predicted margin and standard errors estimated by the delta method. We performed an F test to compare the estimated coefficient on treatment dummies for evaluation rate, MSHIFT, MAPE of initial forecast, and MAPE of final forecast. The p-value associated with F tests are shown.

Table A7. Predicted evaluation rate, predicted MSHIFT, and predicted MAPE for treatment dummies using OLS regression conditional on personal characteristics with robust standard error

Variables	(1) Evaluation Task 1	(2) Evaluation Task 2	(3) MSHIFT Task 1	(4) MSHIFT Task 2	(5) MAPE initial forecast Task 1	(6) MAPE initial forecast Task 2	(7) MAPE final forecast Task 1	(8) MAPE final forecast Task 2
Treatment 1	–1.016	–0.346	0.626	0.514	7.612	8.710	6.159	7.363
	(0.287)	(0.296)	(0.032)	(0.031)	(0.489)	(0.393)	(0.146)	(0.136)
Treatment 2	–0.582	–0.806	0.487	0.443	6.796	8.559	6.205	7.528
	(0.246)	(0.279)	(0.029)	(0.031)	(0.319)	(0.288)	(0.128)	(0.142)
Treatment 3	–1.325	–0.848	0.550	0.476	6.532	8.170	5.815	7.270
	(0.268)	(0.304)	(0.037)	(0.036)	(0.316)	(0.247)	(0.127)	(0.114)
Treatment 4	–0.723	–0.544	0.475	0.472	8.162	8.779	10.241	10.153
	(0.280)	(0.298)	(0.035)	(0.042)	(0.398)	(0.303)	(0.354)	(0.264)
Treatment 5	1.172	1.037	0.193	0.163	6.486	8.151	7.762	8.698
	(0.276)	(0.320)	(0.024)	(0.026)	(0.295)	(0.230)	(0.351)	(0.240)
Treatment 6	0.953	0.931	0.277	0.176	7.149	8.711	7.950	9.082
	(0.321)	(0.297)	(0.031)	(0.052)	(0.452)	(0.348)	(0.350)	(0.274)
	Prob > F	Prob > F	Prob > F	Prob > F	Prob > F	Prob > F	Prob > F	Prob > F
T1 = T2	0.246	0.248	0.001	0.106	0.146	0.760	0.815	0.397
T2 = T3	0.043	0.920	0.177	0.481	0.558	0.306	0.029	0.155
T1 = T3	0.437	0.242	0.120	0.429	0.072	0.248	0.074	0.592
T4 = T5	0.000	0.000	0.000	0.000	0.000	0.104	0.000	0.000
T5 = T6	0.608	0.811	0.033	0.823	0.219	0.175	0.706	0.288
T4 = T6	0.000	0.001	0.000	0.000	0.091	0.878	0.000	0.005
T1 = T4	0.468	0.639	0.002	0.428	0.381	0.888	0.000	0.000
T2 = T5	0.000	0.000	0.000	0.000	0.479	0.273	0.000	0.000
T3 = T6	0.000	0.000	0.000	0.000	0.275	0.212	0.000	0.000
Observations	288	288	288	288	288	288	288	288

a: Treatment 1 dummy equals 1 for treatment 1, and 0 otherwise. Treatment 2 dummy equals 1 for treatment 2, and 0 otherwise. Treatment 3 dummy equals 1 for treatment 3, and 0 otherwise. Treatment 4 dummy equals 1 for treatment 4, and 0 otherwise. Treatment 5 dummy equals 1 for treatment 5, and 0 otherwise. Treatment 6 dummy equals 1 for treatment 6, and 0 otherwise.

b: The unit of observation is the number of participants. The total number of observations is the number of participants in all treatments.

c: The robust standard errors are in parentheses. *** $p < 0.01$, ** $p < 0.05$, and * $p < 0.1$.

The dataset was reshaped from wide to long. We generated a task 2 dummy that equaled 0 for task 1 and 1 for task 2. An OLS linear regression model was used to test the impact of task type on evaluation rate in each treatment, conditional on personal characteristics. The dependent variable was evaluation rate. The independent variable was task 2 dummy. The control variables were the personal characteristics described in Table A6. In the estimation, we calculated the robust standard error under heteroskedasticity with participant-level clustering. The results are shown in Table A8.

Table A8. Comparison of evaluation rate between tasks 1 and 2 using OLS regression of evaluation rate on task dummy conditional on personal characteristics with robust cluster standard error on participant level

	(1)	(2)	(3)	(4)	(5)	(6)
Variables	T1	T2	T3	T4	T5	T6
Task dummy	0.653**	–0.191	0.500*	0.160	–0.178	0.000
	(0.291)	(0.193)	(0.257)	(0.297)	(0.260)	(0.295)
Female	0.268	–0.254	–0.368	–0.243	–0.334	–0.528
	(0.467)	(0.700)	(0.766)	(0.661)	(0.563)	(0.889)
Undergraduate student	–1.008	–0.901*	0.734	0.184	0.825	0.192
	(0.602)	(0.494)	(0.639)	(0.578)	(0.576)	(0.638)
Financial literacy score	–0.079	–0.015	–0.219***	–0.039	0.204	–0.080
	(0.094)	(0.129)	(0.077)	(0.103)	(0.125)	(0.123)
Risk aversion score	0.220	0.124	–0.078	0.034	–0.269**	0.052
	(0.180)	(0.202)	(0.231)	(0.173)	(0.131)	(0.206)
CRT score	–0.598**	–0.322	0.484	0.649*	0.452	0.012
	(0.296)	(0.359)	(0.454)	(0.366)	(0.361)	(0.584)
Constant	0.619	1.094	–1.530	–2.429*	–1.117	1.388
	(1.316)	(1.841)	(1.729)	(1.432)	(1.682)	(2.181)
Observations	98	94	100	100	90	94
R-squared	0.162	0.054	0.140	0.051	0.146	0.019
Clusters	49	47	50	50	45	47

a: The task dummy equals 0 for task 1 and 1 for task 2.

b: The unit of observation is the number of participants. The total number of observations is the number of participants in each treatment × 2.

c: The robust standard errors clustered by participant levels are in parentheses. *** p < 0.01, ** p < 0.05, and * p < 0.1

The dataset was reshaped from wide to long. We generated a final forecast dummy that equaled 0 for initial forecast and 1 for final forecast. An OLS linear regression model was used to compare the MAPE of initial forecast and MAPE of final forecast in each treatment, conditional on personal characteristics. The dependent variable was MAPE. The independent variable was final forecast dummy. The control variables were personal characteristics. In the estimation, we calculated the robust standard error under heteroskedasticity with participant-level clustering. The results for task 1 are shown in Table A9, and the results of task 2 are shown in Table A10.

Table A9. Comparison of MAPE between initial forecast and final forecast in task 1 using OLS regression of MAPE on final forecast dummy conditional on personal characteristics with robust cluster standard error on participant level

	(1)	(2)	(3)	(4)	(5)	(6)
Variables	T1	T2	T3	T4	T5	T6
Final forecast	–1.492***	–0.637**	–0.742**	2.123***	1.266***	0.877***
	(0.485)	(0.287)	(0.298)	(0.387)	(0.251)	(0.308)
Female	–0.803	–0.033	0.097	–0.543	–1.186*	2.174
	(0.623)	(0.453)	(0.353)	(0.843)	(0.623)	(1.360)
Undergraduate student	0.135	0.754	–0.619	–1.174	–1.529*	0.738
	(0.560)	(0.479)	(0.391)	(1.072)	(0.759)	(0.848)
Financial literacy score	–0.108	–0.012	0.048	–0.018	–0.276	0.176
	(0.111)	(0.085)	(0.057)	(0.110)	(0.165)	(0.134)
Risk aversion score	0.017	–0.043	0.018	–0.097	0.135	0.382
	(0.156)	(0.119)	(0.156)	(0.194)	(0.165)	(0.246)
CRT score	–0.914	–0.370	–0.043	–1.109***	–0.115	0.592
	(0.666)	(0.237)	(0.251)	(0.365)	(0.376)	(0.804)
Constant	11.060***	7.310***	6.696***	12.536***	10.249***	1.761
	(1.744)	(1.148)	(1.094)	(1.773)	(2.143)	(3.492)
Observations	98	94	100	100	90	94

R-squared	0.152	0.079	0.074	0.196	0.218	0.203
Clusters	49	47	50	50	45	47

a: The final forecast dummy equals 1 for final forecast and 0 for initial forecast.

b: The unit of observation is the number of participants. The total number of observations is the number of participants in each treatment × 2.

c: The robust standard errors clustered by participant levels are in parentheses. *** p < 0.01, ** p < 0.05, and * p < 0.1.

Table A10. Comparison of MAPE between initial forecast and final forecast in task 2 using OLS regression of MAPE on final forecast dummy conditional on personal characteristics with robust cluster standard error on participant level

	(1)	(2)	(3)	(4)	(5)	(6)
Variables	T1	T2	T3	T4	T5	T6
Final forecast	–1.411***	–1.074***	–0.913***	1.408***	0.545***	0.461**
	(0.338)	(0.225)	(0.222)	(0.297)	(0.156)	(0.211)
Female	0.934*	0.525	–0.071	0.100	–0.056	0.459
	(0.541)	(0.443)	(0.309)	(0.641)	(0.468)	(1.207)
Undergraduate student	–0.017	–0.150	0.321	–0.865	0.117	0.319
	(0.517)	(0.681)	(0.249)	(0.586)	(0.533)	(0.623)
Financial literacy score	–0.118	0.090	0.057	0.059	0.007	0.046
	(0.162)	(0.073)	(0.054)	(0.088)	(0.105)	(0.133)
Risk aversion score	–0.325	–0.253**	0.110	0.132	0.278**	0.212
	(0.275)	(0.119)	(0.113)	(0.182)	(0.130)	(0.186)
CRT score	–0.544	0.060	0.007	–0.842**	–0.106	–0.419
	(0.606)	(0.214)	(0.200)	(0.386)	(0.325)	(0.729)
Constant	11.824***	8.432***	7.113***	10.665***	7.422***	8.329**
	(2.933)	(1.051)	(0.896)	(1.272)	(1.647)	(3.294)
Observations	98	94	100	100	90	94
R-squared	0.225	0.188	0.138	0.215	0.125	0.089
Clusters	49.000	47.000	50.000	50.000	45.000	47.000

a: The final forecast dummy equals 1 for final forecast and 0 for initial forecast.

b: The unit of observation is the number of participants. The total number of observations is the number of participants in each treatment × 2.

c: The robust standard errors clustered by participant levels are in parentheses. *** p < 0.01, ** p < 0.05,

and * $p < 0.1$.

Predicted evaluation rate, predicted MSHIFT, and predicted MAPE conditional on personal characteristics are shown in Figures A1–A6.

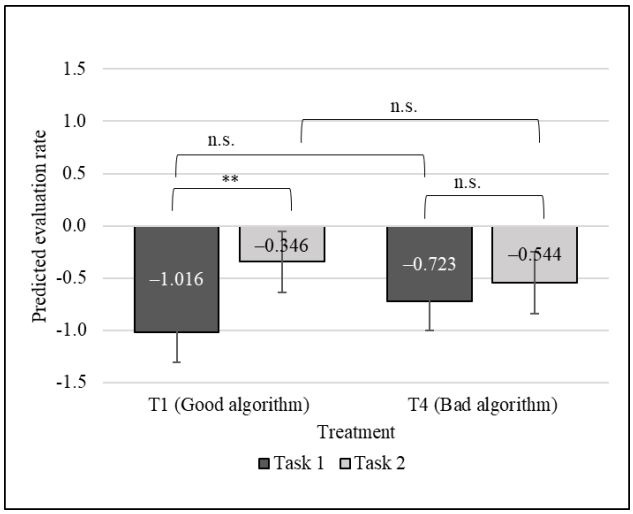


Figure A1. Predicted evaluation rate in T1 and T4

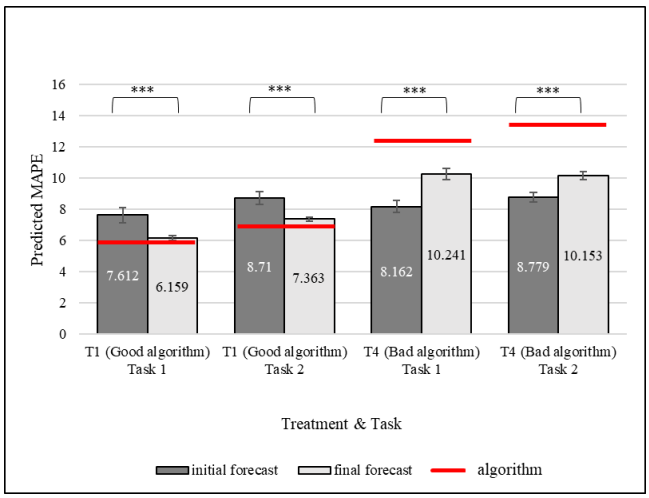


Figure A2. Predicted MAPE in T1 and T4

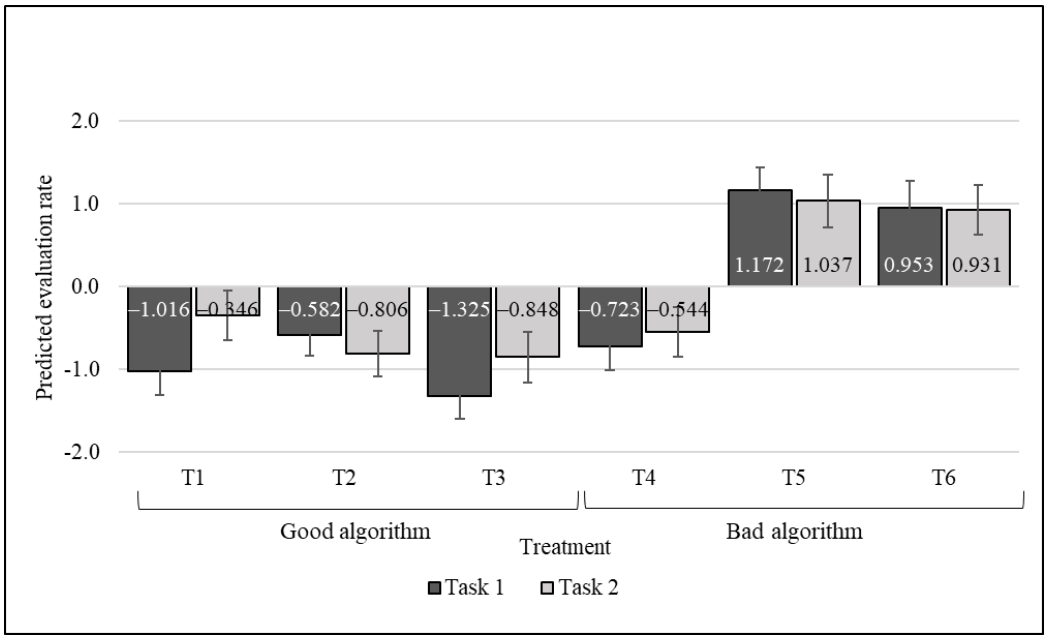


Figure A3. Predicted evaluation rate in all treatments

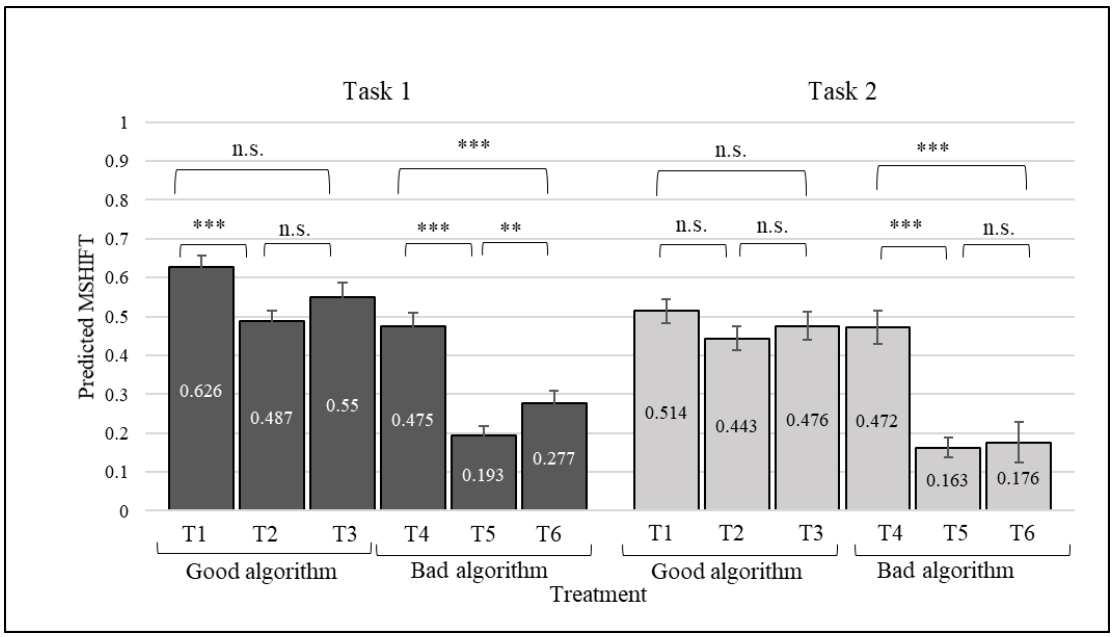


Figure A4. Predicted MSHIFT in all treatments

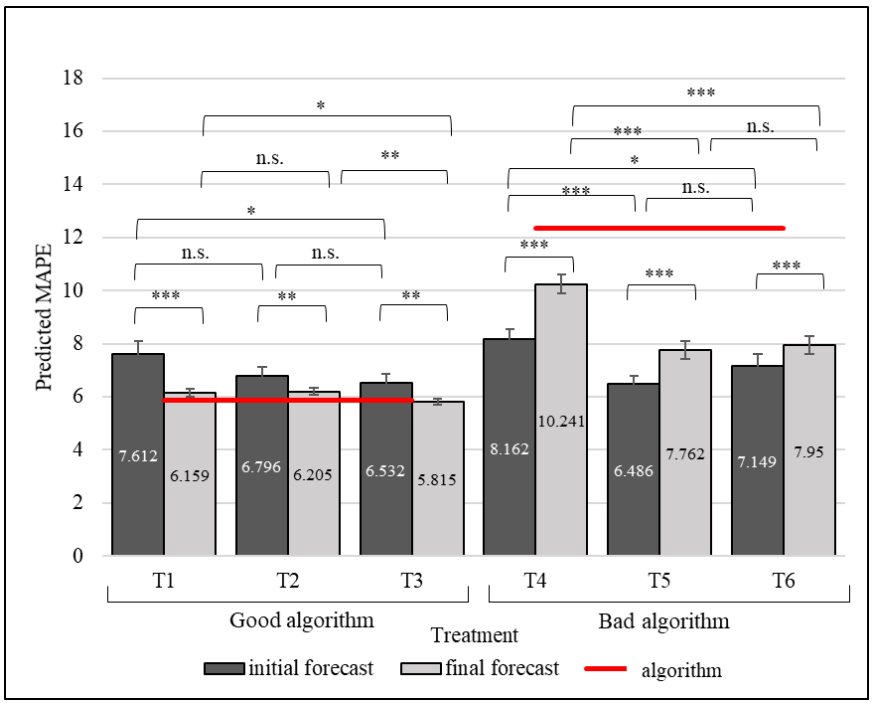


Figure A5. Predicted MAPE in task 1 in all treatments

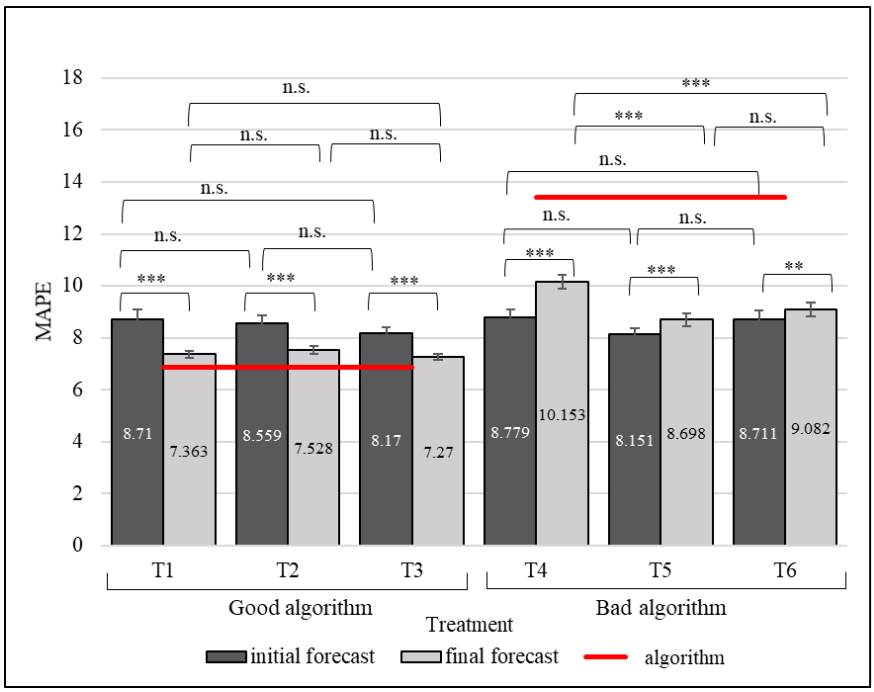


Figure A6. Predicted MAPE in task 2 in all treatments

A3. Robustness in experimental design

First, we confirmed that both good and bad algorithms gave unbiased forecasts. We compared the mean percentage error (MPE) (i.e., MAPE without taking the absolute) of the good algorithm and the bad algorithm using a paired t-test. The results are shown in Table A11. We found that the MPE of the good algorithm and the bad algorithm was near zero. MPE did not differ significantly between the good algorithm and the bad algorithm.

Table A11. Comparison of mean percentage error (MPE) between good algorithm and bad algorithm using paired t-test

Task	Good algorithm		Bad algorithm		Diff (Good–Bad)	t-value
	MPE (Std. Err.)	Obs.	MPE (Std. Err.)	Obs.	MPE (Std. Err.)	(p-value)
Practice stage	–0.026 (0.020)	10	–0.031 (0.039)	10	0.005 (0.040)	0.126 (0.903)
Task 1	–0.058 (0.014)	10	–0.095 (0.038)	10	0.036 (0.029)	1.245 (0.245)
Task 2	0.029 (0.034)	10	–0.018 (0.055)	10	0.047 (0.041)	1.160 (0.276)
All stages	–0.018 (0.015)	30	–0.048 (0.026)	30	0.030 (0.021)	1.415 (0.168)

The number of observations is the number of questions in each task.

Second, we confirmed that the good algorithm performed better than the participants, and the bad algorithm performed worse than the participants, on average. We compared the MAPE between the algorithm's forecast and initial forecast using a paired t-test. The initial human forecast was the forecast submitted by participants before observing the algorithm's forecast in the practice stage, task 1, and task 2. The results are shown in Table A12. We found that the good algorithm always performed better than the participants, and the bad algorithm always performed worse than the participants.

Table A12. Comparison of MAPE between algorithm forecast and initial forecast using paired t-test

Treatment	Task	Algorithm	Initial forecast	Diff (Algorithm–Initial)	t-value	Obs.
		MAPE	MAPE (Std. Err.)	MAPE (Std. Err.)	(p-value)	

1	Task 1	5.866	7.585 (0.485)	–1.719 (0.485)	–3.544 (<0.01)	49
1	Task 2	6.862	8.738 (0.401)	–1.876 (0.401)	–4.677 (<0.01)	49
2	Practice	5.889	8.300 (0.578)	–2.411 (0.578)	–4.172 (<0.01)	47
2	Task 1	5.866	6.750 (0.314)	–0.884 (0.314)	–2.818 (<0.01)	47
2	Task 2	6.862	8.571 (0.284)	–1.709 (0.284)	–6.008 (<0.01)	47
3	Practice	5.889	8.064 (0.386)	–2.175 (0.386)	–5.639 (<0.01)	50
3	Task 1	5.866	6.548 (0.306)	–0.682 (0.306)	–2.227 (0.031)	50
3	Task 2	6.862	8.216 (0.242)	–1.354 (0.242)	–5.591 (<0.01)	50
4	Task 1	12.359	8.159 (0.412)	4.2 (0.412)	10.183 (<0.01)	50
4	Task 2	13.391	8.737 (0.302)	4.654 (0.302)	15.422 (<0.01)	50
5	Practice	10.144	8.100 (0.335)	2.044 (0.335)	6.092 (<0.01)	45
5	Task 1	12.359	6.551 (0.286)	5.808 (0.286)	20.312 (<0.01)	45
5	Task 2	13.391	8.182 (0.218)	5.209 (0.218)	23.948 (<0.01)	45
6	Practice	10.144	7.861 (0.359)	2.283 (0.359)	6.358 (<0.01)	47
6	Task 1	12.359	7.1468 (0.420)	5.212 (0.420)	12.409 (<0.01)	47
6	Task 2	13.391	8.636 (0.340)	4.755 (0.340)	13.999 (<0.01)	47

The number of observations is the number of participants in each treatment.

Third, there was no learning effect within tasks because participants did not receive feedback after providing their forecast in each time series. The order of the 10 graphs was random in tasks 1 and 2 in each treatment. We compared the MAPE of final forecasts between the first five forecasts and the last five forecasts using a paired t-test. The results are shown in Table A13. There was no significant difference between the performance in the first five forecasts and the last five forecasts.

Table A13. Comparison of MAPE between first five human final forecast and last five human final forecasts using paired t-test

Treatment	Task	First five forecasts	Last five forecasts	Diff (First–Last)	t-value	Obs.
		MAPE (Std. Err.)	MAPE (Std. Err.)	MAPE (Std. Err.)	(p-value)	
1	Task 1	6.167 (0.238)	6.020 (0.288)	0.147 (0.454)	0.324 (0.748)	49
1	Task 2	7.100 (0.371)	7.554 (0.349)	–0.454 (0.677)	–0.670 (0.506)	49
2	Task 1	6.295 (0.268)	5.929 (0.235)	0.366 (0.462)	0.792 (0.432)	47

2	Task 2	7.084 (0.387)	7.913 (0.424)	–0.830 (0.773)	–1.074 (0.289)	47
3	Task 1	5.918 (0.198)	5.694 (0.221)	0.224 (0.344)	0.651 (0.518)	50
3	Task 2	7.643 (0.360)	6.963 (0.354)	0.680 (0.683)	0.995 (0.325)	50
4	Task 1	10.414 (0.603)	10.150 (0.447)	0.263 (0.740)	0.356 (0.723)	50
4	Task 2	9.989 (0.503)	10.300 (0.495)	–0.310 (0.822)	–0.378 (0.707)	50
5	Task 1	7.523 (0.447)	8.111 (0.430)	–0.587 (0.516)	–1.139 (0.261)	45
5	Task 2	8.691 (0.397)	8.762 (0.480)	–0.071 (0.730)	–0.097 (0.923)	45
6	Task 1	8.129 (0.472)	7.919 (0.408)	0.211 (0.518)	0.407 (0.686)	47
6	Task 2	9.004 (0.398)	9.190 (0.437)	–0.187 (0.618)	–0.302 (0.764)	47

The number of observations is the number of participants in each treatment.

A4. The relationship between MSHIFT and MAPE of human forecast in the practice stage

Table A14. OLS linear regression of MAPE of human forecast in practice stage on mean shift rate in tasks 1 and 2 with the good and bad algorithms, with robust standard errors

Variables	(1) MSHIFT Task1 Good algorithm Treatment 2	(2) MSHIFT Task2 Good algorithm Treatment 2	(3) MSHIFT Task1 Bad algorithm Treatment 5	(4) MSHIFT Task2 Bad algorithm Treatment 5
MAPE of human forecast in practice stage	0.011**	0.019**	–0.003	–0.003
	(0.005)	(0.007)	(0.009)	(0.017)
Constant	0.389***	0.285***	0.226***	0.192
	(0.054)	(0.067)	(0.078)	(0.123)
Observations	47	47	45	45
R-squared	0.055	0.134	0.002	0.001

a: The unit of observation is the number of participants. The total number of observations is the number of participants in T2 in model (1) (2) and T5 in model (3) (4).

b: The robust standard errors are in parentheses. *** $p < 0.01$, ** $p < 0.05$, and * $p < 0.1$.

A5. Comparison of MAPE between algorithm forecast and final forecast

Table A15. Comparison of MAPE between algorithm forecast and final forecast using paired t-test

Treatment	Task	Algorithm	Final forecast	Diff (Algorithm–Final)	t-value	Obs.
		MAPE	MAPE (Std. Err.)	MAPE (Std. Err.)	(p-value)	
1	Task 1	5.866	6.094 (0.136)	–0.228 (0.136)	–1.677 (0.100)	49
1	Task 2	6.862	7.327 (0.122)	–0.465 (0.122)	–3.810 (<0.01)	49
2	Task 1	5.866	6.112 (0.100)	–0.246 (0.100)	–2.462 (0.018)	47
2	Task 2	6.862	7.497 (0.124)	–0.635 (0.124)	–5.144 (<0.01)	47
3	Task 1	5.866	5.806 (0.120)	0.060 (0.120)	0.500 (0.619)	50
3	Task 2	6.862	7.303 (0.103)	–0.441 (0.103)	–4.288 (<0.01)	50
4	Task 1	12.359	10.282 (0.380)	2.077 (0.380)	5.461 (<0.01)	50
4	Task 2	13.391	10.144 (0.284)	3.247 (0.284)	11.451 (<0.01)	50
5	Task 1	12.359	7.817 (0.355)	4.542 (0.355)	12.786 (<0.01)	45
5	Task 2	13.391	8.726 (0.246)	4.665 (0.246)	18.950 (<0.01)	45
6	Task 1	12.359	8.024 (0.357)	4.335 (0.357)	12.144 (<0.01)	47
6	Task 2	13.391	9.097 (0.281)	4.294 (0.281)	15.258 (<0.01)	47

The number of observations is number of participants in each treatment.

A6. Summary of the graphs in the practice stage, task 1, and task 2

Table A16. Summary of the graphs in the practice stage, task 1, and task 2

Stage	Question	Company		First business day			Last business day			Next 30 business days		
		Name	Ticker	Date	Closing price	Base price	Date	Closing price	Base price	Date	Closing price	Base price
Practice stage	1	Mettler Toledo	MTD	2017/3/1	483.65	100	2018/2/28	616.22	127.41	2018/3/29	575.03	118.89
	2	Micron Technology	MU	2009/10/1	7.51	100	2010/9/30	7.21	96.01	2010/10/29	8.26	109.99
	3	Cerner	CERN	2011/10/3	32.78	100	2012/9/28	38.70	118.04	2012/10/26	38.69	118.01
	4	Teleflex	TFX	2013/2/1	75.87	100	2014/1/31	93.64	123.42	2014/2/28	101.99	134.43
	5	Domino's Pizza	DPZ	2009/3/2	6.70	100	2010/2/26	12.49	186.42	2010/3/26	13.79	205.82
	6	Lilly (Eli) & Co.	LLY	2010/3/1	34.32	100	2011/2/28	34.56	100.70	2011/3/30	35.18	102.51
	7	Newmont Corporation	NEM	2009/10/1	42.40	100	2010/9/30	62.81	148.14	2010/10/29	60.86	143.54
	8	ONEOK	OKE	2010/3/1	19.81	100	2011/2/28	28.27	142.70	2011/3/30	28.86	145.70
	9	International Flavors & Fragrances	IFF	2011/1/3	55.65	100	2011/12/30	52.42	94.20	2012/1/27	56.94	102.32
	10	Motorola Solutions Inc.	MSI	2009/6/1	25.59	100	2010/5/28	27.69	108.21	2010/6/25	28.58	111.69
Task 1	1	Keysight Technologies	KEYS	2017/11/1	44.57	100	2018/10/31	57.08	128.07	2018/11/30	61.82	138.70
	2	Equifax Inc.	EFX	2017/4/3	136.10	100	2018/3/29	117.81	86.56	2018/4/27	114.28	83.97
	3	Eastman Chemical	EMN	2011/7/1	51.99	100	2012/6/29	50.37	96.87	2012/7/27	51.74	99.51
	4	Ross Stores	ROST	2008/11/3	7.72	100	2009/10/30	11.00	142.52	2009/11/27	11.07	143.43
	5	Ventas Inc	VTR	2008/8/1	52.00	100	2009/7/31	40.31	77.51	2009/8/28	45.27	87.04

	6	Las Vegas Sands	LVS	2009/7/1	7.70	100	2010/6/30	22.14	287.53	2010/7/30	26.86	348.83
	7	Goldman Sachs Group	GS	2013/2/1	149.90	100	2014/1/31	164.12	109.49	2014/2/28	166.45	111.04
	8	Under Armour (Class C)	UA	2018/4/2	13.99	100	2019/3/29	18.87	134.88	2019/4/26	20.40	145.82
	9	Activision Blizzard	ATVI	2014/11/3	20.30	100	2015/10/30	34.76	171.23	2015/11/27	37.24	183.45
	10	Franklin Resources	BEN	2015/5/1	52.14	100	2016/4/29	37.34	71.61	2016/5/27	37.36	71.65
Task 2	1	Genuine Parts	GPC	2010/11/1	47.44	100	2011/10/31	57.43	121.06	2011/11/30	58.50	123.31
	2	Host Hotels & Resorts	HST	2009/10/1	10.84	100	2010/9/30	14.48	133.62	2011/10/28	14.59	134.63
	3	L3Harris Technologies	LHX	2017/7/3	109.67	100	2018/6/29	144.54	131.80	2018/7/27	153.88	140.31
	4	E*Trade	ETFC	2013/2/1	10.80	100	2014/1/31	20.02	185.37	2014/2/28	22.47	208.06
	5	Tapestry, Inc.	TPR	2015/11/2	31.74	100	2016/10/31	35.89	113.07	2016/11/30	36.39	114.65
	6	FedEx Corporation	FDX	2008/12/1	63.45	100	2009/11/30	84.45	133.10	2009/12/30	85.17	134.23
	7	Entergy Corp.	ETR	2010/8/2	79.56	100	2011/7/29	66.80	83.96	2011/8/26	62.43	78.47
	8	Whirlpool Corp.	WHR	2017/7/3	191.97	100	2018/6/29	146.23	76.17	2018/7/27	127.89	66.62
	9	Autodesk Inc.	ADSK	2017/10/2	112.47	100	2018/9/28	156.11	138.80	2018/10/26	124.71	110.88
	10	AutoZone Inc	AZO	2018/5/1	632.16	100	2019/4/30	1028.31	162.67	2019/5/30	1045.29	165.35

The S&P 500 company list was captured on June 30, 2020.

Table A17. Performance of good algorithm and bad algorithm in each question in practice stage, task 1, and task 2

Stage	Question	Realized price (Base price)	Good algorithm		Bad algorithm	
			Forecast (Base price)	APE	Forecast (Base price)	APE
Practice stage	1	118.89	129.74	9.12	132.16	11.16
	2	109.99	100.53	8.60	120.06	9.16
	3	118.01	118.91	0.76	114.27	3.17
	4	134.43	124.78	7.18	117.27	12.76
	5	205.82	186.12	9.57	153.29	25.52
	6	102.51	100.44	2.02	103.39	0.86
	7	143.54	152.76	6.42	131.02	8.72
	8	145.70	142.67	2.08	122.11	16.19
	9	102.32	94.36	7.78	105.42	3.03
	10	111.69	105.71	5.35	123.82	10.86
MAPE in the practice stage				**5.89**		**10.14**
Task 1	1	138.70	129.12	6.91	126.80	8.58
	2	83.97	84.10	0.16	89.63	6.75
	3	99.51	93.28	6.26	87.88	11.69
	4	143.43	141.45	1.38	129.38	9.80
	5	87.04	77.97	10.42	62.07	28.69
	6	348.83	297.40	14.74	276.04	20.87
	7	111.04	107.17	3.48	109.07	1.77
	8	145.82	133.74	8.28	137.50	5.71
	9	183.45	173.60	5.37	143.14	21.97
	10	71.65	70.46	1.66	77.22	7.77
MAPE in task 1				**5.87**		**12.36**
Task 2	1	123.31	123.59	0.22	112.51	8.76
	2	134.63	134.72	0.07	130.77	2.87
	3	140.31	131.88	6.01	138.94	0.98
	4	208.06	180.28	13.35	154.74	25.63
	5	114.65	114.37	0.25	122.42	6.78
	6	134.23	134.12	0.08	100.35	25.24
	7	78.47	84.25	7.37	88.90	13.30
	8	66.62	76.32	14.57	86.60	29.99
	9	110.88	139.65	25.94	119.53	7.80
	10	165.35	166.60	0.75	144.56	12.58

MAPE in task 2	**6.86**	**13.39**

A7. Data preparation for creating AI model

1. First Step: Choosing Stock Candidates and Raw Data

We collected the raw data from Yahoo! Finance. The raw data included the daily prices (open, high, low, closing, and adjusted closing) and trading volume of 83 companies. We selected the stocks that ranked top in their capital market sectors (i.e., basic materials, consumer goods, healthcare, services, utilities, conglomerates, financial, industrial goods, and technology) as shown in Table A18. Raw price data from January 1, 2000, to January 1, 2020, or (if later than January 1, 2000) from the IPO date to January 1, 2020 are collected.

Table A18. Raw data of daily prices from 83 companies

Stock market sectors	**Ticker symbols of selected stocks**
Basic materials	XOM, RDS-B, PTR, CVX, TOT, BP, BHP, SNP, SLB, BBL
Consumer goods	AAPL, PG, BUD, KO, PM, TM, PEP, UN, UL, MO
Healthcare	JNJ, PFE, NVS, UNH, MRK, AMGN, MDT, SNY
Services	AMZN, BABA, WMT, CMCSA, HD, DIS, MCD, CHTR, UPS
Utilities	NEE, DUK, D, SO, NGG, AEP, PCG, EXC, SRE, PPL
Conglomerates	IEP, CODI, REX, SPLP, PICO, AGFS, GMRE
Financial	BCH, BSAC, BRK-A, JPM, WFC, BAC, V, C, HSBC, MA
Industrial goods	GE, MMM, BA, HON, LMT, CAT, GD, DHR, ABB
Technology	GOOG, MSFT, FB, T, CHL, ORCL, TSM, VZ, INTC, CSCO

2. Second Step: Generating Technical Indicators

We derived a few technical indicators from raw data using the ta-lib[1] package. All the technical

[1] https://mrjbq7.github.io/ta-lib/

indicators are shown in Table A19.

Because some of the technical indicators were derived from overlapping operations (e.g., moving averages), some technical indicator time series are shorter than the raw data time series. Therefore, we synchronized all the time series and truncated them to the same length.

Table A19. Summary of technical indicators

Functions	**Technical indicators**
Overlap studies functions	Bollinger bands, double exponential moving average, exponential moving average, Kaufman adaptive moving average, moving average, midpoint over period, midpoint price over period, parabolic SAR, simple moving average, triangular moving average, weighted moving average
Momentum indicator functions	Absolute price oscillator, Aroon, Aroon oscillator, balance of power, commodity channel index, moving average convergence/divergence, moving average convergence/divergence with controllable MA type, momentum, percentage price oscillator, rate of change, rate of change ratio, stochastic, stochastic fast, ultimate oscillator, Williams' % R
Volume indicator functions	Chaikin A/D line, Chaikin A/D oscillator
Price transform functions	Average price, median price, typical price, weighted close price
Volatility indicator function	True range

Furthermore, for stock *i* on time *t*, we named the concatenated raw data and technical indicators *basic unit* $X_{i,t}$. The basic unit (see Figure A7) has six raw data features and 43 technical indicators.

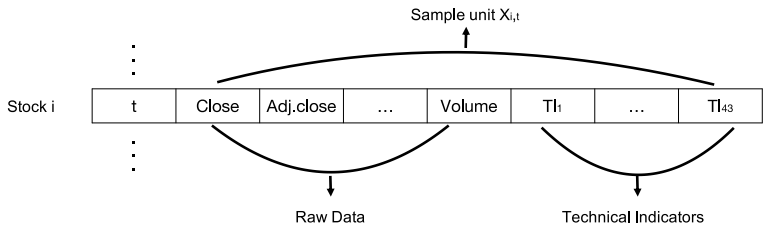


Figure A7. Basic unit

3. Third Step: Sampling

In the training set, sampling consisted of two parts: sampling a consecutive sequence of basic units as model input and finding the corresponding one-month ahead closing price as a target. The first and second training set samples are illustrated in Figures A8 and A9. Here, L is the length of input sequence; P is the length of prediction gap, and J is the jump size between two consecutive samples along the same time series. All the timestamps of samples stand for the trading date, which excludes market holidays.

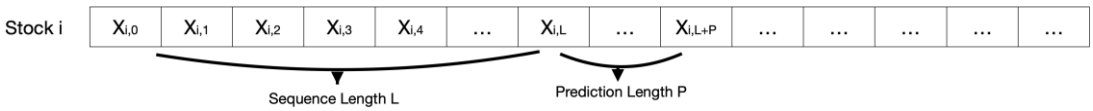


Figure A8. First training set sampling for stock *i*

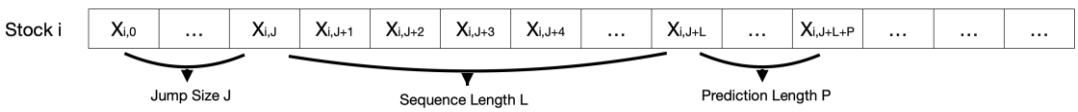


Figure A9. Second training set sampling for stock *i*

For the test set, sampling also consisted of two parts: sampling the closing price target and then sampling its corresponding input sequence. The first and second test set samples are shown in Figures A10 and A11. L, P, J, and the timestamps have the same meaning as in the training set sampling.

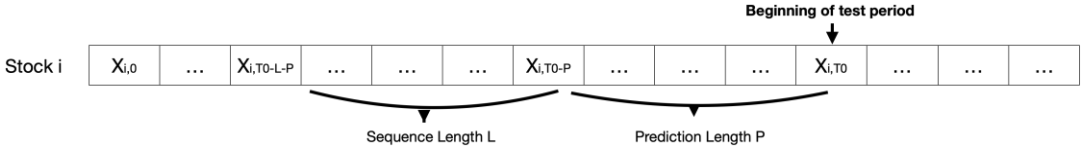


Figure A10. First sampling for test set on stock *i*

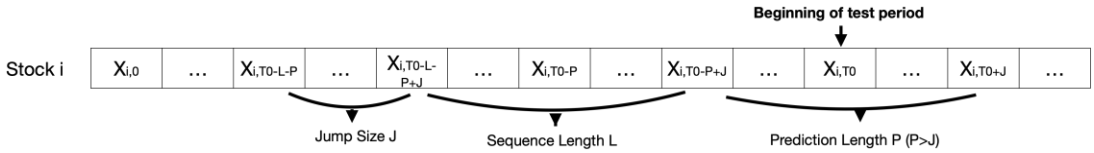


Figure A11. Second sampling for test set on stock *i*

Specifically, the training period ranged from January 1, 2000, or IPO day (if later than January 1, 2000) to July 1, 2019, while the test period ranged from October 1, 2019, to January 1, 2020. The sequence length of input was 253 (roughly the number of trading days in one year). The length of prediction gap was 21 (roughly the number of trading days in one month).

4. Fourth Step: Linear Scaling

Each feature of each sample was scaled by $x_{i,p,t}^{*} = (x_{i,p,t} - x_{i,p,min})/(x_{i,p,max} - x_{i,p,min})$, where $x_{i,p,max}$ and $x_{i,p,min}$ are, respectively, the maximum and minimum among all the training set samples on feature p of stock i.

5. Fifth Step: Shuffling and Batching

After shuffling all the scaled samples, we batched every 32 samples together. As a result of the shuffling, training for our model occurred in a globally random manner instead of a stock-by-stock manner.

A8. Model structure and training setting

We used five fully-connected (FC) layers to create our model. Since each data input has the data structure shape of (*batch size*, *sequence length, feature size*), we flattened each input into the shape of (*batch size*, *sequence length* × *feature size*) along with the *sequence length* dimension. Dimensions of the output for each FC layer were 6198, 3099, 1549, 744, and 1, and the last layer's output was the final output. For each FC layer, the dropout rate was 0.3, and the activation function was sigmoid.

We chose mean absolute error as the loss function and we used Adam as the optimizer. Initial learning rate for Adam was 0.0001. Training epoch was set as 15 for the *good* performance model, and 2 for the *bad* performance model.

A9. Experiment instructions

Instructions (English Translation)

[Screen 1]

Thank you for your participation in this experiment.

This experiment takes around 45 minutes.

You will receive 500 yen participation fee and the rewards depending on your performance in the experiment.

Please go to the next page to start the experiment.

[Screen 2]

GENERAL EXPERIMENTAL INSTRUCTION

In this experiment, you are asked to play a role as **financial advisors** who **forecast the future stock price** based on historical price information.

Your company has created a **robot** that is designed to forecast future stock prices.

This robot makes the future stock price forecast by learning the historical stock price information, from January 1st, 2000 / Initial Public Offering (IPO) day to January 1st, 2020, of 83 target companies rank top in their capital market sectors (i.e. Basic Materials, Consumer Goods, Healthcare, Services, Utilities, Conglomerates, Financial, Industrial Goods, Technology).

The performance of the robot is measured by the percentage error of its forecasts. The percentage error is calculated as follows.

$$\left|\frac{forecast - realized\ price}{realized\ price}\right| \times 100$$

The smaller the percentage error, the higher the accuracy. 0% indicates the forecast exactly the same as the realized price.

The mean percentage error of the robot is around 4.9%. (shown in Treatment 1, 2 and 3)

The mean percentage error of the robot is around 18.4%. (shown in Treatment 4, 5, and 6)

The mean percentage error is calculated as follows (i.e. n=5311, which is the number of predictions used to

measure the performance of the robot).

$$\left(\frac{1}{n}\sum\left|\frac{Forecast - realized\ price}{realized\ price}\right|\right) \times 100$$

You are asked to decide whether you use your own forecast or the robot's forecast to predict the future stock price.

There are a **practice stage** and **2 tasks**. (shown in Treatment 2, 3, 5 and 6)
There are **2 tasks**. (shown in Treatment 1 and 4)

Firstly, you enter the practice stage to learn the performance of your forecast. (shown in Treatment 2 and 5)
Firstly, you enter the practice stage to learn the performance of your forecast and the robot's forecast. (shown in Treatment 3 and 6)

Then, you enter Task 1 and Task 2. (shown in Treatment 2, 3, 5 and 6)
The information about Task 1 and Task 2 will be displayed later.

Please go to the next page to enter the Task 1 and Task 2. (shown in Treatment 1 and 4)
Please go to the next page to enter the practice stage. (shown in Treatment 2, 3, 5 and 6)

[Screen 3] (shown in Treatment 2, 3, 5 and 6)
Practice Stage

The following 10 graphs are the 12 months of end-of-day prices of randomly selected stocks from the S&P 500 starting from a randomly selected day between January 1st 2008 and December 1st 2018. You will not be told about the name of the stock or the starting date which was randomly selected. Please note that end-of-day prices have been rescaled so that all starting prices will be equal to 100.
For each graph, please forecast what will be the end-of-day price for this stock 30 days after the last price shown on the graph.
After you finish entering your forecast for 10 graphs, we will show you the performance of your forecast and the robot's forecast.
The following shows the example of the graph.

The X-axis indicates the days of one year (from day 1 to day 365).

The Y-axis indicates the rescaled stock price starting from 100.

The graph shows the stock price of working days, skipping weekends and holidays.

[Screen 4] 10 questions in practice stage (shown in Treatment 2, 3, 5 and 6)

Practice Stage

Q1. What will be the end-of-day price for this stock 30 days after the last price shown on the graph? (The last price is 127.41.)

Please enter your forecast.

[Screen 5] 10 questions in practice stage (shown in Treatment 2, 3, 5 and 6)

Results of Practice Stage

The percentage error of your original forecasts is calculated as follows.

$$\left|\frac{your\ forecast - realized\ price}{realized\ price}\right| \times 100$$

PracticeQ1

The realized price:118.89

Your forecast:100

The robot's forecast: 129.74 (shown in Treatment 2 and 3)

The robot's forecast: 132.16 (shown in Treatment 5 and 6)

The percentage error of your forecast:15.89%

The percentage error of the robot's forecast: 9.12% (shown in Treatment 2 and 3)

The percentage error of the robot's forecast:11.16% (shown in Treatment 5 and 6)

[Screen 6]

Results of Practice Stage

The mean percentage error in the Practice Stage is calculated as follows. (i.e. n=10, which is the number of predictions in the practice stage)

$$\left(\frac{1}{10}\sum\left|\frac{Forecast - realized\ price}{realized\ price}\right|\right) \times 100$$

Mean percentage error of your forecast:19.41%
Mean percentage error of the robot's forecast: 5.89% (shown in Treatment 2 and 3)
Mean percentage error of the robot's forecast: 10.14% (shown in Treatment 5 and 6)

In Task 1 and 2, you will perform similar stock price forecasting task.
You will earn points according to the accuracy of your forecast (measured by percentage error).
Your final reward will be based on your performance in one prediction of the chosen task.

Please go to the next page to enter the Task 1 and Task 2.
After you go to the next page, you cannot go back to this page.

[Screen 7]
TASK 1

You will be shown **10** graphs showing **12 months of end-of-day prices** of randomly selected stocks from the S&P 500 starting from a randomly selected day between January 1st 2008 and December 1st 2018. You will not be told about the name of the stock or the starting date which was randomly selected. **Please note that end-of-day prices have been rescaled so that all starting prices will be equal to 100.**
For each graph, you will be asked to forecast what will be the end-of-day price for this stock **30 days after the last price shown on the graph**.

After you finish submitting your forecast, you will receive the forecast by the robot.
Then you can choose between using your own forecast or the robot's forecast as your final forecast to submit.

The following shows the example of the graph.

The X-axis indicates the days of one year (from day 1 to day 365).

The Y-axis indicates the rescaled stock price starting from 100.

The graph shows the stock price of working days, skipping weekends and holidays.

You will be rewarded based on the accuracy of your final forecasts as follows.

$$\text{Max}\left[\,200 - 10 \times \left|\frac{your\ final\ forecast\ - realized\ price}{realized\ price} \times 100\right|, 0\,\right]$$

If your final forecast is exactly at the price observed, then you will receive 200 points. For each percentage point difference between your final forecast and the observed price, 10 points will be subtracted. If your final forecast differs from the observed price by more than 20 %, you will receive 0 points.

If Task 1 is chosen for your final payment, one of the 10 series will be randomly chosen. You will be rewarded based on the point you earned in the chosen series. Your reward will be calculated with 1 point = 6 yen.

You will not be informed about the accuracy of your forecast until the experiment ends.

Evaluation

After you finish submitting your final forecast, you are asked to evaluate the accuracy of your forecast relative to the robot's forecast.

[Screen 8] 10 questions in Task 1

Task1Q3. What will be the end-of-day price for this stock 30 days after the last price shown on the graph? (The last price is 96.87.)

Please enter your forecast.

[Screen 9]

After you go to the next page, you cannot go back to this page.

[Screen 10]

TASK 1

You now receive the forecast by the robot.

The mean percentage error of the robot is around 4.9**%**. (shown in Treatment 1,2 and 3)

The mean percentage error of the robot is around 18.4**%**. (shown in Treatment 4, 5 and 6)

Please choose between using your own forecast or the robot's forecast as your final forecast to submit.

[Screen 11] 10 questions in Task 1

Task1Q8. We show your forecast and the robot's forecast for the end-of-day price for this stock 30 days after the last price shown on the graph.

The mean percentage error of the robot is around 4.9**%**.(shown in Treatment 1,2 and 3)
The mean percentage error of the robot is around 18.4**%**.(shown in Treatment 4, 5 and 6)

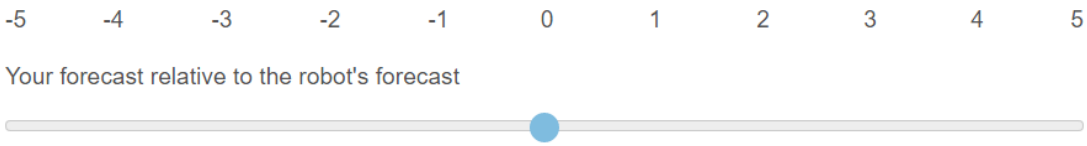
Your forecast: 100
The robot's forecast: 133.74 (shown in Treatment 1,2 and 3)
The robot's forecast: 137.50 (shown in Treatment 4, 5 and 6)

Please choose between using your own or the robot's forecast as your final forecast to submit.

- 100
- 133.74 (shown in Treatment 1,2 and 3)
- 137.50 (shown in Treatment 4, 5 and 6)

[Screen 12]
After you go to the next page, you cannot go back to this page.

[Screen 13]
Please evaluate the accuracy of your forecast relative to the robot's forecast in this task.
i.e. **from -5 (the lowest, your forecast is <u>less accurate</u> than the robot's forecast to a great extent.) to 5 (the highest, your forecast is <u>more accurate</u> than the robot's forecast to a great extent.)** 0 indicates that your forecast has the same accuracy as the robot's forecast's.



[Screen 14]

TASK 2

You will be shown **10** graphs showing **12 months of end-of-day prices** of randomly selected stocks from the S&P 500 starting from a randomly selected day between January 1st 2008 and Dec 1st 2018. You will not be told about the name of the stock or the starting date which was randomly selected. **Please note that end-of-day prices have been rescaled so that all starting prices will be equal to 100.**

For each graph, you will be asked to forecast what will be the end-of-day price for this stock **30 days after the last price shown on the graph**.

After you finish submitting your forecast, you will receive the forecast by the robot.

By observing your original forecast and the robot's forecast, you can modify and submit your final forecast.

The following shows the example of the graph.

The X-axis indicates the days of one year (from day 1 to day 365).

The Y-axis indicates the rescaled stock price starting from 100.

The graph shows the stock price of working days, skipping weekends and holidays.

You will be rewarded based on the accuracy of your final forecasts as follows.

$$\text{Max}\left[\,200 - 10 \times \left|\frac{your\ final\ forecast\ - realized\ price}{realized\ price} \times 100\right|, 0\,\right]$$

If your final forecast is exactly at the price observed, then you will receive 200 points. For each percentage point difference between your final forecast and the observed price, 10 points will be subtracted. If your final forecast differs from the observed price by more than 20 %, you will receive 0 points.

If Task 2 is chosen for your final payment, one of the 10 series will be randomly chosen. You will be rewarded based on the point you earned in the chosen series. Your reward will be calculated with 1 point = 6 yen.

You will not be informed about the accuracy of your forecast until the experiment ends.

Evaluation

After you finish submitting your final forecast, you are asked to evaluate the accuracy of your original forecast relative to the robot's forecast, and also the accuracy of your final forecast relative to the robot's forecast.

[Screen 15] 10 questions in Task 2

Task2Q7. What will be the end-of-day price for this stock 30 days after the last price shown on the graph? (The last price is 83.96.)

Please enter your forecast

[Screen 16]

After you go to the next page, you cannot go back to this page.

[Screen 17]

TASK 2

You now receive the forecast by the robot.

The mean percentage error of the robot is around 4.9**%**. (shown in Treatment 1,2 and 3)

The mean percentage error of the robot is around 18.4**%**. (shown in Treatment 4, 5 and 6)

By observing your original forecast and the robot's forecast, you can modify and then submit your final forecast.

[Screen 18] 10 questions in Task 2

Task2Q7. We show your forecast and the robot's forecast for the end-of-day price for this stock 30 days after the last price shown on the graph.

The mean percentage error of the robot is around 4.9**%**. (shown in Treatment 1,2 and 3)

The mean percentage error of the robot is around 18.4**%**. (shown in Treatment 4, 5 and 6)

Your forecast: 100

The robot's forecast: 84.25 (shown in Treatment 1,2 and 3)

The robot's forecast: 88.90 (shown in Treatment 4, 5 and 6)

Please enter your final forecast.

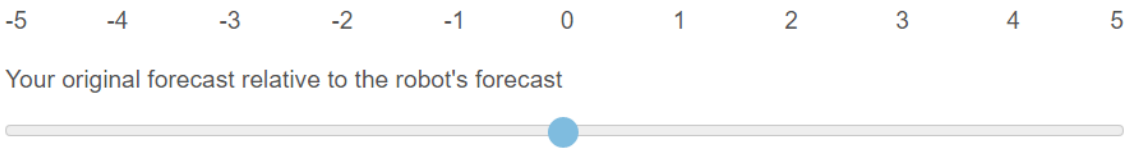
[Screen 19]

After you go to the next page, you cannot go back to this page.

[Screen 20]

Please evaluate the accuracy of your original forecast relative to the robot's forecast in this task.

i.e. **from -5 (the lowest, your original forecast is <u>less accurate</u> than the robot's forecast to a great extent.) to 5 (the highest, your original forecast is <u>more accurate</u> than the robot's forecast to a great extent.)** 0 indicates that your original forecast has the same accuracy as the robot's forecast's.



We now finish the experiment. Please complete the following questionnaire. Thank you.

After you finish the questionnaire, we will show you the experiment results and your rewards.

A10. Comparison between framed and nonframed experiments

In our original experiment (reported in the main text), we asked participants to play the role of financial advisors who forecast future stock prices based on historical price information. The participants were also told that their company had created an algorithm to forecast future stock prices. These two aspects may have increased participants' reliance on the algorithm even when it performed poorly.

To investigate the impact of this framing on reliance on algorithms, we conducted a new set of experiments without such framing. In this new set of nonframed experiments, we removed the framing concerning the role of financial advisors and the developer (i.e., their company) of the algorithms. Specifically, participants were told: "*In this experiment, you are asked to forecast the future stock price based on historical price information. A robot has been created to forecast future stock prices.*" The other aspects of the experimental design as well as the procedure of the nonframed experiments were identical to those of the original framed experiments.

The set of additional nonframed experiments was conducted online between August and September 2021. A total of 252 participants who had never participated in similar experiments were drawn from the same pool.

We compare MSHIFT between framed and nonframed experiments to investigate the effect of framing on participants' reliance on the algorithms in framed experiments. The results are shown in Table A20. We found that MSHIFTs are not statistically significantly different between the framed and nonframed experiments for any treatment or task except Task 2 in Treatment 5. However, in this case, the MSHIFT is significantly higher in the nonframed experiments than in the framed experiments. Therefore, reliance on the algorithm in the framed experiments is not affected by the wording of the instructions regarding the role of financial advisor and their company developing the algorithm.

The comparisons of MAPE for the initial (Table A21) and final (Table A22) forecasts show no significant difference between the framed and nonframed experiments, except for Task 2 in Treatment

2, where the MAPE of the initial forecast is significantly higher in the framed experiments than in the nonframed experiments. However, this has no major impact on the main result, that is, that participants rely excessively on the bad algorithm.

Table A20. Comparison of MSHIFT between framed experiments and nonframed experiments using two-sample t-test

Treatment	Task	Framed MSHIFT (Std. Err.)	Obs.	Nonframed MSHIFT (Std. Err.)	Obs.	t-value (p-value)
T1	1	0.624 (0.031)	49	0.562 (0.027)	39	1.479 (0.143)
T1	2	0.515 (0.031)	49	0.514 (0.029)	39	0.024 (0.981)
T2	1	0.481 (0.027)	47	0.517 (0.045)	42	-0.701 (0.485)
T2	2	0.438 (0.029)	47	0.439 (0.036)	42	-0.022 (0.983)
T3	1	0.552 (0.035)	50	0.503 (0.038)	40	0.955 (0.342)
T3	2	0.482 (0.035)	50	0.451 (0.033)	40	0.634 (0.528)
T4	1	0.476 (0.037)	50	0.419 (0.030)	43	1.173 (0.244)
T4	2	0.469 (0.044)	50	0.421 (0.030)	43	0.878 (0.382)
T5	1	0.198 (0.025)	45	0.212 (0.031)	42	-0.362 (0.718)
T5	2	0.171 (0.026)	45	0.294 (0.052)	42	**-2.155 (0.034)**
T6	1	0.277 (0.030)	47	0.265 (0.034)	46	0.249 (0.804)
T6	2	0.168 (0.055)	47	0.236 (0.029)	46	-1.085 (0.281)

The number of observations is the number of participants in each treatment.

Table A21. Comparison of MAPE of initial forecast between framed experiments and nonframed experiments using two-sample t-test

Treatment	Task	Framed MAPE (Std. Err.)	Obs.	Nonframed MAPE (Std. Err.)	Obs.	t-value (p-value)
T1	1	7.585 (0.485)	49	6.952 (0.422)	39	0.957 (0.341)
T1	2	8.738 (0.401)	49	8.130 (0.338)	39	1.124 (0.264)
T2	Practice	8.300 (0.578)	47	7.866 (0.447)	42	0.584 (0.561)
T2	1	6.750 (0.314)	47	6.575 (0.342)	42	0.378 (0.706)
T2	2	8.571 (0.284)	47	7.761 (0.184)	42	2.329 (0.022)
T3	Practice	8.064 (0.386)	50	7.980 (0.442)	40	0.144 (0.886)
T3	1	6.548 (0.306)	50	6.473 (0.235)	40	0.187 (0.852)
T3	2	8.216 (0.242)	50	8.495 (0.405)	40	-0.617 (0.539)
T4	1	8.159 (0.412)	50	7.480 (0.382)	43	1.194 (0.236)
T4	2	8.737 (0.302)	50	8.633 (0.302)	43	0.242 (0.810)

T5	Practice	8.100 (0.335)	45	7.754 (0.350)	42	0.715 (0.477)
T5	1	6.551 (0.286)	45	6.669 (0.339)	42	-0.267 (0.790)
T5	2	8.182 (0.218)	45	8.081 (0.245)	42	0.308 (0.759)
T6	Practice	7.861 (0.359)	47	8.195 (0.458)	46	-0.577 (0.566)
T6	1	7.147 (0.420)	47	6.901 (0.501)	46	0.377 (0.707)
T6	2	8.636 (0.340)	47	8.557 (0.317)	46	0.170 (0.865)

The number of observations is the number of participants in each treatment.

Table A22. Comparison of MAPE of final forecast between framed experiments and nonframed experiments using two-sample t-test

Treatment	Task	Framed MAPE (Std. Err.)	Obs.	Nonframed MAPE (Std. Err.)	Obs.	t-value (p-value)
T1	1	6.094 (0.136)	49	6.170 (0.142)	39	-0.383 (0.703)
T1	2	7.327 (0.122)	49	7.253 (0.104)	39	0.450 (0.654)
T2	1	6.112 (0.100)	47	6.309 (0.205)	42	-0.890 (0.376)
T2	2	7.497 (0.124)	47	7.293 (0.088)	42	1.324 (0.189)
T3	1	5.806 (0.120)	50	6.009 (0.130)	40	-1.144 (0.256)
T3	2	7.303 (0.103)	50	7.410 (0.145)	40	-0.619 (0.538)
T4	1	10.282 (0.380)	50	10.861 (0.362)	43	-1.092 (0.278)
T4	2	10.144 (0.284)	50	10.070 (0.245)	43	0.195 (0.846)
T5	1	7.817 (0.355)	45	7.977 (0.400)	42	-0.300 (0.765)
T5	2	8.726 (0.246)	45	8.956 (0.286)	42	-0.613 (0.542)
T6	1	8.024 (0.357)	47	8.240 (0.424)	46	-0.391 (0.697)
T6	2	9.097 (0.281)	47	9.100 (0.316)	46	-0.007 (0.995)

The number of observations is the number of participants in each treatment.

A11. Results of nonframed experiments

In this appendix, we report the results of the same set of analyses as in the framed experiment for the nonframed experiment. The results are qualitatively the same as in the framed experiment.

Table A23. Comparison between MSHIFT and the halfway point between the algorithm's forecast and the initial forecast in nonframed experiments using single-sample t-test

Treatment	Task	MSHIFT (Std. Err.)	Obs.	Halfway between algorithm's forecast and initial forecast	t-value (p-value)
T1	1	0.562 (0.027)	39	0.5	2.246 (0.031)
T1	2	0.514 (0.029)	39	0.5	0.495 (0.623)

T4	1	0.419 (0.030)	43	0.5	-2.697 (0.010)
T4	2	0.421 (0.030)	43	0.5	-2.649 (0.011)

The number of observations is the number of participants in each treatment.

Table A24. Predicted evaluation rate, predicted MSHIFT, and predicted MAPE for treatment dummies in nonframed experiments using OLS regression with robust standard error

Variables	(1) Evaluation Task 1	(2) Evaluation Task 2	(3) MSHIFT Task 1	(4) MSHIFT Task 2	(5) MAPE initial forecast Task 1	(6) MAPE initial forecast Task 2	(7) MAPE final forecast Task 1	(8) MAPE final forecast Task 2
Treatment 1	-1.154	-0.744	0.562	0.514	6.952	8.130	6.170	7.253
	(0.319)	(0.351)	(0.027)	(0.029)	(0.422)	(0.338)	(0.142)	(0.104)
Treatment 2	-1.762	-0.810	0.517	0.439	6.575	7.761	6.309	7.293
	(0.274)	(0.326)	(0.045)	(0.036)	(0.342)	(0.184)	(0.205)	(0.088)
Treatment 3	-1.375	-1.250	0.503	0.451	6.473	8.495	6.009	7.410
	(0.272)	(0.260)	(0.038)	(0.032)	(0.234)	(0.405)	(0.130)	(0.144)
Treatment 4	-1.116	-1.116	0.419	0.421	7.480	8.633	10.861	10.070
	(0.316)	(0.298)	(0.030)	(0.030)	(0.383)	(0.302)	(0.362)	(0.245)
Treatment 5	1.333	1.500	0.212	0.294	6.669	8.081	7.977	8.956
	(0.289)	(0.290)	(0.031)	(0.052)	(0.339)	(0.245)	(0.400)	(0.286)
Treatment 6	1.239	1.022	0.265	0.236	6.901	8.557	8.240	9.100
	(0.302)	(0.315)	(0.034)	(0.029)	(0.501)	(0.317)	(0.425)	(0.316)
	Prob > F	Prob > F	Prob > F	Prob > F	Prob > F	Prob > F	Prob > F	Prob > F
T1 = T2	0.150	0.891	0.392	0.105	0.487	0.339	0.577	0.771
T2 = T3	0.317	0.291	0.809	0.814	0.807	0.100	0.217	0.487
T1 = T3	0.598	0.248	0.207	0.146	0.322	0.490	0.402	0.378
T4 = T5	0.000	0.000	0.000	0.037	0.114	0.157	0.000	0.003
T5 = T6	0.822	0.265	0.247	0.332	0.702	0.236	0.652	0.737
T4 = T6	0.000	0.000	0.001	0.000	0.360	0.863	0.000	0.016
T1 = T4	0.933	0.420	0.001	0.026	0.355	0.268	0.000	0.000
T2 = T5	0.000	0.000	0.000	0.022	0.845	0.297	0.000	0.000
T3 = T6	0.000	0.000	0.000	0.000	0.441	0.904	0.000	0.000
Observations	252	252	252	252	252	252	252	252

a: Treatment 1 dummy equals 1 for treatment 1, and 0 otherwise. Treatment 2 dummy equals 1 for treatment 2, and 0 otherwise. Treatment 3 dummy equals 1 for treatment 3, and 0 otherwise. Treatment 4 dummy

equals 1 for treatment 4, and 0 otherwise. Treatment 5 dummy equals 1 for treatment 5, and 0 otherwise. Treatment 6 dummy equals 1 for treatment 6, and 0 otherwise.

b: The unit of observation is the number of participants. The total number of observations is the number of participants in all treatments.

c: The robust standard errors are in parentheses. *** p < 0.01, ** p < 0.05, and * p < 0.1.

Table A25. Comparison of evaluation rate between tasks 1 and 2 using OLS regression of evaluation rate on task dummy in nonframed experiments with robust cluster standard error on participant level

	(1)	(2)	(3)	(4)	(5)	(6)
Variables	T1	T2	T3	T4	T5	T6
Task 2 dummy	0.410	0.952***	0.125	-0.000	0.167	-0.217
	(0.330)	(0.256)	(0.231)	(0.255)	(0.227)	(0.179)
Constant	-1.154***	-1.762***	-1.375***	-1.116***	1.333***	1.239***
	(0.321)	(0.276)	(0.274)	(0.318)	(0.290)	(0.303)
Observations	78	84	80	86	84	92
R-squared	0.010	0.058	0.001	0.000	0.002	0.003
Clusters	39	42	40	43	42	46

a: A task dummy equals 0 for task 1 and 1 for task 2.

b: The unit of observation is the number of participants. The total number of observations is the number of participants in each treatment × 2.

c: The robust standard errors clustered by participant levels are in parentheses. *** p < 0.01, ** p < 0.05, and * p < 0.1.

Table A26. Comparison of MAPE between initial forecast and final forecast in task 1 using OLS regression of MAPE on final forecast dummy in nonframed experiments with robust cluster standard error on participant level

	(1)	(2)	(3)	(4)	(5)	(6)
Variables	T1	T2	T3	T4	T5	T6
Final forecast	-0.783**	-0.266	-0.465*	3.381***	1.308***	1.339***
	(0.359)	(0.252)	(0.238)	(0.341)	(0.311)	(0.355)
Constant	6.952***	6.575***	6.473***	7.480***	6.669***	6.900***
	(0.425)	(0.344)	(0.236)	(0.385)	(0.341)	(0.504)
Observations	78	84	80	86	84	92
R-squared	0.039	0.005	0.037	0.329	0.071	0.044
Clusters	39	42	40	43	42	46

a: The final forecast dummy equals 1 for final forecast and 0 for initial forecast.

b: The unit of observation is the number of participants. The total number of observations is the number of participants in each treatment × 2.

c: The robust standard errors clustered by participant levels are in parentheses. *** p < 0.01, ** p < 0.05, and * p < 0.1.

Table A27. Comparison of MAPE between initial forecast and final forecast in task 2 using OLS regression of MAPE on final forecast dummy in nonframed experiments with robust cluster standard error on participant level

	(1)	(2)	(3)	(4)	(5)	(6)
Variables	T1	T2	T3	T4	T5	T6
Final forecast	-0.877***	-0.469***	-1.085***	1.437***	0.875***	0.543**
	(0.300)	(0.136)	(0.332)	(0.254)	(0.187)	(0.229)
Constant	8.130***	7.761***	8.495***	8.633***	8.081***	8.557***
	(0.340)	(0.185)	(0.408)	(0.304)	(0.246)	(0.319)
Observations	78	84	80	86	84	92
R-squared	0.075	0.061	0.075	0.140	0.062	0.016
Clusters	39	42	40	43	42	46

a: The final forecast dummy equals 1 for final forecast and 0 for initial forecast.

b: The unit of observation is the number of participants. The total number of observations is the number of participants in each treatment × 2.

c: The robust standard errors clustered by participants level are in parentheses. *** p < 0.01, ** p < 0.05, and * p < 0.1.

Table A28. Summary of participants' personal characteristics in nonframed experiments

	Treatment						One-way ANOVA	
	T1	T2	T3	T4	T5	T6	F	Prob > F
Female	0.421	0.366	0.436	0.488	0.405	0.341	0.48	0.793
	(0.081)	(0.076)	(0.080)	(0.881)	(0.221)	(0.033)		
Undergraduate	0.718	0.762	0.625	0.738	0.690	0.609	0.76	0.582
student	(0.073)	(0.067)	(0.078)	(0.069)	(0.072)	(0.142)		
Financial literacy	8.128	7.310	7.750	7.581	7.595	8.000	0.73	0.602
score	(0.341)	(0.388)	(0.429)	(0.277)	(0.358)	(0.297)		
Risk aversion score	3.974	3.310	3.225	3.395	3.452	3.413	1.35	0.245

	(0.209)	(0.247)	(0.216)	(0.238)	(0.219)	(0.191)		
CRT score	2.308	2.571	2.500	2.581	2.667	2.478	1.10	0.362
	(0.138)	(0.103)	(0.119)	(0.112)	(0.111)	(0.106)		
Obs.	39	42	40	43	42	46		

The female dummy equals 1 for female, and 0 otherwise. The undergraduate student dummy equals 1 for undergraduate student, and 0 otherwise. Financial literacy score range = 0–12 (higher score indicates greater financial literacy). Risk aversion score range = 0–5 (higher score indicates a higher level of risk aversion). CRT score range = 0–3 (higher score indicates greater cognitive ability).

Table A29. Predicted evaluation rate, predicted MSHIFT, and predicted MAPE for treatment dummies in nonframed experiments using OLS regression conditional on personal characteristics with robust standard error

Variables	(1) Evaluation Task 1	(2) Evaluation Task 2	(3) MSHIFT Task 1	(4) MSHIFT Task 2	(5) MAPE initial forecast Task 1	(6) MAPE initial forecast Task 2	(7) MAPE final forecast Task 1	(8) MAPE final forecast Task 2
Treatment 1	-1.176	-0.668	0.565	0.513	6.808	8.085	6.076	7.228
	(0.341)	(0.364)	(0.030)	(0.031)	(0.395)	(0.324)	(0.154)	(0.114)
Treatment 2	-1.786	-0.787	0.512	0.438	6.621	7.756	6.369	7.312
	(0.283)	(0.327)	(0.046)	(0.037)	(0.350)	(0.190)	(0.210)	(0.094)
Treatment 3	-1.370	-1.270	0.497	0.448	6.462	8.507	6.022	7.429
	(0.282)	(0.259)	(0.038)	(0.034)	(0.254)	(0.433)	(0.138)	(0.149)
Treatment 4	-0.990	-1.020	0.422	0.414	7.518	8.661	10.900	10.054
	(0.304)	(0.304)	(0.031)	(0.030)	(0.395)	(0.312)	(0.367)	(0.253)
Treatment 5	1.344	1.459	0.213	0.294	6.754	8.104	8.016	8.958
	(0.310)	(0.288)	(0.032)	(0.052)	(0.346)	(0.248)	(0.396)	(0.289)
Treatment 6	1.079	0.813	0.270	0.242	6.977	8.503	8.268	9.059
	(0.293)	(0.295)	(0.036)	(0.031)	(0.515)	(0.328)	(0.441)	(0.328)
	Prob > F	Prob > F	Prob > F	Prob > F	Prob > F	Prob > F	Prob > F	Prob > F
T1 = T2	0.177	0.807	0.332	0.128	0.727	0.383	0.258	0.573
T2 = T3	0.292	0.250	0.803	0.843	0.713	0.116	0.172	0.512
T1 = T3	0.666	0.183	0.170	0.162	0.474	0.440	0.798	0.291
T4 = T5	0.000	0.000	0.000	0.046	0.143	0.164	0.000	0.005
T5 = T6	0.539	0.119	0.238	0.400	0.721	0.336	0.671	0.819
T4 = T6	0.000	0.000	0.002	0.000	0.403	0.728	0.000	0.017
T1 = T4	0.690	0.463	0.001	0.024	0.208	0.204	0.000	0.000

T2 = T5	0.000	0.000	0.000	0.025	0.788	0.264	0.000	0.000
T3 = T6	0.000	0.000	0.000	0.000	0.375	0.993	0.000	0.000
Observations	246	246	246	246	246	246	246	246

a: Treatment 1 dummy equals 1 for treatment 1, and 0 otherwise. Treatment 2 dummy equals 1 for treatment 2, and 0 otherwise. Treatment 3 dummy equals 1 for treatment 3, and 0 otherwise. Treatment 4 dummy equals 1 for treatment 4, and 0 otherwise. Treatment 5 dummy equals 1 for treatment 5, and 0 otherwise. Treatment 6 dummy equals 1 for treatment 6, and 0 otherwise.

b: The unit of observation is the number of participants. The total number of observations is the number of participants in all treatments.

c: The robust standard errors are in parentheses. *** $p < 0.01$, ** $p < 0.05$, and * $p < 0.1$.

Table A30. Comparison of evaluation rate between tasks 1 and 2 using OLS regression of evaluation rate on task dummy conditional on personal characteristics in nonframed experiments with robust cluster standard error on participant level

	(1)	(2)	(3)	(4)	(5)	(6)
Variables	T1	T2	T3	T4	T5	T6
Task dummy	0.421	1***	0.103	-0.048	0.167	-0.227
	(0.351)	(0.267)	(0.244)	(0.265)	(0.234)	(0.190)
Female	0.478	-0.363	-1.266**	-0.838*	0.175	-1.473**
	(0.644)	(0.646)	(0.500)	(0.482)	(0.474)	(0.600)
Undergraduate student	-0.617	0.183	-0.254	-0.040	-1.154*	-0.353
	(0.790)	(0.603)	(0.534)	(0.562)	(0.616)	(0.645)
Financial literacy score	-0.0361	-0.126	0.025	0.024	0.067	-0.091
	(0.130)	(0.098)	(0.083)	(0.144)	(0.103)	(0.130)
Risk aversion score	-0.064	-0.058	0.216	-0.231	0.382	-0.085
	(0.216)	(0.156)	(0.159)	(0.178)	(0.252)	(0.195)
CRT score	0.531	-0.061	-0.303	-0.719	1.624***	0.049
	(0.338)	(0.508)	(0.371)	(0.469)	(0.282)	(0.379)
Constant	-1.659	-0.500	-0.780	1.861	-4.099***	2.717
	(1.505)	(1.903)	(1.500)	(1.704)	(1.516)	(1.714)
Observations	76	82	78	84	84	88
R-squared	0.073	0.105	0.133	0.165	0.282	0.152
Clusters	38	41	39	42	42	44

a: The task dummy equals 0 for task 1 and 1 for task 2.

b: The unit of observation is the number of participants. The total number of observations is the number of participants in each treatment × 2.

c: The robust standard errors clustered by participant levels are in parentheses. *** p < 0.01, ** p < 0.05, and * p < 0.1

Table A31. Comparison of MAPE between initial forecast and final forecast in task 1 using OLS regression of MAPE on final forecast dummy conditional on personal characteristics in nonframed experiments with robust cluster standard error on participant level

	(1)	(2)	(3)	(4)	(5)	(6)
Variables	T1	T2	T3	T4	T5	T6
Final forecast	-0.743*	-0.259	-0.477*	3.399***	1.308***	1.280***
	(0.379)	(0.267)	(0.252)	(0.360)	(0.321)	(0.378)
Female	0.483	-0.110	0.022	-0.237	0.597	0.394
	(0.508)	(0.570)	(0.309)	(0.642)	(0.811)	(0.858)
Undergraduate student	0.530	-0.476	0.034	1.086	1.795**	-0.925
	(0.556)	(0.573)	(0.329)	(0.732)	(0.704)	(1.029)
Financial literacy score	0.085	0.064	0.057	0.064	0.119	-0.088
	(0.111)	(0.102)	(0.059)	(0.190)	(0.154)	(0.227)
Risk aversion score	-0.082	0.047	0.106	0.420*	-0.310	-0.351
	(0.221)	(0.141)	(0.105)	(0.216)	(0.395)	(0.272)
CRT score	-0.853*	-0.387	-0.099	-0.547	-0.568	-0.310
	(0.458)	(0.388)	(0.229)	(0.639)	(0.446)	(0.598)
Constant	7.970***	7.362***	5.911***	6.295**	6.864***	10.075***
	(1.354)	(1.519)	(0.949)	(2.381)	(2.215)	(2.827)
Observations	76	82	78	84	84	88
R-squared	0.188	0.051	0.069	0.402	0.157	0.085
Clusters	38	41	39	42	42	44

a: The final forecast dummy equals 1 for final forecast and 0 for initial forecast.

b: The unit of observation is the number of participants. The total number of observations is the number of participants in each treatment × 2.

c: The robust standard errors clustered by participant levels are in parentheses. *** p < 0.01, ** p < 0.05, and * p < 0.1.

Table A32. Comparison of MAPE between initial forecast and final forecast in task 2 using OLS regression of MAPE on final forecast dummy conditional on personal characteristics in nonframed experiments with robust cluster standard error on participant level

	(1)	(2)	(3)	(4)	(5)	(6)
Variables	T1	T2	T3	T4	T5	T6
Final forecast	-0.856**	-0.465***	-1.092***	1.394***	0.875***	0.565**
	(0.318)	(0.144)	(0.352)	(0.264)	(0.193)	(0.246)
Female	0.702	-0.129	0.764	0.253	-0.245	-0.657
	(0.452)	(0.300)	(0.523)	(0.499)	(0.549)	(0.585)
Undergraduate student	0.062	0.434	0.539	0.119	0.394	-0.687
	(0.455)	(0.274)	(0.426)	(0.524)	(0.617)	(0.642)
Financial literacy score	-0.062	-0.015	0.065	0.148	-0.034	0.027
	(0.092)	(0.063)	(0.062)	(0.128)	(0.093)	(0.176)
Risk aversion score	-0.137	-0.040	0.212	-0.113	0.099	0.029
	(0.161)	(0.088)	(0.167)	(0.190)	(0.248)	(0.194)
CRT score	-0.352	-0.092	0.643*	-0.033	-0.405	0.086
	(0.389)	(0.214)	(0.319)	(0.263)	(0.325)	(0.369)
Constant	9.639***	7.950***	5.064***	7.811***	8.906***	8.587***
	(1.266)	(0.978)	(1.300)	(1.701)	(1.553)	(2.169)
Observations	76	82	78	84	84	88
R-squared	0.179	0.106	0.194	0.165	0.118	0.074
Clusters	38	41	39	42	42	44

a: The final forecast dummy equals 1 for final forecast and 0 for initial forecast.

b: The unit of observation is the number of participants. The total number of observations is the number of participants in each treatment × 2.

c: The robust standard errors clustered by participant levels are in parentheses. *** $p < 0.01$, ** $p < 0.05$, and * $p < 0.1$.

Table A33. Comparison of MAPE between algorithm forecast and initial forecast in nonframed experiments using paired t-test

Treatment	Task	Algorithm MAPE	Initial forecast MAPE (Std. Err.)	Diff (Algorithm–Initial) MAPE (Std. Err.)	t-value (p-value)	Obs.
1	Task 1	5.866	6.952 (0.422)	-1.086 (0.422)	-2.574 (0.014)	39
1	Task 2	6.862	8.130 (0.338)	-1.268 (0.338)	-3.749 (<0.01)	39
2	Practice	5.889	7.866 (0.447)	-1.977 (0.447)	-4.418 (<0.01)	42

2	Task 1	5.866	6.575 (0.342)	-0.709 (0.342)	-2.074 (0.044)	42
2	Task 2	6.862	7.761 (0.184)	-0.899 (0.184)	-4.885 (<0.01)	42
3	Practice	5.889	7.980 (0.442)	-2.091 (0.442)	-4.733 (<0.01)	40
3	Task 1	5.866	6.473 (0.235)	-0.607 (0.235)	-2.589 (0.014)	40
3	Task 2	6.862	8.495 (0.405)	-1.633 (0.405)	-4.031 (<0.01)	40
4	Task 1	12.359	7.480 (0.382)	4.879 (0.382)	12.759 (<0.01)	43
4	Task 2	13.391	8.633 (0.302)	4.758 (0.302)	15.762 (<0.01)	43
5	Practice	10.144	7.754 (0.350)	2.390 (0.350)	6.831 (<0.01)	42
5	Task 1	12.359	6.669 (0.339)	5.690 (0.339)	16.779 (<0.01)	42
5	Task 2	13.391	8.081 (0.245)	5.310 (0.245)	21.711 (<0.01)	42
6	Practice	10.144	8.195 (0.458)	1.949 (0.458)	4.259 (<0.01)	46
6	Task 1	12.359	6.901 (0.501)	5.458 (0.501)	10.896 (<0.01)	46
6	Task 2	13.391	8.557 (0.317)	4.834 (0.317)	15.250 (<0.01)	46

The number of observations is the number of participants in each treatment.

Table A34. Comparison of MAPE between first five human final forecast and last five human final forecasts in nonframed experiments using paired t-test

Treatment	Task	First five forecasts MAPE (Std. Err.)	Last five forecasts MAPE (Std. Err.)	Diff (First – Last) MAPE (Std. Err.)	t-value (p-value)	Obs.
1	Task 1	6.592 (0.334)	5.747 (0.243)	0.844 (0.510)	1.654 (0.106)	39
1	Task 2	7.819 (0.371)	6.687 (0.388)	1.132 (0.731)	1.550 (0.130)	39
2	Task 1	6.317 (0.345)	6.301 (0.271)	0.016 (0.465)	0.034 (0.973)	42
2	Task 2	7.293 (0.445)	7.292 (0.405)	0.001 (0.832)	0.001 (0.999)	42
3	Task 1	6.117 (0.266)	5.900 (0.241)	0.217 (0.437)	0.497 (0.622)	40
3	Task 2	7.397 (0.416)	7.423 (0.438)	-0.026 (0.804)	-0.033 (0.974)	40

4	Task 1	10.976 (0.510)	10.746 (0.610)	0.231 (0.860)	0.268 (0.790)	43
4	Task 2	9.532 (0.546)	10.608 (0.381)	-1.076 (0.805)	-1.337 (0.188)	43
5	Task 1	7.678 (0.566)	8.276 (0.557)	-0.599 (0.787)	-0.761 (0.451)	42
5	Task 2	9.263 (0.417)	8.650 (0.440)	0.612 (0.639)	0.958 (0.344)	42
6	Task 1	8.669 (0.575)	7.812 (0.421)	0.856 (0.545)	1.571 (0.123)	46
6	Task 2	9.077 (0.528)	9.123 (0.567)	-0.046 (0.894)	-0.052 (0.959)	46

The number of observations is the number of participants in each treatment.

Table A35. OLS linear regression of MAPE of human forecast in practice stage on MSHIFT in tasks 1 and 2 with the good and bad algorithms in nonframed experiments, with robust standard errors

Variables	(1) MSHIFT Task1 Good algorithm Treatment 2	(2) MSHIFT Task2 Good algorithm Treatment 2	(3) MSHIFT Task1 Bad algorithm Treatment 5	(4) MSHIFT Task2 Bad algorithm Treatment 5
MAPE of human forecast in practice stage	-0.002	0.005	0.037***	0.007
	(0.012)	(0.008)	(0.013)	(0.019)
Constant	0.531***	0.398***	-0.075	0.240
	(0.108)	(0.074)	(0.105)	(0.190)
Observations	42	42	42	42
R-squared	0.000	0.004	0.177	0.002

a: The unit of observation is the number of participants. The total number of observations is the number of participants in T2 in model (1) (2) and T5 in model (3) (4).

b: The robust standard errors are in parentheses. *** $p < 0.01$, ** $p < 0.05$, and * $p < 0.1$.

Table A36. Comparison of MAPE between algorithm forecast and final forecast in nonframed experiments using paired t-test

Treatment	Task	Algorithm MAPE	Final forecast MAPE (Std.	Diff (Algorithm–Final)	t-value (p-value)	Obs.

			Err.)	MAPE (Std. Err.)		
1	Task 1	5.866	6.170 (0.142)	-0.304 (0.142)	-2.140 (0.039)	39
1	Task 2	6.862	7.253 (0.104)	-0.391 (0.104)	-3.756 (<0.01)	39
2	Task 1	5.866	6.309 (0.205)	-0.443 (0.205)	-2.159 (0.037)	42
2	Task 2	6.862	7.293 (0.088)	-0.431 (0.088)	-4.913 (<0.01)	42
3	Task 1	5.866	6.009 (0.130)	-0.143 (0.130)	-1.100 (0.278)	40
3	Task 2	6.862	7.410 (0.145)	-0.548 (0.145)	-3.792 (<0.01)	40
4	Task 1	12.359	10.861 (0.362)	1.498 (0.362)	4.135 (<0.01)	43
4	Task 2	13.391	10.070 (0.245)	3.321 (0.245)	13.569 (<0.01)	43
5	Task 1	12.359	7.977 (0.400)	4.382 (0.400)	10.951 (<0.01)	42
5	Task 2	13.391	8.956 (0.286)	4.435 (0.286)	15.520 (<0.01)	42
6	Task 1	12.359	8.240 (0.424)	4.119 (0.424)	9.706 (<0.01)	46
6	Task 2	13.391	9.100 (0.316)	4.291 (0.316)	13.584 (<0.01)	46

The number of observations is number of participants in each treatment.

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