

OPIM290 –Decision Processes

Fall 2014

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Office hours

I address questions about class content via email. Send me any number of questions any time (except 24 hours before the exam).

To discuss personal interests, research questions, career prospects, etc., email me to arrange a meeting.

1. Objectives

The course has two main objectives.

The first is improving the ability of students to motivate desired behaviors on others, be it consumers, employees or people outside a business relationship altogether. This is accomplished by expanding the limited toolbox that the assumption of rational behavior provides (financial incentives and information) with tools arrived at from insights in the field of behavioral decision making.

The second is improving the quality of students' own decisions, primarily by enhancing their *intuitive* empirical ability. People are poor intuitive statisticians, meaning that when they 'just think' about situations for which some data or casual observations exist, they tend to make serious inferential errors, in turn leading to systematically biased decisions. We will study some errors that are particularly important for real world managerial settings and look for easy-to-implement solutions.

2. Grading

Final grades will be determined by aggregating:

- Test 1 (40 %)
- Test 2 (40%)
- Preparation-questions (20% total).

Tests

Sample tests will be posted on Canvas.

Test #1 –Monday October 6th -regular class time
Test #2 – Monday November 24h -regular class time

Test 2 is not comprehensive.

Note: the tests are closed book, no notes of any kind are allowed.

Preparation Questions

What are they?

Some preparation questions are routine: readings, material just covered, something we will discuss in class, invitation to students to ask clarifying questions. Those have 1-2 points

Others are more involving requiring data analysis or so, those get 3 – 4 points.

When are they due?

They must be submitted by 7AM ET of the corresponding class day.

Late submissions receive 0 credit, no exceptions.

Feedback on content:

Students will not receive individual feedback on their answers.

We will discuss the questions in class, providing general feedback.

If the TA is missing an answer or sees a problem, he will contact the students.

Grading:

The overall score for preparation questions will automatically drop the lowest 3 points.

Questions are graded on a 0-100% scale. Most students are expected to get a 100% in each submitted question.

Often the material needed to answer a question is covered on the following class, so questions are graded on effort rather than correctness.

If you don't hear back from the TA, you have gotten 100%.

What if you miss one?

Everyone is automatically excused for 3 points. Only catastrophic circumstances, serious illness or death in the family, will be considered for additional exceptions. Job interviews, flu symptoms, personal travel, are all reasonable things to in occasion pay attention to instead of preparation questions, hence the automatic 3 point rule.

All readings are on Canvas.

Class schedule

Day #	PQ	Points	Date	Topic	Readings/Exercise Due
1			Wed, Aug 27	Normative vs. Descriptive vs Prescriptive	
			Mon, Sep 01	No Class - Labor day	
2	PQ1	1	Wed, Sep 03	Decision process vs outcome 1 - influencing others	E00 -Intro to"Nudge", E01 - You need hands E02 - Three surprises about change
3	PQ2	1	Mon, Sep 08	Construted preferences 1 - Defaults	E03 - Frank Luntz (listen to podcast) E04 - Privacy and facebook
4			Wed, Sep 10	Construted preferences 2 - Elicitation mode effects	E05 - Self reports
5	PQ3	4	Mon, Sep 15	Construted preferences 3- Choice set effects	E06 - Exercise 1. Flexible spending accounts
6	PQ4	1	Wed, Sep 17	Reference points, loss aversion, mental accounting	E07 - Bernoulli's error + Prospect theory (as needed, after class) E08 - Spending the check
7	PQ5	4	Mon, Sep 22	Risk aversion	E09 - Exercise 2. Snowblowers
8			Wed, Sep 24	Impatience	No Reading
9	PQ6	2	Mon, Sep 29	Beyond selfishness	No Reading
10	PQ7	4	Wed, Oct 01	Decision process vs outcome 2 - learning from mistakes	E10 - Chapters 1 & 11 of 911 report
11			Mon, Oct 06	Test 1	
			Wed, Oct 08	Intuition	E11 - Evidence Based management E12 - Chater 10 - law of small numbers
12	PQ8	3	Mon, Oct 13	Value of information 1	E13 - Decision tree book (chapters 1 & 3)
13			Wed, Oct 15	Value of information 2	E14 - How little we know
14	PQ9	3	Mon, Oct 20	Running experiments	E15 - We experiment on human beings. E16 - Ok Cupid interview E17 - A step by step guide
15			Wed, Oct 22	Testing hypotheses	
16	PQ10	3	Mon, Oct 27	Noise vs. Information 1	E17 - Sochasticity (Radioloab podcast) E18 - Cancer Clusters
17			Wed, Oct 29	Noise vs. Information 2	No Reading
			Mon, Nov 03	No class	
18	PQ11	4	Wed, Nov 05	Nonrandom samples 1	E19 - Exercise 3 "Parking as incetives to sell"
19			Mon, Nov 10	Nonrandom samples 2	E20 - Cellphone problem
21	PQ12	1	Wed, Nov 12	Correlation is not causation (but it can be)	
22	PQ13	1	Mon, Nov 17	Aggregating information 1	No Reading
23			Wed, Nov 19	Review Q & A	No Reading
			Mon, Nov 24	Test 2	
			Wed, Nov 26	No Class - Thanksgiving	
24	PQ14	4	Mon, Dec 01	Aggregating information 2	E21 Exercise 4. Predicting housing prices
25			Wed, Dec 03	Forensic statistics	
26	PQ15	4	Mon, Dec 08	Learning from feedback (shorter farewell day)	E22 Exercise 5 Discriminatory interviewer