

OIDD 900—Decision Processes and Behavioral Economics

Syllabus, Fall 2020

Instructor: Maurice Schweitzer
Contact: Schweitz@upenn.edu
Class: Fridays 12noon-3pm

Course Description

This course is an introduction to Behavioral Decision Research. We will cover foundational articles and discuss emerging trends in Judgment and Decision Making scholarship. We will draw on scholarship in psychology, economics, and business.

Expectations

Class participation is extremely important. I expect students to come well prepared to discuss each assigned reading, and I expect students to be highly engaged. This will require several hours of preparation each week.

Final

The final exam will be open book, 3 hours, and span the entire course.

Grading

Weekly assignments: 30%
Class participation: 40%
Final: 30%

Weekly Assignments

Each week, I will ask you to answer questions about the readings. These questions are likely to take the form of “If you were a reviewer, what studies would you like to see?” or “How else might you present the data in this figure?” Research articles reflect many choices, and one of the goals of this course is to identify and deliberate about the choices prior scholars have made to inform the decisions we might make going forward. (For the first class, please come prepared, but there is no written assignment due the first class.)

I have used a “*” to identify what I consider to be the most important articles for each week.

Class 1: Judgment 9/4

*Kahneman, D., & Tversky, A. (1979). Prospect theory: An analysis of decision under risk. *Econometrica: Journal of the econometric society*, 263-291.

*Kahneman, D. (2003) A perspective on judgment and choice: Mapping bounded rationality. *American Psychologist*, 58, 697-720.

*Tversky, A., & Kahneman, D. (1974). Judgment under uncertainty: Heuristics and biases. *Science*, 185, 1124-1131.

Staw, B. M. (2010). The trouble with JDM: Some limitations to the influence of JDM on organizational research. *Industrial and Organizational Psychology*, 3(4), 411-416.

(Skim) Pope, D. G., & Schweitzer, M. E. (2011). Is Tiger Woods loss averse? Persistent bias in the face of experience, competition, and high stakes. *American Economic Review*, 101(1), 129-57.

Class 2: Hindsight, Outcome bias, Anchoring, and False Positive Psychology 9/11

*Fischhoff, B. (1975). Hindsight \neq foresight: The effect of outcome knowledge on judgment under uncertainty. *Journal of Experimental Psychology: Human Perception and Performance*, 1, 299.

*Baron, J., & Hershey, J. C. (1988). Outcome bias in decision evaluation. *Journal of personality and social psychology*, 54(4), 569.

Epley, N., & Gilovich, T. (2006). The anchoring and adjustment heuristic: Why adjustments are insufficient. *Psychological Science*, 17, 311-318.

Frederick, S. W., & Mochon, D. (2012). A scale distortion theory of anchoring. *Journal of Experimental Psychology: General*, 141(1), 124.

*Simmons, J. P., Nelson, L. D., & Simonsohn, U. (2011). False-positive psychology: Undisclosed flexibility in data collection and analysis allows presenting anything as significant. *Psychological science*, 22(11), 1359-1366.

Lucas, B. J., & Nordgren, L. F. (2020). The creative cliff illusion. *Proceedings of the National Academy of Sciences*.

Class 3: Decision Process 9/18

*Nisbett, R. E., & Wilson, T. D. (1977). Telling more than we can know: Verbal reports on mental processes. *Psychological review*, 84(3), 231.

*Duckworth, A. L., Milkman, K. L., & Laibson, D. (2018). Beyond willpower: Strategies for reducing failures of self-control. *Psychological Science in the Public Interest*, 19(3), 102-129.

*Frederick, S. (2005). Cognitive reflection and decision making. *The Journal of Economic Perspectives*, 19(4), 25-42.

*Bar-Hillel, M. (1980). The base-rate fallacy in probability judgments. *Acta Psychologica*, 44, 211-233.

Anderson, C. J. (2003). The psychology of doing nothing: forms of decision avoidance result from reason and emotion. *Psychological bulletin*, 129(1), 139.

Baron, J., & Spranca, M. (1997). Protected values. *Organizational behavior and human decision processes*, 70(1), 1-16.

Class 4: Risk 9/25

*Loewenstein, G. F., Weber, E. U., Hsee, C. K., & Welch, N. (2001). Risk as feelings. *Psychological bulletin*, 127(2), 267.

*Slovic, P., Fischhoff, B., & Lichtenstein, S. (1986). The psychometric study of risk perception. In *Risk evaluation and management* (pp. 3-24). Springer US.

Rottenstreich, Y., & Hsee, C. K. (2001). Money, kisses, and electric shocks: On the affective psychology of risk. *Psychological science*, 12(3), 185-190.

*Gneezy, U., List, J. A., & Wu, G. (2006). The uncertainty effect: When a risky prospect is valued less than its worst possible outcome. *The Quarterly Journal of Economics*, 121(4), 1283-1309.

*Ülkümen, G., Fox, C. R., & Malle, B. F. (2016). Two dimensions of subjective uncertainty: Clues from natural language. *Journal of Experimental Psychology: General*, 145(10), 1280.

Additional Readings:

E Long, MK Chen, R Rohla

Political Storms: Tracking Hurricane Evacuation Behavior Using Smartphone Data

Available at SSRN 3339723

Mislavsky, R., & Simonsohn, U. (2017). When risk is weird: unexplained transaction features lower valuations. *Management Science*, 64(11), 5395-5404.

Class 5: Ambiguity & Preference Reversals 10/2

*Fox, C. R., & Tversky, A. (1995). Ambiguity aversion and comparative ignorance. *The quarterly journal of economics*, 110(3), 585-603.

*Hsee, C. K. (1996). The evaluability hypothesis: An explanation for preference reversals between joint and separate evaluations of alternatives. *Organizational behavior and human decision processes*, 67(3), 247-257.

*Tversky, A., Slovic, P., & Kahneman, D. (1990). The causes of preference reversal. *The American Economic Review*, 204-217.

*Hsee, C. K. (1995). Elastic justification: How tempting but task-irrelevant factors influence decisions. *Organizational Behavior and Human Decision Processes*, 62(3), 330-337.

*Dana, J., Weber, R. A., & Kuang, J. X. (2007). Exploiting moral wiggle room: experiments demonstrating an illusory preference for fairness. *Economic Theory*, 33(1), 67-80.

Class 6: Framing & Mental Accounting 10/9

*Gneezy, U., & Rustichini, A. (2000). A fine is a price. *The Journal of Legal Studies*, 29(1), 1-17.

*Tversky, A. & Kahneman, D. (1981). The framing of decisions and the psychology of choice. *Science*, 211, 453-458.

*Thaler, R. H. (1999). Mental accounting matters. *Journal of Behavioral decision making*, 12(3), 183.

*(Results) Arkes, H. R., & Blumer, C. (1985). The psychology of sunk cost. *Organizational behavior and human decision processes*, 35(1), 124-140.

*Arkes, H. R. (1996). The psychology of waste. *Journal of Behavioral Decision Making*, 9(3), 213-224.

Additional Reading:

(Results) Camerer, C., Babcock, L., Loewenstein, G., & Thaler, R. (1997). Labor supply of New York City cabdrivers: One day at a time. *The Quarterly Journal of Economics*, 112(2), 407-441.

Evers, E. R., Inbar, Y., Blanken, I., & Oosterwijk, L. D. (2016). When do people prefer carrots to sticks? A robust “matching effect” in policy evaluation. *Management Science*, 63(12), 4261-4276.

Class 7: Fairness & Numeracy 10/16

*Kahneman, D., Knetsch, J. L., & Thaler, R. (1986). Fairness as a constraint on profit seeking: Entitlements in the market. *The American economic review*, 728-741.

*Peters, E., Västfjäll, D., Slovic, P., Mertz, C. K., Mazzocco, K., & Dickert, S. (2006). Numeracy and decision making. *Psychological science*, 17(5), 407-413.

*Larrick, R. P., Soll, J. B., & Keeney, R. L. (2015). Designing better energy metrics for consumers. *Behavioral Science and Policy*, 1, 63-75.

*Lusardi, A., Mitchell, O. S., & Curto, V. (2010). Financial literacy among the young. *Journal of consumer affairs*, 44(2), 358-380.

*Mullainathan, Sendhil, and Marianne Bertrand. 2004. "Are Emily and Greg More Employable Than Lakisha and Jamal? A Field Experiment on Labor Market Discrimination." *American Economic Review* 94 (4): 991-1013.

Class 8: Emotion & Memory 10/23

*Smith, C. A., & Ellsworth, P. C. (1985). Patterns of cognitive appraisal in emotion. *Journal of personality and social psychology*, 48(4), 813.

*(Figure) Posner, J., Russell, J. A., & Peterson, B. S. (2005). The circumplex model of affect: An integrative approach to affective neuroscience, cognitive development, and psychopathology. *Development and psychopathology*, 17(3), 715-734.

*Brooks, A. W. (2014). Get excited: Reappraising pre-performance anxiety as excitement. *Journal of Experimental Psychology: General*, 143(3), 1144.

*Gaertig, C., Barasch, A., Levine, E. E., & Schweitzer, M. E. (2019). When does anger boost status?. *Journal of Experimental Social Psychology*, 85, 103876.

*Lerner, J. S., Small, D. A., & Loewenstein, G. (2004). Heart Strings and Purse Strings: Carryover effects of emotions on economic decisions. *Psychological Science*, 15, 337-341.

*Small, D. A., & Loewenstein, G. (2003). Helping a victim or helping the victim: Altruism and identifiability. *Journal of Risk and uncertainty*, 26(1), 5-16.

Additional Reading:

Ketelaar & Clore (1997) Emotion and reason: The proximate effects and ultimate functions of emotions (Chapter)

Class 9: Emotion (Continued), Goals, and Salient Reference Points 10/30

*Gilbert, D. T., & Wilson, T. D. (2007). Propection: Experiencing the future. *Science*, 317, 1351-1354.

*Kahneman, D., Fredrickson, B. L., Schreiber, C. A., & Redelmeier, D. A. (1993). When more pain is preferred to less: Adding a better end. *Psychological science*, 4(6), 401-405.

Yip, J. A., & Schweitzer, M. E. (2019). Losing your temper and your perspective: Anger reduces perspective-taking. *Organizational Behavior and Human Decision Processes*, 150, 28-45.

*Berger, J., & Pope, D. (2011). Can losing lead to winning? *Management Science*, 57(5), 817-827.

*Pope, D., & Simonsohn, U. (2011). Round numbers as goals: Evidence from baseball, SAT takers, and the lab. *Psychological science*, 22(1), 71-79.

*Ordóñez, L. D., Schweitzer, M. E., Galinsky, A. D., & Bazerman, M. H. (2009). Goals gone wild: The systematic side effects of overprescribing goal setting. *The Academy of Management Perspectives*, 23(1), 6-16.

(skim) Locke, E. A., & Latham, G. P. (2009). Has goal setting gone wild, or have its attackers abandoned good scholarship? *Academy of Management Perspectives*, 23(1).

(skim) Ordóñez, L. D., Schweitzer, M. E., Galinsky, A. D., & Bazerman, M. H. (2009). On good scholarship, goal setting, and scholars gone wild.

Additional Reading:

Simmons, J. et al. (2019) 99% Impossible: A Valid, or Falsifiable, Internal Meta-Analysis JEP: General

Class 10: Morality & Motivated Reasoning 11/6

*Haidt, J. (2001). The emotional dog and its rational tail: a social intuitionist approach to moral judgment. *Psychological review*, 108(4), 814.

*Mazar, N., Amir, O., & Ariely, D. (2008). The dishonesty of honest people: A theory of self-concept maintenance. *Journal of marketing research*, 45(6), 633-644.

*Kunda, Z. (1990). The case for motivated reasoning. *Psychological Bulletin*, 108, 480-498.

*Levine, E. E., & Schweitzer, M. E. (2015). Prosocial lies: When deception breeds trust. *Organizational Behavior and Human Decision Processes*, 126, 88-106.

*Choshen-Hillel, S., Shaw, A., & Caruso, E. M. (2020). Lying to appear honest. *Journal of Experimental Psychology: General*.

*Gino, F., Schweitzer, M. E., Mead, N. L., & Ariely, D. (2011). Unable to resist temptation: How self-control depletion promotes unethical behavior. *Organizational Behavior and Human Decision Processes*, 115(2), 191-203.

Yip, J., Schweitzer, M., & Nurmohamed, S. (2018). Trash-talking: Competitive incivility motivates rivalry, performance, and unethical behavior. *Organizational Behavior and Human Decision Processes*. 144, 125-144.

Class 11: Games 11/13

*Henrich, J., Boyd, R., Bowles, S., Camerer, C., Fehr, E., Gintis, H., & McElreath, R. (2001). In search of homo economicus: behavioral experiments in 15 small-scale societies. *The American Economic Review*, 91(2), 73-78.

*Cohn, A., Maréchal, M. A., Tannenbaum, D., & Zünd, C. L. (2019). Civic honesty around the globe. *Science*, 365(6448), 70-73.

*Gerlach, P., Teodorescu, K., & Hertwig, R. (2019). The truth about lies: A meta-analysis on dishonest behavior. *Psychological bulletin*, 145(1), 1.

*Weisel, O., & Shalvi, S. (2015). The collaborative roots of corruption. *Proceedings of the National Academy of Sciences*, 112(34), 10651-10656.

*Dana, J., Cain, D. M., & Dawes, R. M. (2006). What you don't know won't hurt me: Costly (but quiet) exit in dictator games. *Organizational Behavior and Human Decision Processes*, 100(2), 193-201.

(skim) Goeree, J. K., & Holt, C. A. (2001). Ten little treasures of game theory and ten intuitive contradictions. *American Economic Review*, 1402-1422.

Halevy, N., Bornstein, G., & Sagiv, L. (2008). "In-group love" and "out-group hate" as motives for individual participation in intergroup conflict: A new game paradigm. *Psychological science*, 19(4), 405-411.

Class 12: Counterfactual Thinking & Social Comparison 11/20

*(Can skim)Kahneman, D., & Miller, D. (1986). Norm theory: Comparing reality to its alternatives. *Psychological Review*, 93, 237-251.

*Dunn, J., Ruedy, N. E., & Schweitzer, M. E. (2012). It hurts both ways: How social comparisons harm affective and cognitive trust. *Organizational Behavior and Human Decision Processes*, 117(1), 2-14.

*Medvec, V. H., Madey, S. F., & Gilovich, T. (1995). When less is more: Counterfactual thinking and satisfaction among Olympic medalists. *Journal of Personality and Social Psychology*, 69, 603-610.

*Feiler, D. C., Tong, J. D., & Larrick, R. P. (2013). Biased judgment in censored environments. *Management Science*, 59, 573-591.

*Loewenstein, G. F., Thompson, L., & Bazerman, M. H. (1989). Social utility and decision making in interpersonal contexts. *Journal of Personality and Social psychology*, 57(3), 426.

(Results) Schweitzer, M., Ho, T. & Zhang, X. (2018). How monitoring influences trust: A tale of two faces. *Management Science*. 64(1), 253-270.

Class 13: Models and Algorithms, Defaults & Nudges 11/25

*Dawes, R. M. (1979). The robust beauty of improper linear models in decision making. *American psychologist*, 34(7), 571.

*Dietvorst, B. J., Simmons, J. P., & Massey, C. (2015). Algorithm aversion: People erroneously avoid algorithms after seeing them err. *Journal of Experimental Psychology: General*, 144(1), 114.

*Dietvorst, B. & Simonsohn, U. (working paper). Intentionally “Biased”: People Purposely Use To-Be-Ignored Information, But Can Be Persuaded Not To

Logg, J. M., Minson, J. A., & Moore, D. A. (2019). Algorithm appreciation: People prefer algorithmic to human judgment. *Organizational Behavior and Human Decision Processes*, 151, 90-103.

Charness, G., & Gneezy, U. (2009). Incentives to Exercise. *Econometrica*, 77(3), 909-931.

*Johnson, Eric J., and Daniel Goldstein. (2003) “Do defaults save lives?” *Science*:302: 1338-1339.

Additional Reading

Thaler, R. H., & Benartzi, S. (2004). Save more tomorrow™: Using behavioral economics to increase employee saving. *Journal of political Economy*, 112(S1), S164-S187.

Jon Kleinberg, Himabindu Lakkaraju, Jure Leskovec, Jens Ludwig, Sendhil Mullainathan, Human Decisions and Machine Predictions, *The Quarterly Journal of Economics*, Volume 133, Issue 1, February 2018, Pages 237–293, <https://doi.org/10.1093/qje/qjx032>

Class 14: Advice & Negotiation 12/4

*Gino, F., & Schweitzer, M. E. (2008). Blinded by anger or feeling the love: how emotions influence advice taking. *Journal of Applied Psychology*, 93(5), 1165.

*Gino, F., Brooks, A. W., & Schweitzer, M. E. (2012). Anxiety, advice, and the ability to discern: feeling anxious motivates individuals to seek and use advice. *Journal of personality and social psychology*, 102(3), 497.

*Rader, C. A., Larrick, R. P., & Soll, J. B. (2017). Advice as a form of social influence: Informational motives and the consequences for accuracy. *Social and Personality Psychology Compass*, 11(8), e12329.

*Minson, J. A., Mueller, J. S., & Larrick, R. P. (2017). The contingent wisdom of dyads: When discussion enhances vs. undermines the accuracy of collaborative judgments. *Management Science*, 64(9), 4177-4192.

*Eskreis-Winkler, L., Milkman, K. L., Gromet, D. M., & Duckworth, A. L. (2019). A large-scale field experiment shows giving advice improves academic outcomes for the advisor. *Proceedings of the National Academy of Sciences*, 116(30), 14808-14810.

Blunden, H., Logg, J. M., Brooks, A. W., John, L. K., & Gino, F. (2019). Seeker beware: The interpersonal costs of ignoring advice. *Organizational Behavior and Human Decision Processes*, 150, 83-100.

Brooks, A. W., & Schweitzer, M. E. (2011). Can Nervous Nelly negotiate? How anxiety causes negotiators to make low first offers, exit early, and earn less profit. *Organizational Behavior and Human Decision Processes*, 115(1), 43-54.