

**Decision Making  
BUSINESS 9814B – Winter 2015**

**Ph.D. Special Fields Seminar**

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**Thursdays 2:00pm – 5:00pm**  
**Location: IVEY 3102**  
**(12 Sessions)**

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For updates and a list of popular books to read visit my website: <http://www.neilbendle.com>

**COURSE DESCRIPTION**

This course provides a survey of recent theoretical advances in decision-making. This includes areas at the intersection of psychology and economics such as judgment and decision making, behavioural decision theory, experimental economics and behavioural game theory. We also consider evolutionary thinking in psychology and markets and draw out the implications of this for individual decision making.

The course consists of twelve weekly three-hour seminars, during which you will review, analyze, and critically evaluate a few papers on a specific topic. The course is generally scheduled on Thursday afternoons but in any given week sessions may be rearranged as mutually convenient.

Business 9814b is a program requirement for all Ivey doctoral students with a specialization in marketing. Doctoral students from other disciplines who are interested in the intersection between psychology and economics and how this impacts business theory are strongly encouraged to consider the course as the material has been chosen to be of interest beyond marketing.

The main objective of the course is to focus on the conceptions of individual decision making rather than to teach any specific methodologies. That said in the course we will briefly review a number of methods popular with researchers in the field of decision making. These include: experiments (both psychological and economic), secondary data analysis and analytical modeling. No specific expertise in any method is expected. Students will see when each technique may be useful and be inspired to use the methods rather than be expected to come out of the course as, for example, analytical modelers.

**COURSE OBJECTIVES**

The course has two main objectives: (1) to expose you to the ideas in the broad field of decision-making; and (2) to allow you to develop your own ideas on a more specific research topic within this field that is of interest to you.

## **EVALUATION**

Performance will be evaluated on the basis of discussion leadership, contribution to the class discussion, a note of decision making in the real world and an end-of-term research paper. These will be weighted as follows:

Research Paper	40%
Discussion leadership	25%
Contribution to Discussion	25%
Decision Making in the Wild Note	<u>10%</u>
	100%

### **Research Paper**

The main deliverable in this course is a research term paper. The purpose of this paper, in addition to its role as an evaluative tool, is to give you an opportunity to explore an issue of interest to you, and to help you develop the basis for a potential research stream. In general, this will require that you work with an Ivey faculty member on a topic of mutual interest. Consequently, it is helpful to start thinking about potential topics early in the semester. The paper will be graded by me but I may seek input from other appropriate faculty members.

Your paper may take one of two forms:

A submission suitable for a major academic conference, such as ACR. (If you are not in Marketing, of course you may follow the guidelines for your own conferences but talk to me about the format – e.g. a 250 word abstract submission isn't enough). This may require that you have empirical data which can be analysed or a basic analytical model.

A draft of a paper suitable for submission to a major academic marketing journal, such as the Journal of Marketing (or a top journal in your own field). This should contain the introduction, theory and methods section, you should also include your anticipated results and conclusion. To be clear if you are discussing empirical work that you haven't completed yet you should add graphs of the expected results etc., (Just add a note so I know that this is hypothetical data). The purpose of this is to encourage you to think through your work. (It is much easier to see the issues in a paper given a clear expected output.) If you are doing an analytical piece include at least an outline of a model.

Regardless of which option you select, your paper should contain the following sections:

- An introduction describing the problem and explaining its importance,
- A review of the relevant literature, clearly establishing what is known about the phenomenon and what issues remain unresolved,
- A clear statement of the research question(s) being addressed,
- A clear statement of the contribution your research will make to the relevant literature and, if appropriate, managers,
- An explanation of your theory, and
- A thorough description of the methodology you used (or propose to use).

If you choose to write a conference paper, option 1, you must report the results of your analysis, discuss your findings in light of methodological limitations, and evaluate their implications for theory and management practice. If you pick option 2, your paper should discuss *anticipated* outcomes, limitations, and contributions. Regardless your paper should be less than 25 pages in length, double-spaced. With this task “could be published” is a key consideration.

### **Discussion Leadership**

In this course, you are expected to take a leadership role in the learning process. The primary role of the instructor is not to teach, but rather to lightly guide the discussion. To this end every week you will be asked to lead the discussion about 1 paper. This discussion should last 30 -- 40 minutes. Each class I will evaluate how you lead the discussion.

The discussion should briefly detail what the paper was about, the method used and why the authors did what they did. Remember to ensure that the discussion covers the ideas in the paper while highlighting any major methodological issues (good or bad).

You personally should have a reaction to the paper. I value expressions of personal opinion that are supported by evidence even if I don't agree. Do you think it is interesting? Why? Why not? What would you do differently if you were doing it? Any ideas you may have for extensions are highly valued.

It is your job to engage your colleagues in the discussion so be prepared to ask questions of your classmates. Often some form of handout helps bring the group in but the precise way you lead the discussion is up to you.

### **Contribution to the Class Discussion**

Students will be expected to carry most of the discussion in the seminar. In this they should provide insights for their peers to consider and respond to. Each week I will evaluate the quality of your

contribution to the discussion for those papers when you are not the discussion leader. (This is designed to ensure that students don't concentrate on "their" paper at the exclusion of all the other papers in the session.) The final contribution grade is based on an overall review of those assessments.

I value interesting insights so please try to reach for new ideas and tie disparate thoughts together. The objective of the PhD seminar is not to be right when you speak but to learn. It is fine to discuss issues that you don't fully understand. It is even good to be opinionated. You may love or hate papers or have strong opinions on the value of some techniques covered. I have deliberately included a range of work in this course and I personally have more sympathy with some approaches than others. It is a greater contribution to argue a well thought out position which the rest of the group disagrees with than state a worthy point everyone already noticed when they doing the reading.

Please also note this course contains a variety of perspectives, many of which seem incompatible. When reviewing a paper always try as best you can to work out why it was published where it was, i.e. which journal or discipline, and ask yourself if it would have been published elsewhere.

I consciously have mixed up the order of the weeks and even the papers in a week to show the diversity of techniques employed. You will prefer some techniques to others, feel free to share this.

### **Decision Making In The Wild**

This task is to provide a short note (no more than two pages) mid semester on a decision topic outside the sphere of academic research. For example: if you have just bought a computer you might consider how your decision making process worked. Alternatively you might want to consider the reported decision making process of a manager you have read about. The key element of this is to consider how the research we review might apply to everyday life. This is not designed to be an idea that is fully actionable into a paper – i.e. there may be insufficient theory to build upon -- but to be more about stimulating thought. (This note could inspire the research paper you write but the nature of the task means they need to be quite different pieces of work). With this task prioritize interesting over "could be published".

### **PLAGIARISM / ACADEMIC INTEGRITY**

Plagiarism, may be defined as "The act of appropriating the literary composition of another, or parts or passages of his writings, or the ideas or language of the same, and passing them off as the product of one's own mind." Excerpted from H.C. Black, Black's Law Dictionary, West Publishing Co., 1979, 5th Ed., p. 1035. Students must write their essays and assignments in their own words. Whenever students take an idea, or a passage from another author, they must acknowledge their debt both by using quotation marks where appropriate and by proper referencing such as footnotes or citations. Scholastic offences are taken seriously and students are directed to read the appropriate policy: [http://www.uwo.ca/univsec/handbook/appeals/scholastic\\_discipline\\_grad.pdf](http://www.uwo.ca/univsec/handbook/appeals/scholastic_discipline_grad.pdf)

All required papers may be subject to submission for textual similarity review to the commercial plagiarism-detection software under license to the University for the detection of plagiarism. All papers

submitted for such checking will be included as source documents in the reference database for the purpose of detecting plagiarism of papers subsequently submitted to the system. Use of the service is subject to the licensing agreement, currently between The University of Western Ontario and Turnitin.com (<http://www.turnitin.com>).

## **HEALTH AND WELLNESS**

As part of a successful graduate student experience at Western, we encourage students to make their health and wellness a priority. Western provides several on campus health-related services to help you achieve optimum health and engage in healthy living while pursuing your graduate degree. For example, to support physical activity, all students, as part of their registration, receive membership in Western's Campus Recreation Centre. Numerous cultural events are offered throughout the year. Please check out the Faculty of Music web page <http://www.music.uwo.ca>, and our own McIntosh Gallery <http://www.mcintoshgallery.ca>. Information regarding health- and wellness-related services available to students may be found at <http://www.health.uwo.ca>.

Students seeking help regarding mental health concerns are advised to speak to someone they feel comfortable confiding in, such as their faculty supervisor, their program director (graduate chair), or other relevant administrators in their unit. Campus mental health resources may be found at [http://www.health.uwo.ca/mental\\_health/resources.html](http://www.health.uwo.ca/mental_health/resources.html).

To help you learn more about mental health, Western has developed an interactive mental health learning module, found here: [http://www.health.uwo.ca/mental\\_health/module.html](http://www.health.uwo.ca/mental_health/module.html). This module is 30 minutes in length and provides participants with a basic understanding of mental health issues and of available campus and community resources. Topics include stress, anxiety, depression, suicide and eating disorders. After successful completion of the module, participants receive a certificate confirming their participation.

**SESSION SCHEDULE 2015**

**No class on January 8<sup>th</sup> (I'm in Singapore for a conference)**

<b>Week</b>	<b>Topic</b>	<b>Date</b>
1.	Winning A Nobel Prize In Decision Making	Jan 15th
2.	How Do People Make Decisions?	Jan 22nd
3.	Evolutionary Thinking About Decision Making	Jan 29th
4.	Trust and Morality	Feb 5th
5.	JDM Classics and Economic Implications	Feb 12th
6.	Social Preferences	Feb 19th*
7.	Altruism and Preference Formation	Feb 26th
<b>Decision Making in The Wild Assignment Due at beginning of class 7</b>		
8.	Context and Decisions	Mar 5th
9.	Sustainability And Decision Making	Mar 12th
10.	Marketing Specific Findings	Mar 19 <sup>th</sup>
11.	Temporal Issues	Mar 26th
12.	Financial Decision Making	Apr 2nd

\*This is reading week. I will happily move this class if anyone can't make it.

1 paper each week will be assigned to each student to be a discussion leader but all students should read and be prepared to discuss all the required readings.

The additional reading will also be discussed but should be approached more as an interested reader. No detailed critique is expected.

The questions are just things to bear in mind, don't read the papers just looking for an answer to the questions.

## **Week 1 Winning A Nobel Prize In Decision Making**

This week we look at the work of probably the most famous scholars in the field Amos Tversky and Daniel Kahneman. We also consider Herbert Simon the forefather of the field and some of its most effective contemporary scholars. The key question is addressed: Is Homo Economicus an accurate depiction of decision making?

### **Readings**

Simon H., (1955) A Behavioral Model of Rational Choice, *The Quarterly Journal of Economics*, 69 1 99-118

Tversky, A. & Kahneman, D. (1974). Judgment under uncertainty: Heuristics and Biases. *Science*, 185 (4157), 1124-31.

Kahneman, Daniel, and Amos Tversky (1979), "Prospect theory: An Analysis of Decision Under Risk," *Econometrica*, 47, 263-291.

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

Daniel G. Goldstein and Gerd Gigerenzer (2002) Models of Ecological Rationality: The Recognition Heuristic, *Psychological Review* 109 (1), pg. 75-90

### **Questions**

- 1) Do we need realism in economic decision-making models? If so what does it get us?
- 2) Why is Kahneman and Tversky's work so popular? Did Kahneman deserve his Nobel Prize?
- 3) What is prospect theory about? What are the key elements?
- 4) How does Camerer et. al.'s approach differ from Kahneman and Tversky's? How would you criticize Camerer et. al.'s approach if you wanted to? Do you want to?
- 5) What is the overarching point that Goldstein and Gigerenzer are making?

### **Additional Reading**

Kahneman, D. (2002). Maps of bounded rationality: a perspective on intuitive judgment and choice Nobel Prize Lecture, December 8, 2002. An overview of the work that got Kahneman, a psychologist, the 2002 Nobel prize in Economics.

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## **Week 2: How do People Make Decisions?**

This week we will look at ways people are thought to make specific decisions.

### **Readings**

Staw, B., and Hoang, H., (1995) Sunk costs in the NBA: Why draft order affects playing time and survival in professional basketball *Administrative Science Quarterly* (40)3 474-494

Cosmides; L., and Tooby, J, (1996) Are humans good intuitive statisticians after all? Rethinking some conclusions from the literature on judgment under uncertainty, *Cognition* 58 (1) 1-73

Kahneman, D, Tversky, A (1996) On the reality of cognitive illusions. *Psychological Review*, Vol 103(3), 582-591

Gigerenzer, G. (1996) On narrow norms and vague heuristics: A reply to Kahneman and Tversky (1996). *Psychological Review*, 103 (3), 592-596.

{Gerd Gigerenzer, Henry Brighton (2009) Homo Heuristicus: Why Biased Minds Make Better Inferences *Topics in Cognitive Science*, Volume 1, Issue 1, pages 107–143, January 2009

Hilbig, B., and Richter, T., (2011) Homo heuristicus Outnumbered: Comment on Gigerenzer and Brighton (2009) *Topics in Cognitive Science*, Volume 3 Issue 1 pages 187–196, January

Brighton, H., and Gigerenzer, G., (2011) Towards Competitive Instead of Biased Testing of Heuristics: A Reply to Hilbig and Richter *Topics in Cognitive Science*, Volume 3 Issue 1 pages 197–205, January  
THESE 3 (Gigerenzer, Hilbig and Brighton) AS ONE PAPER TO DISCUSS}

### **Questions**

- 1) Do people know they are influenced by a heuristic or bias? Is there a difference between a decision people recant upon thought compared to one they continue to argue they made the right decision?
- 2) Are managers different to consumers in their decision making? Why?
- 3) What do scholars mean when they say rational? Can we dismiss the idea of rationality?
- 4) Why does it matter whether humans are good intuitive statisticians? Can we prove it either way?
- 5) What do you think of Gigerenzer's critique of the heuristics and biases program of research?

### **Additional Reading**

Shafir, E., and Leboeuf, R., (2002) *Rationality Annual Review of Psychology* 53: 491-517

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### **Week 3: Evolutionary Thinking About Decision Making**

This week we consider evolutionary ideas about decision-making.

#### **Readings**

Martie G. Haselton, Gregory A. Bryant, Andreas Wilke, David A. Frederick, Andrew Galperin, Willem E. Frankenhuis, and Tyler Moore (2009). Adaptive Rationality: An Evolutionary Perspective on Cognitive Bias. *Social Cognition: Vol. 27, Special Issue: Rationality Restored*

Trivers, R., (1971) Evolution of Reciprocal Altruism, *The Quarterly Review of Biology*, Vol. 46, No. 1. (1971), pp. 35-57

Cosmides, L., and Tooby, J., (1994) Better Than Rational: Evolutionary Psychology and the Invisible Hand, *The American Economic Review*, 84 (2) p327-332

Kurzban, R., Tooby, J., and Cosmides, L., (2001). Can race be erased? Coalitional computation and social categorization, *PNAS* December 18, 2001 vol. 98 no. 26

Confer, Jaime C.; Easton, Judith A.; Fleischman, Diana S.; Goetz, Cari D.; Lewis, David M. G.; Perilloux, Carin; Buss, David M. (2010) Evolutionary psychology: Controversies, questions, prospects, and limitations. *American Psychologist*, Vol 65(2), Feb-Mar 2010, 110-126.

#### **Questions**

- 1) What do evolutionary psychologists have to say to economists?
- 2) Is Evolutionary Psychology Racist and/or Sexist? Can it be? Do you think evolutionary decision making work is helped or hurt in gaining acceptance by the topics it seeks to explore?
- 3) Critics argue evolutionary psychology is not testable? Is this a valid criticism?
- 4) Thaler famously said that behavioural economics would be successful when it was just called economics. Will evolutionary psychology ever just be psychology?

#### **Additional Reading**

Buller, D., (2008) Four Fallacies of Pop Evolutionary Psychology, *Scientific American*, January 2009

## **Week 4: Trust and Morality**

This week considers the debate about decision making a broader social context. We also introduce the use of economic experiments highlighting the different approaches used by people in different fields.

### **Readings**

Berg, J., Dickhaut, J., McCabe, K., (1995) Trust, Reciprocity, and Social History, *Games and Economic Behavior* Volume 10, Issue 1, July 1995, Pages 122–142

Joseph Henrich, Robert Boyd, Samuel Bowles, Colin Camerer, Ernst Fehr, Herbert Gintis and Richard McElreath (2000) In Search of Homo Economicus: Behavioral Experiments in 15 Small-Scale Societies *The American Economic Review* Vol. 91, No. 2, pp. 73-78

Nancy R. Buchan, Rachel T.A. Croson, Sara Solnick (2008) Trust and gender: An examination of behavior and beliefs in the Investment Game *Journal of Economic Behavior & Organization* 68 466–476

Mazar, N, Amir, O and Ariely, D (2008) The Dishonesty of Honest People: A Theory of Self-Concept Maintenance, *Journal of Marketing Research* Volume 45, Issue 6, p. 633-644.

Fehr, E., and Gächter., S, (2000) Cooperation and punishment in public goods experiments *The American economic review* 90 4 980-994

### **Questions**

- 1) Are economists just bad experimenters?
- 2) Should you pay experimental subjects? What are the unique difficulties of economic experiments?
- 3) Does this research make you feel better or worse about people?
- 4) Is cooperation a good thing?
- 5) How do behavioural assumptions influence strategy?

### **Additional Reading**

*Kramer, R. (2002) When Paranoia Makes Sense, Harvard Business Review, July 2002*

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## **Week 5: JDM Classics and Economic Implications**

We look at popular topics of study in judgment and decision making and their implications for the operation of markets.

### **Readings**

Thaler, Richard (1985) "Mental Accounting and Consumer Choice," *Marketing Science*, 4 (Summer), 199-214.

Knetsch, J.L. (1989), "The Endowment Effect and Evidence of Nonreversible Indifference Curves," *The American Economic Review*, 79 (5), 1277-1284.

List, J., (2003) Does Market Experience Eliminate Market Anomalies? *The Quarterly Journal of Economics* 118 (1) 41-71.

Heath, Chip and Jack B. Soll (1996), "Mental Budgeting and Consumer Decisions," *Journal of Consumer Research*, 23 (June), 40-52.

Tversky, Amos, Kahneman, Daniel (1992) *Advances in Prospect Theory: Cumulative Representation of Uncertainty*, 5, (4), pages 297-323

### **Questions**

- 1) Why does the endowment effect matter to economists?
- 2) How do List's methods differ from other researchers? What is he saying about behavioural effects in markets?
- 3) What does the cumulative part add to prospect theory add to Prospect Theory?
- 4) Once you understand the endowment effect, try and come up with a) three business applications for it and b) three interesting new research questions using it.
- 5) What is your opinion of the construct "mental account"? What is it? How does it work?

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## Week 6: Social Preferences

Here we consider what happens when people have preferences that include other people's behaviour and outcomes as a determinant of their utility.

### Readings

Amaldoss, W., and Jain, S., (2005) Pricing of conspicuous goods: A competitive analysis of social effects, *Journal of marketing research* 42 (1) 30-42

Cui, T., Raju, J., Zhang, J., (2007) Fairness and Channel Coordination, *Management Science* August 2007 vol. 53 no. 8

Bendle, NastasoIU and Vandenbosch, (Working Paper), Fairness in Business Markets

Sundie, J., Kenrick, D., Griskevicius, V., Tybur, J., Vohs, K., Beal, D., (2011) Peacocks, Porsches, and Thorstein Veblen: Conspicuous Consumption as a Sexual Signaling System, *Journal of Personality and Social Psychology*, 100 (4), 664-680

+1

### Questions

- 1) What exactly are Amaldoss and Jain testing?
- 2) Does this work help explain puzzles or just give another way to complicate analytical models?
- 3) What is optimization in a world of social preferences?
- 4) Is selfishness vital to rationality? If not why not?
- 5) Does fairness really matter?

### Additional Reading

Gintis, H., Bowles, S., Boyd, R. and Fehr E., Moral Sentiments and Material Interests: Origins, Evidence and Consequences by Chapter 1 in *Moral Sentiments and Material Interests: The Foundations of Cooperation in Economic Life* from Gintis, H., Bowles, S., Boyd, R. and Fehr E. (2005) MIT press.

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**Week 7: Altruism and Preference Formation**

How consumers make decisions is a critical part of marketing and other business research. Here we discuss what makes an “acceptable” preference.

**Readings**

Eric J. Johnson and Daniel Goldstein, Do Defaults Save Lives?, *Science, New Series*, Vol. 302, No. 5649 (Nov. 21, 2003), pp. 1338-1339

Lichtenstein, S., and Solvic, P. (2006) *The Construction of Preference: An Overview* Chapter 1 from *The Construction of Preference* by Lichtenstein, S., and Solvic, P. Cambridge University Press

Leonard Lee, On Amir, and Dan Ariely (2009) In Search of Homo Economicus: Cognitive Noise and the Role of Emotion in Preference Consistency *Journal of Consumer Research* 36 (2)

Krishna, A., (2011) Can supporting a cause decrease donations and happiness? The cause marketing paradox. *Journal of Consumer Psychology*, 21, 338-345

Bowles, S., and Gintis, H., (2011) Parochialism, Altruism and War, Chapter 8 from *A Cooperative Species* by Bowles, S., and Gintis, H., Princeton University Press

**Questions**

- 1) Where do preferences come from?
- 2) What are the implications of unstable preferences?
- 3) What is altruism?
- 4) Are altruists doomed?
- 5) What are the public policy/political implications of work like that on defaults?

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## **Week 8: Context and Decisions**

This week we consider applying decisions-making to specific business decision contexts.

### **Readings**

Armstrong, J. S., and Collopy, F., (1996) Competitor orientation: Effects of objectives and information on managerial decisions and profitability, *Journal of marketing research* 33 (2) 188-199

Bendle, N., and Vandebosch, M., (2014) Competitor Orientation and the Evolution of Business Markets, *Marketing Science*, 33 (40)

Lau, R., and Redlawsk D. (2001) Advantages and disadvantages of cognitive heuristics in political decision making *American Journal of Political Science* 45 (4) 951-971

Hedgcock, W., Rao, A., and Chen, A., (2009) Could Ralph Nader's Entrance and Exit Have Helped Al Gore? The Impact of Decoy Dynamics on Consumer Choice, *Journal of Marketing Research*, 46, (3) 330-343

Camerer, C. and Lavallo, D, (1999) Overconfidence and excess entry: An experimental approach, *The American Economic Review*, 89 (1) Pages 306-318

### **Questions**

- 1) Does context matter to decision making? In what ways? How can we test context?
- 2) Is the thesis of Armstrong and Collopy's work controversial? If so to whom?
- 3) Will any behaviour survive in competitive markets?
- 4) Are we "worse" than rational?
- 5) How might the overconfident perform on markets?

### **Additional Reading**

Green, K, and Armstrong, J.S., (2007) Competitor-oriented Objectives: The Myth of Market Share, *International Journal of Business* 12 (1) pages 177-136

Friedman, M. (1970).The Social Responsibility of Business is to Increase its Profits, *The New York Times Magazine*, September 13, 1970. Consider what the role of individual decision-making is in Friedman's view of business decision making.

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**Week 9: Sustainability and Decision Making**

This week considers the how decision-making research can impact sustainability objectives.

**Readings**

Griskevicius, V., Cantu, S, & Van Vugt, M. (2012). The evolutionary bases for sustainable behavior: Implications for marketing, policy, and social entrepreneurship, *Journal of Public Policy and Marketing* , Vol. 31 (1) Spring 2012, 115–128

Noah J. Goldstein, Robert B. Cialdini, and Vladas Griskevicius, A Room with a Viewpoint: Using Social Norms to Motivate Environmental Conservation in *Journal of Consumer Research*, Vol. 35, No. 3 (October 2008), pp. 472-482

Kahneman, D., and Ketsch, J., (1992). Valuing Public Goods: The Purchase of Moral Satisfaction, *Journal of Environmental Economics*, 22 57-70

Ann E. Tenbrunsel, Kimberly A. Wade-Benzoni, David M. Messick and Max H. Bazerman (2000) Understanding the Influence of Environmental Standards on Judgments and Choices *The Academy of Management Journal*, Vol. 43, No. 5 (Oct., 2000), pp. 854-866

Madhubalan Viswanathan, José Antonio Rosa, James Edwin Harris (2005) Decision Making and Coping of Functionally Illiterate Consumers and Some Implications for Marketing work, *The Journal of Marketing*, Vol. 69, No. 1 (Jan., 2005), pp. 15-31

**Questions**

- 1) What are the main barriers to lack of sustainability in decision making – for instance error, ignorance, or incentives? Does it matter?
- 2) Does this manipulate people to make them “better”? Is that good?
- 3) How can we measure the value of things like the environment? Should we even if we can?
- 4) What topics in sustainability research can be advanced through considering of decision making?

**Additional Reading**

L. Venkatachalam Behavioral economics for environmental policy, *Ecological Economics* 67 (2008)

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**Week 10: Area Specific Findings**

Here we consider topics with clear marketing and consumer research applicability.

**Readings**

Camerer, C., Lim, N., & Ho, T., (2005) Modeling the psychology of consumer and firm behavior with behavioral economics 43 (3) 307-331

Levin, Irwin P. and Gary J. Gaeth (1988), "How Consumers Are Affected By The Framing Of Attribute Info," Journal of Consumer Research, 15 (3), pg. 374.

Winer, R (1986) A Reference Price Model of Brand Choice for Frequently Purchased Products Journal of Consumer Research Vol. 13, No. 2 (Sep., 1986), pp. 250-256

A. Peter McGraw, Janet A. Schwartz, and Philip E. Tetlock, From the Commercial to the Communal: Reframing Taboo Trade-offs in Religious and Pharmaceutical Marketing, Journal of Consumer Research, Vol. 39, No. 1 (June 2012), pp. 157-173

+1 paper

**Questions**

- 1) What is your understanding of what framing effects are?
- 2) Thinking of your own research, are there situations where you can see your research questions, or your data, subject to framing effects?
- 3) What does framing mean for the operation of markets? What does it mean for consumer welfare?
- 4) What is a reference price? Do consumers use them? How would you test this?
- 5) How can you market goods which consumers don't see as standard goods?
- 6) Are consumers rational?

**Additional Reading**

Shugan, S., (2006) Are consumers rational? Experimental evidence, Marketing science, 25 (1) 1-7

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**Week 11: Temporal Issues**

Consistency matters to the efficient operation of markets and inconsistency is often suggested as a source of consumer welfare problems, (failure to save for retirement, risky health behaviours, etc...). What does this research tell us about the effect of time on decisions?

**Readings**

Zauberman, Gal (2003), "The Intertemporal Dynamics of Consumer Lock-In," *Journal of Consumer Research*, 30 (December), 405-419.

Hoffrage, U.; Hertwig, R.; Gigerenzer, G. (2000) Hindsight bias: A by-product of knowledge updating? *Journal of Experimental Psychology: Learning, Memory, and Cognition*, 26 (3), 566-581.

Della Vigna, S., and Malmendier, U., (2006) Paying not to go to the gym, *The American economic review* 96 (3) 694-719

Van den Bergh, B., Dewitte, S., & Warlop, L. (2008). Bikinis instigate generalized impatience in intertemporal choice. *Journal of Consumer Research*, 35, 85-97.

+1 paper

**Questions**

- 1) What effect does time have on consumers from a psychological perspective?
- 2) What does the Hindsight bias tell us about strategy research?
- 3) Why does the mechanism of the hindsight bias matter?
- 4) Could the idea of temporal discounting influence your own areas of research interest? How?

## **Week 12: Financial Decision Making**

This week we tie things together by trying to formulate our own views of decision making, specifically what makes something rational.

### **Readings**

Alchian, A., (1950) Uncertainty, evolution, and economic theory, *Journal of political economy* 58 (3) 211-221

Benartzi, S., and Thaler, R., (1995) Myopic Loss Aversion and the Equity Premium Puzzle *The Quarterly journal of economics* 110 (1)

Smith, V., (2003) Constructivist and ecological rationality in economics, *American economic review*, 93 (3) 465-508

Griskevicius, V., Tybur, J. M., Ackerman, J. M., Delton, A. W., Robertson, T. E., & White, A. E. (2011, July 18). The Financial Consequences of Too Many Men: Sex Ratio Effects on Saving, Borrowing, and Spending. *Journal of Personality and Social Psychology*.

+1 Performance metrics paper

### **Questions**

1. What impact do you think evolutionary thinking has made on financial research? Can you explain its success or failure?
2. What is Alchian's view of competition and how does this relate to individual decision-making?
3. What decision making assumptions underpin Smith's view of markets? Smiths?
4. Do psychologists have a big role in financial decision making?
5. What performance metrics should you use?