

ECON 481 / PSYC 485
Principles of (ir)rational decision-making
Seminar in Microeconomics II/ Special Topics in Psyc II
Winter 2022

Course Description

This course examines fundamental theories and research findings on rational decision-making, drawing on research conducted by psychologists, economists, and biologists. We will compare basic principles, and (r)-Qq0 0 612 79Cr 79Cr 79Cr 79Cr 612 792 re (rc)6 (h)-r 6129hBoy 792 ~~rois~~ast7 2

Intended Student Learning Outcomes and Methods of Assessment

At the end of the course, students should...

1. be able to describe *applications* of JDM theories (judgment and decision-making) from a *cross-disciplinary perspective*. Upon completing this course, students will be able to describe similarities and differences in theoretical concepts and empirical approaches of the respective discipline (e.g., psychology and economics) to study “rational” decision-making. Students will also be able to describe at least three valuable contributions of other fields that expanded their personal view on the topic of judgment and decision-making (assessed in reaction papers, group discussions, and the final paper).
2. be able to *critically evaluate* empirical studies in the field of decision theory and applications in various real-world domains (assessed in the oral presentation, group discussions, and final paper)

250-300 words, single-spaced, 1-3 thoughts). These are designed to help you organize your ideas for the class discussion and identify the questions and issues that are most interesting to the class.

The reaction papers should include ideas that GO BEYOND the material presented in the readings. Do NOT summarize the readings. You are supposed to apply, critically evaluate, and relate the content of the required reading. You can...

- relate the readings to other points that have come up in class discussions or previous weeks
- discuss future directions for research; relate the readings to your own research, research interests, or other research that is relevant to the topic of the class but not necessarily covered in class
- criticism of the readings: point out problems with the theory or methods in the readings, or contradictions between these readings and other ideas that have come up in the course, any questions or concerns you may have about the major points in the readings. Be curious, humble, and constructive, not nasty.
- life experiences that the reading may explain
- underlying big questions and assumptions

Deadline

their position). Thus, the work you put into your reaction papers will also make your life easier in class, potentially benefitting your grade for class participation (see below).

2. *Class participation and attendance (total: 25%)*

The quality of this course depends critically on your ability to generate illuminating discussions of the readings. Sometimes discussions will range way beyond what was included in the readings, and you should let that stimulate you, not feel that you have to stick to the readings or the reaction paper you handed in prior to class. If an exciting discussion develops that has little to do with what

assignment, you must moderate the discussion. Please

	<p>how people combine several sources of information (cues, attributes) into summary judgments and choices. Yet rational analysis requires a systematic comprehensive representation of situations, probabilities and alternative outcomes. We now turn to the following questions:</p> <p>Why do people ignore relevant information?</p> <p>What are common biases in the selection and weighting of these cues and probability judgments of specific outcomes?</p>	<ul style="list-style-type: none"> - HD, Ch 5: Judging heuristically (5.1-5.7) * eventually we will read the whole Ch 5; starting @Ch. 5.8 the chapter talks about the effect of perceived similarity and representativeness (which we will cover next week) - TS, Ch 1: Biases and Blunders * in addition to anchoring and availability, this chapter introduces a number of systematic choice phenomena that we will cover over the next weeks, I recommending reading the whole chapter, but to focus your Reaction papers on the topics of this class (anchoring and availability)
	Student Presentation 3	Anchoring and Adjustment
	Student Presentation 4	Availability
<u>Assignment</u>		Reaction paper #3 due on Jan. 28, @6 pm * <i>upload onto onQ</i>
Week 4	Heuristics and biases: reasoning based on similarities & causation	
February 1	<p><u>Key question(s):</u> Continued (see week 3)</p>	<p><u>Required:</u></p> <ul style="list-style-type: none"> - HD, Ch 5: Judging heuristically (5.7-5.10) - HD, Ch 6: Explanation-Based Judgments - HD, Ch 7: Chance and cause <p>* feel free to go back to TS, Ch 1 (Biases and Blunders), p. 29-34 to refresh your memory</p>
	Student Presentation 5	Similarity and representative thinking * should pertain to a topic covered in HD 5 or 6
	Student Presentation 6	Cause and Causation * should pertain to a topic covered in HD 7
<u>Assignment</u>		Reaction paper #4 due on Feb. 4, @6 pm * <i>upload onto onQ</i>
Week 5	Probabilities and uncertainty	
February 8	<p><u>Key question(s):</u> Continued (see week 3)</p>	<u>Required:</u>

* The article is available as a pdf on onQ.

	<p>What are the psychological processes and pitfalls when we try to evaluate our preferences?</p> <p>What does Expected Utility (EU) theory claim is the right way for a rational person to make decisions?</p> <p>What are ways that decisions by humans are likely to deviate from EU theory?</p>	<p>at Kahneman Ch 26: Prospect theory (prospect theory will be the focus of our class in week 7 and 8) and/or Kahneman Ch 25: Bernoulli's errors (see below)</p> <ul style="list-style-type: none"> - HD, Ch 12: A Descriptive Decision Theory <ul style="list-style-type: none"> * don't worry about the math and the details of the examples, we will focus on the three major conceptual characteristics (p. 275-276) to account for observed choice behavior - TS, Ch 6: Save More Tomorrow <ul style="list-style-type: none"> * focus on how the examples match the topics and concepts of this class AND previous sessions
	Student Presentation 11	Reference point: Endowment effect * other possible topics include status quo bias
	Student Presentation 12	* possible topics also include how loss aversion can explain fairness preferences; emotional framing
<u>Assignment</u>		Reaction paper #7 due on March 4, @6 pm * <i>upload onto onQ</i>
Week 8	Prospect theory: risk preferences	
March 8	<p><u>Key question(s):</u> What are ways that decisions by humans are likely to deviate from EU theory?</p>	<p><u>Required:</u> * <i>this week's reading list is pretty short. Take the time to go back to last week's readings and have another look at concepts, examples etc. that you found complicated or confusing</i></p> <ul style="list-style-type: none"> - TS, Ch 7: Naïve Investing <ul style="list-style-type: none"> * focus on how the examples match the topics and concepts of this class AND previous sessions <p><u>Suggested background reading:</u> Camerer, C. F. (2000). Prospect theory in the wild: Evidence from the field. In D. Kahneman & A. Tversky (Eds.), Choices, values, and</p>

		frames (p. 288-300). New York: Cambridge University Press.
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- **Todorov**

This course makes use of Turnitin, a third-party application that helps maintain standards of excellence in academic integrity. Normally, students will be required to submit their course assignments through onQ to Turnitin. In doing so, students' work will be included as source documents in the Turnitin reference database, where they will be used solely for the purpose of detecting plagiarism.

Turnitin is a suite of tools that provide instructors with information about the authenticity of submitted work and facilitates the process of grading. Turnitin compares submitted files against its extensive database of content, and produces a similarity report and a similarity score for each assignment. A similarity score is the percentage of a document that is similar to content held within the database. Turnitin does not determine if an instance of plagiarism has occurred. Instead, it gives instructors the information they need to determine the authenticity of work as a part of a larger process.

Please read Turnit

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