Seminar in Thinking Judgment and Decision Making
Barry Schwartz
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1. How the Class Will Work

Each week, there will be three papers assigned. The point of the papers will be to stimulate discussion, and not just to summarize the readings. What that means is that you need to read the material critically, with an eye toward identifying counterarguments, alternative views, unanswered questions that you think warrant class discussion, and perhaps even testable hypotheses. What you should not do is slave over style. These are not term papers. The idea is to strive for clarity, not elegance. Even papers in outline form will be fine. We will spend about a third of each class meeting on each paper. Someone who did not write the paper will lead off discussion, by spending about 5 minutes summarizing the paper, and perhaps suggesting things that need to be discussed—either issues raised by the paper or issues that should have been raised by the paper. Then, the paper writer will have a few minutes to respond to questions or add things. Then, discussion will be open to everyone.

This mode of proceeding has a couple of implications:
1. Everyone is expected to read everything and not just the stuff your paper is about.
2. Papers must be written and distributed by 5 PM the day before class, so people have a chance to read them and think about them.

Let me emphasize one more thing. Your weekly papers will not be part of your evaluation. I don’t want you writing them to please me. I want you writing them to facilitate discussion and to help one another get clarity. If I give you feedback on papers or presentations, it will only be to help make them more suitable for the function they are meant to serve.

2. Evaluation

What you will be evaluated on is the honors examination and a term paper. The term paper should be 10-15 pages long. It can be a critical discussion of stuff from one or more weeks of the syllabus, a research proposal based on things we’ve read and discussed, or even a discussion of the relation between material in this course and things you’ve encountered in other courses. It will be due on Monday, May 1. A proposal and rough outline will be due on Monday, April 17.

Required Books

I. General Framework on Evaluating Evidence and Choice

Sloman, S. A. (2002). Two systems of reasoning. [GGK #22]
Gladwell, M. Blink.

Papers

1. The Kahneman paper provides his latest thinking about what the research he and Amos Tversky did over the last 30 years really tells us. What does it tell us? What is the evidence that there are “two systems,” what are the systems like, and how do they interact. What is Sloman’s evidence that there are two systems of reasoning. Are they really both “reasoning”?

2. Review Gigerenzer’s approach to what heuristics are and what they do in decision making. How is it different from Kahneman’s approach.

3. What does Gladwell mean by “thin slicing”? What is “expertise”? Describe some examples of expert decision making and of our own, every day “automatic” decision making. How does Gladwell’s analysis relate to Kahneman’s “two systems”? If Gladwell is right, how do we teach people to be expert decision makers?

II. General Framework on Frames, Prospects, and Mental Accounts


Papers

1. Review the Kahneman and Tversky papers. What are the key features of prospect theory? What is “framing”? What violations of the norms of rational decision making do the phenomena they describe exemplify?

2. Review Thaler’s two papers on “mental accounting.” What does he mean by that term? How does his analysis relate to prospect theory? What phenomena can the idea of mental accounting help us understand? Does this violate the norms of rational decision making?

3. Review the Dijksterhuis and the DeKay & Kim papers. What do they tell us about the role of conscious processes in decision making? What is “fungability,” and to what extent is it assumed (incorrectly) in models of decision making? How does it relate to matters of framing?

III. Representativeness and Availability


**Papers**

1. What is the “conjunction fallacy” (Tversky and Kahneman), and how is it explained by the representativeness heuristic? Consider the question of the right methodology for studying the “Linda” problem and problems like it. Should it be studied within or between subjects? Can you criticize the methods used by Tversky and Kahneman? How does representativeness explain the prescientific belief that “like goes with like” (Gilovich and Savitsky)? What do Kahneman & Frederick mean by “attribute substitution”


3. Discuss the papers by Dawes et al. It offers a “real world” consequence of the non-normative way people think about uncertainty. Why is relying on “clinical” vs. “actuarial” information a “mistake”? Is it always a mistake? And how tenaciously should “experts” cling to their theories after the theories have given rise to predictions that are disconfirmed? How does the Morewedge et al. paper speak to the issue of “clinical vs. actuarial” prediction?

**IV. Anchoring and Adjustment**


**Papers**
1. What are “anchoring and adjustment” and what factors influence them? How is this phenomenon related to the “Two system” approach we discussed in Week 1? What is the evidence that people actually “adjust,” and what seems to be the mechanism? (Chapman & Johnson; Epley & Gilovich).

2. The Keysar & Barr, Epley et al, Birch, and Wilson et al papers discuss applications of anchoring and adjustment to the non-quantitative domain involving the perception of self and others. These papers suggest a cognitive rather than a motivated account of both self-absorption and of prejudice. Discuss the relevance of anchoring and adjustment to egocentrism and to bias and prejudice. Are the social problems posed by these papers soluble? How? What is the developmental perspective on egocentrism and the “curse of knowledge”?

3. What is Gilbert’s “categorization, characterization, and correction” model of the process by which we make inferences about the dispositions (personality) of others? How is it related to anchoring and adjustment? What is Gilbert’s evidence? How does it relate to the “Descartes-Spinoza” dispute?

V. On Knowing How We Feel, What We Think, and What We Value

Papers

1. What is the distinction between preferences and values as constructed and as elicited? Review the evidence on this issue discussed by Fischoff by Slovic, and by Ariely et al. What are the implications of this evidence, both for research methodology and for any applied efforts to determine what people want for purposes, say, of formulating public policy?

2. What is “reason-based choice”? Review the evidence a) that people need reasons for their decisions, and b) that seeking reasons doesn’t always lead to better decisions. In light of this evidence, what advice would you give your friends when it comes to things like looking for jobs? Can reason based choice help explain the results of the housing lottery study?

3. What distinctions does Kahneman make between experienced utility or happiness and remembered happiness? How do they differ? How do the “spring break” study and the hemodialysis study speak to this distinction? If experienced and remembered utility don’t match, which of them ought to matter when people are making decisions? And what is the evidence that people mispredict their satisfaction with the outcomes of decisions? How can people possibly make rational decisions if they systematically mispredict the effects of those decisions?

VI. Current and Future Selves: Predicting and Deciding

Buehler, R., Griffin, D., & Ross, M. (2002). Inside the planning fallacy: The causes and consequences of optimistic time predictions. [GGK #14]
Armor, D.A. & Taylor, S.E. (2002). When predictions fail: The dilemma of unrealistic optimism. [GGK #19]

Papers
1. Review Loewenstein’s account of why people have trouble seeing to their long-term interests, or giving appropriate weight to their “future selves.” How does his account differ from accounts based on the shape of the “temporal discount function”? Given that people have trouble giving due weight to their long-term interests, what role can “moralization” (Rozin) play in overcoming this problem? How can we understand the effects of moralization in psychological terms?

2. What are the causes of procrastination and poor time budgeting? What is “unpacking,” and how does it relate to the way in which people might evaluate the probability of various outcomes. Discuss the papers by Ariely & Wertenbroch, by Buehler et al., and by Kruger & Evans.

3. What is the evidence that people have an “optimistic bias”? How can it be sustained in the face of contradictory evidence? What might be its adaptive value? Can the optimistic bias help us understand the difficulties people have in time budgeting?

VII. The Role of Affect

Schwarz, N. (2002). Feelings as information: Moods influence judgments and processing strategies. [GGK #29]

Recommended


Papers
1. What is the “affect heuristic”? How does it work? How does it affect the attractiveness of prospects, the assessment of probabilities, and the evaluation of risk? Can this be fit into the “Two System” framework? How does the “affect heuristic” relate to Schwarz’s discussion of “feelings as information”? What are the advantages and disadvantages of being governed by this heuristic?

2. Loewenstein et al present evidence that affect influences the assessment of probability, and Hsee & Rottenstreich and Shiv at al. present evidence that affect influences the assessment of value. Review the evidence. In light of this evidence, what is the role of the rational/cognitive/consequentialist part of human beings in their decision making. Is there anything left for “System 2” to do? Can it overcome affect?

3. The two papers by Lerner suggest that talking about the role of affect in assessing risk is much too crude. How do fear and anger differentially affect the assessment of risk? Why? Given these results, what can people do to enable their risk assessment to be “objective”?

VIII. Framing and Prospects


Papers

1. What is the “endowment effect”? How is it explained by prospect theory? What is the evidence that people are aware of it? Review the Kahneman et al, and Knetsch papers in answering this question. Also, consider the implications of the endowment effect for the most fundamental of assumptions that underlie the workings of free markets: people “exchange” because the value of a good is greater to the recipient than it is to the current owner. That way, both parties to the exchange end up better off. The endowment effect seems to interfere with this basic principle. Comment.
2. What is attribute “evaluability” and when does it operate? Discuss it in connection with framing. Specifically, consider that the “frame” within which decisions are made may differ from the “frame” within which the results of decisions are consumed, leading to a mismatch between the decision experience and the consumption experience.

3. Are framing effects a violation of economic rationality? The presumption is that they are, but Frisch suggests that perhaps they aren’t. what is her argument and what is her evidence. Frisch’s paper raises a question about whether it is the objective results of decisions or the subjective results that we should care about in assessing the quality of the decision. What are your views?

IX. Framing and Prospects: Applications


Papers

All of the readings for this week are applications of prospect theory to real world phenomena. The three papers should each discuss the phenomena and make clear and explicit their relation to prospect theory. They should consider the implications of the phenomena in question for any economic analysis that ignores psychology. And they should reflect on the “objective/subjective” issue we discussed last week.

1. Paper on Benartzi & Thaler and Odean [prospect theory and the world of finance]
2. Paper on Johnson et al and Camerer et al [prospect theory, insurance and wages]
3. Paper on Shafir et al and Quattrone & Tversky

X. Decisions and Regret


Papers

General: A theme I would like each of the papers to reflect upon is this: regret seems to undermine satisfaction. Does this mean that regret is bad for us? Should we learn to stop experiencing regret? Or does regret serve important functions? If so, can we specify the conditions under which regret makes sense?

1. What are the conditions that trigger regret, according to Kahneman and Tversky? How is this reflected in Olympic medallists (Medvec at al)? What is the role of counterfactual thinking to regret (Miller & Taylor)? What is “anticipatory regret,” and what effects will it have on decisions?

2. Discuss the theory of regret offered by Gilovich and Medvec. What is their argument (and evidence) about the difference between acts of commission and acts of omission? Do you agree with their analysis?

3. When does a non-action count as an action? When does a non-decision count as a decision? Discuss these general questions in connection with the Niedermayer & Chapman paper and the Zeelenberg et al paper, and then relate your discussion to the specific phenomenon of regret.

XI. Choosing to Choose


Papers

1. “If some choice is good, more choice is better.” Discuss this perfectly reasonably claim in light of the Schwartz and Loewenstein papers. How is it reflected in the ethics of “patient autonomy”? What does Schneider have to say about patient autonomy, and what do patients seem to want?

2. Discuss the three Brenner, Sood, and Rottenstreich papers in connection with how the number of options affects the process of choice and the likelihood that people will be satisfied with them. Relate these papers to the phenomenon of regret, to the matter of joint vs. separate evaluation, and to the System1—System 2 distinction.

3. What is “libertarian paternalism”? What makes it libertarian and what makes it paternalistic? What is the evidence of its effectiveness? Do you buy the argument that some amount of paternalism is inevitable? Would you support libertarian paternalism as a general guide for the formation of public policy?

XII. Making Decisions: Utility, Tradeoffs, and Moral Thinking


Papers

1. What is Baron’s argument that tradeoffs are not only appropriate, but essential for moral action? What is the difference between act utilitarianism and rule utilitarianism? Between archangel and prole?
2. Haidt argues that “reason is a lawyer, not a judge.” What does he mean by this and what is his evidence? What role should reason play in our moral evaluations (asked another way, if you buy Haidt’s arguments, what would you, as an educator, do about them?) Relate Haidt’s arguments to the findings of Uhlmann & Cohen.

3. What are “taboo tradeoffs”? Are there “rules” by which they seem to operate? Do you think they should be preserved, and even strengthened, or do you think we should be working to break them down? What is the relation between the Fiske and Tetlock analysis and framing? What is the relation between Fiske and Tetlock’s analysis and Sunstein’s discussion of “moral heuristics”? How does this relate to ethical questions concerning the possibility of human enhancement (Bostrom & Ord)? In answering this question, think about last week’s discussion of the costs and benefits of choice.

XIII. Making Decisions: Fairness and Justice


Papers

1. Review the “rules” that people seem to use to determine what is or isn’t fair in economic transactions? Do you think any of these rules extend outside the social domain?
2. Evaluate the debate between Frank et al and Yezer et al. What do Frank et al report and what is Yezer et al’s criticism? Are economists really different from the rest of us? What would Miller say?

3. Discuss the Frey paper and the Larrick paper. Larrick is essentially arguing that we should teach more people to think like economists. Frey is arguing that to do so would be something of a moral disaster. What are the arguments on both sides? How do the Heyman & Ariely and the Wong & Hong papers bear on this debate? What would Miller say? What do you think?

XIV. Perception of Risk, Decision-Making, and Social Policy


Recommended:


Papers

1. Review Sunstein’s discussion in Chapters 1-4. How are various of the phenomena we have discussed throughout the course reflected in the way people think about risk and public policy?

2. In Chapters 5 and 6, Sunstein offers an alternative way to think about risk and make public policy decisions. What is his approach? What is your evaluation of it?

3. Review the “tools” Sunstein offers for making policy decisions about risk. What do you think of them? How much democracy should we give up to promote social welfare? Relate this issue to the idea of “libertarian paternalism” (Week XI).