Course Objectives

This course is designed to familiarize you with a wide variety of issues related to managerial and consumer judgment and decision making. Given the emphasis of the course on behavioral decision theory, the topics covered pertain mainly to descriptive rather than normative aspects of decision making. In addition to providing you with basic knowledge on behavioral decision theory, this course has three additional goals. First, it should acquaint you with empirical methods that researchers in this field use to test their theories. (Although decision-making researchers employ diverse methods, our emphasis will be on experimental methods.) Second, this course will provide you with an opportunity to develop your own research ideas - ideas you may wish to pursue in your remaining time in this program or in your future years as an academic. It is hoped that as your basic knowledge grows, your ability to generate interesting questions about consumer decision making will increase accordingly. Third, it also aims to train you in skills that are necessary in a successful academic career – presentation, critique, synthesis and journal reviewing.

Specific objectives include:

- Survey selected classic and current literature in the psychology of decision making and judgment and identify significant findings, theoretical approaches, methodological issues, and trends.
• Encourage appreciation for the value of psychological theorizing in understanding human decision making and judgment.
• Develop critical thinking skills in identifying research opportunities in the psychology of decision making and judgment.
• Provide a setting to conceptualize and design original research on the psychological mechanisms involved in decision and judgment tasks.
• Develop skills in reviewing articles and understanding the publishing process.

Course Material and Structure

There is no formal text for this course; instead, for each session, I have assigned a list of readings. Intensive reading of these articles is a necessary requirement for you to do well in this course. The reading list consists of articles appeared in marketing, psychology, and economics journals. Because no single course can cover the vast literature on behavioral decision theory, I am only assigning a small subset of the literature. The choice of articles has been based on my judgment about their level of interest and their relevance to marketing/consumer behavior. If you are interested in learning more about a theme, please contact me for additional references.

Each week I will assign a few articles. You need to read the articles carefully and participate actively in the discussions. The focus of the discussion will be on the concepts, theoretical contributions, methods & designs, and managerial implications.

Grading

Each assignment for this course will be given a letter grade. The final grade for the course will be computed using the Rotman School of Management Internal Grade Scale (see the Policy on Grading Practices for Masters Programs). Each grade will be assigned a point value ranging from 9 (for an A+) to a 0 (for an FZ). Each of these assignment scale values will be given the weight indicated below in calculating a final grade for the course:

| Class Participation, Short Assignment / Reading Critiques | 30% |
| Article Review Exercise | 30% |
| Final Paper or Exam | 40% |
| | 100% |

CLASS SCHEDULE AND READINGS

Session 1: Introduction, Who-is-who and History of J/DM Research


**Session 2: Utility Theory, Probability Theory and Utility Measurements**


**Who’s Who**: Jim Bettman (Duke)

**Session 3: Validity of Heuristics and Biases**


**Who’s Who**: Richard Thaler (Chicago)

**Session 4: Cognitive Approaches: Causality and Expertise**


**Who’s Who**: Colin Camerer (Caltech)

**Session 5: Hypothesis Testing and Overconfidence**


**Who’s Who**: Josh Klayman (Chicago)

### Session 6: Perceptual Effects On Decision Making: The Decision Context


Who’s Who: Itamar Simonson (Stanford)

Session 7: Invariance Axiom and Preference Reversals


Who’s Who: Paul Slovic (Oregon)

Session 8: Mental Accounting


**Who’s Who:** George Loewenstein (CMU)

### Session 9: Choice Over Time


**Who’s Who:** Drazen Prelec (MIT)

### Session 10: Decision Support Systems and Decision Modeling


**Who's Who**: Robyn Dawes (CMU)

**Session 11: Behavioral Decision Theory**


**Who’s Who**: Robin Hogarth (Pompeau)

**Session 12: JDM in the Field**


*Final reviews due*