

Psychology 458 (Psychology of Economic Decisions) Fall 2020

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Throughout our lives we are faced with difficult economic decisions, both major (selecting a pension plan) and minor (buying a new microwave). How do people make such decisions, and are there ways in which their decisions could be improved? Psychologists and economists have developed an increasingly sophisticated and influential depiction of the processes by which people make choices under conditions of uncertainty and conflicting goals. This seminar provides a survey of research on the psychology of economic decision making, with an emphasis on the ways in which people's financial decisions systematically deviate from those expected under a "rational" economic analysis.

Each week we will read and discuss three original research articles on a common topic, with a focus on generating new research ideas based on the work reported in the articles.

Course requirements are as follows.

Study Proposals

Students will be asked, for an assigned reading each week, to produce a one-page description of a follow-up study (typically an experiment) that could further the investigation in an informative way, such as testing an alternative interpretation, establishing the generalizability or boundary conditions of the results reported in the target article, or addressing an unresolved issue raised by the original study.

Development of these study proposals (and discussion of them) is the central focus of this course, so it is expected that some considerable time and thought be put into them each week. The critical mindset required to produce a good study proposal is an important research skill, and in turn requires a different approach to reading the target article. (You'll probably want to read the article at least twice, once for a basic understanding of what the authors did and what they concluded from their research, and a second time with a greater focus on what might have been done differently and how that might have affected the conclusions drawn from the study.)

Your proposal should follow a fixed format with the following headings: **Claim** (what is the novel research idea you are testing?), **Study** (describe the proposed study to test your claim), **Hypothesis** (describe the expected result of your proposed study if your claim is correct), **Implications** (if the hypothesis were supported, how would this change our understanding of the research topic addressed in the original article?). An example study proposal has been posted on the course website on LEARN.

What matters as much as the study you propose is the argument you make for its usefulness. Top marks will go to those papers that provide a clear, compelling rationale for why the proposed follow-up study would be informative. There are many, many possible follow-up studies that could be conducted; your task is to make a compelling case for the one you have proposed. Avoid proposing follow-up studies relying on formulaic changes to methodology (e.g., increased sample size, use of more realistic stimuli, change in subject population) unless a clear case can be made for why it would help to address some interesting research question.

Each study proposal must be no more than one page long. (The ability to write concisely is also an important research skill.) Single spacing is acceptable, but please use a reasonably large font in that case and space between paragraphs. One page is not a lot of space, obviously, so do not waste any of it summarizing the target article—you can safely assume that your reader is familiar with the article.

Students will be asked to share their proposed study with the rest of the class. It is intended that discussion of these proposed studies will be the main focus of discussion in the seminar. Students will be randomly assigned to a letter group (A, B, or C) indicating the target article for which they should write their study

proposal, so that we have an approximately equal number of study proposals to discuss in class for each assigned reading. Please indicate your group letter at the top of each study proposal you submit.

Study proposals are to be submitted to the appropriate dropbox on LEARN by the due date indicated below. As is noted below, study proposals should also be posted to the appropriate discussion forum to share with fellow students. Penalties will apply to late submissions.

Discussion

Students are expected to actively contribute to the seminar discussion each week. Because of COVID-19, discussion this term will take place online in our LEARN discussion forum rather than in person. Normally, in class, we would share and discuss the study proposals students prepared based on the week's readings. We will attempt to do the same thing online.

Once you have completed your weekly study proposal and have submitted it to me via the dropbox on LEARN, please also post the text of your study proposal to the appropriate discussion forum thread to share it with the other students in the class. Other students will then be able to comment on your proposal with constructive suggestions. There will be one thread for each target article, organized by week and letter group (e.g., Week 2B is where you should post your study proposal from the week 2 readings if you were assigned to letter group B).

Each week, please read the study proposals of your fellow students, and comment on three of them. Two of your comments can be on other study proposals based on the same target article you wrote about (i.e., on proposals of students from the same letter group, A, B, or C, as you). But at least one of your three comments should be on a study proposal based on one of the other two articles assigned that week (i.e., on the proposals of a student from a different letter group, A, B, or C, than you). You are, of course, expected to have read all the assigned articles, not just the one on which you based your study proposal.

Our goal is to have each student receive three comments on each study proposal they write. To that end, please do not comment on a study proposal that has already received three comments (unless all the other study proposals have also already received three comments).

Please make your comments substantive and (in principle) actionable. You might suggest an alternative design, experimental condition, dependent variable, or interpretation of the hypothesized results. If so, please state what that change would add to what we could learn from the proposed study. You can ask a clarification question if you found some aspect of the study proposal unclear, but that by itself is not a sufficiently substantive comment unless you also indicate why that clarification is important in terms of what we could learn from the proposed study.

In theory, contributions to the discussion forum should serve the same role as the class discussion they are designed to replace. In practice, we need to be extra careful when communicating remotely and in writing to be respectful, constructive, and civil in our comments. It is much easier in this format to cause unintentional offense, particularly when you are commenting on the thoughts and ideas of a fellow student. It takes a bit of courage from each of us to share our ideas; let's do our very best to create a supportive and welcoming environment for the exchange of ideas.

Please review the following helpful tips for students for participating in online discussions:
<https://uwaterloo.ca/centre-for-teaching-excellence/teaching-resources/teaching-tips/developing-assignments/blended-learning/online-discussions-tips-students>

Evaluation

Final marks will be based on the quality of your study proposals and your contributions to the discussion each week. There is no final paper requirement. Instead, the expectation is that you will set aside a substantial amount of time each week to carefully read the assigned articles, write your study proposal, and

participate in the discussion forum. Final course mark is based on your best 9 of the 10 weekly proposals (i.e., you can miss one if necessary).

- study proposals (9 proposals @ 10% each) 90%
- discussion forum participation 10%

Schedule

Because we will be reading and commenting on each other's work, it is important that we all stay on the same schedule. Each week's entry in the reading list below has a due date next to it. **That is the date by which you need to submit your study proposal.** The study proposal due date is always a **Tuesday**. Please submit your proposal by **noon** that day. As a reminder, study proposals should be both **submitted to the course dropbox** and **pasted into the appropriate thread in the discussion forum** for sharing with other students. I will assign a mark and give feedback, privately, on the copy submitted to the dropbox; your fellow students will read and comment on the copy posted to the discussion forum.

You will have one week following the submission of the study proposals to provide your (three) comments on the proposals of your fellow students. So, again, the deadline will be a Tuesday. For example, study proposals for Week 2 need to be submitted by Tuesday, September 15, and discussion-forum comments on that batch of study proposals need to be submitted by the following Tuesday, September 22.

In a typical week, then, you will be (a) reading the assigned articles; (b) writing a study proposal based on the target article assigned to your letter group; and (c) commenting on the study proposals of other students based on the previous week's assigned articles.

Readings

All readings can be downloaded from the Psych 458 site on LEARN. The letter at the end of each article in the reading list below indicates for which group, A, B, or C, it is the target for their study proposal.

Week 1 (Sept. 8): **Introduction**

Overview of normative and descriptive models of decision making – please read introductory comments.

Week 2 (Sept. 15): **Loss Aversion, Mental Accounting, and Ownership**

Morewedge, C. K., Shu, L.L., Gilbert, D. T., & Wilson, T. D. (2009). Bad riddance or good rubbish? Ownership and not loss aversion causes the endowment effect. *Journal of Experimental Social Psychology, 45*, 947-951. **A**

Soman, D., & Cheema, A. (2011). Earmarking and partitioning: Increasing saving by low-income households. *Journal of Marketing Research, 48*, S14-S22. **B**

Norton, M. I., Mochon, D. & Ariely, D. (2012). The IKEA effect: When labor leads to love. *Journal of Consumer Psychology, 22*, 453–460. **C**

Week 3 (Sept. 22): **Risk Attitudes and Anomalies**

Simonsohn, U. (2009). Direct risk aversion: Evidence from risky prospects valued below their worst outcome. *Psychological Science, 20*, 686-692. **C**

Chandler, J., & Pronin, E. (2012). Fast thought speed induces risk taking. *Psychological Science, 23*, 370-374. **A**

Ludvig, E.A., Madan, C.R., & Spetch, M.L. (2015). Priming memories of past wins induces risk seeking. *Journal of Experimental Psychology: General, 144*, 24-29. **B**

Week 4 (Sept. 29): **Framing and Mental Accounting**

Frederick, S., Novemsky, N., Wang, J., Dhar, R., & Nowlis, S. (2009). Opportunity cost neglect. *Journal of Consumer Research*, 36, 553–61. **B**

Keysar, B., Hayakawa, S., and An, S. G., (2012). The foreign language effect: Thinking in a foreign tongue reduces decision biases. *Psychological Science*, 23, 661-668. **C**

Shah, A. K., Shafir, E., & Mullainathan, S. (2015). Scarcity Frames Value. *Psychological Science*, 26, 402-412. **A**

Week 5 (Oct. 6): **Preference Construction**

Alter, A. L., & Oppenheimer, D. M. (2008). Easy on the mind, easy on the wallet: The roles of familiarity and processing fluency in valuation judgments. *Psychonomic Bulletin & Review*, 15, 985-990. **A**

Ungemach, C., Stewart, N., & Reimers, S. (2011). How incidental values from the environment affect decisions about money, risk, and delay. *Psychological Science*, 22, 253–260. **B**

McLaughlin, O., & Somerville, J. (2013). Choice blindness in financial decision making. *Judgment and Decision Making*, 8, 561-572. **C**

Note: Reading Week runs October 10-18

Week 6 (Oct. 20): **Anticipating Future Experiences**

Kermer, D. A., Driver-Linn, E., Wilson, T. D., & Gilbert, D. T. (2006). Loss aversion is an affective forecasting error. *Psychological Science*, 17, 649-653. **C**

Hsee, C. K., Zhang, J., Cai, C. F., & Zhang, S. (2013). Over-earning. *Psychological Science*, 24, 852-859. **A**

Goldstein, D. G., Hershfield, H. E., & Benartzi, S. (2016). The illusion of wealth and its reversal. *Journal of Marketing Research*, 5, 804-813. **B**

Week 7 (Oct. 27): **Self-Control**

Ariely, D., & Wertenbroch, K. (2002). Procrastination, deadlines, and performance: Self-control by precommitment. *Psychological Science*, 13, 219-224. **B**

Nordgren, L. F., van Harreveld, F., & van der Pligt, J. (2009). The restraint bias: How the illusion of self-restraint promotes impulsive behavior. *Psychological Science*, 20, 1523-1528. **C**

Tuk M. A., Trampe D., & Warlop L. (2011). Inhibitory spillover: Increased urination urgency facilitates impulse control in unrelated domains. *Psychological Science*, 22, 627-633. **A**

Week 8 (Nov. 3): **Intuition and Deliberation**

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

Masicampo, E. J., & Baumeister, R. F. (2008). Toward a physiology of dual-process reasoning and decision making. *Psychological Science*, 19, 255-260. **B**

De Neys, W., Vartanian, O., & Goel, V. (2008). Smarter than we think: When our brains detect that we are biased. *Psychological Science*, 19, 483-489. **C**

Week 9 (Nov. 10): **Affect**

Hsee, C. K., & Rottenstreich, Y. (2004). Music, pandas, and muggers: On the affective psychology of value. *Journal of Experimental Psychology: General*, 133, 23-30. **C**

Levav, J., & Argo, J.J. (2010). Physical contact and financial risk-taking. *Psychological Science*, 21, 804-810. **A**

DeSteno, D., Li, Y., Dickens, L., & Lerner, J. S. (2014). Gratitude: A Tool for Reducing Economic Impatience. *Psychological Science*, 1262-1267. **B**

Week 10 (Nov. 17): **Individual Differences**

Iyengar, S.S., Wells, R.E., & Schwartz, B. (2006). Doing better but feeling worse: Looking for the "best" job undermines satisfaction. *Psychological Science*, 17, 143-150. **B**

Ersner-Hershfield, H., Garton, M. T., Ballard, K., Samanez-Larkin, G. R., Knutson., B. (2009). Don't stop thinking about tomorrow: Individual differences in future self-continuity account for saving. *Judgment and Decision Making*, 4, 280-286. **C**

Schley, D. R., & Peters, E. (2014). Assessing "Economic Value": Symbolic-Number Mappings Predict Risky and Riskless Valuations. *Psychological Science*, 25, 753-761. **A**

Week 11 (Nov. 24): **Money, Greed, and Poverty**

Vohs, K. D., Mead, N. L., & Goode, M. R. (2006). The psychological consequences of money. *Science*, 314, 1154-1156. **A**

Rand, D. G., Greene, J. D., & Nowak, M. A. (2012). Spontaneous giving and calculated greed. *Nature*, 489, 427-430. **B**

Mani, A., Mullainathan, S., Shafir, E., & Zhao, J. (2013). Poverty impedes cognitive function. *Science*, 341, 976-980. **C**

Statements and links that must be included on all course outlines

Cross-listed course (requirement for all Arts courses)

Please note that a cross-listed course will count in all respective averages no matter under which rubric it has been taken. For example, a PHIL/PSCI cross-list will count in a Philosophy major average, even if the course was taken under the Political Science rubric.

Academic Integrity

In order to maintain a culture of academic integrity, members of the University of Waterloo are expected to promote honesty, trust, fairness, respect and responsibility. Check the [Office of Academic Integrity website](#) for more information.

Discipline

A student is expected to know what constitutes academic integrity to avoid committing an academic offence, and to take responsibility for his/her actions. [Check [the Office of Academic Integrity](#) for more information.] A student who is unsure whether an action constitutes an offence, or who needs help in learning how to avoid offences (e.g., plagiarism, cheating) or about “rules” for group work/collaboration should seek guidance from the course instructor, academic advisor, or the undergraduate associate dean. For information on categories of offences and types of penalties, students should refer to [Policy 71, Student Discipline](#). For typical penalties, check [Guidelines for the Assessment of Penalties](#).

Grievance

A student who believes that a decision affecting some aspect of his/her university life has been unfair or unreasonable may have grounds for initiating a grievance. Read [Policy 70, Student Petitions and Grievances, Section 4](#). When in doubt, please be certain to contact the department’s administrative assistant who will provide further assistance.

Appeals

A decision made or penalty imposed under [Policy 70, Student Petitions and Grievances](#) (other than a petition) or [Policy 71, Student Discipline](#) may be appealed if there is a ground. A student who believes he/she has a ground for an appeal should refer to [Policy 72, Student Appeals](#).

Accommodation for Students with Disabilities

Note for students with disabilities: [AccessAbility Services](#), located in Needles Hall, Room 1401, collaborates with all academic departments to arrange appropriate accommodations for students with disabilities without compromising the academic integrity of the curriculum. If you require academic accommodations to lessen the impact of your disability, please register with [AccessAbility Services](#) at the beginning of each academic term.

Chosen/Preferred First Name

Do you want professors and interviewers to call you by a different first name? Take a minute now to verify or tell us your chosen/preferred first name by logging into [WatIAM](#).

Why? Starting in winter 2020, your chosen/preferred first name listed in WatIAM will be used broadly across campus (e.g., LEARN, Quest, WaterlooWorks, WatCard, etc). Note: Your legal first name will always be used on certain official documents. For more details, visit [Updating Personal Information](#).

Important notes

- If you included a preferred name on your OUAC application, it will be used as your chosen/preferred name unless you make a change now.
- If you don't provide a chosen/preferred name, your legal first name will continue to be used.

Mental Health Support

All of us need a support system. The faculty and staff in Arts encourage students to seek out mental health support if they are needed.

On Campus

Due to COVID-19 and campus closures, services are available only online or by phone.

- Counselling Services: counselling.services@uwaterloo.ca / 519-888-4567 ext. 32655
- [MATES](#): one-to-one peer support program offered by the Waterloo Undergraduate Student Association (WUSA) and Counselling Services

Off campus, 24/7

- [Good2Talk](#): Free confidential help line for post-secondary students. Phone: 1-866-925-5454
- Grand River Hospital: Emergency care for mental health crisis. Phone: 519-749-4300 ext. 6880
- [Here 24/7](#): Mental Health and Crisis Service Team. Phone: 1-844-437-3247
- [OK2BME](#): set of support services for lesbian, gay, bisexual, transgender or questioning teens in Waterloo. Phone: 519-884-0000 extension 213

Full details can be found online on the Faculty of Arts [website](#)

Download [UWaterloo and regional mental health resources \(PDF\)](#)

Download the [WatSafe app](#) to your phone to quickly access mental health support information

Territorial Acknowledgement

We acknowledge that we are living and working on the traditional territory of the Attawandaron (also known as Neutral), Anishinaabe and Haudenosaunee peoples. The University of Waterloo is situated on the Haldimand Tract, the land promised to the Six Nations that includes ten kilometres on each side of the Grand River.

For more information about the purpose of territorial acknowledgements, please see the [CAUT Guide to Acknowledging Traditional Territory \(PDF\)](#).

Academic freedom at the University of Waterloo

[Policy 33, Ethical Behaviour](#) states, as one of its general principles (Section 1), “The University supports academic freedom for all members of the University community. Academic freedom carries with it the duty to use that freedom in a manner consistent with the scholarly obligation to base teaching and research on an honest and ethical quest for knowledge. In the context of this policy, 'academic freedom' refers to academic activities, including teaching and scholarship, as is articulated in the principles set out in the Memorandum of Agreement between the FAUW and the University of Waterloo, 1998 (Article 6). The academic environment which fosters free debate may from time to time include the presentation or discussion of unpopular opinions or controversial material. Such material shall be dealt with as openly, respectfully and sensitively as possible.” This definition is repeated in Policies 70 and 71, and in the Memorandum of Agreement, Section 6.