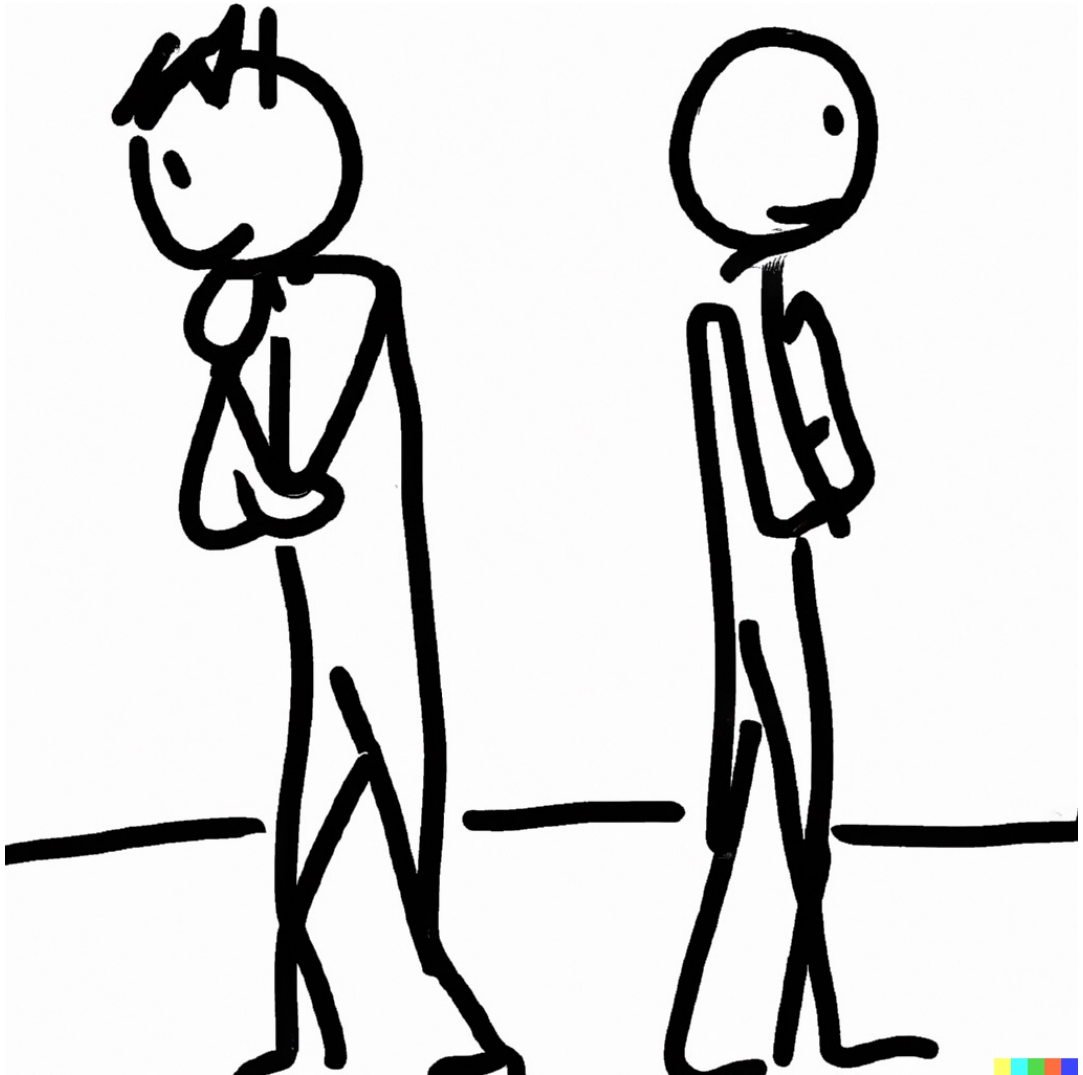
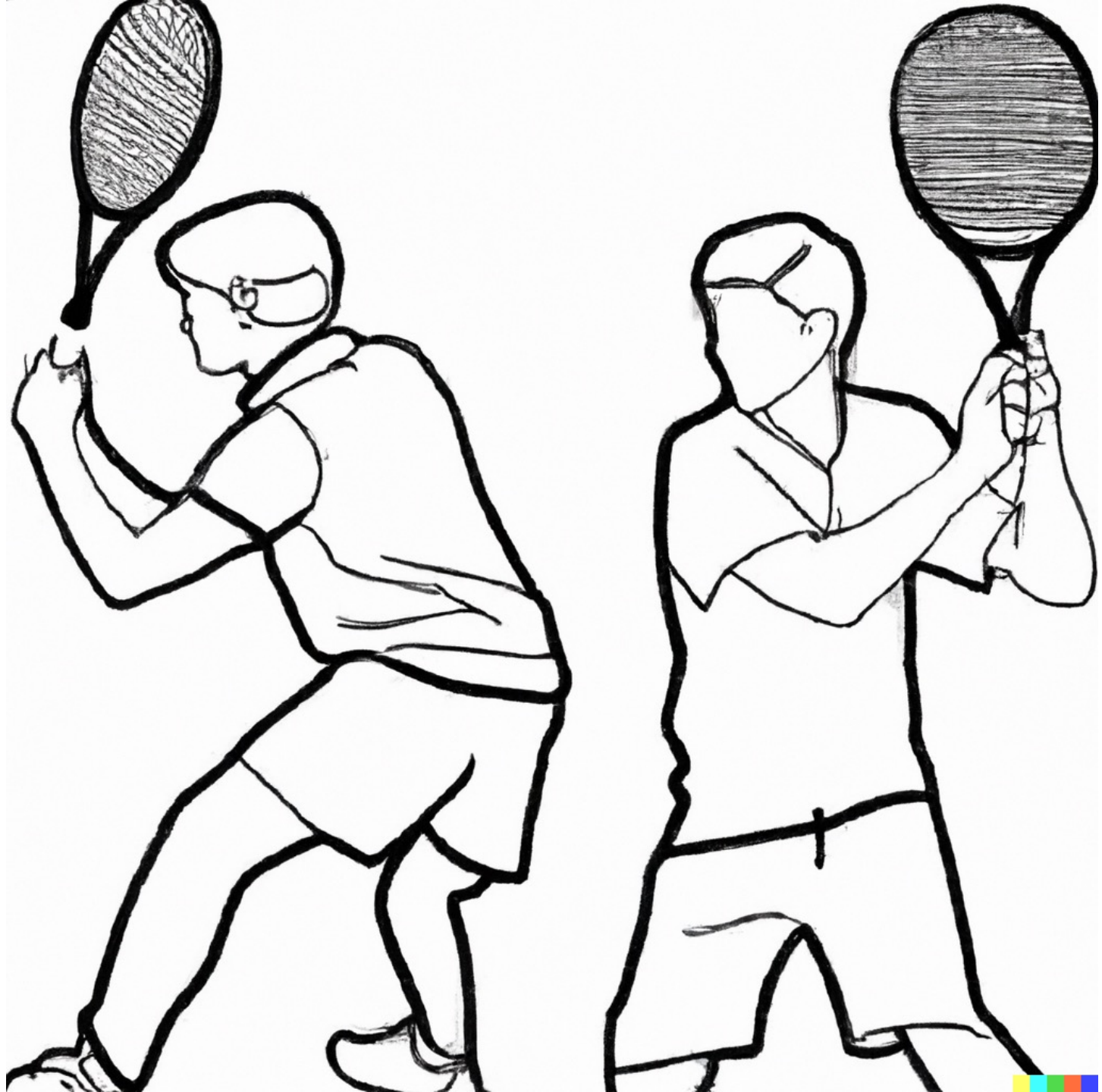
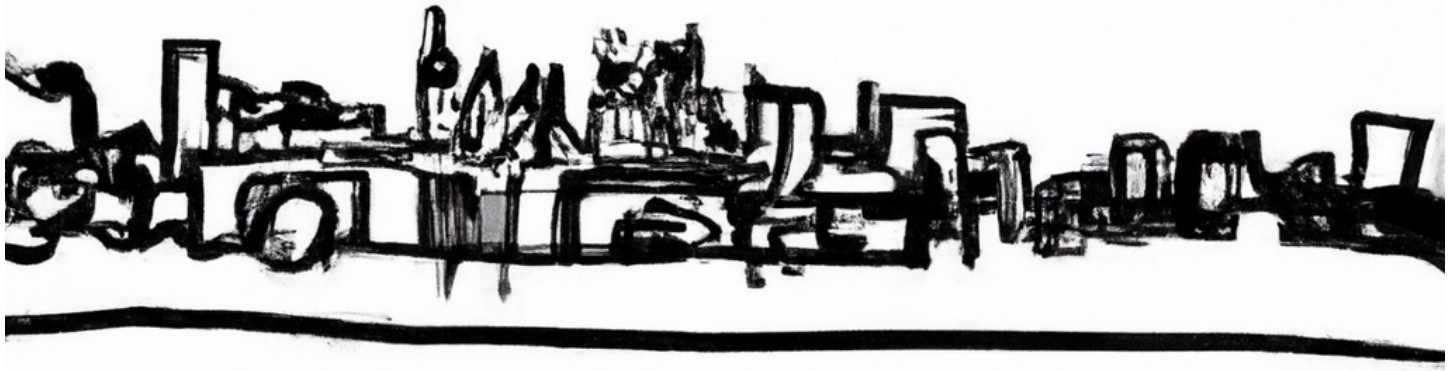
Heuristics

Notes on Behavioural Economics

Jason Collins







Tversky and Kahneman

Representativeness

Availability

Anchoring and adjustment

Representativeness

“What is the probability that the event A belongs to the class B?”

“What is the probability that the process B will generate the event A?”

Representativeness

Probabilities are evaluated by the degree to which *A* is representative of (similar to) *B.*

Representativeness

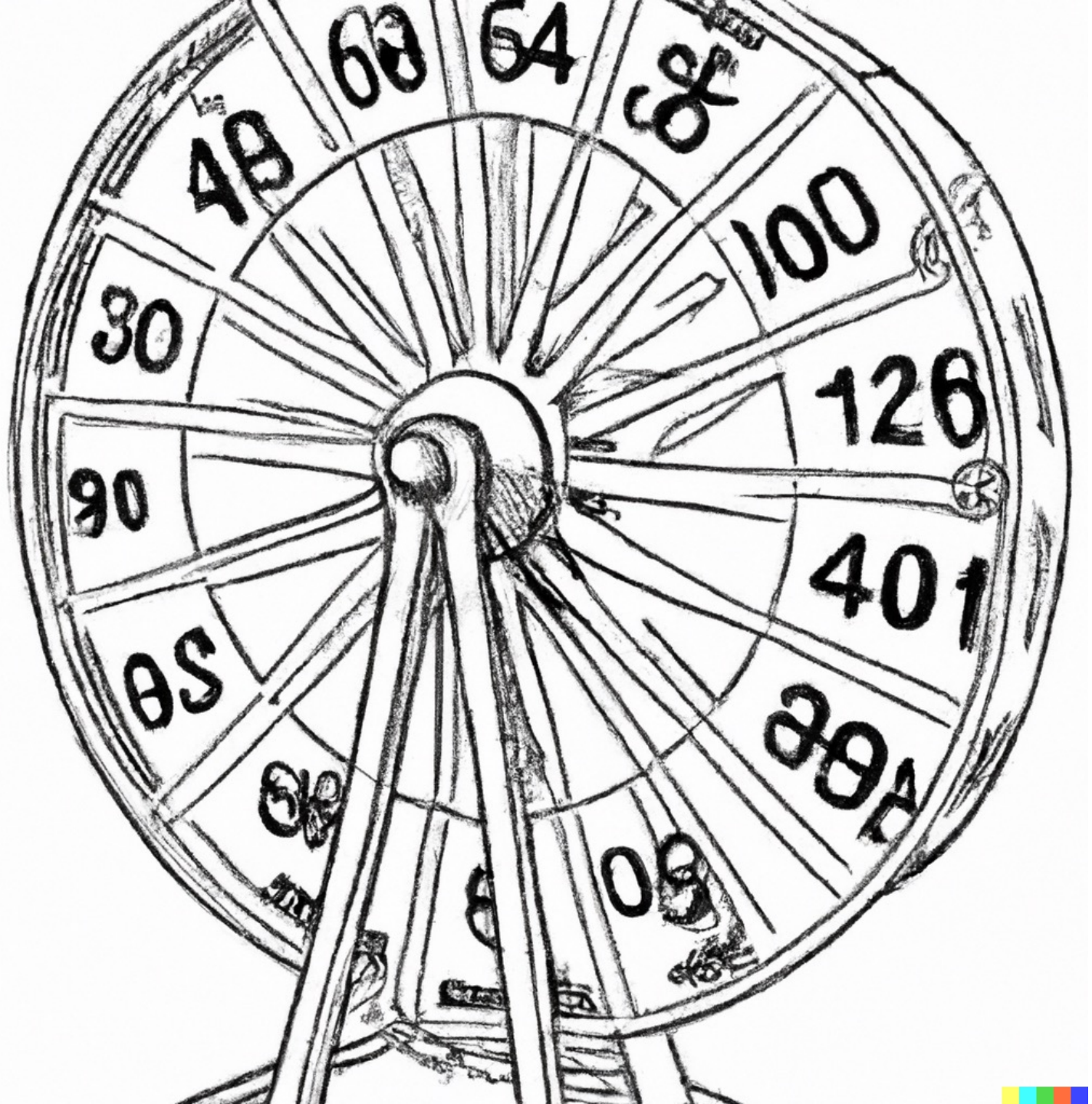
“Steve is very shy and withdrawn, invariably helpful, but with little interest in people, or in the world of reality. A meek and tidy soul, he has a need for order and structure, and a passion for detail.”

Availability

People assess the frequency of a class or the probability of an event by the ease with which instances or occurrences can be recalled.

Anchoring and adjustment

People estimate by starting from an initial value and adjusting from that value to obtain the final estimate.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