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## Exercise 2

**1. Using a “descriptive decision-making” perspective, comment on why you think so many people opt to pay their tickets rather than contest them? Focus on any two concepts from the materials and explain why each one is relevant in this situation.**

### Concept

1. Loss aversion of Prospect theory 2. Certainty effect of Decision weights

Unlike the expected utility theory, the prospect theory is hard to expect people to make reasonable choices in uncertainty situations. Despite the high probability of tickets being dismissed, people do not evaluate the probability properly. People are asymmetrically sensitive to losses rather than gains. According to the concept of loss aversion, people avoid it because they think the amount of pain is much greater, such as the inconvenience of preparing related documents and the anxiety of going wrong than the happiness of being dismissed by objecting to tickets. In addition, depending on the concept of certainty effects of decision weights, although tickets can be dismissed with a high probability(71%), people tend to be underestimated high probability by assigned smaller weights to high results. Therefore, they can focus more on the lose probability of 29%. Through these two concepts, many people choose to pay their tickets rather than "fight".

2.

**1) What is a “heuristic” in judgment and decision making?**

“ Heuristics refer to a mental shortcuts or general rules of thumb that guide judgments and decisions”. \_ (Slide 3, W7.1)

**2) Give an example (hypothetical or actual).**

Hypothetical example.

Suppose a gambler plays a roulette game in a casino. The result of turning the roulette, which is half and half black and half red, 10 times all came out red. Then he thinks black comes out in this game and chooses black. This case can be an example of heuristics.

**3) Why can heuristics be useful?**

Heuristic has the advantage of being able to produce satisfactory answers in most situations in a short time without much effort.

**4) Why should heuristics be identified and sometimes avoided to improve one’s decision making?**

This is because this heuristic can ultimately lead to poor results. Making judgments based on incomplete information such as stereotypes and bias we have may not achieve the results what we want. We can also encounter uncomfortable situations through errors.

**3. Explain/define the “availability heuristic.” Give an example (hypothetical or actual) of how one’s judgment could be influenced by it.**

Define : Availability heuristic refers to judging the frequency of an event based on how easy it is to recall specific examples of the event rather than using objective information about the event when determining the frequency of the event.

Example : For example, people who have recently contact a lot of articles about train accidents or kidnapping through the media, they can judge probability of train accidents or kidnapping higher than the actual statistics.

**4. Imagine an experiment in which participants are asked to estimate the age of a famous movie star (whose age is 65). Group A is first asked whether the star's age is greater or less than 90. Group B is first asked whether it is greater or less than 40. Which group would you expect to provide larger estimates? Why is that?**

I expect Group A to provide a much larger estimate. This phenomenon is related to the anchoring effect. This is because a reference point is likely to be created in the number provided in the question, giving a number like that reference point as an answer. Because reference point of Group A is 90, so they may provide larger estimates than Group B(40).

**5. If a hospital has a day with 60% male births, it will likely be followed by a day with...**

- a. An even higher percentage of male births.**
- b. About the same percentage of male births.**
- c. A percentage of male births closer to 50%**

Answer : C

Explain : Even if the day comes when 60% male are born in hospitals, the probability of the next day's male birth rate does not change. It would still be 50 % for each gender. It is an error in judgment through the anchoring effect to judge that the male birth rate is high the next day because the male birth rate is high.