
MGMT 753 / PSYC 553: BEHAVIORAL DECISION MAKING | CHOICE

Yale School of Management

Fall 2024

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Office Hours: By appointment

Schedule: Tuesday, 4:10-7:10pm | Room 1556, Evans Hall

OVERVIEW

The purpose of this seminar is to provide Ph.D.-level coverage of the psychology of decision making. Although the normative issue of how choices should be made is relevant, the descriptive issue of how choices *are* made is the main focus of the course. In addition to examining prior choice research, the goal of this seminar is to improve your ability to identify interesting research questions and develop effective experiments for testing them. In each session there will be three or four articles that will be examined in detail. In addition, for each session there may be some additional background readings, which we will cover briefly (and which you may want to read more carefully later). The discussion articles and the additional readings assigned for each class appear on the following pages. Some changes might be made during the term.

Class sessions will involve different components. Students will be in charge of discussing the assigned articles. The discussion includes a 1-page write up of the assigned paper with a discussion around key ideas and hypotheses, tests, limitations, and ideas for future research. Do not feel any need to cover everything in each paper, just the highlights. You will find these summaries very useful long after you have taken the course. Students will also identify research ideas that build on the issues raised by the articles. Every student will also comment on every paper the day before class meets in the discussion forum on Canvas. These comments will be a few sentences talking about limitations of the paper and/or ideas about research that would extend what is in the paper.

Each student will be expected to prepare a research proposal presenting an original research idea, a brief literature review, hypotheses, and a preliminary research design. The paper will be due by **December 10th**. The final grade will be based on class participation and presentations (50%) and the research proposal (50%).

Week 1 September 3: Introduction to the Course

Week 2 September 10: Prospect Theory Effects on Risky and Riskless Choice

Read, but no summary:

Grether, David M. and Charles Plott (1979), "Economic Theory of Choice and the Preference Reversal Phenomenon," *American Economic Review*, 69 (September), 623-638.

1. Kahneman, Daniel and Amos Tversky (1979), "Prospect Theory: Analysis of Decision Under Risk," *Econometrica*, 47 (2), 263-291.
2. Rottenstreich, Y., & Hsee, C. K. (2001). Money, Kisses, and Electric Shocks: On the Affective Psychology of Risk. *Psychological Science*, 12(3), 185–190
3. Shen, L., Fishbach, A., & Hsee, C. K. (2015). The motivating-uncertainty effect: Uncertainty increases resource investment in the process of reward pursuit. *Journal of Consumer Research*, 41(5), 1301-1315.

Additional Readings:

Hsee, Christopher K. and Yuval Rottenstreich (2004), "Music, pandas and muggers: On the affective psychology of value," *Journal of Experimental Psychology: General*, 133 (1), 23-30. Camerer, C. (2000), "Prospect Theory in the Wild: Evidence from the Field," in Daniel Kahneman and Amos Tversky (Eds.), *Choices, values, and frames* (pp. 288-300), Russell Sage Foundation: Cambridge.

Tversky, A., & Kahneman, D. (1992). Advances in prospect theory: Cumulative representation of uncertainty. *Journal of Risk and uncertainty*, 5(4), 297-323.

Week 3 September 17: Loss Aversion and the Endowment Effect

Read, but no summary:

Kahneman, Daniel, Jack L. Knetsch and Richard H. Thaler (1991), "The Endowment Effect, Loss Aversion, and the Status Quo Bias," *Journal of Economic Perspectives*, 3 (1), 193-206.

1. Novemsky, Nathan and Daniel Kahneman (2005), "The Boundaries of Loss Aversion," *Journal of Marketing Research*, 42 (May) 119-128.
2. Weaver, Ray and Shane Frederick (2012), "A Reference Price Theory of the Endowment Effect," *Journal of Marketing Research*.
3. Kermer, Deborah A., Erin Driver-Linn, Timothy D. Wilson, and Daniel T. Gilbert (2006), "Loss Aversion is an Affective Forecasting Error," *Psychological Science*, 17 (August), 649-654.

Additional Readings:

Strahilevitz, Michal A. and George Lowenstein (1998), "The Effect of Ownership History on the Valuation of Objects," *Journal of Consumer Research*, 25 (December), 276-289.

Ziv Carmon and Dan Ariely (2000), "Focusing on the Forgone: How Value Can Appear so Different to Buyers and Sellers," *Journal of Consumer Research*, 27 (December), 360-370.

Week 4 September 24: Context Effects in Choice

1. Itamar Simonson and Amos Tversky (1992), "Choice in Context: Tradeoff Contrast and Extremeness Aversion," *Journal of Marketing Research*, 29, 281-295.
2. Frederick, Shane, Leonard Lee, and Ernest Baskin (2014), "Limits of Attraction," *Journal of Marketing Research*.
3. Frederick, Shane, Nathan Novemsky, Jing Wang, Ravi Dhar, and Stephen Nowlis (2009), "Opportunity Neglect in Consumer Choice," *Journal of Consumer Research*, 36 (December), 553-561.

Week 5 October 1: Consequence of Conflict and Choice Difficulty

Read, but no summary:

Slovic, Paul (1995), "The Construction of Preference," *American Psychologist*, 50 (May), 364-371.

1. Iyengar, Sheena S. and Mark R. Lepper (2000), "When Choice is Demotivating: Can One Desire Too Much of a Good Thing?" *Journal of Personality and Social Psychology*, 79 (6), 995-1006.
2. Schwartz, Barry, Andrew Ward, John Monterosso, Sonja Lyubomirsky, Katherine White, and Darrin R. Lehman (2002), "Maximizing Versus Satisficing: Happiness Is a Matter of Choice," *Journal of Personality and Social Psychology*, 83 (5), 1178-1197.
3. Dhar, Ravi and Itamar Simonson (2003), "The Effect of Forced Choice on Choice," *Journal of Marketing Research*, 40 (May), 146-160.

Additional Readings:

Dhar, Ravi (1997), "Consumer Preference for a No-Choice Option," *Journal of Consumer Research*, 24 (2), 215-231.

Scheibehenne, Benjamin, Rainer Greifeneder, and Peter M. Todd (2010), "Can There Ever Be Too Many Options? A Meta-Analytic Review of Choice Overload," *Journal of Consumer Research*, 37(3), 409-425

Iyengar, Sheena, Rachael Wells, and Barry Schwartz (2006), "Doing Better but Feeling Worse: Looking for the Best Job Undermines Satisfaction," *Psychological Science*, 17 (2), 143-150.

Week 6 October 8: Mental Accounting and Choice Bracketing

1. Thaler, Richard H. (1999), "Mental Accounting Matters," *Journal of Behavioral Decision Making*, 12 (3), 183-206.
2. Prelec, Drazen and George Loewenstein (1998), "The Red and the Black: Mental Accounting of Savings and Debt," *Marketing Science*, 17 (1), 4-28.
3. Simonsohn, U. (2009). Direct risk aversion: Evidence from risky prospects valued below their worst outcome. *Psychological Science*, 20(6), 686-692.

Additional Readings:

- Read, D., Loewenstein, G., & Rabin, M. (1999). Choice Bracketing. *Journal of Risk & Uncertainty*, 19 (1-3), 171-197.
- Cheema, Amar and Dilip Soman (2008), "The Effect of Partitions on Controlling Consumption," *Journal of Marketing Research*, 45 (December).
- Gourville John T. and Dilip Soman (1998) "Payment Depreciation: The Behavioral Effects of Temporally Separating Payments from Consumption," *Journal of Consumer Research*, 25 (2), 160-174.
- Nunes, Joseph C. and C. Whan Park (2003), "Incommensurate Benefits: Not Just More of the Same," *Journal of Marketing Research*, 40 (February), 26-38.

Week 7 October 22: Metacognitive Influences and Choice Preference

1. Novemsky, Nathan, Ravi Dhar, Norbert Schwarz, and Itamar Simonson (2007), "Preference Fluency in Choice," *Journal of Marketing Research*, 44 (August), 347-356.
2. Pennycook, G., Cannon, T. D., & Rand, D. G. (2018). Prior exposure increases perceived accuracy of fake news. *Journal of experimental psychology: general*, 147(12), 1865-1880.
3. Pocheptsova, Anastasiya, Aparna Labroo and Ravi Dhar (2010), "Making Products feel Special: When Metacognitive Difficulty Enhances Evaluation," *Journal of Marketing Research*, 47 (6), 1059-1069.

Additional Readings:

- Alter, Adam and Daniel Oppenheimer (2006). "Predicting Short-term Stock Fluctuations by Using Processing Fluency," *Proceeding of the National Academy of Sciences*, 103 (24), 9369-9372.
- Meyer, A., Frederick, S., Burnham, T. C., Guevara Pinto, J. D., Boyer, T. W., Ball, L. J., ... & Schuldt, J. P. (2015). Disfluent fonts don't help people solve math problems. *Journal of Experimental Psychology: General*, 144(2), e16.

Week 8 October 29: Framing Effects

1. Hsee, Christopher K. (2000), "Attribute Evaluability: Its Implications for Joint-Separate Evaluation Reversals and Beyond," in Daniel Kahneman and Amos Tversky (Eds.), *Choices, values, and frames* (pp.543-563), Russell Sage Foundation: Cambridge.
2. LeBoeuf, R. A., Williams, E. F., & Brenner, L. A. (2014). Forceful phantom firsts: Framing experiences as firsts amplifies their influence on judgment. *Journal of Marketing Research*, 51(4), 420-432.
3. Voichok, G., & Novemsky, N. (2021). Asymmetric hedonic contrast: Pain is more contrast dependent than pleasure. *Psychological Science*, 32(7), 1038-1046.

Additional Readings:

- Tversky, Amos, Shmuel Sattath, and Paul Slovic (1988), "Contingent Weighting in Judgment and Choice," *Psychological Review*, 95 (3), 371-384.
- Hsee, Christopher K. and Jiao Zhang (2004), "Distinction Bias: Misprediction and Mischoice due to Joint Evaluation," *Journal of Personality and Social Psychology*, 86 (5), 680-695.
- Nowlis, Stephen M. and Itamar Simonson (1997), "Attribute-Task Compatibility as a Determinant of Consumer Preference Reversals," *Journal of Marketing Research*, 34 (May), 205-218.

Week 9 November 5: Self-Signaling and Self-Deception

1. Gneezy, A., Gneezy, U., Nelson, L. D., & Brown, A. (2010). Shared social responsibility: A field experiment in pay-what-you-want pricing and charitable giving. *Science*, 329(5989), 325-327.
2. Khan, Uzma, and Ravi Dhar. "Licensing effect in consumer choice." *Journal of Marketing Research* 43.2 (2006): 259-266.
3. Savary, J., Goldsmith, K., & Dhar, R. (2015). Giving against the Odds: When Tempting Alternatives Increase Willingness to Donate. *Journal of Marketing Research*, 52(1), 27-38.

Additional Readings:

- Dhar, Ravi and Klaus Wertenbroch (2012), "Self-Signaling and the Costs and Benefits of Temptation in Consumer Choice," *Journal of Marketing Research*, 49 (1), 15-25.
- R Bodner and D Prelec, "Self-signaling and diagnostic utility in everyday decision making," *The Psychology of Economic Decisions*, 2003.
- Touré-Tillery, M., & Fishbach, A. (2012). The end justifies the means, but only in the middle. *Journal of Experimental Psychology: General*, 141, 570–583.

Week 10 November 12: Motivational Effects on Choice I

1. Heath, Chip, Richard P. Larrick, and George Wu (1999), "Goals as Reference Points," *Cognitive Psychology*, 38 (1), 79-109.
2. Dhar, Ravi and Itamar Simonson (1999), "Making Complementary Choices in Consumption Episodes: Highlighting Versus Balancing," *Journal of Marketing Research*, 36 (February), 29-44.
3. Kivetz, Ran, Oleg Urminsky, and Yuhuang Zheng (2006), "The Goal Gradient Hypothesis Resurrected: Purchase Acceleration, Illusionary Goal Progress, and Customer Retention," *Journal of Marketing Research*, 43 (February), 39-58.

Additional Readings:

- Soman, Dilip and Amar Cheema (2004), "When Goals are Counter-Productive: The Effects of Violation of a Behavioral Goal on Subsequent Performance," *Journal of Consumer Research*, 31 (June), 52-62.
- Brendl, C. Miguel, Arthur B. Markman, and Claude Messner (2003), "The Devaluation Effect: Activating a Need Devalues Unrelated Choice Options," *Journal of Consumer Research*, 29 (March), 463-473.
- Nunes, Joseph and Xavier Dreze (2006), "The Endowed Progress Effect: How Artificial Advancement Increases Effort," *Journal of Consumer Research*, 32 (4), 504-512.

Week 11 November 19: Motivational Effects on Choice II

1. Shaddy, F., & Fishbach, A. (2018). Eyes on the prize: The preference to invest resources in goals over means. *Journal of personality and social psychology*, 115(4), 624.
2. Fishbach, Ayelet and Ravi Dhar (2005), "Goals as Excuses or Guides: The Liberating Effect of Perceived Goal Progress on Choice," *Journal of Consumer Research*, 32 (December), 370-377.
3. Woolley, K., & Fishbach, A. (2016). For the fun of it: Harnessing immediate rewards to increase persistence in long-term goals. *Journal of Consumer Research*, 42(6), 952-966.

Additional Reading:

- Idson, Lorraine Chen, Nira Liberman, and E. Tory Higgins (2000), "Distinguishing Gains from Nonlosses and Losses from Nongains: A Regulatory Focus Perspective on Hedonic Intensity," *Journal of Experimental Social Psychology*, 36, 252-274.

Week 12 December 3: Self-Control and Depletion

1. Vohs, K. D., Schmeichel, B. J., Lohmann, S., Gronau, Q. F., Finley, A. J., Ainsworth, S. E., ... & Albarracín, D. (2021). A multisite preregistered paradigmatic test of the ego-depletion effect. *Psychological Science*, 32(10), 1566-1581.
2. Wang, Jing, Nathan Novemsky, Ravi Dhar and Roy Baumeister (2010), "Trade-Offs and Depletion in Choice," *Journal of Marketing Research*, 47 (5), 910-919
3. Schmeichel, B. J. (2007). Attention control, memory updating, and emotion regulation temporarily reduce the capacity for executive control. *Journal of Experimental Psychology: General*, 136(2), 241-255.

Additional Reading:

- Hofmann, W., Luhmann, M., Fisher, R. R., Vohs, K. D., & Baumeister, R. F. (2014). Yes, but are they happy? Effects of trait self-control on affective well-being and life satisfaction. *Journal of Personality*, 82(4), 265-277.
- Inzlicht, Michael, and Brandon J. Schmeichel. "What is ego depletion? Toward a mechanistic revision of the resource model of self-control." *Perspectives on Psychological Science* 7.5 (2012): 450-463.

Week 13 December 10: Self-Control

1. Khan, Uzma and Ravi Dhar (2007), "Where There is a Way, There is a Will? The Effect of Future Choices on Self-Control," *Journal of Experimental Psychology: General*, 136 (2), 277-288.
2. Shiv, B. and A. Fedorikhin, "Heart and mind in conflict: The interplay of affect and cognition in consumer decision making," *Journal of Consumer Research*, 1999, 278-292.
3. Ariely, D., & Wertenbroch, K. (2002). Procrastination, deadlines, and performance: Self-control by precommitment. *Psychological science*, 13(3), 219-224.

