

**B7619 FALL 2018**

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Office Hours: TBA

Teaching Assistants:

TBA

Office hours will not be held on the following  
dates: TBA

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◆◆◆ WHAT YOU NEED TO KNOW ◆◆◆

Below is a list of the **most important things for the class** (grading outline, course requirements, and required reading materials). If you email me or ask me a question about something that is answered in this section, I will refer you to the syllabus (and judge you harshly). For details on any of the points below, please consult the remainder of the syllabus. Due dates are listed in the Course Roadmap at the end of the syllabus.

1. **Before coming to the first class**, please do the **pre-class survey** (the link is provided on the course homepage in Canvas, and under Assignments).
  - a. The survey will count towards your participation grade, so even if you join the class late, please complete it!
2. There is a **strict no laptop/device policy** in class, except when participating in in-class polls (and even then, no laptops can be used for polling purposes).
  - a. Students who have special permission to use a laptop during class **must contact me before the first class meeting**. Otherwise, if you have a laptop, it must be stored during class. All other electronic devices (phones, tablets, etc.) are also prohibited during class time.
3. **Two textbooks are required** for the course: (1) *Thinking, Fast and Slow* by Daniel Kahneman, (2) *Misbehaving: The Making of Behavioral Economics* by Richard Thaler. There will also be a **course reader** available for pick-up before class starts.

- a. The chapters for the first week of class will be posted online to provide a grace period for purchasing the books. After the first week, no portion of either book will be posted online.
4. The **readings for each lecture** are listed in the roadmap (at the end of this document). These **readings must be done BEFORE the start of class**. The readings for each topic are required and considered part of your preparation for that lecture. **This means that readings for days that cases are due will be helpful for your preparation of that case.**
5. **Participation is 25% of your grade**. 10% determined by class attendance, and 15% determined by in-class engagement and participation in the out-of-class exercises.
  - a. **To track attendance and maximize participation, we will use PollEverywhere**. Please set-up your account and make sure you can access the app before attending the first class.
  - b. Aligned with Core culture, **students who miss more than 33% of classes (unexcused absences) will receive a maximum course grade of P. Students who miss more than 50% of classes (unexcused absences) will receive an F in the course.**
6. **Written assignments are 40% of your grade**. There will be seven assignments total and **you have to complete six** of them (if you do all seven, I will drop your lowest score for one of your assignments and give you a bonus point).
  - a. All written assignments will be case-based. Please see the formatting guidelines before writing your first assignment.
7. A **final exam will be 35% of your grade**. The final exam will be 90 minutes and will happen **in class on the last day of class** (Thursday, December 20th). I will to arrange a take home, but time-limited exam, that will be available on-line.
  - a. By 11:59pm on Tuesday, April 17<sup>th</sup>, **everyone must submit two exam questions** suitable for use in an all-essay, in-class exam. Completion of these questions goes towards your participation grade. A subset of these questions will be compiled and posted on Canvas by the end of day, Wednesday, April 18<sup>th</sup>. Expect to receive a list of approximately 20 potential exam questions. The final will consist of a subset of these questions with some choice, e.g., answer 4 of these 6 questions.
  - b. A **review session** may be scheduled. If held the review session will be recorded and posted online for students who cannot attend.
  - c. **Students who miss the exam (excused) and do not make it up during the stated make-up period will receive a zero for final exam grade. Students who miss the exam without notifying OSA or me (unexcused) will receive an F in the course.**

◆◆◆ COURSE OBJECTIVES ◆◆◆

The purpose of this course is to inform future managers, analysts, consultants, and advisors of the psychological processes and biases underlying decision-making, with an emphasis on how to incorporate such insights into marketing and business strategies.

The class has two main facets. First, it will give you a broad overview of important results from various behavioral sciences that clarify how people make decisions. Second, it will provide you with advice about applying these findings to topics in marketing, management, and finance (each the focus of approximately one-third of the class material). Classroom time will be devoted to a combination of lectures, discussions, and exercises illustrating the main concepts.

The first half of the class will be more theory focused to build the foundations that we need to move into a discussion of applications (the second half of the class).

◆◆◆ CLASSROOM CULTURE ◆◆◆

This course adheres to Columbia Core Culture. Therefore, you are expected to be present, prepared, and participating. This means:

- Being **on time and present** for every session (attendance will be tracked)
  - **Students who miss 33% of classes (unexcused absences) will receive a maximum grade of P in the course. Students who miss 50%+ of classes (unexcused absences) will receive an F in the course.**
- **Completing the readings and assignments before class**
- Expecting **cold-calling**
- **Bringing your namecards** to every class meeting
- **Participating in a meaningful way** is expected and part of your grade
- Using **electronic devices is not allowed**
- **Being respectful** of the professor and your fellow students (adhering to the Code of Conduct in the classroom)
- **Final Exams:** students who miss the exam (excused) and do not make it up during the stated make-up period will receive a zero for final exam grade; **students who miss the exam without notifying OSA (unexcused) will receive an F in the course**

◆◆◆ FORMAT ◆◆◆

This class is intended to be intellectually stimulating and challenging. I value class participation and the application of the ideas and theories that will be presented. Student engagement and interaction is my favorite part of teaching, so I hope to see buy-in from everyone in the classroom.

**There is a strict no laptop/no electronic device policy in class.** Accordingly, **laptop usage is not permitted** during class time with exceptions made only under special circumstances. **All other electronic devices – tablets, phones, etc. – are also prohibited during class time. Phones will be allowed for in-class attendance and polling purposes only and must be put away at all other times.** Please silence

all such devices when you are in the classroom. This policy is to ensure better comprehension and participation, which will make the class better for everyone.

Since there are no laptops allowed, **I will provide handouts for all of the lectures for note-taking purposes.** If you have any questions about this policy, please see here first: [goo.gl/YuLA3A](http://goo.gl/YuLA3A) (“To Remember a Lecture Better, Take Notes by Hand,” *The Atlantic*). If you attempt to use a laptop in class, you will be asked to put it away.

◆◆◆ MATERIALS ◆◆◆

There are two required books for this course:

1. *Thinking, Fast and Slow* by Daniel Kahneman (referred to as “Thinking” hereafter)
2. *Misbehaving: The Making of Behavioral Economics* by Richard H. Thaler (referred to as “Misbehaving” hereafter)

A course reader will be mailed the first meeting of class. All readings included in the reader will also be available online through Canvas (however, the opposite is not true: some readings can only be made available online and will not be included in the reader). The location of the readings is specified in the Course Roadmap below. If a reading says “online,” this means it is available through the “Library Reserves” link on Canvas.

**Please note:** readings from *Thinking* and *Misbehaving* will **not** be reproduced online due to copyright restrictions, except for those required for the first week.

The readings in the course packet and listed in the syllabus are required material that should be **read before class. Cases listed in the syllabus should always be prepared before class.**

◆◆◆ EVALUATION ◆◆◆

1. **Participation (25%).** In a course like this, the adage “garbage-in-garbage-out” is especially true. You will only get out of this course as much as you are willing to put in, and lively class discussion is essential for learning this material. It is therefore very important that you take an active role in classroom activities and discussions and come fully prepared. If you are distracting from the class or contributing in an inappropriate/irrelevant manner, you will not receive participation credit for such comments (in fact, you could end up receiving negative points!).

The class participation grade will be determined by:

- **Class attendance** (10%)
- **Constructive, respectful, and meaningful** participation in-class and completion of out-of-class exercises (pre-class survey, final exam question submission) (15%)

Students who miss 33% of classes (unexcused absences) will receive a maximum grade of P in the course. Students who miss 50%+ of classes (unexcused absences) will receive an F in the course.

2. **Writing Assignments (40%).** To reinforce the learning process, you are required to do **six** written case assignments to receive a passing grade for the course. You may also do a seventh assignment. If you do a seventh assignment, I will drop the lowest score and I will give you one extra credit point. Of the writing assignments listed in the course roadmap, you can choose which six you would like to turn in.

Assignments should be done on an individual basis. You may discuss the case and assignment with other students in the class, but **each person must submit their own paper with original work**. The writing assignments should be contextualized in the case at hand, and should draw on information from the readings and lectures to support your analysis.

All of the writing assignments will be case-based and **must be turned in prior to the start of class**, since we will be discussing and analyzing the case together in class. **Late assignments will not be accepted** and any cases submitted after five minutes into class will not be graded.

Here are some **general guidelines** for preparing effective write-ups:

1. Be concise and to the point. Provide a strong, logical flow in your analysis. Above all, do not spend time rehashing or paraphrasing the details of the case, as I have read the cases and know these details already.
2. Make your assumptions explicit whenever necessary, and defend their reasonableness.
3. Your analysis should be thorough, be carried out correctly, and should draw whenever relevant on material presented in class or assigned in the readings.
4. Focus any specific recommendations on the important issues in the case. Recommendations should be practical, cost-effective, and appropriate to the timing (short-term or long-term) of the problem at hand.

### **Formatting requirements:**

Writing assignments have a **strict four-page limit but brevity when accompanied by completeness will be rewarded**. All papers should be **double-spaced** with 1" margins and **12-point font**. Please write a cohesive paper (do not submit numbered or bulleted lists summarizing your thoughts). **Failure to follow formatting guidelines will result in a one-point reduction**. Please submit assignments using Canvas.

3. **Final Exam (35%).** The final exam is composed by the students. By Thursday, December 13<sup>th</sup>, everyone must **submit two exam questions via Canvas** suitable for use in an all-essay, in-class exam. The submission of these questions counts towards your participation grade. The best of these questions will be compiled and posted on Canvas by the end of the day Friday, December 14<sup>th</sup>. Expect to receive an initial list of approximately 20 potential exam questions. The final exam will consist of six of these questions and you will have to answer four of them. **The exam will be 90 minutes and will be held**

in-class on the last day of class (Thursday, December 20<sup>th</sup>). There may be an online, timed option available.

◆◆◆ GRADING SYSTEM ◆◆◆

**All case assignments will be graded using a five-point system.** All grading will be done blindly. The grades can be interpreted as follows:

1	Some evidence of reading, but little understanding of the psychology or how it works. Minimal application of course concepts to the actual question that was asked.
2	An attempt at applying the course material, but with little or no depth of analysis (possibly just repeating ideas from the reading).
3	A solid application of the course material, with some good points but few creative insights. <b>The majority of papers will receive this grade.</b>
4	A deeper level of thinking than the obvious answer. Clearly written with creative examples.
5	An exceptional paper with an original insight and clear analysis. Such papers make me say, "I wish I had thought of that!" <b>Very few of these grades are given.</b>

**The final exam will be out of 26 points and will be graded blindly.** Graded exams will not be returned unless specifically requested by the student (though individual grades and a histogram of the grades for each section will be posted on Canvas).

◆◆◆ COURSE ROADMAP ◆◆◆

<b>WEEK 1</b>	
<i>Thursday, Sept 13, 2018</i>	
Your Two Brains: Econs vs. Humans	
Readings	▪ Thinking, Ch. 1, 2 (online)
To-Do	▪ <b>Complete the pre-class survey BEFORE the start of class</b>
Loss Aversion: Why Losses Have More Impact Than Gains	
Readings	▪ Thinking Ch. 26, 27 (online)

<b>WEEK 2</b>	
<i>Thursday Sept. 20, 2018</i>	
Perception of Risks: The Use of Heuristics (Part 1)	
Readings	▪ Thinking, Ch. 10, 11, 12 ▪ The Signal and the Noise (Nate Silver), pp. 240-249 (online)
Perception of Risks: The Use of Heuristics (Part 2)	
Readings	▪ See above

<b>WEEK 3</b>	
<i>Thursday Sept. 27, 2018</i>	
Confidence & Consistency	
Readings	▪ Thinking, Ch. 19
Mental Accounting	
Readings	▪ Misbehaving, Ch. 7 ▪ JC Penney Case (reader, online)
To-Do	▪ <b>Read the JC Penney Case before class</b> ▪ <b>Submit writing assignment before class</b>

<b>WEEK 4</b>	
<i>Thursday, Oct 11, 2018</i>	
Perceptions of Fairness	
Readings	▪ Misbehaving, Ch. 14 ▪ Coca-Cola's New Vending Maching (A) Case (online, reader)
To-Do	▪ <b>Read the Coca-Cola (A) Case before class</b> ▪ <b>Submit writing assignment before class</b>

	<ul style="list-style-type: none"> <li>Take an implicit attitude test (IAT) here: <a href="https://implicit.harvard.edu/implicit/">https://implicit.harvard.edu/implicit/</a> (select continue as guest option – you can do whichever one you like – <b>if you send me a screenshot of the completion page (without the result showing) I will give you an extra point</b>)</li> </ul>
Impatience and Self-Control	
Readings	<ul style="list-style-type: none"> <li>Misbehaving, pp.85-94</li> </ul>

<b>WEEK 5</b> <i>Thursday, Oct 18, 2018</i>	
(1) Choosing and (2) Helping Consumers with Risk	
Readings	<ul style="list-style-type: none"> <li>Predictably Irrational (Dan Ariely), Ch. 1 (online)</li> <li>Toro No S’no Case (reader, online)</li> </ul>
To-Do	<ul style="list-style-type: none"> <li><b>Read the Toro No S’no Case before class</b></li> <li><b>Submit case writing assignment before class</b></li> </ul>
Memory & Decisions	
Readings	<ul style="list-style-type: none"> <li>Thinking, Ch. 4 and 5</li> </ul>

<b>WEEK 6</b> <i>Thursday, October 25, 2018</i>	
Emotion, Affect, and Consumer Choice	
Readings	<ul style="list-style-type: none"> <li>Thinking, pp. 101-104</li> <li>Cialdini (2001): Harnessing the Science of Persuasion (HBR) (reader, online)</li> <li>Selling CFLs at Wal-Mart Case (reader, online)</li> </ul>
To-Do	<ul style="list-style-type: none"> <li><b>Read the Selling CFLs at Wal-Mart Case before class</b></li> <li><b>Submit case writing assignment before class</b></li> </ul>

<b>WEEK 7</b> <i>Thursday November 8, 2018</i>	
Application to Organizations Making Decisions (Part 1)	
Readings	▪ Thinking, Ch.23 and 24
Application to Organizations Making Decisions (Part 2)	
Readings	▪ Jon Krakauer (1996): Into Thin Air Case, <i>Outside Magazine</i> (online)
To-Do	▪ <b>Read the Into Thin Air article</b> ▪ <b>Submit the writing assignment before class</b>

<b>WEEK 8</b> <i>Thursday, November 15, 2018</i>	
Consumer Financial Decision-Making	
Readings	▪ Misbehaving, Ch. 21
Behavioral Game Theory: How People Really Think Strategically	
Readings	▪ Misbehaving, Ch.15, pp. 301-305

<b>WEEK 9</b> <i>Thursday, November 29, 2018</i>	
Experts vs. Novices (Part 1)	
Readings	▪ Thinking, Ch. 21, 22
Experts vs. Novices (Part 2)	
Readings	▪ Google Prediction Markets (GPM) Case (reader, online)
To-Do	▪ <b>Read GPM Case</b> ▪ <b>Submit writing assignment before class</b>

<b>WEEK 10</b> <i>Thursday, December 6, 2018</i>	
Defaults and Choice Architecture (Part 1)	
Readings	▪ Nudge, Introduction (online)
Defaults and Choice Architecture (Part 2)	
Readings	▪ Behavioural Insights (A) Case (reader, online)
To-Do	▪ <b>Read Behavioral Insights (A) Case</b> ▪ <b>Submit writing assignment before class</b>

<b>WEEK 11</b>	
<i>Thursday, December 13, 2018</i>	
Happiness (Part 1)	
Readings	▪ Thinking, Ch. 35, 37 and 38
To-Do	▪ <b>Submit two final exam questions</b>
Happiness (Part 2)	
Readings	▪ See above

<b>WEEK 12</b>	
<i>Thursday, December 20, 2018</i>	
Course Wrap	
Readings	▪ Misbehaving, Conclusion (pp.347-358)
<b>FINAL EXAM</b>	
<b>The exam will be 90-minutes long and will be the entire class session</b>	

◆◆◆ WRITING ASSIGNMENT QUESTIONS ◆◆◆

Below are the questions/topics you will be asked to respond to for the writing assignments listed in the Course Roadmap.

**1. JC Penney**

- a. Using principles from mental accounting, explain why Johnson’s pricing strategy may not have worked as intended.
- b. Do you think the pricing problem was a strategy or execution problem? Did Johnson just need more time?
- c. If you were hired to replace Ullman (as Johnson was), what would be your plan for pricing? If you had to switch from a high-low format, what would you do differently from Johnson? Would you do anything the same?

**2. Coca-Cola Vending Machine (A)**

- a. What did Coca-Cola do right? What did it do wrong?
- b. What do you think of Ivester’s comments? What would you have said if you were Ivester?
- c. Using principles of mental accounting, how would you introduce a paradigm shift or increase the price?
- d. How would you change the public’s perceptions of fairness/ethicality related to Coca-Cola’s potential decision to introduce dynamic-pricing vending machines?

**3. Toro S’no Risk Program**

- a. The Toro No S’no case raises issues that involve many of the concepts we have studied during the course. Write a memo to Pollick giving him some insights on what Toro should do the following year and why.

#### **4. Selling CFLs at Wal-Mart Case**

- a. Why does Wal-Mart care about CFLs? Why do consumers care about CFLs?
- b. What is the diagnosis? Why has public reception been so lousy? You should be able to tie in several concepts we have discussed already.
- c. Identify potential solutions for the problems/issues you identify in the preceding question. In other words, how could the problems be addressed or overcome?
- d. What about LED bulbs? Will they face the same problems?

#### **5. Into Thin Air Article**

- a. Why are the climbers up there? Consider the motivation and incentives facing each participant. What are the implications for potential decision biases and corrective measures?
- b. What are the defining characteristics of the decision-making environment on Mt. Everest? Setting aside the extreme physiological conditions, what are the biggest challenges for good decision-making?
- c. Describe the decision process used by Hall and Fischer. What mistakes did the guides or members of the climbing teams make during the climb to the summit? Why were these mistakes made? How do these mistakes relate to concepts we have discussed in the course so far?
- d. If you were advising a friend interested in organizing an expedition to the top of Mt. Everest (or some other large but potentially dangerous mountain), what advice would you give to him/her based on the concepts of this course?

#### **6. Google Prediction Markets**

- a. Is it a good idea to encourage all employees to trade in these markets? Should insiders and/or highly uninformed people be allowed to trade? Do they help the market or hurt it?
- b. What kind of decisions are prediction markets useful for?
- c. Will most managers welcome prediction markets within their companies? Why or why not? Will they welcome a prediction market about a project or outcome that they're responsible for?
- d. How would you get managers to use the prediction markets in their decision-making?

#### **7. Behavioural Insights Case**

- a. Do the assignment listed at the end of the case: using principles of behavioral economics, develop the best possible letter to send to delinquent taxpayers.

#### **◆◆◆ OTHER RECOMMENDED READINGS ◆◆◆**

- Dan Ariely (2008). Predictably Irrational. New York: Harper Collins.
- Richard H. Thaler and Cass R. Sunstein (2008). Nudge: Improving Decisions about Health, Wealth, and Happiness. New York: Penguin Group.
- James Surowiecki (2005). The Wisdom of Crowds. New York: Anchor Books.

- Michael Lewis (2004). Moneyball: The Art of Winning an Unfair Game. New York: W.W. Norton & Company.
- Jon Krakauer (1999). Into Thin Air: A Personal Account of the Mt. Everest Disaster. New York: Anchor Books.
- Nate Silver (2012). The Signal and the Noise: Why So Many Predictions Fail—but Some Don't. New York: The Penguin Press.
- Robert B. Cialdini (2006). Influence: The Psychology of Persuasion (revised edition). New York: William Morrow & Company.
- Nassim Nicholas Taleb (2010). The Black Swan: The Impact of the Highly Improbably (2<sup>nd</sup> edition). New York: Random House.
- Aziz Ansari and Eric Klinenberg (2015). Modern Romance. New York: Penguin Press.
- Laszlo Bock (2015). Work Rules!: Insights from Inside Google That Will Transform How You Live and Lead. New York: Hachette Book Group.
- Michael Lewis (2017). The Undoing Project: A Friendship That Changed Our Minds. New York: W.W. Norton & Company, Inc.