

BEHAVIORAL ECONOMICS & DECISION MAKING**Professor Vicki G. Morwitz****(Draft: Subject to change)****B7619 (EMBA BLOCK WEEK)****FEBRUARY 8-12, 2021****Professor: Vicki G. Morwitz**
vgm2113@gsb.columbia.edu

Class will meet from 9:00am-5:00pm eastern each day via Zoom. We will take breaks at 10:30am and 3:30pm, and will take a lunch break from 12:30pm-1:30pm.

Teaching AssistantsSonia Kim
SKim23@gsb.columbia.edu
Sonia will be the primary grader for case assignments.**Professor Morwitz Virtual Office Hours:**

By appointment

Alisa Wu
YWu23@gsb.columbia.edu
Alisa will be the primary in class support and the primary grader for the examination.

****PRELIMINARY SYLLABUS****[Z](#)

Please note: This syllabus is an accurate reflection of the scope of work and topics we will cover. However, the specific assignments, readings, lectures, grading outline, and policies are subject to change, including the possibility of changing and/or adding another assignment or assessment. The final syllabus will be set before the first day of class.

◆◆◆ 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. 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 will be provided on the course homepage in Canvas, under Assignments).
 - a. The survey will count towards your assignment grade, so please be sure to complete it!

2. Normally when classes are held in person I have a **strict no laptop/device policy**, except when participating in in-class polls. However, since our class will be taught in a distance learning format, this rule must be relaxed since computers or other devices will be needed to access the course. Still I expect your full attention when class is in session and expect that you will refrain from using your computer/devices for anything other than class during class sessions. Leaving the Zoom screen up and **taking notes by hand** is strongly encouraged.
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. You should have received these books already from the EMBA office. However, if you have not, or if for any reason you do not have access to the books, they are both available for purchase from various sources as ebooks.
4. The **readings for each class** 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 and for case write ups. **This means that readings for days that cases are due will be helpful for your case preparation and write ups.**
5. **Participation is 25% of your grade**. This includes class participation, participating in in-class exercises, and attendance.
 - a. **Attendance will be tracked via a combination of requests to enter your Uni on Zoom, and PollEverywhere**. Please make sure you have access to Zoom prior to the first class for remote access. Please also set-up your PollEverywhere account and make sure you can access the app before our first class. Make sure to log into Zoom and PollEverywhere using your Columbia GSB account.
6. **Written and other homework assignments are 40% of your grade**.
 - a. There will be six **case assignments** total and **you have to complete three** of them (if you do **four**, I will drop the lowest score for one of your assignments and give you a bonus point). **Please see the formatting guidelines before writing your first case assignment.**
 - b. In addition to the case assignments you must also complete the Personal assessment, complete an online survey used for various class examples, and complete a decision-making simulation. There is also another optional online exercise. *Note, I may add additional small assignments before the start of the course, and if so will distribute a revised syllabus that incorporates these additions and changes.*
7. A **final exam will be 35% of your grade**. You will have 90 minutes for the final exam which you will take **during class time on the afternoon of the last day of class** (Friday, April 12th).
 - a. **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. This course will help you to improve the quality of your own judgments and decisions in both business and everyday life. People are poor intuitive statisticians, meaning that when they “just think” about situations for which some data or casual observations exist, they tend to make serious inferential errors, in turn leading to systematically biased decisions. We will study some errors that are particularly important for real world problems and look for easy-to-implement solutions. Note we will not only focus on our own decisions but importantly will also consider how the biases in others’ decision-making influence us.

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. Classroom time will be devoted to a combination of lectures, discussions, videos, 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**
- **Participating in a meaningful way** is expected and part of your grade
- **Being respectful** of the professor and your fellow students (adhering to the Code of Conduct in the classroom)
- **Final Examination:** 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.

◆◆◆ 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)

All other readings will be available online through Canvas (either in a Readings folder, through the Calendar, or via the “Library Reserves” link on Canvas).

Please note: readings from *Thinking* and *Misbehaving* will **not** be reproduced online due to copyright restrictions.

The readings 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 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**
- **Constructive, respectful, and meaningful** participation in-class and completion of out-of-class exercises

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

2. **Written Assignments (40%).**

All written homework materials must be submitted based on the following:

- 12-point Times Roman font
- Double spaced
- 1” margins all around

- a. **Case assignments.** To reinforce the learning process, you are required to do **three** written case assignments. You may also do a fourth assignment. If you do a fourth assignment, I will drop the case with the lowest score and I will give you one extra credit point. You can choose any of the cases listed in the course roadmap to turn in.

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

All case assignments **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 case 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 the TAs 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 the assigned readings or in class. Note I expect you to be able to use materials from the readings in case write ups, even if they have not yet been discussed in class.
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:

Written assignments have a **strict four-page limit**. All papers should be **double-spaced** with **1” margins** and **12-point Times Roman 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 upload assignments on Canvas.

All case assignments will be graded by the TAs using a five-point system. 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. The majority of papers will receive this grade.

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 us say, "I wish I had thought of that!" Very few of these grades are given.

- b. **Other assignments:** In addition to the case assignments your final assignment grade will also include the following components:
1. Personal assessment as a Decision Maker – 4 assignment points
 2. Decision making simulation – 2 assignment points
 3. Online survey used for various class examples – 4 assignment points
 4. Optional IAT online exercise – 1 extra credit assignment point

Note: I reserve the right to add one or more additional small assignments, and to alter the number of points per assignment, before the start of the semester. A finalized syllabus incorporating any changes will be distributed before the start of the semester.

Personal Assessment as a Decision Maker

Self Assessment and Goal Statement: Due by Monday, February 2nd, submit via Canvas.

Complete a two-paragraph (< 1 page double-spaced) goal statement that includes a frank assessment of your decision-making strengths and weaknesses (1 paragraph) and a declaration of a personal goal – what you want to get out of the course (1 paragraph). You will be more likely to improve if you decide what you want out of this course.

For the personal assessment, if at all possible please submit a Word file. Please name the file “last_name first_name personal assessment” (e.g., “Morwitz Vicki personal assessment.doc”).

This assignment will be graded out of 4 points. You will receive all 4 for a thorough and complete statement, fewer points for more limited statements, and 0 points if this is not completed.

Decision Making Simulation:

In this simulation, you will play the role of a manager of Matterhorn Health, a medical device manufacturer. Please note that the simulation is multimedia-rich, much of the data are presented in audio and video formats. You can access the simulation through Canvas.

Once you begin the simulation you will learn that Matterhorn Health has launched a new blood glucose-monitoring device for patients to track their own glucose levels. The product encounters serious quality problems soon after launch. You must cope with this unfolding crisis. You will be asked to make a series of important decisions during the simulation. Please note that the crisis may not be resolved when the simulation ends. Many product-

quality crises unfold over time, and firms cannot resolve them quickly. When you do compete the simulation, please take a few moments to reflect on your decisions and actions.

No later than one week before our first day of class I will need you to sign in to the simulation so that I can register you for it from my end. This should only take you a few minutes. Please go to the simulation link on Canvas. That link will direct you to a Harvard publishing site. Once you get there you will be asked to log in to Harvard publishing if you already have an account, or, if you do not, to register for a free account. Once you do this your name will show up on my end for managing the simulation.

Once it is time to start the simulation you will be able to access it via Canvas. You will need to log in to start the simulation. The simulation will take approximately 45-75 minutes to play and you will complete it during the afternoon session of our first day of class.

We will discuss the simulation in class on our second day of class. I will analyze your aggregated, collective decisions before class so that we can discuss those decisions together.

Consider the following questions as you prepare for our discussion regarding the simulation:

1. What key decisions did you make? Why did you make those choices?
2. What aspects of the situation did you find most challenging?
3. How did you cope with the high level of ambiguity in the situation? How did you handle the lack of complete information? How did you cope with the increasing levels of stress that you may have encountered during the unfolding situation?
4. What real-life situations mirror the conditions in the simulation? What product-quality crises can you relate to this one? Did firms handle those crises well or not?
5. What should the CEO tell the media at the press conference? Think about what you would do if you were asked to role-play that situation, either as the CEO or as a media member asking tough questions.
6. What advice do you have for managers in these types of crisis situations?

You will receive 4 points if you complete the simulation, fewer points if you only partially complete it, and 0 points if you do not complete it.

Online survey:

In order to illustrate several different constructs we will discuss during the course, you will be asked to complete an online survey before our first class session as a homework assignment. The survey will ask for your name, but this will only be used to give you credit for completing the assignment. Your names will be removed, and the data will be analyzed and presented in aggregate form to illustrate some concepts. Please just use your intuition and judgment to answer the questions – most questions do not have right or wrong answers and the concepts we will discuss have to do with intuitive judgment and not with ability to look answers up online.

The link to the survey will be provided below when the syllabus is finalized:

- *Survey link – to be added*
- Please complete by Monday February 1st, one week prior to our first class
- The link will be sent to you via email and posted on Canvas.
- The survey will count towards your homework assignment grade, so please complete it!
- You will receive 4 homework points for completing the entire survey. Partial completion will result in fewer points. You will receive 0 points if you do not complete this.

IAT Test

Before the start of class on Thursday February 11th, take an implicit attitude test (IAT) here:

- <https://implicit.harvard.edu/implicit/>
(select continue as guest option – you can do whichever one you like – if you send me a screenshot of the completion page (without the result showing) I will give you an extra homework point)

3. Final Exam (35%). You will have 90 minutes for the final exam, which you will take during class time on the afternoon of the last day of class (Friday, February 12th).

◆◆◆ GRADING SYSTEM ◆◆◆

The final exam will also be graded by the TA. Graded exams will not be returned unless specifically requested by the student.

If you would like to request a re-grade, you must contact me directly. Please keep in mind that it is entirely possible that your grade will go down after my review. If you have **any issues** with the grade or comments, **please contact me.**

◆◆◆ PLANNED COURSE ROADMAP / SUBJECT TO CHANGE◆◆◆

DAY 1 <i>Monday, February 8th, 2021</i> Morning	
Your Two Brains, Prospect Theory, Loss Aversion, and Framing	
Readings	▪ Thinking, Chs. 1, 2, 26, 27, pps. 105, 316-321 (starting with “The Fourfold Pattern”)
To-Do	→ Complete the pre-class survey BY February 1st → Complete Personal assessment BY February 1st

DAY 1 <i>Monday, February 8th, 2021</i> Afternoon	
The Role of Confidence, Matterhorn Health Simulation	
Readings	<ul style="list-style-type: none"> ▪ Thinking Ch. 19, 24 (just pp. 261-265) ▪ Moore and Morse, Confidence doesn't always boost performance ▪ Zenger and Folkman, Women score higher than men in most leadership skills

DAY 2 <i>Tuesday, February 9th, 2021</i> Morning	
Matterhorn Health Simulation Discussion, Perception of Risks: The Use of Heuristics, part 1	
Readings	<ul style="list-style-type: none"> ▪ Thinking, Ch. 10, 11, 12 ▪ Groopman, What's the trouble?
To-Do	→ Complete Matterhorn Simulation by 8pm eastern Monday night if you did not complete it during class time on Monday

DAY 2 <i>Tuesday, February 9th, 2021</i> Afternoon	
Perception of Risks: The Use of Heuristics, part 2, Toro Case	
Readings	<ul style="list-style-type: none"> ▪ Case, The Toro Company's S'no Risk Program
To-Do	→ Read The Toro Company's S'no Risk Program Case before class → Submit the case assignment before the start of today's class

DAY 3 <i>Wednesday, February 10th, 2021</i> Morning	
Mental Accounting, JC Penney Case	
Readings	<ul style="list-style-type: none"> ▪ Misbehaving Ch. 7 ▪ Case, JC Penney
To-Do	→ Read the JC Penney Case before class → Submit the case assignment before the start of today's class

DAY 3 <i>Wednesday, February 10th, 2021</i> Afternoon	
Impatience and Self-Control, Selling CFLs at Wal-Mart Case	
Readings	<ul style="list-style-type: none"> ▪ Misbehaving, pp. 85-94

	▪ Case, Selling CFLs at Wal-Mart
To-Do	→ Read the Selling CFLs at Wal-Mart Case before class → Submit the case assignment before the start of today's class

DAY 4 <i>Thursday, February 11th, 2021</i> Morning	
Bounded awareness and Information Filtering, Mount Everest case,	
Readings	<ul style="list-style-type: none"> ▪ Bazerman and Chugh, Decisions without Blinders ▪ Case, Mount Everest
To-Do	<ul style="list-style-type: none"> → Read Mount Everest – 1996 Case → Submit the case assignment before the start of today’s class → Take an implicit attitude test (IAT) here before today’s class: <ul style="list-style-type: none"> ○ https://implicit.harvard.edu/implicit/ ○ (select continue as guest option – you can do whichever one you like – if you send me a screenshot of the completion page (without the result showing) I will give you an extra point)

DAY 4 <i>Thursday, February 11th, 2021</i> Afternoon	
Affect, Fairness, Bounded Ethicality, Coca-Cola vending machine case	
Readings	<ul style="list-style-type: none"> ▪ Misbehaving Ch. 14 ▪ Thinking pp. 101-104 ▪ Case, Coca Cola Vending Machine
To-Do	<ul style="list-style-type: none"> → Read Coca-Cola Vending Machine case → Submit the case assignment before the start of today’s class

DAY 5 <i>Friday, February 12th, 2021</i> Morning	
Finding time, Experts and Models	
Readings	<ul style="list-style-type: none"> ▪ Thinking Ch. 21, 22 ▪ Lauren Howe, Ashley Whillans, and Jochen Menges, “How to (actually) save time when you’re working remotely

DAY 5 <i>Friday, February 12th, 2021</i> Afternoon	
Improving decision making, Choice architecture, Behavioral insights case & FINAL EXAM	
Readings	<ul style="list-style-type: none"> ▪ Thinking Ch. 23 ▪ Misbehaving Ch. 31-32 ▪ Soll, Milkman, and Payne, Outsmart your own biases ▪ Gawande, The Checklist ▪ Bakhasi and Fox, The best flu prevention might be behavioral economics ▪ Case, Behavioral Insights (A)
To-Do	<ul style="list-style-type: none"> → Read Behavioural Insights Case (A) → Submit the case assignment before the start of today's class → The exam will be 90-minutes long and will happen in the second half of class

◆◆◆ WRITING ASSIGNMENT QUESTIONS ◆◆◆

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

1. 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.

2. 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 pricing strategy, what would you do differently from Johnson? Would you do anything the same?

3. 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?

4. Everest – 1996

- a. Why did this tragedy occur? What is the root cause of this disaster?
- b. What is your evaluation of Scott Fischer and Rob Hall as leaders and decision makers? Did they make some poor decisions? Based on the concepts we discussed in class what decision-making biases, if any, did they display?
- c. What could they have done differently?

5. 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?

6. 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.
- Michael Lewis (2017). The Undoing Project: A Friendship That Changed Our Minds. New York: W.W. Norton & Company, Inc.
- 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.
- Robert B. Cialdini (2018). Pre-Suasion: A Revolutionary Way to Influence and Persuade. New York: Simon & Schuster.
- Nassim Nicholas Taleb (2010). The Black Swan: The Impact of the Highly Improbable (2nd 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 J. Sandel (2009). Justice: What's the Right Thing to Do?. New York: Farrar, Straus and Giroux.
- Michael J. Sandel (2013). What Money Can't Buy: The Moral Limits of Markets. New York: Farrar, Straus and Giroux.
- Philip E. Tetlock and Dan Gardner (2013). Superforecasting: The Art and Science of Prediction. New York: Broadway Books.

- Richard O. Prum (2017). The Evolution of Beauty: How Darwin's Forgotten Theory of Mate Choice Shapes the Animal World—and Us. New York: Doubleday.
- Merv Emre (2018). The Personality Brokers: The Strange History of Meyers-Briggs and the Birth of Personality Testing. New York: Doubleday.