Public Policy 495 Syllabus

Irrational Actors: Psychological Approaches to Decision Making
Tuesdays & Thursdays, 2:30-4:00PM
Weill Hall 1220
Fall 2016

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Office Hours: Thursday, 12:30-2:30pm or by appointment

Course Description

Classic economics is based on the idea of rational actors – people making decisions that maximize their own utility based on their preferences. However, most psychological models of behavior don't assume that people are particularly rational. Some even claim that the vast majority of our decisions are not based on conscious preferences and deliberate choices, but are instead influenced by factors that are invisible to us. For example, why is that people who are desperately trying to save money end up splurging on unnecessary purchases? How is that people who don't think of themselves as racist—and even go out of their way to reject racist beliefs—can still act in biased ways against racial minorities? Why is it so often the case that the arguments we remember best are the ones that happen to fit with our existing beliefs?

Many psychological and behavioral economic models have been created to explain the myriad ways that people act irrationally. In this policy seminar, we will examine some of the ways in which people are "predictably irrational" and the implications of this irrationality for policy. We will review research from behavioral economics and psychology to explore how factors such as heuristics, implicit attitudes, social norms, self-serving biases, and emotions can shape our decisions – often in ways we're not even aware of.

Course Objectives
- Gain a critical understanding of factors that psychologists and behavioral economists use to explain seemingly irrational behavior, including heuristics, implicit attitudes, social norms, self-serving biases, and emotions;
- Develop the ability to design policy interventions based on psychology and behavioral economics findings;
- Enhance analytical, writing, and speaking skills via class presentations and written assignments such as policy memos.

Text:

<u>Required:</u> Daniel Kahneman (2011) *Thinking, Fast & Slow*. Farrar, Straus and Giroux, New York, NY. ISBN-10: 0374533555.

All other readings will be on Canvas. They will include excerpts from popular books and textbooks, academic articles, news reports, and videos. The syllabus and assignments are subject to change – the syllabus on Canvas will always be the most updated version.

Grading and Evaluation

Class participation and attendance: 10%
Article presentation: 10%
Short policy memos: 60% (15% each)
Final policy memo: 20%

Class participation and attendance

Attendance: This is a small and discussion-heavy course, and I expect you to attend all of the classes. Attendance will be taken every day. You may miss two classes for any reason, and you do not need to give a reason for those classes. Any unexcused absences beyond these two classes will affect your grade. Absences beyond those two classes may be excused with written documentation of UM-related activities, job interviews, or illness. However, you will still be expected to meet all expectations for the course.

If you miss a class, it is your responsibility to get class notes and any assignment updates from your fellow students before the next class. It is also your responsibility to get any assignments to the instructor *before* the day of the absence, otherwise they will be considered late. *Missing an in-class presentation without an excused absence will result in a failing grade for that assignment.*

Lateness: I understand that sometimes life happens and you may arrive a few minutes late. However, arriving late is disruptive and disrespectful to your fellow students who arrived on time. Therefore, chronic lateness will be noted and will affect your grade.

Laptops & Cell Phones: I will (grudgingly) permit the use of laptops and tablets in the classroom, on an honor system. Electronic devices can be helpful for easy access to the readings and note-taking, but they should be used only for activities related to this class. **However, research suggests that students who use laptops/tablets during class retain less information and perform poorer in the class. Despite even the best intentions, screens can be distracting to you and to those around you.** Cell phones should be silenced and out of view at all times.

Participation: This is an active seminar course and I expect you to be present to class in both body *and* mind. You are encouraged to ask questions and make substantive contributions to class discussions. To facilitate class discussions, you are expected to show up to class having completed any readings assigned for that day.

I also expect that you will listen and respond respectfully to your classmates' contributions. This means actively engaging with their viewpoints rather than just waiting for your next chance to talk. Some of us are more comfortable than others about speaking in class, so encouraging your fellow students to have their voices heard is vital. There will also be opportunities to write ideas rather than say them out loud.

Assignments (See handout for more details on assignments)
Discussion Comments: To facilitate class discussions, you must post one discussion comment about each day's readings to Canvas before the start of class. See handout for more details.

Article presentations: Each student will present one article to the rest of the class in a 10-minute oral presentation. See handout for more details.

Policy memos: Assignments include four short and one long policy memos that should take the rough format of a strategy memo. See handout for more details.

If you are new to policy writing, please refer to the Ford School Writing Center's excellent examples and guides: https://fordschool.umich.edu/intranet/writing-center.

Handing in Assignments: For draft policy memos, print a hard copy and bring it in to the class on the day it is due. For final policy memos, submit them as Word documents in Canvas by the start of class on the day they are due.

Give yourself plenty of time to submit each assignment. Canvas tells me exactly when your assignment was submitted, and you will be penalized even if it is a few minutes late.
If you miss class because of a pre-scheduled activity, you are still required to submit any assignments before the start of that class.

Late Policy: I will subtract 10% for assignments submitted after the start of class, and another 10% for each additional 24 hours thereafter that an assignment is late. Assignments that are more than 3 days late will not be accepted. If you miss class because of sickness, you should email me before the assignment is due to get an extension, in which case the assignment will be due within 3 days of the day you were sick or absent.

Academic Honesty and Learning Environment:

Ford School Academic Expectations: If you haven't already, familiarize yourself with the academic expectations of the Ford School: http://fordschool.umich.edu/academics/expectations. This link contains more details about issues such as plagiarism, learning differences, and use of technology.

Plagiarism and References: I take plagiarism very seriously. Familiarize yourself with UM's guide to academic integrity and plagiarism here: www.lib.umich.edu/academic-integrity/understanding-academic-integrity-and-plagiarism-students. You can use the citation style of your choice (APA, MLA, etc), as long as you are consistent and citing your sources.

When in doubt, add a citation and a reference even if you are just referencing an idea (that is, even if you do not quote directly the source). Make sure the sources you are referencing are reputable (aka, not Wikipedia, not a blog). **You may (and are encouraged to!) discuss the course and readings with classmates outside of class. However, all written assignments and article presentations should be your work and your work alone.**

Writing Help: In addition to the feedback you will get from me and from your peers, I encourage you to work with the Ford School's writing tutors. You can make these appointments online, using the following link: http://www.fordschool.umich.edu/writing-center/

Class Notes Policy: Any notes from the course (both the ones that I provide and the ones that you take) may not be posted on a web site, made available for file sharing, or distributed in any medium (print or electronic). The only exception is to provide a copy to a student in the class who has been absent from class.

Special Needs: If you believe you need an accommodation for a disability, please let me know at your earliest convenience. Some aspects of this course may be modified to facilitate your participation and progress. As soon as you make me aware of your needs, we can work with the Office of Services for Students with Disabilities to help us determine appropriate accommodations. I will treat any information you provide as private and confidential.

Learning Environment: Students and faculty each have responsibility for maintaining an appropriate learning environment. Professional courtesy and sensitivity are especially important with respect to individuals and topics dealing with differences of race, culture, religion, politics, sexual orientation, gender, gender variance, and nationalities. Class rosters are provided to the instructor with the student's legal name. I will gladly honor your request to address you by an alternate name or gender pronoun. Please advise me of this preference early in the semester so that I may make appropriate changes to my records.

Public Policy 495: Irrational Actors: Psychological Approaches to Decision Making
Class Schedule and Outline

Background

Class 1 (Sept. 6): Introductions

Homework due:
- o None

Class 2 (Sept. 8): Rational actor assumptions
What do we mean by "irrational"? How does this compare to economic models of "rational" actors?

Homework due:
- Reading
  - o Thaler & Sunstein (2008) Nudge – Introduction
  - o Kahneman (2011) Thinking Fast and Slow – Chapter 25 and Conclusion chapter (Econs and Humans section)

Class 3 (Sept. 13): The history of psychological insights in policy
What are "nudges" and how did they come to be integrated into policy?

Homework due:
- Reading
  - o Halpern (2016) Inside the nudge unit – Chapters 1 & 2
  - o White House (2015) Fact Sheet: President Obama Signs Executive Order (SBST)

Section 1: Heuristics

Class 4 (Sept. 15): System 1 and System 2
The FAST and SLOW of thinking fast and slow. Psychologists often talk about decision-makers as using one of two "systems": System 2, which is slow, deliberate, and rational or System 1, which is quick, intuitive, and sometimes prone to mistakes

Homework due:
- Reading
  - o Kahneman (2011) Thinking Fast and Slow - Chapters 1 & 2
  - o Bargh & Chartrand (1999) The unbearable lightness of automaticity
- Article Presenter: TBD
  - o Presenter's article: Diemand-Yauman et al (2011) Fortune favors the bold

Class 5 (Sept. 20): Gaining, losing, and staying the same
Inertia isn't just a phenomenon in physics, it turns out people tend to go with the status quo. And when things change, losses weigh more heavily than gains.

Homework due:
- Reading
  - o Halpern (2016) Inside the nudge unit – Chapter 3
  - o Kahneman (2011) Thinking Fast and Slow – Chapters 26 & 27

- Article Presenter: TBD
  - Milkman (2012) Policy bundling to overcome loss aversion

Class 6 (Sept. 22): Three flavors of heuristics: Availability, Anchors, and Representativeness
Dozens of heuristics have been identified over the years, but these are often considered the big three.

Homework due:
- Reading
  - Kahneman (2011) Thinking Fast and Slow - Chapters 11, 12, 14
- Article Presenter: TBD
  - Presenter's article: Epley & Gilovich (2006) The anchoring-and-adjustment heuristic

Class 7 (Sept. 27): Solutions to heuristics and biases/peer review

Homework due:
- Reading
  - None
- Assignment
  - Draft of Policy Memo 1 due

Sept. 29: No CLASS – SESP

Section 2: Invisible Outside Influences

Class 8 (Oct. 4): Priming
Priming, subliminal advertising, invisible persuasion – can our decisions really be controlled by things we don't even notice?

Homework due:
- Reading
  - Kahneman (2011) Thinking Fast and Slow – Chapter 4
  - Bargh et al (1996) Automaticity of social behavior
- Article Presenter: TBD
  - Presenter's article: Williams & Bargh (2008) Experiencing physical warmth
- Assignment
  - Policy Memo 1 due

Class 9 (Oct. 6): Social norms
What other people think we should do and what other people actually do themselves both affect our own decisions.

Homework due:
- Reading
  - Cialdini et al (2003) Crafting normative messages to protect the environment
  - Halpern (2015) Inside the nudge unit – Chapter 5
- Article Presenter: TBD
  - Presenter's article: Nolan (2008) Normative social influence is underdetected

Class 10 (Oct. 11): Mimicry
Monkey see, monkey do, monkey gets along better with other monkeys.

Homework due:
- Reading
  - Chartrand & Bargh (1999) The Chameleon effect
  - Dickerson (2015) Whistlestop Episode – Feeling your pain (at least minutes 5:50 – 12:00 and 20:39 – 30:04)
  - Video – Bush vs Clinton Debate 1992
- Article Presenters: TBD
  - Presenter 1's article: Neal & Chartrand (2011) Embodied emotion
  - Presenter 2's article: Stel et al (2009) Want to know the truth?

Class 11 (Oct. 13): Habits
We tend to think about habits as a matter of willpower, but they are also guided by our physical and social surroundings. How can we create surroundings that foster better habits?

Homework due:
- Reading
  - Wood & Neal (2016) Habit-based behavior change interventions
  - Duhigg (2008) Warning: Habits might be good for you
- Article Presenters: TBD
    - Presenter 1's article: Wood et al (2005) Changing circumstances, changing habits
  - Presenter 2's article: Adriaanse et al (2011) Breaking habits with implementation intentions

Oct. 18: FALL BREAK – No class

Class 12 (Oct. 20): Solutions to outside influences/peer review

Homework due:
- Reading
  - None
- Assignment:
  - Draft of Policy Memo 2 due

Section 3: Invisible Inside Influences

Class 13 (Oct. 25): Stereotypes and implicit attitudes
What are implicit attitudes and how do they compare to explicit attitudes? What do they mean in terms of stereotypes, prejudice and discrimination?

Homework due:
- Reading
  - Plous (2003) The Psychology of Prejudice, Stereotyping and Discrimination
  - Take three IAT tests on Project Implicit. Note your scores and what the researchers say about them. You must take:
    - Gender-Career IAT
    - Race IAT
    - Third IAT of your choice

- Article Presenters: TBD
  - Presenter 1's article: Norton et al (2007) Playing the political correctness game
  - Presenter 2's article: Reuben et al (2014) How stereotypes impair women's careers in science
- Assignment:
  - Policy Memo 2 due

Class 14 (Oct. 27): Implications of implicit attitudes
Why do implicit attitudes even matter and what can we do about them?

Homework due:
- Reading
  - Gladwell (2005) Blink – Chapters 3 & 6
  - Chapman et al (2013) Physicians and implicit bias
- Article Presenter: TBD
  - Presenter's article: Shih et al (1999) Stereotype susceptibility

Class 15 (Nov. 1): Self-perception theory
How well do we really know ourselves and how do we come to have that knowledge?

Homework due:
- Reading
  - Bem (1972) Self-perception theory
- Article Presenter: TBD
  - Presenter 1's article: Schachter & Singer (1962) Cognitive, social, and physiological determinants of emotional state
  - Presenter 2's article: Danziger et al (2011) Extraneous factors in judicial decisions

Class 16 (Nov. 3): Negative Emotions
Anger, disgust, sadness, fear – how are our decisions shaped by these negative experiences? Do they help us make better decisions or worse ones?

Homework due:
- Reading
  - Lerner at al (2015) Emotion and decision making
  - Slovic (2007) Psychic numbing and genocide
- Article Presenter: TBD
  - Presenter 1's article: Cameron & Payne (2011) Escaping affect
  - Presenter 2's article: Inbar et al (2009) Disgust sensitivity predicts disapproval of gays

Class 17 (Nov. 8): Positive Emotions: Happiness, Joy, and Well-being
How does positive emotions like happiness and joy affect our decisions? What is well-being and why are we so bad a making decisions that will help us get there?

Homework due:
- Reading
  - Kahneman (2011) Thinking Fast and Slow – Chapters 37 & 38
  - Fredrickson (2003) The value of positive emotions
- Article Presenter: TBD
  - Presenter's article: Van Boven & Gilovich (2003) To do or to have?

Class 18 (Nov. 10): Solutions to inside influences/peer review

    Homework due:
- Reading
    - None
- Assignment:
    - Draft of Policy Memo 3 due

Section 4: Self-Serving Biases

Class 19 (Nov. 15): Confirmatory Biases
People are really good at motivated reasoning: they seek out and remember things that fit their preexisting beliefs.

    Homework due:
- Reading
    - Kunda (1990) The case for motivated reasoning
    - Kahneman (2011) Thinking Fast and Slow – Chapters 19 & 20
- Article Presenters: TBD
    - Presenter 1's article: Taber & Lodge (2006) Motivated skepticism in political beliefs
    - Presenter 2's article: Fischer et al (2011) Threat and selective exposure
- Assignment:
    - Policy Memo 3 Due

Class 20 (Nov. 17): Overconfidence
"Lake Wobegon, where all the women are strong, all the men are good looking, and all the children are above average"

    Homework due:
- Reading
    - Kahneman (2011) Thinking Fast and Slow – Chapters 23 & 24
    - Dunning (2011) The Dunning-Kruger effect
    - Lovallo & Kahneman (2003) Delusions of success
- Article Presenter: TBD
    - Presenter article: Hall & Raimi (under review) Belief superiority and knowledge

Class 21 (Nov. 22): The bias blind-spot
Think you're not biased? You're wrong, but you're not alone.

    Homework due:
- Reading
    - Pronin (2007) Perception and misperception of bias in human judgment
    - Pronin & Schmidt (2013) Claims and denials of bias and their implications for policy
- Article Presenter: TBD
    - Presenter's article: Hansen et al (2014) People claim objectivity …

Nov. 24: Thanksgiving, No class

Class 22 (Nov. 29): Justifying the self and the system

What happens when we find ourselves acting against our own interests or morals? How do the stories we tell ourselves and others affect our beliefs?

Homework due:
- Reading
  - Jost et al (2004) A decade of system justification theory
  - TEDx Video: Piff (2013) Does money make you mean?
- Article Presenters: TBD
  - Presenter 1's article: Holland et al (2002) Dissonance on the road
  - Presenter 2's article: Kay et al (2005) Victim derogation and victim enhancement

Class 23 (Dec. 1): Dishonesty and Corruption
Why you should be suspicious of the "few bad apples" defense.

Homework due:
- Reading
  - Ariely (2009) Predictibly Irrational Chapters 12 & 13
- Article Presenter: TBD
  - Presenter's article: Bersoff (1999) Why good people sometimes do bad things

Class 24 (Dec. 6): Groupthink
Two heads are better than one….except when they're not.

Homework due:
- Reading
  - Forsyth (2010) Group dynamics – Chapter 11: Decision making
  - Sunstein & Hastie (2014) Making dumb groups smarter
- Article Presenter: TBD
  - Presenter's article: Postmes et al (2001) Quality of decision making

Class 25 (Dec. 8): Solutions to self-serving biases/peer review day

Homework due:
- Reading
  - None
- Assignment:
  - Draft of Policy Memo 4 due

Class 26 (Dec. 13): Wrap Up

Homework due:
- Assignment:
  - Policy Memo 4 due (1 page)

Final Papers due by December 21 5pm