Summary of 502 Concepts

Part I: Decision analysis, judgments, behavior

- Small correlation between confidence and accuracy (correlation is about .40 - analysis across studies). Repeated questioning and providing confirming feedback enhances confidence.
- People systematically overestimated objective correlations
- People mis-perceive objective probabilities. People tend to under-weight bad outcomes, over-weight good outcomes. For unknown precise probabilities, people overestimate low-probability events, but underestimate moderate to high probability events. Even though when the precise probabilities are known, people often "weigh" such probabilities in ways that depart from objective values. They often overweigh small probabilities and under-appreciate moderate probabilities. Example -- people under-weigh objective probability of arrests (= overconfidence + poor calibration). So, deterrence is not effective unless apprehension ration is really high.
- Heuristics-- rules of thumb we rely on as a shortcut that simplifies our decision making process. Overreliance on heuristics turn them into judgmental biases.
- Availability heuristic—judge probabilities by how easily we can recall instances of it, but mental availability may be biased. Insensitivity to base rates.
- Representativeness heuristic—we think our set of recallable experiences is representative of reality, but may be skewed. Relying on one case to make judgments by ignoring the base rates.
- People compare things to an “anchor” and adjust from there. People usually fail to adjust from their anchor adequately.
- Association bias: If something is associated with something good, it must be good too.
- The affect heuristic -- the tagging of positive or negative feelings to an object or experience. When people consult a pool of images as a shortcut to make decision about that object or experience, those feelings will stood out through the power of the affect heuristic.
- There is "a predictability ceiling". Our intuition tends to be greatly exaggerated.
- The illusion validity -- a false sense that you understand the nature.
- Intuitive predictions are not sufficiently regressive.
- Prospect theory
1) People are risk-averse for gains, while risk-seeking for losses. (S-Shaped utility function). People will risk greater losses for small chance of no loss at all, but will accept small gain rather risking it for bigger gain. People lump losses together (less painful) and thinks of gains separately. People value an initial gain more than a subsequent gain and feel an initial loss worse than subsequent losses.

2) Loss aversion-- losses loom larger than gains. People respond more strongly to loss than to gain of equivalent value.

3) People do not make decisions in terms of overall wealth level but gains and losses evaluated relative to a referent point. Gains and losses, not wealth, are the carrier of utility. Framing can alter the referent point.

- The certainty effect -- certainty or the feeling of uncertainty has extra psychological effect for people. Complexity and ambiguity are both aversive. People are willing to pay for certainty.

- However, the uncertain state of wealth is generally considered slightly more attractive than owning W with uncertainty.

- Bounded rationality - people search for the first satisfactory option, then stop, rather than for optimal choices. People are not perfectly rational, but boundedly rational. They lack perfect information and suffer from everything listed in this section. (Bazerman)

- Endowment and commitment effects—we value what we own more than we would if we didn’t own it, and we think something we’ve committed to doing is more worthwhile than if we hadn’t. We stop seeking disconfirming evidence after buying or committing to something because we fear regret. Individuals will demand much more money to give something up than he/she will be willing to pay to get it. (Richard Thaler). We have attachment value to things we own.

- How issues are framed and which mental accounts are activated lead to different behaviors. Money in different mental accounts is not fungible. People are more likely to spend some categories of wealth and less likely to spend other categories. (Small gains are perceived as income and will be spent, large gains are perceived as new assets and will be saved!)

- People don’t consumption smooth—consumption is sensitive to current income and which mental account expenses are credited to. (income, assets, future income.)

- Status quo bias is a restraining force. Why the default option is so powerful. Familiarity bias—things that are familiar are positive.
• **Self-serving bias:** People tend to confuse what is personally beneficial and what is fair and moral. What is best for me must be moral and fair (Bazerman)

• **Hyperbolic discounting and intertemporal choice**—people underestimate the impact today’s choices will have on tomorrow’s opportunities. Discount gains at higher rate than losses. Want good things now and bad things later. Preferences are inconsistent across time—have both long-term and short-term preferences, often in conflict.

• **People behave in ways that produce self-fulfilling prophecies or expectancy confirming behavior in others.** We make a choice and then find reasons/arguments that support it, not the other way around.

• **Channel factors turn intentions into actions.** Channel factor is defined as stimuli or response pathway that serves to elicit or sustain behavioral intentions with particular intensity or stability.

• **The false consensus effect**—people tend to rate their own particular choice as more common than it is and less related to their personality than it is. People think that their position are common position.

• **Automaticity**—Much behavior is automatic and unconscious, and decided by heuristics/situational trigger factors. Most likely to use automaticity when (1) outcome is less important to you (2) you don’t have time/info/etc to be systematic. **Dual process**—we use some combination of automatic and controlled thinking most of the time but even our controlled thinking is biased by automatic heuristics.

• **Risks as feeling**—we reacting to risks automatically as a result of emotions experienced at the time of decision-making. This process is caused by a predominant role of the affect heuristic and a minor role, if at all, of cognitive evaluation. The affect heuristic has become a source of information.

• **Reciprocity** Get people to do what we want by doing something small for them first.

• **We want to appear consistent.** If I can get you to make an initial commitment, your desire to appear consistent will keep you on that path and deepen your commitment. We tend to escalate commitment even when the original commitment is not rational

• **People care about procedural justice.** Can provide it by giving people voice/participation opportunities, neutral decision-makers, treating respectfully. This is fairly costless. Unlike distributive justice, procedural justice cuts across races, religions and ideologies.

• **Positive illusions** about ourselves and our group.
- **Authority heuristic** We do what authority figures tell us to automatically. We obey to symbols of authority like titles, cloths and cars.

- **Liking heuristic** We do what those we like ask us to do automatically.

- **Scarcity heuristic** What is scarce must be valuable. (Linked to the endowment effect)

- **Actuarial methods produce better outcomes than human judgment methods, because of human biases.** (Dawes)

- **We ignore the tendency to regress to a mean.** See order where there is none. Assume that past data are perfectly correlated with future events. Lead to the underestimation of the power of rewards and overemphasis on punishment.

- **More choice isn’t always good.** Can be bad unless there are many heterogeneous needs that more choice can satisfy and people have **expertise** to choose. (Lowenstein)

- **People employ irrational coping mechanisms to make decisions under stress.**

- **Prior knowledge can bias** the perception of evidence (looking for theory-confirming evidence), the evaluation of evidence and the reconstruction of evidence. Such knowledge can **survive in the face of contradictory fact.**

- **"The free lunch you are paid for to eat" effect** -- you must give incentives for people to do what are good for themselves. Because they are myopic, people won't use energy efficient cars even though that will saving a lot of money in the long-run. So, must give them tax incentives to use energy efficient cars.

- **The illusion of control** -- a belief that this will not happen to me.

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**Part II Situations and Behaviors**

- When the behavior is ambiguous, the **situation can be used to disambiguate behavior.**

- **The focusing illusion** -- what matters to people is what's in their mind at the moment.

- **Situation** exerts power on behavior via **construal process** of individual.

  1) **Information conformity** (providing definitions of the situation, learning about social reality by observing other's reaction to it.)

  2) **Diffusing responsibility** for action (recognize the risk but think others will intervene)

      Ex. Victims have a higher chance of receiving help if there is only single bystander rather than a group --**the bystander effect.**

  3) Social dilemmas

  4) License to act in ways that are generally not socially approved.
• **Social Proof (Cialdini)** -- the behavior of others towards objects provide cues to meanings of those objects. One's behavior is influenced by the behavior of people around. People decide what to believe or how to act in a situation by looking at what other people are believing or doing. **Social proof is influential under uncertainty and similarity** (people are more inclined to follow the lead of similar others). Policy makers and media need to understand how their policies and the report of these policies give "social proof" to legitimize or delegitimize certain ideas.

• **The Whether effect** -- following suicides which are well publicized, suicide rates jump. Troubled individuals hear about suicide and imitate it.

• **Cognitive dissonance** -- bring one's current attitudes to be consistent with prior beliefs, even if these beliefs prove to be faulty or unfounded. **Cognitive dissonance can cause attitude change** - Getting people to perform some actions that is inconsistent with their prior beliefs will cause dissonance. People will change attitudes to resolve dissonance, so long as there is insufficient external justification for the behavior. This works best when dissonance threatens self-esteem or a significant commitment has been made to one of the options through effort or irrecovovability.

• **Attitudes** are **automatic evaluations** which are **context-dependent**.

• **Situationalism and the fundamental attribution error**—much behavior is dictated by situational forces, not personality. People tend to blame personalities or situation depending on whether outcome is good or bad and if they like the person involved; tend to underestimate power of situation in general.

• **Social judgment** is relative, depending on the availability of options

• Memory is influenced by **post memory-events**.

• **The validity effect** -- When there is low personal relevance, the frequency that the argument is presented enhances its perceived strength. Repeating is believing -- presenting statements repeatedly increases their validity.

• **The familiarity effect** -- Familiarity is misattributed to the truthfulness. ( I have seen this before.)

• **Pluralistic ignorance**-- misperceiving social norms. People's outward behaviors is generated by fear of embarrassment, rejection or conflict, and is thus, not necessarily congruent with their inner states. Perceivers seem to misunderstand this. We read the meaning of others' behavior as if it was generated transparently. We are thus misled about the states of the world or states are normative standards.
• **Social influence** -- A normative conformity process, in which adherence to norms is induced by punishment for deviation.

• **Network externality** - benefiting from having a good because so many people already have it. The benefit it to be part of the network. (Ex. SUVs)

**Part II Changing beliefs, attitudes and behaviors.**

• **Framing** as persuasion strategy. (Ex. Loss-framed messages more effective in the case of detection of illness. Gain framing in the prevention of illness)

• **Cognitive influence strategy** -- aimed directly at factual beliefs.

• **Normative influence strategy** -- aimed at changing the content of the normative beliefs, or salience of the normative beliefs or both.

• **Three main ways to change behaviors**
  1) Changing beliefs
  2) Changing norms
  3) Directly targeting behaviors

• **Strategies for directly affecting behavior**
  1) **Reduction of environmental impediments**
     - Creating **channel factors**
     - Removing **resistance/opposing forces**
  2) **Priming** -- placing messages in the forefront of consciousness, making them more accessible.
     Ex. Stereotype threat.
  3) **Delegating control to the environment**
     Ex. Implementation intentions (when situation X arises, I will perform Y) - the implementation of behavior is under the control of situational cues. Automization of the intended behavior. **Implementation intentions bypass the need for explicit recall.**

• How stimuli will change people's behavior depends on **subjective construal of stimuli.**

• **Strong attitudes** are harder to change by priming.

• **Strong attitudes** are not indicative of behavior.

• **Subliminal persuasion is powerful.** But only **crude messages** subliminally conveyed. Voluntary compliance (buy-in) is better than coercion: more stable and long-lasting (Linked to procedural justice)
• **Norms** are only influential when *salient*, hence activated.
• **Injunctive norms** -- people *should* conserve
• **Conjunctive norm** -- people *are* conserving

**Part IV Group Politics + Public Opinion**

• **We unconsciously favor ingroup members and denigrate outgroup members.** We often define groups by race. Can be eased with positive, egalitarian group projects that require cooperation.
• **Public opinion:** people have true attitudes, but not about everything. True attitude is central tendency, but deviation can be manipulated by surveyors. Question wording, ordering, and response options can all cause biases.
• **Measuring public good value is nearly impossible**—people reject putting a dollar value on public goods, people over-estimate what they would be willing to pay (free-rider); *contingent valuation should be seen as an attitude statement* not a real economic preference (Kahneman)
• **Principal/agent problems** can be solved by sharing information, developing incentives/punishments to align interests.
• **Group identity or solidarity will lead to higher rates of selfless group cooperation.**

**Psych Questions: Needed Steps**
1. Evaluate the strength of the opinion on the issue.
2. How to frame the issue, given the strength of the opinion
   - Loss aversion
   - Cost Vs. Loss (People are more comfortable incurring costs than losses)
   - Changing the referent point
     Ex. If people use the status quo as a referent point, we can frame that they are never entitled to that. Revocation of bonus is better than revocation on entitlement to avoid loss aversion.
3. How do you change people's opinion?
   **Rule**: increase the probability that information is perceived by *"clear, specific, vivid, concrete, personal, credible"* accounts.
   - Fairness esp. procedural justice
   - Credible sources
- Personal accounts and vivid examples (this helps people to internalize it)
- **Group identity** and solidarity ex. frame is as "national security"

4. Implementation
   - Incentive
   - Advertising campaign -- social diffusion and social proof