

SOCIETY for JUDGMENT and DECISION MAKING

NEWSLETTER

The Headlines

****There are two very important items that require your immediate attention****

Think Florida, Think Orlando, Think JDM Society Meeting this November. It is time to submit papers, posters, & symposia. See page 5, for all the details. Don't wait; the deadline is July 1.

It is time to nominate candidates for President Elect and the JDM Board. Do your good citizen duty and nominate. See page 6 for the details. Don't put it off. The deadline is August 1.

As I promised, the teacher's corner has returned in this issue. HOWEVER, I'm now out of material for it. It will die unless you send me more material. Come on, I know you have that hot little item you use in your classes. Send it to me while you are thinking about it, please.

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SUBMISSION DEADLINE FOR THE NEXT (SEPTEMBER) *JDM NEWSLETTER*: August 31, 2001

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SOCIETY FOR JUDGMENT AND DECISION MAKING

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The *JDM Newsletter* welcomes submissions from individuals and groups. However, we do not publish substantive papers. Book reviews will be published. If you are interested in reviewing books and related materials, please write to or email the editor.

There are few ground rules for submissions. The best way to send your contribution is via EMAIL or a 3.5" diskette. Send an IBM-compatible text file or word-processed document up to versions WordPerfect 9 or Word 2000. If you must send hard copy (e.g., if you are using special graphics or do not have computer access), please submit camera-ready copy. This means that the copy should be typed single-spaced on white 8½ by 11 paper. If possible, use a carbon or film ribbon. Please mail flat -- do not fold.

Subscriptions: Subscriptions are available on a calendar year basis only with society membership. Requests for information concerning membership in the Society for Judgment and Decision Making should be sent to Sandra Schneider.

Advertising Rates: Advertising can be submitted to the editor. Inclusion of the ad and the space given to the ad is at the editor's discretion. The current charge is \$100 per page (\$50 per 1/2 page). Contact Stephen Edgell for details. Alternatively, you can use:

Mailing Labels: Some readers may wish to send reprint lists or other material to people listed in the directory. The current charge is \$125 for a set of labels. A diskette of the database is available for one-time use. The charge is \$50 for commercial use, \$25 for nonprofit use. Contact Sandra Schneider for details.

Address Corrections: Please keep your mailing and/or email address current. We often have no way of knowing if you are not receiving the newsletter. Address changes or corrections should be sent to Sandra Schneider. Reports of problems in receiving or opening the pdf file should be sent to the editor.

2001 Committees of the Society for Judgment and Decision Making

Program Committee

Maurice Schweitzer (through 2001)
 Marlys Lipe (Chair)(through 2002)
 Rami Zwick (through 2003)
 Julie Irwin(through 2004)

Einhorn Award Committee

Lola Lopes (chair) (through 2001)
 Eldar Shafir (through 2002)
 Rick Larrick (through 2004)
 TBA (through 2006)

Publications Committee

Michael Birnbaum (through 2001)
 Jonathan Baron (chair) (through 2002)
 William Goldstein (through 2003)
 Barbara Mellers (starting 2001)

Student Poster Committee

JD Jasper (chair)
 Members TBA **(SEE BELOW)**

Beattie International Travel Award Committee

Peter Ayton
 Josh Klayman (chair)
 Martin Weber

Representative to the Federation of Behavioral, Psychological, and Cognitive Sciences

Hal Arkes

SJDM Webmasters:

Alan Cooke
 Alan Schwartz

PRESIDENTS

Society for Judgment and Decision Making

James C. Shanteau	1986-1987	Kenneth R. Hammond	1987-1988
Robyn M. Dawes	1988-1989	Lola L. Lopes	1989-1990
Baruch Fischhoff	1990-1991	Robin M. Hogarth	1991-1992
Daniel Kahneman	1992-1993	J. Frank Yates	1993-1994
Terry Connolly	1994-1995	Barbara Mellers	1995-1996
Hal R. Arkes	1996-1997	Elke Weber	1997-1998
Irwin P. Levin	1998-1999	Thomas Wallsten	1999-2000
David Budescu	2000-2001	George Loewenstein	2001-2002

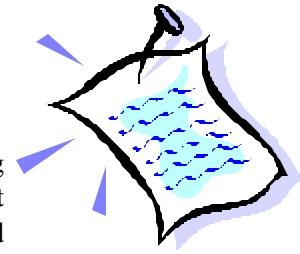
A Few Good Men and Women Needed

We know you can't handle the truth, but that time is upon us again. We desperately need volunteers for the Student Poster Awards Committee. If you would be willing to help evaluate a few student posters at the November SJDM meeting, your involvement would be greatly appreciated by the Society. Any (non-student) SJDM member is eligible to serve. To volunteer or for more information, contact the Committee Chair, J.D. Jasper, at Jd.jasper@utoronto.ca.

A Letter from the President

Dear JDMers:

This issue of the newsletter includes the call for papers for the annual meeting of the SJDM. I am always looking forward to this announcement. It signals that the meeting is just a few months away (November 17-19 in Orlando, FL), and that soon I will have the opportunity to meet old friends and colleagues, and to attend interesting and stimulating sessions.



For the last three years I was a member of the program committee that screens all the submissions and selects papers for the meeting. In this capacity, I read and rated over 250 abstracts. This task occasionally was difficult, and I must admit at times frustrating. But I was more than compensated for the work by the rewarding learning experience. Reading all the abstracts within a short period of time in no particular order provides a vivid panorama of the breadth of our field and the diversity of its methodologies and relevant applications.

It is quite humbling to realize that no matter how hard one tries to keep up with the "relevant literature" there is, invariably, a considerable subset of submissions dealing with research problems about which one knows very little, or even less! Of course, one goal of our periodical meetings is to provide everyone the opportunity to learn about new directions and developments in the field. However, at times I could not help but wonder if the JDM field is too broad and too fragmented. I am using these terms loosely since I do not believe that one can identify the "optimal" level of fragmentation, or that it is sensible and feasible to control the scope and direction of research in any field. I also cannot compare the state of JDM to other sub-fields in psychology, organizational behavior or management. But it is revealing that over the past three years, only about half of the sessions consisted exclusively of papers that were related in content, theoretical orientation and methodology, while the other half offered a mixture of diverse, and sometimes even unrelated, papers.

There is nothing in the short history of the field of behavioral decision-making that would lead one to anticipate this state of affairs. The field started primarily as an attempt to complement a very precise, neatly organized and coherent normative decision theory with a parallel, preferably equally coherent, body of empirical facts, and a considerable amount of work was devoted to this goal. Then, during most of the seventies and eighties, a good portion of JDM work was inspired and driven by the highly influential and successful research program on heuristics and biases. Thus, it is somewhat surprising that JDM research today lacks a central theme or a unifying theory.

Is our field facing a crisis or an opportunity? I do not think anyone can unequivocally answer this question at the present time. Without doubt, it is easier and probably wiser to pinpoint and characterize crises, breakthroughs, and changes of paradigms in retrospect than to attempt to forecast them. However, I think that it is quite safe to say that JDM researchers are searching for new directions. Some telling indicators are (a) the growing interest in the interface and relation between judgment and decision processes on the one hand, and emotions and affect on the other, (b) more serious attempts to directly relate JDM research with work on other, more general, cognitive processes, and (c) the increased level of collaboration (and, occasionally, healthy competition) with related disciplines such as experimental economics. I think most of us would agree that these are positive developments, and that a complete descriptive model of individual decision-making should include both cognitive and emotional components, and be appropriately sensitive to environmental and structural constraints and incentives. Are we getting any closer to that elusive overarching model? Come to the SJDM annual meeting in Orlando, and judge for yourself!

Call for Submissions, Papers, Posters, from JDM Members

Submission Deadline: July 1, 2001

The J/DM program committee invites proposals for symposia, individual papers, and posters on any theoretical, empirical, or applied topic related to judgment and decision making. This year the conference will be held in Orlando, Florida, November 17-19, 2001.

Conference submissions should be made through the J/DM webpage located at: <http://www.sjdm.org>. After completing a web-based submission you should receive a confirmation message via e-mail. If you do not receive confirmation via e-mail or have any problems with the webpage, you can also submit copies of your submission via e-mail (as text or Word attachments) to the appropriate address:

Symposia and papers:

Marlys Lipe
Mlipe@OU.edu

Posters:

Julie Irwin
jirwin@mail.utexas.edu

The other members of the program committee are Maurice Schweitzer, Rami Zwick, and Sandra Schneider.

PLEASE NOTE:

- At least one author of each submitted presentation must be a J/DM member. Joining the J/DM Society at the time of submission will satisfy this requirement. (A membership form can be accessed on the website.)
- Any individual may present at most one paper (but may be a co-author on multiple papers).
- Any individual may be the first author of at most one poster (but may be a co-author on multiple posters).
- A \$100 prize will be given to the best poster presentation whose first author is a student member of the J/DM Society. Joining the J/DM Society at the time of submission will satisfy the membership requirement.

Each submission should indicate:

- Type of submission (symposium, paper, or poster).
- Names, institutional affiliations, and J/DM membership status of all authors.
- Name and e-mail address of corresponding author.
- The title of your proposed presentation.
- Designated presenter, if not the first author.

TO PROPOSE A SYMPOSIUM

Symposia are usually allotted about 90 minutes and include 3 or 4 speakers and perhaps a discussant. Submit a 100-200-word description of the intended theme and format of the session. Attach a list of intended participants and discussants, including for each an e-mail address, with a brief description (100 words) of the topic of his or her talk. Please confirm the speakers' and the discussants' willingness to participate prior to submitting their names. Indicate which talks speakers would be willing to present as a poster if a symposium slot is not available.

TO SUBMIT AN INDIVIDUAL PAPER

Submit: (1) a one-page abstract of the paper, and (2) a short 100-word (strictly enforced) version of your abstract. (The program committee will evaluate the one-page abstract; the 100-word abstract will be printed in the program if the paper is accepted.) Indicate whether you would be willing to present your paper as a poster if an individual paper slot is not available.

TO SUBMIT A POSTER

Submit a short abstract of no more than 100 words (strictly enforced). Indicate whether the submission is eligible for the student prize (i.e., whether the first author is a student member of the J/DM Society). You may be the first author on a maximum of 1 poster presentation. (Therefore, if you are also the first author of a submitted paper which is later converted to a poster, you may present only 1 of the resulting 2 posters. Please anticipate this contingency and indicate which of the resulting posters you would present.)

Nominations for J/DM Executive Board Members

Please take a few minutes to think about suitable candidates for these positions and send in your nominations. Your participation in this process is very important. Either send in this form or send your nominations via e-mail to Sandra Schneider at the address below.

The Society bylaws provide for election of two officers each year: the President-Elect (who thereafter becomes President, then Past President, and then leaves the Board); and one member of the Executive Board (who serves for three years, and then rotates off). The first step in the process is the nomination of candidates for these posts. This is the task of the membership, i.e., **YOU**. The election ballot will be in the September issue of the *Newsletter*.

Please take a moment to think of people that you would like to see leading our Society. You may nominate up to FIVE for the Board, up to TWO for President-Elect. Note that ex-Presidents are not eligible for reelection as President, though they may serve as Board members. (For your information, a list of the society's presidents is on page 3 of this newsletter.) Any Presidential nominations ineligible by this rule will be counted as Board nominations. Please do nominate at least a few candidates--quite modest numbers of nominations have put candidates on the ballot in past years.



Nominate up to FIVE people as candidates for the Executive Board:

- 1. _____
- 2. _____
- 3. _____
- 4. _____
- 5. _____

Nominate up to TWO people as candidates for President-Elect:

- 1. _____
- 2. _____

Return your nominations to:
 J/DM Nominations
 c/o Sandra Schneider
 4202 E. Fowler Ave., PCD 4118G
 Tampa, FL 33620-8200 USA
 or send by e-mail:
 sjdm@web.usf.edu


 NOMINATIONS MUST
 BE RECEIVED BY
 August 1, 2001
 



Recent JDM Dissertations



Please send the Editor information on recently completed dissertations in the decision making area to be included in this continuing column for informing JDM members about the work of new researchers.

Tim Rakow, Department of Psychology, University of Essex, was awarded his Ph.D. in December 2000 by the University of London. His thesis was titled: Pre-surgical Judgement and Decision Making in Pediatric Cardiac Surgery. The project examined doctors' estimation of the chance of death following 'high risk' surgery in children, and doctors' preferences among different management strategies for children with congenital heart disease.

Steve Bond, a student of Larry Phillips, received his Ph.D. in 1999 from the University of London School of Economics and Political Science. His thesis is entitled: "Decision Analysis in Organizations: Case Studies of Client-analyst Relationships." The thesis is structured around case studies of six organizations, public and private, in the USA and UK, that cover a wide range of degrees of success in implementing decision analysis. It argues that decision analysts need to synthesize their learning through a process of integrative research.

Andrew M. Parker, Department of Marketing, Virginia Tech completed his dissertation in August 2000, entitled: "An individual Differences Measure of Decision-Making Competence," at The Department of Social and Decision Sciences, Carnegie Mellon University.

Mandeep K. Dhani, Department of Psychology, University of Maryland, completed his doctoral theses (2001): "Bailing and Jailing the Fast and Frugal Way: An Application of Simple Heuristics and Social Judgement Theory to English Magistrates' Remand Decisions." City University, London. His advisor was Peter Ayton and Pieter Koele was an external examiner.

JDM Society ON-LINE

JDM maintains a web page and listservers through the gracious and excellent work of Alan Cooke <acooke@sjdm.org> and Alan Schwartz <alansz@sjdm.org>. (They welcome comments and suggestions for new features.)

The JDM Web Page (<http://www.sjdm.org>).

The JDM Society has a set of pages on the Worldwide Web, providing information about the Society and Society membership, upcoming events, our electronic services including course syllabi, forms for subscribing to JDM mailing lists, the reference archive, links to related web sites that may be of interest to members, copies of the JDM Newsletter (for Society members only), and the JDM directory (for Society members only) with links to members' home pages.

Passwords for the member only services on the web page: *[Note this is new!]* If you have already established one, it will still work. If you need one, visit the web site and take the "Member Services" link. Read and follow the instructions describing how to determine your login name and password. You'll know whether you got it right if you can get to the JDM Newsletters or the on-line directory. Please change your default password as soon as possible. Be sure you can remember your new password.

On-line Society Newsletters: The JDM Newsletters are available on-line (link on home page) in Adobe PDF format.

On-line Directory: The Society Directory is available on-line. There is a link on the home page.

Reference Archive: The system allows users to store and retrieve book and chapter references related to the fields of judgment and decision making. Follow the chapter archive link from the web page to the link to the reference archive.

Electronic Mailing Lists: The Society maintains a listserv. You can subscribe or unsubscribe to it and find full instructions for using it by following the mailing lists link on the home page or go directly to <http://www.sjdm.org/mailman/listinfo/jdm-society>.

JDM Members Have Been Busy

Many of our fellow members have recently published books or other items that you might be interested in taking a look at, but may well not be aware of. So here are some. Please send the Editor more for the next newsletter. (The order listed is random.)

Cass R. Sunstein, Daniel Kahneman, David Schkade, and Ilana Ritov have written an article that will be published in the Stanford Law Review entitled: Predictably Incoherent Judgments. The article discusses that when people make moral or legal judgments in isolation, they produce a pattern of outcomes that they would themselves reject, if only they could see that pattern as a whole. A central reason is that when people see a problem in isolation, they spontaneously "normalize" it by comparing it to problems from within the same category. It follows that if people are shown problems from different categories, their judgments will be very different from what they would be if the same people were asked to assess problems one at a time. Several experiments, supporting these basic claims, are discussed, alongside an empirical study of administrative penalties. The underlying phenomena have large implications for many topics in law, including jury behavior, contingent valuation, punitive damages, criminal sentencing, and civil fines. Connections are also drawn to several issues in legal theory, including valuation of life, "incommensurability," and the aspiration to global coherence in adjudication.

Linda Booth Sweeney and John. D. Sterman (2000). published "Bathtub Dynamics: Initial Results of a Systems Thinking Inventory." in System Dynamics Review 16(4):249-294. Many are calling for the development of systems thinking to improve our ability to take effective actions. Through courses in the K-12 grades, universities, and corporations, advocates seek to teach people to think systemically. We describe initial results from an assessment tool that we hope will eventually provide a means for testing the effectiveness of training and decision aids.

Paul Slovic has a new book titled, Smoking: Risk, Perception, and Policy, (Sage). It reports the results of a survey of 3500 people, young and old, smokers and non-smokers, examining their knowledge, attitudes and perceptions of cigarette smoking and nicotine addiction. The book website is: <http://www.sagepub.com> or you can reach Paul at: pslovic@oregon.uoregon.edu.

Robin Hogarth has a new book coming out in July, entitled: Educating Intuition (University of Chicago Press). He goes beyond debating whether intuition is "good" or "bad," "functional" or "dysfunctional." Instead, after carefully reviewing the evidence, intuition is seen to be a normal and important component of thought. Moreover, by discussing how it is acquired, arguing that most intuitions are learned tacitly, he shows when specific intuitions are likely to be "good" or "bad."

Steve Edgell and colleagues published a paper in the March issue of the *Journal of Hand Surgery* explaining to physicians how "Different reference frames can lead to different hand transplantation decisions by patients and physicians."

JDM Members Have Been Busy(Continued)

Principles of Forecasting: A Handbook for Researchers and Practitioners edited by J. Scott Armstrong is now available from Kluwer. It uses knowledge from experts and empirical studies to provide forecasting principles. It covers all types of forecasting methods: judgmental, such as Delphi, role-playing, and intentions; and quantitative, such as conjoint analysis, econometric methods, expert systems, and extrapolation. Forty authors contributed. Details at <http://forecastingprinciples.com>.

Rex Brown, is writing a paper entitled: How Decision Makers are Misled When quantitative Methods are Misused. He would appreciate comments. A copy of the Working paper is available from author at rbrown@gmu.edu

Jiro Ihara recently informed us of a new web site regarding doing decision making research on the web. You might want to take a look at <http://staff.aist.go.jp/jiro-ihara/>.

Announcement of Two Major Prizes Awarded in Psychology

The 2001 Grawemeyer Award in Psychology at the University of Louisville, Louisville, Kentucky. Michael Posner, Marcus Raichle, and Steven Petersen have been selected for the first Grawemeyer Award in Psychology for their pioneering research in cognitive neuroscience, demonstrating the relation of specific mental operations to specific brain areas. Michael Posner is founding director of the Sackler Institute for Developmental Psychology at Weill Medical College of Cornell University. Marcus Raichle and Steven Petersen are professors at Washington University. The Prize itself was a medallion for each recipient and a monetary award of \$200,000. The Grawemeyer Award will be Awarded Annually.

First Recipient of the David E. Rumelhart Prize. Geoffrey Hinton will receive the First David E. Rumelhart Prize and deliver the first Rumelhart Prize Lecture in Edinburgh, Scotland at the Annual Meeting of the Cognitive Science Society, to be held August 1-4 in Edinburgh, Scotland. The Prize itself will consist of a certificate, a citation of the winner's contribution, and a monetary award of \$100,000. The David E. Rumelhart Prize to be Awarded Annually.

Website Announcement

The European Association for Decision Making (EADM) has announced they have a new website: <http://www.psy.uva.nl/ResEdu/EADM/home.html>

Position Openings

This continuing column is for the purpose of bringing to the attention of our members employment opportunities in the field. These are not official advertisements from the institutions. If you are interested in any of these positions, you should contact the institution for the full details. Please send the editor any openings that you are aware of for inclusion in this column.

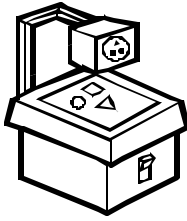
Post-doctoral Research Associate in Causal Reasoning, Brown University. The Department of Cognitive and Linguistic Sciences is hiring a research associate funded by an award from NASA to participate in a project on causal inference. Candidates should have a background in higher-level cognition, preferably with experience using experimental and mathematical or computational modeling techniques. Applicants must hold a Ph.D. in Cognitive Science, Psychology, or a related discipline, or show evidence that the Ph.D. will be completed shortly. Applicants should send a vita, a one to two page research statement, three letters of reference, and any other supporting material to Steven Sloman, Post-doc Search, Cognitive and Linguistic Sciences, Brown University, Box 1978, Providence, RI 02912. The position is open immediately for one year, renewable upon satisfactory completion of duties. For additional information, email: Steven_Sloman@brown.edu.

Lecturer in Operational Research, The London School of Economics and Political Science. The Department hopes that the appointee will have research interests in one or more of decision analysis, problem structuring methods and multi-criteria decision methods, but outstanding applicants from any field of operational research will be given full consideration. The Department's website is <http://www.lse.ac.uk/Depts/op-research>. The closing date is June 19, 2001. A successful candidate will be appointed October 2001. For further information contact Professor Jonathan Rosenhead at 020-7955-7637 or j.rosenhead@lse.ac.uk. To apply call 020 7955 6183 or e-mail: recruitment@lse.ac.uk with your postal address. Please quote reference AC/00/61.

Decision Making in Cognitive and Organizational Psychology. The University of Michigan (Ann Arbor) Department of Psychology invites applications for a full-time, tenure-track position, rank open, in the area of decision making in context beginning September 1, 2002. Responsibilities include collaborative and interdisciplinary research as well as graduate and undergraduate teaching in cognitive and organizational psychology. The search committee is reviewing applications now and will continue until an appointment is made. Send CV, at least three letters of reference, copies or reprints and preprints, and statements of research and teaching interests to: Chair, Decision Making in Context Search Committee Department of Psychology, University of Michigan, 525 East University Avenue, Ann Arbor, MI 48109-1109. Contact the Department for more information.

Director for Social and Economic Sciences (SES). The Division Director provides leadership and direction for the support of research and education activities that develop and advance scientific knowledge focusing on economic, legal, political and social systems, organizations and institutions. Information about the SES Division's mission and programs is provided at <http://www.nsf.gov/sbe/ses/>. Deadline is June 22. Further information is located at <http://www.nsf.gov/home/menus/jobs.htm>.

MEETINGS



The purpose of this continuing column is to inform members of upcoming meetings of possible interest. It does not contain official announcements of meetings and, if interested, one should always check with the contact person or web page for more detailed information. Please send the Editor information on other meetings that may be of interest to members.

The Second International Symposium on Imprecise Probabilities and Their Applications, (ISIPTA '01), will be held at Cornell University, Ithaca, NY, from June 26 to 29, 2001. Imprecise probability is a generic term for the many mathematical models which measure chance or uncertainty without sharp numerical probabilities. Papers are encouraged on all aspects of imprecise probability and its applications. Submission deadline has now passed. Symposium web site: (<http://ippserv.rug.ac.be/~isipta01>) All information relating to the symposium will be on the above web site. For any questions about the symposium, please contact the Organizing Committee: Terrence Fine, Director, Center for Applied Mathematics, Rhodes Hall 612, Cornell University, Ithaca, NY 14853 (Tel:607-255-4336/3643 E-mail: tlfine@cam.cornell.edu).

European Congress of Psychology organized by The British Psychological Society will be held on July 1-6, 2001 at the Barbican Centre in London. For further information, as well as on-line registrations, see the Congress's website (www.bps.org.uk). The deadline for submitting papers and posters has passed.

International Conference on Cognitive Modeling: July 26-28, 2001 will be held at George Mason University, Fairfax, Virginia. For paper submission and program details, see <http://hfac/gmu.edu/iccm/>.

Society for Mathematical Psychology: July 26-29, 2001 will be held at Brown University in Providence, Rhode Island. Deadline for paper submission is April 2, 2001. For more information, contact Robert Stout (stout@pire.org).

Cognitive Science Society: August 1-4, 2001 at the University of Edinburgh in Scotland. Submission deadline has passed. For information, see <http://www.herc.ed.uk/cogsci2001>. They have also set tentative dates of August 8-11, 2002 for their next meeting at George Mason University in Fairfax, Virginia. For more information, send email to gray@gmu.edu or schunn@gmu.edu or see <http://hfac.gmu.edu/cogsci/cogsci.html>.

SPUDM: (Research Conference on Subjective Probability, Utility and Decision Making) August 20-22, 2001 at Universiteit van Amsterdam in Amsterdam, The Netherlands, run by the European Association for Decision Making (EADM). Submission deadline has passed. For more information, see <http://spudm18.psy.uva.nl>. Invited speakers: Carsten de Dreu, Nigel Harvey, & Elke Weber.

Meetings (Continued)

The 32nd European Mathematical Psychology Group Meeting will be held at the Faculdade de Psicologia e de Ciências da Educação, Universidade de Lisboa (FPCE-UL), Lisbon, Portugal, and is organized jointly by the Laboratório de Estatística e Análise de Dados (LEAD/FPCE-UL) and the Associação Portuguesa de Classificação e Análise de Dados (CLAD). For information: E-mail: empg2001@fpce.ul.pt, Fax: +351 21 793 34 08, Tel: +351 21 793 45 54, or Web page: <http://correio.cc.fc.ul.pt/~cladlead/EMPG01.html>. Chair: Prof. Helena Bacelar-Nicolau e-mail: hbacelar@fc.ul.pt. Deadlines: Submission of abstracts: June 15, 2001, Early Registration: June 15, 2001, Notification of acceptance: June 30, 2001.

Society for Medical Decision Making: October 21-24, 2001 in San Diego, California and October 20-23, 2002 in Baltimore, Maryland. See <http://www.gwu.edu/~smdm/> for details.

Society for Computers in Psychology: (They meet right before We do) November 15, 2001 in Orlando, Florida at the Coronado Spring Resort in Lake Buena Vista. The program will include papers, symposia, and tutorials dealing with the use of computers in all areas of psychology including research, education, clinical, and industry. The call for papers is posted on the Scip website: <http://www.lafayette.edu/allanr/scip.html>.

Psychonomic Society (We meet in tandem with them. They always have good sessions on JDM topics.) Coronado Springs Resort, Orlando Florida, November 15-18, 2001 <http://www.psychonomic.org>

Society for Judgment and Decision Making meeting: November 17-19, 2001 in Orlando, Florida Coronado Springs Resort,

Association for Consumer Research (ACR) 2002 Asia-Pacific Conference, Beijing, China, May 16 - 18, 2002 will be held at the China World Hotel in Beijing, China. The complete call for papers and all submission requirements can be accessed online on the conference website: <http://home.ust.hk/~mkzwick/AsiaPacificACR2002.html>. The deadline for submission is November 1, 2001. If you have any questions contact the conference co-chairs: Prof. Rami Zwick, Hong Kong University of Science and Technology <mkzwick@ust.hk> or Prof. Ping Tu, Guanghua School of Management, Peking University, Beijing, China <tuping@gsm.pku.edu.cn>

The Teacher's Corner

This is a continuing feature of the newsletter designed to provide a forum for sharing teaching hints, projects, exercises, etc. that you have created. Please send contributions to the editor. The contribution below was shared by Dale Rude.

Title: The Stock Market Exercise: An Experiential Exercise for Integrating the Rationalist and Behaviorist Business Paradigms

Objective: To allow students to experience trading in a simplified stock market and see the importance of both rationalist and behaviorist paradigms for explaining market and trader behavior.

Time: Total time is about two hours. During the class period prior to the auction, preparation and practice trials take about one half hour. The auction takes about an hour (more than one auction may be required). During the class period following the auction, debriefing takes about one half hour.

Number: Nine is an ideal number of traders, I have successfully done the exercise with as many as twelve traders and as few as six traders. If the class is large, you may need to run additional auctions. Thus, for a class of thirty six students, I would schedule three auctions, within the class period and/or outside of it, as needed. For a 75 minute class period, I would schedule one auction immediately before the scheduled class, one during the class period, and one immediately afterward. Students who could only participate during the scheduled class period would be given priority for that time slot. It is important to have all students participate in an auction as traders because the actual trading experience is key.

Preparation: During the class period prior the auction, distribute instructions to students and set the stage for the auction by running two four-minute practice trials (periods 11 and 12) with no payoffs. This permits students to practice making trades and to experience the end of auction when shares have no value. It's not necessary for everyone to participate in the practice trials but it is important that each class member at least observe how the auction is run before participating in the real auction. If the class is large, run one auction for the practice session and instruct the rest of the class to watch.

Materials: The materials needed are a timer for timing the auction sessions, chalk and blackboard for recording bids, asks, and contracts during a session, and overhead projector, transparencies and pen for recording the official record of contracts after each session is over.

Introduction: Distribute instructions to students. Typically, I will set the stage for the auction during the class period preceding it and do two four minute practice trials (periods 11 and 12) with no payoffs. This permits students to practice making trades and to experience the end of auction when shares have no value. It's not necessary for everyone to participate in the practice trials but it is important that each class member at least observe how the auction is run before participating in the real auction. If the class is large, run one auction for the practice session and instruct the rest of the class to watch.

Prior to the practice trials and auction, avoid suggesting any starting price for a share of stock because the traders will tend to anchor on it. As seen in the auctions summarized in the sample results table, whatever price emerges as the beginning price will tend to persist over a number of periods. This induces a bubble as the expected values of a share steadily diminishes. Typically, during the tenth or eleventh period, traders will collectively recall that the shares are worth nothing at the end of the auction. The bubble bursts and the price plummets.

Instructions

Step 1 (10 minutes): Before starting the auction, collect \$5 from each participant to help defray the costs of the auction. Because dividends are randomly determined and their expected value is \$1.20 per share, the total amount expected to be paid out at the end is \$6.20 per trader. Subtracting the \$5 participation fee, I "expect" to pay out of my pocket, \$1.20 per student.

Teacher's Corner Continued

Randomly assign tradernumberand initialstake by having students draw playing cards. One third of traders (e.g., traders 1, 2, and 3) start with \$1.40 and 4 shares, one third (e.g., traders 4, 5, and 6) with \$3.80 and two shares, and one third (e.g., traders 7, 8, and 9) with \$5.00 and 1 share. The expected value of dividends is \$0.10 per period (dividends are randomly selected from the values \$0.00, \$0.05, \$0.10, and \$0.25, each with equal probability) and \$1.20 for the entire auction. Thus, the expected value of holdings at the auction's start is the same for each trader at \$6.20. In addition, shares should be worth \$1.20 during period 1 and decrease by \$0.10 per share during each successive period until they are worth nothing at the conclusion of the auction. Final tallies depend upon dividends and trading acumen. In my auctions, participants have finished trading with as much as \$10.80 and as little as \$2.40.

On one blackboard panel, label one column "Bids" and a second column "Asks." During the auction, record bids and asks as they are made, listing trader number and amount (see example below).

Bid & Ask Board--Period 1			
Bids		Asks	
Trader #	Amount	Trader #	Amount
1	\$0.75	8	\$0.95

On a second blackboard panel, label one column "Seller Number," a second "Buyer Number," and a third "Contract Amount." Record contracts as they occur here (see example below).

Contracts Board-Period 1		
Seller Number	Buyer Number	Contract Amount
1	3	\$1.05

Instruct traders to use trader number as part of bid or ask ("Trader 1 bids \$0.75" or "Trader 8 asks \$0.95"). If another trader makes a higher bid or lower ask, erase the bid/ask that it supersedes on the Bid & Ask Board and replace it with the higher/ lower one. After recording a contract on the Contracts Board, erase the relevant bid and/or ask from the Bid & Ask Board. For the scenario listed above, if Trader 2 said, "I accept the bid of \$0.75," erase only Trader 1's bid and leave Trader 8's ask in play. If Trader 8 lowers the ask to \$0.75 thereby accepting Trader 1's \$0.75 bid, then also erase Trader 8's ask of \$0.95 from the blackboard.

Step 2 (7 minutes): Begin auction period 1. Be patient as traders "test the water" and cautiously make their first bid or ask. At the conclusion of the period, record contracts in the official record. I do this on an overhead so that students can observe my record keeping and correct any errors. Then, have a trader draw from the four aces to determine the dividend (hearts, \$0.05/share; diamonds, \$0.05/share; clubs, \$0.10/share; spades, \$0.25/share) for that period and record the dividend on the overhead. Remind traders to keep an ongoing tally of trades and dividends so that they don't go in the hole. At the end of each period, erase all remaining bids and asks from the Bid and Ask Board and all contracts from the Contracts Board.

Step 3 (6 minutes): Continue with periods 2 through 12. Allocate three minutes for each of the first four to six trials. As activity slows, reduce the time to two minutes. For time keeping, I use an electronic kitchen timer which audibly sounds, "beep, beep, . . ." after time expires. If someone is available to keep time, have them announce the amount of time left every 30 seconds.

Step 4 (5 minutes): At the end of the auction, survey each participant to determine their final tallies of stock and money.

Step 5 (20 minutes): Check the traders' calculations after class is over

Step 6 (30 minutes): During the next class period, distribute earnings during the following class period. In addition to earnings, I award two extra credit points to the trader within each auction who accumulates the most wealth.

Teacher's Corner ContinuedQuestions for Consideration at Debriefing

What is the expected value of a dividend for each session? What is the expected value of a share at the start of the auction? During each succeeding period?

How did actual share prices compare to the expected value? How can these deviations be explained?

At the end of the auction, prices plummeted after being plateaued. Why did this occur?

In groups, examine who made the most money. Why did they make the most money?

Appendix

Auction Handout for Participants

Your Objective

Make as much money as you can. Profits come from two sources: collecting dividends on all shares that you own at period end and from buying and selling shares.

Some Definitions

Trader: a participant in the auction

Bid: an offer to buy a share of stock

Ask: an offer to sell a share of stock

Table 1
Two Sample Auctions

Trial	Expected Value of a Share	Auction 1		Auction 2	
		Average Contract	Dividend	Average Contract	Dividend
1	\$1.20	\$0.80	\$0.10	\$1.48	\$0.05
2	\$1.10	\$0.92	\$0.05	\$1.26	\$0.25
3	\$1.00	\$0.70	\$0.00	\$1.43	\$0.25
4	\$0.90	\$0.45	\$0.10	\$1.33	\$0.05
5	\$0.80	\$0.50	\$0.10	\$1.35	\$0.05
6	\$0.70	\$0.45	\$0.00	\$1.23	\$0.10
7	\$0.60	\$0.38	\$0.25	\$1.38	\$0.25
8	\$0.50	\$0.45	\$0.00	\$1.20	\$0.00
9	\$0.40	\$0.45	\$0.05	\$1.10	\$0.25
10	\$0.30	No Trades	\$0.05	\$0.95	\$0.00
11	\$0.20	\$0.30	\$0.05	\$0.60	\$0.00
12	\$0.10	\$0.10	<u>\$0.00</u>	\$0.28	<u>\$0.10</u>
Sum of Dividends			\$0.75		\$1.35

The JDM Book Series

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Authors/Editors	Title
Hastie, Reid	Inside the Juror: The Psychology of Juror Decision Making
Mellers, Barbara A., & Baron, Jonathan	Psychological Perspectives on Justice: Theory and Applications
Ashton, Robert, & Ashton, Alison	Judgement and Decision Making in Accounting and Auditing
Shapira, Zur	Organizational Decision Making
Goldstein, William M., & Hogarth, Robin M.	Research on Judgment and Decision Making: Currents, Connections, and Controversies
Connolly, Terry; Arkes, Hal R., & Hammond, Kenneth R. NEW EDITION	Judgment and Decision Making: An Interdisciplinary Reader 2 nd Edition
Chapman, Gretchen B., & Sonnenberg, Frank A. NEW BOOK	Decision Making in Health Care: Theory, Psychology, and Applications
Sunstein, Cass R. NEW BOOK	Behavioral Law & Economics
Weber, Elke U.; Baron, Jonathan; & Loomes, Graham OUT VERY SOON	Conflict and Tradeoffs in Decision Making: Essays in Honor of Jane Beattie
Gowda, Rajeev, & Fox, Jeffrey OUT VERY SOON	Judgments, Decisions, and Public Policy
Schneider, Sandra, & Shanteau, James COMING	Emerging Perspectives on Decision Making
Shanteau, James; Johnson, Paul, & Smith, Kip IN PREP	Psychological Explorations of Competent Decision Making