

Human Factors Engineering II
Discussion Questions for
Thinking, Fast and Slow

Kahneman, D. (2011). *Thinking, Fast and Slow*. New York: Farrar, Straus and Giroux.

Part IV. Choices

Chapter 25. Bernoulli's Errors

1. How was Bernoulli's theory of utility different from the traditional theory based on expected value?
2. Why was Bernoulli's theory wrong?
3. Why did it take so long for economists to recognize Bernoulli's error?

Chapter 26. Prospect Theory

1. What is *theory-induced blindness*?
2. How were economists blind about Bernoulli's utility theory?
3. Summarize *prospect theory*, using the word “prospect” in your summary.
4. What are the cognitive characteristics at the heart of prospect theory?
5. What are the limitations of prospect theory?

Chapter 27. The Endowment Effect

1. What is an *endowment*?
2. What is the *endowment effect*?
3. Give another example of the endowment effect.
4. What is the psychophysiological explanation of the endowment effect?
5. Why might we not expect to see the endowment effect in a poor person?

Chapter 28. Bad Events

1. What is *loss aversion* and why is it “... the most significant contribution of psychology to behavioral economics”?
2. What is the physiological response to bad news and events?
3. Why is loss aversion often a good thing?
4. What System is responsible for loss aversion?
5. What are some effects of loss aversion?

Chapter 29. The Fourfold Pattern

1. Describe each of the *four-fold pattern* conditions in your own words.
2. Give examples, real or hypothetical, from one or more RTDM domains.

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3. What can you say of human rationality in light of the four-fold pattern?

Chapter 30. Rare Events

1. Summarize the main point of this chapter.
2. How do people make judgments and assign decision weights, particularly with respect to rare events?
3. How and by what is the role of probability affected in evaluating uncertain prospects?
4. What is *denominator effect* and how does it affect judgment?
5. What are the contributors to judgments of unlikely events and outcomes?
6. Contrast *choice from description* with *choice from experience*.

Chapter 31. Risk Policies

1. Why is broad framing a solution to excessive risk aversion in the case of favorable gambles?
2. What is a *risk policy*?
3. Give an example, real or hypothetical, of a risk policy in some RTDM domain.
4. Why, in general, should you not buy an extended warranty?
5. Is a heuristic a kind of risk policy? Explain.

Chapter 32. Keeping Score

1. What is the *sunk cost fallacy*, and what is its emotional source?
2. Which is likely to cause more regret, action leading to a bad outcome or inaction leading to a bad outcome?
3. What is the *taboo tradeoff* and why can it be irrational?
4. What is the *precautionary principle* and how might it be an impediment to public welfare?
5. How can one reduce the adverse effect of anticipated regret on decision making?
6. Give an example, real or hypothetical, of one of these phenomena in some RTDM domain.

Chapter 33. Reversals

1. Describe the *reversal* phenomenon.
2. Explain the roles of System 1 and System 2 in reversals.
3. How is independent judgment within one category (as opposed to judgments across more than one category) like judgment in a narrow context (as opposed to judgment without broad contextual information)? Use examples – from the text, if you like – to clarify your answer.

Chapter 34. Frames and Reality

1. Describe the *framing effect*.
2. What happens neurophysiologically when a decision maker is faced with a choice that can be framed in terms of losses or gains?

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3. What might be used as a countermeasure to the natural tendencies in such choices?
4. What are the respective responses of System 1 and System 2 when faced with such choices?
5. Based on what you have learned so far from this book, what is your view of human rationality?