



Behavioral Decision Making Group Colloquium Series

is pleased to present



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(When) Are people dynamically optimal?

ABSTRACT

Assumptions of dynamic optimality are a central part of strategic choice models used in economics, marketing, and operations research. When seeking to choose those options that maximize utility over a time horizon, individuals are assumed to consider the future consequences of different strategic options and optimally learn from past experience. The validity of such assumptions, however, have often been called into question by psychologists who find that individuals are more commonly myopic and poor learners from experience. In this presentation I will attempt to reconcile these contrasting views by reviewing a program of empirical research that has attempted to assess when assumptions of dynamic optimality are likely to be good ones and when they are likely to be untenable in empirical analysis. Drawing on evidence from a variety of experimental domains, I will show examples ranging from repeated gambling tasks where individuals display as-if optimality after as little as one bit of feedback, and from catastrophic risk tasks where experience only acts to degrade decision performance. Guidelines for developing “quasi-optimal” models of dynamic decision making that capture cognitive limitations in foresight and learning are suggested.

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