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## A SHORT COURSE ON CHOICE THEORY

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**Brief Description and Aim:** This is a short master/PhD-level course on decision theory. We will focus mainly on axiomatic theories of individual decision making.

Decision making is a process in which we select a course of action among available alternatives. It begins when we need to do something but we do not know what. As an economist, we are interested in (i) how decisions should be made in some ideal sense (Normative approach), (ii) why and how decisions are made the way they are (Descriptive Approach) and (iii) how can decision making be made more effective perspectives (Prescriptive Approach). Since our ability to think and knowledge are limited and time is pressing, it is not surprising that some behavioral biases will be observed in decision making processes. Of course, this will require adjusting our normative theories to capture these biases. This will be the purpose of this course.

The course will introduce some new approaches to choice theory: e.g. the reference-dependent models where initial holdings matter (Tversky and Kahneman (1991), Masatlioglu and Ok (2005, 2012)), a model of choice from lists (Rubinstein and Salant (2006)), shortlisting (Manzini and Mariotti, (2007)), models of limited consideration (Masatlioglu, Nakajima, and Ozbay (2012), Lleras et al. (2010), Manzini and Mariotti (2013)), frames (Salant and Rubinstein, (2008)), self-control and temptation (Gul and Pesendorfer (2001), Masatlioglu et al. (2013)).

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### Papers:

- Cherepanov, V., T. Feddersen, and A. Sandroni (2013), “Rationalization,” TE.
  - Gul, F., P. Natanzon, and W. Pesendorfer (2010), “Random choice as behavioral optimization,” mimeo.
  - Gul, F. and W. Pesendorfer (2001), “Temptation and Self-Control,” ECMA.
  - Lleras, J., Y. Masatlioglu, D. Nakajima and E. Ozbay (2010), “When More is Less: Choice by Limited Consideration,” mimeo.
  - Manzini P. and M. Mariotti (2007), “Sequentially rationalizable choice,” AER.
  - Manzini P. and M. Mariotti (2013), “Stochastic Choice and Consideration Sets,” ECMA.
  - Masatlioglu, Y., and D. Nakajima (2013), “Choice by Iterative Search,” TE.
  - Masatlioglu, Y., D. Nakajima, and E. Ozbay (2012), “Revealed Attention,” AER.
  - Masatlioglu, Y., D. Nakajima, and E. Ozdenoren (2013), “Limited Willpower,” Mimeo.
  - Masatlioglu, Y. and E. Ok (2005), “Rational Choice with Status Quo Bias,” JET.
  - Masatlioglu, Y. and E. Ok (2013), “A Canonical Model of Choice with Initial Endowments,” RESTUD.
  - Rubinstein A. and Y. Salant (2006), “A model of choice from lists,” TE.
  - Salant Y. and A. Rubinstein (2008), “Choice with frames,” RESTUD.
  - Tversky, A. and D. Kahneman (1991), “Loss Aversion in Riskless Choice: A Reference-Dependent Model,” QJE.
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