

Behavioral Economics

Tutorial 1

Mobile Phone and University Choices

Tasks (1)

- Form into small groups of 4-5
- Introduce yourself to each other, noting what other economics courses you've done and are doing this semester
- On a sheet of paper or computer, each write an account of:
 - (a) the process by which you came to own the mobile phone that you currently use, and
 - (b) how you came to own the first mobile phone that you owned.

Be as detailed as you can
- When everyone in your group has finished writing their accounts, share these accounts with other members of the group, in turn

Tasks (2)

- How do your group's accounts differ from (a) each other, and (b) from the kind of story traditional economic theory would tell?
- Are there any patterns in differences between current phone and first phone purchasing processes?
- Prepare to share your group's findings with the tutorial group as a whole – you will be called back into full-group mode by your tutor
- Take note, from the full group discussion, of things you may not have noticed about the difference between your personal accounts and a standard economic perspective

Things to Notice

- Choice is a problem-solving *process*
- Limited sets of alternative actions get considered
- Limited information gathering is undertaken
- Limited expertise is used for assessing information
- Outsourcing of expertise?
- Any other social aspects of the choice process?
- Where did price come into the choice?
- Choice was focused on product features, not initially on some overall view of it
- Any 'must have' or 'no-go/deal-breaker' features?
- Expectations might be different from experience after purchase, affecting subsequent purchases

Tasks (3)

- Return to small group mode and repeat the process, this time for your choice of what degree to study and where to study
- When sharing your accounts, consider how they differ from/are similar to the mobile phone choice stories
- Does conventional economics predict any differences between how these two kinds of choice are made?
- Return to full group to pool small group conclusions

Things to Notice (2)

- Alternatives to going to university might not have been considered, or alternative types of programs
- To what extent did program choices get driven by expectations of future earnings and knowledge of career opportunities, rather than simply an interest in the area?
- Social factor: a different set of people having an influence on your choice?
- Potentially a vastly bigger range of choice than with a mobile phone, but did a much wider range of alternatives get considered? Did the range of options considered differ between international and domestic students?
- A one-off, life-shaping decision in an unfamiliar area: how was it possible to know which supplier to trust, or which features were desirable?
- A one-size-fits-all approach to economic modeling might be unwise: context may matter

Further Reading

- Allen, D. E. (2002). Toward a theory of consumer choice as sociohistorically sharpened practical experience: The fitslikeaglove (FLAG) framework. *Journal of Consumer Research*, 28(4, March), 515–532.
- Olshavsky, R. W., & Granbois, D. H. (1979). Consumer decisionmaking Fact or fiction? *Journal of Consumer Research*, 6(2, September), 93–100.