



## Introducing: Recap with Rostra

✈️ We take off!



Good afternoon and welcome to the first flight of Recap with Rostra newsletter. My name's Mikołaj and I'll be your captain today. Above, you can see our owl and scrolling down is "Rostra in the Flash" prepared by Elizabeth. In just a minute you will come across Riad's piece about the intersection of psychology and economics for startups, and then fly through our recommendations prepared for you by Ren. The flight will end with a brief UvA corner and shouldn't take more than 5 minutes. Enjoy the journey!

### ⚡ Rostra in the Flash

Have you seen our new articles?

- You often hear the words "recession", "crisis" and "cycle". Want to know if economists are successful in predicting recessions? And whether there are any accurate models that can assist economists? Check out this [article](#)

- Wonder in which direction the wind of change will blow? Read [here](#) to get more insights about what to expect in the EU's political spectrum

### 🚀 Exploring Kahneman, Brander, and Thaler For Startups

Take a couple of minutes to reminisce about a time when you thought about launching a startup. Doesn't really matter if you went through with the idea or not, but according to a [McKinsey report](#), approximately 1,000 startups are launched in The Netherlands annually.

Now – with this statistic in mind – try to answer this question:

Which factors play in the “make or break” of launching a startup?

1. Product-market fit
2. Industry competition
3. The pace of scaling up
4. Access to capital/funding

It could be one or all of the above. But to get to the bottom line, we first have to talk about an elephant in the room. It has to do with our emotions: that feeling of excitement can be ambiguous, leading us to experience an overconfidence bias.

Psychological studies have shown that we tend to be confident about our abilities and optimistic about the outcomes of the future. It leads us to think that we are above average when the opposite may be true. [Camerer and Lovallo](#) explore whether optimism bias affects economic behaviour, specifically in the context of competitive markets.

The authors conducted experiments - built upon the paradigm introduced by Daniel Kahneman, Jim Brander, and Richard Thaler - where success in entering a market depended on one's relative skill compared to others. On top of that, they introduce a concept of reference group neglect, where individuals who voluntarily participate in competitive situations often underestimate the competition they will face. This neglect of the reference group's competence can lead to more individuals entering competitive markets than is economically feasible.

Joe Roth, a former chairman of Walt Disney Studios, expressed the reference group neglect phenomenon when he was asked why big-budget movies are released on the same weekends:

“Hubris. Hubris. If you only think about your own business, you think, “I've got a good story department, I've got a good marketing department, we're going to go out and do this.” *And you don't think that everybody else is thinking the same way.* In a given weekend in a year, you'll have five movies open, and there's certainly not enough people to go around.” (*Los Angeles Times, 1996*)

The authors proceed to offer three possible explanations:

1. Brief Opportunity: new entrants have brief opportunities to make money
2. Expensive Lottery: returns are positively skewed, similar to a lottery
3. Bounded Rationality: entry decisions are mistakes made with limited rationality

Now, the authors decided not to offer a solution. Nevertheless, here's the main

takeaway idea for those considering launching a startup. Make sure to correctly assess your own overconfidence bias. Everyone experiences it, you just have to be able to notice it before you catch yourself rethinking your product at a Series D fundraising round.

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## Rostra Recommends

Here are our top picks for today!

### For those searching for something to listen...

Business Movers is a podcast that dives into stories of different companies. In their [latest episode](#), you can discover the origins of Cisco, the birthplace of modems and a communication giant. All with unique dramatisations and reenactments that will immerse you into the experience of Sandy Lerner.

### For those looking for a book to read...

"The Undoing Project: A Friendship That Changed Our Minds" by Michael Lewis. The book explores the various stages of professional partnership between Daniel Kahneman and Amos Tversky. It lasted several decades and inspired groundbreaking research which led to the advancement of evidence-based medicine, behavioural economics, and big data.

### If you need a change from studying at the library...

Take a look at alternative [study and working spaces](#) with inspiring décor, relaxing atmosphere, motivating environment, and a variety of fancy coffee drinks that will help get you through long days of study.

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## The UvA Corner

Hope your midterms went well!

Last week UvA presented us last week with the diploma ceremonies. They're slightly too long, but the complementary drinks compensate nicely.

It's also been a month already since we're single-use cups free at UvA campuses. We noticed the majority either opted for the €1 multi-use cups sold at the cafeteria or decided to substitute them with mugs/other forms of multi-use cups.

What's your experience so far? We are curious to hear your thoughts, text us on our social media channels or reply with an email at [rostra@sefa.nl](mailto:rostra@sefa.nl)

And here are some more interesting stories from UvA:



You can [create a course](#). UvA's waiting till October 10 for the submissions and the winning idea will become an elective next year.



Your new favourite study place should be available on time. UvA announced the [construction of the new University Library is now in its final phase](#). But don't get too excited, "on time" still means 2025.

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You can send us feedback at [rostra@sefa.nl](mailto:rostra@sefa.nl)



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