

SOME BASIC BACKGROUND READING
2002 SUMMER INSTITUTE IN BEHAVIORAL ECONOMICS

Introduction

Thaler, Richard H. "Introduction," in *The Winner's Curse*, pp. 1-5.

Thaler, Richard H.. "The Psychology and Economics Conference Handbook: Comments on Simon, on Einhorn and Hogarth, and on Tversky and Kahneman," in *Rational Choice*, Robin M. Hogarth and Melvin W. Reder, Eds., Chicago: Univ. of Chicago Press, 1987, pp. 95-100. Reprinted in *Quasi-Rational Economics*

Rabin, Matthew. "Psychology and Economics," *Journal of Economic Literature*, March, 1998, Vol. 36, pp. 11-46. (Longer version "Psychology and Economics," Berkeley Department of Economics Working Paper, No. 97-251, January, 1997, on Matthew's web site at <http://elsa.berkeley.edu/~rabin/index.html> .)

Camerer, C. and Loewenstein, G. "Behavioral Economics: Past, Present, Future" Introduction to Camerer, Loewenstein and Rabin, *Advances in Behavioral Economics*. Forthcoming.

Thaler, R. "Towards a Positive Theory of Consumer Choice." *Journal of Economic Behavior and Organization*, reprinted in *Quasi-Rational Economics*

Camerer, Colin. "Individual Decision Making," in *The Handbook of Experimental Economics*, John H. Kagel and Alvin E. Roth Eds., Princeton: Princeton Univ. Press, 1995, Chapter 8, pp. 587-703. (Covers material for both expected utility and heuristics and biases).

Hedonics and Preferences

Kahneman, Danny "New Challenges to the Rationality Assumption," *Journal of Institutional and Theoretical Economics*, 1994, 150(1), pp. 18-36. Reprinted in *Choices, Values, and Frames*.

Kahneman, Daniel, "Experiences Utility and Objective happiness: A Moment-based Approach," in *Choices, Values, and Frames*.

Fischhoff, Baruch, "Value Elicitation: Is There Anything There?" in *Choices, Values, and Frames*.

Ariely, D., Loewenstein, G. and Prelec, D. (forthcoming). Coherent arbitrariness: Stable demand curves without stable preferences. *Quarterly Journal of Economics*.

Loss Aversion

Kahneman, Daniel, Jack L. Knetsch, and Richard H. Thaler. "Experimental Tests of the Endowment Effect and the Coase Theorem," *Journal of Political Economy*, 1990, Vol. 98, pp.1325-1348.

Kahneman, Daniel, Jack L. Knetsch, and Richard H. Thaler. "The Endowment Effect, Loss Aversion, and Status Quo Bias," in *The Winner's Curse*

Kahneman, Daniel and Amos Tversky. "Prospect Theory: An Analysis of Decision Under Risk," *Econometrica*, March, 1997, Vol. 47, p. 263-291. Reprinted in *Choices, Values, and Frames*.

Non-Expected Utility and Bracketing

Kahneman, D. and Lovallo, Dan, "Timid Choices and Bold Forecasts: A Cognitive Perspective on Risk Taking," reprinted in *Choices, Values, and Frames*

Camerer, Colin, Linda Babcock, George Loewenstein, and Richard Thaler. "Labor Supply of New York City Cab Drivers: One Day at a Time," shortened version of paper by the same title, *Quarterly Journal of Economics*, May, 1997, pp. 109-126.

Benartzi, Shlomo and Richard Thaler, "Myopic loss aversion and the equity premium puzzle," *Quarterly Journal of Economics* v110, n1, February 1995, 73-92.

Rabin, Matthew. "Risk Aversion and Expected-Utility Theory: A Calibration Theorem," *Econometrica*, September 2000.

Framing and Mental Accounting

Tversky, A. and Kahneman, D. "Rational Choice and the Framing of Decisions," *Choices, Values, and Frames*.

Thaler, Richard. "Mental Accounting Matters," *Journal of Behavioral Decision Making*, September, 1999, Vol. 12(3), p. 183-206. Reprinted in *Choices, Values, and Frames*.

Thaler, Richard H.. "Savings, Fungibility, and Mental Accounts," in *The Winner's Curse*.

Heuristic + Biases

Kahneman, Daniel and Amos Tversky. "Introduction." In JUDGEMENT UNDER UNCERTAINTY: HEURISTICS AND BIASES, Ch. 1, pp. 3-22.

Griffin, D. and A. Tversky (1992). "The Weighing of Evidence and the Determinants of Confidence," *Cognitive Psychology*, **24**, 411-435.

Rabin, M. and J. Schrag (1999). "First Impressions Matter: A Model of Confirmatory Bias," *Quarterly Journal of Economics*, **114**, 37-82.

Finance

Shleifer, Andrei, "Are Financial Markets Efficient?" in *Inefficient Markets: An Introduction to Behavioral Finance*, Oxford: Oxford University Press, 2000, pp. 1-27.

Shleifer, Andrei, "Open Problems," in *Inefficient Markets: An Introduction to Behavioral Finance*, Oxford: Oxford University Press, 2000, pp. 175-197.

Present-Biased Preferences and Intertemporal Choice

Frederick, S., Loewenstein, G. and O'Donoghue, T. (2001), "Time Discounting: A Critical Review" (O'Donoghue's Cornell University Economics web page at <http://people.cornell.edu/pages/edo1/> , linked from Loewenstein's homepage at <http://hss.cmu.edu/departments/sds/faculty/loewenstein.html>).

O'Donoghue, Ted and Matthew Rabin. "Doing it Now or Later," *American Economic Review*, March, 1999, 89(1), pp. 103-124.

Laibson, David. "Golden Eggs and Hyperbolic Discounting," *Quarterly Journal of Economics*, May 1997.

George-Marios Angeletos, Andrea Repetto, Jeremy Tobacman, and Stephen Weinberg, "The Hyperbolic Consumption Model: Calibration, Simulation, and Empirical Evaluation" *Journal of Economic Perspectives*, August 2001, pp. 47-68.

O'Donoghue, T. and M. Rabin (2001). "Choice and Procrastination," *Quarterly Journal of Economics*, **116**, 121-160.

Loewenstein, G. (1996). Out of control: visceral influences on behavior. *Organizational Behavior and Human Decision Processes*, 65, 272-92.

Behavioral Game Theory and Social Preferences

Kahneman, Knetsch, and Thaler, "Fairness as a Constraint on Profits: Entitlements in the Market," *American Economic Review*, 76(4), 1986, pp. 728-741. Reprinted in *Choices, Values, and Frames*

Camerer Colin. "Progress in Behavioral Game Theory," *Journal of Economic Perspectives*, 1997, Vol. 11, No. 4, pp. 167-199.

Fehr, Ernst and Simon Gächter. "Reciprocity and Economics: The Economic Implications of Homo Reciprocans," *European Economic Review*, 1998, Vol. 42, pp. 845-859.

Babcock, Linda and George Loewenstein. "Explaining Bargaining Impasse: The Role of Self-Serving Biases," *Journal of Economic Perspectives*, 1997, Vol. 11, No. 1, pp. 109-126.

Charness, Gary and Matthew Rabin. "Understanding Social Preferences with Simple Tests," *Quarterly Journal of Economics*, August 2002.

Camerer, C; Ho, T-H, "Experience-weighted attraction learning in normal form games," *Econometrica*, 1999 JUL, V67 N4:827-874