

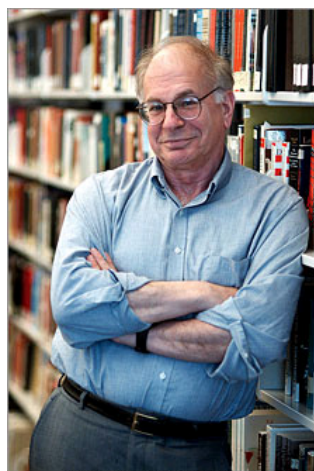


## Daniel Kahneman “Retirement” Party

May 10, 2008 | Princeton Club, New York

*\*All talks are in the Prospect Lounge except where otherwise specified\**

8:00- 9:00	<b>Continental Breakfast</b>   <i>James Madison Room</i>
9:00- 9:15	<b>Opening Remarks</b>   Nolan McCarty (Acting Dean, Woodrow Wilson School)
9:15-10:45	<b>Nick Barberis</b>   Realization Utility <b>Sendhil Mullainathan</b>   Psychology and the Economic Lives of the Poor
10:45-11:15	<b>Morning Coffee Break</b>
11:15-12:00	<b>Jenn Lerner</b>   Accountability and Willingness to Make Hard Calls
12:00- 1:30	<b>Buffet Lunch</b>   <i>James Madison Room</i> <b>Avishai Margalit</b>   The First Three Minutes: Kahneman & Tversky’s Big Bang
1:30- 3:00	<b>Danny Oppenheimer</b>   Research Inspired by Danny Kahneman <b>Nick Epley</b>   Outside the Inside Perspective
3:00- 3:30	<b>Afternoon Coffee Break</b>
3:30- 5:00	<b>Peter Ubel</b>   Transplants, Colostomies & Chemotherapy: The Challenge of of Incorporating Values & Preferences into Medical Decisions <b>Colin Camerer</b>   Danny’s Direct and Indirect Impact in Economics
5:00- 7:00	<b>Evening Break</b>
7:00-11:00	<b>Cocktail Reception</b>   <i>James Madison Room</i> <b>Dinner and Evening Program</b>   <i>Prospect Lounge</i> Program committee presentations Open microphone remarks



COURTESY: UNIVERSITY OF LOUISVILLE

### Program Committee

**Maya Bar-Hillel** (The Hebrew University)

**Craig Fox** (UCLA)

**Shane Frederick** (Yale University)

**Dale Griffin** (University of British Columbia)

**David Schkade** (UC San Diego)

**Dick Thaler** (University of Chicago)

# DANNY FEST 2008



PRINCETON CLUB | NEW YORK | 10 MAY 08

## TALK ABSTRACTS

NICK  
**BARBERIS**  
Yale University

### Realization Utility

We study the possibility that, aside from standard sources of utility, investors also derive utility from *realizing* gains and losses on individual investments that they own. We propose a tractable model of this “realization utility,” derive its predictions, and show that it can shed light on a number of puzzling facts. These include the poor trading performance of individual investors, the disposition effect, the greater turnover in rising markets, the negative premium to volatility in the cross-section, and the heavy trading of highly valued assets. Underlying some of these applications is one of our model’s more novel predictions: that, even if the form of realization utility is linear or concave, investors can be *risk-seeking*.

SENDHIL  
**MULLAINATHAN**  
Harvard University

### Psychology and the Economic Lives of the Poor

Recent and ongoing work uses behavioral economics to understand the financial lives of the poor. The starting point is a set of consistent puzzles in the behavior of the poor that are odds with rational models. These puzzles interestingly extend across space (the poor in Trenton and the poor in Mumbai show similar behaviors) and time (these behaviors have been documented quite far back). To explain these phenomena, we propose several hypotheses, all of which appear to play some role, from narrow framing in consumption and economic choices, system1-system2 thinking, ego depletion and divided attention.

JENNIFER  
**LERNER**  
Harvard University

### Accountability and Willingness to Make Hard Calls

Formulating sound public policy sometimes requires making decisions that one knows will displease identifiable parties. Public leaders sometimes find this hard. For example, when a city budget needs to be cut, a mayor may choose to impose a 10% cut across all city programs, hobbling every programs’ capacity to achieve objectives, rather than removing funds from under-performing programs and adding funds to successful programs. Giving some-to-all allows a mayor to avoid the interpersonally and politically difficult situation of giving less-to-some. Drawing on research with hypothetical resource allocations (Adelberg & Batson, 1979), the present studies used real resource allocations to examine the effects of accountability on willingness to make “hard calls.” Hard calls were defined here as decisions that are more efficient (value creating) in the long run even though they will displease and impose costs upon identifiable parties in the short run.

AVISHAI  
**MARGALIT**  
Inst. of Adv. Studies

### The First Three Minutes: Kahneman and Tversky’s Big Bang

An account of how the collaboration of Danny and Amos started and what is striking in what they did, from the point of view of a philosopher.

DANNY  
**OPPENHEIMER**  
Princeton University

### **Research Inspired by Danny Kahneman**

In this talk I explore how three of Danny Kahneman's heuristics (anchoring, availability, and representativeness) are still the impetus for novel research decades after their initial inception, by showing how they have influenced my own research program. First, I examine how availability can be constrained by causal models. Next I look at some of the boundary conditions of anchoring, and show that it is a more widespread phenomenon than previously thought. Finally, I look at how representativeness influences our memories in the same way it does our prospective judgments.

NICK  
**EPLEY**  
University of Chicago

### **Outside the Inside Perspective**

Social psychology has been greatly influenced by the basic cognitive mechanisms uncovered by the heuristics and biases program, using these mechanisms to provide widely-known explanations for phenomena ranging from self-assessment to stereotyping to egocentrism in social judgment. Less widely-known, perhaps, is the impact of Kahneman & Tversky's distinction between inside versus outside perspectives on prediction and judgment. These perspectives describe the core problem in social cognition that separates one's own perspective from others' perspectives. In an unusual act of reciprocity, social psychology may offer insights into solving this problem, and thereby offer insights into how to turn insiders into outsiders.

PETER  
**UBEL**  
University of Michigan

### **Transplants, Colostomies and Chemotherapy – The Challenge of Incorporating Values and Preferences into Medical Decisions**

Many medical decisions, from individual patient treatment choices to broad health-care policies, are not purely medical or scientific decisions, but depend on difficult value judgments. Many healthcare experts, unfortunately, hold a naïve view of preferences, considering them to be better informed and more stable than they really are. I will demonstrate the fragility of people's preferences in clinical and policy decision-making.

COLIN  
**CAMERER**  
Caltech

### **Danny's Direct and Indirect Impact in Economics**

Prospect theory is the most widely-cited empirical paper published in an economics journal since 1970. I will say a little about why it has been successful but why controversies also remain. Danny has also had impact indirectly in showing how psychological intuitions could inform modeling, which is a popular enterprise now among economic theorists. The future of behavioral research seems to be headed outside the lab using field data, and inside the brain -- "neuroeconomics."