

# **CHOICES, VALUES, AND FRAMES**

Edited by

**DANIEL KAHNEMAN**

*Princeton University*

**AMOS TVERSKY**

*Stanford University*

Russell Sage Foundation



**CAMBRIDGE**  
UNIVERSITY PRESS

# Contents

	<i>Preface</i>	page ix
	<i>List of Contributors</i>	xix
<b>1</b>	<b>Choices, Values, and Frames</b> <i>Daniel Kahneman and Amos Tversky</i>	1
PART ONE. PROSPECT THEORY AND EXTENSIONS		
<b>2</b>	<b>Prospect Theory: An Analysis of Decision under Risk</b> <i>Daniel Kahneman and Amos Tversky</i>	17
<b>3</b>	<b>Advances in Prospect Theory: Cumulative Representation of Uncertainty</b> <i>Amos Tversky and Daniel Kahneman</i>	44
PART TWO. THE UNCERTAINTY EFFECT AND THE WEIGHTING FUNCTION		
<b>4</b>	<b>Compound Invariant Weighting Functions in Prospect Theory</b> <i>Dražen Prelec</i>	67
<b>5</b>	<b>Weighing Risk and Uncertainty</b> <i>Amos Tversky and Craig R. Fox</i>	93
<b>6</b>	<b>A Belief-Based Account of Decision under Uncertainty</b> <i>Craig R. Fox and Amos Tversky</i>	118
PART THREE. LOSS AVERSION AND THE VALUE FUNCTION		
<b>7</b>	<b>Loss Aversion in Riskless Choice: A Reference-Dependent Model</b> <i>Amos Tversky and Daniel Kahneman</i>	143
<b>8</b>	<b>Anomalies: The Endowment Effect, Loss Aversion, and Status Quo Bias</b> <i>Daniel Kahneman, Jack L. Knetsch, and Richard H. Thaler</i>	159
<b>9</b>	<b>The Endowment Effect and Evidence of Nonreversible Indifference Curves</b> <i>Jack L. Knetsch</i>	171

<b>10</b>	<b>A Test of the Theory of Reference-Dependent Preferences</b>	180
	<i>Ian Bateman, Alistair Munro, Bruce Rhodes, Chris Starmer, and Robert Sugden</i>	
<b>11</b>	<b>Diminishing Marginal Utility of Wealth Cannot Explain Risk Aversion</b>	202
	<i>Matthew Rabin</i>	
<b>PART FOUR. FRAMING AND MENTAL ACCOUNTING</b>		
<b>12</b>	<b>Rational Choice and the Framing of Decisions</b>	209
	<i>Amos Tversky and Daniel Kahneman</i>	
<b>13</b>	<b>Framing, Probability Distortions, and Insurance Decisions</b>	224
	<i>Eric J. Johnson, John Hershey, Jacqueline Meszaros, and Howard Kunreuther</i>	
<b>14</b>	<b>Mental Accounting Matters</b>	241
	<i>Richard H. Thaler</i>	
<b>PART FIVE. APPLICATIONS</b>		
<b>15</b>	<b>Toward a Positive Theory of Consumer Choice</b>	269
	<i>Richard H. Thaler</i>	
<b>16</b>	<b>Prospect Theory in the Wild: Evidence from the Field</b>	288
	<i>Colin F. Camerer</i>	
<b>17</b>	<b>Myopic Loss Aversion and the Equity Premium Puzzle</b>	301
	<i>Shlomo Benartzi and Richard H. Thaler</i>	
<b>18</b>	<b>Fairness as a Constraint on Profit Seeking: Entitlements in the Market</b>	317
	<i>Daniel Kahneman, Jack L. Knetsch, and Richard H. Thaler</i>	
<b>19</b>	<b>Money Illusion</b>	335
	<i>Eldar Shafir, Peter Diamond, and Amos Tversky</i>	
<b>20</b>	<b>Labor Supply of New York City Cab Drivers: One Day at a Time</b>	356
	<i>Colin F. Camerer, Linda Babcock, George Loewenstein, and Richard H. Thaler</i>	
<b>21</b>	<b>Are Investors Reluctant to Realize Their Losses?</b>	371
	<i>Terrance Odean</i>	
<b>22</b>	<b>Timid Choices and Bold Forecasts: A Cognitive Perspective on Risk Taking</b>	393
	<i>Daniel Kahneman and Dan Lovallo</i>	
<b>23</b>	<b>Overconfidence and Excess Entry: An Experimental Approach</b>	414
	<i>Colin F. Camerer and Dan Lovallo</i>	
<b>24</b>	<b>Judicial Choice and Disparities between Measures of Economic Values</b>	424
	<i>David Cohen and Jack L. Knetsch</i>	

25	<b>Contrasting Rational and Psychological Analyses of Political Choice</b>	451
	<i>George A. Quattrone and Amos Tversky</i>	
26	<b>Conflict Resolution: A Cognitive Perspective</b>	473
	<i>Daniel Kahneman and Amos Tversky</i>	
PART SIX. THE MULTIPLICITY OF VALUE: REVERSALS OF PREFERENCE		
27	<b>The Construction of Preference</b>	489
	<i>Paul Slovic</i>	
28	<b>Contingent Weighting in Judgment and Choice</b>	503
	<i>Amos Tversky, Shmuel Sattath, and Paul Slovic</i>	
29	<b>Context-Dependent Preferences</b>	518
	<i>Amos Tversky and Itamar Simonson</i>	
30	<b>Ambiguity Aversion and Comparative Ignorance</b>	528
	<i>Craig R. Fox and Amos Tversky</i>	
31	<b>Attribute Evaluability: Its Implications for Joint–Separate Evaluation Reversals and Beyond</b>	543
	<i>Christopher K. Hsee</i>	
PART SEVEN. CHOICE OVER TIME		
32	<b>Preferences for Sequences of Outcomes</b>	565
	<i>George F. Loewenstein and Dražen Prelec</i>	
33	<b>Anomalies in Intertemporal Choice: Evidence and an Interpretation</b>	578
	<i>George Loewenstein and Dražen Prelec</i>	
PART EIGHT. ALTERNATIVE CONCEPTIONS OF VALUE		
34	<b>Reason-Based Choice</b>	597
	<i>Eldar Shafir, Itamar Simonson, and Amos Tversky</i>	
35	<b>Value Elicitation: Is There Anything in There?</b>	620
	<i>Baruch Fischhoff</i>	
36	<b>Economic Preferences or Attitude Expressions? An Analysis of Dollar Responses to Public Issues</b>	642
	<i>Daniel Kahneman, Ilana Ritov, and David Schkade</i>	
PART NINE. EXPERIENCED UTILITY AND OBJECTIVE HAPPINESS		
37	<b>Experienced Utility and Objective Happiness: A Moment-Based Approach</b>	673
	<i>Daniel Kahneman</i>	

<b>38</b>	<b>Evaluation by Moments: Past and Future</b>	<b>693</b>
	<i>Daniel Kahneman</i>	
<b>39</b>	<b>Endowments and Contrast in Judgments of Well-Being</b>	<b>709</b>
	<i>Amos Tversky and Dale Griffin</i>	
<b>40</b>	<b>A Bias in the Prediction of Tastes</b>	<b>726</b>
	<i>George Loewenstein and Daniel Adler</i>	
<b>41</b>	<b>The Effect of Purchase Quantity and Timing on Variety-Seeking Behavior</b>	<b>735</b>
	<i>Itamar Simonson</i>	
<b>42</b>	<b>New Challenges to the Rationality Assumption</b>	<b>758</b>
	<i>Daniel Kahneman</i>	
	<i>References</i>	<b>775</b>
	<i>Author Index</i>	<b>821</b>
	<i>Subject Index</i>	<b>832</b>