# Advances in Behavioral Economics

# THE ROUNDTABLE SERIES IN BEHAVIORAL ECONOMICS

The Roundtable Series in Behavioral Economics aims to advance research in the new interdisciplinary field of behavioral economics. Behavioral economics uses facts, models, and methods from neighboring sciences to establish descriptively accurate findings about human cognitive ability and social interaction and to explore the implications of these findings for economic behavior. The most fertile neighboring science in recent decades has been psychology, but sociology, anthropology, biology, and other fields can usefully influence economics as well. The Roundtable Series publishes books in economics that are deeply rooted in empirical findings or methods from one or more neighboring sciences and advance economics on its own terms—generating theoretical insights, making more accurate predictions of field phenomena, and suggesting better policy.

### Colin Camerer and Ernst Fehr, Series Editors

#### The Behavioral Economics Roundtable

Henry Aaron George Loewenstein George Akerlof Sendhil Mullainathan Linda Babcock Matthew Rabin Colin Camerer Thomas Schelling Peter Diamond Eldar Shafir Jon Elster Robert Shiller Ernst Fehr Cass Sunstein Daniel Kahneman Richard Thaler David Laibson Richard Zeckhauser

# Advances in Behavioral Economics

Edited by
COLIN F. CAMERER, GEORGE LOEWENSTEIN,
and MATTHEW RABIN

RUSSELL SAGE FOUNDATION, NEW YORK, NEW YORK

PRINCETON UNIVERSITY PRESS

PRINCETON AND OXFORD

Copyright © 2004 by Russell Sage Foundation
Requests for permission to reproduce materials from this work should be sent to
Permissions, Princeton University Press

Published by Princeton University Press,
41 William Street,
Princeton, New Jersey 08540
In the United Kingdom: Princeton University Press,
3 Market Place, Woodstock, Oxfordshire OX20 1SY

and Russell Sage Foundation, 112 East 64th Street, New York, New York 10021

# All Rights Reserved

Library of Congress Cataloging-in-Publication Data

Advances in behavioral economics / edited by Colin F. Camerer, George Loewenstein, and Matthew Rabin.

p. cm. — (The roundtable series in behavioral economics)

Includes bibliographical references and index.

ISBN 0-691-11681-4 (alk. paper) — ISBN 0-691-11682-2 (pbk.: alk. paper)

1. Economics—Psychological aspects. I. Camerer, Colin, 1959— II. Loewenstein, George.

III. Rabin, Matthew, 1963- IV. Series.

HB74.P8A375 2003 330'.01'9—dc21 2003044481

This book was composed in Times

Printed on acid-free paper. ∞

www.pup.princeton.edu www.russellsage.org

Printed in the United States of America 10 9 8 7

ISBN-13: 978-0-691-11682-2

ISBN-10: 0-691-11682-2

To Daniel Kahneman, Richard Thaler, Amos Tversky, and Eric Wanner

