Brief Contents

Detailed Table of Contents		
List of Figures		
List of Tables		
Preface		xii
Acknowledgm	nents	xvi
PART I	INTRODUCTION	
CHAPTER 1	Nature of Behavioral Economics	2
CHAPTER 2	Methodology	28
PART II	FOUNDATIONS	
CHAPTER 3	Values, Preferences and Choices	61
CHAPTER 4	Beliefs, and Expectations	116
CHAPTER 5	Decision-making under Risk and Uncertainty	154
CHAPTER 6	Mental Accounting	223
PART III	INTERTEMPORAL CHOICE	
CHAPTER 7	The Discounted Utility Model	266
CHAPTER 8	Alternative Intertemporal Choice Models	288
PART IV	STRATEGIC INTERACTION	
CHAPTER 9	Behavioral Game Theory	348
CHAPTER 10	Social Preferences	399
PART V	CONCLUSION	
CHAPTER 11	Behavioral Economics: Summary and Outlook	473
Bibliography		516
Index		585

٧

Detailed Table of Contents

List of Figures	х
List of Tables	xi
Preface	xii
Acknowledgments	xvi

PART I INTRODUCTION

CHAPTER	1 Nature	of Behavioral Economics	2
1.1	Behavioral e	conomics and the standard model	4
1.2	History and	evolution of behavioral economics	14
1.3	Relationship	with other disciplines	16
1.4	Objectives, s	scope and structure	21
1.5	Summary		22
1.6	Review ques	stions	22
1.7	Applications		22
	Case 1.1	Loss-aversion in monkeys	23
	Case 1.2	Money illusion	25
CHAPTER	R 2 Method	ology	28
2.1	Theories		29
2.2	Evidence		38
2.3	Consilience		48
2.4	Summary		53
2.5	Review ques	stions	54
2.6	Applications		54
	Case 2.1	Altruism and the brain	54
	Case 2.2	Riots in the UK	56

PART II FOUNDATIONS

CHAPTER	3 Values, Preferences and Choices	61
3.1	The neoclassical model	63
3.2	Axioms, assumptions and definitions	67
3.3	The evolutionary biology of utility	70
3.4	The neuroscientific basis of utility	72
3.5	Broadening rationality	76
3.6	Visceral factors	88
3.7	Types of utility	93
3.8	Policy implications	100
3.9	Summary	108
3.10	Review questions	108

	3.11	Applications	109	
		Case 3.1	Drug addiction	109
		Case 3.2	When abstention is better than moderate	
			consumption	110
		Case 3.3	The psychology of supermarket selling	113
СН	APTER	4 Beliefs	and Expectations	116
	4.1	The neoclass	sical model	118
	4.2	Probability e	stimation	120
	4.3	Self-evaluati	on bias	128
	4.4	Magical beli	efs	136
	4.5	Causes of ir	rationality	139
	4.6	Summary		146
	4.7	Review ques	tions	147
	4.8	Review prob	lems	147
	4.9	Applications		148
		Case 4.1	Trading on testosterone	148
		Case 4.2	Celebrity contagion and imitative magic	149
		Case 4.3	Trump, Brexit and post-truth politics	151
CH	APTER	5 Decisio	n-making under Risk and Uncertainty	154
	5.1	Background		156
	5.2	Conventiona	l approaches to modifying expected	
		utility theory		163
	5.3	Prospect the	eory	167
	5.4	Reference p	oints	171
	5.5	Loss-aversio	n	175
	5.6	Shape of the	e utility function	179
	5.7	Decision-wei		184
	5.8		f prospect theory	195
	5.9		ries and conclusions	204
	5.10	Summary		213
	5.11	Review ques		215
	5.12	Review problems		215
	5.13	Applications		216
		Case 5.1	The endowment effect	216
		Case 5.2	Loss-Aversion In Golf	219
		Case 5.3	Serving size and eating habits	222
CH	APTER	6 Mental	Accounting	223
	6.1		components of mental accounting	224
	6.2	Framing and		225
	6.3		nd fungibility	229
	6.4		keting and dynamics	237
	6.5	Policy implic	ations	244
	6.6	Summary		255
	6.7	Review ques		256
	6.8	Applications		257
		Case 6.1	The equity premium puzzle	257
		Case 6.2	Why you can't find a cab on a rainy day	260
		Case 6.3	The housing market and debt	262

PART III INTERTEMPORAL CHOICE

CHAPTER	7 The Disc	counted Utility Model	266
7.1 7.2 7.3 7.4 7.5 7.6 7.7 7.8	Features of t Methodology	the discounted utility model	267 267 270 274 278 283 283 283 284 284
CHAPTER	8 Alternat	ive Intertemporal Choice Models	288
8.1 8.2 8.3 8.4 8.5 8.6 8.7 8.8 8.9 8.10	Hyperbolic d Modifying the More radical Empirical evi Policy implica Summary Review ques Applications Case 8.1	stent preferences iscounting e instantaneous utility function models idence ations tions Price plans for gym memberships	290 295 299 307 310 316 323 334 335 335 335
	Case 8.2 Case 8.3 Case 8.4 Case 8.5	The savings problem The desire for rising consumption profiles Payday loans Financial crashes	337 341 341 344

PART IV STRATEGIC INTERACTION

CHAPTER	9 Behavio	oral Game Theory	348
9.1	Nature of be	350	
9.2	Solution cor	ncepts	356
9.3	Mixed strate	egies	361
9.4	Bargaining		369
9.5	Iterated gan	nes	374
9.6	Signaling		381
9.7	Learning	385	
9.8	Summary	390	
9.9	Review ques	392	
9.10	Review prob	392	
9.11	Applications	393	
	Case 9.1	Penalty kicking in professional soccer	393
	Case 9.2	Bargaining and self-serving bias	395
	Case 9.3	Market entry in monopoly	396
CHAPTER 10 Social Preferences			399
10.1	The neoclas	ssical model	401
10.2	The nature	404	

10.3	Factors affe	cting social preferences	413		
10.4	Modeling so	cial preferences	425		
10.5	Inequality-av	ersion models	429		
10.6	Reciprocity models				
10.7	Empirical evidence				
10.8	Policy implic	ations	449		
10.9	Summary		457		
10.10	Review questions				
10.11	Applications		459		
	Case 10.1	The Wason test	459		
	Case 10.2	Public goods and free-riding	463		
	Case 10.3	Sales force compensation	464		
	Case 10.4	Obesity, diet and health	466		

PART V CONCLUSION

CHAPTER 11 Behavioral Economics: Summary and Outlook			473
11.1	The agenda	of behavioral economics	475
11.2	Criticisms of	477	
11.3	Methodology	/	479
11.4	Are we really	/ irrational?	483
11.5	Welfare and	happiness	489
11.6	Problems in	494	
11.7	Policy implic	498	
11.8	Future direct	506	
11.9	Applications		509
	Case 11.1	The effects of brain damage on decision-making	509
	Case 11.2	The bioeconomic causes of war	511
	Case 11.3	Getting children to eat vegetables	513
Bibliography			516
Index			585