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Amos Tversky and the Ascent of Behavioral Economics

Published: April 1998

Volume 16, pages 7–47 (1998) Cite this article



Journal of Risk and Uncertainty

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Abstract

Amos Tversky investigated and explained a wide range of phenomena that lead to anomalous human decisions. His two most significant contributions, both written with Daniel Kahneman, are the decision-making heuristics—representativeness, availability, and anchoring—and prospect theory. Tversky's concepts have broadly influenced the social sciences. In economics, they gave rise to the burgeoning field of behavioral economics. This field, skeptical of perfect rationality, emphasizes validation of modeling assumptions, integration of micro-level data on decisions (including experimental evidence), and adoption of lessons from psychology. Tversky's contributions are reviewed, assessed using citation analysis, and placed in historical context. Fertile areas for behavioral economics research are identified.

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About this article

Cite this article

Laibson, D., Zeckhauser, R. Amos Tversky and the Ascent of Behavioral Economics. *Journal of Risk and Uncertainty* **16**, 7–47 (1998). https://doi.org/10.1023/A:1007717224343

Issue date
April 1998
DOI
https://doi.org/10.1023/A:1007717224343

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