

[Home](#) > [Journal of Risk and Uncertainty](#) > [Article](#)

Amos Tversky and the Ascent of Behavioral Economics


| Published: April 1998

| Volume 16, pages 7–47, (1998) [Cite this article](#)[Save article](#)[View saved research](#) >[Journal of Risk and Uncertainty](#)[Aims and scope](#) →[Submit manuscript](#) →[David Laibson](#)^{1,2} & [Richard Zeckhauser](#)^{3,2}[2105](#) Accesses [85](#) Citations [4](#) Altmetric [Explore all metrics](#) →

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.

 This is a preview of subscription content, [log in via an institution](#)  to check access.

Access this article

[Log in via an institution](#) →

Subscribe and save

Springer+

from €37.37 /Month

- Starting from 10 chapters or articles per month
- Access and download chapters and articles from more than 300k books and 2,500 journals
- Cancel anytime

[View plans](#) →

Buy Now

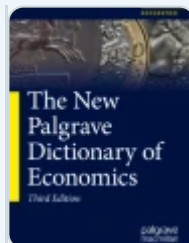
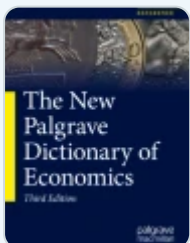
[Buy article PDF 39,95 €](#)

Price includes VAT (Poland)

Instant access to the full article PDF.

[Institutional subscriptions](#) →

Similar content being viewed by others



Behavioural Economics: A

Explore related subjects

Discover the latest articles, books and news in related subjects, suggested using machine learning.

[Behavioral Economics](#)

[Behavioral Finance](#)

[Behavioral Sciences and Psychology](#)

[Economic Psychology](#)

[History of Economic Thought and Methodology](#)

[Philosophy of Economics](#)

References

Akerlof, George. (1970). "The market for 'Lemons'," *Quarterly Journal of Economics* 90, 629-650.

[Google Scholar](#)

Allais, Maurice. (1953). "Le comportement de l'homme rationnel devant de risque: Critique des postulats et axiomes de l'ecole Americaine," *Econometrica* 21, 503-546.

[Google Scholar](#)

Babcock, Linda, George Loewenstein, and Samuel Issacharoff, and Colin Camerer. (1995). "Biased judgments of fairness in bargaining," *American Economic Review* 85(5), 1337-1343.

[Google Scholar](#)

Babcock, Linda, Xianghong Wang, and George Loewenstein. (1996). "Choosing the Wrong Pond: Social Comparison in Negotiations that Reflect a Self-Serving

Bias," *Quarterly Journal of Economics* 111(1), 1-19.

[Google Scholar](#)

Barberis, Nicholas, Andrei Shleifer, and Robert Vishny. (1996). "A Model of Investor Sentiment," Working Paper, Harvard University.

Benartzi, Shlomo, and Richard Thaler. (1995). "Myopic Loss Aversion and the Equity Premium Puzzle," *Quarterly Journal of Economics* 110, 75-92.

[Google Scholar](#)

Bowman, David, Deborah Minehart, and Matthew Rabin. (1996). "Loss Aversion in a Consumption-Savings Model," Working Paper, University of California, Berkeley.

[Google Scholar](#)

Breyer, Stephen. (1993). *Breaking the Vicious Circle* Harvard University Press.

Camerer, Colin. (1989), "An Experimental Test of Several Generalized Utility Theories," *Journal of Risk and Uncertainty* 2, 61-104.

[Google Scholar](#)

Camerer, Colin, Linda Babcock, George Loewenstein, and Richard Thaler. (1997). "Labor Supply of New York City Cabdrivers: One Day at a Time," *Quarterly Journal of Economics* 112(2), 407-441.

[Google Scholar](#)

Camerer, Colin, and Robin Hogarth. (1997). "The effects of financial incentives on performance in economics experiments: A review and capital-labor-production theory." California Institute of Technology working paper, November.

DeGeorge, Francois, Jay Patel, and Richard Zeckhauser. (1997). "Earnings Manipulation to Exceed Thresholds," Mimeo, Harvard University.

[Google Scholar](#)

DeBondt, Werner, and Richard Thaler. (1986). "Does the Stock Market Overreact?" *Journal of Finance* 40(3), 793-807.

[Google Scholar](#)

DeBondt, Werner, and Richard Thaler. (1987). "Further Evidence on Investor Overreaction and Stock Market Seasonality," *Journal of Finance* 42(3), 557-81.

[Google Scholar](#)

DeBondt, Werner, and Richard Thaler. (1990). "Do Security Analysts Overreact?" *American Economic Review* 80(2), 52-57.

[Google Scholar](#)

Ellsberg, Daniel. (1961). "Risk, ambiguity, and the Savage axioms," *Quarterly Journal of Economics* 75, 643-669.

[Google Scholar](#)

Fama, Eugene F., and James D. MacBeth. (1973). "Risk, return, and equilibrium: Empirical tests," *Journal of Political Economy* 71, 607-636.

[Google Scholar](#)

Fehr, Ernst, Georg Kirchsteiger, and Arno Riedl. (1993). "Does Fairness Prevent Market Clearing? An Experimental Investigation," *Quarterly Journal of Economics* 108, 437-459.

[Google Scholar](#)

Gneezy, Uri, and Jan Potters. (1997). "An Experiment on Risk Taking and Evaluation Periods," *Quarterly Journal of Economics* 112(2), 631-645.

[Google Scholar](#)

Grossman, Sanford, and Joseph Stiglitz. (1980). "On the Impossibility of Informationally Efficient Markets," *American Economic Review* 70, 393-408.

[Google Scholar](#)

Hardie, Bruce, Eric Johnson, and Peter Fader. (1993). "Modeling Loss Aversion and Reference Dependence Effects on Brand Choice," *Marketing Science* 12(4), 378-394.

[Google Scholar](#)

Jensen, Michael. (1969). "Risk, the pricing of capital assets, and the evaluation of investment portfolios," *Journal of Business* 42, 167-247.

[Google Scholar](#)

Kachelmeier, Steven, and Mohamed Shehata. (1992). "Examining Risk Preferences Under High Monetary Incentives: Experimental Evidence from the People's Republic of China," *American Economic Review* 82(5), 1120-1141.

[Google Scholar](#)

Kahneman, Daniel, Peter P. Wakker, and Rakesh Sarin (1997). "Back to Bentham? Explorations of Experienced Utility." *Quarterly Journal of Economics* 112(2), 375-406.

[Google Scholar](#)

Kahneman, Daniel, Jack Knetsch, and Richard Thaler. (1986). "Fairness as a Constraint on Profit Seeking: Entitlements in the Market," *American Economic*

[Google Scholar](#)

Laibson, David. (1997). "Hyperbolic Discounting and Time Preference Heterogeneity," Working Paper, Harvard University.

Lichtenstein, S., P. Slovic, B. Fischhoff, M. Layman, and B. Coombs, "Judged frequency of lethal events," *Journal of Experimental Psychology: Human Learning and Memory* 4, 1978 pp. 551-578.

[Google Scholar](#)

Loewenstein, George. (1992). "The Fall and Rise of Psychological Explanations in the Economics of Intertemporal Choice." In G. Loewenstein and J. Elster, eds., *Choice Over Time* (pp. 3-34). New York, NY: Russell Sage Foundation.

[Google Scholar](#)

Loewenstein, George, and Daniel Adler. (1995). "A Bias in the Prediction of Tastes," *Economic Journal* 105(431), 929-937.

[Google Scholar](#)

Loewenstein, George, and Shane Frederick. (1997). "Predicting Reactions to Environmental Change," Working Paper, Carnegie Mellon.

Lucas, Robert. (1972). "Expectations and the neutrality of money," *Journal of Economic Theory* 4, 103-124.

[Google Scholar](#)

Lucas, Robert. (1973). "Some International Evidence on Output-Inflation Trade-offs," *American Economic Review* 63, 326-334.

Lucas, Robert. (1975). "An Equilibrium Model of the Business Cycle," *Journal of Political Economy* 83, 1113-1144.

[Google Scholar](#)

Lucas, Robert. (1976). "Econometric Policy Evaluation: A Critique," *Carnegie-Rochester Conference Series on Public Policy* 1, 19-46.

[Google Scholar](#)

Lucas, Robert, and Edward Prescott. (1971). "Investment under uncertainty," *Econometrica* 39, 659-681.

[Google Scholar](#)

Lucas, Robert, and Edward Prescott. (1974). "Equilibrium Search and Employment," *Journal of Economic Theory* 7, 188-209.

[Google Scholar](#)

Machina, Mark. (1982). "'Expected Utility' Analysis Without the Independence Axiom," *Econometrica* 50, 277-323.

[Google Scholar](#)

Muth, John. (1961). "Rational expectations and the theory of price movements," *Econometrica* 29, 315-335.

[Google Scholar](#)

Odean, Terrance. (1996). "Are Investors Reluctant to Realize Their Losses?" Working Paper, University of California, Berkeley.

Pratt, John, David Wise, and Richard Zeckhauser. (1979). "Price Differences in Almost Competitive Markets," *Quarterly Journal of Economics* 53, 189-211.

[Google Scholar](#)

Quiggin, John. (1982). "A Theory of Anticipated Utility," *Journal of Economic Behavior and Organization* 2, 323-343.

[Google Scholar](#)

Rabin, Matthew. (1996). "Daniel Kahneman and Amos Tversky," in Warren J. Samuels, ed. *American Economists of the Late Twentieth Century* Edward Elger.

Rabin, Matthew. (1997). "Psychology and Economics," forthcoming *Journal of Economic Literature*.

Radner, Roy. (1972). "Existence of equilibrium of plans, prices, and price expectations in a sequence of markets," *Econometrica* 40, 289-303.

[Google Scholar](#)

Rizzo, John, and Richard Zeckhauser. (1997). "Income Targets and Physician Behavior," mimeo, Yale University.

Rothschild, Michael, and Joseph Stiglitz. (1976). "Equilibrium in competitive insurance markets: An essay in the economics of imperfect information," *Quarterly Journal of Economics* 80, 629-649.

[Google Scholar](#)

Russell, Thomas and Richard H. Thaler. (1988) "The Relevance of Quasi Rationality in Competitive Markets," in D. Bell, H. Raiffa, and A. Tversky, eds.

Decision-Making: Descriptive, Normative, and Prescriptive Interactions. New York: Cambridge University Press.

[Google Scholar](#)

Samuelson, William, and Richard Zeckhauser. (1988). "Status Quo Bias in Decision Making," *Journal of Risk and Uncertainty* 1, 7-59.

[Google Scholar](#)

Schelling, Thomas. (1960). *The Strategy of Conflict*. Harvard University Press.

Schmeidler, David. (1989). "Subjective Probability and Expected Utility without Additivity," *Econometrica* 57(3), 571-587.

[Google Scholar](#)

Shleifer, Andrei, and Robert Vishny. (1996). "The Limits of Arbitrage," Working Paper, National Bureau of Economic Research.

Simon, Herbert. (1957). *Models of Man*. New York, NY: John Wiley and Sons.

[Google Scholar](#)

Smith, Vernon, and James Walker. (1993). "Monetary Rewards and Decision Cost in Experimental Economics," *Economic Inquiry* 31, 245-261.

[Google Scholar](#)

Spence, A. Michael. (1974). *Market Signalling*. Cambridge, MA: Harvard University Press.

[Google Scholar](#)

Thaler, Richard. (1985). "Mental Accounting and Consumer Choice," *Management Science* 4(3), 199-214.

[Google Scholar](#)

Thaler, Richard. (1986). "The Psychology and Economics Conference Handbook," *Journal of Business* 59(4), S279-S284.

[Google Scholar](#)

Thaler, Richard. (1991). *Quasi-Rational Economics*. Russell Sage.

Thaler, Richard. (1992). *The Winners Curse*. Princeton University Press.

Thaler, Richard. (1997). "Irving Fisher: Modern Behavioral Economist," *American Economic Review* 2, 439-441.

[Google Scholar](#)

Viscusi, W. Kip. (1989). "Prospective Reference Theory: Toward an Explanation of the Paradoxes," *Journal of Risk and Uncertainty* 2(3), 235-63.

[Google Scholar](#)

Zeckhauser, Richard J. (1986). "Comments: Behavioral versus Rational Economics: What You See Is What You Conquer," *Journal of Business* 59(4), part 2, S435-S449.

[Google Scholar](#)

Zeckhauser, Richard J. and W. Kip Viscusi. (1990). "Risk Within Reason," *Science* 248, May 4, 559-564.

Author information

Authors and Affiliations

Department of Economics, Harvard University, Cambridge, MA, 02138

David Laibson

The National Bureau of Economic Research, USA

David Laibson & Richard Zeckhauser

**Kennedy School of Government, Harvard University, Cambridge, MA,
02138**

Richard Zeckhauser

Rights and permissions

[Reprints and permissions](#)

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>

[Behavioral economics](#)

[decision theory](#)

[heuristics and biases](#)

[prospect theory](#)

[psychology and economics](#)

[rationality](#)

Search

Search by keyword or author



Navigation

Find a journal

Publish with us

Track your research