

Applications of Psychology and Economics – Econ 219B  
Spring 2004  
Wednesday 12-3, 639 Evans  
Instructor: Stefano DellaVigna, 515 Evans. [sdellavi@econ.berkeley.edu](mailto:sdellavi@econ.berkeley.edu).

Homework 5.  
Due on February 24 at 12pm

This homework will be a brief (one- to two-pages overall) report on the following papers:

\*Ariely, Dan, Loewenstein, George, & Prelec, Drazen. Coherent arbitrariness: Stable demand curves without stable preferences. Forthcoming Quarterly Journal of Economics 118 (1) February 2003

<http://web.mit.edu/ariely/www/papers/CA.pdf>

\*Kahneman, D. Ilana Ritov and Savid Schkade, “Economic preferences or attitude expressions? An analysis of dollar responses to public issues”  
CVF 36.

Here are some questions you may want to write about:

- How would you interpret the results in the Ariely et al. paper? How could one test in the field the implications of such a theory?
- Is there a link between these results and the ones on experience that List obtains?
- How would you test the ‘arbitrariness’ part in Coherent arbitrariness in the field?
- Do you think that framing matters only in surveys and experiments or will it matter also in field decisions? Who decides the framing in field decisions?
- Can you think of examples in which politicians have incentives to frame an environmental or political problem in a particular way for their own benefit?
- Can you think of examples in which politicians have incentives to frame an environmental or political problem in a particular way for the benefit of the electorate?
- How about firms framing problems to consumers or employees?

The readings for next week are

\*Ariely, Dan, Loewenstein, George, & Prelec, Drazen. Coherent arbitrariness: Stable demand curves without stable preferences. Forthcoming Quarterly Journal of Economics 118 (1) February 2003

<http://web.mit.edu/ariely/www/papers/CA.pdf>

\*Kahneman, D. Ilana Ritov and Savid Schkade, “Economic preferences or attitude expressions? An analysis of dollar responses to public issues”  
CVF 36.

\*Genesove, David and Chris Mayer, “Loss Aversion and Seller Behavior: Evidence from the Housing Market”, *Quarterly Journal of Economics*, 2001, Vol. 116, No. 4, 1233-1260.

<http://finance.wharton.upenn.edu/~mayerc>

Odean, Terry. "Are Investors Reluctant to Realize Their Losses?", JOF, 1998, p.1775-1798. See other papers at <http://faculty.haas.berkeley.edu/odean/>  
CVF 21

The homework is due on Tuesday by noon. See you next week!