## Index

Abdellaoui, Mohammed 183
abortion 32
abstraction 2, 7, 460
   levels of 47, 472
   value of 459
acceptances vs. beliefs 59, 60–63, 69
accidents
   biases affecting perceived probability of 227–230
   biases affecting severity of 235–237
   liability for 314–315
accuracy 52
Adamowicz, Wiktor L. 371
adaptive cognition 27
adjustable-rate mortgages (ARMs) 125, 126, 137
Adler, Daniel 388–389, 393
advertising 4
   by banks 124, 128–129, 131–133, 143, 144, 149
   categories 4–5, 126–127, 139–143
   and decision-making 123
   direct mail see direct mail (DM) customers, mortgages
economics literature 123
   and investor interest 123
   and mortgage choice 125–127
   mutual fund 122
   newspaper 123
   persuasive vs. complementary 4, 139–141
   persuasive vs. informative 4, 5, 141–143
   roles 122
Agarwal, Sumit 4–5, 105, 106, 109–111, 124, 126, 128, 129, 141, 146
agency
   bargaining of principals and agents 336–342
   employment contracts 313–314
   gap enhancers and disruptors 369–371
   principal-agent relationships 10, 297, 336–342
Aggarwal, Pankaj 364
Ai, C. 137
Alexander, C. 82
Allen, Franklin 310
Allen, Ronald J. 65
Allingham, Michael G. 190
Alm, J. R. 125
alternative credit 104–106
alternative theory development 371–420
   enhancement theory 393–398
   expectation theory 376–382
   Hanemann’s substitution theory 371–376
   mere-ownership theory 388–393
   uncertain preferences 382–388
   valuation elicitation procedures 398–411
altruism 9, 10, 306, 307
ambiguity effect 229
Ambrose, Brent W. 4–5
Amiran, Edoh Y. 371
amniocentesis 38, 39
anchoring heuristic 229, 237–240
Anderberg, M. R. 134
Anderson, L. R. 335
Anderson, Steffan 358
Andreoni, James 175
Andreoni, P. 90, 205
anger 29
antisocial behavior, and punishment 5
antitrust 2–3, 75–100
   case law and exclusive dealing practices 88
   Clayton Act, 1914 77
   experimental law 79–82
   new economic theories 75–76
   Sherman Act, 1890 77
   and vertical restraints 77–79
Apicella, Coren L. 361, 369
apology laws 313, 314
Ariely, Dan 160, 378, 389
Arlen, Jennifer 77, 239, 257, 370, 418, 421
ARMs see adjustable-rate mortgages (ARMs)
Arnold, Ronald J. 61
Arrow’s impossibility theorem 274
Ashby, Nathaniel J. S. 390
Ashraf, Nava 307
Asian disease problem 35
asset pricing bubbles 444–447
assimilation, biased 37
asymmetric paternalism 40, 277, 461
attachment utility hypothesis 389
attentional bias 232–233, 236
attorneys, decision-making by 10, 327–329
attribute substitution 26–27
auction mechanism 354, 359, 372, 375, 383, 399, 400
audits, tax 55–56
Austen-Smith, D. 327

505
Joshua C. Teitelbaum and Kathryn Zeiler - 9781849805681
Downloaded from Elgar Online at 04/13/2019 11:04:16PM
via free access
Ausubel, L. 129, 130
auto title lending 119
availability bias 229
availability heuristic 186, 212
backward induction 298, 339, 446, 447
Bacon, Francis 58, 66
Baconian reasoning 68
bad-deal aversion 416–417
Bagwell, Kyle 126, 127
Baker, George 309
Baker, J. B. 76
Baker, Joanna, R. 179
Baldassarri, Delia 163
Bales, William D. 213
bandwagon effects 237
bankruptcy issues 205
banks
see also consumer finance/consumer credit; home equity credit
advertising by 124, 128–129, 131–133, 143, 144, 149
agreements with 88
central 38
commercial 128
credit scoring 128, 129
mainstream 105, 110, 111
Banks, J. S. 263
Bar Ilan, Avner 206, 207
Barber, B. M. 122, 123
bargaining
pretrial 254–257
of principals and agents 336–342
bargaining scripts 400
Bar-Grill, Oren 45, 46, 249
Bar-Hillel, Maya 415, 416
Baron, Jonathan 2, 30–31, 32
Bartling, Björn E. 305, 306, 312, 403, 410, 411, 413
base-rate fallacy 229
base-rate neglect 45, 46
Bateman, Ian 375, 376, 377
Battaglini, M. 326
Bayes, Thomas 50
Bayes’ Theorem 50–51, 52, 54, 64, 65
Bayesian probability see mathematical probability
Bayzerman, Max H. 32
BDM (Becker, DeGroot, Marschak)
mechanism 358, 363, 364, 390, 393, 399–402, 408, 415, 417
see also reluctance to trade
demand-revealing 375–376, 380
BE see behavioral economics (BE); reform of behavioral economics
Beavin, Laura 448
Bebchuk, L. A. 248, 251, 261
Becker, Gary S. 19, 29, 175, 197, 198, 431–432
Becker, Gordon M. 358
Becker paradox/es 7, 176
see also Becker proposition
competing explanations 204–207
driving while talking on hand-held mobile phones 207
not wearing seat belts 207
red traffic lights (jumping), evidence from 206–207
why may not suffice 206
resolution 208–210
under prospect theory 210–211
stylized facts on non-linear weighting of probabilities 208
Becker proposition 6–7
see also punishment
assumptions 175–176
cumulative prospect theory (CP) 199–204
comparative static results 201–202
fines and crime 202–203
holding under 203–204
loss aversion and extent of crime 202
reference points for crime, as expected income from crime 200–201
expected utility (EU) 197–198
limitations of standard model 211–214
rank dependent utility (RDU) 199
and risk-loving behavior 198–199
Beer Distribution Antitrust Litigation, In Re (1999) 88
Beggan, James K. 388
behavior
ethical 282–283
heterogeneous, of experiences vs. inexperienced actors in the market 442–444
meta-analyses of behavioral phenomena 464–465
prepayment, concerning home-equity loans and lines-of-credit 147
prosocial 5, 31–32
repayment, of payday borrowers 108–109
risk-loving 198–199
where relevant 19
behavioral biases 226, 231
see also biases; heuristics and biases
behavioral economics (BE)
critique of models within 460
four problems 477–479
origins of 479–480
reform see reform of behavioral economics
role in law 1
tools 480
Why? question, approach to 485, 486–487
behavioral law and economics (BLE) 459–475
see also law and economics (L & E)
adding realism and theory to 469–472
heterogeneity 461–465
interactions and external validity 463, 466–467
judgment and decision-making (JDM) 459, 460, 463, 466, 467
meta-analyses of behavioral phenomena 464–465
“oomph factor” 461, 463
origins of term 19
reification and defeatism 468–469
between-subject designs 462
behavioral probability 46
beliefs
vs. acceptances 59, 60–63, 69
loyalty to 37
myside biases 37
out-of-equilibrium 84, 85
unwarranted 37
Bénabou, Roland 160
Benartzi, Shlomo 33
Ben-Shahar, Omri 45
Bentham, Jeremy 23, 189
Berg, Joyce 158, 299, 303
Berg, N. 460
Bernasconi, Michele 196
Bernheim, B. Douglas 310
Bernoulí, Jacob 55
Bertrand, Marianne 107, 111, 123
Beshears, J. 469
betrayal aversion 308
Bhutta, Neil 105, 107
Biased Evidence Accumulation Theory 390
biases
affecting cost 233–235
affecting detection and enforcement 237–239
affecting effectiveness of care 230–233
affecting litigation and settlement 239–241
affecting perceived probability of an accident 227–230
affecting severity of an accident 235–237
attentional 232–233, 236
availability 229
behavioral 226, 231
biased assimilation 37
cognitive
experimental law and economics 80
happiness research 278
and pretrial bargaining 254–257
and tort reform 257–259
confirmation 239
control 231
egocentric 240
false consensus 238
and heuristics see heuristics and biases
hindsight 46, 236, 323
impact 239–240
implicit 7, 324
integrating disciplines 491
myside 37–38
neglect probability 228
omission 26, 39, 236, 238
optimism 225–226, 231
pessimism 228
present 108, 213
primacy 229
projection-bias 214
racial 324
recency 229
regressive 229
representativeness 66
restraint 233–234
role-induced 257
self-serving 7–8, 233
pretrial bargaining under 261, 262–264
robustness of 260
tort reform and incentives for care under 262–264
social 7, 225, 227, 233, 237
zero-risk 228
Bibas, S. 328
Bicchieri, Cristina 167–168
Biel, Anders 347, 363
Bikhchandani, Sushil 237
Bíl, K. 333, 334
Binmore, Kenneth 400
Birnbaum, Michael H. 36
Bischoff, Ivo 356, 389
Bishop, Richard C. 353
Bjornstad, D. 333
Blavatskyy, Pavlo 414
Blumenthal, Marsha 55, 279
Bohnet, I. 90
Bohnet, Iris 297, 305, 307, 308
Bolton, G. E. 89
Bolton, P. 75
Boone, J. 91
Borges, Bernhard F. J. 359
Bornstein, B. 325, 326
Bos, Marieke 3–4, 104, 105, 106, 110
Bossaerts, Peter 445
Boudreau, C. 325
bounded probabilistic rationality (BPR) 60–68
beliefs vs. acceptances 60–63, 69
“Blue Cab/Green Cab” Problem 64–66, 68
causation vs. chance 66–68
“Linda Problem” 61–63
vs. probability theory 64–66
“Steve Problem” 66–68
Boyce, R. R. 362, 363
BPR see bounded probabilistic rationality (BPR)
Bracha, Anat 160
Bradley, Ian 183
brain imaging 159, 433, 436
reform of behavioral economics 479, 494–495, 497
brain regions 434
Braithwaite, D. 127
Brandts, J. 341, 342
Brenner, Lyle 379
Breyer, Stephen 27, 38
Bronstein, John 214
Brookshire, David S. 355
Brosnan, Sarah F. 360
Brown, Alexander L. 2015 397–398, 402
Brown, Gardner Mallard 351–352
Brown, J. R. 125
Brown, Jonathon D. 207
Brown, Martin 310
Brown, S. J. 134
Brown, Thomas C. 387, 401–402, 406, 413, 419
Brown Shoe v. United States (1962) 83
Brueckner, J. 125, 126
Bruguier, Antoine 445, 446, 453
Buccafusco, Christopher J. 214
Buhren, Christoph 175
bundling practices
see also tying practices
defining 77, 91
evaluation of 96
leverage theory 3, 91–94
mixed bundling 91
pure bundling 91, 92
sequence-of-moves treatments 92–93
Burson, Katherine 392
Busemeyer, Jerome R. 414
Bushway, S. 327, 328, 329
Caliskan, A. 93, 94, 96
Camerer, Colin F. 40, 79, 81, 178, 322
Campbell, John Y. 126
Campbell, W. K. 465
Canada, happiness research 273
Cantrell, Deborah J. 281–282
Cantril, Hadley 225
capital punishment 176
care
biases affecting cost of 233–235
biases affecting effectiveness of 230–233
incentives for, and tort reform under 262–264
Carlson, K. A. 123
Carlton, D. W. 92
Carmichael, Lorne-H. 386
Carmon, Ziv 389
Carroll, Lewis 432
Carter, Susan Payne 3–4, 109, 110
Caruso, Gilbert, Wilson 37
Casari, Marco 156
Casey, Jeff T. 389–390
Caskey, John 107, 112
Cason, Timothy N. 408, 409, 410, 411
causation
causal probability 57–60
vs. chance 66–68
unspecified causality 65, 67–68
certainty equivalent (CE) 410
Chakravarty, Surajeet 229
Chamallas, Martha 238
change 69
vs. causation 66–68
Chapman, Gretchen B. 125, 357, 465, 470
Charness, Gary 10–11, 90, 314, 322, 335–339, 341, 342
Chatterjee, Promothesh 420
Chen, M. Keith 360–361
Chiang, R. 126
Chicago School 75, 83, 87, 92
Chilton, Susan 352
China, happiness research 273
Choi, J. P. 92
choice bracketing 27
Choo, Lawrence 175
Choquet, Gustave 229
Chorvat, Terrence 12–13
Chow, Y. 126
Christian, Charles 55
Churchland, Patricia 450, 451
Church-Turing Thesis 435
Cialdini, Robert B. 167
Clayton Act, 1914 (US) 77, 78
Coase, Ronald 359, 422
Coates, J. M. 2007 450
Cobb–Douglas production function 470
Cocco, Joao F. 126
coefficient of loss aversion 182
coefficient of relative risk aversion (CRRA) 190
cohort bias
experimental law and economics 80
happiness research 278
and pretrial bargaining 254–257
and tort reform 257–259
cognitive dissonance 158
cognitive heuristics and biases, arising of
endowment effect 14, 497
framing effect 496
integrating disciplines 491
intertemporal choice 496
loss aversion 496
reference dependence 496–497
risk and choice 495–496
cognitive neuroscience 494–495
Cohen, Gregory 402, 406, 413
Cohen, J. 463
Cohen, L. Jonathan 48, 51, 54, 59, 61, 62, 64, 68
coherence 20
Collins, Linda N 240
collusion 75, 84
Colman, Andrew M. 206
commons dilemmas 24
common-sense reasoning, and probability 2, 57–60, 69
complementation principle 48, 49
composite cumulative prospective theory (CCP) 209, 210
composite Prelec weighting function (CPF) 176
composite rank dependent utility (CRDU) 209, 210
COMT (catecholamine-Dmethytransferase) 448
conditional altruism 307
confidence intervals 56
confirmation bias 239
conflict resolution 283–285
conjunction fallacy 229
Conley, Chip 275
Connolly, Terry 356
consumer finance/consumer credit 3–5, 101–121
alternative credit 101, 104–106
applicants for credit 105
APRs 111
misunderstanding of 107
choice 104–108
collateralized loans 101, 109
credit scoring 109, 113
credit vs. no credit 104
cultural influences 110
default, risk of 104
demographics on borrowers 105
financial literacy, limited 107
home equity credit choices see home equity credit
loss aversion 109
low-income borrowers 105, 110
mainstream vs. alternative credit 104–106
naive theories 33
non-monetary costs 104
opportunity costs 104
pawnshop loans see pawnshop loans
payday loans see payday loans
rational model 102–108
and credit choice 104–108
regression discontinuity design 113–114
graphical representations of discontinuity regressions 114–116
regulation 119–120
repayment behavior of payday borrowers 108–109
self-control issues 108
simultaneous use of mainstream and
alternative forms of credit 106
speed of obtaining 110
theoretical foundations of consumer credit
interactions 102–109
traditional forms of credit 3, 104–105, 110
welfare analysis, limitations to 107–108
Consumer Financial Protection Bureau (CFPB) 119
context effect 241
Continental T.V., Inc. v. GTE Sylvania, Inc (1977) 78
contingent fees 35
contracts
behavioral contract theory 336
employment 313–314
exclusive dealing, anti-competitive effects 87–91
judicial enforcement 11
and other-regarding preferences 32
public and private 84
rigid and flexible 341–342
secret 84
and trust 9
control bias 231
Converging Questions approach 14, 483, 484, 492, 498
conviction, errors in 205
Conwood v. United States Tobacco (2002) 88
Cook, H. E. 352
cooling-off periods 28–29, 39
Coon, D. 325
cooperation 24, 25
and punishment 155, 158
Cooter, R. 249
Coren, Amy E. 365, 400
Coricelli, Giorgio 447
Corrigan, Jay R. 386, 401
corruption 164
cost-benefit analysis 38–39
Coughlan, P. 327
Cournot competition, simultaneous-move 93
Coursey, Don L. 250, 353, 354, 355, 357
CP (cumulative prospect theory) see
  cumulative prospect theory (CP)
Cramer, J. 328
Crawford, Vincent P. 200
credit, consumer see consumer finance/
  consumer credit
credit scoring 109, 113
crime
  expected income from 200–201
  extent of 202
  and fines 202–203
  and punishment see punishment
  simple model 186–190
  social costs of crime and law enforcement 187–188
  society’s objective 188
Cronqvist, H. 122–123
Croson, R. 79, 80, 81, 252, 253, 332
crowding out effect, punishment incentives
  image motivation 6, 160–161
  intrinsic motivation 6, 31, 158–160
Crutchfield, Richard S. 237
cultural cognition 37
Cummings, R. G. 352
cumulative prospect theory (CP) 6, 174–176,
  177, 181–185
Becker proposition 199–204
  comparative static results 201–202
  fines and crime 202–203
  holding under CP 203–204
  loss aversion and extent of crime 202
  reference points for crime, as expected
  income from crime 200–201
  composite cumulative prospective theory
    (CCP) 209, 210
  tax evasion decision under 6, 193–195
Curhan, Jared B. 283
Curto, Vilsa 107
Cushman, F. 325
Dal Bó, P. 327
Darley, John M. 25, 211–212, 213, 334
Daubert v. Merrell Dow Pharmaceuticals, Inc
  (1993) 81, 82
David, D. 464
Davis, D. 79, 332
De Finetti, Bruno 440
de Jong, F. 126
DeAngelo, Gregory 10–11, 335
deception 252
decision architecture 20, 39
decision theory 213
decision-making
  see also judgment and decision-making (JDM)
  and advertising 123
  anchoring 323
  behavioral biases in 226
  decision complexity 459
  decision-analysis/aids 38–39
  egocentricity 323
  framing 323
  hindsight bias 323
  internal processes 479
  by legal actors
    attorneys 10, 327–329
    judges 10, 323–324
    juries 10, 324–327
  litigation and settlement, experiments on 330–331
  methodology 331–332
  short-term decisions 436
tax evasion
  cumulative prospect theory (CP) 6, 193–195
  expected utility (EU) theory 191–192
Deck, C. 333
defensive attribution hypothesis 240
Deffains, B. 248, 261
DeGroot, Morris H. 358
Della Vigna, Stefano 108
demand curves 20
Deng, Y. 146
Department of Health and Human Services
  (HSS) 168
Department of Justice Antitrust Division, US 78
descriptive models 20, 25–38
  error 33–34
  formal 34–37
  heuristics and biases 25–31
  naive theories 33
  other-regarding preferences 31–33
  detection, biases affecting 237–239
deterrence 29
  deterrent effect, neglect of 31
  and incapacitation 212
  objectives other than 205–206
  over-deterrence 33
  and uncertainty 335
Dhami, Sanjit 6–7, 175, 176–177, 179, 183,
  184, 187, 189–191, 194, 196–198, 200, 204,
  208–210
Dhillon, U. 125

Joshua C. Teitelbaum and Kathryn Zeiler - 9781849805681
Downloaded from Elgar Online at 04/13/2019 11:04:16PM
via free access
Dickhaut, John 158, 299, 303
Dickinson, D. 305
Diener, Ed 284
differential punishments 205
diminishing sensitivity 35, 36
direct mail (DM) customers, mortgages 4–5
see also advertising; home equity credit; walk-in (WI) customers
demographic characteristics of locations 131
direct mail switcher choice 139, 140
research data and methodology 123, 124, 127–132
research results 134, 138, 141, 142
robustness tests 145
sample design 133, 134
summary statistics 129, 130, 135
discount-cost effect 235
discounting
constant 103
consumer credit interactions 102
exponential 103, 108
hyperbolic see hyperbolic discounting
intertemporal 37
plea discount 329
stochastic discount factors 439–442, 444, 447, 451
time 434, 440
utility theory 22
discovered preferences thesis 471
Discriminant Index Function 51
disjunction rule 49
disposition effect 435
dissent neglect 10
disturbing 308
diversification, naïve 33
Dodd–Frank Wall Street Reform and Consumer Protection Act, 2010 (US) 119
Dolan, Raymond 447
Doelling, Dieter 212
Dommer, Sara Loughran 393
Doob, Anthony N. 213
dopamine receptors 448
double marginalization 83
Down syndrome, fetal testing for 38
Draco, Francesco 212
DRD4P (dopamine receptor 4 promoter) 448, 449
Driessen, J. 126
driving offences
 cell phone use while driving 161–162, 207
 and competing explanations of Becker paradox 206–207
 red traffic lights (jumping), evidence from 206–207
 seat belts, not wearing 207
Drolet, Aimee 384
Dubourg, W. R. 382, 383
Dufwenberg, Martin 156, 336–339
Dunn, J. 331
Durlauf, S. N. 212
“Dutch Book” (gambling scenario) 52
Dwenger, Nadja 175
Eastman Kodak Co. v. Image Technical Services, Inc. (1992) 91
Economic Analysis of Law (Posner) 459
ego-centric bias 240
Eigen, Z. 248
Einetti, Bruno de 52
Einhorn, Hillel J. 414
Eisemberg, Melvin Aron 46, 248, 260
elasticity 20
Ellenbein, Hillary Anger 283
Ellman, M. 341, 342
Ellsberg, Daniel 229
emotional paternalism 277
empathy 32
employment contracts 313–314
employment protection legislation (EPL) 314
endowment effects 34, 239, 347
 reform of behavioral economics 476, 486, 492
endowment theory 11–12, 356–362, 388, 416
see also reluctance to trade; valuation
elicitation procedures; valuation gaps
alternatives to 365
attachments 388
generalization 376–382
and Hanemann's substitution theory 374, 376
pseudoendowment effect 360
and reluctance to trade 362
riskless choice 359, 360
enforcement
 biases affecting 237–239
de minimis 7
 experimental methods 332–335
 social costs 187–188
Engel, C. 465
Engelmann, Dirk 396, 397
enhancement theory 393–398
 self-enhancement theory 394
epistemics, of mathematical probability 52–56
Epley, Nicholas 240
Epper, Thomas 183
equilibrium 67
 Bayesian 251, 261, 263
 Bertrand 86
 entry 90, 91
 financial market 445
Nash 206, 446
quantal-response 87
tort litigation institutions 261, 263, 264
trust and the law 309, 310
unique 88, 89
vertical restraints, exclusionary 84–87, 93
equity theory 32
Erard, Brian 175
Ericson, Keith M. M. 349, 379, 380, 382, 394, 402, 420
Erikson, Eric H. 37
errors 7
in conviction 205
descriptive models 33–34
error-prone individuals 45
memory errors and social biases 227
probabilistic mistakes 2, 45
random error 20
statistics 58
Ertan, Arhan 156
ethical behavior 8, 281, 282–283
EU see expected utility (EU) theory
Euclidean distances 134
evidence-based multiplier 50
Evolutionary Biology approach 487–493
empirical tests 491–493
genetic perspective 487–490
natural selection 487, 488
point of the issue 493
theoretical foundation 490
Evolutionary psychology 30
ex-ante Pareto optimality 23, 24
exchange asymmetries 11, 347, 356, 367, 393–399, 414, 417, 476, 485
exchange-value hypothesis 370
exclusive dealing 78
anti-competitive effects of contracts 87–91
discriminatory strategies 89
divide-and-conquer strategies 89
evaluation of 95
experimental evidence 88–91
payoff endogeneity/exogeneity 90, 91
strategic uncertainty 88
expectation theory 376–382
expected utility (EU) theory 21, 23, 174–178, 415
basic models 327
Becker proposition 197–198
decision analysis 38
formal models 35
tax evasion decision under 191–192
experimental evidence
see also experimental law and economics
cognitive biases
and pretrial bargaining 254–257
and tort reform 257–259
exclusive dealing contracts, anti-competitive effects 88–91
leverage theory of tying and bundling 3, 92–94
robustness of self-serving biases 260
trust, laboratory experiments on 303–306
vertical integration and market foreclosure 84–87
experimental methods 10–12, 321–346
decision-making, by legal actors
attorneys 10, 327–329
judges 10, 323–324
juries 10, 324–327
litigation and settlement 330–331
methodology 331–332
experimental law and economics
contributions 81–82, 254
economic anomalies, testing 80
expert evidence, admissibility 81
litigation 251–260
methodological aspects 252
reliability standard 81–82
scientific knowledge 81–82
testbed policy experiments 80, 253
types of studies 80–81, 252–253
see also experimental evidence
experimental law, economics and antitrust
79–82
external validity 321–322
legal remedies and enforcement 332–335
main effect 460
methodology 331–332
post-experimental questionnaires 253
punishment 156–157
random assignment 321
replicability 321
studies
exclusive dealing contracts, anti-competitive effects 87–91
leverage theory of tying and bundling 3, 91–94
vertical integration and market foreclosure 82–87
expert evidence 81
expert witnesses 325–326
exponential discounting 103, 108
extendibility presumption 53, 54, 55
external validity
experimental methods 321–322
and interactions 463, 466–467
Faillo, Marco 156
fairness, and prosocial behavior 31–32
Falk, Armin 79–80, 304, 305, 307, 313, 314, 322
false consensus bias 238
Fama, Eugene 438–439, 450
Fama-French model 438–439
Fannie Mae 126
Farmer, A. 248, 261, 264, 333
Feddersen, T. 327
Federal Rules of Evidence, US 81
Federal Trade Commission, US 78
Fess, Eberhard 205
Fehr, Dietmar (2015) 413
Fehr, Ernst 89, 158, 185, 305, 310, 313–314, 342
Fehr-Duda, Helga 183
Feinstein, Jonathan 175
Feld, Lars P. 163, 305, 311
Feldman, Yuval 213–214
fetal testing 38
fictive learning 447
Fiedler, S. 463
fines and crime 202–203
Fishbach, Ayelet 386
Fisman, Raymond 25
5-HTTLPR 448
fixed-rate home equity loans (HELs) 128
fixed-rate mortgages (FRMs) 125, 126, 137
Flemming, Timothy M. 360
focusing 27
Follain, J. R. 125, 126
Fonseca, Miguel A 175
foreclosure—early doctrines 75
vertical integration 82–87
formal models 34–37
foundations of behavioral law and economics (BLE)
conceptual 2, 19–44
descriptive models 20, 25–38
normative models 20–25
prescriptive models 20, 38–40
where behavior relevant 19
Fox, Craig R. 20
Fraidin, S. 334
Franciosi, Robert 358, 359
fraud risk 55, 56
Freddie Mac 126
Frederick, Shane 26, 27, 103, 417
French, Kenneth 438–439, 450
Frey, Bruno S. 90, 274, 305
Friedman, David 205, 360
Friesen, L. 335
Fritzdixon, Kathryn 104, 119–120
FRMs see fixed-rate mortgages (FRMs)
Frye v. United States (1923) 81
Fuchs, H. M. 463
Fudenberg, Drew 415
functional magnetic resonance imaging (fMRI)
159, 433, 436, 479, 495, 497
functionalism 27
Furby, Lita 354
Fuster, Andreas 349, 379, 380, 382, 394, 402, 420
Gächter, Simon 79
Galbiati, Roberto 161, 212
Gale, Douglas 310
Gallagher, K. M. 463, 464
Gambara, H. 464
gambling 52
game theory 24–25, 294, 312
standard 337–338
vertical restraints, exclusionary 75, 87
gap enhancers and disruptors 362–371
see also reluctance to trade; valuation elicitation procedures; valuation gaps
agency 369–371
frames, attitudes and emotions 364–367
lottery valuations, gaps in 411–415
market experience 367–369
moral commitments 362–364
Garoupa, Nuno 186, 205
Geistfeld, Mark 229
General Social Survey (GSS) 296, 301
genetic and hormonal studies 448–451
Georgantzis, Nikolaos 347, 405–406, 407
Gerking, Shelby 352
German Socioeconomic Panel 296
Gettier, Edmund L. 55
Gibbons, Robert 309
Giblin, Colleen E. 349, 420
gift exchange 294, 310
Gigerenzer, Gerd 27, 62, 63, 66, 460
Gilbert, Daniel T. 282
Glöckner, Andeas 248
Goeree, J. 327
Goette, Lorenz 382
Goetzmann, W. N. 134
Glimcher, Paul 431, 434, 450
Glöckner, Andreas 248
Gordijn, J. 327
Gouicm, Paul 358
Goudie, Robert J. B. 282
Graffy, Andeas 248
Grechenig, K. 334
Greene, E. 325, 326
Greenwood, Robin 444
Gregory, Robin 354
Greif, Avner 134
Grieco, Daniela 156
Grinblatt, M. 134
Gross National Happiness (GNH) 272–273
Grossman, Guy 163
Grullon, G. R. 464
guilt aversion 11
Guiso, Luigi 110
Gul, Faruk 431, 432
Güth, W. 85
Guthrie, Chris 284, 323–324, 463, 464
Guttentag, M. 334
Guzman, Rolando M. 382–383
Haberman, Richard 437
Hacking, Ian 55, 69
Hagen, Daniel A. 371
Hall, Simin 61
Hamilton, Neil 282
Hammack, Judd 351–352
Hammitt, James K. 352
hands-free equipment, driving 207
Hanemann, W. Michael 371, 419
Hanemann’s substitution theory 371–376
Hanson, J. D. 462, 466
happiness 8–9, 271–293
   ethical behavior 8, 282–283
   experienced vs. remembered 279–281
   Gross National Happiness (GNH) 272–273
   legal education, improving 9, 286–287
   and legal policy 271–276
   legal practice, improving 9, 287–288
   mindfulness 8, 281–283
   modern research 276–279
   negotiations and conflict resolution 283–285
   PERMA components 272
   self-reports 284
   happiness capital 285
Harbaugh, William T. 356
Harless, David 355, 360, 399
Harrison, Glenn W. 385, 470
Harsanyi, J. C. 88–89
Hart, O. 84, 86, 87, 342
Hart, Oliver 185
Hart, W. 464
Hartigan, J. A. 134
Hartman, Raymond S. 352
Hart-Scott-Rodino Antitrust Improvements
   Act (1976), US 78
Haruby, E. 90
Hassam, Deshmann 444
Hastie, R. 325
Hawkins, Jim 104
He, Xin 163
Heal, Geoffrey M. 157
Heckman, J. J. 79–80, 322
Heffetz, Ori 381–382
Heffetz, Aviad 361
HELOCs see home equity lines-of-credit
(HELOCs)
HELS see fixed-rate home equity loans (HEls)
Henrich, J. 322
Herbert, J. 450
heuristics and biases
   see also biases
   anchoring heuristic 229, 237–240
   attribute substitution and isolation effect 26–27
   availability heuristic 186, 212
   cognitive heuristics and biases, arising of
   framing effect 496
   intertemporal heuristics 496
   loss aversion 496
   reference dependence 496–497
   risk and choice 495–496
   descriptive theory 25–31
   impulsiveness 28–29
   listed 277
   moral heuristics 26
   origins of term “heuristic” 26
   representativeness heuristic 25, 324
   simple heuristics and adaptive cognition 27
   two-systems theory 27–28
   widespread acceptance of 468
hind sight bias 46, 236, 323
Hinloopen, J. R. 92, 96
Hirshleifer, David 237
Ho, Benjamin 9, 314, 315
Hoehn, J. P. 382
Hoffman, E. 79, 90
Hogarth, J. 81
Hogarth, Robin M. 414
Hollard, Guillaume 396, 397
Hollon, Nick G. 497
Holmer, Martin R. 202
Holt, C. A. 79, 332
home equity credit
   see also consumer finance/consumer credit
   credit scoring 128
   data and empirical methods 128–133
   direct mail (DM) customers see direct mail
   (DM) customers, mortgages
   effect of advertising on choices 122–151
   FICO scores 128, 129, 134, 136, 140, 141
   fixed-rate home equity loans (HEls) 128
   fixed-rate mortgages (FRMs) 125, 126
Index

home equity loans vs. lines-of-credit, consumer choice 136–137
matched sample design 5, 133–144
mortgage choice and advertising 125–127
prepayment behavior concerning home equity loans and lines-of-credit 147
research results 134, 136–143
robustness tests 144–148
logistic prepayment model, estimated coefficients 146–147
sample design 133–135
summary statistics 129, 130, 135
variable-rate revolving loans 4
walk-in (WI) customers see walk-in (WI) customers, mortgages
home equity lines-of-credit (HELOCs) 128, 129, 136, 140
see also lines-of-credit
Hong, H. 131, 253
Hong, J. T. 80
Hoorens, Vera 352
hormonal studies 448–451
hormones 450
Horowitz, John K. 352
hot cognition 28–29
hot/cold empathy gap 28
Houser, Daniel 29, 158, 159, 166, 446
housing government-sponsored enterprises (GSEs) 126
Hovenkamp, H. 76, 78
Huang, Peter H. 8–9, 271, 279, 280
Huck, Steffen 305
Hudza Bushmen, Northern Tanzania 369
Huffman, David 9, 305, 314
human capital 287
Hume, David 62
hyperbolic discounting 13, 36–37, 108–109, 213
quasi-hyperbolic discounting model 433–434, 435, 440
standard 434
hyperbolic punishment function (HPF) 189–190, 203

illusion-of-truth effect 241
image motivation, crowding out effect 6, 160–161
impact bias 239–240
impasse (delayed settlement) 247, 250–251, 252, 261, 264
implicit bias 7, 324
impulsiveness 28–29
Inbar, Y. 325
incapacitation 212

Incentives
see also punishment
care and tort reform 262–264
and crowding out effect
image motivation 6, 160–161
intrinsic motivation 6, 31, 158–160
litigation 241
material 155
monetary 159, 160, 389
non-material 155
private 223
punishment 159
social 223
income effects 350
Independent Commission Against Corruption (ICAC), Hong Kong 164
Inder, Brett 386
indifference curves 11, 20, 371–375, 391
reversible 351, 356
indifference principle 53–54, 59
induced valuation 80
induction 52, 69
backward 298, 339, 446, 447
inequity aversion 32
information asymmetries 250–251, 264
information economics 75, 87
information leakage theory 471
Ingersoll, Jonathan 179
insula 497
interest rates
alternative credit 4, 104–106, 111
mortgage choice 126
Internet 443
interval scale 22
intrinsic motivation, crowding out effect 6, 31, 158–160
IRS (Internal Revenue Service), US 51, 196
isolation effect 27, 186
Isoni, Andrea 402, 412, 413, 416–417, 419, 422
Issacharoff, Samuel 364
Italian Clemency Act, 2006 212
Iyengar, Radha 212
Izmalkov, S. 248, 263
Jacobson, J., 329
Jain, P. C. 122
Janssen, Marco A. 158
JDM see judgment and decision-making (JDM)
Johns, M. 325
Johnson, A. S. 252
Johnson, Eric J. 352, 360, 377, 390–391, 470
Johnson, Joseph G. 2005 414

Joshua C. Teitelbaum and Kathryn Zeiler - 9781849805681
Downloaded from Elgar Online at 04/13/2019 11:04:16PM
via free access
Johnston, J. 332
joint-occurrence probability 49
Jolls, Christine 19, 46, 211, 212, 234, 237, 241, 311–312, 459, 460, 462, 466
Jones, Owen D. 14, 361
Jones-Lee, M. W. 352
Jourden, Forest 239
JTA LE ROUX PTY LTD, trustee for FLR FAMILY TRUST v LAWSON (2013) 77
judges, decision-making by 10, 323–324
judgment and decision-making (JDM) 19, 20
see also decision-making
and abstraction 459, 460, 462, 463, 466–469
biases 33
dual-process approaches to 466, 468–469
effects 467
formal models 34
happiness 276, 281, 282–283
two-systems theory 28
junk mail 4
juries, decision-making by 10, 324–327
Kable, Joseph 434
Kagel, J. 322
Kahan, Dan M. 37, 238, 312
Kallgren, Carl A. 167
Kamei, Kenju 305
Kanatas, G. 122–123
Kanngiesser, Patricia 361
Kaplow, Louis 23, 24, 87, 92, 206
Karau, S. J. 465
Kelsey, David 229
Kennedy, Robert F. 272
Kermer, Deborah A. 362
Keynes, John Maynard 53, 54, 56, 59
Kilduff, Gavin, J. 283
Killingsworth, Matthew A. 282
King, Laura 284
Kingsley, David 387, 401–402
Kirchsteiger, George 156
Kirkwood, J. B. 81
Klass, Gregory 348, 420, 421, 485
Kleiman, Mark A. R. 234
Klein, Alexander 313–314
Klein, B. 250, 251
Klick, Jonathan 211
Kling, Catherine L. 383–384, 385, 386
Knez, Peter 355, 359–360
Kneser, Thomas J. 401
Knutson, Brian 445, 449, 497
Kobayashi, B. H. 81
Kogler, Christoph 398, 416
Kogut, EHUD 388
Kogut, Tehila 388
Koh, Weining 407
Koijen, R. S. J. 126
Kolm, Serge-Christophe 176
Kolmogorov, A. N. 48
Kolstad, Charles D. 382–383
Korobkin, Russell 40, 349, 350, 352, 356, 388, 402, 420, 422, 459, 462, 463
Kosfeld, Richard 304, 305, 307
Köszegi, Botond 182, 184, 199, 200, 378, 379
Kovalchik, Stephanie 401, 403
Krahn, Rachel E. 310
Krech, David 237
Kressel, L. M. 125
Krueger, Alan 273
Kubik, J. D. 131
Kuhn, P. 322
Kuhnen, Camelia 449
Kunda, Z. 254–255
Kundt, Thorben 175
Kunreuther, Howard 157, 176, 178, 208
Kysar, D. A. 462, 466
laboratory experiments see experimental methods
Lafontaine, F. 76
Lagnado, David A. 58
Laibson, David 234
Lake Wobegon effect 7
Lakshminarayanan, Venkat 360–361
Landeo, Claudia M. 2–3, 7–8, 80, 86, 88, 89–91, 93, 95–96, 248, 250, 252, 258, 262, 263, 264
Landesberg, Stuart A. 387, 403, 404
Lang, Marc 59
Langenfeld, J. 82
Langlais, E. 248, 261
language
mathematical 51
probability 47, 48–52
large numbers, law of 55
Lattimore, Pamela M. 179
law
see also behavioral law and economics
(BLE); law and economics (L & E)
antitrust see antitrust
behavioral models 481–482
enforcement of 163–164
experimental see under experimental methods
of large numbers 55
role of behavioral economics in 1
rule of 302, 312
of small numbers 68
tort see tort law
and trust 9, 299–300
as complements 305–306
experimental results as substitutes 304–305
experimental results on law and trust as complements 305–306
as substitutes or complements 311–312
law and economics (L & E) 459–461, 463, 469, 470–472
see also behavioral law and economics (BLE)
Lawsky, Sarah B. 211
lawyer-client relationships, contingent-fee arrangements 35
leakage see information leakage theory
Lee, David S. 212
legal education, improving 9, 286–287
legal practice, improving 9, 287–288
Lempert, Richard O. 50
LePage’s Inc. v. 3M (2003) 91
Lerner, Jennifer S. 365–366
Levav, Jonathan 275–276
Leventhal, E. 125
leverage theories
foreclosure 83
tying and bundling 3, 91–94
Levin, Jonathon 310
Levine, David K. 415
Levine, L. J. 464
Levitt, Steven D. 198, 212, 322
Levy, David 163
Lewandowski, Michal 415
Li, Chuan-Zhong 383–384
Li, Jian 159
Liberman, Nira 365
libertarian paternalism 39, 61, 277, 279
libertarian welfarism 40
likelihood ratio 50, 441
Lin, Chien-Huang 366
lines-of-credit
see also home equity credit; home equity lines-of-credit (HELOCs)
average line-of-credit takedown rate 145
vs. home equity loans, consumer choice 136–137
prepayment behavior concerning 147
robustness tests 147, 148
Lipe, M. G. 464
List, John A. 322, 367, 368, 381–382, 385, 386, 396
Listokin, Y. 248
litigation 7–8
see also settlement biases affecting 239–241
conclusions 264–265
cost of tort litigation in the US 247
damage caps 263, 264–265
experiment law/experiments 251–260, 330–331
impasse (delayed settlement) 247, 250–251, 252, 261, 264
incentives 241
new theoretical work 261–264
out-of-court settlement agreements 254
self-serving bias 248, 254, 255, 257, 259, 262, 264–265
seminal theoretical work on 250
standard theory 332–333
tort litigation institutions 247–267
Liu, Elaine 314, 315
Liu, M. 126
Lo, Andrew 442–443
Logue, James 56
Lohrentz, Terry 447
Loomes, Graham 387, 408
loss aversion
attribute-loss aversion 357
consumer finance 109
and crime, extent of 202
cumulative prospect theory (CP) 6
endowment theory 357
formal models 35
litigation and settlement, biases affecting 239
prospect theory (PT) 185
reluctance to trade 357, 374, 421
repayment behavior of payday borrowers 109
trade-loss aversion 357
Why? question 485
lottery valuations, gaps in 411–415
Sequential Value Matching model 414
Luce, R. Duncan 178, 179
Luini, Luigi 156
Lund, Adrian, K. 207, 225
Lunn, Mary 347, 410
Lunn, Pete 347, 410
Luppi, Barbara 7, 231
Lusardi, Annamaria 107, 111
518  Research handbook on behavioral law and economics

Lusk, Jayson 386
Lyubomirsky, Sonja 284

McAdams, R. H. 79
McCabe, Kevin 12–13, 158, 299, 303, 446
McClure, Samuel 434, 435, 436
McConnell, Kenneth E. 352
McCrary, Justin 212
McCubins, M. 325
McCullough, Michael E. 451
Machina, Mark J. 180
McKelvey, R. 326
McKenzie, C. R. M. 471
MacLeod, W. Bentley 309, 314, 386
McLoskey, D. N. 461
macro evidence, trust 300–303
Maddux, William W. 93
Madrian, B. C. 125
Magee, Rhonda 281
Malcolmson, James M. 309
Malle, B. 464
Mandel, David R. 394
marginal rate of substitution 20
marital dissolution environments 249
market experience 367–369
market foreclosure, and vertical integration 82–87
evaluation of 95
experimental evidence 84–87
Marquis, M. Susan 202
Marschak, Jacob 358
Marshall, James D. 369, 393
Martin, S. 84, 85, 86, 87, 92, 95
Martinez, Luis F. 366
Mason, C. F. 84
Masur, Jonathan S. 214
material incentives 155
mathematical probability 2, 45, 47–56
common-sense reasoning 2, 57–60, 69
epistemics of 52–56
and indifference principle 59
language of 47, 48–52
rules of inference 53
semantics and syntax 51
Mathieu, M. T. 464
Matt Spitzer 239
Mavroforakis, Michael 57
McDonald, W. 328
McKee, M. 333
Mears, Daniel P. 213
Meckl, Jürgen 356, 389
Meier, Stephan 160
Meloy, M. G. 123
Melzer, Brian 107
memory errors, and social biases 227
Mendez, Armando 451
Meng, Juanjuan 200
mere-ownership theory 388–393
Merton, Robert 439
Messick, David M. 158–159
Mezulis, A. H. 463, 465
microeconomics 20, 21
Miettinen, T. 331
Miguel, Edward 25
Milgrom, Paul R. 310
Mill, John Stuart 52–53, 55, 58, 66
Miller, Dale T. 237
Miller, H. 328
mindfulness 8, 281–283
minimum wage 313–314
Minson, J. 326
Mishra, Himanshu 389
Mitchell, Gregory 13–14, 467
Mitchell, Olivia S. 107
Monson, Verna 282
Moore, D. 333
Moore, John 185
moral commitments 362–364
moral heuristics 26
moralistic values 32–33
morewedged, Carey K. 349, 388, 391–392, 420
Morrison, Gwendolyn C. 351, 354, 373–375, 383
Morse, Adair 107, 111
mortgage choice
see also direct mail (DM) customers, mortgages; home equity credit; walk-in (WI) customers, mortgages
adjustable-rate mortgages (ARMs) 125, 126, 137
and advertising 125–127
borrower risk aversion 125
conforming mortgages 126, 137
fixed-rate mortgages (FRMs) 125, 126, 137
Morton, Rebecca 322, 326
motivated taste change theory 380
motivation, crowding out effect
image 6, 160–161
intrinsic motivation 6, 31, 158–160
Motley, C. M. 123
Movius, Hallam 284
Mueller, J. 326
Mullainathan, S. 123
Mullen, E. 335
Müller, W. 91, 96
multiplication principle 49
Munro, Alistair 361
Murphy, Kevin J. 309
Myles, Gareth 175
myside biases 37–38
Index

NAcc (nucleus accumbens) 497, 498
Nadler, J. 335
Nagel, Stefan 444
Nagin, D. S. 212
“naïfs,” hyperbolic discounting 108
naïve theories 33
Nakahigashi, M. 459, 460, 466
Nakamura, Leonard I. 104
Nalebuff, B. 92
Nash, Jane G. 352
Nash equilibrium 206, 446
natural selection 487, 488
Navarro, D. 331
Navarro-Martínez, Daniel 347, 405–406, 407
Nayakankuppam, Dhananjay 389
neglect probability bias 228
negotiations 24, 283–285
neoclassical microeconomic theory 8, 11, 350–352
Nesselroade, Jr. K. Paul 388, 394
Neter, Efrat 415, 416
neuroeconomics perspective 12–13, 431–456
apodictic demonstrations 433
applications 452–453
asset pricing bubbles 444–447
genetic and hormonal studies 448–451
neural basis of financial decisions 438–453
heterogeneous behavior of experienced vs. inexperienced actors 442–444
stochastic discount factors 439–442, 444, 447, 451
realized utility 435–436, 451–452
neuropeptides 450
neuroscience 494–495, 498
NHST (null hypothesis statistical significance testing) 462
Nicklisch, A. 334
Nikiforakis, Nikos 156
Nikitin, M. 248, 263
non-material incentives 155
non-welfarist legal principles 23
Normann, H. T. 84, 85, 86–87, 95, 96
normative models 20–25
game theory 24–25
utilitarianism and welfare economics 22–24
utility and probability 21–22
Norris, R. J. 327, 329
North, Douglas C. 310
Norton, E. C. 137
Novemsky, Nathan 378
Nozick, Robert 55, 56
nucleus accumbens (NAcc) 497, 498
nudge theory 39
null hypothesis statistical significance testing (NHST) 462
O’Brien, Terry 386
Ochs, J. 88
Ockenfels, A. 89
Odean, Terrance 122, 123
O’Donoghue, Ted 103
offenders, pathological traits 206
Ohio v. Louis Trauth Dairy, Inc (1996) 82
Okada, Erica M. 389–390
omission bias 26, 39, 236, 238
Öncüler, Ayşe 352
Oosterbeek, H. 465
optimal deterrence 29
optimism bias 225–226, 231
ordinal scale 22
Ordover, J. 86, 95
organ donation 39
 Orr, D. 463, 464
Ortona, Guido 355
Osili, Una Okonkwo 110
Oswald, Andrew J. 275
other-regarding preferences 31–33
out-of-equilibrium beliefs 84, 85
outrage 29
Owen, David 65
Ozga, S. A. 127
Pachur, Thorsten 390
Pageb, Talbot 156
Palfrey, Thomas 322, 326
parametric testing 366, 385, 390
Pardo, Michael S. 65
Pareto improvement 340
Pareto optimality 23, 24
parietal cortex 434
Parisi, Francesco 7, 231
paternalism
asymmetric 40, 277, 461
emotional 277
expert 277
and happiness 283
libertarian 39, 61, 277, 279
light 39, 277
soft 277
path dependence 479
Paulson, Anna 110
pawnshop loans 4, 104–106
see also consumer finance/consumer credit; payday loans
aggregate trends over time 112–113
amount 118
amount pawned around credit threshold 116
compared to payday loans 110
cost 111
credit interactions 109–119
data 111–112
interest rates 104, 105–106, 111
mechanism of action 109, 110–111
probability pawn items around credit
threshold 115
requirements 101
size of loan 106
as substitutes or complements 110–111
in Sweden 105
taking out 117
payday loans 3–4, 104–106
see also consumer finance/consumer credit;
pawnshop loans
aggregate trends over time 112–113
banning of 4, 119, 120
compared to pawnshop loans 110
consequences of use 107
cost 111
credit interactions 109–119
data 111–112
default rates 4
interest rates 4, 104–105, 111
mechanism of action 109, 110–111
repayment behavior of payday borrowers
108–109
repeated use 107–108
requirements 101
size of loan 106
as substitutes or complements 110–111
Payne, J. 325
p-beauty games 446, 447
Pearlstein, Arthur 284, 285
Peck, Joann 366, 367, 379, 389, 391
Pecorino, R. P. 248, 261, 264
Peirce, Charles 56
Pennock, Michael 273
per se rule, tying practices 79
Perry, V. G. 123
Pesendorfer, Wolfgang 431, 432
pessimism bias 228
Peters, Ellen 414
Peters Jr. 240
Phillips, O. R. 84
Piankov, Nikita 307
Pifion, A. 464
Pizzarro, D. A. 325
planning fallacy 234
plea-bargaining 328, 329
Ploner, Matteo 304
Plott, Charles R. 79, 80, 253, 322, 364, 369,
383, 387, 391, 393–396, 400–404, 406–414,
422, 436, 471
pluralistic ignorance 237–238
Png, I. P. L. 248, 257
Pogarsky, Greg 212, 213, 248, 258, 259, 264
Pogrebna, Ganna 414
pointless punishment 30–31
polarization 37
Polinsky, Mitchell 187, 189, 205, 206
Polya, George 26
Porat, Ariel 235, 236
Porath, C. 334
Port Dock & Stone Corp. v. Oldcastle Northeast, Inc. (2007) 78
Porter, David 444
positive illusions 229
positive parentalism 279
positron emission tomography (PET) 433, 494–495
Posner, Richard A. 29, 166, 177, 228, 459, 472
posterior cingulate cortex 434
Pound, J. 131
Pöystia, Leena 207
preference homogeneity 183
preferences
discovered preferences thesis 471
other-regarding 31–33
over time, anomalies in 36–37
present bias 213
social 95
time-inconsistent 234
uncertain 382–388
prefrontal areas, brain 434
Prelec, Drazen 179, 183, 497
Prelec function 179, 183
Prentice, Deborah A. 237
Prentice, R. A. 460
prescriptive models 38–40
present bias 108, 213
pretrial bargaining, and cognitive biases
254–257
pricing kernel 440
Priest, G. L. 250, 251
primacy bias 229
prisoners' dilemmas 24
probability language 47, 48
probability space 48, 49
probability theory 45–71
biases affecting perceived probability of an
accident 227–230
vs. bounded probabilistic rationality (BPR)
64–66
causal probability 57–60
incommensurability problem 57
mathematical probability 47–56
probability pawn items around credit
threshold 115

Joshua C. Teitelbaum and Kathryn Zeiler - 9781849805681
Downloaded from Elgar Online at 04/13/2019 11:04:16PM
via free access
probability weighting functions (PWF) 177, 178–180
Systems 1 and 2 60
and utility 21–22
probability weighting functions (PWF) 175, 177, 178–180
procedural justice theory 162
promises 11
prosocial behavior 5
and fairness 31–32
prospect theory (PT)
Becker proposition see Becker proposition
cancer diagnosis 57–58
cumulative see cumulative prospect theory (CP)
expected utility (EU) theory 174, 175, 177–178
experiments on litigation and settlement 330
first generation (non-cumulative) 185–186, 210
probability weighting functions (PWF) 177, 178–180
rank dependent utility (RDU) 174, 175, 180–181
and related theories 34–36
resolution of Becker paradox under 210–211
specifying reference points problem 184–185
Why? question 485
protected values 32–33
psychological capital 287
psychophysical numbing 36
psychophysics 36
public-goods games 24
Puchniak, D. W. 459, 460, 466
punishment 5–7
and antisocial behavior 5
Becker-type 175
bounded punishments 206
communication 157, 158, 169
differential punishments 205
expectation-based social norm theory 167
formal 5, 155
functions 188–189
hyperbolic function 189–190
implementation of 165–166
imposed exogenously vs. informal peer
punishment 5, 163
incentives, crowding out effect
image motivation 6, 160–161
intrinsic motivation 6, 31, 158–160
intentional 158
and law enforcement 163–164
legitimacy of 162–165
mild 163
naturally occurring environments 157, 165
negative intentions 5–6, 156–158
non-intentional 158
norm expressive function 161–166
pointless 30–31
public goods environment 161, 163, 166
restricted mechanisms 6, 156, 157
second-party 30
severe, abhorrence of 205
and shame 166
social norm interventions 6, 166–168
standard economic theory of crime and punishment 5, 6, 155, 174
third-party 30
violation of norms 164
Puterman, Louis 156, 305
quantal-response equilibrium analysis 87
Quartz, Steven R. 445
quasi-hyperbolic discounting model 433–434, 435, 440
query theory 388, 390, 391, 420
Quiggin, John 174, 180, 185
Quigley, J. M. 146
Rabin, Matthew 103, 156, 178, 182, 184, 199, 200, 322, 378, 379
Rachlinksi, Jeffrey J. 46, 213, 239, 323–324, 330, 460
racial bias 324
Radon-Nikodym derivative 441
Raffia, Howard 178
Rajalina, Sirpa 207
Ramsey, Frank 52
Ramseyer, J. M. 87, 88, 91, 95
Randall, A. 382
random error 20
rank dependent utility (RDU) 174–176, 177, 180–181
Becker proposition 199
composite rank dependent utility (CRDU) 209, 210
Rao, J. 90
Rasmussen, E. B. 87, 88, 91, 95
Ratan, Anmol 386, 397, 398, 417–418
rationality
and acceptances 60–61
bounded probabilistic see bounded probabilistic rationality (BPR)
“content-blind” norm 62
deviations from 486
full, simple tort law model under 222–224
irrational behavior, lack of consensus as to
“Why?” question 485
rational choice theory 386
rational model of consumer credit
interactions 102–104
and credit choice 104–108
rational-person paradigm 225
standard rational actor model 4
time-shifted 488, 489, 490
types of irrationality 488–489
RDU see rank dependent utility (RDU)
realism, adding to BLE 469–472
reality, division of 479
realized utility 435–436, 451–452
Reb, Jochen 356
recency bias 229
reciprocity 9, 10, 307
red traffic lights (jumping), evidence from 206–207
Redlich, A. 327, 329
reference dependence 181, 360, 485, 496–497
reform of behavioral economics 13–14, 476–504
arising of cognitive heuristics and biases 495–498
bringing everything together 498–499
categories of question, identifying 484
cognitive heuristics and biases, how arising 495–498
dowment effect 14, 497
framing effect 496
intertemporal choice 496
loss aversion 496
reference dependence 496–497
risk and choice 495–496
Converging Questions approach 14, 483, 484, 492, 498
How? perspective 494–497
initial steps 480–483
integrating across questions 494–499
integrating disciplines 483–499
integrating within categories of questions 485–493
manageable subset of broader phenomena, identifying 484
recommendations 482–483
relevant fields, identifying 484–485
Why? question 485–493
behavioral economics approach to 485
degree of effectiveness of answer 486–487
Evolutionary Biology approach 487–493
regression discontinuity design 113–114
graphical representations of discontinuity regressions 114–116
regressive bias 229
regret theory 417–418
Reiffen, D. 87
Reinganum, J. F. 248, 251, 262
reluctance to trade 347–430
alternative theory development
enhancement theory 393–398
expectation theory 376–382
Hanemann’s substitution theory 371–376
mere-ownership theory 388–393
uncertain preferences 382–388
valuation elicitation procedures 398–411
auction mechanism 354, 359, 372, 375, 383, 399, 400
bad-deal aversion 416–417
dowment theory 356–362
gap enhancers and disruptors
agency 369–371
frames, attitudes and emotions 364–367
market experience 367–369
moral commitments 362–364
implications for applications in law 420–423
as instant endowment effect 356
lottery valuations, gaps in 411–415
neoclassical microeconomic theory 8, 11, 350–352
regret theory 417–418
transaction disutility 417
valuation elicitation procedures 352–356
willingness to accept (WTA) see willingness to accept (WTA)
willingness to pay (WTP) see willingness to pay (WTP)
remedies, legal, experimental methods 332–335
Renkewitz, F. 463
Reno, Raymond R. 167
rent seeking behavior 205
Repin, Dmitry 442–443
representativeness 45, 66
representativeness heuristic 25, 324
repugnant transactions 33
reputation effects 11
restraint bias 233–234
retaliation 29–30
retirement programs, fund allocation 38–39
retribution 29, 31
Reuter, J. 123
revealed preferences theory 28
Rey, P. 83, 84, 95
Rick, Scott 497
Rietz, Thomas A. 304–305
Riordan, M. H. 83
risk aversion 206, 308, 440, 442
risk seeking behavior 204
Riskin, Leonard L. 281
Ritov, Ilana 30–31, 35, 238, 392
Rizzo, John A. 202
Robbenholt, J. K. 464
Robinson, J. 127
Robinson, Paul H. 25, 211–212
robustness tests
    home equity credit 144–148
    self-serving bias 260
Rockenbach, Bettina 158
Ropponen, O. 331
Rosenthal, Robert A. 352
Rosenthal, S. 124, 125, 132
Roth, Alvin E. 79, 80, 253, 254, 278, 322
Roth, Gerritt 401
rule of law, and trust 301, 302, 312
Russo, J. E. 123
Rutherford, Ernest 433
Ryan, Tim 283

Sa-Aadu, J. 126
Sääskilahti, P. 331
Sacerdote, Bruce 206, 207
sacred values 32
Saloner, G. 86, 95
Salop, S. 83, 86, 95
Samanez-Lark, Gregory 449
Samuelson, Paul 56, 103
Sandmo, Aagnar 190
Santore, R. 333
Sapienza, Paola 110
Sapra, Steve 448
Saqib, Najam U. 364
Sarkozy, Nicolas 273
Sayman, Serdar 352
Scacciati, Francesco 355
scatter plots 328
Schauer, Frederick 62
Scheibehenne, Benjamin 390, 465
Schelling, T. C. 90
Schelerberg, Carlo de Bassa 111
Schildberg-Horisch, H. 335
Schkade, David 240, 325
Schmelz, Katrin 304
Schmidt, Klaus M. 89, 313–314
Schmidt, Ulrich 182, 199, 355, 393, 414
Schmittberger, R. 85
Schmedler, Wendelin 305
Schneider, Carl E. 45
Schubert, Christian 274–275
Schum, David A. 50, 56
Schurr, Amos 392
Schwartz, B. 85
Schwartzstein, J. 123

science
    disciplines 480
    inquiry 459
    knowledge 81–82, 421
    literatures 14
    method 1, 8, 82, 247, 249, 264, 265
    neuroscience 494–495, 498
    normal vs. revolutionary 249
    perspective 347
    process 264
    reality, division of 479
    research 76–77, 80
    theory 472

seat belts, not wearing 207
second-party punishment 30
Sedikides, C. 465
Segal, I. R. 87, 88, 90, 91, 95
Segev, Ella 361
selective exposure 37
self-control 28–29, 108
self-enhancement theory 394
self-interest
    foundations of behavioral law and
economics (BLE) 24, 25, 29, 31, 32
    and punishment 158, 164
    reform of behavioral economics 463, 468,
    469, 488
    reluctance to trade 383, 400
    trust and the law 294, 298, 299, 309
self-serving bias 7–8, 233
    debiasing interventions 260
    incentives for care and tort reform under
    262–264
    litigation 248, 254, 255, 257, 259, 262,
    264–265
    pretrial bargaining under 262–264
    and punishment 162
    robustness, empirical evidence 260
Selten, R. 86, 88–89
Sen, Amartya 294
Sen, Sankar 360, 377
settlement
    see also litigation
    biases affecting 239–241
    experiments on 330–331
Shapiro, Carl 310
Shapiro, J. 123
Shavell, Steven 23, 24, 187, 189, 205, 206, 223,
    242, 250, 251, 264
Shea, D. F. 125
Sher, S. 471
Sherman Act, 1890 (US) 77, 78
Shiller, Robert J. 125, 131
Shilling, J. 125, 126
Shleifer, A. 123
Shogren, Jason F. 371–372, 373, 374–375, 385,
    399
Shotgun (partnership dissolution mechanism)
    77
Shu, Suzanne B. 366, 367, 379, 389, 391
Simon, Herbert 432
Simonson, Itamar 360, 384
Simpson, J. 92
sin taxes 28
Sinden, J. A. 352, 353, 354, 357, 369
Singh, Harinder 399
Sirigu, Angela 447
Sirmans, C. F. 125, 126
Sirri, E. R. 122
Skiba, Paige Marta 3–4, 104–109, 111, 113
Skinner, Jonathan 190, 196
Slade, M. 76
Slemrod, Joel 55, 190, 196
small numbers, law of 68
Smith, A. M. 91, 95–96
Smith, Alec 380, 403
Smith, M. 325
Smith, V. L. 79, 80
Smith, Vernon 444, 471
Snyder, C. M. 84, 85, 86, 87, 95
Sobel, J. 263
social bias 7, 225, 227, 233, 237
social capital 287
social dilemmas 24, 25
social norm interventions 6, 166–168
social preferences 95
social welfare function 23
soft-choice architecture 45
Sonsino, D. 90
“sophisticates,” hyperbolic discounting 108
Spier, K. E. 86, 88–91, 93, 95–96, 309, 310
spillover effect 313
Spitzer, Matthew L. 79
Sripada, Chandra 434
Stackelberg leaders 93
Stallard, Merrie Jo 240
Stanley, L. 250
Stanovich, Keith E. 37
Starmer, Chris 174, 178, 181, 182, 185, 199, 208
Stefan, S. 464
Stefanadis, C. 92
Stein, Alex 2, 47, 56, 60, 61, 64, 65, 68
Stein, J. C. 131
Stigler, G. 127
Stiglitz, Joseph E. 273, 310
stochastic discount factors 439–442, 444, 447, 451
stochastic dominance 36
Stoecker, R. 86
Stone, Rebecca 45
Stott, Henry P. 183
Stout, L. A. 312
Strahilevitz, Michal A. 360, 380
Strassmair, C. 335
Stutzer, Alois 274
substitution theory 12
attribute substitution and isolation effect 26–27
Hanemann’s 371–376
marginal rate of substitution 20
Suetens, S. 91
Sugden, Robert 182, 199, 361, 373, 400
Summalu, Heikki 207
Sunstein, Cass R. 19, 26, 38–40, 45, 46, 161,
211, 212, 234, 240, 241, 275, 311–312, 325,
459, 460, 462, 472
Supermax prisons 213
Svirsy, Daniel 378
Swaminathan, Vanitha 393
Systems 1 and 2 28, 60, 468
Tabarrok, Alexander 211
Tabbakh, Avraham 235, 236
Talley, Eric L. 79, 239, 421
Tampa Elect. Co. v. Nashville Coal Co (1961,
1963) 78
Tan, Fangfang 157
tax evasion, cumulative prospect theory vs.
expected utility 6, 175, 190–197
basic set-up 191
decision under cumulative prospect theory
193–195
decision under expected utility theory
191–192
model calibration 195–197
Taylor, Shelley E. 207
Teichman, Doron 213–214
Teitelbaum, Joshua C. 177, 179, 181, 211,
229
Tenbrunsel, Ann E. 158–159
testbed policy experiments 80, 253
testosterone 450
Thaler, Richard H. 11, 19, 33, 39, 40, 45, 46,
80, 211, 212, 234, 239, 241, 252, 275, 277,
311–312, 394, 459, 460, 462, 472
third-party punishment 30
Thompson, Leigh 32
Thomson, Judith Jarvis 58
Thöni, C. 334
time consistency 4, 102, 103
time discounting 434, 440
time-shifted rationality 488, 489, 490
Tihore, Jean 83, 84, 95, 160, 462
Tihore, P. 84, 86, 87
Tobacman, Jeremy 105–109, 111, 113
Tontrup, Stephan 418
tort law 7, 221–246
biases affecting perceived probability of an
accident 225, 227–230
making real 224–241

Joshua C. Teitelbaum and Kathryn Zeiler - 9781849805681
Downloaded from Elgar Online at 04/13/2019 11:04:16PM
via free access
Index 525

modeling behavioral biases and cognitive imperfections in 221–242
punitive damages 30
reform, under self-serving bias 262–264
simple model under full rationality 222–224
tort reform and cognitive biases 257–259
transaction disutility 417
transfer-of-attention exchange (TAX) 36
Traub, Stefan 355, 393, 414
trust 9–10, 294–318
accidents, liability for 314–315
applying model to trust game 299
canonical trust experiment 295
case studies 313–315
and contract 9
defining 295–297
in model 298–299
employment contracts 313–314
laboratory experiments on 303–306
lack of 9, 307
and law 9, 299–300
as complements 305–306
experimental results as substitutes 304–305
experimental results on law and trust as complements 305–306
as substitutes or complements 311–312
macro evidence 300–303
measuring 295
mechanisms underlying game theory 309–311
psychological 306–309
and rule of law 301, 302
theory 297–300
trustworthiness 9, 300, 312
Tsatur, Matan 386–387
Tufano, P. 122
Tuncel, Tuba 352
two-systems theory 27–28, 468
tying practices see also bundling practices
assessing 79
defining 77–78, 91
leverage theory 91–94
Tyler, Tom R 162
Tyran, Jean-Robert 163, 305, 311
U-index 274
Ulen, T. S. 459, 462
Ultimatum game 29
uncertain preferences 382–388
uncertainty principle 53, 55–56, 59
unconditional altruism 307
United States v. Dentsply (2001) 88
United States v. Microsoft Corp. (2001) 79, 91
Updegraff, J. A. 463, 464
utilitarianism 25
and welfare economics 22–24
utility theory see also transaction disutility
discounting 22
discounting of utility 103
expected see expected utility (EU) theory
payday/pawnshop credit 106
and probability 21–22
rank dependent see rank dependent utility
(RDU)
realized utility 435–436, 451–452
Vadovic, Radovan 305
validity, external see external validity
valuation elicitation procedures 352–356
alternative theory development 398–411
contingent valuation method 355
non-strategic valuations 354
between-subject designs 355
within-subject designs 355
valuation gaps 347, 352–356
and emotional states 366
gap enhancers and disruptors 362–371
mere-ownership theory 391
moderate 364
parametric testing 366
uncertain preferences 385, 387
values
moralistic 32–33
protected 32–33
sacred 32
Van Boven, Leaf 389
van de Ven, Niels 416
van Dijk, Eric 361
van Hemert, Otto 126
van Knippenberg, Dann 361
van Nieuwerburgh, Stign 126
Van Order, R. 146
Vance, Eric A. 61
ventral striatum 434
ventromedial prefrontal cortex 434, 435
vertical integration
alternatives to 82
anticompetitive purposes, serving 83
antitrust policies 78
double marginalization 83
evaluation of 95
integration and no-integration settings 84
interaction treatments 85
and market foreclosure 82–87
one-shot and finite repetition environments 86
out-of-equilibrium beliefs 84, 85
profit-maximization 83
upstream and downstream firms 84, 85, 86
vertical restraints, exclusionary
and antitrust law 77–79
Chicago School 75, 83, 87, 92
collusion 75
conclusions 94–96
defining vertical restraints 2, 82
exclusion 75
experimental evidence
exclusive dealing contracts, anti-
competitive effects 88–91
leverage theory of tying and bundling 3, 92–94
vertical integration and market foreclosure 84–87
experimental law, economics and antitrust
79–82
contributions of experimental law and
economics 81–82
types of studies 80–81
experimental studies
exclusive dealing contracts, anti-
competitive effects 87–91
leverage theory of tying and bundling 3, 91–94
vertical integration and market foreclosure 82–87
as threats to consumer surplus 2–3
vertical integration see vertical integration
Vertova, Pietro 161, 212
Vickery, J. 126, 354, 399, 400
Vickery auctions 375, 400
Villeval, M. 305
Viscusi, W. Kip 176, 352
volatility 443
Vondoliva, Godwin K. 401
Vossman, Frank 183
Votinov, Mikhail 420
Wakker, Peter P. 174, 178, 180, 181, 184
Waldfogel, J. 251
Waldman, M. 92
Walker, Michael E. 363–364
walk-in (WI) customers, mortgages 4, 5
see also direct mail (DM) customers; home
equity credit
demographic characteristics of locations 131
hold-out customers 143
research data and methodology 124, 127,
128, 130–133
research results 134, 137, 138, 143
robustness tests 145
sample design 133, 134
summary statistics 130, 135
Wangchuck, Jigme Singye 272
warning labels 28
Warren, Elizabeth 46
Watanabe, Y. 249
wealth effects 350
Weaver, Ray 417
Weber, Martin 183
Webster, Cheryl M. 213
Weingast, Barry R. 310
Weinstein, Neil D. 225
Weisbenner, S. 125
Welch, Ivo 237
welfare analysis, limitations to 107–108
welfare economics 21
social welfare function 23
and utilitarianism 22–24
welfarism, libertarian 40
West, Richard F. 37
Weston, J. P. 122–123
Whinston, Michael D. 75, 87, 88, 90–92, 95,
310
Why? question 485–493
behavioral economics approach to 485
degree of effectivenss of answer 486–487
Evolutionary Biology approach 487–493
Wicklegren, A. 92
Wilcoxon-Mann-Whitney rank sum test 407
Wilde, L. L. 248, 251, 262
Wiley, J. S. 87, 88, 91, 95
Wilkinson-Ryan, Tess 2
Williams, Allan F. 207
Williams, K. D. 465
Williams, Sean Hannon 46
willingness to accept (WTA) 347
see also reluctance to trade; valuation gaps
classic WTA/WTP comparison 377
Hanemann's substitution theory 371
hypothetical 352
loss aversion, impact of 374
mean/median 398
moral commitments 363
and neoclassical microeconomic theory
350–352
observed disparities in 351–352
overstating 383, 385
reported versus actual 384
willingness to pay (WTP) 347
see also reluctance to trade; valuation gaps
classic WTA/WTP comparison 377
commitment costs, impact on 386
Hanemann’s substitution theory 373
hypothetical 352
mean/median 398
monetary incentives 389
moral commitments 363
and neoclassical microeconomic theory 350–352
non-hypothetical 352
observed disparities in 351–352
reported versus actual 384
understating 383
Wilson, Timothy D. 284
Wimmer, Elliott 497
Winkelmann, Piotr 450
Wistrich, Andrew 323–324
Witte, Ann D. 179
Wohlschlegel, Ansgar 205
Wong, Wei-Kang 377, 395, 396, 407
Wonnacott, Ronald J. 56
Wonnacott, Thomas H. 56
World Bank Indicators Project 301
World Values Survey (WVS) 296
Worthington, Debra L. 240
Wriggins, Jennifer, B. 238
WTP/WTA gap 347, 352, 358, 485
see also reluctance to trade; valuation elicitation procedures; valuation gaps; willingness to accept (WTA); willingness to pay (WTP)
Wu, A. 352
Wu, George 179, 181
Wu, J. S. 122
Xiao, Erte 5–6, 29, 157, 164, 166–168
Yaniv, Gideon 190, 326
Yariv, L. 327
Yentsch v. Texaco, Inc (1980) 79
Yildiz, M. 249
Yitzhaki, Shlomo 175, 190
Yitzhaki puzzle 6, 175
Zak, Paul 448
Zamir, Eyal 35, 46, 238, 239
Zarri, Luca 156
Zeckhauser, Richard J. 202, 297
Zeelenberg, Marcel 416
Zehnder, Christian 185, 313, 342
zero-risk bias 228
Zhang, Meng 364
Zhang, Ying 386
Zhao, Jinhua 383–384, 386
Zheng, L. 122
Ziegelmeyer, Anthony 304
Ziliak, S. T. 461
Zingales, Luigi 110
Zitzewitz, E. 123
Zorn, P. 124, 125, 132