PROPOSAL: PILES OF PEANUTS: PROPOSAL FOR RESEARCH ON SMALL CONSEQUENCE DECISION MAKING

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This project is in the area of Behavioral Economics, which mixes Psychology and Economics.

Small decisions, i.e., where the stakes are nearly insignificant (or are "for peanuts"), often are made quite differently than other decisions. For example, due to dietary concerns, I rarely make a single decision to eat an entire pie in one day, but I often think that "eating *one more piece* of pie won't hurt" and think that repeatedly all day, until the entire pie is gone and I am unhappy about my gluttony. At least three things are at work here, 1) I tend to discount the effect of one piece of pie on my diet, which is admittedly small but I misconstrue it as nearly nil, 2) I somehow fail to see that I will make the same pie-decision repeatedly until the pie is gone, and 3) the more slices I eat, the less I think they impact me.

I am conducting experimental research to understand these effects and how to moderate them. I am working with several behavioral economists to show that these effects can explain large bodies of research that have been incorrectly explained as due to other psychological processes.

This project deals with planning, willpower, sticking to self-imposed rules, and decision making on many levels. So, an interest in these sorts of topics is a must. To assist on this project, you will have to conduct a *wide* literature review (Psychology, Economics, and other literatures that provide context for the decisions being researched, such as dieting and poker), helping run experiments (e.g., handing out surveys on the long island ferry, etc.), data entry (excel required, SPSS a plus but not required), and infrequent lab meetings.

For the sophisticated: I am basically examining the inflexion points near 0 that prospect theory leaves out (http://en.wikipedia.org/wiki/Prospect_theory), what moves them around, and what behavior they can explain. I argue the correct curve is (rough sketched in red) below; while others have also argued this, I argue that this is far more important than has been realized.

value

outcome

Losses   Gains

Reference point