

Daniel Kahneman



Daniel Kahneman: The Early Years

- ▣ Grew up in Paris France
- ▣ The son of Jewish Lithuanian Immigrants
- ▣ Evaded the Nazis throughout German Occupation of WWII
- ▣ Moved to Israel, graduates from Hebrew Univ.
- ▣ Works for IDF developing tests for examining potential Israeli officers
- ▣ Receives PhD in 1961 from UC Berkeley

Effect of Early Life on Career

- ▣ "It must have been late 1941 or early 1942. Jews were required to wear the Star of David and to obey a 6 p.m. curfew. I had gone to play with a Christian friend and had stayed too late. I turned my brown sweater inside out to walk the few blocks home. As I was walking down an empty street, I saw a German soldier approaching. He was wearing the black uniform that I had been told to fear more than others – the one worn by specially recruited SS soldiers. As I came closer to him, trying to walk fast, I noticed that he was looking at me intently. Then he beckoned me over, picked me up, and hugged me. I was terrified that he would notice the star inside my sweater. He was speaking to me with great emotion, in German. When he put me down, he opened his wallet, showed me a picture of a boy, and gave me some money. I went home more certain than ever that my mother was right: people were endlessly complicated and interesting."

Decision Making and Framing Effects

- ▣ Explored how people make decisions and choices
- ▣ Traditionally, it was thought that when making decisions individuals would examine all options that were available to them and make the choice that was most logical
- ▣ Kahneman, along with his collaborator Tversky were able to show this is not always the case

- ▣ Would you make a bet that gave you a 10% chance to win \$95, and a 90% chance of losing \$5?

- ▣ Would you buy a lottery ticket for \$5 that gave a 10% chance to win \$100, and a 90% chance of losing nothing?

- People more likely to reject the gamble, but purchase the lottery ticket
- The two options are exactly the same-the only difference is whether the \$5 is framed as a payment or a loss

Prospect Theory and Decision Making

- Kahnemen and his colleagues found that people will choose one option for one problem, and then choose a completely different option for a problem that is exactly the same as the first!
- These contradictions are due to **framing effects**
- The same problem can be described in a variety of ways and it's in this framing of the problem that we are influenced in our decision making

Kahneman: The later Years

- In 2002 Kahneman Awarded the Nobel prize for economics for his work in decision making
 - Claimed to have never taken a class on economics
- Married to accomplished psychologist Anne Treisman
- Currently a Prof. at Princeton