



Upcoming Seminars

Monday, 3.5.2021

13.30-14.30
Virtual seminar room

Departmental Seminar

Matthias Weber, University of St. Gallen
(invited by Yilong Xu)
"Intertemporal Prospect Theory"

Abstracts

Departmental Seminar

Matthias Weber

"Intertemporal Prospect Theory"

Prospect Theory is the most prominent contender of expected utility theory to describe decisions under risk. In atemporal contexts, prospect theory is well understood. In intertemporal contexts, however, it is not clear how prospect theory should be applied (in particular, whether probabilities should be weighted within time periods or whether the probabilities of present values should be weighted). It is also unclear what parametric specifications of probability-weighting and value functions should be used. Considering that many decisions in economics, finance and health are of intertemporal nature, this is surprising. Using data from a pre-registered experiment on a representative sample, we find that an application of prospect theory weighting probabilities of present values predicts decisions best. Estimated probability weighting functions are very similar to those typically estimated in atemporal settings while value functions are almost linear with a loss aversion coefficient close to one.

Discussion Papers

Reiner Manstetten (Philosophisches Institut), Andreas Kuhlmann (Deutsche Energieagentur – dena), Malte Faber and Marc Frick (ZEW, Mannheim) published their paper: Grundlagen sozial-ökologischer Transformationen: Gesellschaftsvertrag, Global Governance und die Bedeutung der Zeit. Eine konstruktive Kritik des WBGU-Gutachtens „Welt im Wandel – Gesellschaftsvertrag für eine Große Transformation“ as ZEW Discussion Paper // NO. 21 - 034 | 03 / 2021, March 2021.

Editorial deadline for issue 09/2021 of the newsletter:
Wednesday, May 5, 2021, 12 p.m.
newsletter@awi.uni-heidelberg.de