

LICHTENSTEIN & SLOVIC

The transcript on the next six pages is excerpted from a half-hour post-experimental interview with an S who is being questioned about the reversal inherent in his bids and choices made to the two bets shown below. S chose Bet B over Bet A on three replications. He also bid three times for Bet A and three times for Bet B; these bids are shown below.

<u>BET A</u>	<u>BIDS</u>		
	1st	2nd	3rd
11/36 to win 1600 points			
and	500	650	550
25/36 to lose 150 points			

<u>BET B</u>			
35/36 to win 400 points			
and	400	400	400
1/36 to lose 100 points			

S: Male college student

E: Sarah Lichtenstein

E: Well, are you satisfied with your bids and your choices?

S: Yeah.

E: Now I want to ask you further about some things. Turn to page 19 will you? It's easier to look at the bet when I talk to you about it. Now, all three times in these paired comparisons you chose Bet B.

S: Right.

E: And you have no doubts in your mind about that?

S: Nope.

E: You also bid on these same bets. Now let me tell you what your bids were on Bet A and Bet B. Bet A is 550 points. Bet B is 400 points. Would you, if you were to do it again, change either of those bids?

S: I certainly wouldn't change B, you know, 35 to 1. A, 550, you said?

E: Yes. Would you change that?

S: I don't know. Actually I had a $1/3$, it's really a $1/3$ chance of winning. Approximately. So I would say, not really, because 550 is approximately $1/3$. I might change it, but nothing drastic, maybe 25 or 50 or so.

E: I see. May I point out to you that you've bid more for Bet A.

S: Yeah, I see that.

E: And yet you would really rather play, given the choice, Bet B. Does that bother you in any way? I mean there's . . .

S: No, not really, because I have . . . er . . . 99 . . . you know, what are my chances of losing? I mean I'm talking about Bet B, and they're not very

much, in losing, while in Bet A, there's a $2/3$ chance I will lose. So I would have no hesitancy whatsoever on that. I would take Bet B every time.

E: You'd take Bet B every time. Well, then, why did you bid less for it?

S: 'Cause I couldn't bid any higher, but I would have. I could have, you know, but his says 400 points, so I bid the highest I could bid.

E: I see. Well, how about the bid for Bet A? Do you have any further feelings about it now that you know that you are choosing one but bidding more for the other one?

S: It's kind of strange, but no, I don't have any feelings at all whatsoever really about it. It's just one of those things. It shows my reasoning process isn't so good, but, other than that, I . . . no qualms.

E: No qualms. Okay. Some people would say that that pattern of responses is not a reasonable pattern.

S: Yeah, I could see that.

E: Well, supposing I asked you to make it reasonable. Would you say well it's reasonable now or would you change something?

S: Actually, it is reasonable.

E: Can I persuade you that that is an irrational pattern?

S: No, I don't think you probably could, but you could try.

E: Okay. The reason I would say it's irrational is because you choose Bet B but you value Bet A more.

S: Yeah, I see what you're . . .

E: That's contradictory . . .

S: Maybe it's just that I like to go with the sure thing.

E: Hmm. You really prefer Bet B over Bet A, and there's no question in your mind about that.

S: No.

E: You've also made it perfectly clear to me that 400 points is your true value for Bet B. You have not completely convinced me, however, that you wouldn't maybe if I pushed—like I am pushing you, very hard—maybe if I did push, you might be willing to lower that 550 for Bet A, and then you would be in a position, if you lowered it below 400, you would be in a position of saying you preferred Bet B and you value it more, also.

S: But then that wouldn't be right. It wouldn't be right for myself to do that because according to the rules of the game or whatever it's not worth . . . it's not worth less.

E: Well, now let me suggest what has been called a money pump game and try this out on you and see how you like it.

S: Okay.

E: If you think Bet A is worth 550 points, you ought to be willing to give me 550 points if I give you the bet. Does that sound reasonable?

S: If I were to give you . . . yeah, that would be reasonable.

E: So first you have Bet A.

S: Okay.

E: And I have Bet B, and I also have your 550 points. That was reasonable, wasn't it?

S: Yeah.

E: That I should take your 550 points? (both say okay)

E: So, you have Bet A, and I say, "Oh, you'd rather have Bet B wouldn't you?"

S: Yeah. It's a sure thing.

E: Okay, so I'll trade Bet B. Now . . .

S: I'm losing money.

E: I'll buy Bet B from you. I'll be generous; I'll pay you more than 400 points. I'll pay you 401 points. Are you willing to sell me Bet B for 401 points?

S: Well certainly.

E: Certainly. Okay, so you give me Bet B.

S: Um hum.

E: I give you 401 points, and you'll notice that I kept your 550 and . . .

S: That's right.

E: I gave you 401.

S: I noticed that immediately.

E: I'm now ahead 149 points.

S: That's good reasoning on my part. (laughs) How many times are we go through this?

E: Well, . . .

S: Okay, I see your point you're making.

E: You see, you see the point, I can go through it indefinitely if I simply stick to the pattern of responses you have told me. Now that you see that in that money-pump sense that pattern of responses just doesn't . . .

S: Doesn't fit.

E: Doesn't fit.

S: It ain't so good.

E: Are you still . . . Do you still feel that you would not want to change any of your three responses here?

S: I'd have to think a lot more time on it. But it sounds . . . I may change something, yes.

E: What do you think you might change?

S:, Well, I'd leave B as it is because . . .

E: You prefer B in the choice.

S: I prefer, yeah, right. I may either change my mind or take A or I may change my mind on the 550, but I'd say it would take a while. But what would I do, you want to know? I'd really, conservatively, I think the first thing I'd look at is the 550 and think more along those lines and really I don't know.

E: To get yourself out of this hole . . .

S: Okay.

E: If you just change the 550 and didn't change anything else you'd have to change it down to at most 399.

S: Um hmm. Just to make myself look rational. But, it's not worth, that means I'm willing to part with it for 399 points, and I wouldn't be . . .

E: You don't really feel like that's a genuine . . .

S: Yeah, right.

E: Indifference point for you?

S: Yeah, exactly. So maybe I should be looking at B, or change my choice to

A.

E: Yeah. Well, how about that? Do you think in all honesty that you could prefer Bet A, be happier playing Bet A than Bet B?

S: No, I wouldn't be happier playing Bet A than Bet B.

E: Which would you be happier playing?

S: Well, I would be happier playing Bet B because I would say I'm a sure winner.

E: Well, I think I've pushed you as far as I know how to push you short of actually insulting you.

S: That's right!