

**Prof. Dr. Ernst Fehr, University of Zurich, Department of Economics**

## **Human Judgment and Decision- Making**

Over the last 40 years research on human judgment and decision making has identified many deviations from optimal judgments and optimal choice. Decisions are affected by how the choice options are presented to the decision maker (framing effects), people typically tend to evaluate gains and losses in an asymmetric, reference dependent, way and they tend to take into account irrelevant alternatives in their final choices. Recent experiments with non-invasive brain stimulation tools also suggest that it is possible to affect people's patience, their willingness to take risks, their norm obedience, their generosity, and their willingness to pay for goods by up- or down-regulating specific cortical brain regions.

In addition, people's decisions seem to be affected by priming effects that render certain features of the decision problem salient at the cost of equally important other features. Recent evidence, for example, suggests that even professional, experienced, stock market traders change their risk preferences across asset price busts and booms which tends to amplify asset price busts and bubbles.

These properties of human decision-making lead to predictable deviations from rational choices and render people's decisions manipulable. There is little reason to believe that the choices of experts are less subjects to deviations from rationality or are less manipulable. Several findings document that experts are also prone to make mistakes but it seems reasonable to assume that if the experts know about the potential biases in decision-making they may become more immune to irrational biases. Thus, it seems wise to inform ordinary people and professionals, e.g., medical chairs or the committees that elect medical chairs, about the typical patterns of irrational decision-making.

### **Prof. Dr. Ernst Fehr**

Ernst Fehr has been Professor of Microeconomics and Experimental Economics at the University of Zurich since 1994. He is currently chairman of the Department of Economics at the University of Zurich, where he also serves as director of the UBS International Center of Economics in Society. He is also a Global Distinguished Professor at New York University since 2011 and was an affiliated faculty member of the Department of Economics at the Massachusetts Institute of Technology from 2003 to 2011. He is a former President of the Economic Science Association and of the European Economic Association, an honorary member of the American Academy of Arts and Sciences, and John Kenneth Galbraith Fellow of the American Academy of Political and Social Sciences. He was recipient of the Marcel Benoist Prize in 2008 and the Gottlieb Duttweiler Prize in 2013.

Ernst Fehr has numerous publications in international top journals including *Science*, *Nature*, *Neuron*, *Quarterly Journal of Economics*, *American Economic Review*, *Econometrica*, *Journal of Political Economy*, and *Psychological Science*.