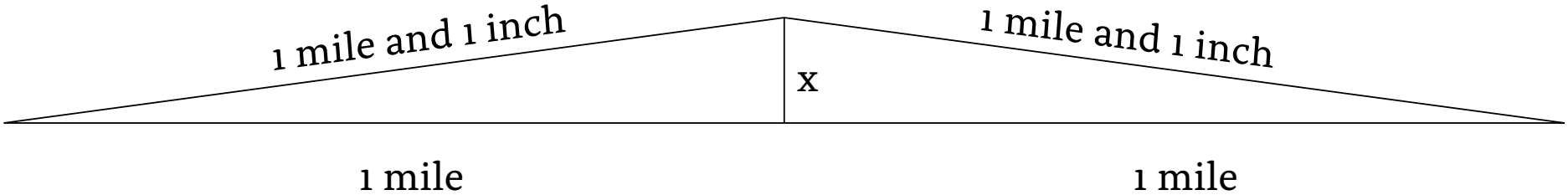
FIGURE 1

Guess the height of x



Hint: not drawn to scale

FIGURE 2

Diminishing marginal utility of wealth

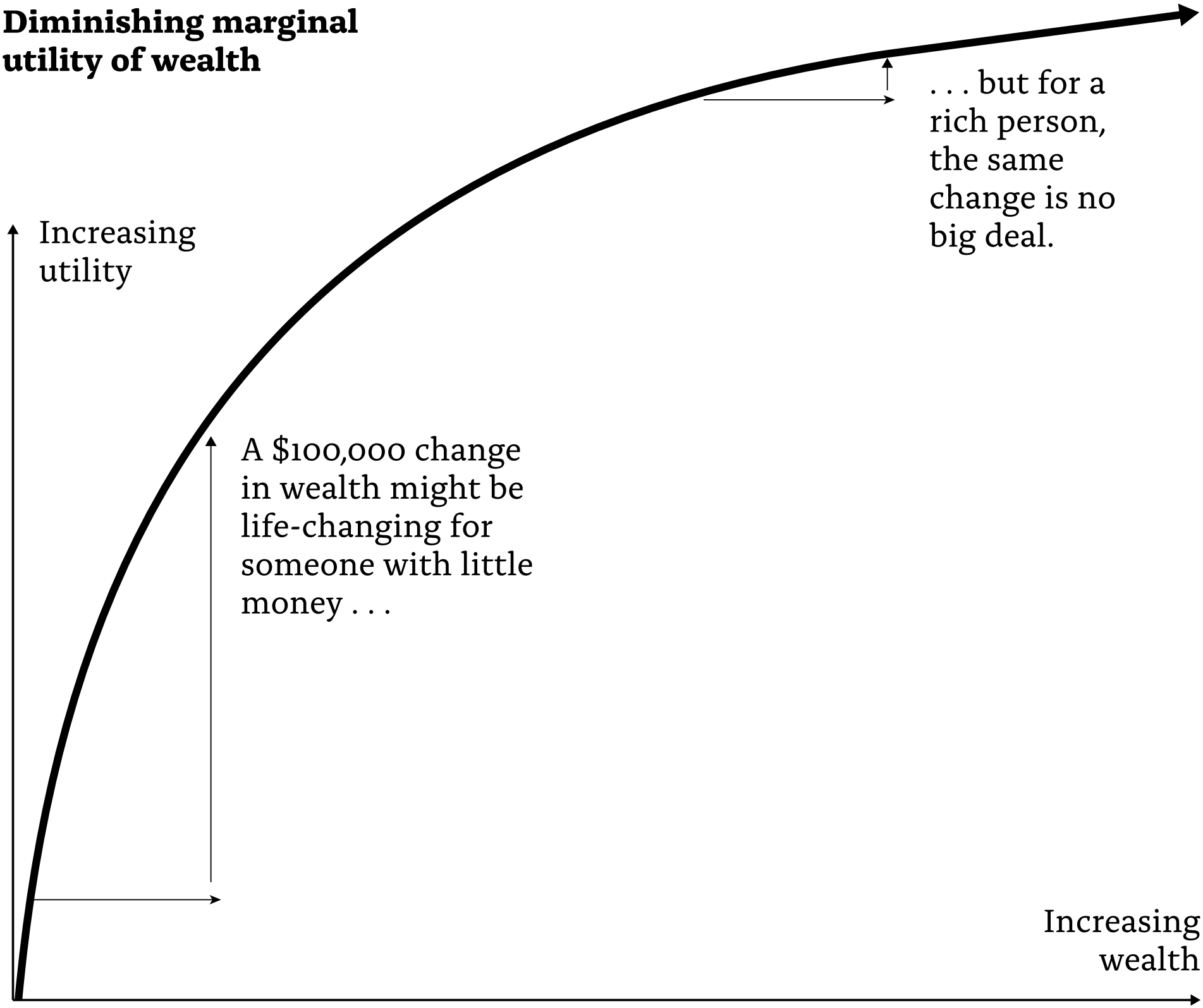
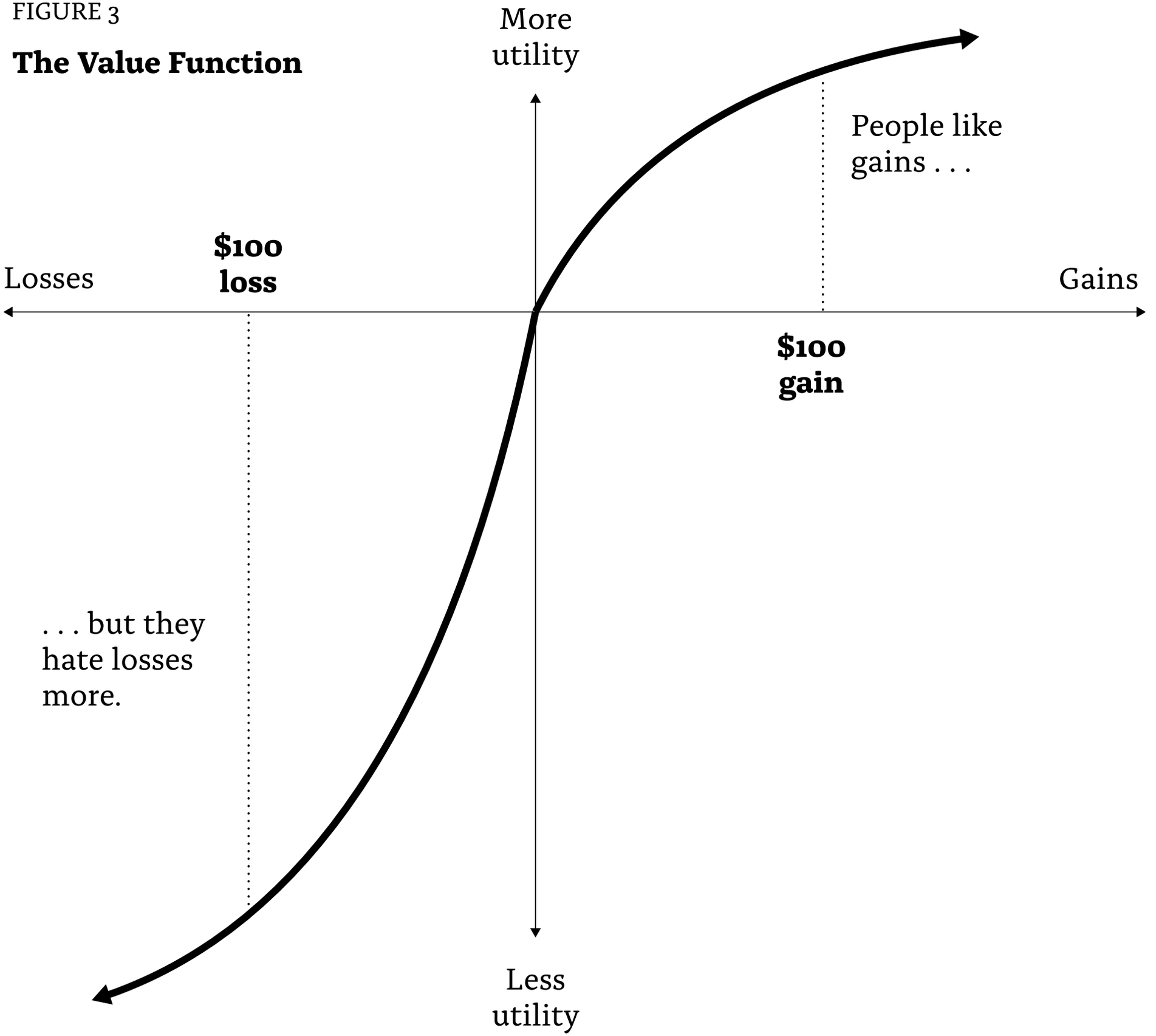


FIGURE 3

The Value Function



Problem 1. Assume yourself richer by $300 than you are today. You are offered a choice between

A. A sure gain of $100, or [72%]
B. A 50% chance to gain $200 and
   a 50% chance to lose $0. [28%]

Problem 2. Assume yourself richer by $500 than you are today. You are offered a choice between

A. A sure loss of $100, or [36%]
B. A 50% chance to lose $200 and
   a 50% chance to lose $0. [64%]

Suppose you bought a case of good Bordeaux in the futures market for $20 a bottle. The wine now sells at auction for about $75. You have decided to drink a bottle. Which of the following best captures your feeling of the cost to you of drinking the bottle? *(The percentage of people choosing each option is shown in brackets.)*

(a) $0. I already paid for it. [30%]
(b) $20, what I paid for it. [18%]
(c) $20 plus interest. [7%]
(d) $75, what I could get if I sold the bottle. [20%]

Problem 1. You have just won $30. Now choose between:

(a) A 50% chance to gain $9 and a 50% chance to lose $9. [70%]

(b) No further gain or loss. [30%]

Problem 2. You have just lost $30. Now choose between:

(a) A 50% chance to gain $9 and a 50% chance to lose $9. [40%]

(b) No further gain or loss. [60%]

Problem 3. You have just lost $30. Now choose between:

(a) A 33% chance to gain $30 and a 67% chance to gain nothing. [60%]

(b) A sure $10. [40%]

FIGURE 5

Initially, both Ted and Matthew would choose to wait to see the Wimbledon finals.

Ted's valuations

MATCH	RIGHT NOW	AFTER 1 YEAR	AFTER 2 YEARS
First round	100	90	81
Quarterfinal	150	135	122
Finals	180	162	**146**

Matthew's valuations

MATCH	RIGHT NOW	AFTER 1 YEAR	AFTER 2 YEARS
First round	100	70	63
Quarterfinal	150	105	95
Finals	180	126	**113**

A year later, Ted would still choose the finals, but Matthew would change his mind and watch the quarterfinals.

Ted's valuations

MATCH	RIGHT NOW	AFTER 1 YEAR
First round	100	90
Quarterfinal	150	135
Finals	180	**162**

Matthew's valuations

MATCH	RIGHT NOW	AFTER 1 YEAR
First round	100	70
Quarterfinal	**150**	105
Finals	180	126

FIGURE 6

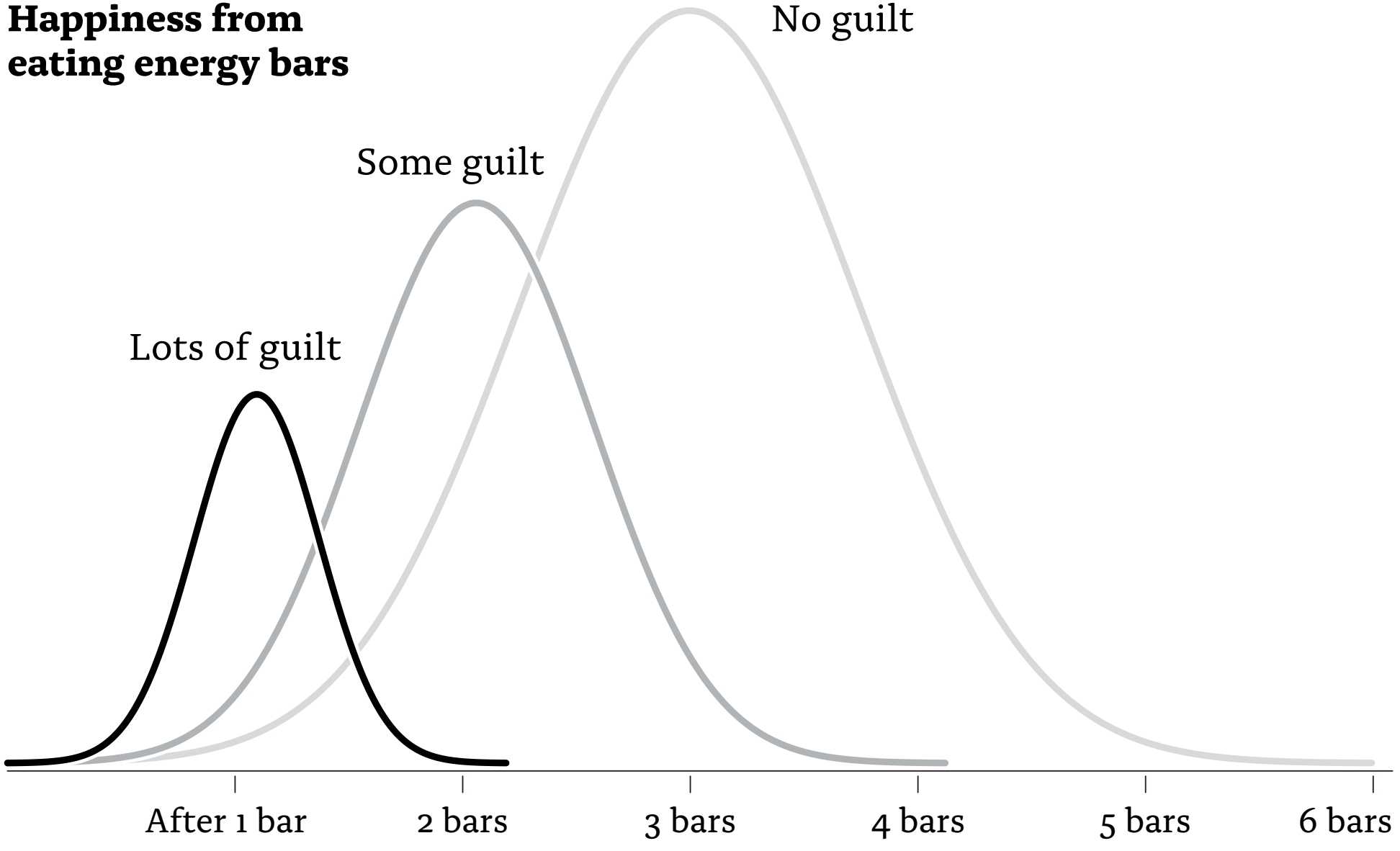

Happiness from eating energy bars
No guilt
Some guilt
Lots of guilt
After 1 bar
2 bars
3 bars
4 bars
5 bars
6 bars

FIGURE 7A

A: Students arranged in order of how much they value a token.

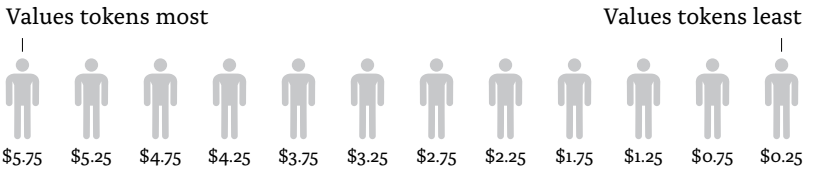
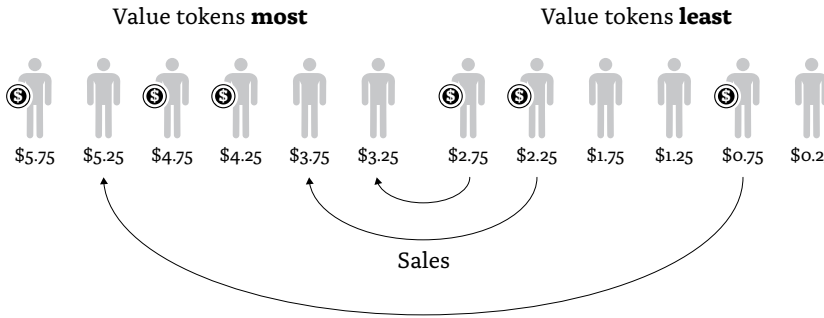


FIGURE 7B

B: Then we randomly distribute six tokens among the students.

FIGURE 7C

C: Then we open the market for trading.
Here, it takes three trades to reach equilibrium.



Consider the following problem. You are presented with four cards lying on the table before you. The cards appear as shown:

FIGURE 8

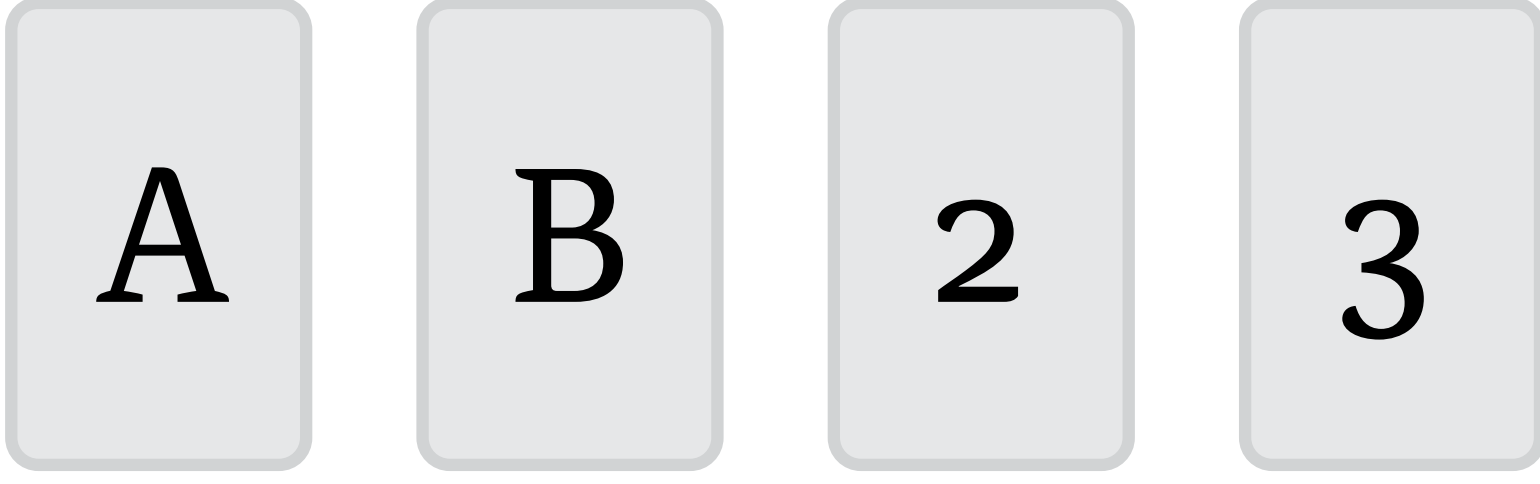
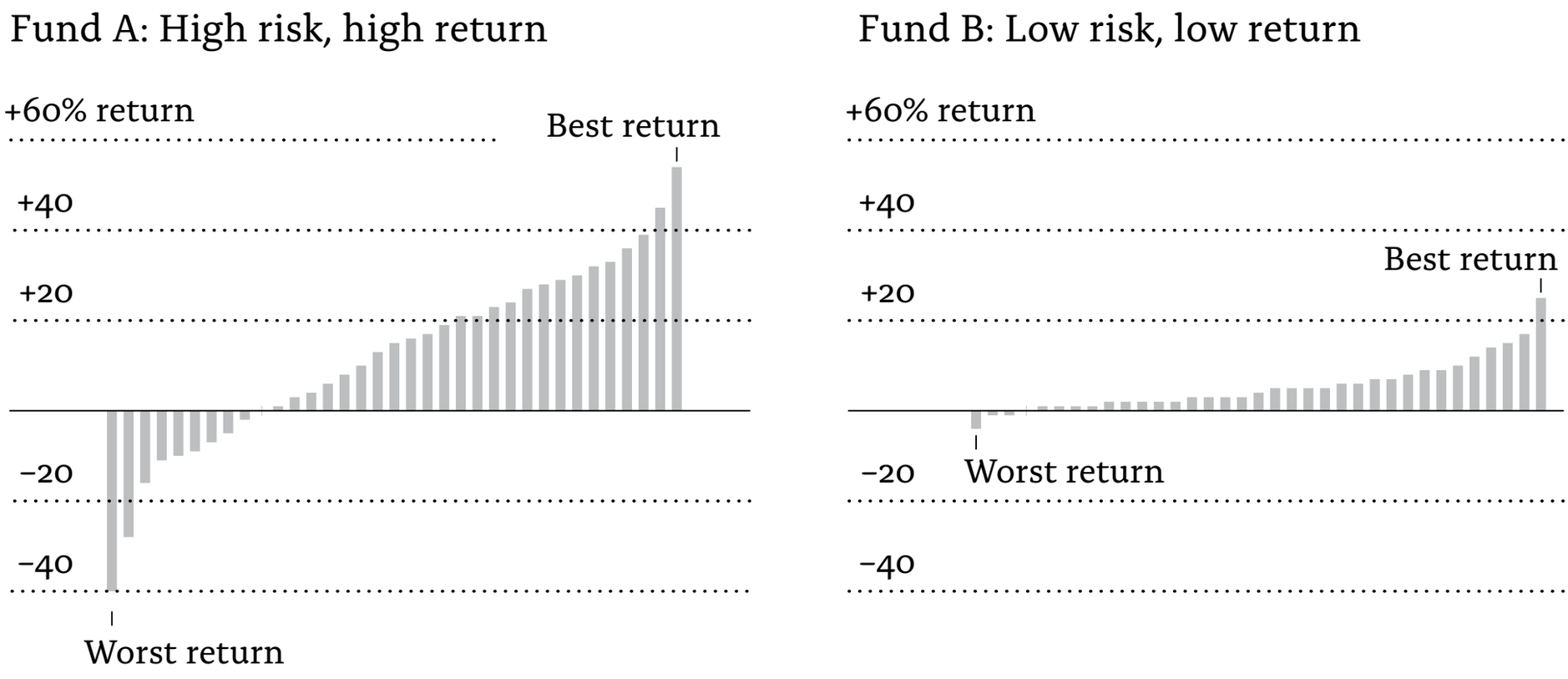


FIGURE 9

Distribution of one-year returns



Distribution of average annual returns over 30 years

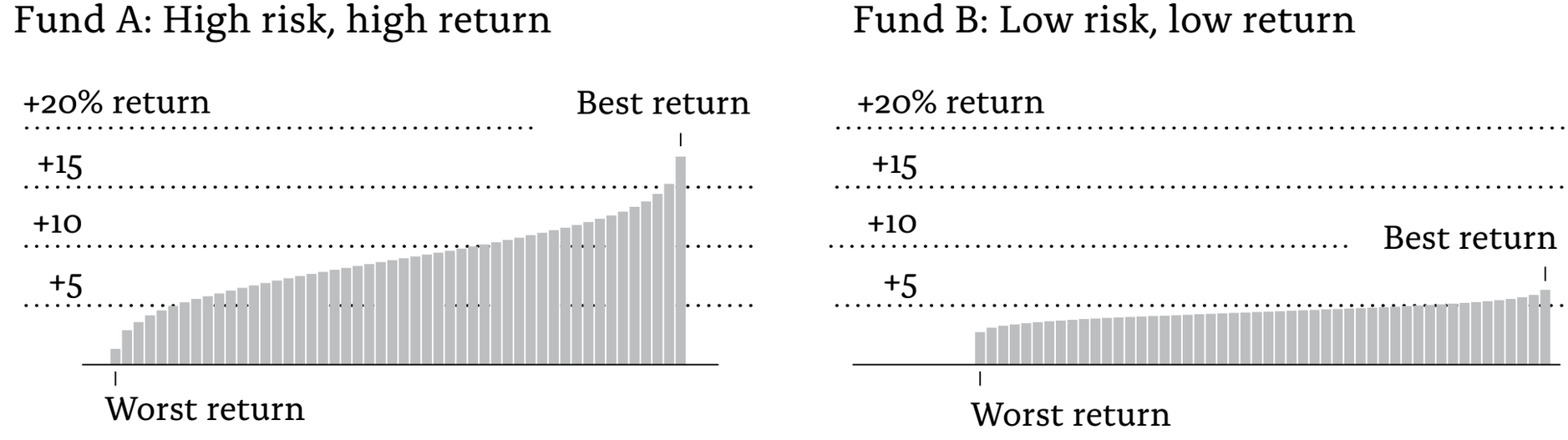


FIGURE 10

Distribution of *FT* reader guesses

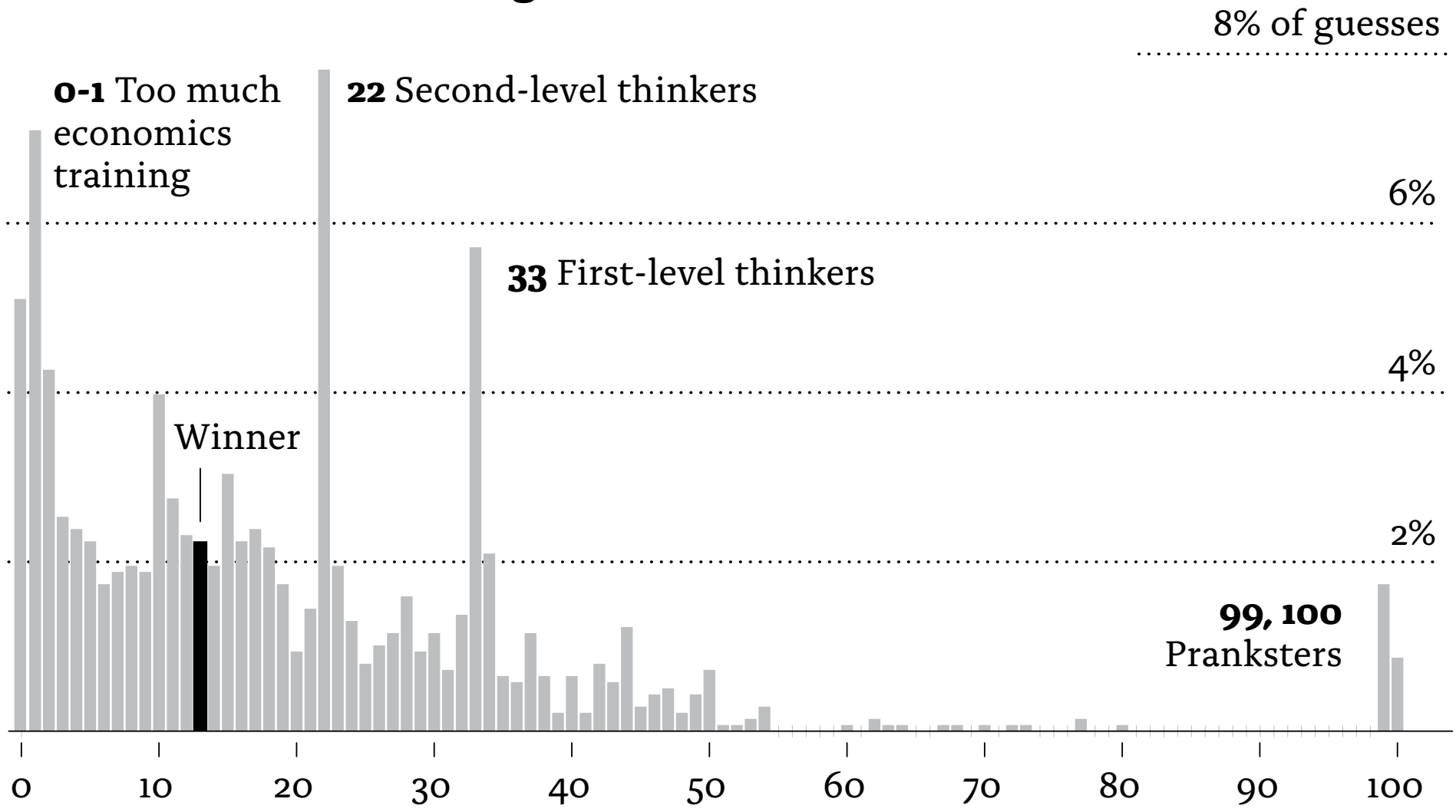


FIGURE 11

Predictions of grade point average

Subjects predicted nearly as high a G.P.A. based on 90th percentile sense of humor as 90th percentile GPA

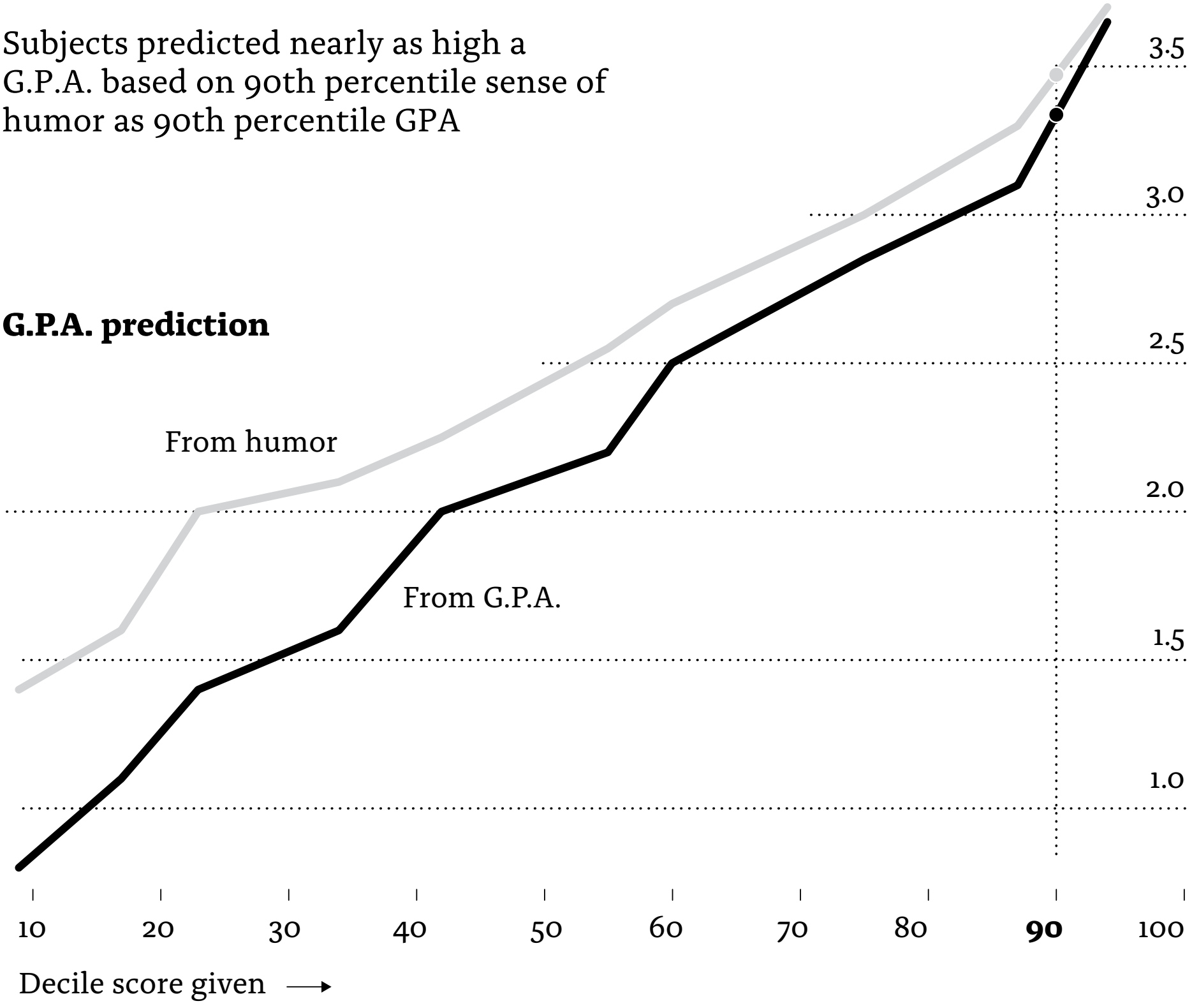


FIGURE 12

Do stock prices move too much?

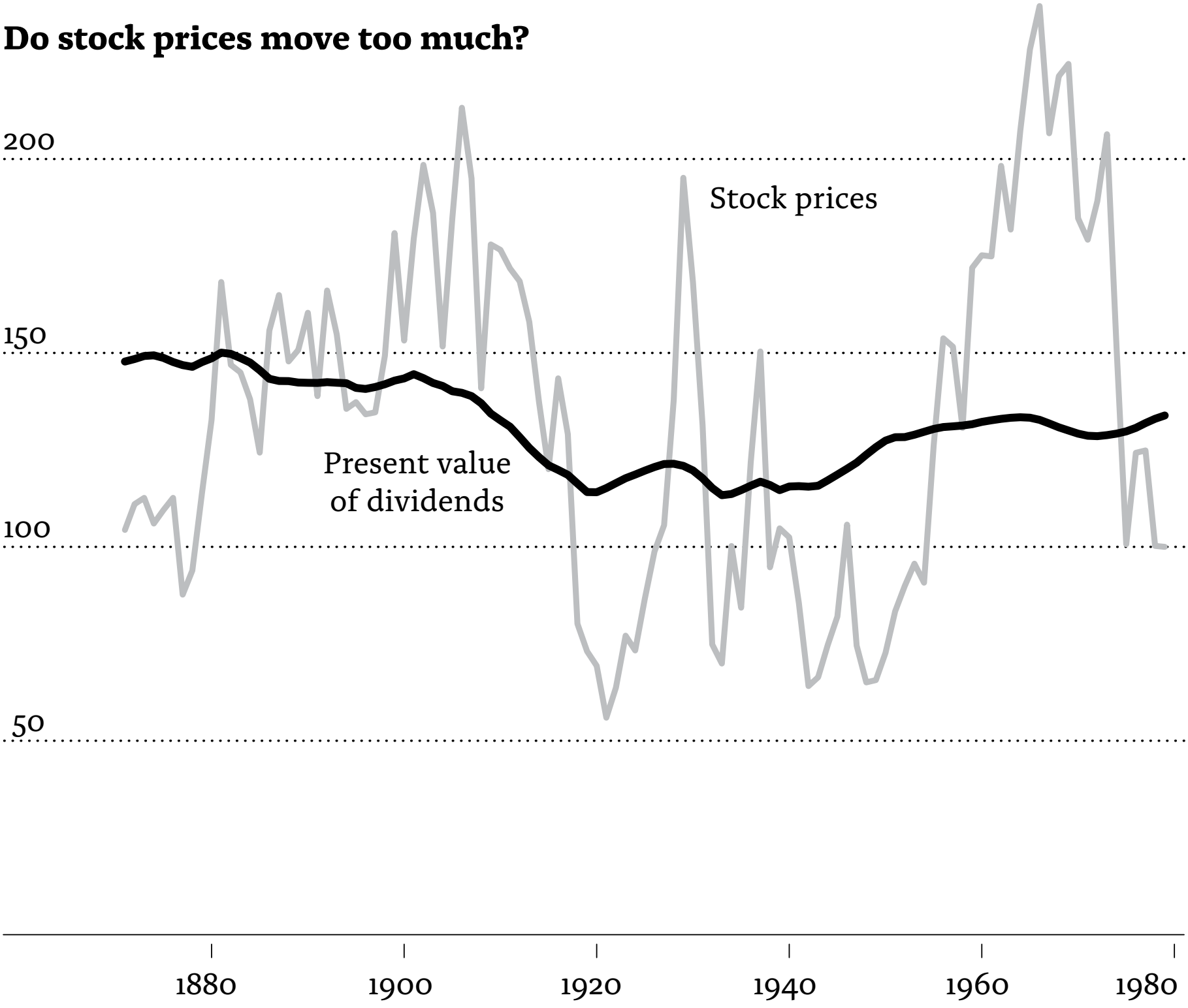


FIGURE 13

Long-term stock market price-earnings ratios

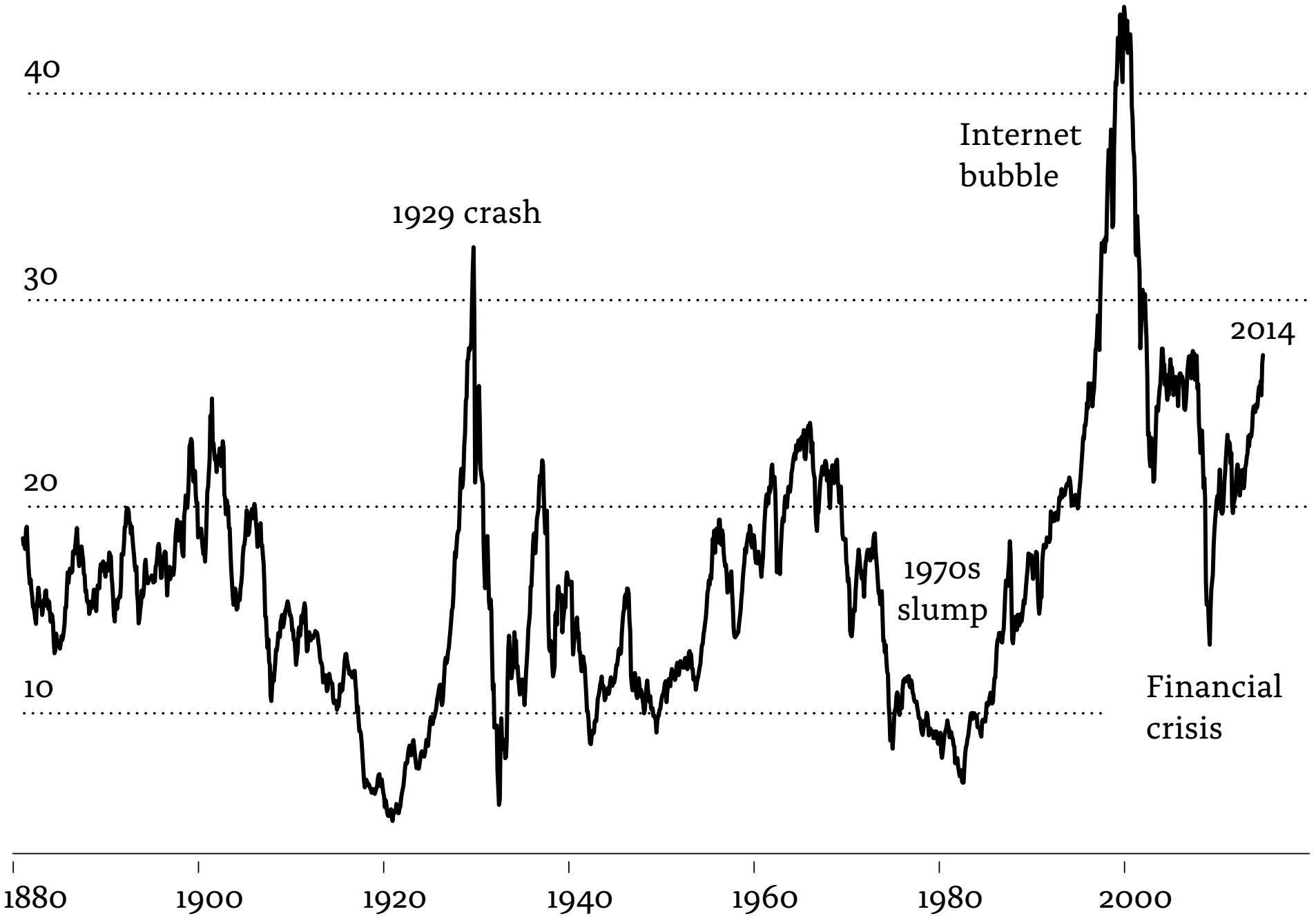


FIGURE 14

House prices and rents

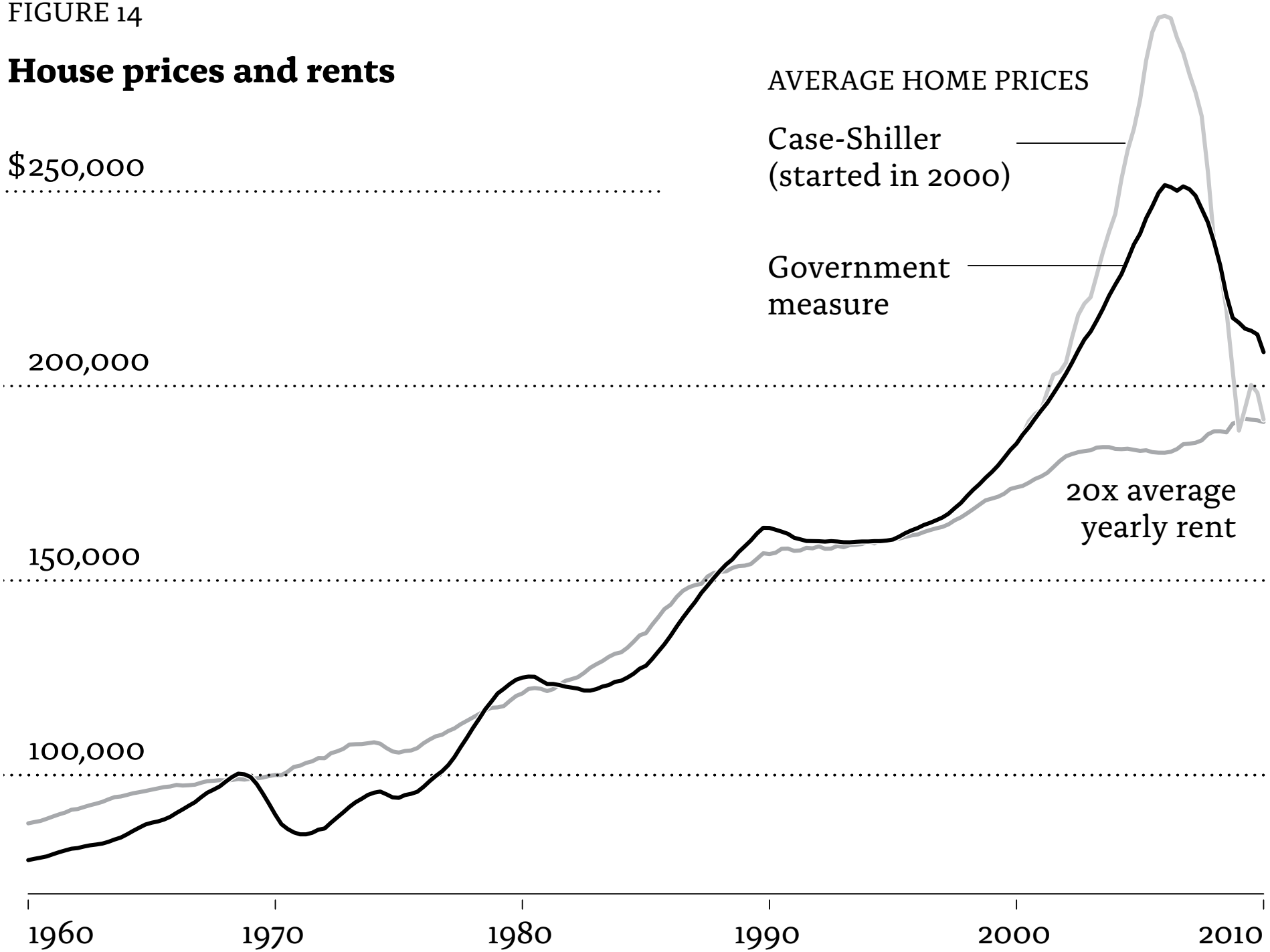


FIGURE 15

Premia and discounts on selected closed-end funds

FUND	NAV	MARKET PRICE	PREMIUM OR DISCOUNT
Gabelli Utility Trust (GUT)	$6.28	$7.42	+18.2 %
BlackRock Hlth Sciences (BME)	38.94	42.48	+9.1
First Tr Spec Fin&Finl (FGB)	7.34	7.62	+3.8
DNP Select Income Fund (DNP)	10.5	10.55	+0.4
First Tr Energy Inc & Gr (FEN)	37.91	35.83	−5.5
ASA Gold & Prec Met Ltd (ASA)	11.24	10.19	−9.3
BlackRock Res & Comm Str (BCX)	11.78	9.93	−15.7
Firsthand Technology Val (SVVC)	29.7	18.59	−37.4

As of Dec. 31, 2014

FIGURE 16

In a rational world, the price of a 3Com share would be equal to 1.5 times the price of Palm plus the "stub" value of 3Com.

3COM	=	PALM	x 1.5	+	S
Cost of one share of 3Com		1.5 times the price of one share of Palm			The "stub" value of 3Com

FIGURE 16B

But when markets closed, prices were irrational. If you solve for s, you find that 3Com's stub value is a negative number.

$82	=	$95	x 1.5	+	-$61
Cost of 1 share of 3Com		1.5 times the price of one share of Palm			The "stub" value of 3Com

FIGURE 17A

Subjects ranked by how much they valued a Cornell mug.

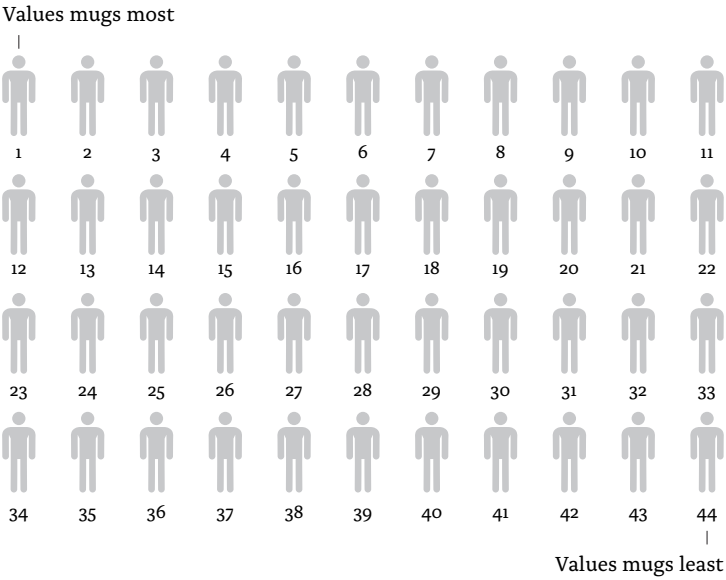


FIGURE 17B

As with the tokens, we assigned mugs randomly to the students.

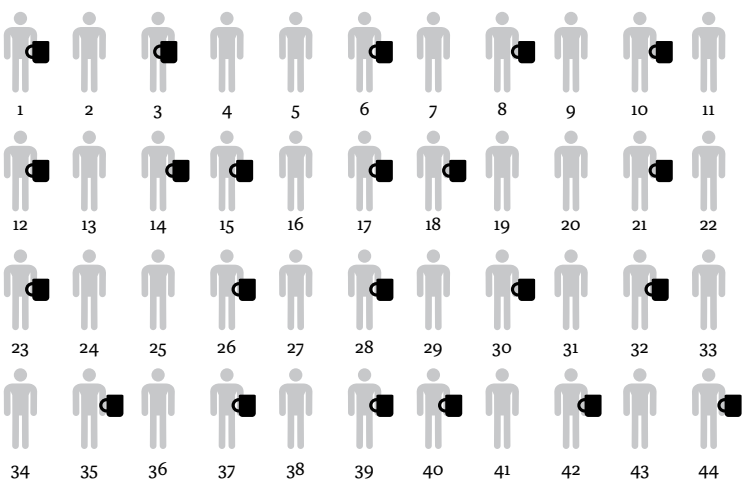


FIGURE 17C

This is how we'd expect things to turn out if the Coase Theorem is right:

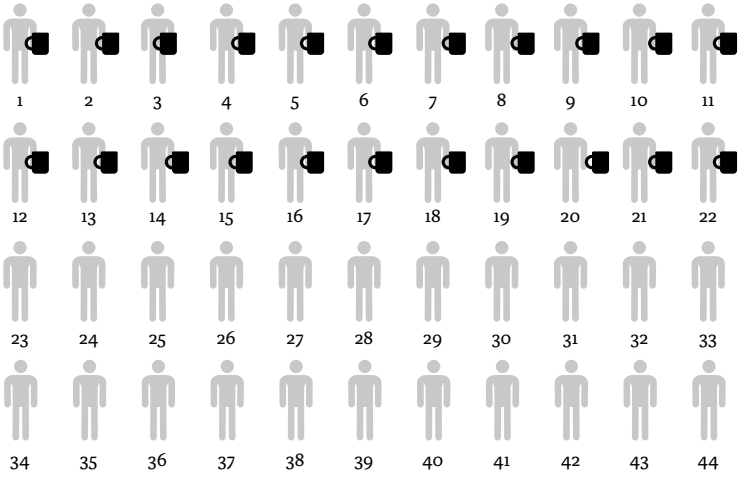


FIGURE 17D

Instead, it looked something like this:

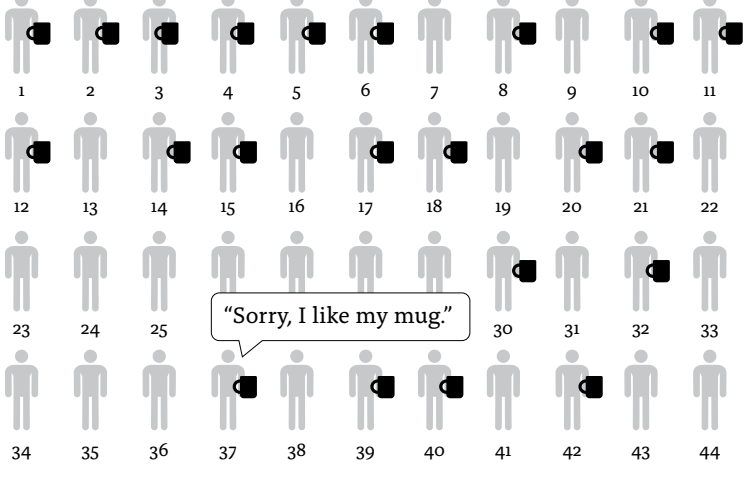


FIGURE 18

Average value by NFL draft order relative to the first pick

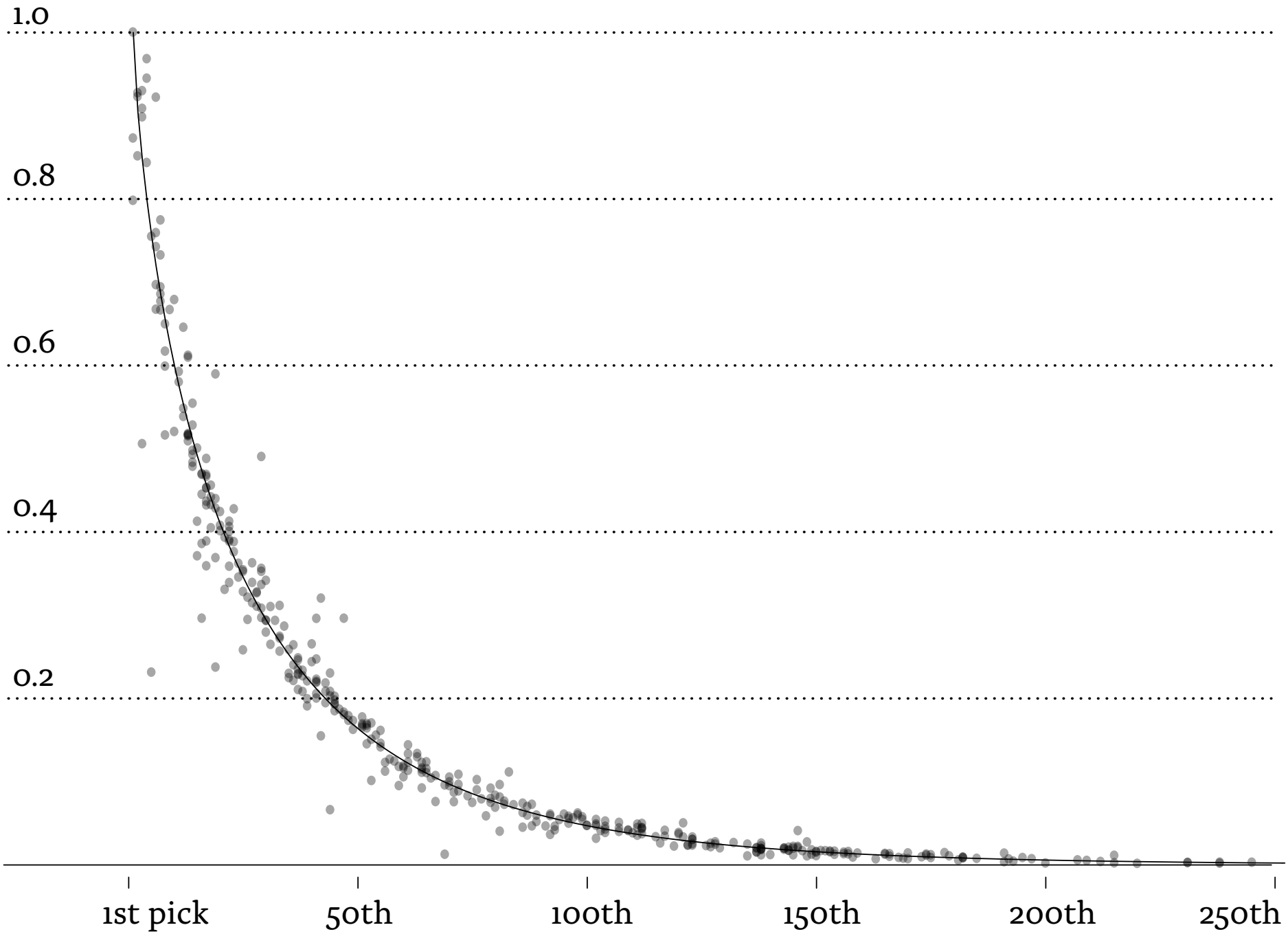


FIGURE 19

"The Chart"

PICK	VALUE	PICK	VALUE	PICK	VALUE	PICK	VALUE
1	3,000	9	1,350	17	950	25	720
2	2,600	10	1,300	18	900	26	700
3	2,200	11	1,250	19	875	27	680
4	1,800	12	1,200	20	850	28	660
5	1,700	13	1,150	21	800	29	640
6	1,600	14	1,100	22	780	30	620
7	1,500	15	1,050	23	760	31	600
8	1,400	16	1,000	24	740	32	590

FIGURE 20

Average compensation by draft order

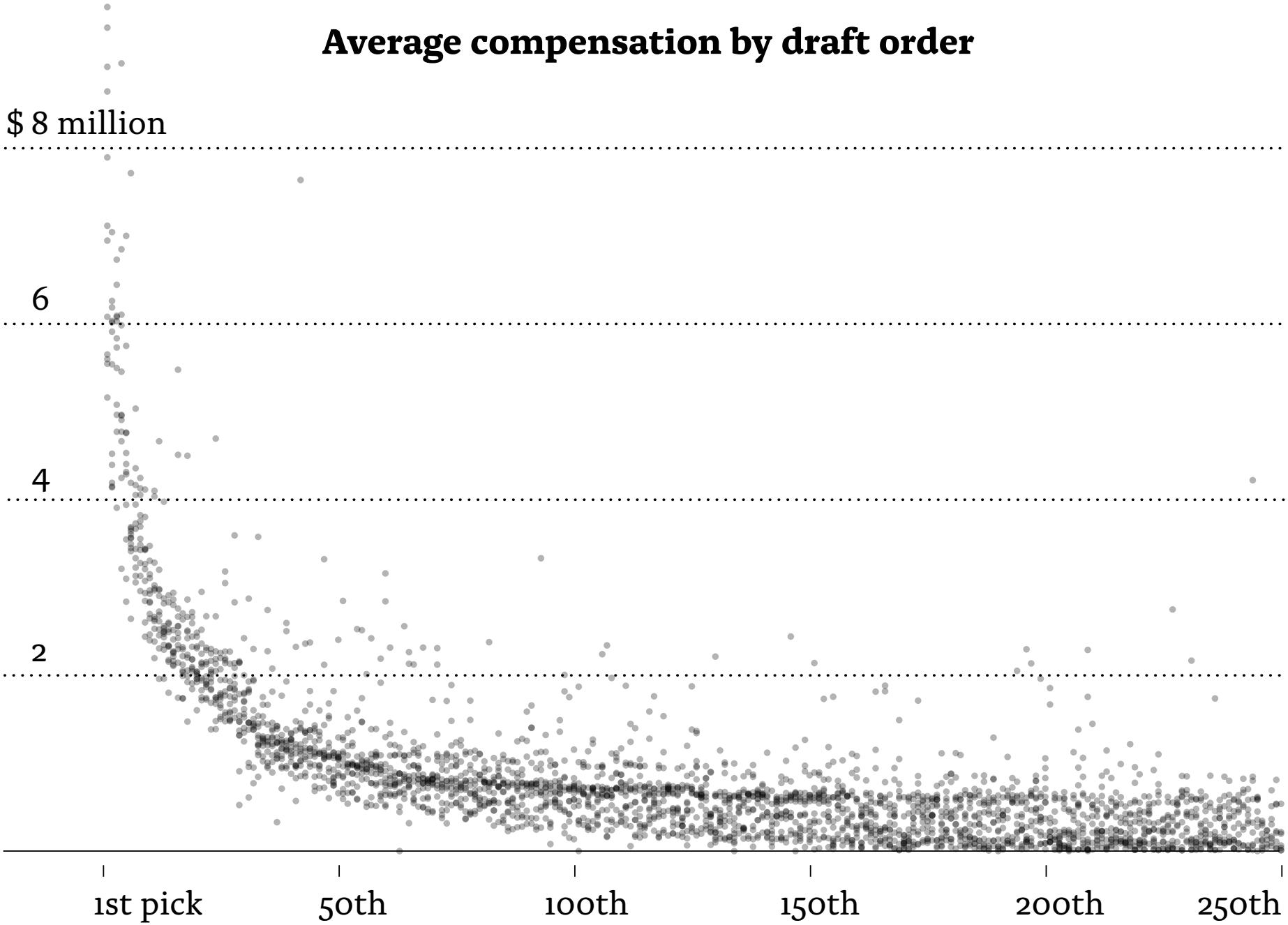


FIGURE 21

"Surplus value" of NFL draft picks

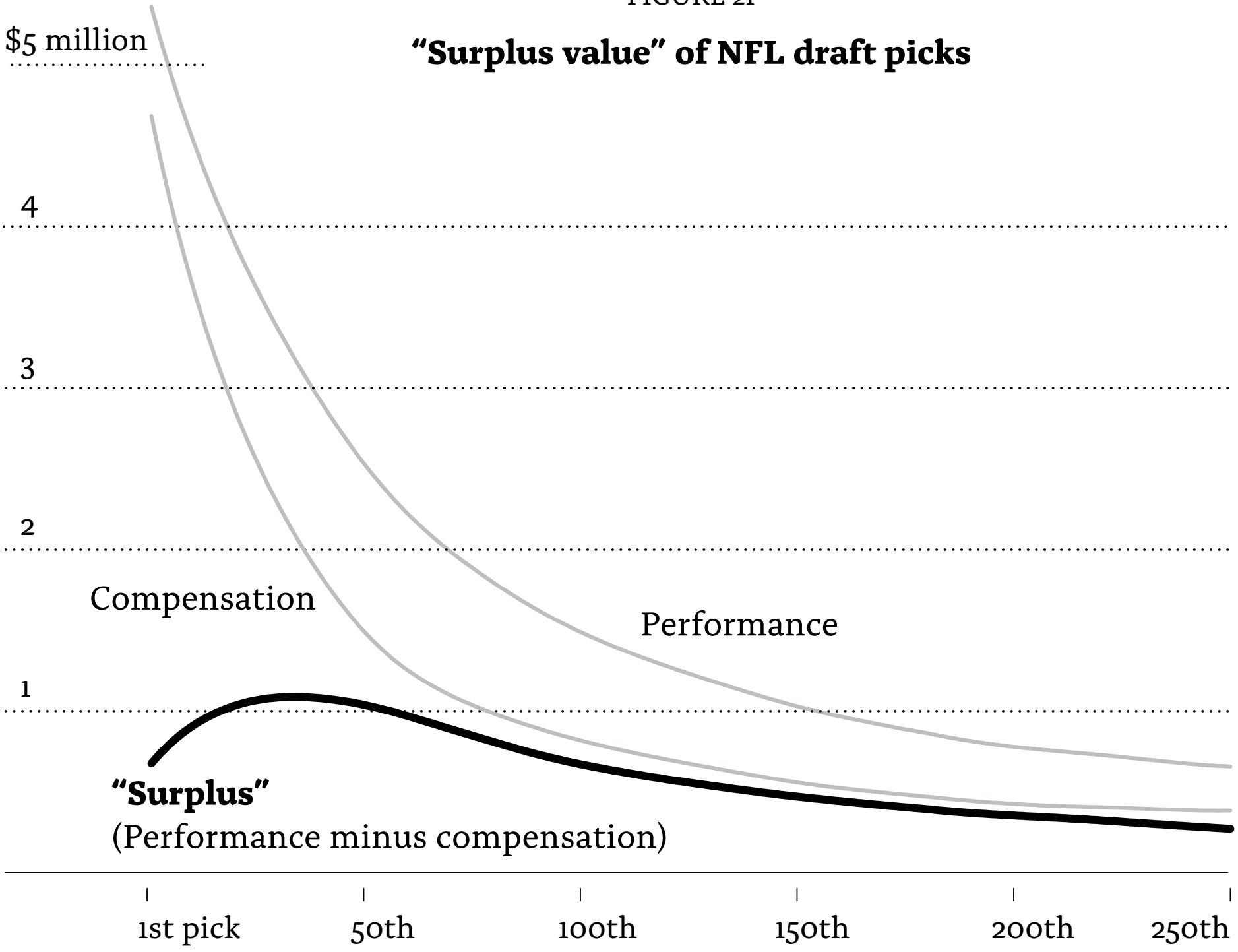


FIGURE 22

Comparing "The Chart" with player surplus

If the market for NFL players were efficient, these charts would be identical.

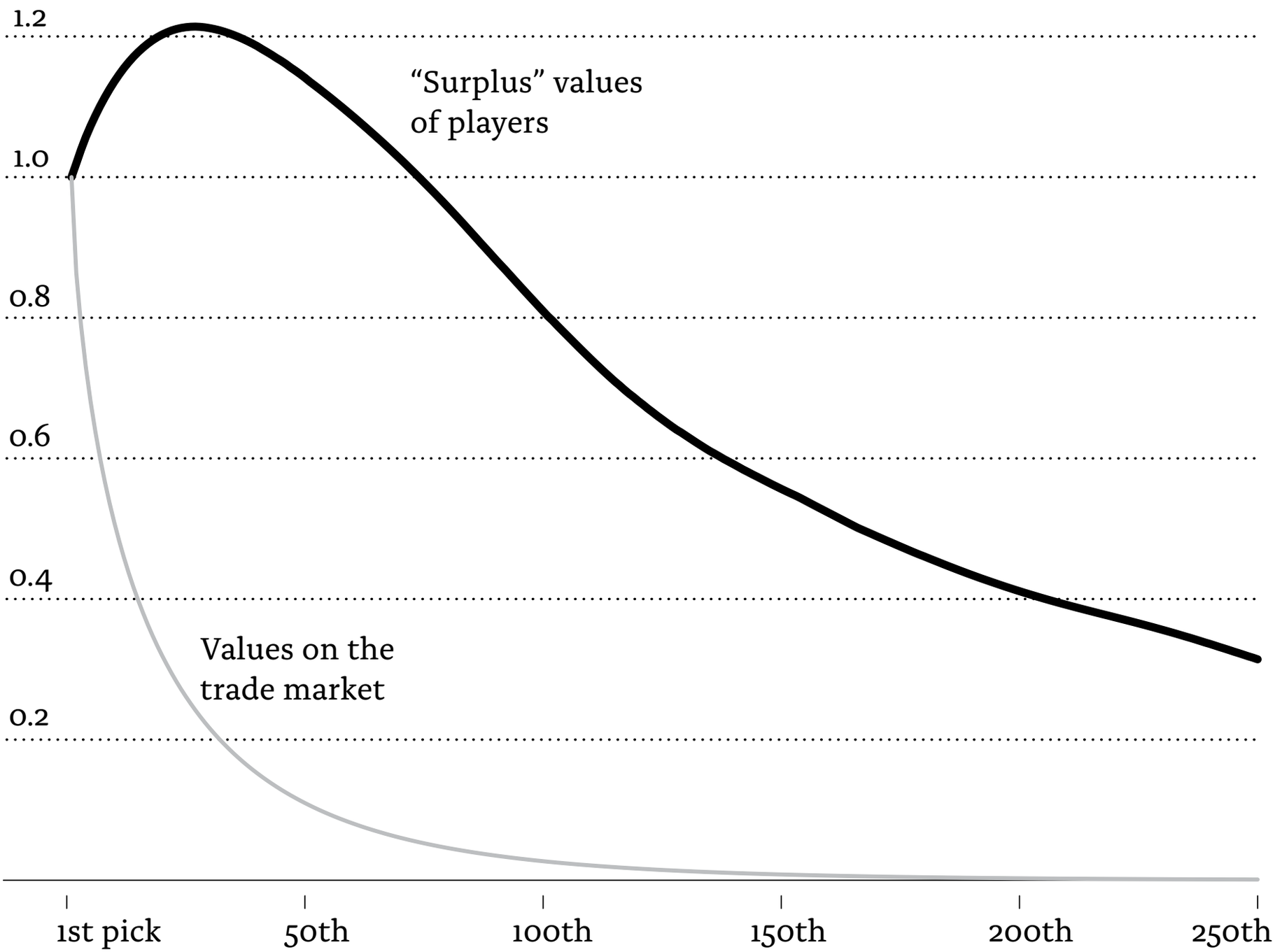


FIGURE 23

Deal or No Deal scoreboard

€ 13,000 ..... *Current "bank offer"*

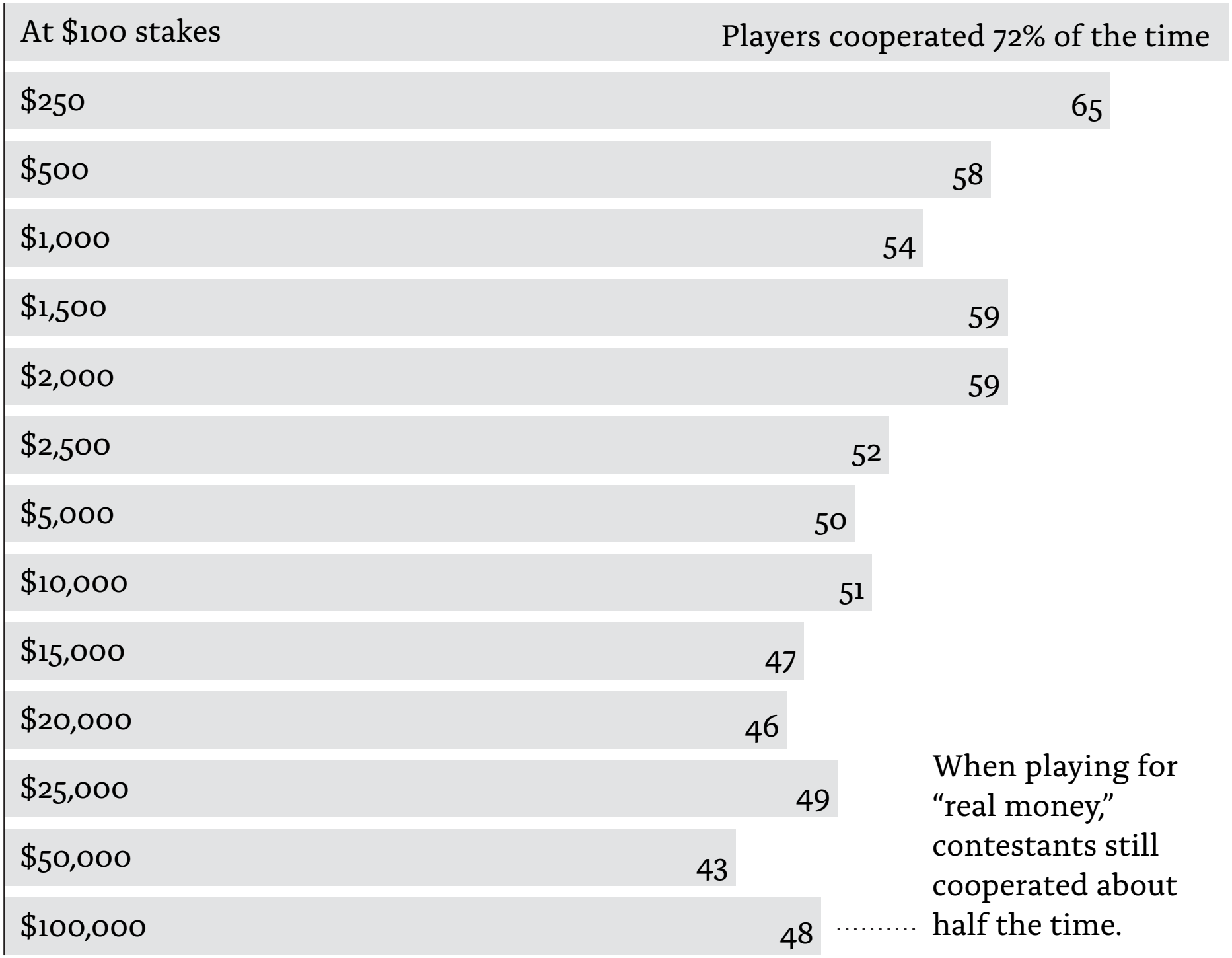
€ 0.01	€ 50	€ 10,000	€ 400,000
€ 0.20	€ 100	€ 25,000	€ 500,000
€ 0.50	€ 500	€ 50,000	€ 1,000,000
€ 1	€ 1,000	€ 75,000	€ 2,500,000
€ 5	€ 2,500	€ 100,000	€ 5,000,000
€ 10	€ 5,000	€ 200,000	
€ 20	€ 7,500	€ 300,000	
	⋮	⋮	

Amounts still left in unopened briefcases

Amounts no longer available

FIGURE 24

How often players cooperated



When playing for "real money," contestants still cooperated about half the time.

FIGURE 25

Did they Save More Tomorrow?

SAVINGS RATES OF PARTICIPANTS WHO . . .	INITIALLY	AFTER FIRST PAY RAISE	SECOND PAY RAISE	THIRD PAY RAISE	FOURTH PAY RAISE
Declined offer of financial advice	6.6	6.5	6.8	6.6	6.2
Took the consultant's recommended savings rate	4.4	9.1	8.9	8.7	8.8
Joined the "Save More Tomorrow" plan	**3.5**	**6.5**	**9.4**	**11.6**	**13.6**
Declined the "Save More Tomorrow" plan	6.1	6.3	6.2	6.1	5.9