An introduction to a critique of Bernheim & Sprenger (2020) and a response by the authors

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As the Associate Editor in charge of the next two articles, I would like to indicate that they are special in nature compared to the usual articles published in the Journal of Behavioral and Experimental Economics (JBEE). The seminal contribution of Prospect Theory by Kahneman and Tversky (1979) is one of the main sparks of behavior economics. They extended Prospect Theory to Cumulative Prospect Theory in Tversky and Kahneman (1992) to correct the original theory for several issues such as inconsistency with stochastic dominance.[1] In 2002, Daniel Kahneman shared the Nobel Prize for these theories.[2]

A key ingredient of Cumulative Prospect Theory is rank-dependent probability weighting. It is for this ingredient that, via experiments, Douglas Bernheim and Charles Sprenger (2020) and subsequently Bernheim, Royer, and Sprenger (2022) did not find supporting evidence. Wakker led a group that took issue with Bernheim and Sprenger's work on a number of fronts. Cumulative Prospect Theory is of germane importance to the readership of JBEE as are empirical tests of it. Hence, I hope that this journal will facilitate an open discussion in the community by providing a forum for each side to present their arguments in the clearest way possible. This will then allow our readers to decide for themselves on the merits of all points raised.

We accepted Wakker (2023) and Bernheim & Sprenger (2023) by the following rules. We first received and refereed Wakker's critique. Once this was fixed, we then allowed Bernheim and Sprenger to respond. We did not permit a further response by Wakker. Our goal was for the articles to be self-contained and a contribution in their own rights.

As an editor and as a journal promoting both Behavioral Economics and Experimental Economics, we do not wish to take a stance on this specific issue. We do, however, support the idea that Experimental Economics, the methodology employed by Bernheim and Sprenger, is an important part of the scientific

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[1]Tversky and Kahneman acknowledge many in the field for insights used to construct the new model including Luce and Fishburn (1991), Quiggin (1982), Schmeidler (1989), Yaari (1987), and Weymark (1981) for the cumulative property.

[2]See the Advanced Information on the Prize in Economic Sciences 2002 on NobelPrize.org for a concise description of these contributions.

method. Theory should not only hold up to experimental testing, but experimental results should help drive theory.

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While I am excited about both these contributions, I do not expect the debate on Cumulative Prospect Theory to be finished, and imagine many works will grace the pages of journals in the future.

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