

Measuring Decision Process Directly

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Abstract

Howard Kunreuther has always been keenly interested in the process of decision making as well as the value of simplified reduced-form models. In recent years, economists interested in the same topic have begun to use more direct measurement (and causal manipulation) of decision process features.

This paper will briefly describe some examples of studies using eyetracking to measure attention and planning in games, skin conductance to measure loss-aversion, fMRI to measure ambiguity-aversion, and TMS to change valuations. The use of these tools permits economists to study variables and processes that were previously considered unobservable and to link data and methods across fields. They also raise a profound challenge for the preferences-information-constraint framework that has proved to be so useful in economics and in policy analysis: How well can cognitive and neural components be described in familiar economic terms, or what new language is needed?