

# A new look at the “Asian disease” problem: A choice between the best possible outcomes or between the worst possible outcomes?

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The “Asian disease” problem (Tversky & Kahneman, 1981) describes a decision between two options: a certain loss of 100 million yuan (100 million yuan) or a 50% chance of losing 100 million yuan and a 50% chance of losing 200 million yuan. In the original study, 80% of subjects chose the certain loss. A “dual” problem was also presented, where subjects chose between a certain gain of 100 million yuan and a 50% chance of gaining 100 million yuan and a 50% chance of gaining 200 million yuan. In this case, 80% of subjects chose the 50% chance of gaining 100 million yuan. The results show that subjects are risk averse in gains and risk seeking in losses. The present study replicates these findings and also examines the effect of framing on decision making. The results show that subjects are more likely to choose the certain gain when the gains are framed as losses. This suggests that the framing effect is not only present in gains but also in losses.

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The A a d ea e be d ced b T e a d Kah e a (1981) de a ed beha c ad c he , a a ce a f EU he . I he A a d ea e be (T e & Kah e a 1981), e g f bec ch e be ee g a e de g ed c ba a d ea e ha e ec ed 600 e e . If e g a e ad ed, 200 e e be a ed, a d f he he g a e ad ed, he e e-h d bab ha 600 e e be a ed a d a - h d bab ha e e be a ed. A he g f bec ch e be ee he g a e de c bed e f , e . If e g a e ad ed, 400 e e de, a d f he he g a e ad ed, he e e-h d bab ha b d de a d - h d bab ha 600 e e de. Whe a e a e c e e e h a ed e e f , e a ed, bec efe ed he ce a . Whe c e e e h a ed e ga e e f , e , he a efe ed.

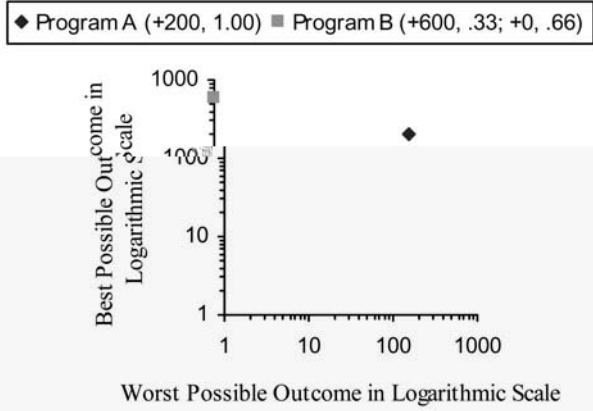
O e he a decade, he be ha gge ed e de, c d g h e a ed e g, e a e he e g fa ge ec . F e a e, McNe , Pa e, S , a d T e (1982) f d ha a e eb a h ca a e ce be h fa ge ec . H e e, e e e h f fa ge ec d he , a d he e a e ce a a ea h a d c d de h ch he fa ge ec a ea (ee, e.g., B h & L d, 1992; Ch e e , Hec e g, Mac e , Be e , & E e , 1995; E & A ch ba d, 1989; Fag e & M e , 1990; F & Da a , 2004; Lo , Sch e de , & Gae h, 1998; L , Fa g, & Zha g, 2000; R h a & Sa ve , 1997). Ba ed da af 136 e ca a e ha e ed fa ge e e h ea 30,000 a c a , a ea- a a f he e ce f fa g dec (K-hbe ge , 1998) h ha he ve a fa ge ec be ee c d f a de a e e, a d ha f d d e e ce e be ee e ea ch de g . I c c ded ha fa g a e abe he e , b ha c e a e ce a a , h ch c e a c de abe a f , ha e be d g hed f efe e ce a a , a d ha ced a fea e fe e e a e g ha e a c de abe e ec e ec e fa ge e e .

The ec e de a f he de g f he e e d he A a d ea e be a e ba ed be e fach ce de ca ed he "e a e - d e e a e" he (L , 2003, 2004a, 2004b). Th de ha he echa g e g h a dec a g ha e e bee e f a g e d f a he a ca e ec a , b a he e ge e a a f d a ce de ec . Wea d a ce a e ha f a e a e A a ea a g d a a e a e B a a b e , a d a e a e A de e be e ha a e a e B a ea e a b e , he a e a e A d a e a e a e B (cf. Lee, 1971; W e fe d &

Edwards, 1986). When a decision maker is faced with a binary choice between two alternatives,  $A$  and  $B$ , the probability of choosing  $A$  over  $B$  is denoted by  $P(A|B)$ . The decision maker is assumed to be rational and to have a utility function  $U(x)$  defined over the set of outcomes  $x$ . The decision maker is assumed to be risk neutral, so that the utility function is linear. The decision maker is assumed to be time discounting, so that the utility function is discounted. The decision maker is assumed to be risk neutral, so that the utility function is linear. The decision maker is assumed to be time discounting, so that the utility function is discounted.

In each of the following sections, we will consider a different aspect of the decision-making process. In the first section, we will consider the decision-making process in a single-period setting. In the second section, we will consider the decision-making process in a multi-period setting. In the third section, we will consider the decision-making process in a dynamic setting. In the fourth section, we will consider the decision-making process in a stochastic setting. In the fifth section, we will consider the decision-making process in a multi-person setting. In the sixth section, we will consider the decision-making process in a multi-criteria setting. In the seventh section, we will consider the decision-making process in a multi-objective setting. In the eighth section, we will consider the decision-making process in a multi-agent setting. In the ninth section, we will consider the decision-making process in a multi-stakeholder setting. In the tenth section, we will consider the decision-making process in a multi-interest group setting. In the eleventh section, we will consider the decision-making process in a multi-party setting. In the twelfth section, we will consider the decision-making process in a multi-actor setting. In the thirteenth section, we will consider the decision-making process in a multi-role setting. In the fourteenth section, we will consider the decision-making process in a multi-institution setting. In the fifteenth section, we will consider the decision-making process in a multi-organization setting. In the sixteenth section, we will consider the decision-making process in a multi-sector setting. In the seventeenth section, we will consider the decision-making process in a multi-industry setting. In the eighteenth section, we will consider the decision-making process in a multi-market setting. In the nineteenth section, we will consider the decision-making process in a multi-region setting. In the twentieth section, we will consider the decision-making process in a multi-country setting. In the twenty-first section, we will consider the decision-making process in a multi-continent setting. In the twenty-second section, we will consider the decision-making process in a multi-world setting.

## Positive Frame



## Negative Frame

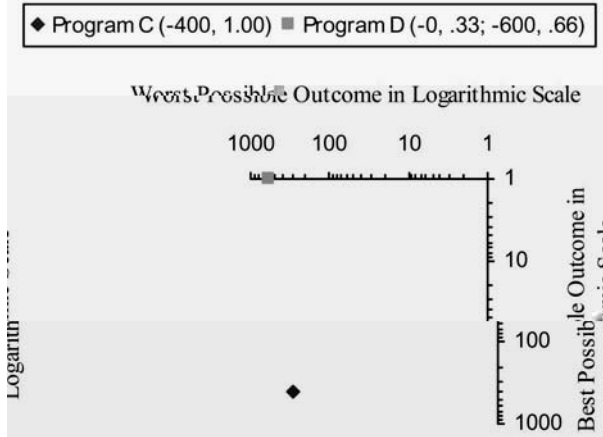


Figure 1. The effects of the A and D effects on the behavioral gap.

P g a e A (B) d a e P g a e B (A), ha g ea ed he a e  
 d e a d e e ce ha P g a e B (A) be e ha P g a e  
 A (B) a bec v e e a. A a a a f ch ce v g e  
 ead he ed c ha P g a e D (C) be ch e he he  
 (be ) be c e be ee he g a e a e ea ed a  
 e a .

S ch a dec ce h he de a ed e h d fa c e be g  
 ab e a g a bec v e d a ed a e a v e bec v e  
 d a ed e ha a ha he f - ace he (Re a &  
 B a e d, 1995) gge ed. The f - ace he e ha de a ed  
 a ce f be f a a e e ab ce a ea g,  
 a d ha ea e e d e a e e e e a ha a e a he e  
 e f ec (e.g., he bab e e e ed ca eg ca a e he  
*certain uncertain*) ha e a a - e a e e. Acc d g  
 Re a a d B a e d (1995), e v g a f he be f he A a  
 d ea e be , a d e ac g he h, ag e h a e, d d e a e  
 he f a g e ec . I fac , f a g e ec e e de ec ed b he  
 e e a ge ag de he he be e e ab e ha he he  
 e e e e . Th gge ha e ca f a a  
 e ce a f f a g e ec , b e ded a a he ha a f  
 he e ec . I ead f ea ch g f a ch h ca f c f a e ,  
 h "f - ace" a f h g (Re a & B a e d, 1995) ha a ed a  
 a e c e ha ea g efe e a e e g , a ed  
 e ac de a .

The " e g " acc f he f a g e ec a ed e  
 a b he d g f K - hbe ge (1995) a d Ma de (2001). Th e d g  
 g gge ha f a g e ec he d ea e be a be d e  
 g f a . K - hbe ge (1995) e ha c e he  
 A a d ea e be a e ade a e ec ed; g ha 200 e e  
 be a ed d e e e c ha ha e he he 400  
 e e. Whe K - hbe ge a e c e e c (e.g., g he g  
 f a f he ce a ec b a g ha 200 be a ed a d  
 400 d e) b g ha Ma de (2001) ca ed he *additive method*,  
 "f a g" e ec a h.

Be ha a a , a ea ha he e a a f he " e"  
 "a ge" f a g e ec he d ea e be h d be he e ha  
 ab e a he ch ce h ab e be , he e, a Re a a d  
 B a e d (1995) gge ed, he c e v a e e e e d a a  
 he he *some* v e a e a ed ( ) *no* v e a e a ed ( ) , h e he  
 bab e e e ed ca eg ca a e he *certain uncertain*,  
 c e d g . The ed ch ce h ab e bab e  
 e e g a d h e e a , beca e ca d b he  
 e f he bab - e gh g f c ha de v ed b a ded c v e

ce - h ch a e ha he ch e b a dec a e he  
 e ha a e he , e a h f a (f e de a ed  
 a g e , ee L, 1995, 1996).

I ec f F g e l hed e gh he e ec f he e a c  
 d g f . I ca be ee f F g e l ha he c c f  
 he be , ed a ga h c cae, e de he e a g f  
 d ee ce he "be be c e" d e ea e ha ha  
 he " be c e" d e f he , e f a e, b , ce  
 , e a f he ega , e f a e. I he d , ega de f he fac ha he  
 be a e e-de c f each he , a d ha P ga e A  
 a P ga e C a he ha D, he ch ce a a e e a e de g ed  
 ha he d ee ce be ee he c e (he *worst* be  
 c e) f P ga e B a d he ce a c e (200 , e) f  
 P ga e A g ca he , e f a e, he ea he  
 d ee ce be ee he c e (he *best* be c e) f  
 P ga e D a d he ce a c e (400 d e) f P ga e C  
 g ca he ega , e f a e (ee a Tab e 1). If e a e deed  
 g ded b he ea d a ce e a g ch ce , e b  
 he dec c e he eached b ee g he be be c e  
 be e a he , e f a e h e ee g he be c e  
 be e a he ega , e f a e. The , a f he , a a ce a  
 a e beca e he d e h ch a ea d a ce ea h  
 de ec ed a d de e ed ched f he be c e  
 d e he , e f a e he be be c e d e  
 he ega , e f a e.

I a he ef e ea ed ha d ee ce be c e a e he  
 d , g f ce beh d d ee ce efe e ce. Tha , he ga  
 ( , e) c d , he a e he d ee ce be ee he c e a d  
 he ce a c e e ce, ed be, he ea e f he  
 ea d a e he e-ga , ha g ee he a  
 e a g d he *worst* be c e d e . I he ( ega , e)  
 c d , he c a , he a e d ee ce be ee he c e  
 a d he ce a c e e ce, ed, he ea e f he e-  
 ea d a e he , ha g ee he a e a  
 g d he *best* be c e d e .

If he a ge d ee ce a ded ee abe be d hed e he  
 bec , e bec , e , a d h be ea ed a e a , a he a  
 a d he - ee ga d -æ e e beha c d be ge e a ed b  
 a g he ea d a ce e. I ca be ee ha , he a e  
 ade e e e he d e a d ee ce e ed b he d ea e  
 be , be ge e a e c ee a e he c  
 a e f he f a g e ec e f he e e e a he a e a  
 f h f g d g (L & Ada , 1995) a e a he a e ce a

TABLE 1  
The intra-dimensional evaluations of the programmes offered in the Asian disease problem

Programme	Positive frame			Negative frame		
	Best outcome	Worst outcome	Programme	Best outcome	Worst outcome	Programme
A	200 a e d	200 a e d	C	400 d e	400 d e	C
B	600 a e d	0 a e d	D	0 d e	600 d e	D
D ffe e ce (A-B)	-400 a e d	+200 a e d	D ffe e ce (C-D)	+400 d e	-200 d e	D ffe e ce (C-D)
U . d ffe e ce g(A)-g(B)	-0.477 ( a e )	>2.301 ( a ge )	U .	>2.602 ( a ge )	-0.176 ( a e )	U .
U . d ffe e ce (A)- (B)	-1.099 ( a e )	>5.298 ( a ge )	U .	>5.991 ( a ge )	-0.405 ( a e )	U .

(L, 1998). A f h e e c a b e d e \_ h g a \_ e a  
 \_ e g h g f c [e.g.,  $w(p) = p^\gamma / [p^\gamma + (1 - p)^\gamma]^{1/\gamma}$ ] a \_ e \_ a a  
 S-ha e d , a e f c (Kah e a & T e , 1979; T e &  
 Kah e a , 1992). T a e L' (1998) e e e f e a e . T h e  
 f , a a d a \_ a c h a g e d f 200 \_ , e  
 a d 400 \_ d e , h e e a e c a e f 20 \_ , e a d 580  
 \_ d e . T h c h a g e \_ a a e h e d e e c e b e e h e  
 c e a d h e c e a c e e d e e a b e ( . e . , 20 \_ , e c e  
 0 \_ , e h e c a e d h h e a f 600 \_ , e ) . T h c e d g  
 b a b \_ f g a e d c e d f h e g a 1/3 1/30  
 e e h a e e c e d , a e e a e a c h e a e . A a e , h e  
 d e e c e b e e h e c e a d h e c e a c e a e a  
 b e *smaller* \_ h e h e a e , e f a e d , \_ h e e a h e d e e c e  
 b e e h e c e a d h e c e a c e a e a b e *greater*  
 \_ h e h e a e e g a , e f a e d , \_ h e c a e d \_ h h e  
 g a A a d e a e b e . T h c e e c e f h h a h e  
 a c a b e c a e e e g (65%) h e , e f a e \_ h e  
 e a g e e g (72%) h e e g a , e f a e . H e c e h e , a  
 d e c a e e h e f a g c d \_ e e b e , e d . I c h  
 a c a e , f a g a c c e d f 0.6% f h e , a a c e c h c e ,  
 c a h e 25% f h e , a a c e f d h e g a b e b  
 T e a d Kah e a (1981).

G d e d b c h h g , h e f \_ g e e e \_ e e d e g e d  
 e a e f h e d e a \_ h e h e \_ e d g e f " h e , a e d e e c e  
 b e e e a c h b e c e a d h e c e a c e " \_ e  
 e d c f e f e e c e h e A a d e a e b e . I a c a , \_ a  
 h h e e d h a :

*H1: The framing effect on individual risk preference will be mediated by individuals' judged value difference between the possible outcome and the certain outcome.*

## EXPERIMENT 1

### Method

*Participants.* A a f 141 d e f N a a g T e c h \_ g c a  
 U , e a d N a a U , e f S g a e , 30 d e f T e a e  
 P e c h c , a d 130 d e f h e I e f T e c h c a E d c a  
 (E a T a e ) S g a e a c a e d a , e e . N e h a d a  
 f a \_ e d g e f d e c h e .



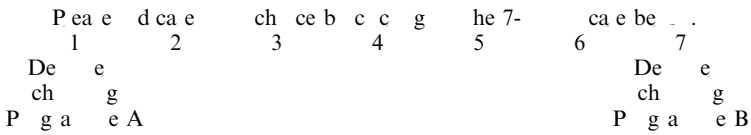
*Materials and procedure.* Before having a decision made, the agent is informed that the disease will be eradicated with a probability of 30%.

**Anthrax Disease Problem**

If you have the chance to save 600 people, the agent is asked to choose between two options: (1) a certain number of people will be saved, and (2) a probability of 1/3 that 600 people will be saved and 2/3 that no one will be saved.

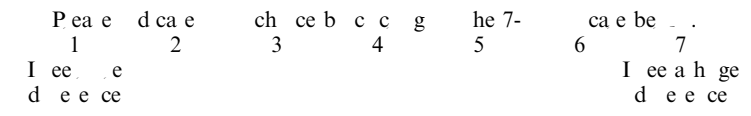
*Positive Frame:*

If you have a chance to save 200 people, the agent is asked to choose between two options: (1) a certain number of people will be saved, and (2) a probability of 1/3 that 600 people will be saved and 2/3 that no one will be saved.



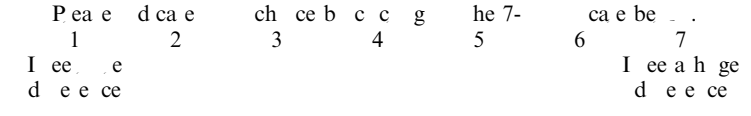
**Judgement 1.** The chance of death is 1/3. The agent is asked to choose between two options: (1) 200 people will be saved, and (2) 1/3 probability that 600 people will be saved.

“200 people will be saved”, “1/3 probability that 600 people will be saved”



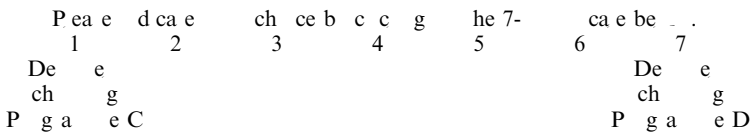
**Judgement 2.** The chance of death is 2/3. The agent is asked to choose between two options: (1) 200 people will be saved, and (2) 2/3 probability that no one will be saved.

“200 people will be saved”, “2/3 probability that no one will be saved”



*Negative Frame:*

If you have a chance to save 400 people, the agent is asked to choose between two options: (1) a certain number of people will be saved, and (2) a probability of 1/3 that 600 people will be saved and 2/3 that no one will be saved.



**Judgement 1.** F he ø ch ce, c de f ee a d ee ce be ee  
 "400 people will die" P ga e C a d "1/3 probability that nobody will die"  
 P ga e D.

"400 e .e. . . de", "1/3 bab ha b d . . . de"

P	e	a	e	d	c	a	e	ch	ce	b	c	c	g	he	7-	ca	e	be	. . .			
1		2		3		4		5		6		7										
I	ee	.e																I	ee	a	h	ge
d	ee	ce																d	ee	ce		

**Judgement 2.** F he ø ch ce, c de f ee a d ee ce be ee  
 "400 people will die" P ga e C a d "2/3 probability that 600 people will die"  
 P ga e D.

"400 e .e. . . de", "2/3 bab ha 600 e .e. . . de"

P	e	a	e	d	c	a	e	ch	ce	b	c	c	g	he	7-	ca	e	be	. . .			
1		2		3		4		5		6		7										
I	ee	.e																I	ee	a	h	ge
d	ee	ce																d	ee	ce		

The a h a d e a e be . a ee ed a c a . d ee  
 , e , h ch c e b a a ced he de f he . f a e ee ed.

Results and discussion

T e a e he ed a g e ec f e a dged d e a d ee ce  
 be ee f a e a d d d a efe e ce, he h ee- e ed a  
 a a gge ed b Ba a d Ke (1986) a ef ed. I e 1, a  
 e- a ANOVA a c d ced. I e 2, ege e a a e ( e  
 h f a e a IV, a d he e f dged d e a d ee ce a  
 DV ; he he h dged d e a d ee ce a IV, a d he d d a  
 efe e ce a DV) ee ef ed. I e 3, a ANCOVA h  
 h - bec c, a a e ( e f dged d e a d ee ce) a  
 c d ced. The a a e ø ea ed ha : (1) f a e, a h - bec ba ,  
 had a a g a a e ec (e a a ed = .01) a c a ' ch ce  
 behæ [F(1, 300) = 3.29, p = .071] h a c a be g e -  
 æ e e he v e f a e (M = 3.72) ha he ega v e f a e  
 (M = 3.96); (2) f a e a a ed c f e f dged d e a  
 d ee ce (.e., he d ee ce be ee he best be c e a d he  
 d ee ce be ee he worst be c e) (β = .28 a d .41,  
 e ec v e , p < .01), a d he e f dged d e a d ee ce  
 e e ed c f he efe e ce (β = .26 a d .09 e ec v e ,  
 p < .05), he e he g e a e dged d ee ce be ee a ed be  
 c e a fac ched f he worst be c ed e  
 he v e f a e [M<sub>best</sub> = 4.22 < M<sub>worst</sub> = 4.99, t(300) = 6.67,  
 p < .001] he best be c ed e he ega v e f a e

$[M_{best} = 4.77 > M_{worst} = 4.17, t(300) = 4.98, p < .001]$ ; and (3) the hedged decision value  $\beta_{hedged}$  is significantly greater than the certain value  $\beta_{certain}$ ,  $t(300) = 4.98, p < .001$ ; and (4) the hedged decision value  $\beta_{hedged}$  is significantly greater than the best outcome value  $\beta_{best}$ ,  $t(300) = 4.98, p < .001$ ; and (5) the hedged decision value  $\beta_{hedged}$  is significantly greater than the worst outcome value  $\beta_{worst}$ ,  $t(300) = 4.98, p < .001$ .

The results of the mediation analysis are shown in Figure 2. The results show that the framing effect on individual risk preference will be mediated by individuals' judged value difference between the possible outcome and the certain outcome.

## EXPERIMENT 2

The first experiment was designed to test the hypothesis that the framing effect on individual risk preference will be mediated by individuals' judged value difference between the possible outcome and the certain outcome. The results of the first experiment are shown in Figure 2. The results show that the framing effect on individual risk preference will be mediated by individuals' judged value difference between the possible outcome and the certain outcome.

### Method

**Participants.** A total of 285 undergraduate students from the University of California, Berkeley participated in the study. The participants were randomly assigned to either the hedged or the certain condition.

#### *Materials and procedure.*

Ab haf f he a c a e ded he , e f a e (142  
 de g ad a e a d 30 g ad a e ) a d he he haf he ega , e f a e  
 (143 de g ad a e a d 31 g ad a e ). Pa c a \_ e e ged g , e  
 he be a fe e ' h gh e d g. Pa c a \_ e e  
 a \_ ced ha he e \_ e e gh \_ g a \_ e , a d ha he  
 e e e e \_ e e e e d he a c a ' \_ h gh f a \_ e .  
 Whe he c \_ e e d e \_ a e \_ e e c \_ e c e d , he a c a \_ e e  
 he deb efed.

## Results and discussion

The ch ce a d dge e f a c a a g ed he \_ f a g  
 c d \_ e e a a a ed g he hee- e ed a a a  
 gge ed b Ba a d Ke (1986). The a a e e e a ed ha : (1)  
 f a e , a be \_ ee - bec ba \_ h ab e be , had a g ca  
 a e ec (e a a ed = .14) a c a ' ch ce beha  
 $[F(1, 344) = 55.09, p < .001]$  \_ h a c a be g e a e e  
 he , e f a e ( $M = 3.55$ ) ha he ega , e f a e ( $M = 5.09$ ); (2)  
 f a e a a ed c f \_ e f dged d e a d e e ce (.e., he  
 d e e ce be \_ ee he *best* be c e a d he d e e ce be \_ ee he  
*worst* be c e ) ( $\beta = .35$  a d .15, e ec , e ,  $p < .01$ ), a d he  
 \_ e f dged d e a d e e ce \_ e e ed c f he  
 efe e ce ( $\beta = .22$  a d .29 e ec , e ,  $p < .01$ , d ca g ha he  
 ed c he d , d a ' efe e ce he e d ec ), \_ he e he  
 g ea e dged d e e ce be \_ ee a ed be c e \_ a deed  
 \_ ched f he *worst* be c e d e he , e f a e  
 $[M_{best} = 5.15 < M_{worst} = 5.55, t(171) = 1.96, p = .052]$  he *best* be  
 c e d e he ega , e f a e  $[M_{best} = 5.70 > M_{worst} = 4.15,$   
 $t(173) = 9.81, p < .001]$ ; a d (3) \_ he he dged d e a d e e ce  
 , a abe \_ e e e e d a c , a a e , he e ec f f a ed ed \_ e (e a  
 a ed = .075) a d  $F(1, 342) = 27.71, p < .01]$  a h gh \_ a  
 f \_ e a ed , \_ he ea he e ec f he dged d e a d e e ce  
 e a ed g ca  $[F(1, 342) = 11.91, p < .01$  a d  $F(1, 342) = 13.24,$   
 $p < .01$  e ec , e ]. The e e \_ h \_ ha , a e ec ed , a a ge f a g  
 e ec \_ a de ec ed he \_ e ca , e f he d ea e be (e a  
 a ed = .14) ha he e ca , e f he d ea e be (e a  
 a ed = .01) a d ha , a E e e l , he \_ e f dged  
 d e a d e e ce \_ e e a ed a be \_ ee f a e a d d , d a  
 efe e ce. The e d g , de e ca e de ce ha he \_ \_  
 edge f "he , a e d e e ce be \_ ee he be c e a d he ce a  
 c e" abe e ed c f efe e ce he ch ce a e  
 e a ed he A a d ea e be . E ec a , he de e g "g"  
 he , a e d e e ce b he \_ e h d f a \_ .

## CONCLUDING REMARKS

A e e a c d f a h e f ch ce ha ca a , e a  
he c e f , a a ce: e , a e f a f a ch ce b e

The eda g e ec c b a e he e a e- -d e e a e . e f  
 ea g, h ch . ee ch ce beha a a ch ce be ee  
 he be (he ) be c e, ha g ea ed he (he be )  
 be c e a bec, e e a.  
 The ee d a e af he c b he de a d g f  
 h he e ce, ed d e e ce be ee he be c e e e e ce  
 d, d a ' efe e ce. Had e ad ed h he e ca  
 f a e , e d ha e bee e c, e he de g  
 echa f he be, ed cha ge he e ec e f fa g h  
 a a ee d ca b h he be be a d he be  
 c e d e . F e a e, he fa g e ec ha B h a d L d  
 (1992) e ed a a e ha T e a d Kah e a ' d he  
 he ga be a a ee e-e a ed b ca g d he e e e h  
 f he g a e (f 600 60, h ch c de ed be a a e f  
 S ed h c d ). Ch (2003) f d ha a c a e ded be  
 ee g he he d ea e be a dec bed a 6- - e e c  
 (.e., *relatively* ca g d he d e a d e e ce), a d a e e  
 e a he he d ea e be a dec bed a 600- e e, age.  
 I he ee c e ha, a f he, a a ce c e  
 d e e ce a de ed he e a c d g f . If a d  
 f fa g d g ca cha ge he e ce, ed, a e d e e ce  
 be ee he be c e a d he ce a c e ac d e e  
 f a e c d , ca he fa g e ec be d ced. O he e, he -  
 , a a ce c e be a ed ega d e f he he he be  
 d e e f a ed.

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