

TEMPLETON REPORT

NEWS FROM THE JOHN TEMPLETON FOUNDATION

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Better Decisions, Better Lives

Nicholas Epley wants to read people's minds, but he is no aspiring psychic. A professor of behavioral science at the University of Chicago's Booth School of Business, Epley believes that a deeper understanding of human psychology can make us "better at intuiting others' thoughts" and thus more capable of "social coordination."

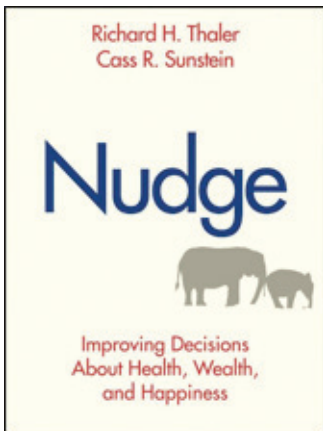


Richard H. Thaler, Nicholas Epley, and Ayelet Fishbach
of the University of Chicago

Epley's work is part of a project called "Understanding Human Nature to Harness Human Potential," based at the University of Chicago's Center for Decision Research (CDR) and supported by a three-year, \$2.3 million grant from the John Templeton Foundation. In a forthcoming article in the journal *Psychological Science*, Epley shows that one of the chief barriers to understanding how others think of us is that we have too much detailed knowledge of ourselves. In assessing our own physical attractiveness, for example, we take into account whether our hair is misbehaving on a particular day. Others have a more general impression formed over time. To share their perspective, we have to push away fleeting details and imagine how we will view our appearance in, say, three months.

The project on human nature and human potential is being run by Richard H. Thaler, director of the CDR and the Ralph and Dorothy Keller Distinguished Service Professor of Behavioral Science and Economics at the business school. A pioneer in behavioral science, Thaler came up with "Save More Tomorrow," a plan to help employees save more through their 401(k) programs by committing in advance to allocate a portion of their future salary increases toward retirement savings. Employees can opt out, but they typically do not.

Thaler describes the philosophy behind his savings plan and similar programs as "libertarian paternalism." "The libertarian part," he explains, "is devising policies that don't force anyone to make particular choices; the paternalism part is helping people choose better." As Thaler sees it, "people are busy, and the world is complicated, and we all need help. So we are trying to help them make the choice they would if they had all the time and expertise necessary to make a good judgment." Thaler and his colleague at the University of Chicago, Cass Sunstein (now on leave as head of the Obama administration's Office of Information and Regulatory Affairs), recently set out a number of these ideas in a widely discussed book called *Nudge: Improving Decisions About Health, Wealth, and Happiness*.



Ayelet Fishbach, a professor of behavioral science and marketing at the Booth School, has also been trying to figure out how to turn our long-term preferences into the right sorts of short-term behaviors. Whether it is a choice about saving money or dieting, we need to think of "behavior as a sequence," she says. "Eating one cookie won't make you gain weight, and not wearing your seatbelt once is not a big risk," Fishbach notes. But doing both frequently could

have very negative consequences over the long term. In a number of experiments, Fishbach has found that if you ask people to think about what they will eat "this month" as opposed to "today" before offering them a candy bar or an apple, they are more likely to choose the apple.

She and her colleagues have also spent a lot of time studying the practices of individuals who exercise self-control effectively. Such people will separate healthy and unhealthy options in their food cabinets. Or with a big exam coming up, they will avoid “leisure temptations,” staying away from friends who want them to go out and leave behind their studies.

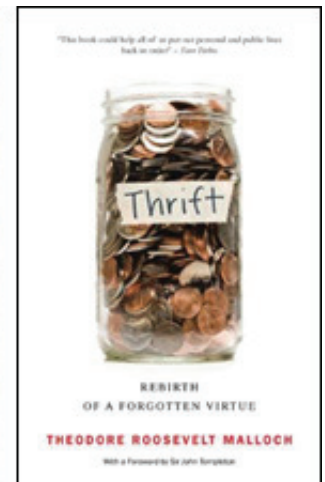
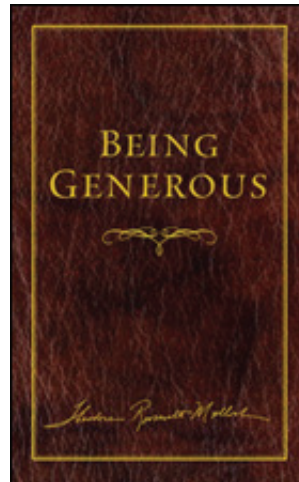
In many of Sir John Templeton’s writings, he put forth the idea that “if you rule your mind, you can rule your world,” says Barnaby Marsh, the Templeton Foundation’s vice president for strategic initiatives. “Sir John was a big believer in the role that our own outlook played in success.” The research at the University of Chicago, Marsh continued, “represents a shift from the norm in classical economic theory, which assumes rational agents but doesn’t get any deeper than that.” For Sir John, “what was missing from the world of economics was the psychology that drives decisions. The Chicago group is really changing the way people understand economic decisions.”

NOTEBOOK

Generosity and Thrift—for the Holidays!

Author Theodore Roosevelt Malloch has published two new books that are ideal for holiday gift-giving, both of them with the support of the Templeton Foundation.

The first, *Being Generous* (Templeton Press), begins by examining how generosity fits into the world’s various spiritual traditions, philosophical schools, and economic systems. Malloch goes on to explore the science behind generosity, looking, for example, at the relationship between neurochemistry and generous behavior. He also offers inspiration with vivid profiles of past and present exemplars of generosity. Dennis Whittle, CEO of GlobalGiving (to which the book’s proceeds are being donated), recently discussed *Being Generous* in the *Huffington Post*.



In *Thrift: Rebirth of a Forgotten Virtue* (Encounter Books), Malloch looks at the history of thrift from its roots in the Scottish Enlightenment to the no-waste credo of Sam Walton. He argues that thrift, when rightly understood, provides the resources for personal “thriving” (from which the word is derived) and for wider prosperity. Even as our ailing economy starts to come back to life, Americans will need the discipline, accountability, and far-sightedness that come with thrift. *TIME* magazine praised Malloch for writing “with passion” about a vital economic subject.

Why Give?

JTF Trustee Stephen G. Post, as quoted by *New York Times* health columnist Tara Parker-Pope in a recent article about the benefits of giving:

“There’s no question that it gives life a greater meaning when we make this kind of shift in the direction of others and get away from our own self-preoccupation and problems,” said Stephen G. Post, director of the Center for Medical Humanities, Compassionate Care, and Bioethics at Stony Brook University on Long Island and a co-author of *Why Good Things Happen to Good People* (Broadway, 2007). “But it also seems to be the case that there is an underlying biology involved in all this.” . . .

“To rid yourself of negative emotional states,” [Post] said, “you need to push them aside with positive emotional states.” “And the simplest way to do that is to just go out and lend a helping hand to somebody.”



Stephen G. Post

For more information, write to communications@templeton.org.

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