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## Daniel Kahneman wins Nobel Prize

PRINCETON, N.J. -- Daniel Kahneman, a psychologist who has pioneered the integration of research about decision-making into economics, today was awarded the 2002 Nobel Prize in economic sciences.

Kahneman has been the Eugene Higgins Professor of Psychology and professor of public affairs in the Woodrow Wilson School of Public and International Affairs at Princeton University since 1993.

In its announcement, the Royal Swedish Academy of Sciences cited Kahneman "for having integrated insights from psychological research into economic science, especially concerning human judgment and decision-making under uncertainty." Kahneman's work, it said, has laid the foundation for a new field of research by discovering how human judgment may take shortcuts that systematically depart from basic principles of probability.

Kahneman was awarded the economics prize along with Vernon Smith, a professor of economics and law at George Mason University. Kahneman and Smith will share the \$1 million prize money.

"We are honored to have Professor Kahneman on our faculty, and delighted that his work has gained this important international recognition," said Princeton President Shirley M. Tilghman.

Upon hearing of the award, Kahneman said, "I am much honored of course to receive the Nobel Prize in economic sciences. I am also keenly aware that such an honor seldom reflects the contributions of a single individual. This is particularly true in my case, since the award is given largely for work that I did many years ago with my close friend and colleague, Amos Tversky, who died in 1996. The thought of his missing this day saddens me.

"Together we developed an approach to the study of judgment and decision-making that gained some influence in psychology and economics," he continued. "Many others have contributed as well. The Nobel award in economic sciences is given in recognition of ideas that have been influential in some field of economics. In this case, the award reflects the remarkable success of an approach known as behavioral economics, which is pushing the frontiers of research by introducing psychologically realistic models of economic agents into economic theory."

Kahneman has "challenged the microfoundations of economics," said Deborah Prentice, chair of Princeton's Department of Psychology. "He has documented the shortcuts people take and the biases they have in making decisions. When people don't have a systematic way of making a decision, they do what they can, and that was news to psychologists and economists."

Before Kahneman's work was published, economists had assumed humans were motivated by self-interest and made rational decisions. In addition, economics had been considered a non-experimental science that relied on real-world observations.

"If people are not always capable of making rational decisions, then a lot of what economists had inferred on the basis of those assumptions really needed to be re-examined," Prentice said. "Nowadays there's a growing body of research called experimental economics that is testing economic assumptions in the laboratory, largely because of Danny's work."

"He's challenged the basic model of how individuals behave economically," said Gene Grossman, chair of Princeton's economics department. "The standard model is that everybody is rational, self-interested, calculating; he's suggested that more psychological motives determine people's behavior and that these motives are important for economic phenomena."

The paradigm of the rational actor has not been thrown out, said Grossman, "but I think there is now a broader range of thinking about certain issues, especially savings behavior and participation in the stock market. There are certain phenomena in macroeconomics, especially concerning equity markets, that are very hard to understand without relaxing the rational actor model and relying on some psychological influences."

Born in 1934 in Tel Aviv, Israel, Kahneman received his bachelor's degree in psychology and mathematics from Hebrew University and his Ph.D. from the University of California-Berkeley in 1961. He taught at Hebrew University from 1961 to 1978 and at the University of British Columbia from 1978 to 1986. From 1986 to 1994 he was a professor at the University of California-Berkeley.

He has won the Hilgard Award for Lifetime Contribution to General Psychology and the Warren Medal of the Society of Experimental Psychologists. The American Psychological Association recognized him with its Distinguished Scientific Contribution Award in 1982.

Kahneman has dual citizenship in the United States and Israel. He is married to Anne Treisman, the James McDonnell Distinguished University Professor of Psychology at Princeton.

Since 1993, the year he arrived at Princeton, Kahneman has co-taught "Introduction to Psychology," better known as "Psych 101." "He likes introducing students to the field," Prentice said. "And he has been a good mentor to colleagues, turning his attention in recent years to collaborations, especially interdisciplinary ones."

"We at the Woodrow Wilson School could not be more pleased and proud, not only of Danny but of the superb work he has done," said Anne-Marie Slaughter, dean of the school. "He has married psychology and economics in ways that enrich both academic theory and policy practice."

The last member of Princeton's faculty and research staff to win the Nobel Prize in economics was senior research mathematician John Nash, who won in 1994. Kahneman's selection brings to nine the number of current faculty and research staff who have won a Nobel Prize.

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Note to Editors:

- Photographs are available online at <http://www.princeton.edu/pr/pictures/g-k/kahneman/>.
- More information about the award is available on the Nobel site at <http://www.nobel.se/economics/laureates/2002/press.html>.
- A list of Princeton University's Nobel Prize winners is at <http://www.princeton.edu/pr/facts/nobels.html>.
- Including Kahneman, nine members of the [current Princeton faculty and research staff](#) have been recipients of a Nobel Prize.

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