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**Thursday, October 6, 2016**

***Where:*** 741 JMHH  
***When:*** 12:00 PM to 1:20 PM

**Dual Process Utility Theory:**

**A model of decisions under risk and over time**

*ABSTRACT*: The Discounted Expected Utility model has been a major workhorse for analyzing individual behavior for over half a century. However, it cannot account for evidence that risk interacts with time preference, that time interacts with risk preference, that many people are averse to timing risk and do not discount the future exponentially, that discounting depends on the magnitude of outcomes, that risk preferences are not time preferences, and that risk and time preferences are correlated with cognitive ability. Here we address these issues in a decision model based on the interaction of an affective and a reflective valuation process. The resulting Dual Process Utility theory provides a unified approach to modeling risk preference, time preference, and interactions between risk and time preferences. It also provides a unification of models based on a rational economic agent, models based on prospect theory or rank-dependent utility, and dual system models of decision making.