Pain of Paying adds a moral tax to consumption the timing of the payment affect the overall enjoyment of the experience

increase pain of paying: use cash, set up real-time notifications, increase salience

The **hedonic treadmill**, or **hedonic** adaptation, is the tendency of human emotions to return to a stable level of happiness despite major positive or negative events or life changes.

Your feeling after something good happens

Normal Happiness Levels

Your feeling after something bad happens

**Frame dependence** -The theory of how a problem is described to another person. It can be the same question, but worded different.

Example 1:

**A religious student inquired of his Rabbi, “Rabbi, am I permitted to smoke while I’m praying?” The Rabbi responds “Heck no. It’s shameful to God and to prayer.” Bothered by the reply, a few days later the student went back to the Rabbi, and asked “Rabbi, am I permitted to pray while I’m smoking?” The Rabbi responds, “It’s not only permitted, but you will be a wonderful example for all the other smokers.”.**

Example 2:

**Is the cup half full or half empty?**

**Loss aversion** – The effects of “pain of loss” being greater than the effects of “pleasure from gain” of the same amount.

**“I like to win, but more than anything, I can’t stand this idea of losing. Because to me, losing means death.” Lance Armstrong**

Ex. Participants are given $100. Then asked to choose between one of the 2 options:

1. Keep $60, or
2. Gamble with a 50/50 chance of keeping or losing the whole $100.

Results? Participated are more likely to play it safe and keep the $60

However, when asked to choose between:

1. losing $40, or
2. gambling with a 50/50 chance of keeping or losing the whole $100.

Participants are more likely to gamble in this instance.

Conclusion: The monetary outcomes are the same, but the wording (how its framed) determines the behavior of the participants.

**Anchoring**-The tendency to fixate on a reference point.

**Mental Accounting**-The tendency to segment money into “mental buckets” or categories in the mind.

**Myopic loss aversion** - The tendency to focus on avoiding short-term losses, even at the expense of long-term gains. For example, you might fail to invest "retirement" money into stocks because you have a fear of loss in the near term.

**Marginal Utility of Money-** Is the amount of happiness you experience from an additional increase in money. Consider These scenarios:

1. You have a $100, and you found an additional $1. How would you feel?
2. What if you only had $10, and you found $1.

In which situation would $1 mean more to You? **Answer: Option B, gives the dollar a higher utility value based on the relative value of**