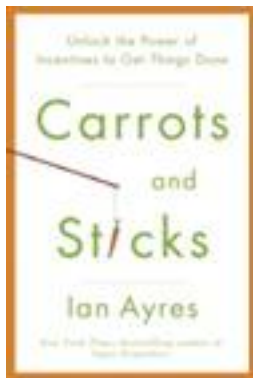


**From:** [Ayes, Ian](#)  
**To:** [Ayes, Ian;](#)  
**Subject:** Ayres Newsletter (formerly "More Ayres Spam"): Carrots and Sticks edition  
**Date:** Monday, October 18, 2010 12:50:56 PM  
**Attachments:** [image004.png](#)  
[image005.png](#)

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It's fall break here at Yale Law School, and I thought I'd take a moment to tell you what I've recently published.

The big news is that Bantam just published [Carrots and Sticks: Unlock the Power of Incentives to Get Things Done](#).



The book uses results from behavioral economics and psychology to help people craft more effective incentives. Choosing the right incentive is a lot more than just choosing the right price. Other people matter, framing matters, participation matters. In fact, good incentives often need to attend to nearly a half-dozen different dimensions.

Here's a 28 second introduction:



You can watch a full-blown (45 minute) presentation [here](#).

You can read an excerpt [here](#).

You can click this link to [visit the book's website](#).

If you are perversely interested in my current weight, you can find the daily record at [www.twitter.com/ianweight](http://www.twitter.com/ianweight) (see [Making It Easier to Be Honest](#)).

Here are a bunch of Freakonomics posts related to the book:



October 15, 2010, 1:30 pm

### [\*\*Our Love/Hate Relationship with Carrots and Sticks\*\*](#)

By [IAN AYRES](#)

“The honeymoon is over.” These are the words of Alberto Iturra, the leader of a team of psychologists who have instituted a series of prizes and punishments to change the behavior of the 33 miners trapped in Chile. When the miners do what the psychologists want, they are given treats like T.V. and music. But if miners refuse, say, to submit to daily interviews with psychologists, the psychologists will restrict the supply of cigarettes or wine.



October 12, 2010, 2:00 pm

### [\*\*Getting Paid to Lose Weight\*\*](#)

By [IAN AYRES](#)

The results are in. I’m happy to report that my eBay auction ended with a winning bid of \$282.85. Twenty-three bidders put in

a total of 45 bids. The bidders were a mixture of seasoned eBay users (some with more than 150 eBay purchases) and newbie eBay users.

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October 5, 2010, 2:00 pm

### [\*\*Making It Easier to Be Honest\*\*](#)

By [IAN AYRES](#)

I was a little scared to get on the scale this morning. I had eaten copious amounts this weekend – including a quarter pounder at McDonalds. But my fear was heightened because I knew that my weight would be automatically tweeted at [twitter.com/ianweight](https://twitter.com/ianweight).

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September 29, 2010, 9:30 am

### [\*\*Selling My Addiction\*\*](#)

By [IAN AYRES](#)

An unusual auction began late yesterday on eBay. I'm selling my "right to regain weight." Why would anyone in their right mind be willing to pay me cash to buy this right? What does this even mean?

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September 22, 2010, 1:00 pm

### [\*\*Carrots and Sticks Has Landed\*\*](#)

By [IAN AYRES](#)

My eleventh book, Carrots and Sticks: Unlock the Power of Incentives to Get Things Done, has just been published. It is centrally about how to craft incentives and commitments to help you and others accomplish your goals.

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If you are so inclined you can buy the Carrots and Sticks from: [Amazon](#) • [Barnes & Noble](#) • [Borders](#) • [IndieBound](#) • [Others](#)

And believe it or not, I'm still spending time on my scholarship. Barry and I have a new academic article detailing the diversification benefits of [Lifecycle Investing](#):

[Diversification Across Time](#) (working paper 2010) (with Barry Nalebuff)

By employing leverage to gain more exposure to stocks when young, individuals can achieve better diversification across time. Using stock data going back to 1871, we show that early leverage combined with reduced equity exposure when older can reduce lifetime portfolio risk. For example, an initially-leveraged portfolio can produce the same mean accumulation as a constant 75% stock allocation with a 21% smaller standard deviation. Since the mean accumulation is the same, the reduction in volatility does not depend on the equity premium. A leveraged lifecycle strategy can also allow investors to come closer to their utility-maximizing allocation. If risk preferences would lead an investor to allocate 50% of his discounted retirement savings to stocks, that would require a young investor to put well more than 50% of his liquid savings into stocks. We employ leverage (limited to 2:1) to help the investor overcome a limited

ability to borrow against human capital. Based on historical returns, we find a 37% improvement in the certainty equivalent (for CRRA=4). Monte Carlo simulations show that these gains continue even with equity premia well below the historical average.

I can't remember ever turning out so many drafts before a submission.

And finally, here are some additional blog posts on topics unrelated to the sordid goal of book promotion.

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September 30, 2010, 2:30 pm

### [Fix Medicare's Bizarre Auction Program](#)

By [IAN AYRES](#) and Peter Cramton

Harry Truman once quipped, "Give me a one-handed economist! All my economists say, 'On the one hand, on the other'" Often even a lone economist has difficulty making a recommendation. While true on certain matters, there are many issues where economists do agree about the right and wrong course of action. A case in point is competitive bidding for Medicare supplies.

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September 21, 2010, 10:00 am

### [The Upside of Irrationality](#)

By [IAN AYRES](#)

Another pleasurable summer read for me was Dan Ariely's *The Upside of Irrationality*. Put simply, the book is an impressive achievement. It interweaves Ariely's compelling personal

narrative with what seems like dozens of his own super-interesting academic experiments. Ariely explains how his own struggle with being severely burned as a youth put him on the path to being one of the world's premier behavioral economists.

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September 13, 2010, 12:30 pm

### **[Of Prom Dresses and Textbooks](#)**

By **[IAN AYRES](#)**

A few years ago, a contracts student of mine left me almost speechless when he admitted in class that he had purchased a tie from J. Press with the intent of returning it after he wore it to deliver a mock oral argument to me (as a mock Connecticut Supreme Court Justice).

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September 9, 2010, 10:30 am

### **[Puzzler on Prom Dresses and Textbooks](#)**

By **[IAN AYRES](#)**

Why can buying a prom dress be legally similar to buying a textbook?

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September 7, 2010, 11:30 am

### **[The Meaning of "My"](#)**

By **[IAN AYRES](#)**

One of my summertime reading pleasures has been reading C.S.

Lewis's The Screwtape Letters for the first time. As a new generation of property student begins the school year, I thought it would be useful to pass on this commentary on the most property-laden adjective, the possessive "my."

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