

Why People Steal Software (And What Might Make Them Stop)

Most people would never steal a \$10 computer mouse from Microsoft, but they don't feel guilty copying a \$1,000 software application from the same company, according to a study coauthored by **Christopher Hsee**, Theodore O. Yntema Professor of Behavioral Science and Marketing.

“Consumers don't feel Microsoft loses anything if they copy its software,” Hsee said. “But if they steal a mouse from Microsoft, Microsoft actually loses the mouse.” Psychologists call that thought process the distinction between a foregone gain and a loss, Hsee said. “If you have a dollar on a table that is yours but you don't take it, then you forego a gain. If you have a dollar in your pocket and you lose it, then it's a dollar lost. From an economic perspective, both acts constitute losses. But from a psychological perspective, they feel very different.”

Companies can make their intellectual products less prone to piracy by increasing the perceived ratio between the variable and fixed costs of a product, thereby increasing the perceived ratio between loss and foregone gain if a consumer steals the product, Hsee said. “To have an understanding in the 21st century of the consumer psychology of intellectual products is important not only for the consumer's perspective, but also for the developer of those intellectual properties,” Hsee said.

Hsee offers three examples of increasing the perceived ratio between the variable and fixed cost of a product. In the first, a manufacturer can make, say, a game set made from mahogany instead of plastic. People are more likely to pay for a product perceived to be of higher substantive value, Hsee said. “People are willing to pay for variable cost, or the cost of the material, but not so much for the upfront cost, which is the foregone gain,” he said.

Another method is for developers to vividly communicate to consumers the time and money spent developing their intellectual product. “You want to individualize this,” Hsee



Why We Steal: Downloading software without paying for it doesn't feel like stealing to consumers, who are more willing to pay for materials than intellectual property, according to professor **Christopher Hsee**.

said. “People are more likely to empathize with an individual than an abstract organization. People don't feel particularly guilty if they don't pay Microsoft, but they will feel more guilty if they don't pay Phil, who put much time and effort into creating this program.”

Hsee's third recommendation is to make sure the intellectual property exists in some physical state. “People feel less guilty if they don't pay for something whose variable cost is zero,” he said. “If they download something or copy it from somebody else's computer, they don't feel guilty. But if they have something concrete in their hands, such as a disc, then they would feel more guilty.”—P.R.

ON THE WEB To read the paper “Why are People So Prone to Steal Software? The Effect of Cost Structure on Consumer Purchase and Payment Intentions” or to learn more about Hsee's research, visit ChicagoGSB.edu/magazine/facultylinks.

IN THE NEWS

Don't Have a Cow, Mom! TV May Be Good for Kids

Television may have negative effects on kids' social skills or increase their obesity, but it doesn't harm their academic or cognitive development, say assistant professor of economics **Matthew Gentzkow** and research fellow **Jesse Shapiro**. Existing studies that say otherwise are flawed, Gentzkow says, because they don't take into account preexisting differences between children who do watch TV and those who do not. “Heavy viewers tend to be poorer, have less-educated parents, and be more likely to live with a single mother,” Gentzkow wrote in *Forbes*. This makes it hard to say if it's television or socioeconomic factors affecting TV viewers' performance in school.

To control for this, the researchers used data collected in the late 1940s and early 1950s, when television first appeared in cities across the country. Because some areas got TV five years ahead of others, the researchers were able to compile data on children who had been exposed at different points in their lives and then correlate that to national test scores of 300,000 children from 1965. They found “very little difference and if anything, a slight positive advantage” for those children who started watching TV earlier. For children whose parents did not speak English, did not finish high school, or did not read to them, the benefits of TV were especially significant.

The study, released by the National Bureau of Economic Research and featured in the *New York Times*, does not look at the effects of specific content or compare programs from the 1950s to those of today. But, Gentzkow points out, some scholars have argued that today's programming is more intellectually stimulating. For example, comparing *I Love Lucy* with *The Simpsons*—the most popular programs with kids in 1953 and 2003, respectively—may indicate that the effects of TV on kids' cognition are even more positive today.—A.R.

ON THE WEB To read the paper “Does Television Rot Your Brain? New Evidence from the Coleman Study” or to learn more about Gentzkow's research, visit ChicagoGSB.edu/magazine/facultylinks.



APPLICATIONS

The Case for Funding Cancer Research

Spending an additional \$100 billion on cancer research and treatment might be worthwhile even if it had only a one-in-five chance of reducing mortality by 1 percent, according to a study by **Kevin Murphy**, George J. Stigler Distinguished Service Professor of Economics, and **Robert Topel**, Isidore Brown and Gladys J. Brown Professor in Urban and Labor Economics.

That 1 percent reduction, the researchers found, would be worth nearly \$500 billion in social value, while a cure would be worth about \$50 trillion in social value—the dollar amount additional life years and health improvements are worth to people. There's also a tangible value to increased longevity: gains in life expectancy from 1970 to 2000 added about \$3.2 trillion per year to national wealth, the study found.

“Ideally, enhanced research funding would be combined with a delivery system that keeps an eye on cost effectiveness,” the authors wrote. “The lesson of the last 50 years is the need to address the issue of medical research that will continue to extend longevity without breaking the bank.” The authors presented the paper at the annual conference of the American Association for Cancer Research.—A.R.

ON THE WEB To read the paper “The Economic Value of Medical Research” or to learn more about Murphy's and Topel's research, visit ChicagoGSB.edu/magazine/facultylinks.

AWARDS

Piazzesi Wins Bernácer Prize



Monika Piazzesi

Monika Piazzesi, professor of finance and John Huizinga Faculty Fellow, received the 2005 Bernácer Prize, given annually to the best European economist under 40 focusing on finance or macroeconomics. The award committee recognized her “for her important research in developing a unified approach that improves our understanding of the connection between asset prices—including bonds, equities, and real estate—and the institutional features of monetary policy and business cycles.”

Piazzesi is the second faculty member from Chicago GSB to win the award since it was first given in 2001. **Luigi Zingales**, Robert C. McCormack Professor of Entrepreneurship and Finance, won in 2003. “Monika Piazzesi is an outstanding scholar who reflects the depth and global nature of our faculty,” said dean **Edward Snyder**. “To have Monika and Luigi win this prestigious award in the past three years is a remarkable accomplishment.”

The Bernácer Prize, sponsored by Spanish bank Caja de Ahorros del Mediterráneo (CAM), includes a cash award of €25,000. Named for Spanish economist Germán Bernácer, the award was established to recognize the work of young economists from the European Union and to stimulate research on European macroeconomics and financial issues. Winners must have a nationality from one of the countries in the European Union. A citizen of Germany, Piazzesi researches financial economics, macroeconomics, and applied time series.—A.F.

Hastie Elected to American Academy of Arts and Sciences



Reid Hastie

Reid Hastie was named a fellow of the American Academy of Arts and Sciences for his work in social and developmental psychology and education. An independent policy research center, the academy conducts a wide range of interdisciplinary studies and public policy research. Current research focuses on science and global security, social policy, the humanities and culture, and education.

The academy comprises scholars and practitioners of mathematics, physics, biological sciences, social sciences, humanities and the arts, public affairs, and business. Inductees have included U.S. presidents and other world leaders, Nobel laureates, and Pulitzer Prize winners. “Fellows are selected through a highly competitive process that recognizes individuals who have made preeminent contributions to their disciplines and to society at large,” said academy president Patricia Meyer Spacks.

Hastie, Robert S. Hamada Professor of Behavioral Science, will be inducted with the rest of this year’s class in October at the academy’s headquarters in Cambridge, Massachusetts.—L.M.

Fama Honored for Shaping Finance

The CFA Institute honored **Eugene**



Eugene Fama

Fama, MBA '63, PhD '64, Robert R. McCormick Distinguished Service Professor of Finance, with the Nicholas Molodovsky Award for his “outstanding contributions of such significance as to change the direction of the [finance] profession and to raise it to higher standards of accomplishment.” Fama’s 1970 article “Efficient Capital Markets: A Review of Theory and Empirical Work” has “affected the conversation on efficient markets ever since,” according to the institute, which administers the Chartered Financial Analyst curriculum and examination.—A.R.

Goolsbee Gets Fulbright



Austan Goolsbee

Austan Goolsbee, Robert P. Gwinn Professor of Economics, was named a Fulbright Scholar for 2006–07. He will spend part of the upcoming academic year at the London School of Economics and the Institute for Fiscal Studies (London) studying Internet taxation in the United States and the European Union. Sponsored by the U.S. Department of State’s Bureau of Educational and Cultural Affairs, the Fulbright program selects scholars on the basis of academic or professional achievement who have demonstrated extraordinary leadership potential in their field.—A.R.

ON THE WEB To learn more about these professors’ research, visit ChicagoGSB.edu/magazine/facultylinks.

APPOINTMENTS

Named Professorships Announced



Philip Berger

Marianne Bertrand

Sanjay Dhar

Reid Hastie

Douglas Skinner

The GSB appointed the following faculty to named professorships, including several new chairs, effective July 1.

Philip Berger, MBA '88, PhD '92, became the first Charles P. McQuaid Professor of Accounting. A coeditor of the *Journal of Accounting Research*, Berger researches firm valuation; mergers, acquisitions, and divestitures; effects of accounting and tax regulations; quality of accounting disclosures; and organizational design and corporate governance.

Marianne Bertrand was named Fred G. Steingraber/A.T. Kearney Professor of Economics. Her research focuses on labor economics, corporate finance, and development economics. A faculty member since 2000, she currently holds research fellowships at the National Bureau of Research Economics and the Center for Economic Policy Research. Bertrand is coeditor of the *Economic Journal*.

Sanjay Dhar became James H. Lorie Professor of Marketing. Recently recognized as a thought leader in marketing by the *Economic Times* of India, Dhar works on brand and retail management, consumer and trade promotions, new products, and e-commerce, marketing, and advertising strategies.

Reid Hastie was named Robert S. Hamada Professor of Behavioral Science, a new chair. Recently inducted into the American Academy of Arts

and Sciences (see story on previous page), Hastie researches judgment and decision making (managerial, legal, medical, engineering, and personal); the neural substrates of decision processes, memory and cognition; and social psychology.

Douglas Skinner became the first John P. and Lillian A. Gould Professor of Accounting. His research interests include corporate financial reporting, disclosure practice, and corporate payout policy. Coeditor of the *Journal of Accounting Research*, Skinner joined the faculty last year.

In addition, the GSB announced the following changes in named professorships, also effective July 1.

John Heaton, PhD '89 (economics), was named Joseph L. Gidwitz Professor of Finance. He previously was James H. Lorie Professor of Finance. Editor of the *Review of Financial Studies*, Heaton researches asset pricing, portfolio allocation, and time series econometrics.

Raghuram Rajan became Eric J. Gleacher Distinguished Service Professor of Finance. He formerly was Joseph L. Gidwitz Professor of Finance. Since 2003, Rajan has been economic counselor and director of research at the International Monetary Fund. His areas of interest include corporate finance, theory of organizations, and financial intermediation and regulation.—A.R.

One-Year Professorship and Fellowships Awarded

The following professorship and fellowships were awarded to faculty for the 2006–07 academic year.

George Wu, professor of behavioral science, received the David W. Johnson professorship. Established by friends of **David Johnson, '58**, the one-year post recognizes a tenured or tenure-track faculty member who teaches in the Executive MBA Program Asia.

Four Neubauer Family Faculty Fellows were named: **Jean-Pierre Dubé**, professor of marketing; **Erik Hurst**, professor of economics; **Damon Phillips**, professor of organizations and strategy; and **Tobias Moskowitz**, professor of finance. A gift from **Joseph Neubauer, '65**, and his family, including his wife, Jeanette, and his son **Lawrence, MBA '95, JD '95**, established the fellowships in 2002–03 to help the GSB compete for and retain top faculty.

In addition, the following one-year fellowships were awarded: **C. Hoyt Bleakley**, assistant professor of economics, was given the Richard N. Rosett Faculty Fellowship; new faculty member **Christian Leuz**, professor of accounting, was named David G. Booth Faculty Fellow; and **Monika Piazzesi**, professor of finance, was named John Huizinga Faculty Fellow.—A.R.

ON THE WEB For a complete list of faculty promotions and appointments for the 2006–07 academic year, or to learn more about these faculty members’ research, visit ChicagoGSB.edu/magazine/facultylinks.

BOOKSHELF

From Crack Addicts to Nobel Laureates: What Faculty Are Reading

GSB faculty read more than research in their areas of expertise. Here's what two professors had on their bookshelves lately.



Dan Dry

Harry Davis
Roger L. and Rachel M. Goetz Distinguished Service Professor of Creative Management

Perfectly Reasonable Deviations from the Beaten Track: The Letters of Richard P. Feynman, Michelle Feynman, editor (Basic Books, 2005)
 “The physicist and Nobel laureate Richard Feynman is well known through his earlier autobiographies and the famous Feynman lectures. In this book, his daughter has selected letters he wrote from 1939 to 1987. The book provides fascinating insights into a person who is perhaps the ultimate role model for personal creativity.

“I find the lessons from his life useful far beyond the world of physics. For example, he views the value of science as accepting that nothing is absolutely certain. Doubt and ignorance are what allow science to progress. To the extent that a physicist can accept not knowing, I would suggest that business people might profitably adopt a similar perspective and humbly put aside the appearance of so much certainty.”



Dan Dry

Matthew Gentzkow
Assistant Professor of Economics

Found Magazine, Davy Rothbart and Jason Bitner, editors
 “So far, I’ve only read one issue (No. 3), but I loved it enough to order all the others. The magazine consists entirely of found scraps of peoples’ lives—love letters, to-do lists, poems, candid photos. They’re culled and arranged by the editors to make something that’s equal parts literary journal, junk store, and sociological field guide. For example: someone’s carefully typed budget that includes \$600 for rent, \$500 for food, \$30 for laundry, and \$600 for crack; a heartbreaking, emotional note to a soon-to-be ex-spouse that has scrawled across the top, “buy coffee filters” (which came first—the note or the shopping list?); a long love letter from prison; and an advertisement cut out from the paper that reads, “Babysitter wanted for three children ages 8, 6, and 4...The kids are cute. The food is good. The mom is easy.”

Vernon God Little, D. B. C. Pierre (Canongate, 2003)
 “A hilarious novel told from the always-slightly-muddled perspective of Vernon, a well-meaning kid caught up in a murder and forced to flee to Mexico.”

Persepolis: The Story of a Childhood (Pantheon, 2003) and *Persepolis 2: The Story of a Return* (Pantheon, 2004), Marjane Satrapi
 “Together these graphic novels tell the story of Satrapi’s childhood in Iran, her escape during the revolution, her adolescence and early adulthood in Europe, and her ultimate return. The pictures and captions are mostly a matter-of-fact telling of day-to-day experiences. But they ultimately create a rich and complex picture of what it means to be a brilliant, headstrong, worldly woman who is at the same time deeply tied to conservative Islamic Iran.”—A.R.

ON THE WEB To learn more about these professors’ research, visit ChicagoGSB.edu/magazine/facultylinks.

