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Congratulations to Richard Thaler for Winning the Nobel Prize in Economics

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Marketing Science congratulates Professor Richard Thaler of the University of Chicago's Booth School of Business on winning the 2017 Nobel Prize in Economics for his contributions to the field of behavioral economics. The Nobel citation prominently features Professor Thaler's (1985) paper on mental accounting, published in *Marketing Science*.

See press releases from the Nobel Committee¹ and INFORMS² related to Thaler's Nobel win. A more detailed description of the contributions of Thaler as judged by the Nobel committee can be found here.³

By Thaler's definition, mental accounting is "the set of cognitive operations used by individuals and households to organize, evaluate, and keep track of financial activities." The 1985 paper is the second highest cited paper in *Marketing Science* to-date, and has spawned important follow up work both at *Marketing Science* (e.g., Prelec and Loewenstein 1998, Soman and Cheema 2002) and in various other marketing, finance, and economics journals. For an overview of how mental accounting affects choice in a variety of settings including consumption, savings, individual budgeting, self-control, and giving, see Thaler (1999). In an invited *Marketing Science* commentary, Thaler (2008) provides a retrospective evaluation of the impact of the 1985 paper in the fields of marketing, finance, and economics.

The ideas in mental accounting have had a significant impact on public policy in the appropriate design of "nudges" that improve decisions about health, wealth, and happiness. These ideas are well described in Sunstein and Thaler's (2008) popular book *Nudge*.

Please see below a brief reminiscence from Subrata Sen about the review process for the mental accounting paper. Also read Thaler's more colorful description of the review process as well as the impact of the idea on different fields in Thaler (2008). The award of a Nobel prize for work published in *Marketing Science*

is an occasion for celebration for the journal and the field. But Subrata's story is also a cautionary tale for all of us that traditional standards of evaluation in the review process may lead us to reject potentially path-breaking work.

When I took over as EIC, I wrote an editorial about the importance of balancing the exploration-exploitation tradeoff in knowledge production, how reviewers and editors should consider this tradeoff when evaluating papers (Sudhir 2016). The story of the review process for a Nobel enabling paper at *Marketing Science* reminds us again of the need to keep that balance in mind when evaluating papers, for contribution and potential impact, especially as it relates to new area and novel paradigms.

Endnotes

¹https://www.nobelprize.org/nobel_prizes/economic-sciences/laureates/2017/press.html.

²<https://www.informs.org/About-INFORMS/News-Room/Press-Releases/INFORMS-congratulates-Nobel-Prize-winner-Richard-Thaler>.

³https://www.nobelprize.org/nobel_prizes/economic-sciences/laureates/2017/advanced-economicsciences2017.pdf.

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The “Story” Behind the Publication of Mental Accounting at *Marketing Science*

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I was delighted to learn that Dick Thaler had been awarded the 2017 Nobel Prize in Economics. It is a well-deserved honor.

His win reminded me of when he submitted the paper (“Mental Accounting and Consumer Choice”) to *Marketing Science* when I was the Editor-in-Chief. It was full of great ideas but contained no math. As a result, the referees rejected it, saying that it was not appropriate

for a quantitative journal like *Marketing Science*. However, as I thought about it, I became increasingly convinced that the paper would have great impact and would encourage a host of researchers to continue this stream of work. Hence, I called Abel Jeuland (the area editor for the paper) to discuss what we should do. After a short conversation we agreed to ignore the referees’ comments and publish the paper. It was the best decision that I made as editor of *Marketing Science*.

I was correct in predicting that the paper would have great impact (for a long time it was the most-cited paper in *Marketing Science*) but must admit that I did not think that it would help win the Nobel Prize. I am so glad that I was wrong!