From: **Foster, Andrew** <afoster@brown.edu>
Date: Thu, Jan 25, 2024 at 8:16 PM
Omer,

Thanks for your email. As EIC I decided to look into the matter myself. I would first note that we put a high bar on any reconsideration. We really need to see clear mistakes or procedural errors, not just differences in judgment, to rethink a decision.

I do not see here clear errors here. I don't agree with everything the referees said--indeed, I rarely do. Indeed, I agree with you that there is value to simple models that capture the essence of an idea rather than trying to address the full general case. But I think three respected readers of the Journal had similar reactions to the paper and the editor made a justifiable decision given these reports.

One issue that I think the referees missed is the importance of pbar. For CARA the sign of the difference between p=0 and p=1, as best I can tell, does not depend on lambda. I don't disagree that there should be diminishing returns in the mapping from expense to p, but why shouldn't there also be non-linearities--say a minimum scale of investment-- in the reward problem? I think this may explain some of the reaction to your work among development theorists. Indeed in the more general case in which rewards follow a logistic curve, which many development economists would find very plausible, the relationship between expected utility and investment for different values of lamba is quite close the relationship in your probabilities case with pbar<1. One can debate issues of parsimony but this rough equivalence suggests it is going to be hard to use this type of experiment to distinguish the two approaches if one were to use a slightly more general model of rewards.

In any case, as noted, I do not see a case for reconsideration of this paper. With that said, I do think there is something here and I would be open to submission of new work on this topic in the future.

ADF