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Editorial

Fear and loathing no more: The emergence of collaboration between economists and psychologists

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Abstract

Psychologists and economists used to see the world from their own perspectives, but currently we observe a growing common perspective, called behavioral economics or economic psychology. Traditional differences between economists and psychologists concerned self-interest and rationality of people. Psychologists now are interested in the economists' perspective, at least as a benchmark for actual behavior. Economists have now accepted that heuristics and biases are not idiosyncratic deviations but structural parts of human decision making. The experimental approaches in psychology and economics are also converging. A common language, mutual understanding and more collaboration between economists and psychologists are developing.

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1. Introduction

It has been over 10 years now since Lopes (1994), in her article in the *Annual Review of Psychology*, stated: “If it goes too far to say that psychologists and economists view one another with fear and loathing, there is at least suspicion and distaste” (p. 198). In the article she goes on to argue that psychologists and economists view the world from a different perspective, and that, even though learning from one another is possible, it is impossible to see the world from two perspectives simultaneously. Even though it is difficult to disagree with such an analysis, we do think an alternative possibility with regard to these perspectives was overseen: the merging of the two into a new single, separate perspective.

The names commonly given to this perspective show its dual origin: it has been called Behavioral Economics (by economists, and this started in the US) and Economic Psychology (by psychologists, and this started in Europe). Indeed, both fields have been around for three decades and did indeed show the distinction Lopes was pointing at: they each had their own perspective on certain topics, such as cognition, risk and uncertainty, interdependence, group behavior, personality differences and even cross-cultural differences. However, the winds are changing. The suspicion and distaste Lopes talked about, certainly existed, and partly still exist, but improvement can definitely be noted in several areas. We consider this an important and positive development, since it is high time the collaborative potential of psychology and economics (see also Murnighan & Ross, 1999) is materialized.

For one thing, meetings of economists and psychologists are more and more common. These days, most of these meetings occur under the name behavioral economics or economic psychology. One topic used to pop up when psychologists and economists met (which was not very often): the discussion about the self-interested nature of people. Psychologists would argue that people are not just self-interested, and economists would argue that they are, at least when important decisions have to be made. Nowadays, many economists have parted with the idea that people are only interested in increasing their own wealth. On the other hand, psychologists seem to have come closer to the economists, since more and more agree that self interest is a very important issue and that many of the results that have been interpreted as showing a preference for fairness or even altruism, may actually reveal more subtle self-interest related motivations, such as strategies for increasing outcomes for self in the long run (Pillutla & Murnighan, 1995; Van Dijk, 2003).

Another big issue was always the difference of opinion with regard to the rationality of people. It currently seems to be the case that economists agree that people often behave in an irrational or at least not completely rational manner, but also that psychologists have realized that theories that are based on the assumption of rationality (and self-interest) are very useful and provide excellent benchmarks with which to compare actual behavior.

These days, therefore, more and more economists are interested in such psychological phenomena as bounded rationality, heuristics and biases, emotions, social utility, personality differences, and even cross-cultural differences. Especially since Kahneman’s Nobel prize in Economics in 2002, the heuristics and biases research

program has gained firmer ground in economic theorizing, although not yet in economics textbooks. On the other hand, more and more psychologists are making use of economic theories as a framework from which to interpret anomalous behavior. Psychologists also become aware of the necessity for sharp usable theory. One of the problems economists often have with psychological theorizing is that it remains too vague and situation specific. Economists also complain that there are too many psychological theories, each ‘school’ or approach bringing its own theories. Many psychologists in this subfield are now realizing that in order for their theories to have an impact outside psychology, in areas such as economics, law, and politics, they need to come up with theories that are actually robust and feasible in the field. This remains a great challenge for psychologists.

Where the emphasis has traditionally been on differences between the two fields, it now seems that similarities are becoming more prominent. Most people working at the cross-section of economics and psychology share many features: they share research topics, such as interpersonal interaction, interdependence, games, judgment, decision-making, consumer behavior. They also use the same or similar methods. Both use lab experiments and field data; both groups are interested in behavior as expressed in the field as well as the more theoretical underpinnings of this behavior. Economists are increasingly making use of ‘psychological’ measures such as introspective questions relating to motivations, emotions, and personality, and they are more and more likely to explain behavior in terms of these concepts. Psychologists, on the other hand, are increasingly using methods that are traditionally more common in experimental economics. Games such as the ultimatum game, the prisoner’s dilemma and the centipede game, are currently commonly used as basic paradigms by psychologists. With this shift to more formal situations comes an increase in the use of game-theoretical approaches to set benchmarks for actual behavior. Some psychologists actually know how to calculate Nash equilibria these days. More and more psychologists are also agreeing with a need for careful consideration of such methodological questions as: real or implicit interaction, real or hypothetical incentives and so on. The idea that psychologists never use real interactions in their experiments and that the stakes in their studies are always minimal, is by now largely a myth: most psychologists carefully consider their decisions in this area, and are increasingly aware that to gain ground in the world of economics – and consequentially in the outside world – it is necessary to either pay up, or decidedly show that this is not required. Also, economists are slowly moving towards psychologists in this respect, since deception is becoming less of a taboo in experimental practices. It seems that both sides agree that it is very desirable to have real people play real games for real money, but that it is not always feasible to do so.

Conclusions, interestingly enough, are also more and more similar. If one, for instance, observes the way the two fields deal with social utility – the idea that other people’s outcomes also matter in distributive decision-making – striking similarities can be found. The models psychologists came up with (e.g. [Blount, 1995](#); [Handgraaf, Van Dijk, & De Cremer, 2003](#)) bear a striking resemblance to the models the economists’ – slightly more formal – models (see e.g., [Bolton & Ockenfels, 2000](#); [Fehr & Schmidt, 1999](#)).

It is becoming quite common to read ‘across the border’; both psychologists and economists are interested in journals such as *the Journal of Economic Psychology*, *Games and Economic Behavior*, *Journal of Economic Behavior and Organization*, *Organizational Behavior and Human Decision Processes*, *Academy of Management Journal*, *Journal of Behavioral Economics*, *Journal of Socio-Economics*, *Journal of Consumer Research*, *Psychology and Marketing* and so on. This not only results in cross-fertilization and cooperation between the two groups, it also leads to the emergence of a common language. We consider this latter development to be a crucial one, since in order to be able to share a perspective, one needs to share a language (and the ideas that are attached to it).

One way in which the emergence of a common language and understanding within the (sub)field of ‘behavioral economics’ or ‘economic psychology’ is stimulated, is the organization of meetings specifically aiming at participation by researchers from both economics and psychology. In recent years such meetings have indeed grown in number, popularity and quality. They feature much interaction and discussion between the two fields. We consider this a very important development, since, as Max Bazerman argued at a recent meeting between psychologists and economists at the Kellogg Business School (see also [Bazerman & Malhotra, forthcoming](#)), the lack of cooperation that existed between economists and psychologists has cost society dearly. Theories based on insights from both fields can provide a better understanding and prediction with regard to all kinds of societal phenomena, which should lead to an improvement in policy and an increase in the efficiency of interventions and possible solutions by institutions on many different levels of society. Conferences such as SPUDM (Subjective Probability and Utility in Decision Making), SJDM (Society for Judgment and Decision Making), Economic and Psychological perspectives on decisions in Trento (Italy), of course the annual colloquia of the International Association for Research in Economic Psychology (IAREP), that started 30 years ago, and now also the Tilburg Symposium on Psychology and Economics, all boast high quality presentations from both economists and psychologists and are working well at creating that required common language.

The current special issue features five papers that were presented at this Tilburg Symposium. All of them concern experimental research and topics that are of interest for both psychologists and economists, and nicely show the direction current research in this area is heading. The first article is an article by De Cremer, Tyler and Den Ouden, about the effects of fairness of procedures on cooperative behavior featuring both experimental and a cross-sectional survey data. Procedural fairness is a typical example of a topic that has been around in psychology for a while, but has only recently gained the interest of economists. The second paper, by Bosman, Sutter and Van Winden, deals with the impact of effort and emotions in a recently developed game, the power-to-take game. It is a good example of a study by economists that makes use of such psychological factors as emotion and invested effort in economic decision makers. Poppe’s paper deals with the way the context and content and not only the structure of a social dilemma affect the contributions people are willing to make. It provides an excellent example of a study that uses psychological insight to explain results that cannot be explained by mainstream economic theories.

The fourth paper (by Mulder, Van Dijk and Wilke) features sanctioning systems and their (unwanted) effects on cooperative behavior. This is currently a hot topic in psychology but especially economics (e.g., Fehr & Rockenbach, 2002). It is also an excellent example of a field in which the formalizations of situations as provided by economic theories prove to be very welcome for psychological reasoning. The final article features a classic topic in the tradition of behavioral economics: the endowment effect. In this paper, Van de Ven, Zeelenberg and Van Dijk explore the role of curiosity with regard to the occurrence of the endowment effect.

With regard to fear and loathing – or suspicion and distaste – as mentioned by Lopes, it is good to see that those days are now behind us. A common language is emerging and more and more collaboration and cross-fertilization are budding. In fact, for some people it is hard to determine whether they are actually a psychologist or an economist; their affiliation more and more becomes the only cue. Even though it may be a bit premature to substitute ‘fear and loathing’ with ‘trust and love’, the current mutual interest and respect seem a good foundation for a fruitful future.

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