



INSTITUT FÜR HÖHERE STUDIEN
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Heinrich Neisser Lecture: Sustainable Development

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IHS

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Homo oeconomicus

Traditional view (in **economics**)

Human decision makers (are)...

- **rational**
- patient
- stick to plans
- weighs costs and benefits
- **egoistic**
- ...



Quelle: startrek.com



Behavioral economics

The **modern view in economics** (based on results in psychology):

Human decision makers (are)...

- **make systematic mistakes**
- follow heuristics
- impatient, emotional
- do not stick to plans
- **non-egoistic; compare themselves with others**
- ...

Quelle: joshvelazquez.com





Not so new after all, but forgotten

SECTION I.

OF THE SENSE OF PROPRIETY.

CHAPTER I.

Of Sympathy.

How selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it, except the pleasure of seeing it. Of this kind is pity or compassion, the emotion which we feel for the misery of others, when we either see it, or are made to conceive it in a very lively manner. That we often derive sorrow from the sorrow of others, is a matter of fact too obvious to require any instances to prove it; for this sentiment, like all the other original passions of human nature, is by no means confined to the virtuous and humane, though they perhaps may feel it with the most exquisite sensibility. The greatest ruffian, the most hardened violator of the laws of society, is not altogether without it.

		Player 2		
		Rock	Paper	Scissors
Player 1	Rock	0	1	-1
	Paper	-1	0	1
	Scissors	1	-1	0

https://en.wikipedia.org/wiki/Simultaneous_game



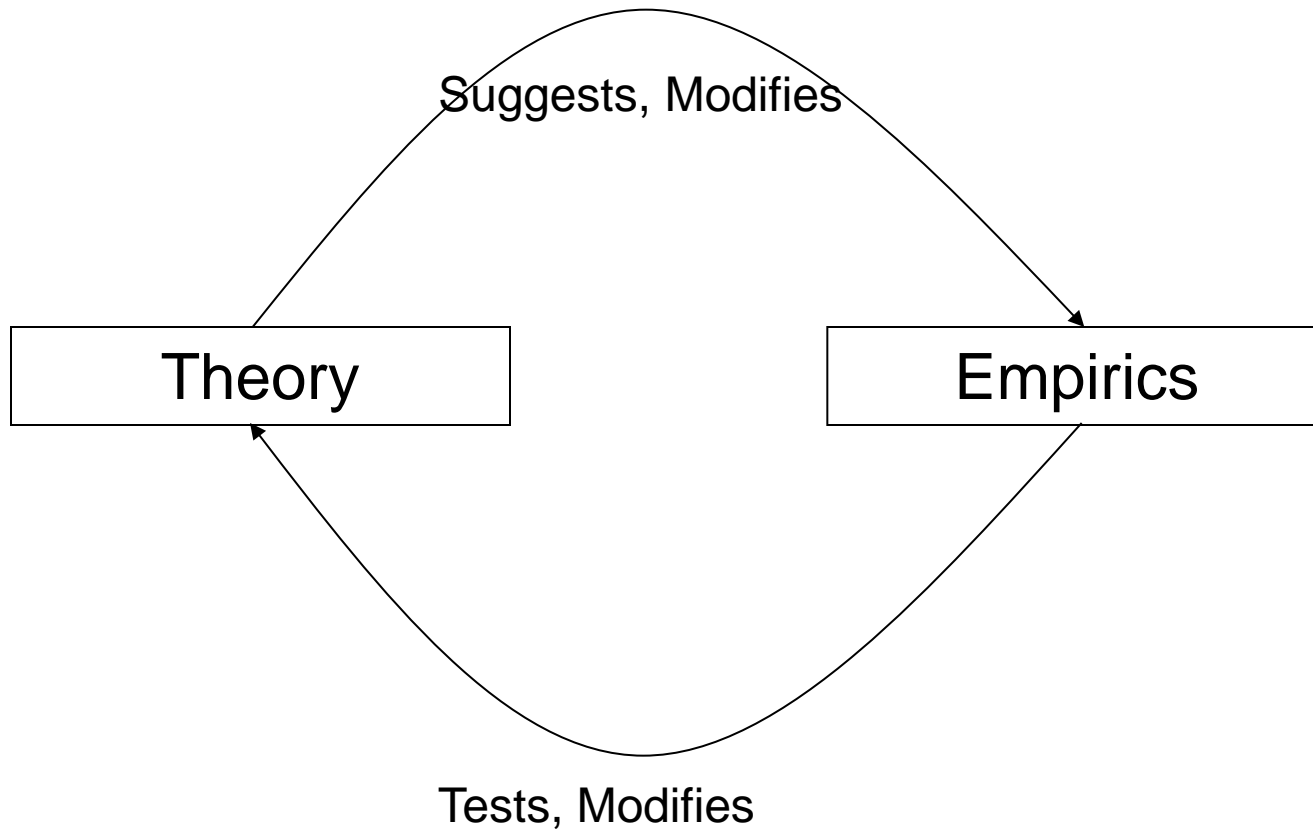
Idea of preferences and behavior

Preferences and constraints as the fundamentals of behavior:

- Uncertainty preferences: risk and ambiguity; EUT versus CPT
- Time preferences: exponential discounting versus hyperbolic discounting (present-biasedness, impatience, time inconsistency)
- Social preferences: egoistic versus non-egoistic behavior



Descriptive, not normative





Sustainability

- Assuming rational preferences: Sustainability is „just“ an issue of inter-generational preferences and the aggregation of preferences (over incentives and the implementation of institutions) in a society.
- Behavioral economics adds relevant aspects to it:
 - Perception of gains and losses
 - Perception of uncertainty and probabilities
 - Time-inconsistent behavior (lack of commitment)
 - Collective action with decentralized sanctioning (social norms)



Summary

- Behavioral economics can capture relevant aspects of sustainability and adds to the traditional economic view.
- Behavioral economics is a mostly descriptive, rather than a normative approach (building on the usual methodological individualism in economics).
- Behavioral economics uses concepts from psychology, with sprinkles of sociology (e.g., social norms).



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