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WHAT IS SPECIAL ABOUT ECONOMIC PSYCHOLOGY?

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Abstract: If economic psychology is supposed to study economic behavior, it has to rely on the same theories and methods as any other applied social psychology. Subdividing the broad field of applied social psychology may better be one according to tasks (e. g.; decision making, measuring attitudes and forecasting behavior, influencing people, training, resolving conflicts) than according to environmental contexts (e. g., school, courtroom, business organization, market). However, economic psychology may become a discipline of its own by focusing more on how the many individuals' economic behavior produces the macroeconomic environment without neglecting the question on how individuals and their social systems respond to the economic environment.

Let me start with my answer to the question in the title. As yet, there is not too much special about economic psychology. All that I have to do now is defend this claim, which may seem rather strange to people who devote their research efforts to economic psychology, and who are probably convinced of the uniqueness of this psychological discipline.

First, I will try to show that neither the kinds of processes studied nor the way they are studied justify a separation of economic psychology from other fields of applied social psychology; i. e., legal, educational, or organizational psychology. Second, I will propose structuring the field of applied social psychology according to classes of problems that are encountered in various areas of professional specializations. Third, the discipline of economic psychology is accepted as a curriculum for teaching psychology to students of economics, not as a unique research discipline. Finally, some thoughts are presented on how economic psychology could become a unique discipline.

1. The traditional disciplines of applied psychology

Speaking of legal, educational, organizational, or economic

psychology, we have obviously in mind some kind of professional specialization; i. e., the lawyer, the teacher, the manager, and the economic policy maker. Should applied psychological research match this professional specialization? In fact, teachers, lawyers, managers, or policy makers differ widely in the special knowledge they need. For example, geography or history is needed by the teacher, accounting and finance by the manager, legislation and procedural rules by lawyers, and economics by the policy maker. But, this does not mean that they need a different psychology in dealing with people or in considering the effects of their decisions on people. A closer look on the diverse fields of applied psychology shows that virtually the same processes are studied everywhere with the same theories and the same methods.

In terms of psychological theory there is no real difference whether a person chooses a school curriculum, a job, rents a house, or decides for the carrying on of a lawsuit. Why should studies on decision making be called educational, industrial, economic, or legal psychology, depending on the setting where the decision is made? Of course, each kind of decision needs special knowledge and relates to specific goals, but the processes by which a decision is reached can hardly be perceived as specific. Again, in terms of psychological theory, there is no real difference whether one tries to influence a pupil, a worker, a customer, or a judge. Are the laws of cooperation and competition really different when we move from the classroom to the factory, or from the market to the courtroom? It would be foolish to deny the possibility that the structure of the larger system has some impact on the way people make decisions, try to influence each other, settle conflicts, etc. However, this should stimulate the search for a more general theory in cooperation with other disciplines, and should not be taken as an excuse for particularism. For example, decision making in the behavior setting of a courtroom is a highly formalized, legally regulated procedure with a well defined and differentiated role structure, often watched suspiciously by the public, having effects not only on those immediately involved, but also on citizens' conceptions of justice and their attitudes towards the legal system.

Family decision making on the other hand; e. g., choosing the appropriate school for the children or a suitable car, is not watched by the public, although by relatives or friends, and is structured according to different social roles and implicit rules. However, psychologists

must refer to the same theories of information processing and social influence and apply the same methods when they study legal or family decision making. Why, then, should it be called on the one hand legal psychology, and on the other hand economic psychology?

Let us look at another example: The Minister of Justice may be interested in the peoples' attitudes toward some planned changes in legislation on life imprisonment for murder, and the Minister of Economics wants to know whether the investors would favorably respond to a tax cut. Should the Minister of Justice look for a legal psychologist, and the Minister of Economics for an economic psychologist for this job? No, both should entrust this task to a social psychologist or sociologist who is specialized on attitude measurement and public opinion polls, and who is prepared to cooperate with a lawyer and with an economist, respectively. In terms of relevant psychological theories and methods, studies on decision making in families and in the courtroom belong to one category, while studies on the citizens' perception on and attitudes towards planned change in legal or economic policy belong to a different category. The tasks within a category are obviously more similar than the tasks between the categories.

2. Matrix organization of applied social psychology

We may design a matrix with classes of psychologically homogeneous tasks in the rows and classes of contexts or professional fields in the columns. Such a matrix is presented in Table 1.

As far as applied social psychology is concerned, research can be easily organized around types of tasks, each task studied in a variety of contexts, and in cooperation with specialists in the respective fields.

Research in applied social psychology is meant to contribute immediately to better solutions of societal problems; therefore, we can speak here of technological research which has two facets: (a) description and theoretical explanation of human behavior as it occurs in the specific context (courtroom, school, factory, market etc.); (b) development and theoretical justification of techniques for solving problems. (cf. Herrmann, 1979).

Table 1: Matrix of Tasks and Contexts

Classes of Tasks	Environments (Contexts)				
	courtroom	school	business organization	market	economic policy
Making Decisions					
Measuring Attitudes and Forecasting Behavior					
Influencing People					
Training					
Resolving Conflicts					

3. Teaching economic psychology

I wanted to show in the preceding paragraphs that research in applied social psychology may better be organized around situations or problems classified with respect to their psychological similarities and differences, and not primarily according to the context in which the problems arise. However, teaching applied social psychology to students who later will work in traditional professional settings (schools, courtroom, business organization, government, etc.) necessarily has to take into account the full range of situations within that field of practice

and to show that psychology can contribute to a better understanding of problems encountered there. Teaching economic psychology to students of economics will probably be most efficient if it is based on general and social psychological theories as well as on more specific psychological research on predominantly economic behavior settings (Barker 1968). Knowledge of economic theory and a certain familiarity with practical problems economists have to solve during their professional career would be helpful too. As yet, little is known about how practitioners can and do combine knowledge derived from research in different disciplines and practical knowledge derived from their own experience when they have to solve practical problems (cf. Muncas / Secord, 1983; Schuler, 1982). Nevertheless, as teachers of psychology, to students of economics, we have to assume that they will later be able to apply their knowledge in a reasonable and efficient way. Research on how to teach economic psychology and on how to apply economic-psychological knowledge could render teaching and practical problem solving more efficient.

4. The emergence of economic psychology as a unique discipline

The fact that economic psychology as yet has not been established as a discipline of its own does not mean that it couldn't become such a discipline in the future by a successful attempt to link psychological theories of individual and small group behavior to theories of macro-economic processes. Social dilemma research seems to be among the promising routes to that goal: it gives an idea of how predictable individual behavior contributes to the production or destruction of common resources. Katona's idea of predicting changes in aggregate economic variables on the basis of aggregate consumer expectations (cf. Katona, 1972) and McClellands (1967) ambitious endeavour of explaining differences in macro-economic growth between nations with foregoing differences in achievement motivation should be mentioned here, too. Any other model will be useful if it relates individual behavior to collective effects, which in turn make up the environment to which large numbers of individuals respond in a similar way (cf. e. g. Duesenberry, 1949, who links the increase of aggregate consumption with increase of aggregate income to psychological concepts of a need for positive self-evaluation and social comparison). Up to now economic psychology was concerned almost

exclusively with individual responses to some characteristics of the economic environment, and not with the production of the economic environment by the many acting and interacting individuals and groups; although both ways of influence have been explicitly stated as the object of economic psychology (Van Veldhoven 1981; van Raaij 1981, 1984; Wärneryd, 1981). A change of perspective and some new theoretical and methodological efforts seem to be necessary for the development of a genuine economic psychology. In addition, such an economic psychology would have to show that simple concepts like self-interest and utility maximization are not sufficient for explaining an individual's economic behavior and the economy as a state of equilibrium of individual forces. What people want, how their desires develop and change, and what they perceive as behavioral costs in striving for their goals are genuine psychological questions that have to be answered in order to understand what self-interest and utility mean (cf. Meyer 1982, p. 87).

At least from the distance a psychologist can look at economics, it appears that economics has developed more consistent, more general, and simpler models of human behavior than (social) psychology which is split into many heterogeneous, highly specific, but partially overlapping and not well integrated theories. Therefore, it seems to be wise to start systematic research in economic psychology with some general economic theories of human behavior and to see what psychology can contribute to the explanation of people's preferences and expectations on which economic theory rests as givens. These (motivational) preferences and (cognitive) expectations need psychological explanations which may also be useful to improving the predictive power of economic demand and supply functions and of the respective equilibrium models. Thus, psychologists and economists may successfully cooperate in linking the individual and small group level of analysis with the macro-economic level and they may call this cooperation economic psychology or psychological economics, not forgetting what sociologists (e. g., Opp 1979, 1982) have to say about the functioning of larger social systems.

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