Available online at www.sciencedirect.com
SCIENCE DIRECT®
Journal of Economic Psychology 26 (2005) 387–391
JOURNAL OF Economic Psychology
www.elsevier.com/locate/joep

Editorial

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

Michel J.J. Handgraaf [a,*], W. Fred van Raaij [b]

[a] *Department of Work and Organizational Psychology, University of Amsterdam, Roetersstraat, 15, 1018 WB, Amsterdam, The Netherlands*
[b] *Department of Economic and Social Psychology, Tilburg University, P.O. Box 90153, Tilburg 5000 LE, Netherlands*

Available online 2 February 2005

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.

JEL classification: C70; C81; C90
PsycINFO classification: 3020; 2260
Keywords: Behavioral economics; Economic psychology; Decision-making; Games

* Corresponding author.
E-mail address: M.J.J.Handgraaf@uvt.nl (M.J.J. Handgraaf).

0167-4870/$ - see front matter
doi:10.1016/j.joep.2004.12.003

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