

## Where Psychology and Economics Meet Summary for Bank of England Research Committee

*Where Psychology and Economics Meet* was held at the University of Exeter from 12th to 16th July. The international gathering of over 250 researchers, students and business people came from all continents and as far away as New Zealand.

The conference was organised under the auspices of the umbrella organisation ICABEEP - The International Confederation for the Advancement of Behavioral Economics and Economic Psychology, whose member associations annually organize a conference on the relations between psychology and economics. When the conference is held in other countries, it is often sponsored by local or national business, but this is recognized as difficult to achieve in the UK and hence we are most grateful for the help received from the Bank of England Research Committee in helping the conference to take place.

Strands covered by the conference included :

- Banking, Financial Markets and Risk,
- Consumer Behaviour
- Ethics and Sustainability
- Experimental Games and Economic Theory
- Culture, Employment and Individual Difference
- Honesty, Health and Happiness

Key note speakers included :

- Professor Russell Belk of York University, Toronto on 'The Digital Consumer'
- Dr Molly Crockett of the University of Zurich "Social neuroeconomics: brain mechanisms of social preferences"
- Professor of Social and Organisational Psychology Alex Haslam of the University of Exeter "I am therefore I shop: Identity as the psychological basis for needs and satisfaction"
- Dr Benedikt Herrmann, "Some experimental findings on the dark side of human behaviour"
- Professor Peter Richerson, "The Tribal social Instincts Hypothesis and Modern Economic Behavior"

Although the subject matter obviously has some considerable potential relevance for a business audience, the conference is not normally attended by business people. However on this occasion we were able to attract a number of delegates whose primary affiliation was to businesses rather than academic institutions.

Non-academic delegates registered with the conference are being followed up to evaluate whether there is scope for research collaboration.

Key note talks were also publicised to local business networks (including the University's Business Leaders Forum – members of whom were invited ). A press release detailing messages from the conference was produced, circulated and is available on University and Psychology School websites<sup>1</sup>

A CD including all the abstracts of papers presented, and full texts of some of them was produced for conference delegates, and a limited number of copies remain available. A video produced at the event, focusing on discussions relating to sustainability, is being completed for wider dissemination and a discussion forum based around sustainability issues is being set up.

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<sup>1</sup> [http://psychology.exeter.ac.uk/latestnews/featurednews/title\\_146978\\_en.html](http://psychology.exeter.ac.uk/latestnews/featurednews/title_146978_en.html)

In all over 180 papers were presented and a list of abstracts is appended to this report. As noted above, one full strand of the conference was devoted to banking and finance issues, reflecting the prominence of these issues in current research in the field. Highlighted messages from the research in this area reported at the conference include:

**Taxes are disliked more than equivalent costs** - Consumers have a stronger preference to save money when those savings are related to taxes. This is most prevalent among those identifying with political parties that favour less taxation but disappears when they consider positive uses of taxes. The findings have implications for consumers when considering tax-motivated spending, saving, or investment decisions, for marketers who can effectively lure customers through 'tax-free' sales and for economists and policy-makers interested in accurately forecasting revenue generated or lost through changes in tax-policy, and for the government, focused on increasing taxpayer compliance. Christopher Olivola (ESRC Centre for Economic Learning and Social Evolution)<sup>2</sup>

**During recessions, interpersonal trust increase** - This study conducted in Latin America found that, as the number of recessionary years grows larger, trust increases. Also levels of trust, though resistant to political ideology and personal satisfaction, are positively correlated with confidence in central government and negatively with corruption. Elizabeth Searing (Georgia State University, US – awarded best Student Paper at conference)<sup>3</sup>

**Venture Capitalists tend to avoid investing in government supported Eco Initiatives** - Even where they may be advantageous to the investor. The research conducted with 176 venture capitalist in North America and Europe recommends that the two parties should meet half-way: Investors to make more effort to understand the legal framework whilst policy-makers should take account of the investor bias. Sylviane Chassot (University of St. Gallen, Switzerland)<sup>4</sup>

**Self-esteem appears to have no impact on risk-taking** - Further, the research conducted in a gambling context showed that whether real or pretend money is used seems to have no discernible difference on the subjects – something that future researchers may care to note ! Christine Roland-Lévy (Rheims Champagne-Ardenne University, France)<sup>5</sup>

**Red Light Spells Danger** - Red really does negatively prime us in a financial context – subjects tested assumed higher losses and loss more likely to occur when exposed to financial information presented on a red background. Doron Kliger (University of Haifa, Israel)<sup>6</sup>

**Childhood saving habits continue into adulthood as a result of parental influence** - Preliminary results suggest that parental advice on money management and saving received during adolescence may be a better predictor of adult saving intentions than consideration of future consequences, conscientiousness, money management or access to money during childhood and adolescence. Annette Otto (Johannes Gutenberg University, Mainz Germany)<sup>7</sup>

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<sup>2</sup> <http://else.econ.ucl.ac.uk/newweb/displayProfile.php?key=71>

<sup>3</sup> <http://www.linkedin.com/pub/dir/Elizabeth/Searing>

<sup>4</sup> [http://www.oikos-international.org/fileadmin/oikos-international/international/Entrepreneurship\\_Academy\\_2011/papers/oikosEA\\_2011\\_Sylviane\\_Chassot\\_01.pdf](http://www.oikos-international.org/fileadmin/oikos-international/international/Entrepreneurship_Academy_2011/papers/oikosEA_2011_Sylviane_Chassot_01.pdf)

<sup>5</sup> <http://univ-reims.academia.edu/ChristineRolandLevy>

<sup>6</sup> <http://hevra.haifa.ac.il/~dkliger/>

<sup>7</sup> <http://bildungswissenschaften.psychologie.sowi.uni-mainz.de/120.php>

**Credit card repayment decisions are influenced by the payment suggestions and information about the consequences** - Earlier findings show that giving minimum payment (anchor) information has correlated to people paying off a lower amount, and when the full cost of the loan is revealed people will in fact pay more off. Both effects are currently being retested under conditions of reduced uncertainty. Sandie McHugh (University of Bolton, UK)

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