

THE SABE NEWSLETTER

THE SOCIETY FOR THE ADVANCEMENT OF BEHAVIORAL ECONOMICS

Statement of Purpose

SABE is an association of scholars who are committed to rigorous economic analysis and are interested in learning how other disciplines – for example, psychology, sociology, anthropology, history, political science, and biology - further our understanding of economic behavior. An important function of SABE is to serve as a forum for research which may not find either comprehension or acceptance in conventional economics societies. SABE also aims at facilitating communication between economists and scholars trained in related disciplines.

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Global Love

by Shlomo Maital

TIM Academic Director

Many global CEOs lose sleep wondering, how to get customers all over the world to *like* their product enough to buy it.

Let them know -- the stakes have risen.

Today the question is: *how do you get customers to love your product?*

In his book, *The Experience Economy*, consultant B. Joseph Pine describes a product 'ladder'. At the bottom: commodities, standardized undifferentiated products, where competition is based solely on cost and price; next, goods, which are differentiated, often through branding; then, services, and then, experiences -- services offered so memorably and delightfully that we love and remember them.

Truly wonderful experiences are the uppermost rung on the ladder. Pine calls them transformations. They are so powerful, they change our lives.

The higher your product is, the higher your margins and the stronger your customer loyalty. You get to the top -- through love.

In today's global markets, there are powerful, inexorable forces that drive innovative products down the ladder, to quickly become low-margin commodities. Great managers find ways to push their products *up* the ladder.

Experiences and transformations create an emotional bond with customers -- the basis of enduring customer loyalty and powerful global brands.

How can you climb the ladder -- and stay at the top?

To find out, read the powerful new book by Kevin Roberts, Worldwide CEO of Saatchi & Saatchi, top global advertising company, called **Lovemarks - The Future Beyond Brands**. (Powerhouse Books: New York, 2005).

Born in Lancashire, Roberts left school forever at age 16. He worked with the inventor of the mini-skirt, Mary Quant, worked in marketing with Gillette, Procter & Gamble, Pepsi, and 8 years ago, joined Saatchi & Saatchi.

Roberts' message is so important, I prefer to bring it to you *in his own words*. What follows is based on an interview with Roberts on BBC World Service's Global Business program, by Peter Day, and Roberts' own web-posted articles. [Roberts is a truly global CEO. He runs a worldwide organization from the most remote place imaginable -- Auckland, New Zealand.]:

"People are trying to get emotion into every brand promise. Wal-Mart has gone from being trusted to being loved. Procter & Gamble, the world's biggest branded company: to improve the lives of consumers, through creating "brands they love" . Once brands were admired, trusted, respected, now...they have to be loved. The people are voting and they are voting emotionally. *They want to buy things they have an emotional connection with.* McDonalds: "I'm loving it". Not hamburgers. Love, loving, feelings.

"...toothpaste is no longer about getting your teeth clean, it's about becoming beautiful and healthy and attractive.... anti dandruff shampoo is about being able to wear a black T shirt and pick up a chick in a night club. When you bring up children, one of the most important things is that they no have cavities...Crest was built on "look mom no cavities".. Colgate in the UK is a lovemark...those who buy Colgate for their kids, they have loyalty beyond reason to the idea that Colgate was with *them* growing up."

"Harley-Davidson does not sell motorcycles. A Harley executive says they sell the experience of a rebel lifestyle. *"What we sell is the ability for a 43-year-old accountant to dress in black leather, ride through small towns and have people be afraid of him."*

"You want mystery. You want to connect past, present, future. You want to connect with the icon... When you buy a Prius [Toyota hybrid car], you touch the start button, you don't hear the engine. That's mystery. It's interesting that you can't hear it. A product needs some mystery. Masao Inoue, Chief Engineer of the Prius says: *"Now, noise can be measured by figures, but there is also a quietness that you feel with your body.... We need to be able to feel the quietness or feel good about the acceleration as we actually experience it in the car."*

"Cut emotion loose and let it rip. Emotion is an unlimited resource with unlimited power. By streaming the power of emotion, *design can be an extraordinary force for good.*"

Action Learning:

- 1. Name three products with which you feel a strong emotional bond, based on nostalgia, love, affection, or admiration.** (For my part: 1. our old Isuzu Trooper, which has a nickname, a personality, and bonds our family together; 2. our bread machine, whose 6 a.m. fresh-bread smells spread through the house; 3. my Hersey running shoes, which have gone with me for many hundreds of kilometers without injury or pain).
- 2. Try to define precisely what it is that generates your emotional response to those products.**
- 3. How can you introduce emotion to your organization's product or service?**

The Difference Between a Brand and a Lovemark

BRAND	LOVEMARK
Information	Relationship
Recognized by consumers	Loved by people
Generic	Personal
Presents a narrative	Creates a love story
The promise of quality	The touch of sensuality
Symbolic	Iconic
Defined	Infused
Statement	Story
Defined attributes	Wrapped in a mystery
Values	Spirit
Advertising agency	Ideas Company
Professional	Passionately creative



Call for Papers

IAREP-SABE Joint Meeting, Paris July 5-8, 2006

Co-organized by the Universities of Paris 1 & Paris 5

IAREP (International Association for Research in Economic Psychology)

SABE (Society for the Advancement of Behavioral Economics)

Location: Pantheon-Sorbonne University (Paris I)
Centre Panthéon. 12, place du Panthéon, Paris 5^{ème}

Theme: “Behavioural Economics and Economic Psychology”

Behavioural economics is a major innovation to the economic way of thinking, which it brings closer to psychology, sociology and the neurosciences.

The conventional economic paradigm was based on extreme assumptions of stable preferences, perfect rationality and tight market equilibrium. By their simplicity, the latter have allowed economists over many decades to derive testable implications for individual behaviour and market outcomes. However, other social scientists and a minority of economists questioned these assumptions and developed different approaches. For some time, economic psychology has been a forum for psychologists who studied economic behaviour, like market exchanges and saving, with their own tools and methodology; and behavioural economics has been a forum for non-conventional economists who were open to the knowledge produced by neighbouring disciplines. However, the increasing use of controlled experiments and real data is now transforming behavioural economics and economic psychology into a mainstream line of research. Whereas the field's growth was initially boosted by the discovery of paradoxes and anomalies to the conventional economic approach and still is, the time has also come to develop alternative theories and sort out the rival assumptions.

The IAREP-SABE Conference aims at providing a platform to the fast growing number of economists, psychologists, neuroscientists and other social scientists who wish to discuss, rigorously but open-mindedly, their latest research in this emerging field. Relevant topics include all domains in which tenets of economic theory have been seriously and systematically challenged:

Experimental economics and neuro-economics; bounded rationality, learning and preference formation; choice under uncertainty and over time; reciprocity and social preferences; satisfaction, happiness and emotions; the psychology of economic behaviour; applications of behavioural economics to finance,

consumption and saving, game theory, industrial and labour relations, public economics, health, education, organisations and institutions, etc.

The IAREP-SABE Conference on behavioural economics and economic psychology will meet in Paris in 2006, under the auspices of the University of Paris 1 and the University of Paris 5.

All sessions will take place in the premises of Panthéon and Sorbonne, in the heart of the ‘Quartier Latin’.

Highlights of the Conference:

- The conference will open on **IAREP’s Daniel Kahneman lecture** which will be exceptionally delivered by **Daniel Kahneman** himself.
- In commemoration of the fact that a Nobel Prize in Economics was given to Daniel Kahneman, a psychologist, in 2002, and to symbolize the academic reconciliation between economics and psychology, **a twin Honoris Causa Doctorate will be attributed to Daniel Kahneman** (Princeton University) on this occasion in the presence of participants to the conference: one **in economics** from Panthéon-Sorbonne University (Paris I) and one **in psychology** from René Descartes University (Paris V).
- **SABE’s Herbert Simon lecture** will be delivered by **Werner Güth** (Max Planck Institute) who will present new experiments on “satisficing”.
- Our **guest lecture** will be delivered by **Antonio Damasio** (Iowa University) who will be given the rare opportunity to defend “Descartes’ error” on the premises of René Descartes (Paris 5) University.
- **An evening cruise on the Seine** hosting a memorable gala dinner will be organized for participants and accompanying persons.

Submission Invitation:

Individual papers/posters and proposals for sessions (which should include 4 papers per session) are invited. Papers and sessions may be related to any area of behavioural economics and/or economic psychology. Theoretical, empirical and experimental contributions are welcome. Proposals may emanate from economists, psychologists, social scientists and neuroscientists provided they remain accessible to scientists from other disciplines.

Submission Items and Deadlines:

Abstracts of proposed **papers/posters** will be evaluated for inclusion in the conference program. **Abstracts** of papers/posters proposed for the conference should be submitted on-line, **BEFORE January 31st, 2006** on <http://team.univ-paris1.fr/iarep-sabe2006>

To propose a **session**, please send an outline of the session, including the titles and abstracts of papers, the chair for the session, and the organizer of the session by EMAIL to iarep-sabe2006@mci-group.com

Authors and session organizers will be notified of acceptance/rejection by **March 31st**.

Proceedings (Cdrom):

Further instructions to authors of accepted papers will be sent early April 2006.

Best Student Paper Prize:

PhD students are encouraged to participate in the contest for the best student paper. The prize, sponsored by Elsevier Scientific (Publisher of the Journal of Economic Psychology), consists in a prize of 800€ and a year's subscription to the Journal of Economic Psychology. A Selection Committee will be especially nominated for this by the International Scientific Committee.

Best Posters Contest:

Posters are most welcome. There will be a special poster session and the three best posters will be elected by all conference participants and receive a special prize.

Registration, Accommodation and more information:

Please consult the **Conference Website:**

<http://team.univ-paris1.fr/iarep-sabe2006>

or contact MCI France – 24 rue Chauchat – 75009 Paris - France

Phone: +33(0)1 53 85 82 58 **Fax:** +33(0)1 53 85 82 83

Email: iarep-sabe2006@mci-group.com

SABE at Eastern Economic Association Conference 2006

SABE will be organizing one session at the Eastern Economic Association Conference in Philadelphia during February 24-26, 2006. The Conference will be located in the Loews Philadelphia Hotel. John Tomer is the organizer of this session. Four papers will be presented in this session. The presenters are: Omar Azfar, Lonnie Golden, George McMillan, and John Tomer. To inquire about this, send an e-mail to jtomer@juno.com or call 518 273-1851.

SABE 2007 Conference in New York

It can now be confirmed that the 2007 SABE Conference will be hosted by New York University in Manhattan. Doug Rebne (associated with SABE since the early 90s and a Board member at present) will coordinate the event. Coming on the heels of Paris 2006, potential for trans-Atlantic participation is high.

Plenary events and more will take place in the heart of Greenwich Village. Other sessions will take place at NYU's Midtown and/or Financial District (Downtown) facilities. To facilitate the broadest possible base of participation, dormitory accommodation will supplement the city's myriad commercial lodging possibilities.

Provisionally, the conference theme will address the impact of behavioral economics on both public and private/corporate decision-making. The organizing question being: "In historical,

sectoral, international/comparative and/or methodological terms, what is the 'state-of-the-movement' in terms of its impact on economics-informed decision-making?" Essay contributions will be sought and, if the response warrants it, a volume on the topic will be produced. Of course, the conference will also serve as venue for the latest research and scholarship in behavioral economics, irrespective of topics, and published in the form of the Proceedings.

Developmentally, a key objective of the event will be to maximize student participation and interest in behavioral economics. To that end, leaders of the NYU Economics Club will participate in planning.

SABE-NYU 07 will be held in late May of 2007--this being an advantageous season for New York City and for student participation.

Comments and suggestions are most welcome and may be addressed to Doug Rebne (dr73@nyu.edu). Volunteers for service on the program committee would be much appreciated.

IAREP 2005 Conference in Prague

Many thanks to everyone who contributed to the success of this conference. Under the title 'Absurdity in the Economy' some 150 individuals from 33 countries participated in a very worthwhile process of trying to understand economic absurdity.

Journal of Socio-Economics

The mission of the Journal of Socio-Economics is to promote interdisciplinary dialogue about economic processes, institutions and policies. The core disciplines of interest to the journal are those belonging to the social sciences. But other sciences and the humanities are relevant and welcome. Biology, history and philosophy are of particular interest. The journal is interested in pure theory, empirical studies, policy analyses and literature reviews. The JSE is a widely distributed, peer reviewed journal with a long historical association with SABE. For further information see:

<http://www.elsevier.com/homepage/sae/econworld/econbase/soceco/frame.htm>

Special Issue of *Journal of Socio-Economics*: The Behavior of the Firm

This relates to the previously announced special issue of the *Journal of Socio-Economics* on "Understanding the Behavior of the Firm". The deadline for submitting papers for this issue has been extended to November 30, 2005. Submit papers to John F. Tomer, Co-Editor, *Journal of Socio-Economics*, 5 Grand View Ave., Troy, NY 12180 USA, 518 273-1851 (h), jtomer@juno.com .

The Economics of Gay and Lesbian Households

The *Review of Economics of the Household* (REHO) is currently soliciting abstracts for papers that deal with the economics of gay and lesbian households. Please note that REHO uses a broad definition of household economics (see www.springerlink.com for more on the scope of the journal). Papers chosen for publication will appear in a special issue edited by guest editor Lisa Jepsen. Please send abstracts by March 1, 2007, to Professor Lisa K. Jepsen, Department of Economics, The University of Northern Iowa, Cedar Falls, Iowa, 50614-0129. Phone 319-273-2592. E-mail Lisa.Jepsen@uni.edu

Why Most Things Fail: Evolution, Extinction and Economics by Paul Ormerod, Faber and Faber, 2005.

For those of us who enjoyed Paul Ormerod's *Death of Economics* (and the indignant hostility of some orthodox academic economists) his recent book *Why Most Things Fail* is also very welcome. As Ormerod points out, the idea that biology can inspire economic thinking may be traced back to Alfred Marshall and other distinguished economic thinkers. Ideas of evolutionary change not only help us understand biological progress but also add to our understanding of the development of economic and social arrangements. Mainstream economics is perhaps too concerned with stability, order and equilibrium when the real world is characterized by constant change, evolution and disequilibrium. An interesting difference is that while biological species cannot plan their evolutionary success humans have the potential to do so. Nevertheless failure is pervasive and everywhere. More than 10 per cent of all companies in America disappear each year. Government policies also frequently fail. This is an interesting, timely and successful study of failure.

Books of Interest

- Paul J. Albanese, *The Personality Continuum and Consumer Behavior*, Westport, CT: Greenwood Publishing Group, 2002.
- Morris Altman, *Human Agency and Material Welfare: Revisions in Microeconomics and their Implications for Public Policy*, Boston, Dordrecht, London: Kluwer Academic Publishers, 1996.
- Morris Altman, *Worker Satisfaction and Economic Performance: Microfoundations of Success and Failure*. Armonk, NY: M.E. Sharpe, 2001.
- Gerrit Antonides, *Psychology in Economics and Business*, Dordrecht: Kluwer, 1991.
- Samuel Cameron, *The Economics of Sin: Rational Choice or No Choice At All?* Northampton, MA: Elgar, 2002.
- Young Back Choi, *Paradigms and Conventions: Uncertainty, Decision Making and Entrepreneurship*, Ann Arbor: University of Michigan Press, 1993.
- Gerald A. Cory, Jr. *The Reciprocal Modular Brain in Economics and Politics*, Kluwer Academic/Plenum Publishing, 1999.
- Gerald A. Cory, *The Consilient Brain: The Bioneurological Basis of Economics, Society, and Politics*. Kluwer Academic/Plenum Publishing, 2004.
- Richard Cyert and James G. March, *A Behavioral Theory of the Firm*, 2nd ed. Cambridge, Mass: Blackwell Business, 1992.
- Peter E. Earl, *Behavioral Economics*, Edward Elgar Publishing, 1998.
- Nancy Folbre, *Economics and Family Values*, New York: The New Press, 2001.
- Roger Frantz Two Minds. Intuition and Analysis in the History of Economic Thought, Springer (Kluwer), 2004.
- Roger S. Frantz, Hardinger Singh and James Gerber, eds, *Behavioral Decision Making: Handbook of Behavioral Economics*, Greenwich: JAI Press, 1991.
- Gerd Gigerenzer and Reinhard Selten (eds.) *Bounded Rationality: The Adaptive Toolbox*, Cambridge, MA: The MIT Press, 2002.
- David George, *Preference Pollution: How Markets Create the Desires We Dislike*, Ann Arbor: University of Michigan Press, 2001.
- Shoshana Grossbard-Shechtman, *On the Economics of Marriage: A Theory of Marriage, Labor, and Divorce*. Boulder, Colorado: Westview Press, 1992.
- Simon James, ed., *Taxation: Critical Perspectives on the World Economy*. Four volumes, London and New York, Routledge, 2002.
- Simon James and Christopher Nobes, *The Economics of Taxation, Principles, Policy and Practice*, 7th ed., revised, Prentice Hall, 2004.
- Bill Jordon, Simon James, Helen Kay and Marcus Redley, *Trapped in Poverty: Labour Market Decisions in Low Income Households*. London: Routledge, 1992.
- Bill Jordan, Marcus Redley and Simon James, *Putting the Family First: Selves, Decisions and Citizenship*, University College London Press, 1994.
- Margaret Lamb, et al. (eds.) *Taxation: An Interdisciplinary Approach to Research*, Oxford University Press, 2005.

- Tony Lawson, *Economics and Reality*, London and New York, Routledge, 1997.
- Stephen E.G. Lea, Paul Webley and Brian M. Young, eds., *New Directions in Economic Psychology: Theory, Experiment and Application*. United Kingdom: Edward Elgar Publishing, 1992.
- David Lester & Bijou Yang, *The Economy and Suicide: Economic Perspectives on Suicide*, Commack, NY: Nova Science Publishers, 1997.
- David Lester & Bijou Yang, *Suicide and Homicide in the 20th Century: Changes Over Time*, Commack, NY: Nova Science Publishers, 1998.
- Alan Lewis, Paul Webley and Adrian Furnham, *The New Economic Mind: The Social Psychology of Economic Behaviour*. New York and London: Prentice Hall, 1995.
- Shlomo Maital and Sharon Maital, eds., *Economics and Psychology*. United Kingdom: Edward Elgar Publishing, 1993.
- Shlomo Maital, *Executive Economics: Ten Essential Tools for Managers*. New York: The Free Press, 1994.
- Roger McCain, *A Framework for Cognitive Economics*, New York: Praeger, 1992.
- Hersh Shefrin, *Beyond Greed and Fear; Understanding Behavioral Finance and the Psychology of Investing*, Boston: Harvard Business School Press, 2000.
- Robert J. Shiller, *Irrational Exuberance. With a New Preface by the Author*, Princeton University Press, 2001.
- Andrei Schleifer, *Inefficient Markets: An Introduction to Behavioral Finance*, Oxford University Press, 2000.
- A. Allan Schmid, *Conflict and Co-operation: Institutional and Behavioral Economics*, Blackwell, 2004.
- Hugh Schwartz, *Rationality Gone Awry? Decision Making Inconsistent with Economic and Financial Theory*, Praeger, 2000.
- Herbert A. Simon, *Administrative Behavior: A Study of Decision-Making Processes in Administrative Organizations*, The Free Press, 1997.
- Richard H. Thaler, ed., *Advances in Behavioral Finance*, New York: Russell Sage Foundation, 1993.
- John F. Tomer, *Organizational Capital: The Path to Higher Productivity and Well-Being*. New York, Praeger, 1987.
- John F. Tomer *The Human Firm: A Socio-Economic Analysis of Its Behavior and Potential in a New Economic Age*, New York: Routledge, 1999.
- Karl-Erik Warneryd, *The Psychology of Saving: A Study on Economic Psychology*, Edward Elgar, 1999.
- Karl-Erik Warneryd, *Stock Market Psychology: How People Value and Trade Stocks*, Edward Elgar, 2001.

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