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A Psychological Perspective on Economics

Daniel Kahneman

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Abstract

My first exposure to the psychological assumptions of economics was in a report that Bruno Frey wrote on that subject in the early 1970's. Its first or second sentence stated that the agent of economic theory is rational and selfish, and that his tastes do not change. I found this list quite startling, because I had been professionally trained as a psychologist not to believe a word of it. The gap between the assumptions of our disciplines appeared very large indeed. Has the gap been narrowed in the intervening 30 years? A search through some introductory textbooks in economics indicates that if there has been any change, it has not yet filtered down to that level: the same

assumptions are still in place as the cornerstones of economic analysis. However, a behavioral approach to economics has emerged in which the assumptions are not held as sacrosanct. In the following, I examine selectively some of the new problems that regard to the assumptions of economic theory and their implications for the primary divide.

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