

Editors' Preface

Most economic reasoning continues to be based on three important simplifying assumptions: economic agents are supposed to be perfectly rational, to possess unlimited will power, and to be only interested in their own economic payoff. Economists have made significant progress using these assumptions to understand the functioning of markets, politics, institutions and organizations. A growing number of empirical studies over the last two decades have revealed, however, that a non-negligible share of people violate one or more of these assumptions. Moreover, it has been shown both empirically and theoretically that such violations can, under important circumstances, lead to results which differ substantially from predictions based on standard theory; see e.g. Haltiwanger and Waldman (1985), Russell and Thaler (1985) and De Long *et al.* (1991). This new area of study has been labeled Behavioral Economics. The sphere of Behavioral Economics uses facts, models and methods from neighboring sciences to establish descriptively accurate findings about human cognitive ability and social interaction, and to explore the implications of these findings for economic behavior. Psychology has been the most fertile neighboring science in recent decades, but sociology, anthropology, biology and neuroscience can provide useful influence on economics as well. In fact, very recent developments indicate that economists' collaboration with anthropologists, biologists, and neuroscientists can yield important insights into the nature of human behavior and social interaction; see e.g. Henrich *et al.* (2001), Sanfey *et al.* (2003) and de Quervain *et al.* (2004). Since Behavioral Economics touches the very foundations of the general science of economics, research in this area could become quite important for the future development of economics.

In view of the exciting work which the field of Behavioral Economics currently yields, *The Scandinavian Journal of Economics* decided to publish a special issue on the topic. A large group of economists were invited to submit papers; they offered many excellent works, which were subject to the usual review process. We believe that this has produced an exciting issue which covers a wide range of aspects. We hope that the readers of this volume share our enthusiasm.

*Ernst Fehr
Steinar Holden
Christian Schultz*

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