

Contents

Preface		xv
Notes on Contributors		xvii
Acknowledgements		xxvii
PART 1	Fundamentals	1
CHAPTER 1	Introduction to Economic Psychology: The Science of Economic Mental Life and Behaviour	3
	<i>Rob Ranyard and Vera Rita de Mello Ferreira</i>	
	1.1 Introduction	4
	1.2 The Emergence of the Discipline	5
	1.3 Research Methods	10
	1.4 Economic Mental Representations	11
	1.5 Financial Behaviour and Economic Activity	12
	1.6 Life-Span Perspectives	13
	1.7 Economic Psychology and Society	14
	1.8 Summary	16
	Note	16
	Review Questions	16
	References	16
	Further Reading	18
CHAPTER 2	Theories of Economic Decision-Making: Value, Risk and Affect	19
	<i>Anton Kühberger and Michael Schulte-Mecklenbeck</i>	
	2.1 Introduction	20
	2.2 Value and Utility	20
	2.3 Risk and Uncertainty	22
	2.4 Developments Based on Subjectively Expected Utility (SEU)	23
	2.5 Beyond Utility-Based Theories	25
	2.6 Hot Decisions	27
	2.7 Summary	31
	Review Questions	31
	References	31
	Further Reading	34

CHAPTER 3	Future-Oriented Decisions: Intertemporal Choice	35
	<i>Daniel Read and Marc Scholten</i>	
3.1	Introduction	36
3.2	Rational Intertemporal Choice	36
3.3	Anomalies in Intertemporal Choice	38
3.4	Explaining Anomalies	41
3.5	Framing Effects	42
3.6	What Do We Care About When We Measure Intertemporal Choice?	44
3.7	Summary	45
	Notes	46
	Review Questions	46
	References	47
	Further Reading	50
PART 2	Research Methods	51
CHAPTER 4	Research Methods for Economic Psychology	53
	<i>Gerrit Antonides</i>	
4.1	Introduction	54
4.2	Qualitative Methods	55
4.3	Quantitative Methods	58
4.4	Conclusion	63
4.5	Summary	64
	Review Questions	64
	References	64
	Further Reading	68
CHAPTER 5	Assessing Psychological Dispositions and States that Can Influence Economic Behaviour	69
	<i>Simon McNair and W. Ray Crozier</i>	
5.1	Introduction	70
5.2	Psychological Dispositions and Economic Behaviour	71
5.3	Psychological States and Economic Behaviour	76
5.4	Methodological Issues in Assessing Dispositions and States	81
5.5	Summary	82
	Notes	83
	Review Questions	83
	References	83
	Further Reading	87
CHAPTER 6	Developing, Evaluating, and Using Subjective Scales of Personality, Preferences, and Well-Being: A Guide to Psychometrics for Psychologists and Economists	88
	<i>Alex M. Wood and Christopher J. Boyce</i>	
6.1	Introduction	89
6.2	The Importance of Psychometrics for Economic Psychology Research	89

	6.3	Steps in Developing a Scale	91
	6.4	Other Steps and Conclusion	100
	6.5	Summary	100
		Note	100
		Review Questions	101
		References	101
		Further Reading	103
PART 3		Economic Mental Representations	105
CHAPTER 7		The Psychological Meaning of Money	107
		<i>Tomasz Zaleskiewicz, Agata Gasiorowska and Kathleen D. Vohs</i>	
	7.1	Introduction	108
	7.2	Money: Economic and Psychological Perspectives	108
	7.3	Predictions	109
	7.4	The Method of Money Priming: Akin to Getting a Taste of Big Money	111
	7.5	Results	112
	7.6	Summary	118
		Acknowledgements	118
		Review questions	118
		References	119
		Further Reading	121
CHAPTER 8		Mental Accounting and Economic Behaviour	123
		<i>Gerrit Antonides and Rob Ranyard</i>	
	8.1	Introduction	124
	8.2	Broad Mental Accounts	124
	8.3	Mental Accounts for Specific Financial Decisions	126
	8.4	Other Categorizations of Money	127
	8.5	Functions of Mental Accounts	129
	8.6	Determinants of Mental Accounting	133
	8.7	Conclusion	134
	8.8	Summary	135
		Review Questions	135
		References	136
		Further Reading	138
CHAPTER 9		How Laypeople Understand the Economy	139
		<i>David Leiser and Zeev Krill</i>	
	9.1	Introduction: Understanding Economics Is Hard Yet Expected	140
	9.2	Interacting Variables	143
	9.3	Using Metaphors	147
	9.4	Financial Literacy	149
	9.5	Summary	150
		Review Questions	151
		References	151
		Further Reading	154

CHAPTER 10	The Citizen's Judgements of Prices and Inflation	155
	<i>Rob Ranyard, Fabio Del Missier, Nicolao Bonini and Davide Pietroni</i>	
	10.1 Introduction	156
	10.2 Price Evaluation	156
	10.3 Inflation	161
	10.4 Policy Implications	165
	10.5 Summary	166
	Notes	166
	Review Questions	167
	References	167
	Further Reading	170
CHAPTER 11	Materialism and the Meanings of Possessions	171
	<i>W. Ray Crozier</i>	
	11.1 Introduction: The Socio-Economic Context of Possessions and Materialism	172
	11.2 The Psychological Meanings of Possessions	173
	11.3 Psychological Aspects of Materialism	176
	11.4 Materialism and Subjective Well-Being	178
	11.5 Summary	182
	Notes	183
	Review Questions	183
	References	183
	Further Reading	185
PART 4	Financial Behaviour	187
CHAPTER 12	Defining and Influencing Financial Capability	189
	<i>Ivo Vlaev and Antony Elliott</i>	
	12.1 Introduction	190
	12.2 A New Conceptualization of Financial Capability	190
	12.3 Ways to Influence Financial Capability	196
	12.4 Conclusion	202
	12.5 Summary	202
	Notes	202
	Review Questions	203
	References	203
	Further Reading	205
CHAPTER 13	Saving Behaviour: Economic and Psychological Approaches	206
	<i>Ellen K. Nyhus</i>	
	13.1 Introduction	207
	13.2 Economic Perspectives	209
	13.3 Psychological Approaches	211
	13.4 Summary	217
	Review Questions	218
	References	218
	Further Reading	221

CHAPTER 14	The Psychology of Borrowing and Over-Indebtedness	222
	<i>Rob Ranyard, Sandie McHugh and Simon McNair</i>	
	14.1 Introduction	223
	14.2 Determinants of Borrowing	224
	14.3 Credit Choice Processes	225
	14.4 Repayment Strategies	228
	14.5 Routes to Over-Indebtedness	229
	14.6 Psychological Consequences of Debt	230
	14.7 Policy Implications	231
	14.8 Summary	233
	Review Questions	234
	References	234
	Further Reading	238
CHAPTER 15	Behaviour in Financial Markets	239
	<i>Martin Hedesström</i>	
	15.1 Introduction	240
	15.2 Do Stocks Always Trade at the 'Right' Price?	240
	15.3 Cognitive Influences on Investor Behaviour	242
	15.4 Emotional Influences	246
	15.5 Social Influences	248
	15.6 Policy Implications	250
	15.7 Summary	250
	Review Questions	250
	References	251
	Further Reading	254
CHAPTER 16	Tax Behaviour	255
	<i>Erich Kirchler and Erik Hoelzl</i>	
	16.1 Introduction	256
	16.2 Taxes and Tax Compliance	256
	16.3 Tax Attitudes by Individual Taxpayers	258
	16.4 Profit Shifting and Aggressive Tax Planning by Companies	260
	16.5 Regulation Strategies by Tax Authorities	261
	16.6 Interaction Climates Between Taxpayers and Tax Authorities	264
	16.7 Practical Implications	267
	16.8 Summary	268
	Review Questions	268
	References	268
	Further Reading	271
PART 5	Economic Activity	273
CHAPTER 17	Volunteer Organizations: Motivating with Awards	275
	<i>Bruno S. Frey and Jana Gallus</i>	
	17.1 Introduction	276
	17.2 Organizational Forms	276

	17.3 Awards as Motivation	279
	17.4 Conditions for Successfully Giving Awards to Volunteers	282
	17.5 Effects Of Awards on Performance	284
	17.6 Summary	285
	Review Questions	285
	References	285
	Further Reading	286
CHAPTER 18	Entrepreneurial Activity	287
	<i>Artur Domurat and Tadeusz Tyszka</i>	
	18.1 Introduction	288
	18.2 Environmental Factors and Entrepreneurship	289
	18.3 Reasons for Engaging in Entrepreneurial Activity	290
	18.4 Personality Characteristics of Entrepreneurs	292
	18.5 Psychological Traps in Entrepreneurship	296
	18.6 Teaching Entrepreneurship	297
	18.7 Summary	299
	Review Questions	300
	References	300
	Further Reading	303
CHAPTER 19	The Economic Psychology of Gambling	304
	<i>Juemin Xu and Nigel Harvey</i>	
	19.1 Introduction	305
	19.2 Lotteries	305
	19.3 Scratch Cards	307
	19.4 Roulette	307
	19.5 Fruit Machines	309
	19.6 Sports Betting	309
	19.7 Card Games	311
	19.8 Problem Gambling	312
	19.9 Summary	314
	Review Questions	314
	References	314
	Further Reading	318
PART 6	Life-Span Perspectives	319
CHAPTER 20	Economic Socialization: Childhood, Adolescence, and Early Adulthood	321
	<i>Annette Otto and Joyce Serido</i>	
	20.1 Introduction	322
	20.2 A Contextual Framework for Economic Behaviour Development	322
	20.3 The Role of Parents in Economic Socialization	325
	20.4 The Study of Economic Behaviour Development From Childhood Through Early Adulthood	327
	20.5 Summary	331

	Review Questions	331
	References	331
	Further Reading	336
CHAPTER 21	Childhood Psychological Predictors of Lifelong Economic Outcomes	337
	<i>Mark Egan, Michael Daly, and Liam Delaney</i>	
	21.1 Introduction	338
	21.2 Literature Review	338
	21.3 Lifecourse Perspective	344
	21.4 Methodological Challenges	346
	21.5 Policy Implications	348
	21.6 Conclusion	349
	21.7 Summary	349
	Notes	350
	Review Questions	350
	References	350
	Further Reading	353
CHAPTER 22	The Economic Psychology of Financial Decision-Making and Money Management in the Household	354
	<i>Stefanie J. Sonnenberg</i>	
	22.1 Introduction	355
	22.2 Financial Decision-Making in the Household	356
	22.3 Household Money Management	361
	22.4 Conclusion	366
	22.5 Summary	367
	Notes	368
	Review Questions	368
	References	368
	Further Reading	370
CHAPTER 23	Ageing and Economic Decision-Making	371
	<i>Wändi Bruine De Bruin</i>	
	23.1 Introduction	372
	23.2 The Role of Cognitive Deliberation in Decision Making	372
	23.3 The Role of Experience-Based Knowledge in Decision-Making	373
	23.4 The Role of Emotions in Decision-Making	374
	23.5 The Role of Motivation and Strategies in Decision-Making	375
	23.6 Interventions	376
	23.7 Directions for Future Research	378
	23.8 Summary	380
	Acknowledgements	380
	Review Questions	381
	References	381
	Further Reading	386

PART 7	Economic Psychology and Society	387
CHAPTER 24	Psychological Determinants of Charitable Giving	389
	<i>Tehila Kogut and Ilana Ritov</i>	
	24.1 Introduction	390
	24.2 Donation Decisions: Costs and Rewards	390
	24.3 Causes that Elicit More Help	391
	24.4 Specific Individuals in Need	393
	24.5 Effectiveness and Impact	395
	24.6 Who Helps – and When?	396
	24.7 Main Research Methods in the Study of Charitable Giving	398
	24.8 Future Research Directions	399
	24.9 Summary	400
	Review Questions	400
	References	400
	Further Reading	404
CHAPTER 25	Life Satisfaction and Emotional Well-Being: Psychological, Economic and Social Factors	405
	<i>Tommy Gärling and Amelie Gamble</i>	
	25.1 Introduction	406
	25.2 Views of Well-Being in Economics and Psychology	406
	25.3 Measurement of Subjective Well-Being	407
	25.4 Factors Influencing Subjective Well-Being	409
	25.5 Consequences of Subjective Well-Being	415
	25.6 Summary	417
	Review Questions	417
	References	417
	Further Reading	420
CHAPTER 26	Living in Poverty: Understanding the Financial Behaviour of Vulnerable Groups	421
	<i>Cäzilia Loibl</i>	
	26.1 Introduction	422
	26.2 Definition of Poverty	422
	26.3 Characteristics of Financial Behaviours	423
	26.4 Vulnerable Population Groups	427
	26.5 Policy Implications	431
	26.6 Summary	431
	Review Questions	431
	References	432
	Further Reading	434

PART 7	Economic Psychology and Society	387
CHAPTER 24	Psychological Determinants of Charitable Giving	389
	<i>Tehila Kogut and Ilana Ritov</i>	
	24.1 Introduction	390
	24.2 Donation Decisions: Costs and Rewards	390
	24.3 Causes that Elicit More Help	391
	24.4 Specific Individuals in Need	393
	24.5 Effectiveness and Impact	395
	24.6 Who Helps – and When?	396
	24.7 Main Research Methods in the Study of Charitable Giving	398
	24.8 Future Research Directions	399
	24.9 Summary	400
	Review Questions	400
	References	400
	Further Reading	404
CHAPTER 25	Life Satisfaction and Emotional Well-Being: Psychological, Economic and Social Factors	405
	<i>Tommy Gärling and Amelie Gamble</i>	
	25.1 Introduction	406
	25.2 Views of Well-Being in Economics and Psychology	406
	25.3 Measurement of Subjective Well-Being	407
	25.4 Factors Influencing Subjective Well-Being	409
	25.5 Consequences of Subjective Well-Being	415
	25.6 Summary	417
	Review Questions	417
	References	417
	Further Reading	420
CHAPTER 26	Living in Poverty: Understanding the Financial Behaviour of Vulnerable Groups	421
	<i>Cäzilia Loibl</i>	
	26.1 Introduction	422
	26.2 Definition of Poverty	422
	26.3 Characteristics of Financial Behaviours	423
	26.4 Vulnerable Population Groups	427
	26.5 Policy Implications	431
	26.6 Summary	431
	Review Questions	431
	References	432
	Further Reading	434

CHAPTER 27	Economic Psychology and Pro-Environmental Behaviour	435
	<i>Michel Handgraaf, Anouk Griffioen, Jan Willem Bolderdijk and John Thøgersen</i>	
	27.1 Introduction	436
	27.2 Bounded Rationality	437
	27.3 The Environment as a Social Dilemma	441
	27.4 Conclusion	444
	27.5 Summary	445
	Review Questions	446
	References	446
	Further Reading	450
CHAPTER 28	Insurance Behaviour and Society	451
	<i>Rob Ranyard, John K. Ashton and Bill Heblenton</i>	
	28.1 Introduction	452
	28.2 Insurance as Risk Protection	452
	28.3 Mis-Selling	456
	28.4 Insurance Fraud	459
	28.5 Summary	462
	Notes	463
	Review Questions	463
	References	463
	Further Reading	467
Index		469