

SABE and Behavioral Economics: A Very Short History.

Roger Frantz¹

¹ San Diego State University
Email: rfrantz@sdsu.edu

I The Beginning

It started 245 miles south and west of Chicago, or 162 miles north and slightly west from St. Louis, or 85 north and west from Springfield Illinois. That is the general location of Macomb, Illinois, home of Western Illinois University (WIU). The "it" is the textitJournal of Behavioral Economics(JBE), which published its first issue in 1971. Its editor from its beginning until 1990 was Richard Hattwick, a Professor of Economics at WIU. WIU, a school without a graduate program and with a very limited budget, didn't prevent Richard from publishing the JBE, virtually by himself, for 19 years. 1971 was 3 years before the first of Kahneman and Tversky's two revolutionary articles.

I served as the Symposium Editor of the JBE from 1985 to 1987. I organized a symposium on the maximization postulate. The main author and responder of the papers published as part of the symposium was Harvey Leibenstein. From 1983 to 1987 I was the Executive Director of SABE. From 1988 to 1997 I served as the Co-Editor of the Journal of Socio-Economics (JSE). The JSE became the new name for the JBE. I was involved in changing the name of the JBE, and I have regretted it. At the time socio-economics seemed like a bigger "umbrella" than behavioral economics. I was so wrong.

Richard gave support to behavioral economics during the early 1980s, the "Benny Gilad–Stanley Kaish" years, by supporting the Society for the Advancement of Behavioral Economics (SABE). This period included the first SABE conference on behavioral economics held at Princeton University. Richard also supported behavioral economics during the late 1980s and early 1990s, the "Amitai Etzioni-SABE" early years. In part the support took the form of Richard's preference that articles be interdisciplinary. Richard took Alfred Marshall's view that economics was about the behavior of HUMANS, not ECONs, in everyday life. After Richard stepped aside Morris Altman became the new editor of the JSE; Morris was Richard's first choice.

My colleague Shoshana Grossbard and I organized two SABE conferences at San Diego State, the first one in June of 1988. That was a time when SABE founders such as Benny

Gilad and Shlomo Maital worried that SABE needed a "big bang" in order to remain viable. How much the conference contributed to SABE remaining viable is difficult to say. SABE did remain viable, and continued to grow in recognition. After several years, in 2006, SABE was finally acknowledged by the AEA and included in the AEA conferences. The second SABE conference at San Diego State University was in August of 2010. The *Journal of Economics and Psychology* (JEP) began in 1981. The International Association for Research in Economics and Psychology (IAREP) began in 1982. Alan Lewis and Fred van Raaij, who were present at the beginning of both JEP and IAREP, attended our conferences in San Diego, and were supporters of both JBE and SABE. In turn we were supporters of both JEP and IAREP.

II Consolidation

JBE begot JSE, which begot JBEE (the *Journal of Behavioral and Experimental Economics*). The "old" behavioral economics of the JBE and JSE gave way to more of the "new" behavioral economics of JBEE.

The distinction between the "new" and "old" versions of behavioral economics was coined by E. M. Sent in her 2004 article "Behavioral Economics: How Psychology Made Its (Limited) Way Back Into Economics". Sent says that the "early pioneers" of behavioral economics, the "old" behavioral economists, what I prefer to call the first generation behavioral economists, "sought to characterize the effects of a restricted rational agent on the assumptions (and conclusions) of economic... theory..." (Sent, p. 740). She also says that the "old" group "shared a dissatisfaction with mainstream economics and a desire to develop an alternative using insights from (cognitive) psychology" (ibid., p. 742). The dissatisfaction varied among different people.

For Benny Gilad, first president of SABE, the dissatisfaction was open hostility. For Harvey Leibenstein, who described himself as a neoclassical economist, the dissatisfaction was limited to the neoclassical belief that humans are always perfectly rational. Harvey saw this neoclassical belief as one end of a continuum about human rationality. The "new" behavioral economists recognized the limits to human rationality

but sought theories which could align limited rationality with neoclassical theory. They declined to “throw the baby out with the bathwater”.

How different were, or are, the old and new versions of behavioral economics? The old behavioral economics did not do experiments about the endowment effect, the hindsight bias or any of the other biases which became such a central part of the new behavioral economics. However, they all wrote about the limits to human rationality. By and large the writing styles of the old and new group were different. At least superficially, the topics were different. But Paul Samuelson spoke about the “sophisticated-anthropomorphic sin”: that some individuals do not realize that the content of those who came before is equivalent to those who came later because the earlier group did not use the same terminology or symbols as the later group. This explains part of the difference between the old and new behavioral economics.

III The Future: Old versus New?

After Richard retired, JBE was published by Elsevier. Elsevier also published JSE and publishes JBEE. SABE had a “spiritual” connection with JBE. Its connection with JSE and JBEE was not as close. The extra E in JBEE signaled that the broader and interdisciplinary (initially) approach to behavioral economics was not a central part of the Journal’s agenda.

In 2016 there was an email sent to several people including myself from Pablo Brañas Garza. Pablo suggested starting a journal “owned” by SABE. Finally! It would be called the *Journal of Behavioral Economics for Policy*. It would appeal to, and be written by, academics and policy makers. The papers would be shorter than the usual academic paper, less technical, more about how policy makers deal with situations they face.

Pablo Brañas Garza is mostly a “new” behavioral economist. I am mostly an “old” behavioral economist. Pablo is a specialist in RCTs; my mentor was Harvey Leibenstein. Pablo was the founder of JBEP and he had a vision about the type of journal that was needed. I tried to edit the Journal in order to fulfill Pablo’s vision. Authors were told a few things about what type of articles we wanted. First, the word limit for the main text was 3,500 words; references and footnotes not included. Second, the behavioral economics – including concepts from behavioral economics, needed to be crystal clear and not an add-on. Third, the policy implications of the behavioral economics should not be an add-on. The papers we received and published met these requirements.

What followed from the initial email was a back-and-forth among the email recipients. Everyone put in their “two cents” and everyone else gave them “change”. I emailed Pablo separately and suggested that he start the Journal and all the other questions would be answered with time, i.e., should SABE publish the Journal or should we get a publisher? Pablo emailed me and asked me to be the editor.

I agreed, and served as editor for three years, one year before we published our first issue, and then two years during which we published four issues, two each year, in the fall

and spring. Starting a Journal is not easy. It is easier if the Journal is supported by the AEA, Harvard, Berkeley, MIT, or Chicago, to name but a few. But a Journal which is the SABE Journal means little to most economists, especially when it is just beginning to publish. Academics want to publish where they believe they will get the “biggest bang for their (time, attention, and energy) buck”.

The *Journal of Behavioral Economics for Policy* is not that Journal. For the first three of four issues, the author(s) of most of the articles we published were invited to submit something. Many of these people I knew. In vol. 1 #1, these were Cass Sunstein, Floris Heukelom, Esther-Mirjam Sent, Michelle Baddeley, Pablo Brañas Garza, Shabnam Mousavi, Reza Kheirandish, Bruno Frey, and Mark Pingle. Most of the other authors I knew by reputation. In vol.2 #1 we published eight articles on behavioral economists, six of whom are pre-Kahneman and Tversky (1974), or “first generation” behavioral economists. The people I knew and invited included Cass Sunstein, Peter Earl, and Morris Altman. The others I knew by reputation. This was a “special issue” without calling it as such. The subject is of special interest to me and is a major theme in my forthcoming book, *The Beginnings of Behavioral Economics*, to be published by Elsevier later this year. In the same issue Michelle Baddeley and Shabnam Mousavi edited a Special Issue on nudges and heuristics. Finally, vol. 2 # 2 was the first issue in which most of the articles were not solicited.

One challenge not yet met is that the policy implications were not what we would expect from policy makers, but more what we have read many times from academics. Now, before you take to twitter, what I am saying is that the policy implications were from the Ivory Tower, not the “trenches” of a policy maker. Pablo wanted the trenches. In London, at the 2018 SABE Conference Pablo asked me at a session on Journals how many papers we received from policy makers? My answer was, “NONE”. I had sent many emails to policy makers and their organizations but received no responses. The source of the problem is that I don’t know in-the-trenches policy makers. If we were going to fulfill Pablo’s vision then I thought that we needed to do one of two things. Either I needed to get to know a lot of in-the-trenches policy makers, or the Journal needed an editor who did know this “species.”

For reasons unrelated to this issue I decided to step-away as the editor of JBEP. The reason was personal; I had four big things in my life and I was able to do only three well. The three which were non-negotiable were my family, my research, and my teaching. I choose to step-aside knowing that there was a person better able to be the Journal’s editor: Michelle Baddeley. She knows more behavioral economics than I do, and she knows policy makers and their organizations. I choose to be the Special Issues editor. This position gives me more time to decide about topics and speakers. And it is a way for me to keep the “old” behavioral economics, the original SABE vision, alive. Michelle will better fulfill Pablo’s vision of engagement with policy-makers’ expertise and judgements.

Reference

1. Sent, E-M (2004), 'Behavioral Economics: How Psychology Made Its (Limited) Way Back Into Economics', *History of Political Economy* 36(4):735-760.