Can students really learn economics from controlled laboratory experiments?

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Biographical notes: Maria Alejandra Madi holds an MSc in Philosophy and a PhD in Economics. She is a former Professor and Coordinator of the pluralist undergraduate course in Economics at the UNICAMP, Brazil. She is currently the Chair of the World Economics Association (WEA) Conferences, co-editor of the WEA Pedagogy Blog and Assistant Editor of the *International Journal of Pluralism and Economics Education*. In 2013, she leads the WEA Conference on Economics Curriculum and co-edited the book *The Economics Curriculum: towards a radical reformulation* (2014).

With increasing confidence, researchers in psychological economics have been able to demonstrate that in some situations, individuals do not behave like the *homo economicus*. Among some relevant attempts, Daniel Kahneman, along with his colleague Amos Tversky, pioneered the field of cognitive heuristics and biases in the late 1970s. Between 1971 and 1984, Kahneman and Tversky published a series of papers exploring the ways human judgement may be distorted when we are making decisions in conditions of uncertainty. Kahneman et al.'s (1982) book on this subject, *Judgment Under Uncertainty: Heuristics and Biases* was too technical; Kahneman's (2011) book *Thinking, Fast and Slow* makes these essential ideas approachable for non-academic readers.

Kahneman won the Nobel Prize in Economics for the work on prospect theory that explains how people make decisions that involve risk of loss. Indeed, he has become notable for his work on the psychology of judgement and decision making, behavioural economics and cognitive psychology. In economic analysis, he introduced insights from cognitive psychology in order to highlight human behaviour under uncertainty. Specifically, his research focuses on dismantling the rational decision maker known as *homo economicus*.

His research also shows that we have two sorts of thought processes: System 1 and System 2 – intuition and reasoning. Intuition or System 1 is faster and has usually strong emotional bonds. It is based on habits that are very difficult to change or manipulate. Reasoning or System 2 turns out to be subject to conscious judgements and attitudes. As a result, System 2 thinks slowly; it considers, evaluates, reasons. However, for Kahneman, the main protagonist of human life is System 1: it is the agent of our automatic and effortless mental responses.

On behalf of the importance of System 1, Kahneman highlights the predictable occurrance of errors of judgement. Indeed, he has catalogued people's systematic

mistakes and non-logical patterns for years on behalf of his belief on the relevance of unconscious errors of reasoning that distort our judgement of the world.

One of the main implications of his research is that the articulation between psychology and economics involves a methodological innovation. Kahneman, as other researchers in experimental economics, has developed methods for thinking economic behaviour in controlled laboratory experiments.

References

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