



Research Unit Behavioral Economics and Business Ethics

Our topics

The research unit “Behavioral Economics and Business Ethics” focusses on human behaviour in economic and social transactions and investigates the role of norms and institutions applied to today’s businesses. The topics intersect with almost all situations in which individual decision making is at stake (e.g. investment-, job-related-, consumption- or social decisions) and aim at finding suitable formal and informal institutions (rules) to build a regulatory frame-work:

Behavioral Economics

The researchers integrate psychological insights into economic theory and provide a better understanding of real human behaviour. Thus, behavioural anomalies are identified based on which suggestions for better decision making of individuals, corporations and politics are provided.

Business Ethics

The researchers address conflicts of interest, especially between economic and moral/economic/societal aims. Reasons and accelerators for immoral behaviour are identified and organizational as well as political structures suggested to dissolve the conflicts in favour of a more integral view of profit, people and planet.

Our research has a special focus on international comparison of countries. Thus, we compare EU Member States with other countries and regions with regard to regulation, institutions, trust, social capital, justice and economic performance.

Our findings and positions

Bounded Rationality

Neoclassical theory – and hence much of contemporary research and policies – is based on

the assumption of humans being fully rational. This assumption is increasingly challenged by concepts of “Bounded Rationality” which have important implications for human behaviour. The heuristics and biases people experience in their decisions (also ethical ones) need to be respected in the design of political measures.

Behavioral Engineering – Nudging

Political measures aim to drive peoples’ behaviour in a way that increases society’s welfare (e.g. private savings). Integrating psychological insights into the design of these measures increases their effectivity and efficiency. It is one recommendable way to reach “Better Regulation” instead of more regulation. However, a profound democratic debate and position about its legitimacy is still missing.

Corporate responsibility

Corporations do have a responsibility for all their stakeholders. However, corporate responsibility should be voluntary. Regulations can undermine this engagement and lead to Greenwashing. Corporations are well advised to engage in long-term strategies to secure their licence to operate.

Life Satisfaction and Happiness

Economic welfare is only one factor that makes up for peoples’ well-being. Additional factors such as working conditions, social capital, health or political freedom influence the perceived quality of life. The interest in happiness-enhancing factors is increasing and new indicators for societal well-being are suggested (“Beyond GDP”). They need to be included into political and corporate agendas in order to increase overall welfare.

Regulatory Policy

Economic freedom within a set of strong governance rules enhances economic and societal welfare. Institutional quality is essential for shaping economic and societal development. Transparency and efficiency are to be strived for.

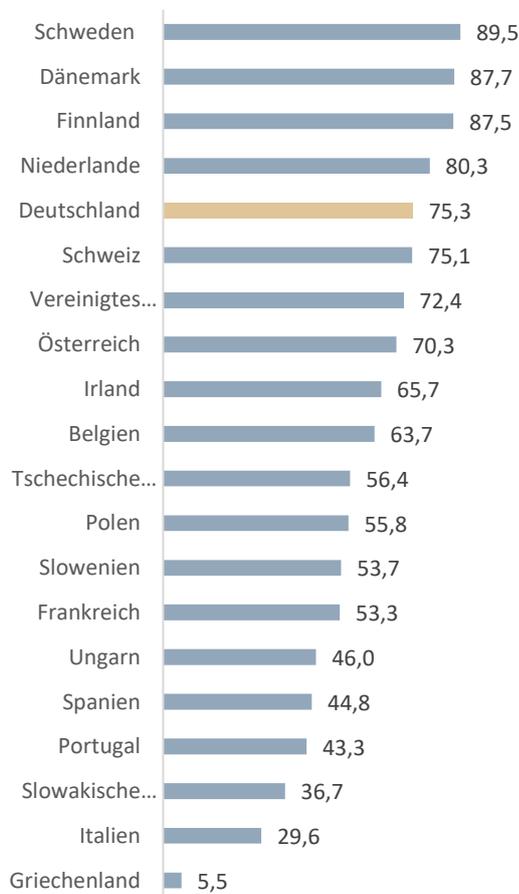
With regard to government intervention into economic processes, the ordoliberal principles should be respected to secure an appropriate amount of freedom while avoiding power concentration and an unacceptable degree of inequality.

Trust

Social capital is the basis for economic interaction and social cohesion. An increasing anonymity challenges interpersonal trust and the trust in companies and politics. Politics need to design the interface of institutions and citizens in a trust creating way (linking) and enhance the integration of homogenous groups (bridging). Companies urgently need to invest in reputation.

Figure: International Trust Index 2017

The international trust indicator aggregates trust in politics, economy and society on a scale of 0 (low trust) to 100 (high trust). It is based on surveys and economic data.



Selected publications

In English:

Enste, Dominik et. al, 2009, Efficiency versus fairness – The evaluation of labor market policies by economists and laypeople, *Journal of Economic Psychology*, Vol.30 (4), pp. 527–539

Enste, Dominik / Schneider, Friedrich, 2013, *The Shadow Economy – An international Survey*, 2.Ed. Cambridge University Press

Enste, Dominik, 2015, *The shadow economy in industrial countries*, IZA World of Labor

Enste, Dominik / Heldman, Christina, 2017, *Causes and Consequences of Corruption – An Overview of Empirical Results*, IW-Report, 2/2017

In German:

Enste, Dominik / Ewers, Mara / Heldman, Christina / Schneider, Regina, 2016, *Verbraucherschutz und Verhaltensökonomik – Zur Psychologie von Vertrauen und Kontrolle*, IW-Analyse 106

Enste, Dominik / Wildner, Julia, 2015, *Mensch und Moral – Eine individuelle ethische Reflexion*, IW Position 70, Köln

Bergmann, Knut / Enste, Dominik / Hüther, Michael, 2014, *Zur ökonomischen Theorie der Unternehmensverantwortung*, in *Unternehmen im öffentlichen Raum*, Springer, Wiesbaden

Eyerund, Theresa / Möller, Marie, 2016, *Unternehmen im Spannungsfeld der Stakeholderansprüche – Möglichkeiten und Rahmenbedingungen für unternehmerische Mitverantwortung*; IW-Policy Paper, 13/ 2016

Enste, Dominik et al., 2012, *Konsumenten- und Agentenethik*, *Zeitschrift für Wirtschafts- und Unternehmensethik*, Vol. 13 (3), pp. 236–254

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