

and their relative power, their behavior ranges from profit-seeking exchange to spontaneous altruistic behavior.

Interaction dynamics in household decisions differ depending on the involved actors (spouse, children), their relative knowledge and interest in the topic at stake, their communication skills, and the decision history. Spouses' influence patterns were frequently found to depend on partners' relative expertise and relative interest in a decision outcome. In everyday life economic and noneconomic decisions are interrelated, constituting a decision history that determines future interaction patterns. If a partner decided in favor of the other—one partner profited less from a purchase than the other and had lower influence on the decision outcome in the past—then she or he is privileged, more influential, in forthcoming decisions. Traditionally, the relative influence of partners in purchase decisions depended also on the type of good and its characteristics. Women were often responsible for kitchen utensils and health care products and the style of the product, whereas men were responsible and dominant in decisions about technical items (car), financial products, and the payment mode. Although this gender-role pattern has been expected to have changed dramatically over the years, studies applying conventional surveys and interview techniques indicate no major shift. The comprehensive Vienna Diary Study (Kirchler, Rodler, Hölzl, and Meier 2001) revealed, however, that controversial decisions where either the wife or the husband decided solely on their own are rare, and that the influence of wife or husband on economic and noneconomic decisions is about equal. Traditional role segmentation is disappearing, and the "bread-winner hypothesis" is also rarely confirmed. The partner who is more highly educated, has learned an occupation of more prestige, has a better paid job, and possesses more material goods has had, in general, more influence in the past. This, however, seems to be less the case at present.

Conflicting interests and disagreements are settled by communication tactics: tactics to avoid conflicts, to solve problems, to persuade the partner, or to negotiate. The type of tactic used depends on the quality of the relationship, the spouses' relative power, and gender, with women admitting using emotional tactics more often than men.

Children influence purchase decisions. For specific goods such as toys, ice cream, trainers, books, sweets, and lemonade, they have a vote. Children's influence depends on their age, whereby elder children are more influential than younger ones. Additionally, their position among their siblings seems to be crucial—firstborns have more influence than younger siblings. Also, children of single parents are more influential than children living in families with both parents.

As decisions in the private household are highly interrelated and, in general, are made behind closed doors, they are difficult to investigate, and the selection of appropriate research instruments is crucial (for an overview, see Bolger, Davis, and Rafaeli 2003). Observations and questionnaire studies often produce biased results of dynamics in close relationships. Diary techniques allow investigating interaction processes between intimate partners more adequately. If both partners complete a structured diary independently from each other over a long period of time, a detailed picture of everyday life in the home can be derived. Participants fill

in diaries for an extended period and not only journalize their decision processes but also other topics that characterize the shared life. This enables researchers to investigate economic decision making as a relevant business embedded in multifaceted activities in which members of the household are engaged.

Erich Kirchler and Eva Hofmann

See also: Feminist and Behavioral Economics; Game Theory (Behavioral/Cooperative); Gender Differences

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## HUMAN RIGHTS AND DECISION MAKING

Human rights are rights everyone has just by virtue of being human. Because they are rights, human rights entitle rights holders to something. These special entitlements thus impose duties, most immediately on governments. Your human right to food obligates your government to (1) not interfere with your acquisition of food, (2) prevent others from interfering with your acquisition, and (3) provide it to you if you are unable to provide it for yourself.

Some think of human rights as moral entitlements; legal positivists think of them as nothing if not legal entitlements. But they are both. Human rights are moral rights in the sense that they provide a normative compass for both what is minimally good, and also what agents should and should not do.

The Universal Declaration of Human Rights (UDHR), adopted and proclaimed by the UN General Assembly in 1948 and now endorsed by virtually all countries in the world, gives the fullest account of this moral framework. Human rights are also legal entitlements that can (or should) provide rights holders with legal remedy when violations occur. While the UDHR has achieved the status of customary law, these legal entitlements find their highest expression in the International Covenant on Economic, Social and Cultural Rights (ICESCR) and the International Covenant on Civil and Political Rights (ICCPR), which entered into force in the UN General Assembly in 1976. One hundred sixty countries have ratified the ICESCR, 167 the ICCPR. Together, the UDHR, ICESCR, and ICCPR are called the International Bill of Human Rights.

An increasingly dated division of human rights separates civil and political rights on one hand, and economic, social, and cultural rights on the other. Civil rights include nondiscrimination, the most fundamental of all human rights, and a host of rights associated with civil freedoms. Political rights include the right to a nationality, equality before the law, and to vote by secret ballot in period elections.

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**HONESTY**

Honesty means free from deception. Honest people do not lie and are marked by personal credibility and integrity. Unlike *homo economicus*, honest people do not engage in strategic misrepresentation in order to maximize their own material payoffs.

Honest people may, however, lie in two different cases. First, honest people may engage in mutual deceit. White lies provide one example. Such lies are harmless or motivated by kindness ("that beer belly looks distinguished on you honey"). Mutual deceit also characterizes poker games and bazaars because in those contexts all involved expect bluffs. The other case in which an honest person may lie is when doing so is intended to prevent great harm. In a case much discussed among philosophers, a bystander may lie to a prospective murderer about the location of a child. Of course, such cases are rarely the subject of economic analysis.

Many people are honest, at least some of the time. People do pay their taxes, even though the expected costs of not doing so are quite small. People keep their agreements even when the personal cost of doing so exceeds the cost of renegeing. Some employees don't shirk even when they could get away with it. Even experimental evidence among anonymous participants regularly finds a strong aversion to lying, especially as the potential harm grows.

Because economists usually assume people will lie if it is in their interest, the existence of honesty poses some significant problems for standard economic theory. For instance, because "cheap talk"—the euphemism for lying—doesn't occur with the regularity assumed by game theorists, there is less need for credible

commitments based on sunk costs. Fortunately, because in real life we find that some agreements hold even when cheating is possible, honesty increases the stock of trust and reduces the cost of transacting. And if workers could be counted on to be honest, the major theories of the firm collapse. If workers did not shirk or act opportunistically, the principal-agent and modern transaction cost theories would fail because incentive contracts would become unnecessary, and the contractual hazards associated with asset specificity would vanish. The existence of honesty would imply that we need to turn to other less prominent theories, the capabilities theory of the firm, for instance, where the basis of the firm lies in the complementary contributions and skills of its members, not their dishonest behavior.

People may engage in honest behavior for at least four different, though not mutually exclusive, reasons. First, an individual may prefer to act honestly, either because it gives her higher utility directly or because contingently it assists her with gaining other things she values, for instance, a reputation or the things reputations fetch. Second, the person may yield to social norms for honesty unreflectively, or in order to avoid the costs of disapproval. Third, the person may act honestly in order to avoid unpleasant emotions, like guilt. Finally, the person may believe that honesty is morally good, or that honest acts are morally right. Such a person may also have preferences for honesty, but in that case it is the perceived truth of her beliefs that drives honest acts, not her preferences. And it may turn out that the future reveals a neurobiological link to one or all of these four dispositions.

*Alanson Minkler*

See also: Neuroeconomics; Norms; Preferences (Revealed); Preferences (True); Social Preferences within a Population; Warm Glow

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**HOUSEHOLD DECISIONS**

Household decisions are made in a community of two or more persons living together in a close relationship. Most empirical studies on decisions under "the common roof" focus on married couples or on partners with children. Frequently, financial/economic decisions (monetary management, expenditures, saving, investment, credit use) and nonfinancial decisions (housework, leisure activities) are distinguished, with expenditures receiving the most attention. Economic typologies of purchase decisions are based on the frequency of the usage of goods (durable goods) or on the types of expenses (products, services). Psychological classifications concentrate on aspects of the decision process, cognitive scripts (event schemata), the financial commitment, the social visibility of the good, and the effects on family members. Depending on the partners' satisfaction with their relationship

# Real-World Decision Making

An Encyclopedia of Behavioral  
Economics

MORRIS ALTMAN, EDITOR



GREENWOOD™

An Imprint of ABC-CLIO, LLC  
Santa Barbara, California • Denver, Colorado

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Library of Congress Cataloging-in-Publication Data

Real-world decision making : an encyclopedia of behavioral economics / Morris Altman, editor.

pages cm

Includes bibliographical references.

ISBN 978-1-4408-2815-7 (print : alk. paper) — ISBN 978-1-4408-2816-4 (e-book)

1. Economics—Psychological aspects. I. Altman, Morris.

HB74.F8R327 2015

330.019—dc23 2014049275

ISBN: 978-1-4408-2815-7

EISBN: 978-1-4408-2816-4

19 18 17 16 15 1 2 3 4 5

This book is also available on the World Wide Web as an eBook.

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Greenwood

An imprint of ABC-CLIO, LLC

ABC-CLIO, LLC

130 Gremona Drive, P.O. Box 1911

Santa Barbara, California 93116-1911

This book is printed on acid-free paper 

Manufactured in the United States of America