

THE ELLER PROFESSORS

Part of the endowment Karl and Stevie created in the Eller College goes every year toward supporting the best minds in research. In this way, Karl's legacy will live on through the scholarly contributions of Eller faculty that impact our shared community, such as:



MARTIN DUFWENBERG ELLER PROFESSOR OF ECONOMICS

"I have had the fortune of being supported by a Karl and Stevie Eller Professorship since I came to Eller in 2003. Recently, former Eller College PhD students Maros Servatka and Radovan Vadovic and I published the article "Honesty and Informal Agreements" about the nature of deals struck by honest folks. We reference Karl Eller's Book *Integrity Is All You've Got* and a quote about 'the happiness that comes with knowing you'll never be ashamed to face yourself in the mirror,' which motivated a key modeling assumptions. Thank you for writing your book which inspired us greatly, Karl!"

Economics and Psychology

Psychological game theory is a mathematical framework pioneered in the late 1980s, which extends traditional game theory and allows for incorporating how emotions, reciprocity, image concerns and self-esteem affect decision-making, when many people interact.

Now, **Martin Dufwenberg**, Eller Professor of Economics, working with **Pierpaolo Battigalli** of Bocconi University, has been a key player in this development. Together, they are exploring how to model emotions such as guilt, anger, frustration, regret and disappointment. They tease out economic implications, and they sometimes also run lab experiments to test these theories.

To give an example, anger can help explain road rage, marital conflict, financial stress, bargaining outcomes and many other phenomena. Angry individuals may become aggressive to the extent that they hurt others and themselves, but it's also true that if this is anticipated the person prone to anger may gain an advantage. If someone is easily angered, this may lead others to offer that person better deals in negotiations. Also, the effect of anger in such a context may be very different from that of different emotions, like guilt or disappointment, so it is important to understand how different emotions get triggered.

"Traditional economic approaches to decision making typically focus on what we stand to gain or lose in material terms," says Dufwenberg. "But human beings make decisions based on a variety of desires. By including psychology in the framework, we can get a more accurate account of human interaction."