**A Behavioral Alternative to Experimental Economics**

Hugh Schwartz

 Laboratory experiments and field exercises have had the effect of extending the acceptance of a behavioral approach to many, perhaps most traditional economists. They have revealed that we do not always act in the most optimal manner, and, contrary to what traditional economics taught and some Nobel laureates insisted, that it is generally possible to predict the deviations from optimality. Evaluating and then tabulating the responses of those who made decisions as to why they made the decisions they did is not only extraordinarily time consuming and often unscientific, but may not always lead to better predictions, the experimental economists have maintained. Granted, that’s not much of an excuse for ignoring the sometimes more useful hypotheses that those interview-based studies turn up, but, it is alleged to be of little concern to the degree that economics is concerned with aggregate behavior and overall results. Experimental economics clearly acknowledges that decision making in the real world often involves considerations that are psychological, sociological, cultural or political, and not strictly mathematical. Clearly that’s true for most consumers, for many investors and for all of those in markets in which an individual voice really doesn’t matter that much.

What happens, however, in markets in which the voice of individuals does matter? In those cases, are individuals guided solely by considerations of efficiency, and is it efficiency that they seek, or do their visions and idiosyncrasies and whatever distortions either may incorporate, come into play? And aren’t those markets of consequence, indeed of major and perhaps increasing consequence? Can any aggregation of deviations from optimality—from the assumption of what traditional economics has tended to term economic rationality—capture the visions of the contributors to artificial intelligence or even the sometimes more modest visions of an Elon Musk, the insistence of a Steve Jobs on design and beauty and his often undiplomatic (and perhaps inefficient) means of achieving the same, or even the application of a Jeff Bezos of new-found truths to areas which most minds just never thought about?

It may be too much to hope that many companies and other groups would be willing to reveal the decision-making judgments and the role of individual judgments in determining the decisions of the larger group which they have relied on and continue to rely on but perhaps there is hope for gaining that information in the case of those who are no longer with us and whose role is no longer involved (or no longer so clearly involved).

One of the best examples of the latter is Steve Jobs. There are now several biographies of Steve Jobs. At least one of those, that of Walter Isaacson, endeavors to explain Job’s decision-making—at least on several matters. Still, there are two major considerations. First, how did Jobs make his own decisions, and second, to what extent did those decisions prevail in Apple (and in the other entities in which Jobs was a leader)? Jobs described himself as a visionary, much influenced by intuitive considerations and not by market research. He stated that he strove to give consumers, not what they might seek at present, but what he, Jobs, thought that they would want in the future when the new products he sought to create became available. Jobs sought to develop products that would incorporate both technological advances and artistic merit and yet would reflect what he termed the simplicity that would appeal to consumers as a group, who were not hobbyists and were busy with other matters.

 Jobs’ idiosyncrasies were accepted due to his extraordinary charisma, his ability to combine technological and design factors, his ability to hire bright, imaginative (and generally outspoken) individuals, and his apparently remarkable negotiation skills. While his personal manner was abrupt, and sometimes simply inconsiderate (perhaps not always the most efficient), and his views did not always prevail against those of others (which also may not invariably have coincided with the findings of experimental economics), in most cases, they do appear to have been accepted. Those who worked with him recognized that he was right much more often (or in more important ways) than not, and the large financial and professional rewards were acceptable prices to pay for the control he sought and exercised, and even for his inclination to take credit for his company’s successes when some of the ideas came from others.

But Jobs was not alone. In almost all organizations, the views of the CEO and certain individuals are given more weight. But how much weight, and does that vary over time and according to the nature of the decision? And in what ways do those views and the degree to which they are accepted, deviate from the findings of experimental economics? The answers may lie at the heart of what behavioral economics should attempt to determine, at least for entrepreneurial behavior. How to go about this, given the interest of most organizations in keeping the information in house, is not at all obvious. Moreover, the difficulty of determining the nature of entrepreneurial response after the key personality (or personalities) have left the scene and, at best, its often only limited relevance to an organization’s subsequent decision-making responses, further complicates the problem. Perhaps the critical matter of identifying organizational decision-making at a moment in time will remain largely a matter that can be recognized by the decision-making organizations themselves. Unless there is a general trend of economists towards seeking what is accepted as efficiency, and an end to the existence of vision inspired entrepreneurs like Steve Jobs, Elton Musk and Jeff Bezos, we may be quite limited to the applicability of the so-called lessons of a behavioral economics so dominated by experimental works, as important as recognition of the role of multiple factors in decision-making may be. Perhaps it is time for behavioral economists to be more modest about what they have achieved and to address themselves to the more challenging task of evaluating decision-making in organizations, particularly entrepreneurial organizations in which the views of a limited number of individuals dominate.