



## HOW DO INDIVIDUALS' DECISIONS INFLUENCE AND SHAPE ENTIRE MARKETS?

**How do individuals in a society make decisions regarding what products to purchase and what to do with their money and time? How does advertising influence consumer behavior? The new professorship in the Economics of Consumer and Market Behavior at the University of Zurich will conduct research on these important questions. Using an interdisciplinary approach, the research team will develop a precise understanding of the underlying processes that drive such choices, and will yield information valuable to firms and policymakers attempting to respond to the needs of consumers and citizens.**

When confronted with many choices over where to shop and what products to purchase, how do consumers decide? How do individuals allocate their wealth between consumption and savings for retirement? The examination of such individual be-

havior is important, as it allows an understanding of how the interactions of many individuals come together to influence and shape large markets. Such knowledge is valuable for firms attempting to determine the best ways to serve their customers and for policymakers interested in maximizing overall welfare in a society.

### **New approaches to research**

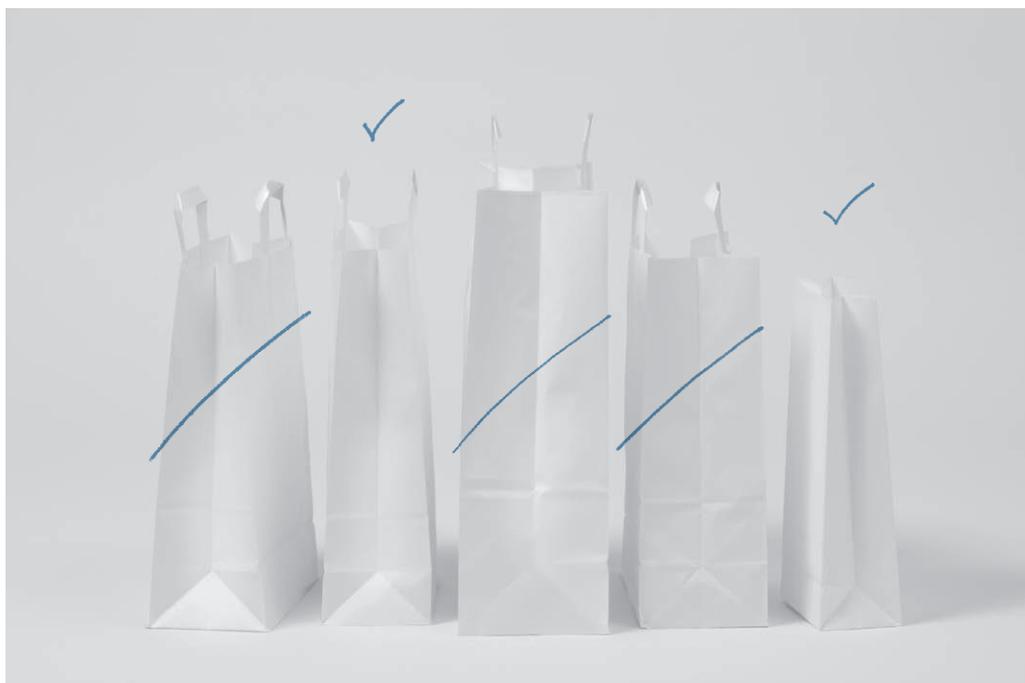
Microeconomic theory and empirical methods provide valuable tools for gaining a better understanding of individual decisions and the resultant market outcomes. However, recent advances in behavioral economics have shown that it is also important to understand how insights from psychology can be used to obtain a more profound and accurate understanding. For example, research demonstrates that limited attention on the part of consumers to product details creates systematic patterns in their purchasing behavior. Newer studies in neuroeconomics provides a deeper understanding of how



### **Prof. Roberto Weber**

Prof. Roberto Weber is responsible for the new professorship in consumer and market behavior. He is the holder of the Chair in Behavioral Economics at the Department of Economics at the University of Zurich, and is considered to be one of the world's leading researchers in this area.

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The creation of a professorship in the Economics of Consumer and Market Behavior will result in valuable new insights and practical tools available to private enterprises and policymakers.

brain functions are directly responsible for how individuals choose, and what factors they take into account while doing so. Such interdisciplinary studies are likely to provide some of the greatest advances in researching individual behavior and its impact on market outcomes.

### World-class research at the University of Zurich

The University of Zurich has attained international renown in a number of important areas of economics, including the areas of behavioral economics and neuroeconomics mentioned above. Furthermore, the center for Engineering Social and Economic Institutions combines new approaches of mechanism design theory with experimental methods. Its objective is to optimize social, political, and economic institutions. Numerous other research centers and professors investigate topics related to consumer and market behavior, though none to the degree that would be the case for a dedicated professorship.

The Department of Economics at the University of Zurich also possesses world-class research facilities for the study of decision making. The internationally renowned Laboratory for Experimental and Behavioral Economics allows researchers to study the development of market outcomes in a controlled environment. In addition, the recently established Laboratory for Social and Neural Systems Research combines the most modern techniques in brain imaging, noninvasive brain stimulation, neuropharmacology, and computer simulation. This laboratory allows the study of the relationship between biological mechanisms and economic decision making.

### The objective: understanding consumer decisions and their impact on market outcomes

The following objectives constitute the focus of the new professorship in the Economics of Consumer and Market Behavior:

- Understand how individuals make decisions in central economic areas such as purchasing behavior and long-term savings and investments.
- Study how the decisions of individual decision

makers, in interaction with the choices made by others, come together to produce market outcomes, and how these outcomes develop over time.

- Based on the latest research, develop concrete and implementable recommendations for policymakers and enterprises on how best to satisfy consumers.

### The advantages

The research that achieves this objective will result in valuable new insights and practical tools available to private enterprises and policymakers. After conducting research to develop knowledge of the interaction between individual decisions and market outcomes, the research team will use this information as the basis for rigorous scientific models of individual decision making, and more complex models involving firms and markets. A further step of the research will be to work jointly with firms and policymakers to further test these models and use them to develop precise and directly implementable policies.

### Department of Economics, University of Zurich

The Department of Economics at the University of Zurich is one of the leading research centers in Europe. The broad area of research includes various associated fields of economics such as econometrics, macroeconomics, microeconomics, and neuroeconomics. Research is done using an interdisciplinary approach that combines modern economic theory with elements of history, political science, psychology, biology, and sociology. Above and beyond this, the success of the Department of Economics is based on the dedicated research done by a large number of promising young scientists.

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### Excellence Foundation Zurich

The Excellence Foundation Zurich is an independent foundation established in accordance with Swiss law. Its goal is to allow economists at the University of Zurich to play a leading role in the decisive discourse on the most important questions of our time. The Excellence Foundation Zurich has the objective of establishing the best science for the solution of important questions and problems. The Excellence Foundation Zurich

supports the Department of Economics in seeking new paths for cooperation with business and society. Serving as an interface between research and society, the Excellence Foundation Zurich brings the Department of Economics into contact with enterprises, foundations, and private persons. As an innovative foundation, it offers the supporters various possibilities and tailor made partnerships.

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