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## Abstract

Empathy and sympathy are concepts referring to the sharing of feelings and care for others. Philosophers, (evolutionary) psychologists and even some classic writers in economics (Smith, Edgeworth) have emphasized the significance of these notions for understanding and influencing human behavior. In modern economics, however, their role has been almost completely neglected. In this presentation I will go into the nature and economic importance of empathy and sympathy. First, a series of theoretical and experimental studies concerning the related construct of an (affective) social tie are discussed. A social tie develops through meaningful interaction and is formalized as a dynamic weight attached to the wellbeing of another person. Subsequently, I will report on a recent neuroeconomic (fMRI) study addressing neural bases of sympathy and the modulating role of empathy in an environment where the interaction involves a public good game.