



Behavioral economics

Description

Behavioral economics studies the effects of [psychological](#), [cognitive](#), emotional, cultural and social factors on the [economic decisions](#) of individuals and institutions and how those decisions vary from those implied by classical theory.

Behavioral economics is primarily concerned with the [bounds](#) of [rationality](#) of [economic agents](#). Behavioral models typically integrate insights from [psychology](#), [neuroscience](#) and [microeconomic theory](#). The study of behavioral economics includes how [market](#) decisions are made and the mechanisms that drive [public choice](#). The three prevalent themes in behavioral economics are:

- [Heuristics](#): Humans make 95% of their decisions using mental shortcuts or [rules of thumb](#).
- [Framing](#): The collection of [anecdotes](#) and [stereotypes](#) that make up the mental filters individuals rely on to understand and respond to events.
- [Market inefficiencies](#): These include [mis-pricing](#) and [non-rational decision making](#).

In 2002, psychologist [Daniel Kahneman](#) was awarded the [Nobel Memorial Prize in Economic Sciences](#) “for having integrated insights from psychological research into economic science, especially concerning human judgment and decision-making under uncertainty“. In 2013, economist [Robert J. Shiller](#) received the [Nobel Memorial Prize in Economic Sciences](#) “for his empirical analysis of asset prices.” (within the field of [behavioral finance](#)). In 2017, economist [Richard Thaler](#) was awarded the [Nobel Memorial Prize in Economic Sciences](#) for “his contributions to behavioral economics and his pioneering work in establishing that people are predictably irrational in ways that defy economic theory.”

en.wikipedia.org/wiki/Behavioral_economics

[Cognitive bias codex](#)

Category

1. General

Tags



1. Cognitive biases
2. Decision-science
3. Dual-process theory
4. Mass psychology

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