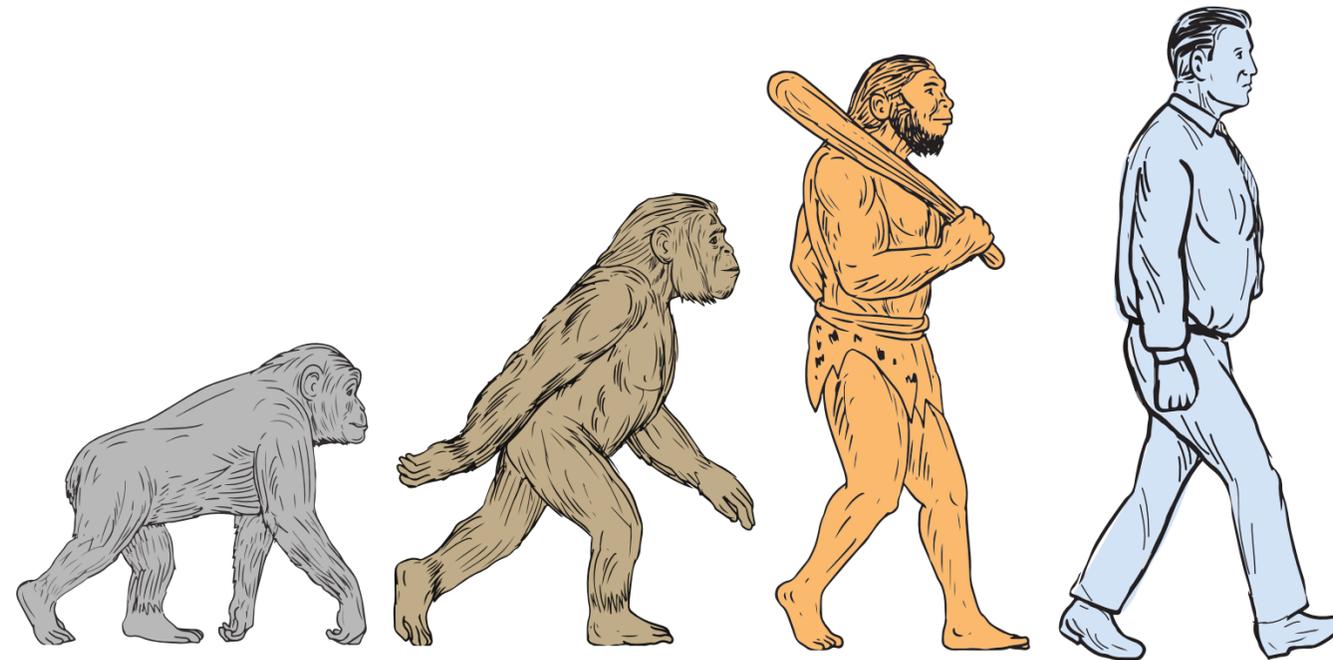


# Behavioural Economics

2.4



# Homo Economicus

"Standing alone, with money in his hand, ego in his heart, a calculator in his head and nature at his feet. He hates work, he loves luxury and he knows the price of everything."

Source: " Kate Raworth "



## Neoclassical Theory.

The assumption that human behaviour is completely rational and utility-maximising . **Are humans really like this?**

# Not Exactly

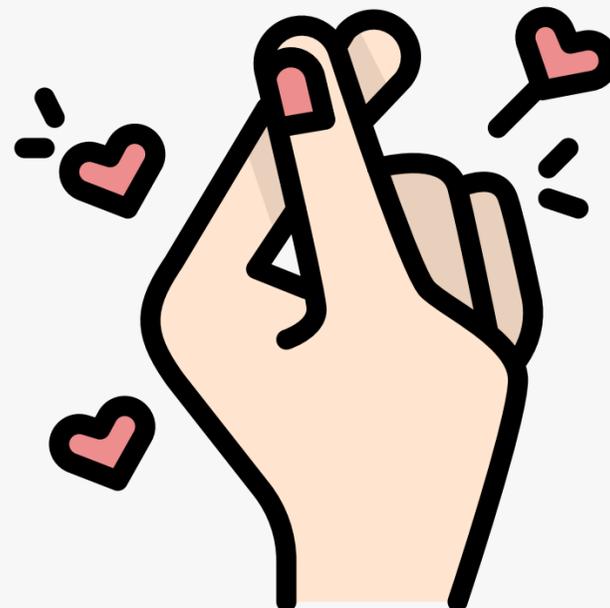
There is a lot of evidence suggesting that humans are not as rational as economic theory and models suggest.

**We are ...**

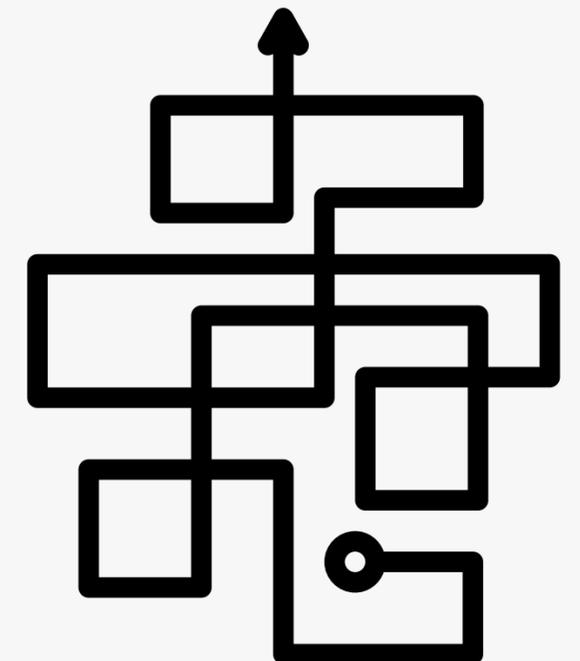
**Collaborative**



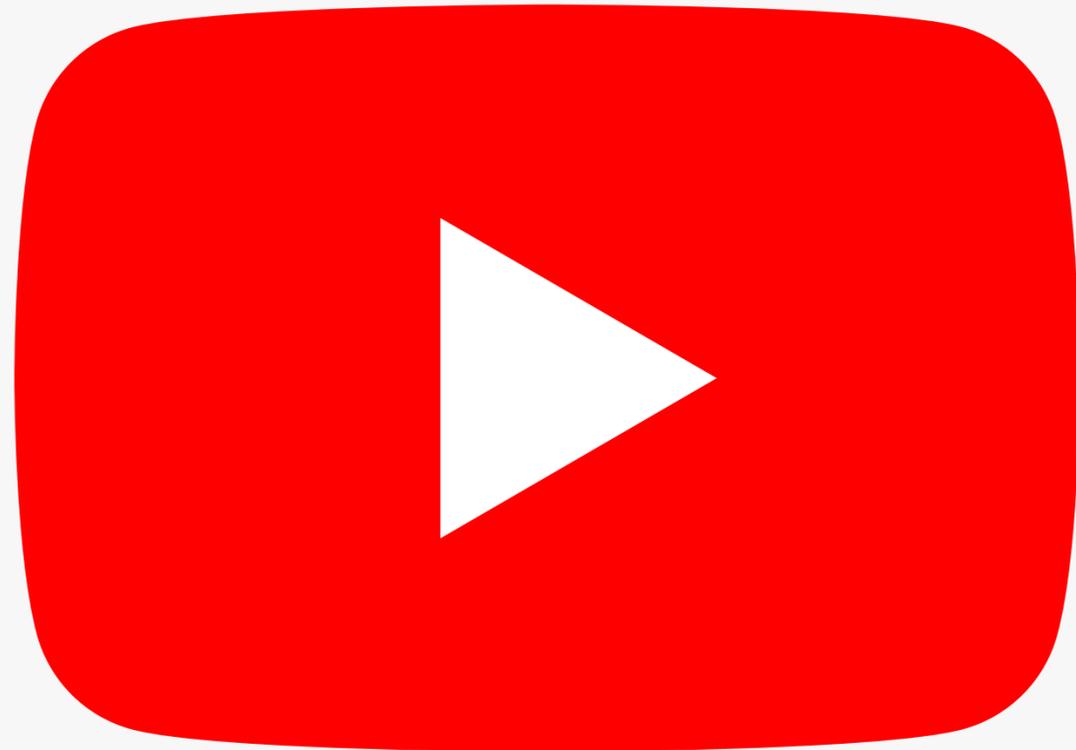
**Compassionate**



**Complex**



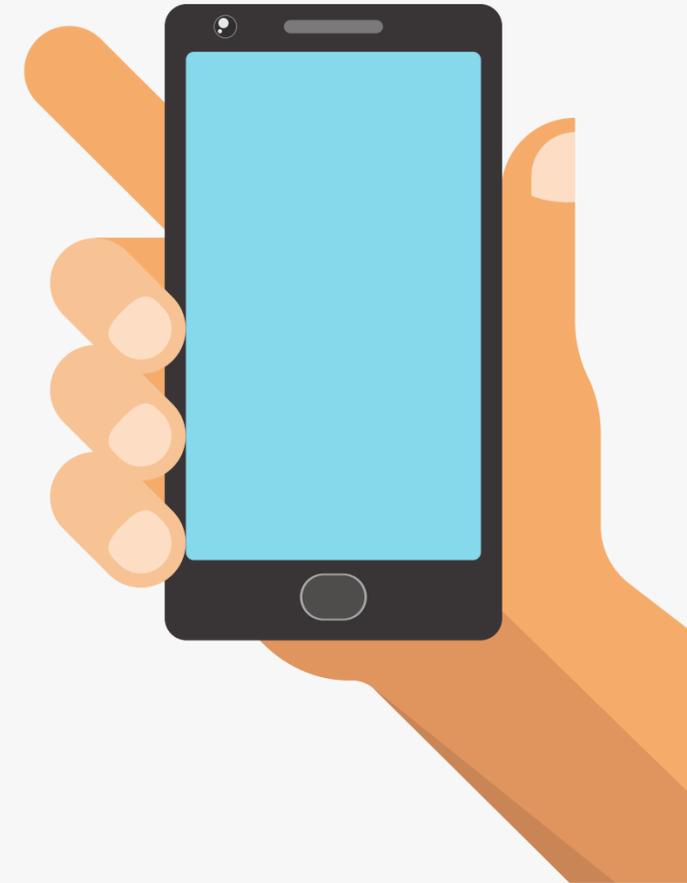
# Video



# Question

**Which Phone should I buy? Homo Economicus will:**

- Know exactly what she wants from her phone.
- Research the capabilities of all the different phones.
- Understand all the information that is provided.
- Be able to compare all the models.
- Know the prices of every phone on the market.
- Know how long each phone will last.
- Know what she will need from her phone in two years.
- Be able to know which phone makes her happiest.



## Discuss

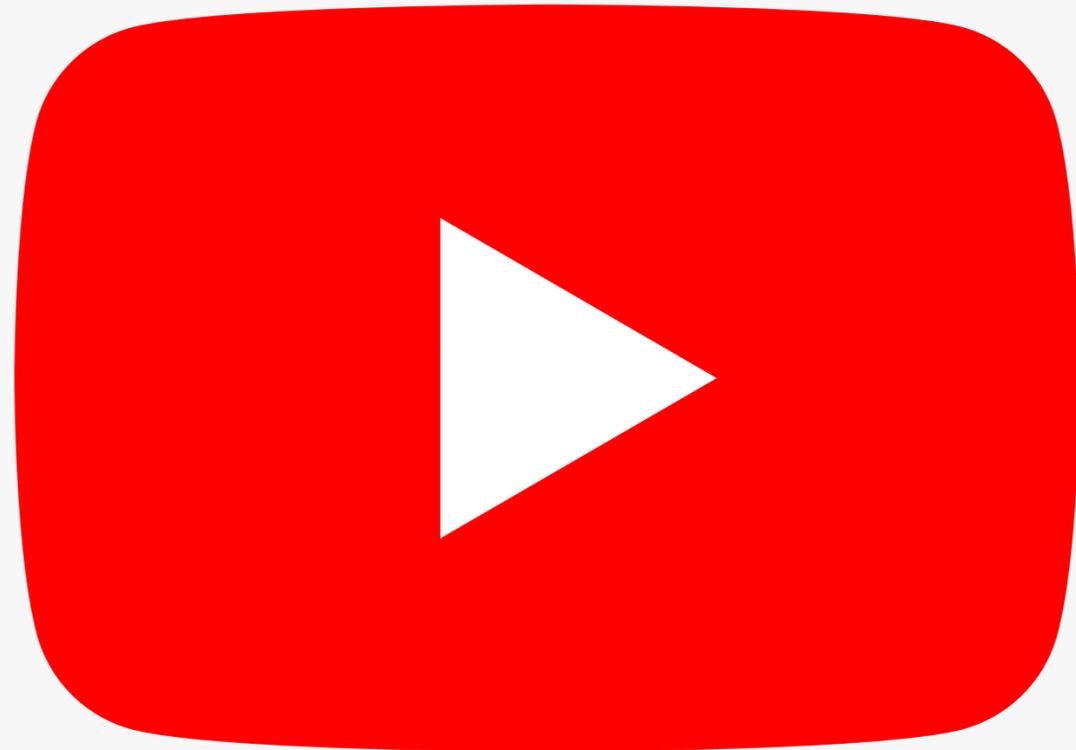
**How realistic is each of those expectations? What problems would Homo Economicus face?**

# Behavioural Economics

FOUNDED BY RICHARD THALER

Econs (non-existent, according to Thaler)	Humans (all of us!)
<ul style="list-style-type: none"><li>• Are rational</li><li>• Have perfect information</li><li>• Are extremely intelligent, and able to perform complex calculations quickly</li><li>• Seek to maximize their own utility</li><li>• Make decisions based on their own self-interest</li><li>• Have consistent preferences over time</li><li>• Have no self-control problems</li><li>• Are unbiased</li></ul>	<ul style="list-style-type: none"><li>• Have bounded rationality</li><li>• Have incomplete information</li><li>• Are not as intelligent as Econs</li><li>• Have limited ability to carry out complex calculations</li><li>• Are social beings, and make decisions in a social context</li><li>• Change their tastes over time</li><li>• May have self-control issues</li></ul>

# Video



# Inquiry

## Behavioral Economics Theory



# Inquiry Document



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