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BEHAVIORAL ECONOMICS: REUNIFYING PSYCHOLOGY AND ECONOMICS

‘Behavioral economics’ improves the realism of the psychological assumptions underlying economic theory, promising to reunify psychology and economics in the process. Reunification should lead to better predictions about economic behavior and better policy prescriptions.

Toward a Reunification

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Four Principles of Economic Behavior.

One goal of behavioral economics is to suggest mathematical alternatives with firm psychological foundations to rationality assumptions.

Four rational principles used in economics, along with four behavioral principles that are ready to be included in textbook discussions and tried out in modeling applications.

- a) Expected Utility Theory.
- b) Exponential Discounting.
- c) Social Utilities.
- d) Equilibrium.

Utility maximization and Bayesian updating have admittedly proved harder to replace, but there are many ideas in the air, and progress is likely.

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CRISIS IN BELARUS IN 2014: PSYCHOLOGICAL VIEW

Economic psychology is a perspective and quickly developing area of social and behavioural sciences. It studies the psychological mechanisms that underlie economic behaviour. This science is developing with the belief that economic behaviour can be best understood by interdisciplinary approach based on both economics and psychology.

Psychological phenomena have a great influence on economic behaviour and economic situation as a whole. Reflexivity in social system, the crowd effect, and the level of trust in authorities are among the most influential.