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That a person with such everyday flaws has scaled the unforgiving heights of the economics establishment is striking in itself. Even more so is the fact that he has done so by turning those weaknesses into the very subject of a new branch of economic science. Thaler has spent a career seeking to understand individuals as they really are â€” chock-full of weaknesses, irrationalities and idiosyncrasies. Thaler is a brilliant scholar, endlessly curious, empirically inclined and public spirited. But he is also the perfect spokesman for an approach that has come to be known as behavioural economics. He does not come across as someone lecturing others about their shortcomings, because they feel like his shortcomings too. Thaler recounts a dispute at an academic conference with the orthodox economist Robert Barro: Along with Cass Sunstein , Thaler became an international public intellectual in , with the publication of their bestselling book Nudge. Both have influenced public policy in the US, and even more so in the UK. We want to save more for retirement, but we are myopic and suffer from inertia. So, most British employees are now being automatically enrolled into their occupation pension funds: Smaller reforms have resulted too, including a change in the wording of the letter sent to those who failed to pay their taxes on time. At the time I was not sure what a heuristic was, but it turns out to be a fancy word for a rule of thumb. As I read, my heart started pounding the way it might during the final minutes of a close game. The paper took me 30 minutes to read from start to finish, but my life had changed forever. Drawing on studies of how people behave in real life â€” buying and selling wine, competing in gameshows, drafting NFL players, saving for old age â€” the rebels showed that people consistently and predictably failed to act as the economics textbooks said they should. Cass Sunstein, co-author of Nudge. It is reassuring to learn that the phrase was born in the heat of the moment, since it obscures rather than clarifies their philosophical stance. Sunstein has been pursuing a post-Nudge solo career too, with his own volume, Why Nudge? With John Stuart Mill as his stalking horse, he sets out to demolish the central foundation of modern liberalism: But Sunstein gets into trouble when he turns to the real politics of nudging. He is immensely productive, for one thing, churning out first-rate journal articles, books and journalism at a prodigious rate.

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Chapter 2 : Misbehaving Ã¢Â€Â“ The Making of Behavioral Economics: Richard H. Thaler: calendrierdelas

About the author. Richard H. Thaler is a celebrated economist and co-author of the bestselling calendrierdelascience.com is a professor of behavioral science and economics at the University of Chicago Graduate School of Business and, in , the president of the American Economic Association.

The field is not as new as Thaler would have you think. Besides, orthodox economic theory was not all that shabby when it came to predicting human behavior. By the time Thaler was entering his prime, Economics no longer had to apologize to anybody and was much more open to heresy, of course. It was in a position to withstand additional questioning. Armed with a nice piece of math invented by Tversky and Kahneman it was ready to be taken to the next level. Thaler takes you through the whole thing in the space of the shortest pages you will ever read. As he promises at the start, he tells it through a bunch of stories, mostly the stories of his collaborations and his epic fights with Economic Orthodoxy. The book is worth reading for the humor alone. The jokes range from pure slapstick example p. My favorite type of humor, relentless repetition, is also very well represented. Wade findings notwithstanding , to say nothing of Tim Hartford. This he has done with gusto. Bucketing of budgets gets thrown in for free. Next comes a tutorial on Self-Control. Thaler explains that many humans discount future pleasure or pain on a scale that is totally unrelated to how we present-value bond cashflows and mainly operates on three levels: Now intense , Later much less intense and Much Later only slightly less intense than Later. This leads to preferences that are intertemporally inconsistent, a nightmare to Economic Orthodoxy, but very often true in real life. Heady stuff, and I promise, he makes it clear. He does not use graphs or charts or math. He explains it all with one picture: You get that chart, you get how we humans really think about delayed gratification. Not that anybody sane thinks markets are efficient, but you could tear out the rest of the book and keep pages to as a quick guide to why markets are inefficient. From his angle, it was time to storm the citadel, and this is what Thaler chronicles next. He had been ready for them from day one. The Rational Expectations Hypothesis has a number of implications, chief amongst them the prediction that fiscal stimulus does not work. And the stimulus ends up being a damp squib. Thaler proves the circularity of this argument by suggesting a similarly circular counter-argument: What if they thought the stimulus will work and the economy will fly and their taxes will actually go down? From Chicago he goes on to a couple well-earned victory laps. He ends the book with a wish that one day there will be one Economics again, with the Orthodox Economics of utility maximization and profit maximization as a quaint special case.

Chapter 3 : Misbehaving | W. W. Norton & Company

David Rubenstein The book does not provide a specific set of rules for behavior, formulations for policy, or new economic theory. Without speaking for Thaler, his book more The book does not provide a specific set of rules for behavior, formulations for policy, or new economic theory.

Innovation Content In the new book Misbehaving: The Making of Behavioral Economics, Richard Thaler, coauthor of Nudge and a behavioral science and economics professor at the University of Chicago, recounts his struggle to change the way traditional economists look at the impact of human psychology on economics. Wharton operations, information and decisions professor Katherine Milkman recently spoke with Thaler about why he wrote the book, where behavioral economics has had the most impact, and which decision-making bias he would remove if he had a magic wand. An edited transcript of the conversation follows. When we chatted recently, you told me that the book you originally pitched when you began the journey of writing this in no way resembled the book you actually wrote. How did the book you pitched morph into Misbehaving? He pulled this trick on me. The book I was intending to write, the title was Snags. The idea was stuff we would trip on. I thought of it as a prequel to Nudge, using my George Lucas [Star Wars creator] strategy of writing things backwards. The problem I had was I worked on it off and on for a couple of years, and the book had no spine. It had no organizing principle, unlike Nudge, which had really two core principles. One was libertarian paternalism and the other was choice architecture, and those held the book together. I stumbled around for a while and then I consulted with some of my friends who are professional writers, like Michael Lewis, and he encouraged me to try to write the book in the way I did, which was structured as more of a memoir. I think it works beautifullyâ€¦. One of the things I wanted to ask you about is what you think the most important lessons are for business readers. The book is really a story about disruption. I had an idea 40 years ago that there might be another way of doing economics, and it was a very subversive idea. I had to try to figure out a way to get tradition-bound economists to take my idea seriously and then to corrupt young people like you into carrying the flag. Lots of businesses are in the situation I was in 40 years ago. Knowledge Wharton High School But of course, what the book is really about is the field of behavioral economics and the evidence that supports it. So these econs are super smart, have no emotions, no self-control problems. They go to the gym exactly the right amount of times. They drink exactly the right quantities and never binge on chocolate or booze and save exactly the right amount for retirement and so forth and so on. They are also complete jerks. Those people are fictional creatures, and I wanted economics to be about real people. The lesson for businesses is you are dealing with real people. Those are your customers, those are your employees, those are your bosses, and the better you understand how real people tick, the more successfully you will be able to accomplish your goals. I had an idea 40 years ago that there might be another way of doing economics. This book is really the story of successfully changing the way a lot of very smart, confident, stubborn people â€" traditional economists â€" see the world. But the second answer would be in the end, the only thing that convinces anybody is data. So there were lots of excuses economists made for continuing with their ways. People make just as many mistakes when the stakes go up, maybe more. At the end of the book, you spend a little bit of time talking about where behavioral economics has had the biggest impact and why you think that is. I was particularly interested to learn that you felt behavioral economics has had the biggest impact on finance, where the stakes are extremely high. The reason is that finance has a combination of two things that made the debate more interesting and more focal. One is fantastic data. We have daily prices on stocks, going back to in the U. Many of those predictions turned out to be false. It was possible to generate studies that just were right in your face. You say the following thing cannot happen, and it happened. One was actually a repeat of a question that your friend, Danny Kahneman, a Nobel Laureate and behavioral economist, answered recently during an interview. The question that I was asked to ask you is the same one. What bias would you remove if you had a magic wand? I think that would also be at the top of my list. We rarely go out of our way to seek evidence that would contradict us. Hindsight bias is the [inclination to believe] that after the fact we all think things were obvious. All you needed was the right guy to come along at the right time. In truth, no one thought that back then. The evidence for hindsight bias is overwhelming, and this has huge managerial implications because when managers evaluate the decisions of their employees, they do so with hindsight. The advice I always give my students in dealing with hindsight bias is before big decisions, get everybody to write stuff down â€" including the boss â€" and agree on what the criteria are for good and bad decisions. That will help at least a little bit â€" after the fact â€" when things blow up.

Chapter 4 : Misbehaving : Richard H. Thaler :

Misbehaving is, first and foremost, a story of how modern economics, finance, and theoretical analysis have become increasingly specialized and narrow without substantial practical value. Utilizing empirical studies and anecdotes, funny stories, and even some jokes, Thaler persuades the reader that behavioral studies â€" or psychology-motivated.

Chapter 5 : Misbehaving: the making of behavioural economics

Professor Richard Thaler is a bit lazy, prone to procrastination and likes his booze: his observations, not mine. He is also the president of the American Economic Association, a role held in the.

Chapter 6 : Misbehaving: The Making of Behavioral Economics by Richard H. Thaler

From the renowned and entertaining behavioural economist and co-author of the seminal work Nudge, Misbehaving is an irreverent and enlightening look into human foibles. Traditional economics assumes that rational forces shape everything. Behavioural economics knows better. Richard Thaler has spent.

Chapter 7 : â€˜Misbehavingâ€™: When Psychology Meets Economics - Knowledge@Wharton

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Chapter 9 : Richard Thaler - Wikipedia

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