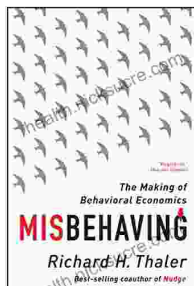


# Misbehaving: The Making of Behavioral Economics



## Misbehaving: The Making of Behavioral Economics

by Richard H. Thaler

★★★★☆ 4.6 out of 5

Language : English  
File size : 5105 KB  
Text-to-Speech : Enabled  
Screen Reader : Supported  
Enhanced typesetting : Enabled  
X-Ray : Enabled  
Word Wise : Enabled  
Print length : 434 pages



Misbehaving: The Making of Behavioral Economics is a book by Richard H. Thaler, a Nobel Prize-winning economist. The book explores the history of behavioral economics, from its early beginnings to its recent rise to prominence. Thaler argues that traditional economic theory has failed to account for the irrational and often unpredictable behavior of human beings. Behavioral economics, on the other hand, takes into account the psychological and social factors that influence economic decision-making.

## The History of Behavioral Economics

The roots of behavioral economics can be traced back to the early 20th century, when economists such as Herbert Simon and Daniel Kahneman began to challenge the assumptions of traditional economic theory. These economists argued that human beings are not always rational actors who

make decisions in their own best interests. Instead, they are often influenced by emotions, biases, and social norms.

In the 1970s and 1980s, a new generation of economists began to develop formal models of behavioral economics. These models incorporated insights from psychology and other social sciences to explain the irrational behavior of human beings. One of the most influential of these models was the prospect theory, developed by Kahneman and Amos Tversky. Prospect theory predicts that people are more likely to take risks when they are facing losses than when they are facing gains.

### **The Rise of Behavioral Economics**

In the 1990s and 2000s, behavioral economics began to gain wider acceptance within the economics profession. This was due in part to the work of Thaler and other economists who showed that behavioral insights could be used to explain a wide range of economic phenomena, such as the stock market bubble and the housing market crash.

In 2017, Thaler was awarded the Nobel Prize in Economics for his contributions to behavioral economics. This award helped to further legitimize the field and to bring it to the attention of a wider audience.

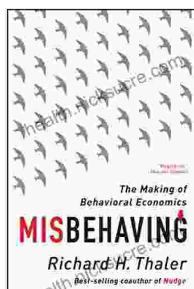
### **The Implications of Behavioral Economics**

Behavioral economics has a number of implications for the way we think about economics. First, it suggests that traditional economic theory is incomplete. It fails to account for the psychological and social factors that influence economic decision-making.

Second, behavioral economics provides insights into why people often make irrational decisions. This can help us to make better decisions in our own lives and to design policies that are more effective.

Third, behavioral economics can help us to understand the causes of economic crises. By understanding the irrational behavior of investors and other economic actors, we can better predict and prevent future crises.

Behavioral economics is a new and exciting field of economics that has the potential to revolutionize the way we think about economic decision-making. By taking into account the psychological and social factors that influence our behavior, behavioral economics can help us to make better decisions and to create a more just and equitable economy.



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