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Krzysztof Orlik

Behavioral Economics in Explanation of Macroeconomic Phenomena with Focus on Economic Crises. (summary)

The main point of theses is a critical analysis of behavioral economics concept refering it to achievements of a standard model in the area of macroeconomics. Special attention was drawn to economic cycle and financial and economic crises.

First chapter outlines a concept of behavioral economics on the background of mutual relations of economics and other social sciences. The chapter discusses question of rationality because of departures from normative rationality described in behavioral models grounded on limitations of the human nature. Second chapter we considers implications of functioning of the human mind for economic decision making. Cognitive limitations, limits of information processing, a lack of full information lead to using of heuristic and. cognitive and analytical biases. Decision making processes coming from a prospect theory, mental accounting and hyperbolic intertemporal discounting are described together with social economic relations.

Third chapter is the main analysis of a wide range of macroeconomic phenomena in the view of behavioral economics being compared with the standard model narration. The main subjects being presented in opinions of behavioral economists are: 1. Unemployment is involuntary and employers respect questions of equity and reciprocity, 2. There is no single possible equilibrium point between inflation and unemployment, 3. Monetary policy should focus on minimizing unemployment level, 4. Mental accounting and hyperbolic discounting are reasons for undersaving, mainly concerning pensions, and using default option can increase savings level in economy, 5. Excessive volatility in financial markets is precipitating factor of fluctuations of the economic cycle and creates asset bubbles and crashes in asset markets, 6. Growth of underclass may be limited using some methods of social policy being developed by behavioral economics. The last chapter is focused on using behavioral tools to analyze economical and financial crises. Then as we can say the sources of the crises, apart from standard descriptions, come from "animal spirits", i.e. endogenic waves of optimism and pessimism being a ground of growing and bursting asset bubbles and transition economy into crisis. Ideas how to counteract reasons of crises conclude the chapter. All these considerations support the research hypothesis telling that achievements of behavioral

economics can be used by the mainstream economics in analysis ad formulating economic policy.