



Behavioral Economics as a New Economics Field

Berdiev Gayrat Ibragimovich, PhD.

Gulistan State University, Head of the Department of Economics
gayratbek2207@gmail.com

Sheraliev Farangis Narzulla kizi

Faculty of Social Economics (by industries and sectors), student of Gulistan State University
farangizsheraliyeva40@gmail.com

ABSTRACT

Behavioral economics joined science as a new avenue in the 1970s and 1980s. The article covers the essence, historical evolution, and theoretical underpinnings of behavioral economics, as well as theoretical and practical aspects connected to behavioral economics. The parallels and contrasts between the theories advanced by members of the behavioral economics school and those of classical economics are explored, as well as economic decision-making and its efficacy. The author recommends having scientific and practical expertise in integrating behavioral economics principles to economics.

ARTICLE INFO

Article history:

Received 04 Feb 2023

Received in revised form

03 Mar 2023

Accepted 14 Apr 2023

Keywords: behavioral economics, economic analysis, policy.

Introduction.

Technological changes in the twentieth century have shown that the definition of the human factor in the economy should be discussed more broadly. Based on the concepts of utilitarianism and Homo Economicus (rational individuals who maximize their self-interest), various views on the concept of man have long been studied. In turn, it was argued that a person has cognitive characteristics and makes decisions under certain limitations. Contradictions in economic theory formed the basis of behavioral economics and the relationship between economics and psychology. The need to include psychological processes in economic analysis in decision-making in conditions of risk and uncertainty began to be accepted.

Although behavioral economics is considered a new trend in modern scholarship, early research in the field can be traced back to the works of the philosopher and economist David Hume (Matson and Dold 2021). In the 1970s and 1980s, the importance and theoretical and practical aspects of behavioral economics were discussed by a number of foreign scientists, in particular Tversky (1972), Smith (1982), Kahneman (2003), Sunstein (2016), Thaler (2019). . After Vernon Smith, Daniel Kahneman, and Richard Thaler were awarded the Nobel Prize in Economics for their contributions to the study of behavioral science, interest in this field increased. In many countries, research in the field of behavioral science has begun to be introduced into public policy. In 2018, at least 202 government agencies in the world used behavioral concepts in their policies. Based on the practice of countries and international externalities, it is suggested that behavioral public policy is more effective than general public policy in increasing social welfare at low cost (Afif et al. 2018).

Decree No. PF-6019 of the President of the Republic of Uzbekistan of July 6, 2020 "On additional measures to further develop the competitive environment and reduce the state's role in the economy" specifies the principles of behavioral economics in the analysis of commodity and financial markets in Uzbekistan. . This, in turn, implies that this field should be taken into account in the measures related to its implementation in Uzbekistan. Nevertheless, the fact that the subject has not been thoroughly studied by local economists can be seen in the absence or very little scientific literature on the field in Uzbek (Ziyaeva 2018). As an example, this article and research belonging to researcher Rano Yuldasheva can be cited. In the article ""You Are What You Watch?": Evaluating the Impact of Media Violence on Youth Behavior during the COVID-19 Lockdown in Uzbekistan" by Yuldasheva Rano and Boidurjo Rick Mukhopadhyay, the scientific aspects of this field are studied. From this point of view, this article creates literature in Uzbek by analyzing behavioral economics and its essence. The article also emphasizes how to improve the effectiveness of reforms by taking into account behavioral economics. The fact that behavioral economics is closer to practice than theory is discussed using examples.

Research methodology.

In the article, the methods of literature review, scientific observation and systematic approach were used to study the theories related to the topic. Also, the effect of using the experience of foreign countries in the implementation of reforms is shown with the help of examples.

Literature review.

The beginnings of behavioral economics can be traced back to the writings of the philosopher and economist David Hume. David Hume, in his Treatise of Human Nature (1739), commented on sympathy, envy, status, and social norms in relation to developments in modern behavioral economics (Selby-Bigge and David 1964). According to David Hume, man is naturally sympathetic in terms of how others feel about him, so self-interest is the primary motive for establishing justice. Similarly,

sympathy for the public good is a source of moral acceptance that accompanies this virtue. Hume argued that people's self-interest leads them to enjoy the pain and suffering of their adversaries. Acquaintance researchers familiar with the philosophical and economic psychology of classical economists point out that David Hume explores some of the issues that concern behavioral economists today (Matson and Dold 2021).

Adam Smith was very interested in the psychological basis of human behavior. In his *Theory of Moral Sentiments* (1759), Smith describes behavior and passions as objects of impartial observation. Also, the psychological foundations of the concept of utility are given in the works of the economist and philosopher Jeremy Bentham, and the works of the political economist Francis Isador Edgeworth about social choices.

In the 1960s, some psychologists entered economics on the back of their research on cognitive behavior, intuition, bias, decision making, and irrationality. Since the 1970s, Daniel Kahneman and Amos Tversky have conducted experiments on decision-making and human behavior under uncertainty, laying the foundation for a new field of behavioral science.

Research shows that two different systems of the brain work together. The operation of the first system is fast, easy, automatic and often intuitive. It is relatively more difficult to control or change, and it depends on habits. The operation of the second system is slower than the first system, and it can be consciously controlled. A rational second system is strongly influenced by a fast, intuitive, and automatic first system (Thaler and Sunstein 2019).

Applications of behavioral economics

An important aspect of these studies is that they provide policymakers with important advice for implementing reforms. It is in the form of incentives and includes methods that can be directly applied to the economy. From the point of view of understanding economic facts and policy development, interest in behavioral economics is increasing. Taxes, penalties and incentives are designed to control behavior. Policies developed by politicians are constantly influencing decisions by nudging applications using behavioral economics techniques. For example, in Texas, 18-24-year-olds do not keep the roads clean. To solve this problem, the city authorities started very expensive advertising campaigns saying that it is the duty of the public to keep public places clean. But when this ad failed, they shot a patriotic commercial. In the advertisement, the players of the Texas football team cleaned the garbage on the roads and chanted a slogan calling for cleanliness. As a result, at the end of one year, the pollution problem was solved by 29% (Thaler and Sunstein 2019).

Energy conservation is also an issue that can be implemented with behavioral economics methods. A study on the comparison and reduction of electricity bills shows that it is possible to achieve better results in energy savings with the incentive method. It is possible to monitor the electricity consumption (kW) during a certain month at the neighborhood and neighborhood level. If the consumer consumes less electricity than both groups, two smiles will be added to his account. If a group consumes less electricity, only one smile will be added. By doing so, consumers are influenced to compare themselves with other consumers and adjust their consumption accordingly.

In Turkey, within the framework of the "Green Turkey together with our nation" project, the President's letter was sent by mail to twenty-three million citizens. The letter also includes a brochure and seedling seeds, and the brochure provides information on investments in greening that have been made across Turkey and at the regional level. The activity in this regard is explained through numbers, emphasizing the efforts of the state and paying attention to the citizens' understanding of responsibility. The letter

reads "Plant the seeds in the envelope and do your part for a green Turkey" and provides contact numbers for citizens to express their opinions (Bal and Kiliç 2019). In this project, using behavioral elements, citizens have tried to create special feelings about contributing to the project.

Conclusions.

The main actor of traditional economics is the "Homo Economicus" or the rational individual who maximizes his own self-interest. In this, he is seen as a rational, selfish and self-interested person. The architects of traditional economic theories excluded behavioral processes from their models because of the inability to model psychological constraints on most theory tests. In real life, people are neither completely selfish nor completely rational; emotions often influence people's economic decisions. In behavioral economics, economic decisions are made by these people in real life. From this point of view, the use of the results of research in the field of psychology in the economy is expanding. The use of these results to interpret economic facts is one side of the issue, and the application of psychological research methods to economics is another side of the issue. Methods such as questionnaires, standardized psychological scales and experiments provide new results in scientific research in the field of economics. In this way, more realistic solutions to development problems will be developed, psychological factors determining working conditions in the labor market, income distribution, relative income, tax policy, unemployment, entrepreneurship and other situations will be more widely covered.

In summary, behavioral economics is an interdisciplinary field of study that studies the inadequate information and irrational behavior, decisions, and choices of economic agents. Behavioral economics, which encompasses the common aspects of economics and psychology, allows for analytical, empirical and experimental research. Behavioral economics allows us to understand the phenomenon of "irrationality" by focusing on cognitive biases and heuristics without completely rejecting the principle of "rationality" that prevails in classical economics (Baddeley 2017). Also, behavioral economics enriches economics in terms of research methodology.

References

1. Afif, Zeina, W. Wade Islan, Oscar Calvo-Gonzalez, and Abigail Dalton. 2018. 'Behavioral Science around the World: Profiles of 10 Countries'. World Bank Group: Mind, Behavior, and Development Unit.
2. Baddeley, Michelle. 2017. *Behavioural Economics: A Very Short Introduction*. Vol. 505. Oxford University Press.
3. BAL, Yasemin, And Mustafa Ercan Kiliç. 2019. 'Çevre Duyarliliğinin Oluşmasında Davranişsal Yaklaşımlar'. Malatya: İnönü Üniversitesi.
4. Kahneman, Daniel. 2003. 'A Psychological Perspective on Economics'. *American Economic Review* 93 (2): 162–68.
5. Matson, Erik W., and Malte Dold. 2021. 'The Behavioral Welfare Economist in Society: Considerations from David Hume'. *Review of Behavioral Economics* 8 (3–4): 239–58.
6. Selby-Bigge, Lewis Amherst, and Hume David. 1964. *A Treatise of Human Nature by David Hume*. Vol. 2. Рипол Классик.
7. Smith, Vernon L. 1982. 'Microeconomic Systems as an Experimental Science'. *The American Economic Review* 72 (5): 923–55.

8. Sunstein, Cass R. 2016. *The Ethics of Influence: Government in the Age of Behavioral Science*. Cambridge University Press.
9. Thaler, Richard H., and Cass R. Sunstein. 2019. 'Nudge Improving Decisions about Health Wealth and Happiness'.
10. Tversky, Amos. 1972. 'Elimination by Aspects: A Theory of Choice.' *Psychological Review* 79 (4): 281.
11. Ziyaeva, Muxtasar. 2018. 'Истеъмолчилар хулқ-атворидаги ўзгаришларни ҳисобга олган ҳолда хизматларни таснифлаш тамойиллари'. *Iqtisodiyot va Innovatsion Texnologiyalar*, no. 2: 318–325.
12. Akmal, A., Dostonbek, E., Odina, J., & Nozima, A. (2022). Current state of impact of foreign investment on the quality of economic growth of the country and regions in Uzbekistan. *Asian Journal of Research in Business Economics and Management*, 12(4), 24-29.
13. Akmal, A., Dostonbek, E., Odina, J., & Nozima, A. (2022). Improving credit policy of commercial banks in the development of small business and private entrepreneurship in the regions. *Asian Journal of Research in Business Economics and Management*, 12(4), 18-23.
14. Eshpulatov , D. (2022). Analysis of the organizationaleconomic mechanism to improve the sustainability of economic growth in agriculture. science and innovative development, 5(6), 104–122. Retrieved from <https://indep-ilm.uz/index.php/journal/article/view/340>
15. Eshpulatov , D. (2022). Analysis of the organizationaleconomic mechanism to improve the sustainability of economic growth in agriculture. science and innovative development, 5(6), 104–122. Retrieved from <https://indep-ilm.uz/index.php/journal/article/view/340>