

Experiments and Behavioural Economics

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Introduction

New and fascinating areas of economics include behavioural and experimental economics. The advantages of behavioural interventions in public policy programmes relating to as many different areas as retirement planning, unemployment, healthcare, education, and encouraging altruistic behaviour have already begun to be felt in developed nations like the U.K., U.S., and Australia. Businesses all across the world are already implementing behavioural economics to boost marketing strategy effectiveness, hire and promote employees more productively, and help investors maximise their returns on savings. In order to better understand how and why people make decisions that, from the perspective of conventional economic theory, appear irrational, behavioural economics includes ideas from other social disciplines such as psychology and sociology. These findings can help authorities make better forecasts regarding behaviour.

Description

Symbiosis School for Economics (SSE) aspires to lead empirical research through partnerships with both public and private sector institutions at the municipal, state, and federal levels. The Behavioural and Experimental Economics Cell has been developed by SSE as part of our effort to accomplish this goal. The Behavioural and Experimental Economics Cell (BEEC) was established to give academic and student researchers a platform for conducting behavioural and experimental research into behaviour patterns and decision-making. The Center's mission is to support researchers and students in their knowledge of behavioural and experimental economics principles by hosting workshops and by providing training programmes, mostly in laboratory experiments, to help researchers conduct studies. The Center has an Ethical Committee to preapprove every experimental research activity undertaken here in order to guarantee that all experiments are carried out in accordance with international standards. The validity of conventional economic theories is frequently investigated using experimental economics as a research approach. The findings of properly planned and thoroughly executed experiments have been crucial in advancing, particularly in development and behavioural economics [1].

Students will learn about the experimental research methods in economics in this session. Students will read some of the seminal experimental economics publications and be introduced to some of the areas of behavioural and experimental economics research that are currently being worked on. To understand how trials build upon one another and enable researchers with various theoretical inclinations to restrict the area of potential disagreement, an effort will be made to focus on a sequence of experiments. This module's objective is to give students a firm grasp of experimental and behavioural

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techniques. We will look at a number of applications of economic analysis, including as but not limited to finance, game theory, public finance, labour economics, trade, and development economics [2].

The idea of economic rationality serves as the laboratory's principal subject. What may be inferred from the laboratory trials if economic rationality is defined as the short-term maximisation of one's personal profit, regardless of the interests of others? The students are encouraged to reflect on this important subject, even devising and developing their own experiment. People do care about others' interests, people behave inconsistently, and even if one is entirely logical, it is wise to take into account the irrationality of others are some lessons from the mobile laboratory that the students should remember. The behavioural approach to economics is well renowned for these lessons, although they have not yet been included in the standard basic textbooks [3].

Economics seeks to provide verifiable hypotheses regarding the actions of economic agents. While a variety of statistical tools enable us to test some of these theories using observational data, very frequently these naturally occurring facts do not satisfy all the presuppositions needed to conduct the tests and draw clear causal inferences. Due to the risk involved, economists frequently employ and infer policy implications from unproven hypotheses. This issue was initially addressed (in part) by the field of experimental economics, which covers both field and laboratory studies. The premise is that economists may conduct experiments to test their hypotheses, just like in the natural sciences [4].

Conclusion

In the past, experimental economics was used to examine individual choice and game theory, two types of microeconomic theory. However, it has now been extended to the majority of economics disciplines, including macroeconomics, political economy, public economics, and development economics. One of the best features of the area is how multidisciplinary it is; it is connected not only to subfields of economics but also to other academic disciplines like political science, psychology, and sociology. The same assumptions still serve as the pillars of economic analysis, according to Kahneman, who wrote: "A search through several introductory textbooks in economics implies that, if there has been any change, it has not yet filtered down to that level" (2003a, 162). Selfishness, rationalism, and optimism are the pillars Kahneman mentions [5].

Consumer behaviour studies:

- How consumers reason, feel, and choose between various options.
- Contextual studies: How the environment affects how consumers behave (e.g., culture, family, signs, media).
- Shopping behaviour: Individual conduct when browsing a store's merchandise.
- Information processing: Knowledge or information processing skills of the consumer and their impact on choices.
- Consumer motivation and decision-making strategies in motivation research.
- Brand selection, impression formation, etc. are all examples of brand choice behaviour.
- Communication studies: Promotion response, message response, advertising efficacy, etc.

Product studies include concept testing, comparative evaluation, the impact of packaging, and consumer preferences for new products.

- ▶ Price sensitivity
- ▶ Price evaluation
- ▶ Price-quality relationship studies

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