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Principles of (Behavioral) Economics

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Abstract

Behavioral economics has become an important and integrated component of modern economics. Behavioral economists embrace the core principles of economicsoptimization and equilibriumand seek to develop and extend those ideas to make them more empirically accurate. Behavioral models assume that economic actors try to pick the best feasible option and those actors sometimes make mistakes. Behavioral ideas should be incorporated throughout the first-year undergraduate course. Instructors should also considering allocating a lecture (or more) to a focused discussion of behavioral concepts. We describe our approach to such a lecture, highlighting six modular principles and empirical examples that support them.

Keywords: behavioral economics, optimization, equilibrium, economic decision-making, bounded rationality, beha

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