

Nobel Economics Prize

10th October, 2017



US economist Richard Thaler won the 2017 Nobel Economics Prize for his contributions in the field of behavioural economics.

The economics prize, officially called the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel, was established in 1968. It was not part of the original group of awards set out in dynamite tycoon Nobel's 1895 will.

Contributions of Richard Thaler:

His empirical findings and theoretical insights have been instrumental in creating the new and rapidly expanding field of behavioural economics, which has had a profound impact on many areas of economic research and policy.

- By exploring the consequences of limited rationality, social preferences, and lack of self-control, he has shown how these human traits systematically affect individual decisions as well as market outcomes.
- In total, Richard Thaler's contributions have built a bridge between the economic and psychological analyses of individual decision-making.

So, what is behavioural economics?

The field of behavioral economics blends insights of psychology and economics, and provides some valuable insights that individuals are not behaving in their own best interests. Behavioral economics provides a framework to understand when and how people make errors. Systematic errors or biases recur predictably in particular circumstances. Lessons from behavioral economics can be used to create environments that nudge people toward wiser decisions and healthier lives.

- This branch looks at the impacts of social, psychological and emotional factors in making decisions about money that aren't in a person's best interest. It's kind of the opposite to the rational decision makers that are usually described in economic theory.
- Thaler's research has expanded economic analysis by considering three psychological traits: limited rationality, perceptions about fairness and lack of self-control.

To be looked in UPSC Paper 3 Topic: Indian Economy and issues relating to planning, mobilization of resources, growth, development and employment.