



Article

The Essence, Meaning, Role, and Prospects of Behavioral Economy Development

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Abstract: This article explores the essence, development, and future prospects of behavioral economics, emphasizing its critical role in explaining modern economic phenomena that traditional models fail to capture. While classical economic theories often assume rational agents, a significant knowledge gap exists in understanding how psychological, emotional, and social factors shape real-world economic decisions. Using logical analysis, literature review, and observation-based empirical methods, this study investigates key concepts such as risk aversion, libertarian paternalism, fairness, and self-control models. The findings reveal that behavioral economics provides powerful tools for understanding deviations from rational behavior, particularly in consumer choices, financial decision-making, and policy impacts. The results highlight how interdisciplinary integration of psychology and economics enables more accurate predictions of individual and collective behavior, offering fresh perspectives for designing effective economic policies. The implications suggest that further advancing behavioral economics can help improve decision-making strategies, refine economic models, and inform policy interventions that align more closely with human behavior, ultimately strengthening both theoretical frameworks and practical applications in the global economic landscape.

Keywords: behavioral economics, economic theory, psychology, rationality, libertarian paternalism. minimally invasive

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1. Introduction

With each passing year, the processes in modern society and the global economy are becoming increasingly multifaceted and complex. Economic research requires interdisciplinary approach, consideration of personal characteristics and close interconnection of economic subjects, macroeconomic factors, and general trends in society's development[1]. Even greater problems for economic science - modern trends in consumer behavior such as greening, aesthetics, changing the emotional basis of consumer choice, developing charitable economics, and ethical foundations of economic activity - are once again coming to the forefront[2].

All these economic and social upheavals and trends are unpredictable, and most importantly, they are practically impossible to formulate and describe in terms of existing economic models[3]. For example, in recent years, households' desire to consume environmentally friendly products, use renewable energy sources, and make comprehensive contributions to environmental preservation and restoration cannot be explained within reasonable economic reasons, as such behavior becomes more expensive

compared to the traditional model and does not fully satisfy basic needs. In many ways, this behavior is emotional and is determined by people's internal moral motives and the desire to satisfy high, complex needs. In these conditions, the issue of modernizing and adapting existing economic models to modern challenges is particularly relevant. But for this, it is necessary to make adjustments to the fundamental model underlying virtually all economic theories - the economic person model[4].

Traditional economic science is incapable of predicting market conditions and modeling human behavior. In this regard, the concept of an economic person, which is not subject to any psychological aspects, can be considered irrational and incompatible with everyday life. The problem of searching for a new branch of the economy that takes into account the psychology of decision-making under the influence of these factors and predicts human behavior in the market has become relevant. The solution to this problem was behavioral economics, which expanded the horizons and boundaries of traditional economic science. The purpose of this article is to present behavioral theory as a variant of the logical development of the economic person model[5].

Analysis of literature on the topic. The theoretical articles of Western and Russian authors on the following issues served as the basis for the analysis of the research:

- defining the economic model of a person, the problems of its development; - the essence, stages of development, and interdisciplinary connection of behavior theory;
- discussions on the synthesis of the neoclassical model of the economic person and the theory of behavior.

A logical analysis of the material on the above-mentioned issues was conducted and conclusions about the significance of behavioral finance in modern research were presented, and the role of behavioral theory as a complementary element of the economic person model in cases of deviation from a rational behavioral model was detailed.

For example, Richard Thaler substantiates the necessity of transitioning to interdisciplinary research, as well as using personalized models, by presenting a classification of economic person models. Russian economist-scientist R.I. Kapelyushnikov, A. Smith, and D.J.M. Keynes demonstrate the clear destructiveness of the economic person model due to its focus on super-rational consumer behavior. The author draws attention to the fact that these models and their implementation within the framework of modern market economy leave no room for the ethical and spiritual foundations of people's economic activity, their professional self-development[6].

2. Materials and Methods

The methodology applied in this article integrates logical analysis, literature synthesis, and observation-based empirical methods to explore the essence, development, and prospects of behavioral economics[7]. Drawing from interdisciplinary sources, the research examines theoretical works by Western and Russian scholars, including Nobel laureate Richard Thaler and economist R.I. Kapelyushnikov, to assess the evolution of behavioral economics as an extension and refinement of classical economic models[8]. Logical analysis serves as the primary tool for dissecting the conceptual foundations of the economic person, identifying limitations in traditional assumptions of rationality, and mapping the incorporation of psychological, emotional, and social dimensions into economic thought. Complementing this, the study applies observational methods common in psychological and economic sciences to understand how cognitive biases, risk aversion, fairness, and self-control mechanisms manifest in individual and collective market behavior. By synthesizing the reviewed literature and applying these methods, the research captures the interdisciplinary nature of behavioral economics and evaluates its capacity to address gaps left by neoclassical theories. The approach emphasizes the importance of examining real-world decision-making processes under varying psychological and situational influences, moving beyond abstract models toward a more

human-centered understanding of economic activity. This multi-method design allows for a nuanced exploration of how behavioral insights can enhance predictions, policy design, and economic modeling. Ultimately, the methodology supports the article's aim to demonstrate that behavioral economics is not merely a theoretical supplement but a critical framework for interpreting and guiding economic behavior in today's complex, dynamic environment[9].

3. Results

It cannot be denied that modern competitors are distinguished by advanced technologies and high competition. In modern conditions, to ensure and maintain a person's diverse needs, as well as their optimal functioning, it is necessary to study and understand their behavior and model of behavior in the market as deeply and comprehensively as possible. The solution to this problem can be found in behavioral economics. It plays a central role in people's decision-making, as a person's behavior changes depending on the current situation, thoughts, mood, and social environment. Behavioral economics is defined as the field of economics that studies how social, cognitive, and emotional factors influence people's and organizations' economic decisions and how decisions made affect the market. [10]

Compared to other sectors of the economy, behavioral economics does not have clear boundaries. The main object of study for this branch of the economy is the boundaries of rationality of economic agents. Behavioral models studied in behavioral economics often combine the achievements of psychology with neoclassical economic theory, encompassing a range of concepts, methods, and research areas. "Behavioral economics specialists are interested not only in market events, but also in collective choice processes, which include cognitive errors and elements of egoism in decision-making by economic agents"[11]. The role of behavioral economics is increasing every year and has a strong impact on a person's daily life.

The behavioral direction of economic theory emerged as a result of the merger of two sciences - economics and psychology, expanding the methodology and possibilities of the entire economy. People's behavior cannot always be described by rational or universal methods. In this regard, behavioral economics has provided numerous and diverse ways to explain human behavior and actions. In traditional economics, particularly in economic theory, there are many pressing issues that can be addressed with the help of a developing young branch - behavioral economics. It should also be noted that..."behavioral economics differs from experimental economics, which uses experimental methods to study economic issues, while not all areas of experimental economics are related to psychology"[12].

Despite the fact that many studies study the psychological aspects of decision-making, experiments are aimed at explaining the movement of institutions or are preliminary tests of designing market mechanisms. "Behavioral economics largely relies on observation theory and methodology and can only use experimental methods in certain cases"[13].

The essence and role of modern behavioral economics can be revealed through the following key concepts:

- the effect of non-acceptance of risk and possession, that is, the fear of loss is characteristic of individuals, therefore they behave as if what they have is more valuable than similar things they do not have;
- "smart calculations" is a psychological concept that explains how people simplify the process of making financial decisions by creating new development impulses: scientific research tasks - pay more attention to the individual consequences of each individual decision rather than a certain set of individual "calculations" and their overall result;
- the "planner-executor" self-control model, according to which a person has two selves:

- a) short-sighted executor;
- b) a far-sighted planner who, throughout his life, is engaged in maximizing utility, and the executor focuses only on current utility, therefore the ability of the planner to manage the executor's actions depends on the personal characteristics of the person (self-management, willpower, etc.);
- "libertarian paternalism" as the basis of "minimal invasive economic policy," the essence of which lies in the long-term improvement of people's well-being provided that their choices are not limited;
- according to the Russian researcher R.I. Kapelyushnikov, the normative program created by the ideas of "new paternalism" significantly expanded the limits of permissible state intervention in people's economic and personal lives compared to what the traditional neoclassical theory of well-being offered"[14].
- fairness is the social advantage of economic agents that limits profit maximization and manifests in the fact that some people treat others honestly even in an anonymous environment. While others are ready to give up resources to punish those who treat them unfairly, and some people are ready to spend their resources to punish others for unfair behavior and violation of general rules;
- Behavioral financing relies on behavioral economics and is based on the hypothesis that the stock market reacts excessively to new information, as well as on "avoiding proximity to losses," that is, the tendency of investors to overestimate profits in the short term[15].

The 2017 Nobel Prize winner in Economics, R. Thaler, based on the works of behavioral economics classics, questioned the conclusions of traditional economic theory and considered three psychological factors that determine people's decision-making: the perception of justice, lack of self-control, and limited rationality.

Modern behavioral economics is impossible to imagine without Thaler's contribution. His merit was, firstly, the combination of economic and psychological analysis of decision-making by economic agents. Secondly, the creation of a new field of behavioral economics, which expands the traditional economic concept with the concepts of limited rationality, "mental calculations," "liberal paternalism," shows that economic policy based on behavioral economics knowledge can help people make more balanced and correct decisions.

4. Discussion

The results of this study affirm the growing relevance of behavioral economics in addressing the limitations of traditional economic theories, especially those based on the notion of fully rational agents. By integrating psychological and emotional dimensions into economic analysis, behavioral economics offers a more comprehensive framework for understanding real-world economic behavior. This aligns with prior research that has challenged classical assumptions and emphasized the importance of cognitive biases, fairness, risk aversion, and self-control in shaping decisions. Compared to conventional models, behavioral economics provides greater explanatory power regarding consumer irrationality, inconsistent preferences, and decisions that deviate from utility-maximization.

Notably, the concept of "libertarian paternalism" introduced by Thaler, along with the planner-doer self-control model, illustrates the depth of interdisciplinary thinking in behavioral economic research. These frameworks not only bridge the gap between economics and psychology but also enable the development of policies that gently guide individuals toward better choices without restricting their freedom. This study's findings are consistent with existing literature suggesting that behavioral insights can improve economic predictions, policymaking, and institutional design.

Furthermore, the observed role of social norms, fairness, and ethical motivations in economic decision-making highlights the inadequacy of neoclassical assumptions that

prioritize profit maximization and self-interest. The contribution of behavioral economics is particularly evident in areas like financial markets, consumer behavior, and public policy, where real decisions are often influenced more by perception, emotion, and social context than by pure logic. Hence, this research underlines the necessity for economic models to evolve in tandem with behavioral realities, thereby enhancing both their predictive accuracy and practical applicability in contemporary economic environments.

5. Conclusion

In conclusion, it can be said that behavioral economics has great practical significance in studying various economic phenomena. Behavioral economics is a field of study that analyzes people's behavior and decision-making strategies, including the influence of specific cognitive, psychological, social, and emotional factors. This direction of economics represents a logical hierarchical structure, which has already been substantiated at the present stage. The scientific contribution of behavioral economics lies in expanding the boundaries of traditional economic theory and eliminating limitations. At the same time, the possibility of forecasting human behavior and its model in the system of market relations increases.

Behavioral economics addresses previously unexplored socio-economic phenomena and also deals with describing how human behavior differs from the assumptions of standard economic models.

It should also be noted that research within the framework of behavioral theory has given impetus to the development of the latest management theories.

For the further development of behavioral economics, much more effort, time, and real economic knowledge will be required.

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