

Pop Economics

Introductory Class

Pop Economics: What Does It Mean?



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Pop-Economics

- Two ways how to understand pop-economics:
- **Popular economics** used by journalists easy understandable to the people
- Economics dealing with **popular topics** which primarily do not look economic (i.e. economics and drugs, economics and happiness, beauty, ...)

Why did pop-economics appear?

- Disappointment in economics after financial crisis
- People are not that rational
- Economics did not reflect factors such as emotions, psychology, hormones, which have impact on economy and markets
- Markets, GDP, growth are abstract, but they are influenced by emotions

Exact science vs. behavior economics

- Models - ceteris paribus
- Economics faces a lot of challenges as a social science.
- The research of economist can influence the behavior of the sample.
- Similarly, crisis can be worsened by the people.
- Logical rules do not always work: snob effect

Success of Marketing

- Marketing succeeded in working with human irrationality
- Economics based its presumptions in rationality.

In the half of 20th century, marketing started to influence the reality more than economics. It also started to influence politics and society in general.

Marketing or economics?

- Financial crisis accelerated the change of economics.
- Economics responded to the competition of Marketing in 70ties and 80ties by behavioral economics.
- Behavioral economics incorporates psychology.

Bias of humans

- People are sensitive to bias and become biased, but are not aware of that.
- Daniel Kahneman: Thinking, Fast and Slow
- He is one of founders of behavioral economics.
- He is a laureat of Nobel Prize.



Source: Flickr

Does economics have a good PR?

- Formulas, definitions are not understandable
- This caused the decrease in popularity of economics.
- But still, currently media help bring economics closer to the public, but the cost is the simplification.
- Economic news help make economics more popular.

Our course

- Financial crisis
- Behavioral economics:
 - happiness economics – how our financial decisions makes us happy, why poorer countries are happier and more suicides in richer countries
 - beauty economics -why women earn more or less than men,are chances of more attractive people higher in the labour market?

What to Remember

- Pop-Economics
- Behavioral economics
- Bias

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