

**N. EMRAH
AYDINONAT**



@aydinonat

MIND, SOCIETY AND BEHAVIOR

ECONOMICS



MODEL



REALITY

A bag of assumptions

**Most economic models presuppose
hyper-rationality + perfect institutions**

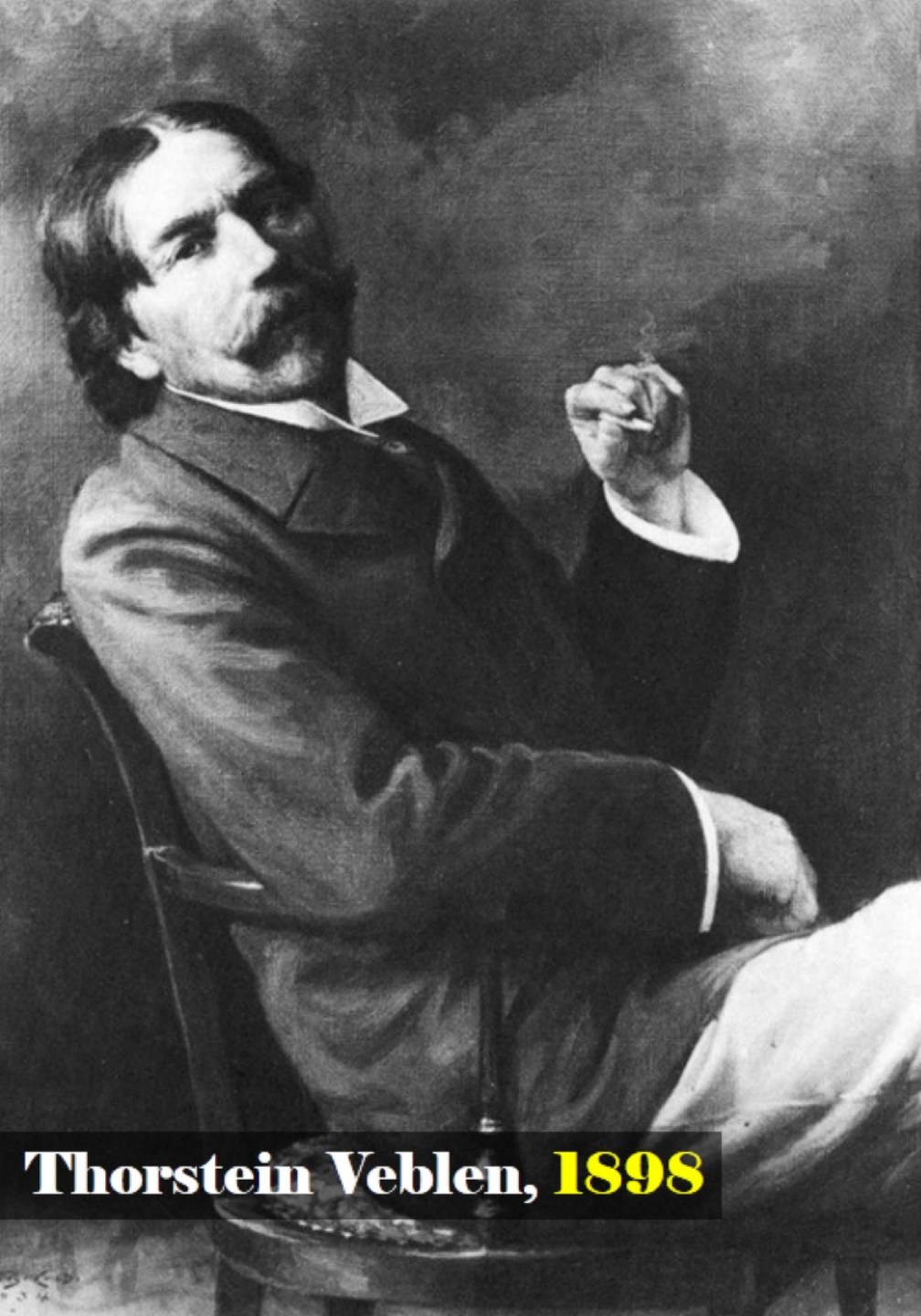


How Economics Works



Emotional
Fairness concerns
Limited cognitive power
Bad memory
Confused
Illusory superiority
Present bias
Bad decision under stress
Loss aversion
Time-inconsistency
Preference reversals
Reference dependence

HUMAN



The hedonistic conception of man is that of a lightning calculator of pleasures and pains who oscillates like a homogeneous globule of desire of happiness under the impulse of stimuli that shift him about the area, but leave him intact. [...] Spiritually, the hedonistic man is not a prime mover. He is not the seat of a process of living...

Thorstein Veblen, 1898

$MC=MR$



MARGINALISM DEBATE



RATIONAL FROG

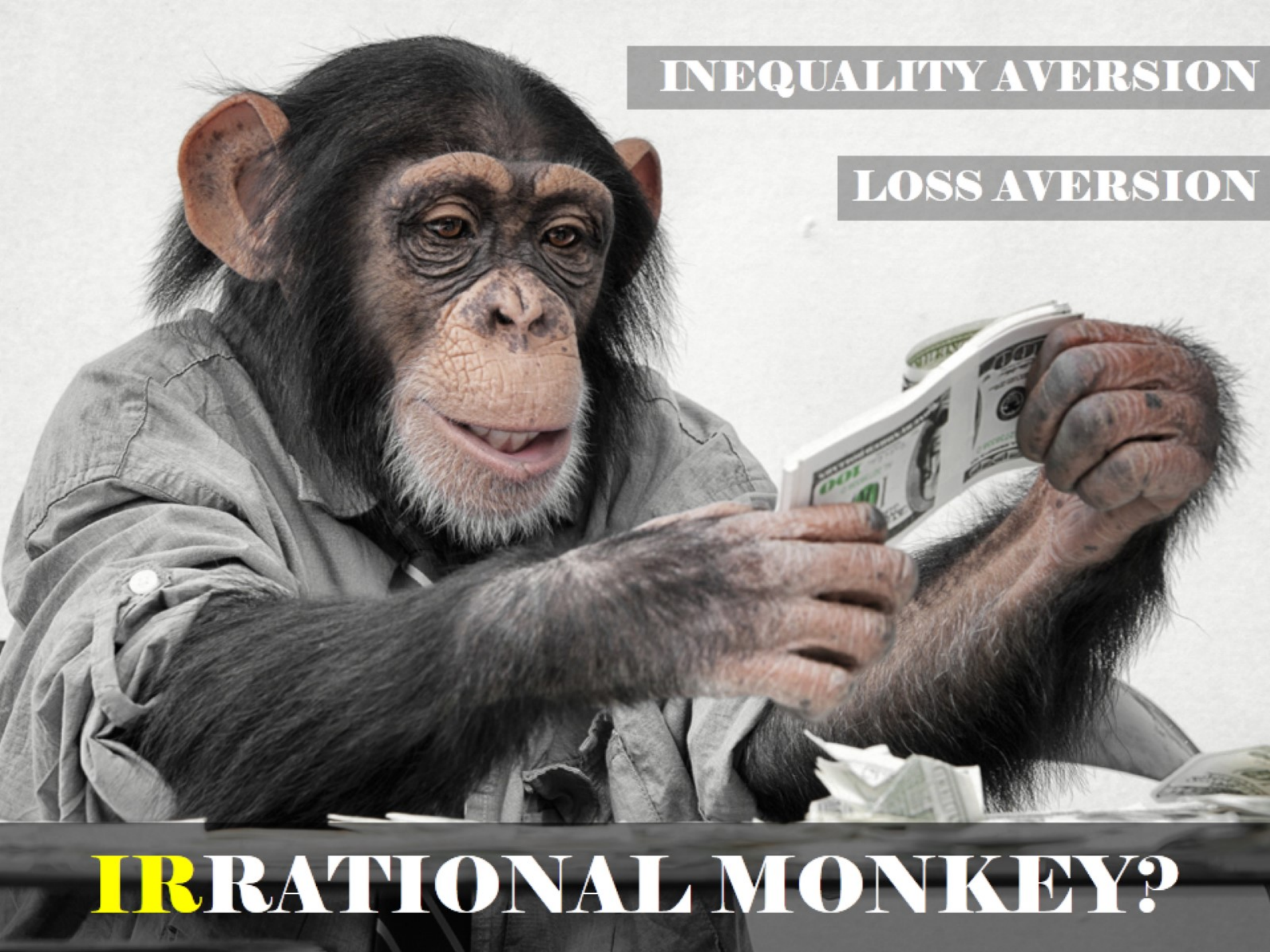
Scientist's point of view vs Agent's point of view



As If RATIONAL



ULTIMATOM & DICTATOR GAMES



INEQUALITY AVERSION

LOSS AVERSION

IRRATIONAL MONKEY?

Buridan's ass



**HOMO ECONOMICUS AND
COORDINATION**

FOCAL POINTS

COORDINATION



WHERE TO MEET IN TAKSİM



**DO MONETARY INCENTIVES
MATTER?**

A young girl with blonde hair in pigtails, wearing red bows, has blue face paint around her eyes and red around her mouth. She is looking intently at the camera while playing with colorful plastic blocks. To her right are two stuffed animals: a white one with a black spot and a rainbow scarf, and a yellow one with a red heart that says "I LOVE YOU".

INCENTIVES

DAYCARE CENTER EXPERIMENT

INCENTIVES



CHARITY EXPERIMENT

Task: distribute female condoms
Agents: hairdressers and barbers



Type	Incentive
Pure Volunteer	None
Low	10% of sales price
High	90% of sales price
Status	Sales chart to be filled with stars—after threshold public ceremony

STARS SOLD TWICE AS MANY CONDOMS



For lovers who choose to **care!**

CARE PROMOTER:

CONTRIBUTION TO COMMUNITY HEALTH	PACKS OF FEMALE CONDOMS SOLD
5 icons	100 dots
4 icons	100 dots
3 icons	100 dots
2 icons	100 dots
1 icon	100 dots



FAILURE TO SAVE

OVERSPENDING

OVERBORROWING

ARE WE RATIONAL WITH MONEY?

OVERSPENDING WITH CREDIT CARDS



Limited willpower

Not knowing oneself

Limited memory

Present bias



ADVICE?

SAMPLE RECEIPT

555 S Raystreet
Austin, TX 78745
555-555-5555

STORE: 0003 REGISTER: 001
CASHIER: KATIE
ASSOCIATE: 000000

CUSTOMER RECEIPT COPY

ORIGINAL TRANSACTION INFORMATION

STORE : 0003
REGISTER : 001
DATE : 12/31/2005
NUMBER : 5194

259.99

SUBTOTAL 259.99
SALES TAX 21.45
TOTAL 281.44

AMOUNT TENDERED

Visa 281.44

ACCT: *****1234

EXP: *****

APPROVAL: 999999

CARDHOLDER: JANE SMITH

TOTAL PAYMENT 281.44

Transaction: 52858 1/8/2006 2:40 PM

CARDHOLDER SIGNATURE:

Jane Smith

THANK YOU FOR SHOPPING WITH US
WE APPRECIATE YOUR BUSINESS

SAMPLE RECEIPT

555 S Raystreet
Austin, TX 78745
555-555-5555

STORE: 0003 REGISTER: 001
CASHIER: KATIE
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EXP: *****

APPROVAL: 999999

CARDHOLDER: JANE SMITH

TOTAL PAYMENT 281.44

Transaction: 52858 1/8/2006 2:40 PM

Monthly Spending	523.02
Total Debt on Card	823.52

CARDHOLDER SIGNATURE:

Jane Smith

THANK YOU FOR SHOPPING WITH US
WE APPRECIATE YOUR BUSINESS

POLICY ADVICE?

Monthly Spending

Total Debt on Card

REDUCING COSTLY PAYDAY BORROWING



How much it will cost in fees or interest if you borrow \$300

PAYDAY LENDER (assuming two-week fee is \$15 per \$100 loan) If you repay in:		CREDIT CARD (assuming a 20% APR) If you repay in:	
2 weeks	\$45	2 weeks	\$2.50
1 month	\$90	1 month	\$5
2 months	\$180	2 months	\$10
3 months	\$270	3 months	\$15



SOLVING TURKEY'S PROBLEMS?



Traditional:

- **Regulate Credit Card Use**
- **Consequence: Financial Innovation**

Behavioral:

- **Make relevant information easily available**

Credit Card Indebtedness



Traditional:

- **Personal Retirement Plan**

Behavioral:

- **Automatic enrollment with
op-out**

Saving



Traditional:

- **Complex System with Punishment**

Behavioral:

- **Simplify**
- **Make information concerning peers available**
- **Non-monetary rewards system**

Tax System

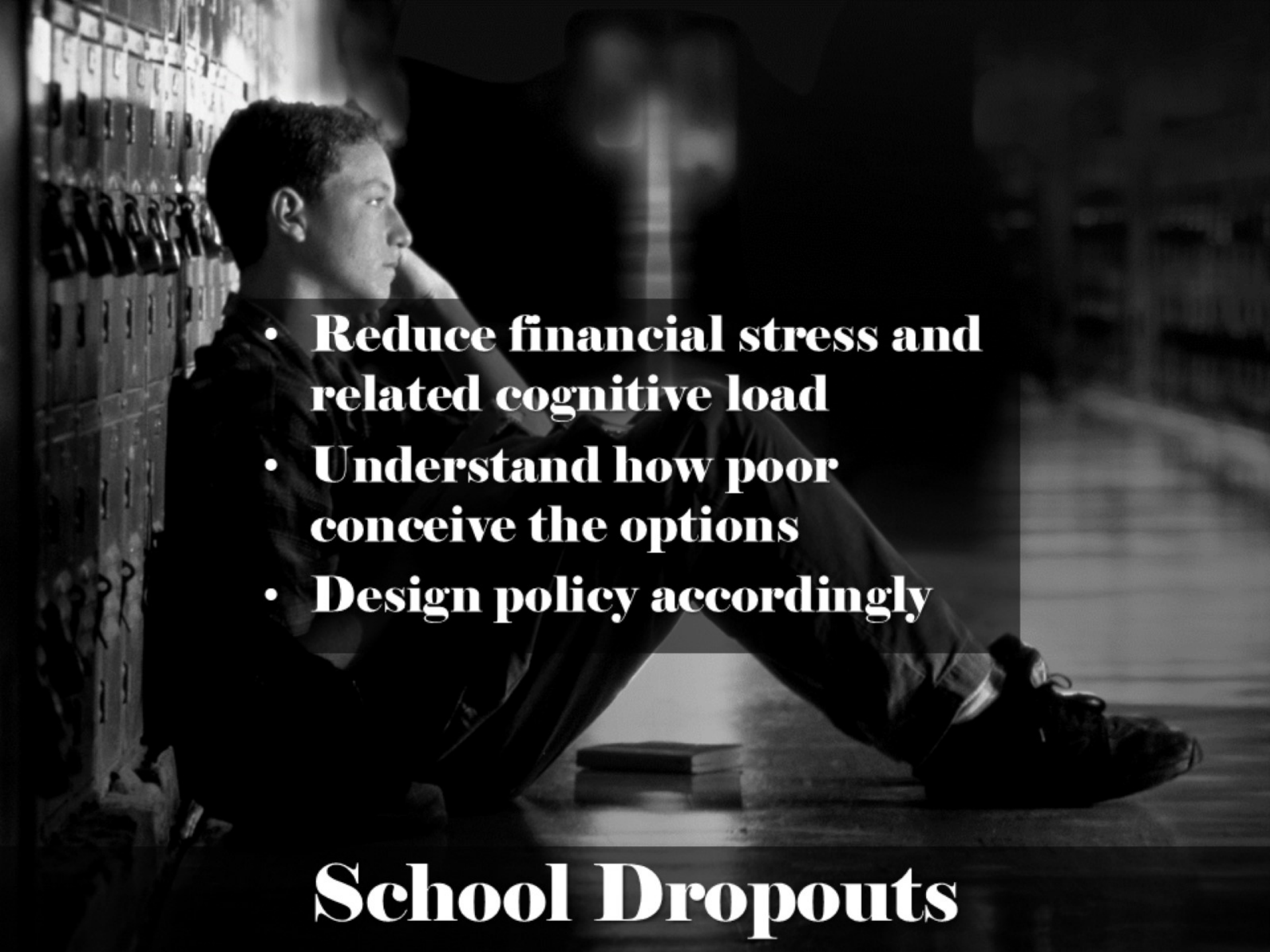
Reduce Energy Consumption

- **Info on Inefficient Light Bulbs and Devices**
- **Make information concerning peers available**
- **Non-monetary rewards system**
- **Make use of TV series, entertainment etc.**

Energy Dependence

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- **Change Mental Models**
 - **Non-monetary rewards**
 - **Target informal institutions (CEO's abide by the safety rules)**

Occupational Accidents

- 
- **Reduce financial stress and related cognitive load**
 - **Understand how poor conceive the options**
 - **Design policy accordingly**

School Dropouts

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