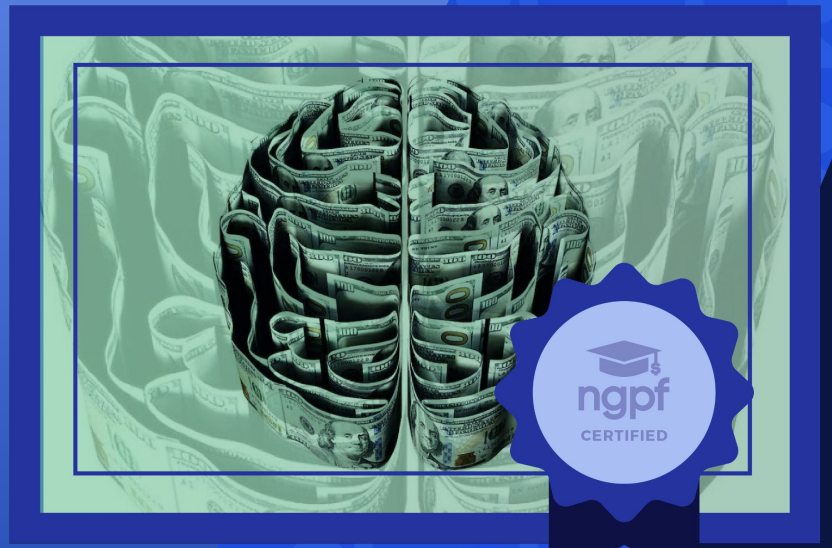
CERTIFICATION COURSE

It's All In Your Head (Behavioral Economics)

Maine Conference 2022



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The Plan

- A definition
- Four games
- A peek at the Behavioral Economics unit

A Definition

Behavioral economics combines elements of economics and psychology to understand how and why people behave the way they do in the real world. It differs from neoclassical economics, which assumes that most people have well-defined preferences and make well-informed, self-interested decisions based on those preferences.

Shaped by the field-defining work of University of Chicago scholar and Nobel laureate Richard Thaler, behavioral economics examines the differences between what people "should" do and what they actually do and the consequences of those actions.

Source: University of Chicago

Let’s Play Some Games

Not so hidden persuaders...3 minutes

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QUESTION OF THE DAY

Consumer Skills

Q: What are the most popular "tricks" that shopping websites use to get us to buy more?

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Consumer Skills

A:

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FOLLOW-UP QUESTIONS

1. Which of the following tactics have you seen on websites?
2. Which of the top three "tricks" has the greatest impact on your behavior? Why?
    a. Running out of the product..only 3 left in stock
    b. Flash sale only available for the next hour
    c. A celebrity you follow loves this product too...
3. Why do you think these tactics are so effective at getting us to buy more?

Dark Patterns

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What's the range?

Provide a range of values that you are 90% certain will include the correct answer

What's the range?

Number of continents?

What's the range?

What year was the first gif created?

What's the range?

Percentage of total U.S. retail sales that are done online?

What's the range?

Number of stocks traded on the New York Stock Exchange?

What's the range?

Market value of all cryptocurrencies?

Answers

1. Number of continents (Low to High): **7**
   - Asia, Africa, North America, South America, Antarctica, Europe, and Australia
   - Source: Brittanica
2. What year was the first gif created? **1987**
   - Steven Wilhite created the GIF file format in 1987 while he was at CompuServe.
   - Source: NPR
3. Percentage of total U.S. retail sales that are done online? **19%**
   - Source: Digital Commerce 360
4. Number of stocks traded on the New York Stock Exchange? **Around 2400**
   - Source: NYSE
5. Market value of all cryptocurrencies (as of 5/2022): **$1.24 trillion**
   - Source: Slick Charts

Brain Games: Overconfidence Effect

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What's the rule?

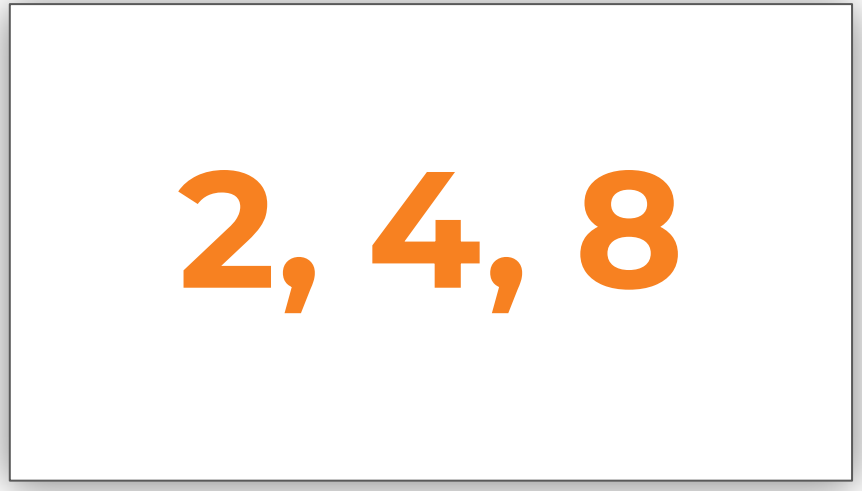
Three number sequence

X, X, X

I'm going to give you a 3 number sequence. I have a rule in mind that these three numbers obey and I want you to try and figure out what that rule is.

The way you get information is by proposing your own set of three numbers to which I will say yes it follows my rule or no it doesn't follow my rule. Then you can propose what you think my rule is.

And the numbers are...



Now, come up with your own set of three numbers

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The most common cognitive bias

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What exactly is confirmation bias?

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Roll With the Market

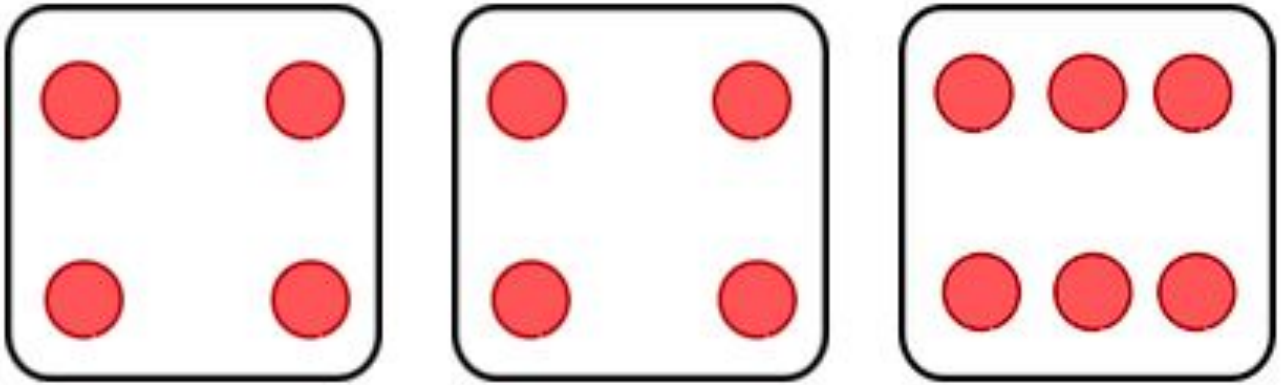
The Playing Board

Round	Starting Balance	IN/OUT of Market	One die roll	Market up/Down	3 dice roll	If OUT, Add +1	Ending Balance
1	100						
2							
3							
4							
5							
6							
7							
8							
9							
10							

The Rules

- Start with $100 fictional account balance
- Each round: Are you in/out?
  - If out, you get +1
- If in, roll one die first...
  - 1 or 2: Market decline
  - 3, 4, 5, 6: Market increase
- Then second roll is the return: roll 3 dice

Are You Ready?



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Reflection

- Describe the range of emotions you experienced as you played the game.
- What had an impact on the strategy that you used?
  - How your peers were doing?
  - What the recent trend in the market had been?
  - The goals you set before you started playing the game?
  - How many rounds were left in the game?
- What did you learn about yourself and your your risk tolerance with this game?

What does this have to do with investing?

- Loss Aversion
- Regret
- Recency effect
- Risk tolerance
- Market timing
- Cheating

Time to Explore

Behavioral Economics Unit

Full Year Course

- FY-8.0 - Unit Plan & Assessments
- FY-8.1 - Are You Really in Control of Your Decisions?
- FY-8.2 - Sore Loser
- FY-8.3 - Let It Go!
- FY-8.4 - Everyone Else is Doing It
- FY-8.5 - Arrogance and Echo Chambers
- FY-8.6 - Enough is Enough
- FY-8.7 - I Saw It On Social Media

Activities

ECON: Risk and Loss Aversion

PLAY: Dollar Auction Game

ANALYZE: Change a Bad Financial Habit

View More...

Fincap Fridays

Until the Game Stops

Scroll, Tap, Pay

Biases Behind Choices

View More...

Questions of the Day

What percentage of people make purchases due to FOMO?

What app category had the highest growth among Gen Z in 2020? Finance, Shopping or Social Media?

Where do most 18-24 year olds say they learn about personal finance?

View More...

Data Crunch + Math

DATA CRUNCH: Money Can Buy Happiness After All

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THANK YOU!

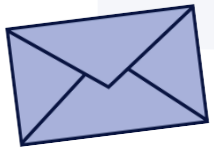
Interested in the games we played today?

- Resource List: bit.ly/BEresource519

- Sign up for an account at www.ngpf.org

Interested in diving in deeper...

1. **On-Demand: Dark Patterns are trying to trick you**
2. **Certification Courses: Behavioral Economics AND Psychology of Money**



Questions? tim@ngpf.org

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