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Evaluation of 2008 Global Crisis by Behavioural Economics Approach

Perihan Hazel Kaya¹, Gülsüm Gamze Yıldırım¹¹Selcuk University, Turkey

ABSTRACT

It is rather difficult to explain the economic crisis which is starting in the United States in 2008 and rapidly spreading to all the countries of the world through the influence of globalization with the previous crisis theories. The other words, institutional mechanisms that are formed with classical economic thought's homoecomicus human type, rationality hypothesis and "laissez faire laissez passe" are insufficient to understand this crisis process. Behavioral economics, which has an important link between economic and psychological sciences in the analysis of individual decisions especially combining psychological assumptions with economic decision-making analyzes, draws attention with its approach to the 2008 global crisis. Behavioral economics refers to the cognitive ability of the individual in the decision-making process and cognitive decision making is more effective than rational computation. Traditional economists examine the behavior of markets and analyze income, prices, the amount spent, the relationship between savings and investments. Behavioral economists, examines human behavior by analyzing the processes of investment, price determination, saving and spending, including psychological factors that affect behavior such as people's motivations, attitudes and expectations. The aim of this study is to draw attention to 2008 global crisis is not just a financial crisis but also a confidence crisis and how people come out of rationality in the decision-making process and how their cognitive intelligence comes to the forefront. In this direction, first of all, historical development of behavioral economics will be examined and uncertainty and under risk decision process will be evaluated within the framework of expectation theory. Then, the process of the emergence of 2008 global financial crisis will be considered and the crisis will be tried to be illuminated within the framework of behavioral economics.

KEYWORDS Behavioral economics; 2008 global crisis; expectation theory; psychology

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