

On the breakthrough of economic psychology

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Introduction of neuroeconomic model (NeM)

Neuroeconomic Model of Decision-making (NeM) identifies Risk-willingness as the basal parameter of behavior.¹⁻³ NeM integrates with the Big5 typology providing an Economic Psychology, see in Figure 1.⁴ Use it with the Dohmen Scale to develop sensitivity to the psychological differences between Extravert, Agreeable, Conscientious and Open-minded.

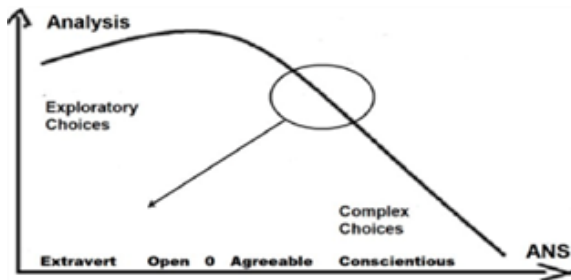


Figure 1 Neuroeconomic Model of Decision-making (NeM).

Evidence on the rise of the creative class

The “Rise of the Creative Class”⁵ is supported by NeM showing that the demographic distribution of Tempers has tripled the share of Open-minded persons since 1970. Especially increasing Conscientiousness is related to modern upbringing, education and business experience. Another study confirms, too, such a rise in the creative class after WW2.⁶ The Open-minded, resembling a modern entrepreneur, is characterized as the “Pilot-in-a-plane” in a doctoral dissertation.⁷ So, the demographic normal has changed from Conscientiousness to Open-mindedness.

Stress-management by meditative in-depth-relaxation

WHO warns that epidemic job-related stress by 2030 becomes the most costly disease burden.⁸ NeM reveals the neurophysiologic rationale of classical (Vedic) meditation as in-depth-relaxation releasing stress, strain and traumas with significant health benefits as reduction of plasma cortisol, stress, anxiety⁹ and health costs. The effectiveness can be tested by a simple galvanometer.

Recognition of special risks of prejudices in economics

Antique Greece discovered scientific synthesizing as a dialectical process between thesis and antithesis. In the 17th Century, British Empiricists added empiric falsification to the dialectica to overcome prejudices by religion, tradition and personality. Table 1 shows how subjective biases have special relevance to behavioral disciplines as Economics where we are both subject and object.

In Economics, the professional Utilitarian interest is identical with the personal, making it more subtle to document typical Extravert biases¹⁰ that become more dangerous because they are followed by Agreeables. Conscientiousness can be too strong, too, letting you reject useful solutions.

Economic psychologists must control their subjective biases to gain representative knowledge!

Table 1 Positivist economics

True value	Sample-based probability decision	
	Accept	Reject
Thesis antithesis	Representative knowledge	Type I Error
	Type 2 Error	Objectively 5% significance;
	Objectively 5% significance;	Subjectively Conscientiousness
	Subjectively Extraversion	Integrity

Discussion of a balanced criteria of growth

BR is an axiom of classical unidimensional growth in GDP per Capita.¹¹ Modern research demonstrates a logarithmic correlation between life-expectancy and growth in GDP: 2% long-term growth in GDP per capita raises life-expectancy by 3 months which has more than redoubled average life-expectancy in the industrialized world in 200 years.¹² However, since WW2 negative market failures have become much stronger, implicating the need for a balanced model of growth:

- Mill demonstrated that the total quality-of-life of the population can be improved by social redistribution of income¹⁰. Contemporary studies by the International Monetary Fund (IMF) show that inequality is rising in the globalized economy due to the gigantic multinational companies.¹³ An effective means for economic equalization is Universal Basic Income (UBI) at the level of the line of relative poverty.¹⁴
- Referring to WHO epidemic stress will become the most heavy disease burden by 2030.⁸ In the USA, a workplace survey estimates the costs of Workplace stress to be 500 billion USD or 2% of GDP in the USA.¹⁵ Since “Limits to Growth” from the ROM-Club, the damage to the climate has been a rising concern all over the world.¹⁶ The global CO₂ -emission is today five fold more than before WW2. The most effective intervention has for 100 years been a Pigouvian Tariff that recently was awarded with

the Nobel Prize.¹⁷ The cost of substitution and catching from the Atmosphere is estimated to 150 USD per ton incl. pollution of air, earth and water.¹⁸ Global GDP aggregates to nearly 100 Trillion USD per year. Substitution down to the 1990 level (15 Billion ton), as agreed by the Paris Agreement, would cost 2% of global production capacity.

The unidimensional paradigm BR must be replaced by a tripartite growth criteria (3P) integrating “Profit, Personnel and Planet” that today unfortunately has a negative net effect on the quality-of-life (QALY).^{14,19} This is not abandoning the classical focus on rationality, but rather an expansion of the scope of Economics from unidimensional thinking to a moderate complexity.

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Conflicts of interest

Authors declare that there is no conflict of interest.

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