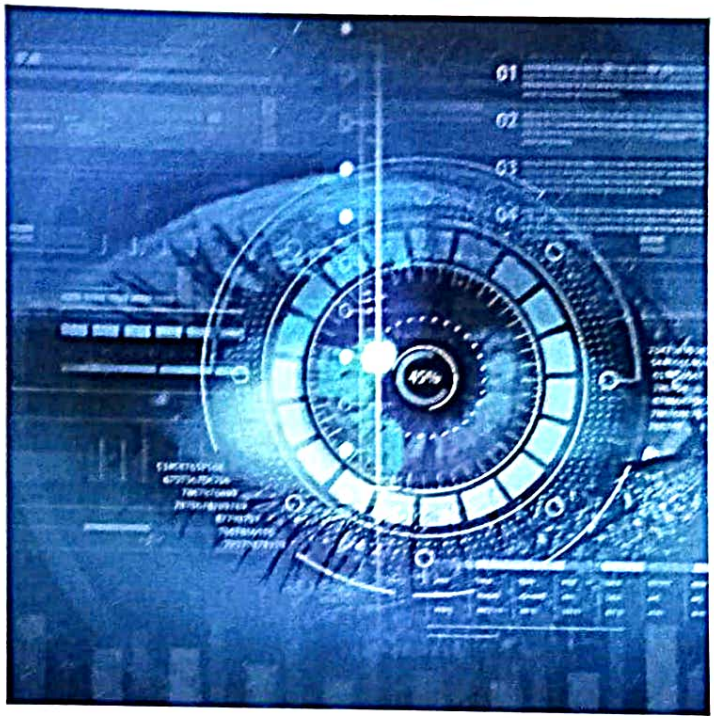
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1. A Study of International Marketing Richard H. Thaler and Nobel Prize Winning Theory of Nudge: Improving Decisions about Health, Wealth, and Happiness

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Abstract

Richard H. Thaler during Nobel Prize Press Conference in Stockholm, December 2017. Thaler was the 2017 recipient of the Nobel Memorial Prize in Economics for "incorporating psychologically realistic assumptions into analyses of economic decision-making. By exploring the consequences of limited rationality, social preferences, and lack of self-control, Thaler has shown how these human traits systematically affect individual decisions as well as market outcomes." Immediately following the announcement of the 2017 prize, Professor Peter Gärdenfors, Member of the Economic Sciences Prize Committee, said in an interview that Thaler had "made economics more human".

Key Words Richard H. Thaler, Nobel Memorial Prize in Economic Sciences, Behavioral Finance, Overview of Nudge, nudge management'

Introduction

Richard H. Thaler (Born September 12, 1945) is an American economist and the Charles R. Walgreen Distinguished Service Professor of Behavioral Science and Economics at the University of Chicago Booth school of Business. In 2015, Thaler was president of the American Economic Association. He is a theorist in behavioral finance, and collaborated with Daniel Kahneman, Amos Tversky and others in further defining that field. In 2018, he was elected a member in the National Academy of Sciences. In 2017, he was awarded the **"Nobel Memorial Prize in Economic Sciences"** for his contributions to behavioral economics.

Objectives of the Research

1. To study the history of Richard H. Thaler.
2. To Study the Various concepts of behavioral Economic.
3. To Study the Concepts of behavioral Finance.

4. To Knowing about theory of Nudge.
5. To Study about Nobel Prize in Economics.

Hypothesis of the Research

"Theory of Nudge Analyzed improving decisions of human about various variables."

Methodology and Data Collection for the Research –

The current research depending on secondary data collection. Data for research collecting by various books, Journals, Searching by various websites, etc.

Explanation of the Topic

In its Nobel Prize announcement, the Royal Swedish Academy of Sciences said that his "contributions have built a bridge between the economic and psychological analyses of individual decision-making. Thaler empirical findings and theoretical insights have been instrumental in creating the new and rapidly expanding field of behavioral economics."

1) Personal life of Thaler

Thaler was born in East Orange, New Jersey. Thaler mother, Roslyn (Melnikoff, 1921–2008), was a teacher, and later a real estate agent while Thaler father, Alan Maurice Thaler (1917–2004), was an actuary at the Prudential Financial in Newark, New Jersey, and was born in Toronto. Thaler grew up with two younger brothers. Thalers great-great grandfather, Selig Thaler (1831–1903) was from Berezhany Ukraine. Thaler is married to France Leclerc, a former marketing professor at the University of Chicago and avid photographer Thaler has three children from his first marriage.

2) Education of Thaler

Thaler graduated from Newark Academy, before going on to receive Thaler Bachelor of Arts in 1967 from Case Western Reserve University, and Thaler master's in 1970 and doctorate in 1974 from the University of Rochester, writing his thesis on "The Value of Saving A Life: A Market Estimate" under the supervision of Sherwin Rosen.

3) Academic Career of Thaler

After completing Thaler studies, Thaler began his career as a professor at the University of Rochester. Between 1977 and 1978, Thaler spent a year at Stanford University collaborating and researching with Daniel Kahneman and Amos Tversky, who provided Thaler with the theoretical framework to fit many of the economic anomalies that he had identified, such as the endowment effect. From 1978 to 1995, Thaler was a faculty member at the SC Johnson

College of Business at Cornell University. After gathering some attention with a regular column in the respected Journal of Economic Perspectives (which ran between 1987 and 1990) and the publication of these columns by Princeton University Press (in 1992), Thaler was offered a position at the University of Chicago's Booth School of Business in 1995, where he has taught ever since.

4) Nobel Prize

Richard H. Thaler During Nobel Prize Press Conference in Stockholm, December 2017. Thaler was the 2017 recipient of the Nobel Memorial Prize in Economics for "incorporating psychologically realistic assumptions into analyses of economic decision-making. By exploring the consequences of limited rationality, social preferences, and lack of self-control, Thaler has shown how these human traits systematically affect individual decisions as well as market outcomes."

Immediately following the announcement of the 2017 prize, Professor Peter Gärdenfors, Member of the Economic Sciences Prize Committee, said in an interview that Thaler had "made economics more human".

After learning that Thaler had won the Nobel Prize, Thaler said that his most important contribution to economics "was the recognition that economic agents are human, and that economic models have to incorporate that." In a nod to the sometimes - unreasonable behavior Thaler has studied so extensively, Thaler also joked that he intended to spend the prize money "as irrationally as possible."

Paul Krugman, the 2008 winner of the Nobel Memorial Prize in Economics, Behavioral economics is the best thing to happen to the field in generations, and Thaler showed the way." However, Thaler's selection was not met with universal acclaim; Robert Shiller (one of the 2013 laureates) noted that some economists still view Thaler's incorporation of a psychological perspective within an economics framework as a dubious proposition. And, an article in The Economist simultaneously praised Thaler and his fellow behavioral colleagues while bemoaning the practical difficulties that have resulted from causing "economists as a whole to back away a bit from grand theorizing, and to focus more on empirical work and specific policy questions."

In chronicling Thaler's path to Nobel laureate, John Cassidy notes that although Thaler's "nudge" theory may not overcome every shortcoming of traditional economics, it has at least

grappled with them "in ways that have yielded important insights in areas ranging from finance to international development".

5) Behavioral Finance and Other applications in Policy

Thaler also is the founder of an asset management firm, Fuller & Thaler Asset Management, which believes that investors will capitalize on cognitive biases such as the endowment effect, loss aversion and status quo bias. Since 1999, he has been the Principal of the said firm, which he co-founded in 1993.

Russell Fuller, in charge of the firm's daily operations, said Thaler has changed the economics profession in that: "Thaler doesn't write papers that are full of math. Thaler writes papers that are **full of common sense."** Since 1991, Thaler is also the co-director of the National Bureau of Economic Research Behavioral Economics Project. Thaler was also involved in the establishment of the Behavioral Insights Team, originally part of the British Government's Cabinet Office but is now a limited company.

Thaler made a cameo appearance as himself in the 2015 movie The Big Short, which was about the credit and housing bubble collapse that led to the 2008 global financial crisis. During one of the film's expository scenes he helped pop star Selena Gomez explain the 'hot hand fallacy,' in which people think that whatever is happening now will continue to happen into the future.

6) 'Thaler' and 'Sunstein' defined their concept as

"A nudge, as we will use the term, is any aspect of the choice architecture that alters people's behavior in a predictable way without forbidding any options or significantly changing their economic incentives. To count as a mere nudge, the intervention must be easy and cheap to avoid. **'Nudges are not mandates'**. Putting fruit at eye level counts as a nudge. Banning junk food does not."

In this form, drawing on behavioral economics, the nudge is more generally applied to influence behavior.

One of the most frequently cited examples of a nudge is the etching of the image of a housefly into the men's room urinals at Amsterdam's Schiphol Airport, which is intended to "improve the aim".

7) Types of Nudges

Nudges are **"small changes in environment"** that are easy and inexpensive to implement. Several different techniques exist for nudging, including defaults, social proof heuristics, and increasing the salience of the desired option.

A default option is the option an individual automatically receives if he or she does nothing. People are more likely to choose a particular option if it is the default option.

8) Explain by example

Pichert & Katsikopoulos found that a greater number of consumers chose the renewable energy option for electricity when it was offered as the default option.

A social proof heuristic refers to the tendency for individuals to look at the behavior of other people to help guide their own behavior. Studies have found some success in using social proof heuristics to nudge individuals to make healthier food choices.

When an individual's attention is drawn towards a particular option, that option will become more salient to the individual, and he or she will be more likely to choose to that option.

9) An Overview of Nudge

9.1) A nudge makes it more likely that an individual will **'make a particular choice'**, or behave in a particular way, by altering the environment so that automatic cognitive processes are triggered to favour the desired outcome.

9.2) An individual's behavior is not always in alignment with their intentions (termed a value-action gap).

9.3) It is common knowledge that humans are not fully rational beings; that is, people will often do something that is not in their own self interest, even when they are aware that their actions are not in their best interest.

Explain by example

When hungry, dieters often under-estimate their ability to lose weight, and their intentions to eat healthy can be temporarily weakened until they are satiated.

Thaler and Sunstein describe **two distinct systems** for processing information as to why people sometimes act against their own self-interest:

System 1 is fast

a) Automatic, and highly susceptible to environmental influences; System 1 processing takes over decision-making.

b) System 1 processing relies on various judgmental heuristics to make decisions, resulting in faster decisions.

c) Unfortunately, this can also lead to sub-optimal decisions.

d) In fact, Thaler and Sunstein trace maladaptive behavior to situations in which System 1 processing over-rides an individual's explicit values and goals.

e) It is well documented that habitual behavior is resistant to change without a disruption to the environmental cues that trigger that behaviour.

f) System 1, decision-making is used, the resulting choice will be the most positive or desired outcome.

g) An example of such a nudge is switching the placement of junk food in a store, so that fruit and other healthy options are located next to the cash register, while junk food is relocated to another part of the store.

System 2 is

a) Processing is slow, reflective, and takes into account explicit goals and intentions.

b) When situations are overly complex or overwhelming for an individual's cognitive capacity, or when an individual is faced with time-constraints or other pressures, "Nudging techniques aim to use judgmental heuristics to our advantage. In other words, a nudge alters the environment so that when heuristic."

10) Application of Theory

1. In 2008, the United States appointed Sunstein, who helped develop the theory, as administrator of the Office of Information and Regulatory Affairs.
2. Notable applications of nudge theory include the formation of the British Behavioral Insights Team in 2010. It is often called the 'Nudge Unit', at the British Cabinet Office, headed by David Halpern.
3. Both Prime Minister David Cameron and President Barack Obama_sought to employ nudge theory to advance domestic policy goals during their terms.
4. In Australia, the government of New South Wales established a Behavioural Insights community of practice.
5. Nudge theory has also been applied to business management and corporate culture, such as in relation to health, safety and environment (HSE) and human resources. Regarding

its application to HSE, one of the primary goals of nudge is to achieve a "zero accident culture".

6. Leading Silicon Valley companies are forerunners in applying nudge theory in corporate setting. These companies are using nudges in various forms to increase productivity and happiness of employees. Recently, further companies are gaining interest in using what is called **'nudge management'** to improve the productivity of their white-collar workers.
7. There are now more than 80 countries in which behavioral insights are used.

11) Conclusion

The Nobel prize award will attract the public's attention and encourage many to acknowledge the irrationality of their decision making. As well as seeing the value in regulating financial markets so they are not susceptible to irrational behavior, by acknowledging this tendency, we can make better plans for our futures – ones that our "doer" sides are happy to follow.

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