

# 6 key behavioural economics concepts to forecast and influence decision making

**PRESENT BIAS:** The inclination to choose a smaller reward in the present instead of a larger reward in the future.

**Example** During the pandemic, over 2.6 million Australians withdrew up to \$20,000 from their superannuation fund to spend on short-term consumption like entertainment and gambling. This will cost them roughly \$120,000 in future retirement income.



**SOCIAL NORMALISATION:** Our social groups (friends, family, colleagues) can influence changes in our behaviour, particularly in the way we consume and engage with products and services.

**Example** Being more likely to recycle if you know that's what your friends are doing.



**STATUS QUO BIAS:** When our preference is for things to stay the same, so we stick with previous decisions or avoid taking action.

**Example** An Australian study found people are more likely to choose a default option for their superannuation plan, even if it's not the best option for them.



**OPPORTUNITY COST NEGLECT:** Choosing to spend money on something without considering what you could be giving up as a result.

**Example** Choosing to buy a new phone without considering the benefits of investing that money instead.



**LOSS AVERSION:** People tend to place greater importance on losses over gains of equal value. This train of thought can lead people to make irrational decisions.

**Example** Most people would be more upset about losing \$100 than they'd be happy to gain \$100.



**FRAMING EFFECT:** When you react differently to a particular choice depending on how it's framed (as positive or negative).

**Example** People are more likely to choose a product advertised as 90% fat-free than one advertised as 10% fat.



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## Why study behavioural economics?

Behavioural economics students can look forward to a growing number of positions in the public and private sector that demand this expertise.

Learn more about this exciting field by studying a Bachelor of Economics at The University of Queensland (UQ).



THE UNIVERSITY  
OF QUEENSLAND  
AUSTRALIA

CREATE CHANGE

# Test your understanding of the 6 key behavioural economics concepts by matching the concept to the definition.

Then, flip back over the page to check how you went!



People tend to place greater importance on losses over gains of equal value. This cognitive bias can lead people to make irrational decisions.



When you react differently to a particular choice depending on how it's framed (as positive or negative).



The inclination to choose a smaller reward in the present instead of a larger reward in the future.



When our preference is for things to stay the same, so we stick with previous decisions or avoid taking action.



Choosing to spend money on something without considering what you could be giving up as a result.



Our social groups can influence changes in our behaviour, particularly in the way we consume and engage with products and services.