Webnote 242

# Research Project: Rational vs Behavioural Economics (2.4) (HL Only)

**Research Sources:**

1. **Process Portfolio:** Student Index Cards
2. Cambridge Text book (hard copy in class)
3. Kognity
4. Hoang: Class text + (online textbook)
5. **DOWNLOAD LINK TO RESOURCES FOR YOUR RESEARCH**:
https://drive.google.com/drive/u/0/folders/1ZsvDDA084Vslw8RyLSX7_XsvAkz00E0l

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| **Task 1: Consumers**<br><br>**Consumers rational vs behavioural** | **Key Terms/Definitions**: that are needed to write expertly on this topic. | | **Rational consumer behaviour:** Find Examples where rational economics explains how consumers behave | **Behavioural economics:** Find Examples where behavioural economics explains how consumers behave |
|---|---|---|---|---|
| **Consumers:** What is rational/ behavioural Consumer behaviour?<br><br>(Tip: focus on utility, marginal utility) | Rational: | Behavioural: | | |

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| • Source focus: Cambridge/Tragakes pp 72+73<br>• Hoang class Text: Chapter 6 | | | | |
| **Task 2: Consumers**<br><br>What are some of the key (Dis)advantages of rational/ behavioural economic theory:<br><br>• Source focus: Cambridge/Tragake | Rational | Behavioural | (Dis) advantages: 'rational economics'? See Cambridge p.78 | (Dis)advantages: 'behavioural economics'? See Cambridge p.78 |

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| see pp 78-79<br>• Hoang class Text: Chapter 6<br>• Use Kognity | | | | |

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| **Task 3: Firms**<br><br>In rational economics a key goal of any firm is profit maximization:<br><br>• Source: Cambridge/Tragakes pp 79+81<br>• Hoang class Text: Chapter 6<br>• Use Kognity | **Rational Economics - Key terms** | **Can you draw a diagram to show profit maximization?** | **Using the diagram for profit maximization explain why MR = MC is the profit maximizing output for a firm** |
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| **Task 4: Firms** | **Behavioural Economics – key terms** | **Explain briefly each of the alternative goals for firms:** | **Can you find real world examples to support that this is how firms behave?** |
|---|---|---|---|
| What does behavioural economics suggest as alternative goals for the firm?<br><br>use the following alternative goals to explain the behaviour of the firm:<br><br>1. **corporate social responsibility**<br>2. **Market Share**<br>3. **Growth**<br>4. **Satisficing** | | | |

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| • Source: Cambridge/ Tragakes. see pp 79-81<br>• Hoang class Text: Chapter 6<br>• Use Kognity | | | |