

BEDEnomics

ST. BEDE'S COLLEGE, SHIMLA
DEPARTMENT OF ECONOMICS



BEHAVIOURAL ECONOMICS

WHY YOU ALWAYS END UP BUYING WHAT YOU DON'T NEED

Why do people buy the products they buy? Why are goods priced at 799 instead of 800? How do sellers and producers trick you every day into buying exactly what they want you to?

As a student of both Economics and psychology, I've always been interested in how the two fields come together to answer questions just like the ones presented above. Whether we're consumers trying to be more mindful of our purchasing habits or students of economics attempting to understand exactly what shapes consumer behavior, we've all at some point wondered why we always seem to enter shopping malls or markets and coming home with everything except the one thing we had actually gone to buy.

Classical economics assumes that consumers behave rationally and base their decisions on logic and mathematics. However more often than not, these laws do not hold true in practice. Behavioral Economics is a subfield of economics that focuses on the psychological factors that influence decision making. Thus behavioral economics tries to address the social and emotional reasons for irrational consumer behavior. Discussed first by Adam Smith in his "Theory of Moral Sentiments" in 1759, this theory is now being applied to more and more fields such as marketing, finance, public policy and political science. It illustrates just how useful psychology can be in the field of economics.

*"There have been three great inventions since the beginning of time: fire, the wheel,
and central banking.."*

- Will Rodgers



As we see in monopolistic markets, selling costs, and the famous show *Mad Men*, advertisements are a near-essential part of getting a product sold. The main objective of an advertisement is to Inform, Persuade and Influence. While there are many tricks advertisers use to ensure you buy their product, a few significant ones are the Anchoring Effect, Psychological Pricing, Nudge Effect and Endowment Effect.

Advertisers always try to ensure that the first information you receive about a product is the most appealing, such as words like “SALE!” “50% off” “BUY 2 GET 1 FREE” and the least appealing (like harmful side effects of medicines) right at the end, to use something called the **Anchoring Effect** to their advantage, in which due to our pattern of thinking, we give more importance to the information provided to us first, taking that as our “anchor”, making it more likely that we’ll focus on the sale part of the product rather than its actual price or your need for it.

Advertisers and supermarkets also tend to list prices in numbers like ₹799, ₹4999 instead of ₹800 or ₹5000, since customers tend to associate prices such as 799 as good deal and more value for money than those in whole numbers and are likely to buy such products even if the prices are not actually different. This is due to a phenomenon called **psychological pricing**.

For example, a gym might advertise itself as being “\$1 per day” instead of “\$365 per year” even though the deal is the same, just because the first one sounds cheaper. This phenomenon works in reverse as well, where high brand stores purposely price their goods at whole numbers so that customers perceive their products as expensive and associate price with luxury.

A very interesting trick used in shopping malls and supermarkets every day makes use of something called the **Nudge Theory** which is a concept which argues that nudging people to act a certain way actually changes their choices.

This phenomenon is why cheaper goods are placed in the bottom or top shelves instead of the ones at eye level, and every day goods such as groceries and toiletries are placed at the very end of supermarkets so that customers have to go through the entire market to get those goods which encourages them to look around and shop more. Little nudges like these actually ensure that people buy the products the supermarkets want them to even though rationally (if we were to follow classical economists) the consumer should always go for the cheaper option.

This is also why food courts are always placed at the top floor of shopping malls, forcing you to go through the entire mall before being able to get to your favorite Burger King.

Have you ever wondered why a company would offer deals such as “30 day moneyback guarantee” to people even though it seems like a huge loss for the company as they would have to accept an already used appliance?

Companies do this as they have knowledge of something called the **Endowment Effect**. The idea behind this effect is that once we are given or endowed with something (i.e. we feel like we own it) we almost always want to keep it. It benefits from a phenomenon called loss aversion which states that once we feel like we own something, it’s more difficult to part with it.

People have been known to shift their preferences in irrational ways around a product just because they do not want to return it. Any avid online shoppers among us would be very familiar with this occurrence.

“Never spend money before you have it .”

- Thomas Jefferson



Through these rather shockingly usual examples it is clear that behavioral economics has a lot to tell us. Accounting for emotion gives us a realistic view of how people actually behave. We might not always be the rational actors classical economists believe us to be; and for years economics has had this blindspot. But bringing psychology and economics together gives us a better look at how we make decisions and then manipulate those findings to the benefit of the economy and society.

So maybe next time you're considering buying that discount pack of shampoo you don't like, or that unnecessary pack of assorted peanuts for ₹299, perhaps this will be of some benefit.

By: Angel Shan
B.A. Economics GE 2nd Year



STEADY ECONOMIC RECOVERY IN INDIA DURING COVID-19

Despite the worldwide pandemic having affected India severely and the spread of COVID-19-increasing in the country, we are already witnessing a steady economic recovery. The data implies that recovery will be steady in all sectors.

In September, a rise in PMI data, GST collections, power consumption, etc. was observed. According to the Finance Ministry, pent-up demand and recovery prospects for the manufacturing sector can be foreseen due to the rebound in data.

The Finance Ministry also believes that the agriculture sector is the 'sweet spot', expecting the momentum in rural growth and agriculture to carry on. With businesses in India opening up again, GST collection went up by 4 per cent in September. Rail freight revenues have gone up by 13.5 per cent and power consumption by 4.2 per cent. Exports have also shown positive growth for the first time since the lockdown was enforced in March.

Demand for gold, gems and jewellery may also rise with the upcoming festive season. According to the government, the positive results due to the Atam Nirbhar Bharat package and the unlocking of the economy are key to the turnaround in the rate of economic growth and recovery.

Some of India's top business chiefs have also commented on the recovery rate of India's economy, stating that the worst is over. Not only is rural growth outpacing urban growth, but it is also contributing heavily to economic recovery. India's GDP dropped by a large 23.9 per cent in June, marking its worst performance since quarterly data reporting began in 1996. Industrial production and core sector data were also equally bad.

Economists predicted a further 10 per cent decrease in GDP for the full year. However, the picture is getting steadily better as India is on its road to economic recovery.

By: Irina Thakur
B.A. Economics Honours 2nd Year



"Lack of money is the root of of all evil."

- George Bernard Shaw

EVENTS CALENDAR

DEPARTMENT OF ECONOMICS

INTER-DEPARTMENTAL ACTIVITY 29TH OCTOBER 2020

On 29th October, 2020, the Department of Political science and Economics held an inter-departmental activity on the topics 'Political Economy of India' and 'New Reform Policies of 1991' under the guidance of Ms. Neha and Ms. Swati. Students shed light upon the political influences on the nation's economy as well as the reasons that lead to the adoption of the new economic reforms of LPG (liberalization, privatization and globalization) in the year of 1991. Attendees were further encouraged to engage with the presenters with questions as well as their own point of view as a way to understand the topics in-depth and to promote economic and political discourse and critical thinking among students.



SPECIAL VIRTUAL LECTURE

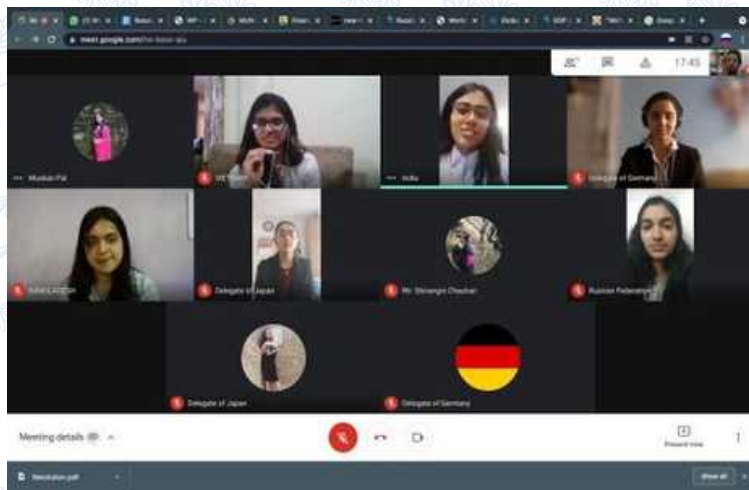
The department organised a special virtual lecture on career prospects where Prof. Aparna Negi, Head of Economics Department, Himachal Pradesh University, Shimla, informed that how economics can help in building logical reasoning and critical thinking and students can seek careers in MNC's, Banking Institutions, Niti Aayog, Indian Economic Services, Ministry of Economic Affairs, MBA, PhD, Masters in Economics to name a few.

“Economic progress, in capitalist society, means turmoil.”

- Joseph A. Schumpeter

VIRTUAL TEACHER'S DAY CELEBRATION

To make the teachers feel special, the students of economics celebrated Teacher's Day virtually through MS Teams on 5th September 2020. The celebration began with a short welcome speech, a video compilation of photographs of teachers followed by speeches showering their love and affection. Online fun games were also organised by the students. All the teachers as well as students thoroughly enjoyed the celebration. The teachers appreciated the efforts and participation of the students.



PAPER PRESENTATIONS

Online paper presentations and power point presentation competitions were held to encourage student learning. Students presented on "Impact of GST on Indian Economy", "Report of Finance Commission", "Cost Benefit Analysis", "Education and Health Infrastructure in India", "Corruption and Development" followed by discussions.

INTERNATIONAL DAY OF THE GIRL CHILD 11TH OCTOBER 2020

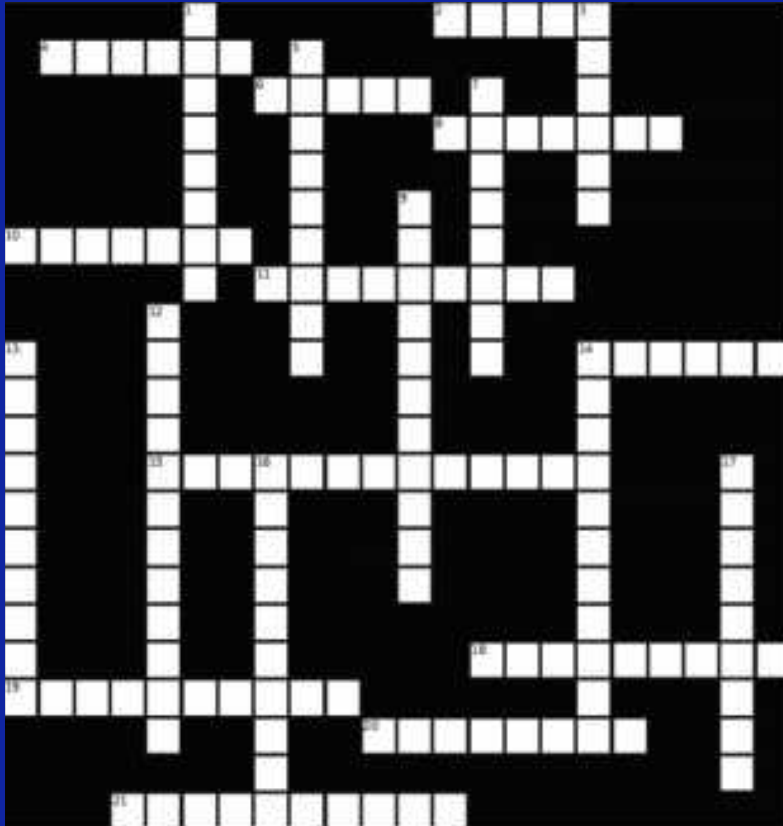
The students of first year Economics Honours celebrated "The International Day of the Girl Child" on 11th October, 2020 by actively participating in a video highlighting the problems faced by girls and how small efforts can pave the way for their brighter future and prosperous life.



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Entertainment Corner



TERMS		
BARTER	BUDGET	CAPITAL
COMMUNISM	CURRENCY	DEPRESSION
DEVELOPED NATION	DEVELOPING NATION	ECONOMIC SYSTEM
ENTREPRENEUR	EXPORT	FREE ENTERPRISE
GOODS	IMPORT	INDUSTRIALIZATION
INFLATION	LAW OF DEMAND	LAW OF SUPPLY
MARKET	MARKET ECONOMY	MIXED ECONOMY
OPPORTUNITY COST	RECESSION	SCARCITY
SOCIALISM	TARIFF	TAX
TRADITIONAL ECONOMY	WELFARE	

- Across**
- Anything of value owned by an individual, institution or economic agent
 - A place where people negotiate and exchange with others
 - Unit of account
 - A measure of satisfaction received from some type of economic activity
 - Total revenue-total costs
 - When firms act jointly to increase overall profits
 - Prices that don't adjust or adjust slowly towards equilibrium
 - Preferences that can be strictly ranked- usually applies in a situation where only one good in a bundle is preferred by the consumer
 - Laws that discourage monopoly and restrictive practices and encourage greater competition
 - A concept important in any discussion of welfare distribution, particularly consumer, producer and govt. surplus
 - Portion of corporate profits paid to shareholders
 - Changes to the existing capital stock or business inventories
- Down**
- No. of times a given quantity of money changes hands in a given time period
 - Tax on imports and exports
 - One buyer, many seller
 - Roaring nineties
 - No tendency for an economic variable to change
 - A firm operating in several industries
 - Positive cross price elasticity of demand
 - The purchase of a good or asset not intended for final consumption but rather in expectation of future sale at some higher prices
 - Benefits that motivate a decision maker in favor of a particular choice
 - Negative growth in real GDP for 2 or more fiscal quarters



Economics Crossword

Economics Word Search



Cartoon by Harshi Kaushik,
B.A. Economics Honours 3rd Year

"The production of too many useful things results in too many useless people."

- Karl Marx

Our Achievers



Ravitanaya Sharma of BA(III) Economics was crowned as Miss Himachal 2020 1st RU in the 'Miss Himachal' event organised by 'Divya Himachal' at Dharamshala wherein she competed with other 'Top 20 Finalists' from all over the state. Hailing from Shimla, she also won the subtitle of 'Miss Style Diva' during the competition. She was also honoured with 'Women Power Award 2021' by the Hon'ble Member of Parliament in Rajya Sabha, Indu Goswami on the occasion of International Women's Day 2021.

Acira Gupta of GE Economics, 3rd Year, presented a scientific paper on “Mood and its Effect on Judgements” during the 56th National & 25th International Conference of Indian Academy of Applied Psychology (IIAP), held on 18th-20th February 2021, organised by Punjabi University, Patiala. As of February 2020, she is also a PADI (Professional Association of Diving Instructors) certified & licensed ‘advanced open water diver’.



Shree of 1st Year Economics Honours, won 1st position in Declamation Competition organised by the Red Ribbon Society on the occasion of World AIDS Day, held on 1st December, 2020. She also attended a “Five Day New You” training program by the Amity Finishing School on 27th January 2021. The program focussed on self enhancement, communication skills, and social and professional graces. She participated in the English Parliamentary Debate organised by Indian Institute of Technology, BHU on 26th February, 2021.

Shree participated in a case study competition, organised by Lady Shriram College, Delhi University. The case study featured on “Growth Strategy: American Payments”. She also completed an online course by BSE Broker’s Forum which was held from 12th-16th April, 2021. The topic was “Overview of Financial Markets”.

Anshika Bushahri of 1st Year Economics Honours, won the first position in a poster making competition on October 11, 2020 on the International Day of the Girl Child organised by the Women Cell of the college.





Muskan Pal of Economics 2nd Year, completed an online course on “Overviews of Financial Market Series” and “Capital Market” conducted by Bombay Stock Exchange Brokers’ Forum held from 11th May 2021 to 15th May 2021.

She was awarded with the certificate of appreciation for organising the conference as Secretary General at Shimla Model, United Nations held on 16th June 2020. She also participated in “Debatual”, The Virtual Conference organised by Colloquium Magna Youth Convention on 13th April, 2020.

Astha Sharma of 2nd Year, participated in an online Inter-College Debate Competition on “Media has played a responsible role during the Covid-19 pandemic” organised by Debates and Dramatics Society of St. Bede’s College, on 8th December, 2020 . Astha Sharma spoke against the topic and bagged the 2nd prize.



Gauri Sharma of 3rd Year Economics Honours, participated and won first position in ‘Tasveer-e-Paheli’ Competition during the Heritage Week organised by the Department of History from 14th-19th December, 2020.

Anusha Bhatt of BA 3rd Year, participated and won first position in ‘Mushroom Recipe Competition’ organised by the Department of Botany on 15th December, 2020.



Published by: Sr. (Dr.) Molly Abraham
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A collective effort by:
Department of Economics
St. Bede’s College, Shimla

Printed at:
Mahajan Printing Press, Sanjauli, Shimla-6

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