

THE BEHAVIOURAL FINANCE REVOLUTION

'The collective contributions in this important volume carve out a new path for how boundedly rational policymakers can structure sensible regulations for a world dominated by boundedly rational agents.'
Hersh Shefrin, Santa Clara University, USA

Financial markets are complex. Regulators strive to predict ways in which they can malfunction and create rules to prevent this from happening, yet behavioural impacts are often overlooked. This book explores how behavioural finance can go hand-in-hand with traditional methods to help banks and regulators create better policies. It also demonstrates how the behavioural finance revolution has opened the way to a more integrated approach to the analysis of economic phenomena.

This book adopts a forward-looking agenda that takes account of existing practices based on behavioural science. It focuses on how to make financial markets an arena for fair play as a central criterion for securing and enhancing societal well being. It examines how bounded rationality, heuristic decision making, aversion to losses, endowment effects and social preferences may impact financial decisions, thus exposing the flaws in traditional forecasting methods that rely on an over-simplified representation of the individual.

With contributions from both academics and practitioners, this book will be fundamental reading for researchers in the finance and behavioural economics. Regulators who wish to utilise behavioural policymaking will also find this a beneficial read.

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