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KHANEMAN'S CONTRIBUTION TO ECONOMIC PSYCHOLOGY

Daniel Kahneman is known in the history of economics as the first psychologist to receive the Nobel Prize in economics and as the creator of a new direction of research in economics – behavioral economics. The first step to elicit behavioral economics was taken in 1979 when the article written by Daniel Kahneman and his colleague Amos Tversky appeared in the prestigious economic journal *Econometrica*. The objective of this scientific paper is to point out the contribution of Daniel Kahneman to economic theory.

With the help of simple experiments with a lottery to choose from, including a guaranteed outcome and with some probabilities, giving the person the chance to make a decision, both Kahneman and Tversky managed to show that a person takes irrational decisions. In economic theory, the concept of rationality is specific; it diverges from our everyday concept of rationality. This is a set of certain axioms that just postulate how people make a choice: that they know all the alternatives, can rank them, compare them taking into account all the information about each choice, and finally mathematically evaluate the benefits of each option. If this is, for example, an alternative under conditions of risk and uncertainty, then society makes the appropriate calculations that correspond to the theory of probability.

For instance, you can win 400 rubles with a probability of 80%, or win nothing with the remaining 20% of the probability. This is the first alternative, and on the other side of the scale, you have guaranteed outcome of 300 rubles. Within the framework of standard economic theory, a person must estimate the expected gain, multiply the outcomes by the probabilities and get 320 rubles. Compare with another alternative and say that 320 is better than 300 and choose this option. But in life it turns out that people, of course, do not consider such probabilities, they somehow operate it differently in the brain with these numbers, probabilities, outcomes. And as it happened in this example, people choose a guaranteed outcome. This is called the certainty effect, which says that people prefer a guaranteed outcome, even if in principle it allows you to win less than the probabilistic alternative [1, p. 315]. That is, such a bird in the hands is worth two in the bush. From this, it is possible to draw a burning conclusion about the tendency of

people to work for a guaranteed and constant income rather than risk, face inconvenience for the sake of greater income with an unknown share of success. What is the most interesting, the situation turns upside down, if we formulate it in terms of losses. That is, the same numbers, the same probabilities, but we only say that a person is either guaranteed to lose 300 rubles or another alternative of losing 400 rubles. Then we see that the results are just mirrored, and most people choose this risky alternative, which can lead you, in general, with a high probability to large losses. Both Kahneman and Tversky called this effect 'loss aversion' [2, p. 278]. In fact, parallels can be found with many situations and decisions that we have to make every day. For example, pay for a ticket or try to steal a ride or, for example, pay for a parking space or also try your luck.

Kahneman also distinguished two systems of human thinking [3]. The first type, which he called System One, is fast, intuitive thinking, such as driving a car after years of practice. The second type – System Two – is long, energy-consuming thinking. According to Kahneman, in a difficult situation of uncertainty, a person falls into the traps set by System One, and makes decisions irrationally. In his book, he describes seven intuition traps that a person encounters in the decision-making process. One of these distortions is that in a good mood, a person is more likely to make logical mistakes. Another is that what seems familiar seems to be more in keeping with the truth. According to Kahneman, 'If something seems right to us, we follow it' [3]. As a rule, people usually turn on System Two afterward to explain what has already been done.

We are inclined to believe that the main one is System Two, stating that people are rational and judicious creatures. But System Two is lazy at the same time. It is too willing to reward momentary judgments and impressions generated by system number one. Heuristically, we simplify complex questions in our head: instead of 'Is this political party suitable for the role of the ruling party?' we ask, 'Do I like David Cameron's face?' We tend to give vivid explanations for events, but we are not inclined to wonder how plausible these explanations are. Through a series of comical experiments with roulette and loaded dice, Tversky and Kahneman showed how easy it is to make us make irrational decisions.

To conclude, the main achievement of Kahneman's studies is that he made it possible to put forward the bridge between the economy with its mathematical models and approaches to other social sciences (Psychology, Sociology, Philosophy, etc.) and initiate interdisciplinary research. Carrying out quite simple experiments, Kahneman showed that a person is not just irrational; he is irrational systematically, in certain conditions, in a certain context, and in a certain way.

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(UN)HAPPY EMPLOYEE: DEVELOPING THE IDEA OF HAPPINESS AT WORK (HAW)

Do you think there is a connection between pyramids, the stock market, and pleasant office design? Even though this link may not be obvious, it exists and in our study we look at this crucial element that bonds together such disconnected notions. People dream about it, but only a few really possess. That is something we pursue our whole life without even knowing what it is. Happiness. Probably, humanity couldn't have invented a better word meaning anything and everything at the same time. Therefore, in our research, we studied this vague notion in an attempt to define its meaning in its relation to work and studying.

Happiness has been a subject of an impressive body of research in sociology, philosophy, anthropology and economics. Nowadays more and more companies and countries are investing a considerable amount of resources into their employees' and citizens' wellbeing. Realizing that people (and their happiness) is also a valuable asset, companies put real effort into the improvement of employees' position.

Thus, companies undertake actions to meet the demands of the staff. As soon as people can fulfill all the layers of their needs they are naturally performing at full capacity. So, the place of their work or study should satisfy them in terms of safety, physical needs, and opportunities to realize their potential. According to Maslow, who has designed this hierarchy, each level can only be attained after the previous one. This assumption contributes to the idea of steady and progressive improvement aiming at bringing the feeling of content to workers or students.

This approach of care and respect eventually pays off: companies with the happiest employees are the most successful on their market (Zoom, Apple, Microsoft, Google, etc.). This fact proves the existence of corporate revenues and benefits' dependence on the level of staff satisfaction.

Recognizing the importance of happiness in the workplace is a growing trend today. Creation of such a position within companies as happiness manager is a vivid indicator of it. It states that executives are well aware of the happiness significance in the workplace and are ready to promote it. As the initial part of the study we interviewed a happiness manager who works in one of Belarusian companies. Then we