

## Mini Review

# POSITIVIST ECONOMIC PSYCHOLOGY (PEP)

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This Minireview is based on specialist research [1,2] respecting positivist values: 1) Formation of falsifiable theses, 2) Empirical verification of theses by sampling.

**Positivist Economic Psychology (PEP)** identifies general risk-willingness as a general parameter of Economics guiding on most useful individual economic behavior (PEP) replaces the Neoclaccical Paradigm of Bounded Rationality (BR) [3]. The option of disseminating PEP to a broader educated public across specialties is supported by feedback from a Guest-Lecture at the Danish Business School Niels Brock.

The Triune Brain Model (TBM) is a basal neurophysiological model explaining 3 levels of neurobiological evolution [4]:

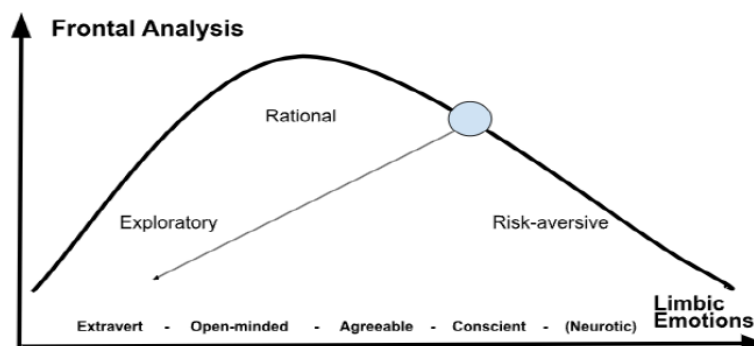
1. Instinctual Reptilian survival by the Brain Stem
2. Ambivalent emotional responses by the Mammalian Limbic System (LS)

3. The executive human cognitive function on the top in the Frontal Cortex (FC)

TBM has gotten much scientific attention, but is recently rejected as a model of behavioral psychology [5]. To be operated TBM needs a model of internal integration! The centers integrating the FC and LS are today identified as:

1. Ventromedial PFC (vmPFC) originating intuition is the source of voluntary action [6]
2. Dorsolateral PFC centering cognitive analysis as the first aid of voluntary action [7]

Behavioral psychology has identified 5 Tempers (Big5) [8]. Fig.1 shows how Risk- willingness by neuroeconomic trials orders the Big5 [9], becoming the broadest parameter of behavioral science: Key.



**Key Reference:** McClure et al 2004 [7] and Larsen [1].

**Figure. 1.** Positivist Model of Economic Psychology (PEP)

## PEP Guides Sensi-training (1) and Dialectical Thinking (2)<sup>1</sup>

(1) Table 1 shows the distribution of the Big5 2004 by General risk-willingness and genders as calculated from German data [9]. Table 1 serves

individual sensi-training:

- a. Begin with recognition of your own risk-will on a scale from 0-10
- b. Expand your sensitivity-skills asking others to do the same and compare their answers with your expectation. Rehearse until you feel sure to preview the Temper!

## Explanatory Notes

The basal cognitive dynamics is between Frontal Analysis and Limbic Emotions:

**I. The brain differentiate complex choice:**

- A. Rational choices (according to utility) have a strong Frontal Analysis and moderate Emotions.
- B. Risk-averse decisions have strong emotions and low cognitive activity.

**II. Exploratory choices differ from complex choices with both low Limbic Emotions and low Frontal analysis.**

Table 1. Distribution of Economic Agents by Risk-Willingness and Gender (%)

Correlation with Earnings	Negative Correlation			Positive Correlation	
Group u fe(Score)	Neurotic (0-2)	Agreeable (3-4)	Conscientious (5-6)	Open-Minded (7-8)	Extravert (9-10)
Males	5	17	5	9	8
Females	17	20	8	3	2

Source: Recalculation of German data based on Dohmen et al. [9]

(2) Figure.1 shows Open-mindedness as a modern flexible personality, in-between Extraversion and Conscientiousness, for the creative class [10,11]. Expand your mental capacity towards Origo by dialectical switching between intuitive theses and empirical results. Such development is facilitated by meditative in-depth-relaxation and Biofeedback to release the potential for creative thinking [12,13]. A number of training organisations offer meditation courses. Check your outcome by simple Biofeedback.

Limitations of PEP<sup>2</sup>

PEP guides specifically on individual behaviors to optimize the individual utility, but humans are too collective beings affecting each other. PEP is part of the Economics operating utility as Quality-Adjusted Life Years (QALY). Macroeconomic policies complement PEP on the broadest level of collective bodies for the common best:

-Social Welfare Policy by Universal Basic Income (UBI) improves QALY [14].

UBI is complemented by Public finance of general services with economies-of-scale, such as education and healthcare.

-Implementation of the Paris Agreement 2015 which actually is improbable [15].

Scientifically, it requires an alternative to the mainstream economics recommending an international tariff on CO2-emission with negative effects on international trade.

Alternatively, the former US Administration by Biden [16] proposed to do like China and subsidize alternatives to fossil energy (ES) to green the economy avoiding this inconsistency. Such a change requires new international partnership. The EU, China and Japan, covering half of the global industrial production, may, despite ideological differences, share ES as a primary means of implementation of PA15.

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