# Advances in Behavioral Economics and Finance Leadership

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ABSTRACT: Advances in Behavioral Economics and Finance Leadership are likely to show these three speculative trends and focus attention on: Ethics of Inclusion in the wake of social justice pledges will demand a comparative approach to understand the most contemporary responsibility challenges of our time. With the COVID-19 pandemic having exacerbated existing inequalities and rising new gaps within society, inequality alleviation will become essential in the post-COVID-19 era in the domains of access to affordable healthcare, finance, education, digitalization and sharing the burden to protect the environment. Law and Economics developments may aid in envisioning a transition to a more inclusive society. While the legal analysis grants insights about the disparate impact of policies, the economic analysis allows to study efficiency of burden sharing over time and with consideration of externalities. Digitalization offers unprecedented human advancement and democratization potential free from corruption. At the same time, shifting marketplaces to online virtual spaces opens gates for misinformation and disinformation being used in a competitive sense. Ethics of inclusion, Law and Economics advocacy and interdisciplinary dialogue building but also human-artificial intelligence algorithm compatibility are expected to become key advancements in behavioral economics and finance leadership of the future.

KEYWORDS: Artificial Intelligence, AI, Behavioral Economics, Coronavirus, COVID-19, Digitalization, Education, Environment, Finance, Finance Leadership, Generation COVID-19, Healthcare, Inclusion, Inequality, Law & Economics, Social Justice, Sustainability, Trend Analysis

**Advances in Behavioral Economics and Finance Leadership**

In the most recent decades, human decision-making heuristics were studied to show how nudging and winking can help citizens to make rational choices. Behavioral economics started with outlining human decision making deviations from rationality, so-called heuristics or mental shortcuts. Heuristics were perceived as failures in the North American Behavioral Economics School, while the European tradition saw human decision making as successful strategy to cope with an overly complex world (Puaschunder 2020a, 2021b). Mental heuristics and biases were studied in field and laboratory experiment but also by the help of big data and online observations to retrieve powerful nudges to benefit from life and economic markets. Over time, a broad range of nudges and winks were developed to curb the harmful consequences of human decision-making or improve human fitness to adapt to the environment. Some techniques were communicated openly, while other behavioral insights informed more subliminal change strategies. Since a bit more than 10 years, the behavioral economics approach was applied to political context in the behavioral insights revolution (Puaschunder 2020a, 2021b). Behavioral Economics and Finance Leadership demonstrated how economics can be employed for the greater societal good. Most recently, leadership and followership directives on nudging in digitalized spaces emerged that appeal to scholars and policy makers interested in rational decision-making and the use of nudging and winking in the digital age.

**Behavioral insights to overcome inequality in the post-COVID era**

COVID-19 accounts for the most widespread and large-scale complex external shock changing every sphere of human being (Gelter & Puaschunder 2021; Puaschunder & Gelter forthcoming). The COVID-19 pandemic is likely exacerbating existing inequalities between the finance world and the real economy given the financial market performance capabilities to exchange losing for winning industries during downturns and the real economy dependence on wages and trickle-down economic effects (Puaschunder 2021a, c). In addition, homeownership and inflation-adjusted salary schemes become a driver of inequality in our longest-lowest-ever inflation regime (Puaschunder forthcoming b). COVID-19 also made apparent vast differences in healthcare provision around the world and the country differences in quality care (Beerbaum & Puaschunder 2020; Puaschunder forthcoming c). Within workplace settings, digitalization will become essential and drive an already-existing gap between e-skilled and e-unskilled labor (Gelter & Puaschunder 2021; Puaschunder 2021a; Puaschunder, Gelter & Sharma 2020).

All these rising inequalities will drive the currently-unfolding demand for ethics of inclusion as the spring feather of equality and social justice heralding in our post-pandemic Renaissance (Puaschunder forthcoming a).

In the economics and finance sectors, inequality alleviation could bridge the performance gap between the finance world and the real economy with particular attention to inflation, low interest rate regimes and metropolitan versus rural areas. Disparate impact analyses will pave the way for a more diversified scheme of financial rescue and recovery aid. In the healthcare domain, the equal access to medical care pledge in innovations – such as telemedicine and artificial intelligence, robotics and big data insights – should be endeavored.

Health and well-being underlying human workforce productivity can be introduced as a hidden driver of economic growth in the eye of a global pandemic risk. Digital healthcare can bring along access to affordable quality care around the world free from corruption (Puaschunder forthcoming c). Digitalized healthcare information exchange has nowadays also proved as a means for a democratization of health and disease remedies when considering the role of online media forums to discuss COVID long-haul issues (Puaschunder & Gelter forthcoming). Ethics of inclusion of the future may advance online access to healthcare and a fair and protected information exchange of vulnerable patients.

Our workplace revolution in a truly digitalized economy will also drive novel inequalities and ethical dilemmas arising from digitalization. In addition, educational social transfer hubs with attention to online opportunities have transformed into a gateway of social justice transformation in the US that also account for the most promising international development advancement of our times (Corlatean 2020).

Environmental demands for a transition to a green economy are met in most novel economic attempts to stimulate the economy under the umbrella of sustainability and social inclusion – such as outlined in the Green New Deal and European Green Deal including a Sustainable Finance Taxonomy (Puaschunder 2020b). Future behavioral economics advancements and finance leadership will include the use of behavioral insights to improving the societal welfare under these novel frameworks. Behavioral insights for a greening of the economy will include micro-economic foundations but also build on a growing body of behavioral macro-economic findings of the unequal distribution of climate change gains and losses (Puaschunder 2020c).

**Law & Economics**

Disparate impact analysis of law and economics interdisciplinary endeavors account for the most cutting-edge novel advancements in behavioral sciences (Puaschunder 2021c). On the macro-level, academic field of Law and Economics offers legal long-standing excellence on

accounting for disparate impact, inequality and redistribution. The analysis of macro-economic aggregates benefits from a legal scholarship-led reflection of diversified and temporal views of social preferences, given patterns of differences based on age, gender, race and professional propensity risks.

The economic inequality exacerbated by COVID-19 implies that future economic policy research may take inspiration from the legal concept of disparate impact to channel the currently unprecedentedly-large rescue and recovery aid wisely to alleviate inequality (Puaschunder forthcoming b). Measuring a potentially disparately-heavy impact of external shocks – such as COVID-19 but also climate change or racial disparities – on gender, race and other stratifying classifications that may lead to discrimination open gates for targeted rescue and recovery aid with particular attention to empowering minorities and/or alleviating disadvantages. Already now we see a pegging of governmental rescue and recovery aid to socially-uplifting causes to address inequality concerns and environmental causes (Puaschunder 2020b, forthcoming b). Future efforts could directly investigate if there is a heavier load of the societal burden due to COVID-19 on particular groups that hinder a speedy, full and fair recovery. Legal excellence on how to detect disparate impacts could be coupled with behavioral insights on how to alleviate biases via taxation redistribution in an uncertain world in order to rescue, uplift and empower weaker societal segments in the age of our post-COVID Renaissance.

**Searchplace discrimination**

Digitalization offers unprecedented human advancement and democratization potential free from corruption (Puaschunder forthcoming c). For instance, in the medical sphere, telemedical assistance helps bring access to quality care and information about disease control to remote areas of the world or countries that are struck by corruption. Access to crowdsourcing information in online forums about novel diseases and alternative medical solutions for chronic debilitation is a groundbreaking phenomenon of our times (Bariffi & Puaschunder, 2021; Puaschunder & Gelter forthcoming). At the same time, shifting marketplaces to online virtual spaces opens gates for misinformation and disinformation in search engines and online forums being used in a competitive sense. The strategic manipulation of environments is a feature of behavioral economics. But while the focus is primarily on how to use nudges and winks to make the world a better place in helping humans make wiser decisions (Puaschunder 2020a, 2021b); less is written and known about how unethical behavior is used to curb and distort online environments by deleting information or clogging online searchplace users with unnecessary misinformation or compromising disinformation. Less documented and not regulated are behavioral black hat strategies that have become prominent to be used competitively in searchplaces, such as Google, Yahoo or Bing.

In the most recent decade, searchplaces, such as Google, Yahoo or Bing, have gained prominence for screening and scanning candidates in workplace related contexts. While we have a most important and emerging stream of literature on algorithmic discrimination and inherent biases in searchplaces and internet forums (Wu 2018); less is known about strategic searchplace distortion. So-called Search Engine De-optimization black hat strategies are competitive and unethical distortions of search engine results that either overemphasize unfavorable search results (enabled via clickfarms) or create a misinformation or disinformation overload that derails from accurate representations of individuals online. For instance, Google search results can get capped at a low number (indicated by Google) and unfavorable, misleading and/or compromising information can get highlighted via clickfarms.

Positive or content information can also be erased by flagging content online that gets immediately taken offline and hardly any resuscitation control by human reviews is installed. While there is a possibility to craft the internet search results together and flag and report inappropriate online content, little quality control is given to this option being used as a strategy

to push down or make content disappear that is appropriate in the wake of competition. For instance, competitors could use the flag and report button to make content of competitors unavailable. While the early 2000s was a period of advocacy for the 'Right to Delete' (Mayer-Schönberger 2009), the 2020s should also thematize the 'Right to not be Deleted.'

Potentially quality control over what gets flagged and who manipulates search results strategically could be enacted. Legal advancements should include clear guidelines and oversight of fraudulent use of the internet in a competitive way that manipulates genuine algorithm results, for instance via clickfarms or backlinks that curb or tilt search results in a particular way. Lastly, those, who face a searchplace discrimination disadvantage should be protected by legal regulation, technical support and rescue funds established by the industry to uphold to favor quality over unethicality in their profession. After all, sensitivity for cyberbullying via misinformation and disinformation could help elevate professions to a more ethical ground and uphold focus on excellence and merit rather than discreditation potential due to unethical conduct and lacking human algorithmic control.

**Conclusion**

Ethics of inclusion, Law and Economics interdisciplinary dialogue building and human-artificial intelligence algorithm compatibility are expected to become key advancements in behavioral economics and finance leadership of the future.

Ethics of Inclusion should offer a comparative approach to understand the most contemporary responsibility challenges of our time. The idea of fairness and social justice should be elucidated from an ethics perspective in our post-pandemic era. Ethics of Inclusion will embrace diversified potentials that overall empower society.

Inclusion should be free from any form of discrimination – may it be direct and obvious or more discrete. The age of digitalization opens gates for searchplace discrimination, which is hardly captured in legal regulation or workplace anti-discrimination laws. Future advancements in behavioral economics and finance leadership may address this abyss of discriminatory actions online and find ways how to avert the negative implications of searchplace black hat strategies. For instance, improving the algorithm-human-interaction gap could aid in quality control over online contents and content removal. The strategic display of information but also the competitive infiltration of online search results with nonsense or unrelated content should become subject to scrutiny and academic discourse over upholding ethics and merit-based anti-discrimination. Anti-discrimination measures of the future should start to integrate insights about searchplace strategies. Searchplace providers, such as search engines but also social media tools and career platforms should help refine search results and work towards wiser and more harmonious human-algorithmic interactions.

Most recent law and economics developments should become the basis for solving practical ethical dilemmas arising in the fair distribution of healthcare, financial aid, education, digitalization and carrying the burden of climate stabilization. In the distribution of COVID-19 relief, a system change may be accomplished when being guided by the interdisciplinary insights of 'Law and Economics' that in particular can address the disparate impact of the disease in order to derived targeted inequality alleviation strategies. Future economic policy research may be inspired by legal expertise on the measurement of disparate impact, which could open up the black box of the neoclassical aggregate economic functions calculus as a measure of economic growth. The combined expertise of Law and Economics in their unique interaction may shed light on disparate impacts of disease, public health and economic relief measures. This may lead to an interdisciplinary framework for crisis alleviation through redistribution that in combination can set the course for a better future in a more compassionate and inclusive world.

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