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# George Katona: A founding father of old behavioral economics

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### Abstract

Assuming the division of behavioral economics into old and new, the paper begins to argue that old behavioral economics began with the works of two giants “ George Katona and Herbert Simon during the 1950s and early 1960s. The contributors of Herbert Simon are well established, thanks to the popularity of bounded rationality and satisficing, and his being award Noble Prize in economics. However, economists are much less familiar with the contributions of George Katona that can be viewed as the father of behavioral economics. Furthermore, the author argues that Katona was also misunderstood by various economists when he was attempting to create a psychologically based economics that rejected the mechanistic psychology of neoclassical economics and introducing the survey method to economic research that he had been using in his experimental psychology research previously. He also had influenced various economists during their debates in the 1950s without given the credit for. Many historians of behavioral economics limit Katona's contributions to the start of behavioral economics only to his contributions to macroeconomics. However, the paper

behavioral economics only to his contributions to macroeconomics. However, the paper demonstrates that Katona's behavioral economics included his contributions to macroeconomics (bringing realism to Keynesian consumption function and consumption behavior), micro-economics (business behavior, the rationality assumption, etc.), public finance and economic policy, and his introduction of the survey method. To demonstrate these contributions, the author argues that Katona attempted to bring realism to economic analysis " through psychological concepts " beginning with his early days of research in Germany which coincided with German hyper inflation- and continued whether working at New school for Social Research, Chicago University's Cowles Commission, the U.S. Department of Agriculture, or the University of Michigan's Survey Research Center. The author also argues that Katona's contributions went through stages, depending upon what economic problem persisted at the time, what advertises he was facing, and what institution/organization he was associated with.



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## JEL classification

B29; B31; B59

## Keywords

Conventional economics; Behavioral economics; Old behavioral economics; Founding fathers; Cognitive psychology; Experimental psychology; Keynesian consumption function; Real behavior; Rationality; Expectations; Survey research center

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