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PSYCHOLOGICAL ASPECTS OF FINANCIAL INSTABILITY AND ECONOMIC CRISES: THE ROLE OF HUMAN BEHAVIOR IN MARKET FLUCTUASIONS

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Abstract

This article explores the impact of psychological factors on economic behavior – both at the level of individual consumers and on a national scale. Traditionally, economics has been viewed as an exact science grounded in rational models of human decision-making. In practice, however, people's choices are often far from logical or predictable. This is where economics intersects with psychology. Understanding psychological aspects such as risk perception, emotions, beliefs, and social norms provides valuable insight into economic dynamics and helps explain deviations from rational behavior in markets.

Introduction

Over the past few decades, economics has increasingly drawn upon psychological research to better understand the mechanisms behind decision-making. Financial behavior is often shaped not by rational calculation but by subjective influences such as emotional state, cognitive biases, levels of trust, social influence, and perceived risk. These psychological components significantly affect economic activity: they shape consumer demand, investment behavior, saving tendencies, and inflationary expectations. On a macro level, collective behavioral responses can intensify economic cycles, determine the effectiveness of reforms, and affect the accuracy of forecasting models. The integration of psychology into economics provides a more realistic and comprehensive understanding of economic processes. One of the key areas of this interdisciplinary collaboration is behavioral economics, which examines how mental and behavioral traits influence economic decision-making. Unlike neoclassical models based on full rationality and utility maximization, behavioral economics acknowledges limited cognitive capacity, emotional influence, and social pressure on decision-making.

Within this framework, researchers highlight several persistent behavioral effects, including:

- Anchoring effect – the tendency to rely heavily on initial information, regardless of its validity;

- Endowment effect – the overvaluation of possessions simply because they are owned;
- Hyperbolic discounting – preference for immediate rewards over greater long-term gains;
- Loss aversion – the tendency to perceive losses more intensely than equivalent gains.

Incorporating these behavioral insights into economic models improves the accuracy of predictions regarding consumer and investor behavior and enhances the effectiveness of economic policy by aligning it with real human tendencies.

Table 1. Influence of psychological factors on economic processes:

Psychological factor	Economic consequence	Example
Mass panic and fear	Acceleration of the economic crises	Bank runs and large-scale withdrawal of deposits during crises
Low trust in government	Decline in investment, expansion of the shadow economy	Dollarization and offshore capital outflows
Consumer optimism	Increase in domestic demand and GDP	Consumer booms in post-crisis periods
Short-term thinking	Lack of long-term investment, weak infrastructure growth	Avoidance of structural reforms, preference for quick support measures
Social imitation	Formation of market bubbles	Real estate bubble before the 2008 financial crisis
Loss aversion	Delayed reforms, political resistance to change	Slow implementation of anti-crisis policies due to fear of public backlash

Approaches to Mitigating the Impact of Psychological Factors on Macroeconomics:

Psychological aspects influencing the behavior of economic agents can strongly affect the stability and effectiveness of a state's economy. Mass panic, distrust of institutions, and short-term thinking can complicate policy implementation, amplify crisis cycles, and slow development. Therefore, creating mechanisms that reduce an economy's vulnerability to such behavioral distortions is of particular importance.

1. Systematic development of economic and financial education

Raising the level of financial and economic literacy is one of the most effective tools for fostering stable and responsible economic behavior. Educational programs for students and adults should focus not only on basic economic principles but also on critical thinking, risk assessment, and the ability to evaluate economic information objectively. A more informed population is less susceptible to panic, manipulation, and irrational decision-making during instability.

2. Building trust in government and financial institutions

Low public trust in authorities, central banks, and financial institutions fosters the growth of the shadow economy, capital flight, and reduced investment activity. Sustainable trust requires transparency, consistency in decision-making, open dialogue with society, and accountability from policymakers. The higher the trust in institutions, the more stable behavioral responses become—especially during crises.

3. Integrating behavioral analysis into policy design

Modern economics provides tools to incorporate real behavioral patterns into policymaking. Using behavioral data in reforms, taxation, and social policy enhances policy effectiveness. For instance, applying the concept of 'nudging' can subtly guide citizens toward beneficial choices without imposing strict regulations.

4. Developing an effective communication strategy

A coherent and transparent information policy is vital in times of uncertainty. Clear, timely, and reliable communication from government agencies and key economic institutions helps reduce public anxiety and prevent panic. Managing public and business expectations is an essential component of stabilizing economic conditions and mitigating shocks.

5. Counteracting herd behavior in markets

Financial and commodity markets often exhibit herd behavior, which can lead to bubbles or crashes. To address this, macroprudential regulation, temporary transaction restrictions, and early warning systems should be applied. Effective regulation must anticipate behavioral fluctuations rather than merely respond to their consequences.

6. Encouraging long-term economic thinking

A sustainable and competitive economy requires shifting attention from short-term gains to long-term strategic goals. Governments can promote investments in human capital, innovation, and sustainable infrastructure through tax incentives and supportive policies. This focus strengthens economic resilience and minimizes the influence of short-term emotional reactions.

Conclusion

Macroeconomic stability depends not only on objective financial indicators but also on the collective behavioral attitudes of citizens and businesses. Implementing comprehensive measures – from improving financial literacy to strengthening institutional trust and integrating behavioral insights into policy – can significantly mitigate the negative impact of psychological factors, enhance predictability, and ensure long-term sustainable development.

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АРТ-ТЕРАПЕВТИЧНІ ТЕХНОЛОГІЇ ЯК ЗАСІБ КОРЕКЦІЇ МОВЛЕННЄВИХ ПОРУШЕНЬ У ДІТЕЙ ДОШКІЛЬНОГО ВІКУ

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Актуальність. Останніми роками в Україні спостерігається зростання кількості дітей з мовленнєвими порушеннями. Питання своєчасного виявлення таких порушень і добору ефективних методів їх корекції є важливою складовою логопедичної роботи та має значне значення для вдосконалення змісту корекційної освіти у сфері дошкільного виховання.

Нетрадиційні методи корекційного впливу сприяють розкриттю потенційних можливостей дитини. А застосування сучасних терапевтичних підходів дає змогу поєднати елементи невербальної експресії з вербальною взаємодією. Найбільш результативним напрямом у цьому контексті є використання арт-терапевтичних технологій, які створюють природну комунікативну атмосферу та підвищують мотивацію дитини брати участь у спільній діяльності.

Арт-терапія - це терапія за допомогою мистецтва і включає в себе окремі терапевтичні техніки, такі як ізотерапія, казкотерапія, ігротерапія, пісочна терапія, музикотерапія, фототерапія та хромотерапія. Ці методи часто є інтегрованими та взаємодоповнюючими.

Стан дослідження. Проблема корекції порушень мовлення у дітей дошкільного віку є однією з провідних у сучасній логопедії, психології та педагогіці. Вона перебуває у центрі уваги багатьох науковців, які досліджують причини, механізми виникнення та ефективні шляхи подолання мовленнєвих труднощів.

Використання арт-терапевтичних технологій у педагогічній і логопедичній практиці стало предметом досліджень О. Вознесенської, О. Тарасової, Ю. Рібцун, А. Копитіної, Л. Трофименко, В. Соколова. Науковці доводять, що арт-терапія сприяє розвитку комунікативних умінь, зниженню емоційної напруги, активізації мовленнєвої діяльності та формуванню позитивної самооцінки дитини.