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THE CONSUMPTION DECISION AT THE CROSSROADS BETWEEN STANDARD ECONOMICS AND BEHAVIOURAL ECONOMICS

Abstract: *Standard economics considers the consumer as being a rational human being, who makes one-dimensional decisions – minimum effort (cost), maximum effect (value, satisfaction). Using a multidisciplinary approach, behavioural economics intends (and succeeds to a large extent) to study the concrete means by which people make decisions every day, questioning the postulates of traditional economics, and adding decision-making models taken from complementary scientific disciplines.*

Key words: *standard economics, behavioural economics, consumer, consumption decision.*

Introduction

In 2015, the Nobel Memorial Prize in Economic Sciences was awarded to Angus Deaton, British-born Professor of Economics at Princeton University, for his analysis of consumption, poverty and welfare.

Starting from the main goal of each of us – welfare in all its forms, the Nobel laureate focused on poor countries – India in particular, developing a strategy that offers a better understanding of consumption trends depending upon the people's incomes.

Thus, the policies aimed at eradicating poverty gain a new chance by integrating the results of the reputed economist's researches.

In Deaton's view, the fundamental ideas bringing a fresh approach to this field focus on three main questions: distribution of consumers' spending; distribution of society's income in spending and savings; measurement of welfare and poverty.

In the 1980's, Deaton developed the Almost Ideal Demand System, which simplified the estimation of the consumption demand-prices-incomes relationship, thus leading to the understanding of consumption patterns and the accurate integration thereof into economic policies.

Moreover, Deaton underscores the need to study how individuals adapt their consumption to their incomes, reiterating the idea that the classical theory of consumption cannot explain the current relationship between incomes and spending and stressing the study of individual data in order to be able to adapt models in modern macroeconomics.

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An. Inst. Cerc. Ec. „Gh. Zane", t. 25, Iaşi, 2016, p. 19–31

Last but not least, Deaton states that the understanding of the mechanisms on which economic development is based requires the reliable measurement of the consumption levels of each household.

"By linking detailed individual choices and aggregate outcomes, his research has helped transform the fields of microeconomics, macroeconomics, and development economics", the Royal Swedish Academy of Sciences said[2].

In substantiating its decision to award this year's famous prize (in economics), the Nobel Committee emphasises that "Deaton's clever use of the data obtained from the focus on household has helped transform development economics from a theoretical field based on aggregate data to an empirical field based on detailed individual data."

"What is more valuable, water or diamonds? Most people who are asked this question answer without delay: 'water'. But if they are asked a slightly changed question, they hesitate: What is more valuable, a glass of water or a glass of diamonds? If they answer again 'water', you can ask them what glass they would choose if they were to choose between a glass of water and a glass of diamonds. Diamonds win every time." (Heyne P., Boettke P., Prychitko D., 2011, p. 69).

Would this be an economic or non-economic approach?

It is rather a fact which we have to deal with even more often than we realise. And this is because time – which is maybe the most limited but the most precious resource – does not allow us to ponder too long when making decisions, consumption decisions in particular. Either we do or do not want it, either we do or do not realise it, we are the victims of circumstances. We constantly make choices depending upon the actual, concrete situation we are in at a certain time. We make compromises, which we can assume or not; we make mistakes, from which we do or do not learn anything; we fall, get up and go on; we consume!

We are all "animal spirits" (Akerlof G.A., Shiller R. J., 2009), who run hurriedly – and not always rationally – towards illusive goals, even if we witness what some consider as "the end of the economics of illusion" (Voinea L., 2009).

At the same time, however, we are "the world", making up nations, groups, families, couples, final consumers of "everything", partial sums of a multitude of determinants which influence us, whether we do or do not want it.

We can be also considered as narrative's characters because "The confidence of a nation or of any larger group tends to develop around tales. Highly important are the tales of the new era, which describe the historical changes that are to boost the economy to a new era. Shiller's book 'Irrational Exuberance' details the importance of the story about the invention and exploitation of internet…" (Akerlof G.A., Shiller R.J., 2009).

I have not inadvertently chosen the quotation above. And not because I like stories (who doesn't?), neither because I intend to embed a narrative air in this paper, nor because in the current chaos Akerlof and Shiller still make an impact on

[2] http://www.digi24.ro/Stiri/Digi24/Extern/Stiri/NOBEL+ECONOMIE+2015.

many of us. But I do my best to remain standing beyond Toffler's third wave and all the other potential waves pushing us independent of our will. I try to look as responsibly as possible at future generations: "The fact that media is under a permanent change is no news. We are beyond the time when each type of media channel had only one role – shows or movies at the TV, music at the radio, analysis articles in newspapers and magazines. The current situation is much more complex and we are exposed to a multitude of interconnecting choices. Things happen much faster, and the internet is the catalyst of all channels. We, who were born in the '70s–'80s, adapted to this new context. But a new generation with a completely different behaviour is coming, who need not adapt to the new situation because they were born in it. Starting from such an idea, we can ask ourselves how much we actually understand it. There is a trend among children and teenagers: they spend their time watching registrations of the online games played by others. They do not play themselves, they do not use this precious time for other activities, but they watch how others played. For me, this phenomenon is surprising to say the least. And this is just an example, but there are many others which make us realise how little we understand them. They are the future buyers. Therefore, we should be extremely careful in order to understand both them and the current buyers. The digital era comes with a great flexibility and access to information, and consumers make use of the resources that best serve their needs."[3]

I think this last quotation, recently discovered in the virtual literature, is highly responsible as vision in approaching the topic of the present paper.

Of course, I do not propose to discover the truth but only to look for it in the black box of the consumer's behaviour: "American economist Philip Kotler approached this issue in a cybernetic language; in this spirit, the consumer's behaviour is seen as the result of inputs that are received, evaluated and processed by the human being. This is considered as being a "black box" placed between entries and exists, where complex psychological processes take place, which cannot be noticed at the current level of human knowledge." (Creţoiu Gh., Cornescu V., Bucur I., 2011 p. 120).

About the concept of consumption

In a study of 2010, psychologist Daniel Kahneman, a Nobel Prize laureate in Economic Sciences in 2002, and economist Angus Deaton stated that any increase in income beyond an annual salary of USD 75,000 does not increase the everyday contentment. Everyday contentment, measured by the frequency and intensity of moments of joy, sadness, stress and affection, starts to level off after an annual income of USD 75,000 (i.e. EUR 4,875 per month at the exchange rate five years

[3] Stefan Heremans, GfK Crossmedia Link, a solution for new business needs GLOBAL PRODUCT HEAD GFK CROSSMEDIA LINK, http://www.revista-piata.ro/index.php

ago). On the contrary, an increase in income shall have a strong positive impact on the individuals making less than USD 70,000 per year (EUR 4,550 per month)[4].

Then, how should we look at consumption? Why do we consume?

"People take action, they involve in the practical activities of the society only from the wish to satisfy a need. Such needs may be consumption needs, i.e. people's demand to have and use goods and services. They are motives of the human actions and take the form of economic interests." (Creţoiu Gh., Cornescu V., Bucur I., 2011 p. 29).

Starting from this assertion, we easily get to the shortest definition of consumption as being the economic activity of using goods and services.

Of course, the specialty literature includes a wide range of theories and definitions of consumption.

The cornerstone was put by John Maynard Keynes: "The fundamental psychological law on which we can rely with certainty, *a priori* because of our knowledge about human nature and, also, *a posteriori* because of the detailed information supplied by experience, is that – on an average and for the greatest part of the time – people tend to increase their level of consumption as their incomes grow, although not equally to the increase in their incomes." (Keynes, J.M., 2009).

Eventually, other two reputed economists, Franco Modigliani and Milton Friedman, dealt with the study of consumption, both of them being awarded a Nobel Prize for economics.

According to "the permanent income hypothesis" developed by Milton Friedman, a consumer's choices are determined by his permanent income, not by his temporary income. In Friedman's model, the consumption is governed by each individual's actual assets, both physical (shares, bonds, property) and education or experience. They all influence the consumer's ability to earn that income, and he is able to estimate future incomes.

In his turn, Franco Modigliani contributed with the "life-cycle hypothesis", starting from the assumption that most people tend to have a relatively stable level of consumption over their lifetimes, explaining that youngsters take loans to spend more than they earn, middle-aged people save hard, while old people use savings.

Another view on consumption belongs to James Duesenberry who developed the "relative income hypothesis", which assumes that an individual's consumption decisions are dictated by the experience in time of his own consumption, on the one hand, and by his consumption in relation to others, on the other hand.

A less accepted theory among economists belongs to Harvey Leibenstein, who somehow links the consumption to the intensity and efficiency of the effort made, a theory that leads us to other economic research areas.

John Kenneth Galbraith, another reputed economist, stresses that consumption is not always determined by the actual needs of an individual, who remains always subjective and easily influenced.

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[4] http://adevarul.ro/economie/stiri-economice/premiul-nobel-economie-revine-profesorului-angus-deaton-cercetarile-privind-consumul-saracia-serviciile-sociale-1_561b9691f5eaafab2c92f164/index.html.

Without detailing further the different aforementioned views on consumption, their simple enumeration leads us to the function of consumption and, therefore, to the function of utility.

A first definition of utility was given by Jeremy Bentham as being “that property in any object whereby it tends to produce pleasure, good or happiness, or to prevent the happening of pain, evil or unhappiness” (Cornescu, Creţoiu şi Bucur, 2011, p. 115). But the basics of the principle of utility can be found in neoclassical theories, which “have an approach from the consumer’s perspective, regardless of the properties of an asset” (Cornescu, Creţoiu şi Bucur, 2011, p. 115).

Simplifying, in relation to classical theory, we assume that a certain asset is as useful to any consumer. Further, the total economic utility of several similar assets can be determined by a simple mathematic calculation, by adding up the individual utilities of each asset or by multiplying the individual utility (assumed as being identical) by the number of assets taken into account.

Neoclassical economic theory introduces the concept of *homo economicus*, a utility maximizer. He becomes aware of the properties of the asset, which must be consistent with his needs and which he must be able to use.

Whenever the need of an asset is stronger, the consumer attaches more importance to the units consumed from that asset.

In other words: “the smaller the quantity of an asset they (consumers) have, the more cherished such asset is, and vice-versa: the greater the quantity of an asset, the less cherished is any additional or marginal unit of such asset” (Cornescu, Creţoiu şi Bucur, 2011, p. 118).

It may seem paradoxical, but it is not. And real life fully proves it, time after time. To better understand it, we must look at Kotler’s “black box”, where stimuli of all kinds are changed (like in alchemy, we could say) into consumption decisions.

And this is much more so, as – far from exhausting (general) views on consumption – I think it is worth considering an idea that embraces in my opinion the quintessence of current consumption: “Modern people devote less and less time to the production by labour and more and more time to the production and permanent reinvention of their own needs and welfare. They have to watch over the constant mobilisation of all virtualities, of all consumption capacities. If they forget, they are reminded amicably and promptly that they do not have the right not to be happy. Therefore, it is not true that they would be passive: they carry out, they have to carry out a continuous activity. Otherwise they risk to make do with what they have and to become asocial. Hence, the onset of a universal curiosity (a concept that should be studied) with regard to cooking, culture, science, religion, sexuality, etc. One has to try everything, because the consumption man is haunted by the fear of ‘losing’ something, a pleasure, whatever such pleasure would be. One never knows whether a certain experience (Christmas in the Canary Islands, Anguilla fish with whisky, Prado museum, LSD, love in Japanese style) would not trigger a ‘sensation’. We no longer speak about desire, nor about the ‘taste’ or the specific disposition, but about a generalised curiosity activated by a diffuse obsession – it is ‘fun morality’ or the imperative of entertainment and exploration up to the last opportunity to experience, to enjoy, to be rewarded."(Baudrillard, J., 2008)

The consumer and the "black box"

"On the market, the consumer represents the central reference element of any entrepreneur, the market cannot be defined separately from those bringing such market to life. The importance attached to satisfying the consumer reflects the central place it occupies in the theory and practice of marketing" (Dubois, P.L., Jolibert, A., 1992, p. 15). We can consider the idea above as the starting point of the importance attached to this area of the contemporary economic research.

In time, the specialty literature gave various definitions to the consumer's behaviour, either – "as a general approach, representing the totality of decision makings at individual and group level, directly related to the acquisition and use of goods and services in order to satisfy current and future needs, including decision-making processes which proceed and determine such actions" (coord. Balaure V., 2000, p. 172), or – "a multidimensional concept, as a specific outcome of a system of dynamic relations among perception, information, attitude, motivation and actual manifestation processes which define the integration of an individual or of a group of individuals into the area of consumer goods and services existing in the society at a certain moment in time, by individual or group decision-makings" (I. Cătoiu, N. Teodorescu, 1997, p. 13).

Analysing the "General Bases of Marketing", Sica Stanciu summarises several conceptual delimitations of the consumer's behaviour, among which:

– American psychologist Harold Leavit states that there are three essential elements defining human behaviour: the stimulus representing the reason; the need that is the wish to be accomplished; the objective that is its aim. As needs multiply exponentially because of the technical-scientific progress leading to new inventions, and the accomplished need leads to other needs, it is obvious that the individual behaviour is also changing;

– The American Marketing Association defines the consumer's behaviour as an interaction regarding impression and perception, conduct and common natural happenings whereby human beings steer the changes in their lives;

– Consumers' behaviour determines interactions, this is why it is important to know what consumers think (perception), what they feel (impression) and what they do (conduct), which are the motivating things and places[5];

– Consumers' behaviour determines exchanges among people; this is why, as regards the relationship between the consumer sizing the demand and the producer sizing the market offer, mutual knowledge is essential both in the acquiring process, and in the goods and products production process[6];

[5] Jim Blythe, "Consumer's Behaviour", – Teora Publishing House 1998 p. 11.

[6] Ioan Mihuţ, Marius Pop, "Consumer and the Management of the Offer", Dacia Publishing House, Cluj Napoca 1996 p. 14.

– Consumers' behaviour involves successive or concomitant actions to select a choice, materialised in decision-making[7].

STIMULUS (reason)	→	*NEED (wish)*	→	*OBJECTIVE (aim)*

Source: own adaptation after Sica Stanciu "General Bases of Marketing", Bucharest University Publishing House, 1999

Irrespective of how we regard consumer's behaviour, we wonder about the black box. Beyond the classical scheme, a series of authors in the specialised literature focused their research efforts on identifying the factors that could explain the consumers' behaviour.

The knowledge of the system of factors acting in close relationship and mutual interdependence, the way in which they act, in particular their place and role in the system, are interpreted differently and this is why we see various classifications thereof.

So, Dubois and Jolibert, (P.L. Dubois, A. Jolibert, 1989) arrange the factors influencing consumer's behaviour in:

– individual factors: personality, cognitive style, living style and perceived risk;

– environmental factors: socio-demographic factors (family life curve, social classes), reference groups, family, economic environment;

In his turn, Philip Kotler, (Kotler Ph., 1997 pag. 35) starts from the analysis of the factors affecting consumer's behaviour, which are grouped in: a) cultural factors: culture, subculture and social class; b) social factors: reference groups, family, roles and statuses; c) personal factors: age and moment in the life cycle, occupation, living style, economic circumstances, personality and opinion about oneself; d) psychological factors: motivation, perception, learning, convictions and attitudes;

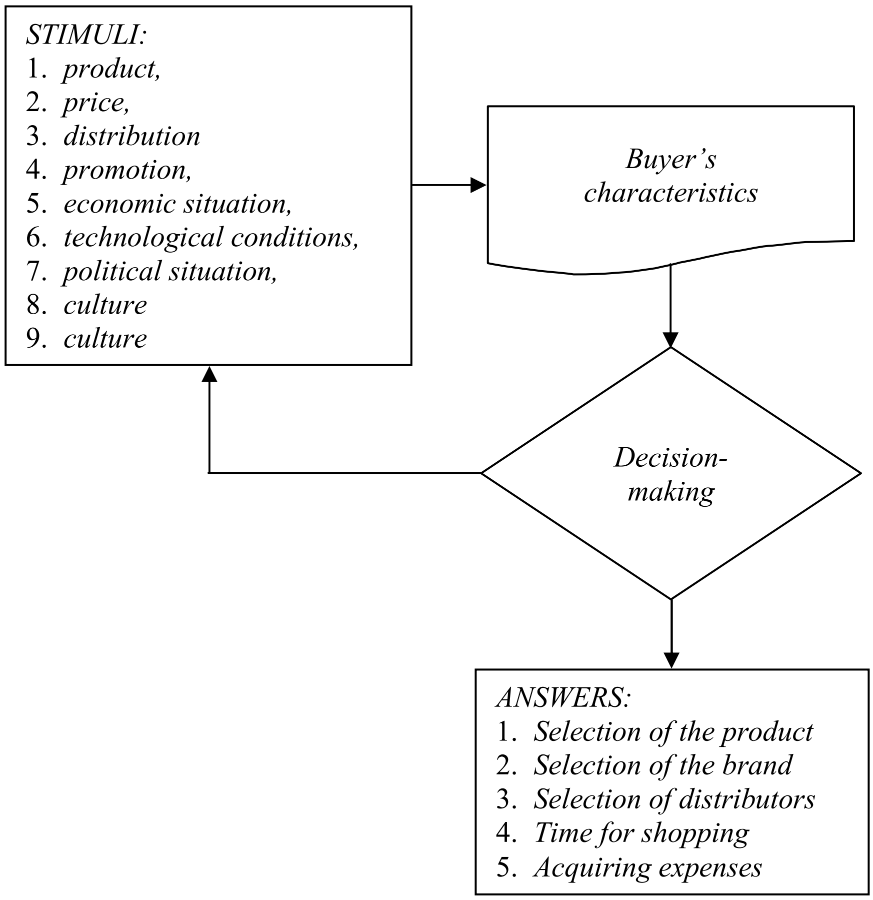
R. Boier (Boier R., 1994, pag. 30) points out three groups of factors influencing consumer's behaviour: 1. individual factors: needs, motivations, personality, opinion about oneself, living style, attitudes and preferences; 2. social factors: family, reference groups and opinion leaders, social role and status, social classes; 3. cultural factors.

I. Cătoiu, N. Teodorescu (I. Cătoiu, N. Teodorescu, 1997 p. 25–45) arrange the variables influencing consumer's behaviour in two categories: a) directly discernable: demo-economic factors; specific marketing factors; situational factors: pressure of time, importance of the acquisition, occasion on which the acquisition was made; b) identified by interferential-type researches: psychological (endogenous)

[7] P. Mâlcomete (coord.) – "Marketing Lexicon", p. 67.

factors: perception, motivation, learning, personality, attitude; sociological (exogenous) factors: family, belonging groups, reference groups, social class, subculture, culture.

The study of all aforementioned factors and of the relationships among them, as well as the way in which they influence the consumer's behaviour (determining the loyalty to a product or a brand, the attitude towards products and services, the formation of an image about a product or a service, the reaction towards the presentation and wrapping of products, the loyalty to a distribution unit, the receptiveness to promotion) were largely approached and resulted in the development of niche disciplines, all of which follow the same cybernetic principle of Kotler's black box, which I took the liberty to adjust:



Source: own adaptation after the model presented in Cornescu, Crețoiu and Bucur, 2011, p. 121.

Observing the cybernetic principle of a logical scheme, I slightly adjusted the black box model developed by Kotler considering that those "complex processes" during the decision-making are not at all simple, as they follow the if-then-else trajectory and the process is resumed whenever necessary in order to obtain at least an acceptable decision if not an optimum one.

From standard economics to behavioural economics

In standard economics the consumer is regarded as a rational being, which makes one-dimensional consumer decisions – minimum effort (cost), maximum effect (value, satisfaction). We can say that the behaviour of a "standard" consumer uses the selection criterion which is called "the lowest price" even in the legal framework of public acquisitions. He can choose to consume more as the price is lower or to find replacements of the needed goods (cheaper, less qualitative, for an appropriate lower price), or to consume more as his income allows him to do so.

The numerous factors influencing a consumer's behaviour and substantiating the consumer decision-making within the black box mentioned in the previous chapter make us think of a much more complex selection criterion, which – to continue the parallel – is called "the most economically advantageous offer" in the legal framework of public acquisitions.

Starting from the aforementioned idea, i.e. that not only the price matters in substantiating a consumer decision-making, reputed experts in the field tried to explain and in particular to ensure a scientific base for this process, which seems so simple but in fact it is so complex. As I mentioned previously, the economic models in standard economics focus on abstract individuals, who are both perfectly rational, with the role of confirming the theory, and are always ready to sacrifice for the welfare of society, shattering the theory, having no support in real life.

In fact, a human being (consumer) is a complex person. His actions do not perfectly match the theoretical principles of economics. He does not always make optimum decisions, he makes mistakes (from which he does not always learn, so he repeats them), he takes into account the risks, he is influenced by various factors (which I mentioned in previous chapters). These aspects are remarkably dealt with by an emergent area of economics, i.e. behavioural economics.

Using a multidisciplinary approach, Behavioural Economics intends (and succeeds to a large extend) to study the concrete means by which people make decisions every day, questioning the postulates of traditional economics, and adding decision-making models taken from complementary scientific disciplines (which I presented in the previous chapters).

Furthermore, Behavioural Economics intends (and succeeds to a large extend, too) to explain why a consumer does not always behave selfishly and why he does not always make the most economically advantageous decision (for him) or why, depending upon what happens in the "black box", he grants completely different values to consumer objects identical in value, at his own discretion.

So, Behavioural Economics looks for (and finds) behavioural explanations to the consumer's preferences and circumstantial choices, which are not identified by the traditional theory (Frank, 2006, p. 231–256).

"When the studied behaviour can no longer be explained by income or prices, the explanation can be found in the variation of tastes" (Backer, 1998, p. 139).

Behavioural Economics considers that *homo oeconomicus rationalis*, largely disseminated by neoclassics, constantly deviates from the theory.

This may be the reason why Rabin (1998, p.11), and he is not the only one, associates behavioural economics with psychology and economics, considering that psychological studies complement and explain why the consumer's behaviour cannot be perfectly integrated in traditional economic postulates.

People are afraid of, and avoid, failures, losses, regret. This is why, as psychology explains, people prefer to renounce some benefits in order to shelter from own fears.

Dan Ariely (Ariely, 2010, p.87) believes that we are, in our way of thinking, the victims of the lack of autonomy, determined by exterior stimuli, by the relations with others, all of them being (more or less) vulnerable. In "Theory of Moral Sentiments", Adam Smith (1759, 2006), considered as "the father of economics", grants psychological explanations to the consumer's behaviour. Other reputed names of the standard (neoclassical) economics brought complex psychological arguments to the (consumption) behaviour. Among them: Francis Edgeworth, Vilfredo Pareto and Irving Fisher (Camerer and Loewenstein, 2004, p. 3–5).

The relevant economic literature includes numerous debates on the sense of the concept of rationality and the maximising models substantiated by consumers' behaviour, among which the most reputed authors can be considered J. M. Keynes (1936, 1970) or von Hayek (1945). Herbert Simon, Nobel Prize laureate in Economic Sciences, promoted the reunification between psychology and economics, admitting the limited rationality of *homo oeconomicus* and supporting the algorithms-based theory, which incorporates the cognitive mechanisms of an individual, and promoting interesting means to mathematically study the behaviour (Simon, 1955). We cannot refer to Behavioural Economics without mentioning the name of George Katona (1951). Hersh Shefrin and Richard Thaler (1988) demonstrate, by means of the "Behavioural Life-Cycle Hypothesis", that people prefer immediate satisfactions to long-term balanced consumption.

Another reply to the rational decision-making model in economics is given by Daniel Kahneman and Amos Tversky, who in 1979 published in "Econometrica" an article called "Prospect Theory: an Analysis of Decision under Risk". That theory demonstrates the lack of rationality of decisions, relating the behaviour to the risk-taking under gain or loss conditions and showing that emotion plays a significant role in decision-making.

The central idea of behavioural economics is "the conviction according to which an increased realism of the psychological bases of economic analysis will improve the economic field in its terms – by generating theoretical perspectives, by developing better predictions of actual realities and by suggesting more appropriate policies" (Camerer, C.F., Lowenstein, G., 2004, p. 3).

Practically, the hypothesis unanimously recognised by "behavioural" economists focuses on the concept of "bounded rationality" which characterises the consumer. Hence the quite natural difficulty which prevents both outsiders and professionals from anticipating the consumer's actual reactions. This does not mean that the perfectly rational and predictable consumer, promoted by classics, suddenly becomes "irrational".

Despite appearances, behavioural economics does not lie at the opposite pole of standard economics. Having in fact the same roots, behavioural economics simply changes the idealistic perspective of the rational consumer promoted by classics, moving the emphasis from what is foreseeable, predictable towards reality, towards the concrete, towards real life.

"Uncertainty is part of life. Any person making a decision in the absence of full information about the future consequences of all available opportunities is a speculator. Therefore, we are all 'speculators' in a world of uncertainties." (Heyne P., Boettke P., Prychitko D., 2011, p. 214).

Man, regardless of how emancipated he is, is a complex but subjective being. In the current crazy times, when time seems to have no patience any more, people are consistently forced to make decisions, not only consumption decisions! Let us think that when we prepare to get a driving licence, a decisive step in this process is the psychological test, which verifies our capacity to make immediate correct decisions under risk conditions! This is a simplified method to understand the importance of the psychological factor in decision making, as well as an area where the "speculator" in us displays most intensely the "animal spirit". How accurate and how subjective can a man be under "risk and uncertainty conditions"?

"In order to understand economics, we have to understand how it is influenced by so-called 'animal spirits'. As Adam Smith's 'invisible hand' is the key element of classical economics, Keynes' 'animal spirits' represent the key element in a different vision on economics..." (Akerlof G., Shiller R.J., 2010, p. 16).

Starting from the study of the human behaviour (with its numerous faces), it combines psychology elements and other social sciences in the proposed research.

The central element around which Behavioural Economics developed is, as its name tells us, the concept of *behaviour*, limited rationality of persons in general and of markets in particular, which was initiated by Herbert Simon in the '50s.

This very idea gives birth to numerous controversies because it fundamentally disputes the rational (unlimited) choice theory advanced by neoclassics.

Starting from the idea that the rationality of an individual is limited to certain given factors, such as access to information, limited available time and cognitive limitations of human judgment, the following question arises: "does it dispute standard economics or does it complete it?"

Another fundamental hypothesis of Behavioural Economics refers to the making of decisions under risk and uncertainty conditions. According to it, under risk circumstances, people resort to a cognitive evaluation of the decision, but at the same time they have an emotional reaction, both actions being closely related. A significant role in explaining such reactions with regard to the making of decisions under risk conditions has the prospect theory promoted by Kahneman and Tversky (1979). Other areas of Behavioural Economics refer to complete preferences, non-selfish behaviours, emotions, inter-temporal choice (how people act when making decisions with future consequences).

With regard to all these, behavioural economists aim at perfecting the utility function model by including preferences in the analysis; they dispute one of the main hypotheses of neoclassicism, i.e. selfishness, supporting non-selfish behaviours and the fact that selfishness has certain limits and imperfections.

Conclusions

The new branch of the economic sciences – behavioural economics, which developed mainly after 1950, studies the concrete manner in which people make choices every day.

Behavioural economics deals with the rational behaviour in the traditional terms, presented by classical and neoclassical economic literature, under new perspectives.

It tries to explain why individuals frequently make irrational choices and why the decisions they make do not follow exactly the patterns presented by classical and neoclassical models.

One of the principal pillars of behavioural economics is the concept of bounded rationality of people in general and of markets in particular, which is diametrically opposed to the main assumption of traditional economics, i.e. the rational (unlimited) choice theory.

The classical model of rational choice has its merits in a theoretical analysis of the decision, and this significantly contributed to the economic sciences by the key theories developed by the parents of this science. However, the limited rationality better corresponds to reality and to the manner in which decision-makers have to take into account more aspects than their selfish interest in the decision-making process.

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