

Chapter 8

EXAMINATION OF CONSUMPTION FROM BEHAVIORAL ECONOMICS PERSPECTIVE

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Introduction

Throughout our lives, everyday we are making a number of either micro or macro preferences. The common point of this process is the choice between different options. There is an acknowledgement that people are only rationally motivated by decisions made by companies both in production and in investment as well as in consumption by individuals. But in reality it is not always so.

Economics is a social science based on human beings, examining the economic choices of people. While economics on the one hand focuses on wealth and prosperity from a macro perspective, on the other hand it focuses on the behaviors of individuals, households and companies from a micro perspective. One of the important assumptions of classical economics is individuals are “homo economicus” or behave “rational”. This means that people always make rational decisions that will maximize their own interests and benefits. However, due to the fact that people are in the center of the economy, psychological factors are also involved in the subject (Çalık and Düzü, 2009). Accordingly, it can be said that besides the assumption that people are rational, emotionalism is as important as rationality. Because of the reasons behind our irrational decisions such as either economic crises and the economic policies imposed by the government or lack of will, be persuaded and jealousy, nowadays, people are beginning to talk about irrationality because they are no longer a complete rational human being.

People have a number of needs in order to live and continue their lives, such as eating, drinking, dressing and marriage. In order to meet these needs, people consume goods and services. Therefore, economics is primarily aimed at people’s meeting the needs of such as hunger, thirst and dressing. Some needs are such that when they are not met, people will feel pain, sadness, anxiety and unhappiness. Here, psychology also emerges at this point. In this context, the concept of psychology is a science that seeks to understand the human soul and its behavior (www.psykologiensveje.systeme.dk, accessed 2017).

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Conclusion

Behavioral economics is an economics sub-branch which blends economics and psychology and oppose the classical economics rational human assumptions and argue that people behave irrationally for different reasons. Even though behavioral economics dating back to the 1980s, the connection between economics and psychology extends back to the classical economic period. Afterwards, different thoughts have been put forward and studies have been made in the field of behavioral economics. Today, behavioral economics is becoming more and more popular.

There is a close link between economics and psychology. Behavioral economics which has previously only been dominated by mainstream economic views and emerged as a reaction to intensive mathematical models and analyzes of classical and neo-classical economic thought today, has become more and more accepted and has begun to be studied more. Because the role of psychology behind economic activities is very important. The main reason for this is that people are not always rational in their behavior. While classical and neo-classical economists perceive people as actors who always make rational behaviors and make their utilities to the maximum level, this situation is far from reality. Because people are a social and living being that can both affecting it's environment and can be affected by the environment. Therefore, people decide not only economical while consuming but also psychological, social and personal reasons. Psychological factors are an important factor in people being irrational.

Indeed, economics and psychology are two concepts intertwined because economics has an important influence on psychology and psychology has a significant influence on economics. Just as the economic decisions people make influence the economy, crises and economic policies imposed by government also affect people's behavior.

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