

# *Theory of Consumer Behavior in Economic Science*

## *Teorie spotřebního chování v ekonomické vědě*

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### **Abstract**

The aims of this article is to study the evolution of the theory of consumer behavior in economic science in the context of the ratio of rational and irrational motives of behavior and the answer to the question: can the theory of economic communications become an instrument for the further development of the theory of consumer behavior. The research methodology includes the method of rational reconstruction of scientific knowledge, the method of comparative analysis, the historical method, the method of scientific abstraction and others. The theoretical basis of the study is the work of representatives of various areas of economic thought in a historical context, including ancient philosophers, scholastics, mercantilists, representatives of classical political economy, neoclassical economic theory, behavioral economics, institutional economics, systemic economic theory.

The author concludes that the further development of the theory of consumer behavior is possible based on a synthesis of the theory of productive consumption and the theory of economic communications.

### **Keywords**

productive consumption, theory of consumer behavior, neoclassical economic theory, economic communications, economic rationality, organic irrationality

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### **Abstrakt**

Článek je věnován přehledu fází vývoje teorie spotřebitelského chování v ekonomické vědě. Autor porovnává poměr racionálních a iracionálních motivů ekonomické činnosti v dílech starověkých filozofů, scholastiků, merkantilistů, představitelů klasické politické ekonomiky, neoklasické ekonomické teorie, poukazuje na velký heuristický potenciál teorie produktivní spotřeby při objasnění chování moderních spotřebitelů. Autor vidí další vývoj teorie produktivní spotřeby ve využití teorie organické iracionality a teorie ekonomické komunikace.

### **Klíčová slova**

produktivní spotřeba, teorie spotřebitelského chování, neoklasická ekonomická teorie, ekonomická komunikace, ekonomická racionalita, organická iracionalita

## Statement of the problem and research methods

The research problem is that the standard neoclassical theory of consumer behavior, based on economic rationalism and marginal utility theory, does not adequately explain the behavior of a modern consumer. A comparative analysis of the ratio of rational and irrational motives of economic activity in the works of ancient philosophers, scholastics, mercantilists, representatives of classical political economy, neoclassical economic theory allowed the author to draw a conclusion about the great heuristic potential of the theory of productive consumption to explain the behavior of modern consumers. Further development of the theory of productive consumption is possible, according to the author of the article, on the basis of a synthesis of the theory of productive consumption and the theory of economic communications. The study of the main stages of the development of the theory of consumer behavior is based on the application of the method of rational reconstruction of science, the method of scientific abstraction, the method of comparative analysis, as well as an interdisciplinary approach.

## Consumer behavior research: from antiquity to neoclassicism

The behavioral concept in economic science has come a long way in the formation and development: from antiquity to the present day. At various periods in the development of economic science and practice, philosophers and scientists have differently explained the motives of human behavior. For Plato, innate ideas were the main motive, and innate abilities were the main factor. Aristotle considered the main motive – the satisfaction of needs and desires. In his opinion, the desire to satisfy needs motivates a person to engage in activities that comply with the laws of nature, that is, the management of the household (economy), and the desire to satisfy desires motivates people to engage in activities that are contrary to the laws of nature (chrematistics), that is, trade, usury etc. Thus, already ancient philosophers distinguished two motives – rational and irrational – inducing a person to economic activity.

The medieval scholastic philosophers (Thomas Aquinas and others) considered religious feeling to be the main motive of human activity, but also allowed a rational motive necessary for farming. Thomas Aquinas “justified” the types of occupations that Aristotle attributed to chrematistics: interest collection, as well as commercial and entrepreneurial profit. He proved that these types of economic activities are permissible if part of the income from them goes to public purposes. So Thomas Aquinas coordinated an irrational motive (religious feeling) with a rational one. The economic doctrines of antiquity and the Middle Ages were characterized by a fuzzy separation of consumer and producer motivation, which is due to the dominance of subsistence farming.

The great geographical discoveries, the development of international trade, the growth of income and social status of the merchant bourgeoisie, the Reformation and the bourgeois revolution in the Netherlands led to a rethinking of the relationship between religious and rational motives of human activity. Mercantilists considered the source of wealth to be the

sphere of money and then trade, and therefore justified profit as “profit from alienation,” regardless of the source of origin. Mercantilists did not analyze in detail the motives of consumer behavior, believing, by default, that desires and needs are equally worthy of satisfaction.

Philosophers of the Enlightenment believed that the rational motives of human behavior are the main, but called for moderation in consumption in accordance with the laws of nature. This Aristotelian logic and his naturalistic approach led to a “paradox of water and diamonds,” which even the great Adam Smith could not solve. A. Smith considered the pursuit of wealth to be the main motive for the behavior of both the producer and the consumer, and the satisfaction of needs receded into the background. Smith proved that the pursuit of wealth is a rational motive without analyzing the irrational motives of economic behavior.

G. Gossen and W. Jevons suggested paying attention to the philosophy of hedonism, which allowed a different look at the motives of economic behavior and solve the "Smith paradox". Hedonism and subjectivity, combined with the marginal approach, led to the formation of the theory of marginal utility and the neoclassical theory of consumer behavior.

A feature of the neoclassical theory of consumer behavior is the principle of maximizing utility, which the consumer seeks to implement in every transaction. But, as noted by R. Valenčík and P. Wawrosz (2019), this short-term motive does not allow explaining the behavior of a modern consumer. In the 21<sup>st</sup> century, consumers are striving to a greater extent to satisfy the needs for health and education services and, to a lesser extent, to material benefits. This feature of modern consumer behavior can be explained by the theory of productive consumption, the basic ideas of which were formulated by Friedman (1957). He proved that consumption is productive in the sense that people (households) behave in accordance with a long-term strategy, which can be described in general terms as maximizing the present value of their future income from the acquisition and exploitation of assets consisting of both human and from non-human capital.

## **Consumer Behavior Research: Productive Consumption and Economic Communications**

Productive consumption is consumption that increases utility and income at the same time. There are three forms of productive consumption: nutrition, health, education. All three forms serve current needs and therefore can be labeled as consumption expenditures; although sometimes it can be evaluated differently in the case of education. At the same time, labor efficiency increases or, depending on the interpretation, the supply of human capital. From this point of view, the main consumption expenditures can be classified as productive. Productive consumption ensures the satisfaction of current needs and at the same time increases the production potential of labor.

The main provisions of the theory of productive consumption are as follows:

- 1) the economic agent makes decisions, guided by a long-term strategy for using current income to acquire assets in order to increase the present value of future income;

- 2) the behavior of an economic agent is influenced not only by a rational motive, but also by experience, features of its psyche, which can both strengthen and weaken long-term motivation;
- 3) the economic agent identifies his well-being with the achievement of a certain level of income in the future, that is, he is interested in the growth of human capital;
- 4) to achieve their long-term goals, economic agents are interested in communication with each other (Jurásek, 2019; Valenčík, 2019).

The theory of productive consumption offers a new look at how consumers maximize their utility. To meet current needs, the consumer "relies on reality" (Valenčík and Wawrosz, 2016), using certain means, performing certain actions and getting into certain situations. Seeking to maximize utility in the present, the consumer achieves a certain pleasure or experience (this satisfaction is associated with a certain emotion). Thanks to experience, the consumer appreciates the receipt or acquisition of funds that he uses to perform actions, perform the activity itself, situations in which he finds himself or who he avoids. Initial experience, directly related to the satisfaction of initial needs, leads to new needs and new experience (Valenčík, 2019). New experience arises from the synthesis of transferred experience that arises as a result of satisfying existing requirements, when the same means of activity, the same activity, and the same situation simultaneously determine the satisfaction of many requirements. Thanks to the experience of satisfying certain needs, various types of experience are synthesized, and new needs appear.

The mechanism for the transfer, generalization and consolidation of experience over the means, actions and situations that determine the achievement of future experience (including the possession of certain goods or the performance of certain types of activities) plays a dual role:

- on the one hand, it significantly increases the motivation to acquire economic resources and intermediate goods or to perform certain actions. Since these intermediary goods or activities often provide more productive achievement of the initial goals than the situation when the original goal was achieved without their existence, and therefore it also increases the effectiveness of decision-making in terms of achieving the original goals;
- on the other hand, it removes the current human activities from their original goals (the intermediary goods themselves become the goals of human activities).

Thus, the growth of human capital is an important aspect of the consequence of productive consumption; Another important aspect is a new understanding of the activity of an economic agent in the continuum "present – future". Consumption becomes productive if, in deciding on consumption, the economic agent seeks to maximize the future beneficial effect and, as a result, increase the discounted cost of human capital. Understanding that the behavioral model inherent in productive consumption can be extended to other products also changes the behavior of the manufacturer.

Orientation of the consumer to the future to a greater extent than to the present, his desire to increase human capital, stimulates the manufacturer to look for opportunities to meet the future needs of the consumer. The image of the future becomes the main condition for

coordinating the interests and actions of the producer and consumer, which both strive to maximize their well-being and their human capital in the future. The vulnerability of the hypothesis formulated is the degree of rationality of economic agents. If economic agents are completely rational, then 1) they have all the information about the present, 2) their cognitive abilities are perfect and then equilibrium is reached automatically. But since economic agents are not completely rational (or even irrational), that is, they do not have all the information, and their cognitive abilities are limited, they need experience and emotions in order to form their idea of the future and make decisions in the present.

The assumption of the organic irrationality of economic agents further changes the researcher's view of consumer behavior (Kleiner, 2005). The main question, in our opinion, is the following: is it possible, within the framework of the theory of productive consumption, to solve the problem of subjective psychological prerequisites for violation of rationality of behavior? (Ariely, 2012).

In general, rationality of behavior assumes that an economic agent can, using all the information available to him, perform the following actions: see and accurately describe the goal he is facing in a given situation; identify all possible alternatives for choice and describe them; generate many valid alternatives; rank acceptable alternatives based on preference relationships; identify the best alternatives and make the final choice. Therefore, a violation of the rationality of choice is associated with objective or subjective limitations. Objective limitations include lack of information resources; incorrect technology of comparative analysis of alternatives, evaluation and interpretation of information. Subjective restrictions include conscious unwillingness to carry out all the actions necessary for the formation and solution of the problem of choice; antipathy to the mental, analytical or volitional activity necessary for making a decision. Thus, organic irrationality is associated not only with a lack of information and limited cognitive abilities, but also with a lack of will to implement mental operations and / or actions.

Is it possible to solve the problem of organic irrationality through economic communications? The hypothesis that economic communications can solve the problem of subjective psychological prerequisites for violation of rationality of behavior is based on the assumptions: 1) the essence of economic communications is not reducible to the exchange of information about the subject of a transaction; 2) economic communications are part of socio-economic systems of various levels.

The essence of economic communications is not reduced to the exchange of information about the object of the transaction, because the essence of man is not reducible only to its rational component. The human person is formed in the process of socialization, that is, interaction with other people, institutions, values of society (Sen, 1987; Kleiner at al., 2018). Economic communications themselves take place in a specific institutional environment formed by institutions of law, culture, religion, etc. Therefore, in short-term economic (one-time, spot) communications, information is exchanged on the personal characteristics of counterparties, their cultural memes (Jurásek at al., 2016), values, as well as rules of behavior, which they follow. In long-term (repeated) communications, not only broadcasting, but also the exchange of cultural norms, expectations, ideas about the future, and informal institutions is already taking place. Consequently, economic

communications expand many alternatives, reduce cognitive limitations, and therefore, compensate for the effect of subjective psychological prerequisites for violation of rationality of behavior (Sazanova et al., 2019).

Economic communications are part of the socio-economic system and its subsystems: production, exchange, distribution and consumption. In each subsystem, economic communications have their own characteristics. In the production subsystem in the interactions of economic agents, the main role is played by technologies and rational economic calculation, therefore economic communications to a greater extent solve the problem of information asymmetry, since the choice of alternatives is limited by the requirements of technology and economic calculation. In the subsystems of exchange, distribution and consumption, humanistic factors are becoming more important, therefore, communications solve the problem of structural uncertainty, pushing economic agents to certain mental operations or specific actions. Thus, from the point of view of the concept of irrational behavior of economic agents, economic communication becomes the link between the rational and irrational aspects of the behavior of economic agents.

Some authors (Soumyananda, 2014; Steger, 2002) believe that focusing on the productive aspects of consumption contributes to eliminating property-based inclusiveness and creating equal opportunities for social advancement. In this sense, they also interpret the positive role of social capital, paying attention to the role of education and health in its development. From the point of view of productive consumption distinguish between human and social capital. Human capital is a combination of knowledge, skills that are used to meet the needs of man and society as a whole. The valuation of human capital includes household and state spending on food, clothing, housing, and culture. Social capital is a set of social ties that allow for economic activity. Social capital is an economic resource, since it reduces the cost of coordinating the activities of economic agents by crowding out formal contracts with trust relationships based on informal norms, professional ethics, etc.

Social capital is considered as a prerequisite for the use of human abilities, but it is not identical to the phenomenon that we call investment in social status, when the possibility of obtaining or using human capital by one entity is carried out at the expense of another entity. Differentiation of investments in human capital, social capital, social status is a complex theoretical task. The solution to this problem is possible, in our opinion, using the theory of cooperative games, which analyze the negotiation processes, which are a form of communication. For example, as a communication analysis tool, you can use the Nash negotiation model  $(S, d)$ , where  $S$  is the set of available solutions, and  $d$  is the starting point of disagreement. If we consider other situations in which, as an alternative to the initial problem, the Nash negotiation models will be considered as the points of the alternative cost of investing in social status and the reaction points of the player who invests in status, we will get a very strong theoretical apparatus that can be used to analyze situations that are often encountered in negotiations to achieve a generally acceptable goal (project or reform) (Valenčík, 2019).

Neoclassical economic theory claims that "supply creates its own demand", and the theory of productive consumption claims that "consumption creates production". This means

that the perception of economic agents about desired future consumption engenders their current production plans. Consequently, economic communications, on the one hand, provide interactions of people in the present tense, and on the other hand, are an instrument for building the future.

## Conclusion

A study of the theory of consumer behavior in a historical context made it possible to establish that the focus of scientists has consistently shifted from irrational motives of behavior to rational motives. This led to the dominance in economics of the concept of a rational economic agent – the basic behavioral concept of modern microeconomic analysis. Deviations from a rational motive (for example, following traditions) were explained by neoclassical economists as exceptions, confirming the rule or particular cases of rational behavior (Maialeh, 2019). However, studies of the second half of the XX century. showed that deviations from rational behavior can be explained in terms of the concepts of limited rationality, organic (procedural) rationality, and organic irrationality. The emergence of new behavioral concepts is associated, according to the author, with a change in consumer behavior. The theory of productive consumption and the concept of organic irrationality make it possible to more reliably, according to the author of the article, explain the behavior of a modern consumer, the distinguishing characteristics of which are: orientation toward a greater degree in the future in making consumer decisions; the desire to increase human capital, not only in the present, but also in the future; organic irrationality; the need for economic communications to overcome cognitive, informational, and time constraints. The author proved that economic communications are a tool for the modern consumer, with the help of which he forms his preferences in the present and in the future.

The synthesis of the theory of productive consumption and the theory of economic communications is, in the opinion of the author of the article, fruitful for the further development of the theory of consumer behavior.

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