

ECONOMIC BEHAVIOR AND ITS PSYCHOLOGICAL IMPLICATIONS

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Abstract

In the theoretical scientific analysis, man and therefore his behavior is viewed differently. The economical point of view considers the individual as a rational being acting to maximize utility in relation to certain preferences. The sociological point of view considers that the key driver of human behavior is the influence of social context and constraints framework. The psychologically point of view considers the man a complex being, endowed with spirit, thought, perceptions, sensations, will, affection, emotions, imagination etc., which is reflected in its economic behavior. The human nature is influenced by the relationship which develops between the individual and society, specifically between the individual and other individuals who compose society as a whole.

Economic behavior, is an important part of the human behavior and is predictable in a very small extent; also the consequences of certain decisions may differ depending on the psychological aspects that characterize those involved at some point in a specific action. A particularly important issue that should concern a great economic professionals is raised by extend to which perceptions of economic actors determine economic behavior.

Keywords: economics, psychology, economic behavior, rationality, psychological needs, economic utility, personality

JEL Classification: A12 - Relation of Economics to Other Disciplines

Introduction

Economics is deeply marked by psychological load of human behavior. The steps of rapprochement between the two areas - economics and psychology who long time have ignored each other - have a load of great complexity, as psychologists rarely investigated economic behaviors, and economists have mainly studied the economic environment in which man acts.

Bringing attention to the link irrefutable between the two disciplines and fields of study - as both dealing with human behavior - would be able to lead in time to a new vision of economics, so its object of study place the welfare of the individual in all its aspects in its preoccupations.

The latest economic and psychological research have begun to converge towards each other, so as to understand and explain the differentiation of motivations and behaviors from one individual to another, depending on group or culture membership.

1. Definitions of terms

At first glance, it can be said that both in economics and psychology, circumscribing and defining the subject had undergone frequent revisions and changes, which reflected, on the one hand in determining the issues addressed in different historical periods, and on the other hand, in the status of each area in the overall system of sciences.

In a primary sense, economy (oikonomia - oikos = home, household; nomos = law) indicates the administration of an individual had more or less important. Economy analyzes the evolution of the global economic system: price trends, production and underemployment, currency trends, banks, capital and wealth.

In most economists's researches we found a common element, the location of the subject study to human activity to obtaining goods and services necessary for human and society existence and on the interes for overcoming constraints generated by resource

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constraints in relation to people's needs. Economics has several meanings, among which are just a few: "(1) set of objective knowledge that relate to human activities, aiming at the satisfaction of needs; (2) the science that studies human behavior in work allocation and alternative uses of scarce resources to meet the diverse and unlimited needs of individual and society; (3) the science that deals with the study of humanity in her usual occupations of life; (4) science of rational allocation of limited resources (with alternative use) for unlimited and various needs of human society (M. Băcescu, Băcescu-Cărbunaru Angelica, 1997)".

"The economy is the body of human activities carried out in the production, distribution and consumption of economic goods. The main goal of the effort is to meet people's needs for goods and services "(Băcescu M., Băcescu-Cărbunaru Angelica, 1997).

The subject of economics leads us to investigate the many and varied aspects, such as: the satisfaction of human needs; define economy as science of the efficient choice; presentation wealth as a source of welfare; orientation to utilitarian principles; presentation of economic phenomena and processes; specifying some key concepts such as economic law, value, profit, cost, price; economic relations (between them prevailing property relations); the relationship between man and the environment etc.

In the economic activity, between economic facts and acts there are many links that are continually evolving in time and space. Economic phenomenon represent the external form of economic activity, that is those acts and economic facts that appear and is manifested on the surface of society and that people know directly (prices, unemployment, production).

Although the intention of specialists is to pay attention to man in all these approaches, as in others, economic research is focused on meeting the needs, efficiency of allocation, rationality of elections etc., and man is not regarded as a factor influencing by its very structure - which has an important psychological side - but often as an manipulated individual.

"Psychology is the science that studies the general laws of becoming, functioning and organization of psycho-behavioral mechanisms". In turn, "the subject matter of psychology is the internal psychic organization in the contradictory unity of conscious and unconscious and circular relationship between internal psychic structures and external behavioral acts." (M. Golu, 2005).

Human psyche is very complex, with a very pronounced evolutionary dynamism. It is composed of: logical thinking based on the principle of generalization, abstraction and formalization; creative imagination; historical memory; decision-making function; deliberative will; the valuation function; socio-cultural motivation; superior emotions and feelings of aesthetic and sociomoral manner; personality traits; structure and execution of complex creative skills.

2. The need to deepen the study of the psychological aspects in economics

Economics and psychology science are two separate and independent sciences. Although the boundary between them is pretty clear in the current social and economic conditions, to reinstatement of human in question leads to the need of approach their areas, as there is no economic and social phenomenon without motivations and psychological implications.

Economics is a science related to real life and plays an important role in the system of contemporary sciences. Increasing the role of economics as a science requires not only to recognise of directly visible processes, but the causal relationships related to the essence of the phenomenon.

Of course, it is undeniable that in the economic processes are studied psychological aspects; so there are concerns: the behavior and motivation at work (studied by the work psychology), the consumer's behavior (studied in marketing); aspects of scientific and technical creation, job, leadership, professional stimulation (reviewed in management) and economic adaptation, training etc. But psychological elements are taken into account only in a small frame sequences of economic processes and phenomena.

Traditional economic research focuses on economic categories, often ignoring people's behavior. Thus, the human factor is interpreted in mechanistic terms, free of psychological charge and relations between economic variables are simplified and schematic, which can deform them. Economists are interested in market behavior and not that of humans. Based on this observation, we believe useful to extend the study of the behavior of the economic categories of human behavior, as active participants of economic processes.

In turn, psychology dealt with specific problems: consciousness, unconscious, mechanisms of mental activity; organization of mental life; motivation; psychological traits of personality; group psychology etc., apart from human mental life connection with economic and social life.

Economic science must evolve towards an acceptance, in addition to individual foreign aspects, (about the conduct of economic phenomena and processes according to specific objectives economic laws) and aspects of the internal structure of man, according to which he translates into his economic activities, its subjective experiences generated by feelings, perceptions, desires, attitudes, will, intelligence, sentiments etc.

Given the presence of the human psyche in the conduct of economic processes, the science must know in what consist the influences, their way of expression, the role and correlation with other aspects of the analyzed phenomena.

3. Economic psychology - border science

Studying economic processes should not be reduced to purely technical aspects thereof. Economics assumes perception, understanding and explaining human relationships assembly that relies, action of psychological aspects in the behavior of individuals and their reactions to certain situations. For this, psychology can actively participate in deciphering social and economic phenomena, and interactions between them and the economic environment. Studying individual behavior and social interactions in certain economic situation, requires a multidisciplinary approach, which should be involved in areas such as economics, psychology, sociology, pedagogy, philosophy etc. In this connection of genuine scientific fields, between psychology and economics can make a real partnership, given the complexity of issues manifestation of individual and social psyche in the economic field.

Economics development has taken into account the apparition of new requirements in the knowledge of rationality levels, of the individual and social dynamism and increasing complexity of human behavior and psychological approach so that psychology has found a wide applicability in economy. In the last decades of the nineteenth century, studying the implications and reflective of psychological elements in consumer behavior and producer, was outlined as a border science the economic psychology. It is important to note that the emergence of this scientific field was the result of specific social conditions of the historical period covered, namely: promotion of industrial production of large series and production standardization.

Following concepts of French author PLReinaud of the book "La psychologie économique", representatives of the Austrian psychological school - Karl Menger (1840 - 1921), Bowerk Bohm (1851 - 1929) and F.von Wieser (1851 - 1926) - "proclaims that

psychological analysis must underpin any economic theory and that only by introspection we can know the needs and value judgments on which the entire economic mechanism belong to. Later, Max Weber, Vilfredo Pareto, T. Paerson and C. Gini (sociologists and economists) have attempted a merger of psihosociology with economics, explaining the origin and specificity of economic behavior and contributing to specification of morphological groups." (Olga Ciobanu p. 39) .

Concerns in this area existed in Romania since the interwar period (D. Todoran, psychological representative of the School of Cluj, in 1935 address issues of economic psychology in Advertising Psychology) and later, Tiberiu Pruna, professor at the University of Iasi, drafted a treatise titled Economic psychology, which introduces the term psihoeconomy.

4. Economic behavior and psychology

Human activity is characterized by a specific behavior in all domains of life: economic, scientific, managerial etc. The behavior represent the totality of facts, acts, reactions mentally, voluntarily or consciously adjusted through a person respond to physical or social requests of the world outside.

Economic behavior is the side of human behavior that analyses facts, acts and reactions of people in the economic sphere. Lately, economic behavior is a very commonly studied subject in economics, as in every field of activity, it may be appropriate or inappropriate, rational or irrational, effective or not behavior. Therefore, it is necessary that, economic behavior to be analyzed including the psychological point of view, and secondly, to pursue the economic and social aspects influence on human behavior. Human economic behavior, on the one hand, is part into the growing complexity of business processes, and on the other hand, respond to human configuration complexity. Thus, the man cannot be transposed neither in behaviorist scheme (as he cannot be reduced to the simple causality stimulus – response) nor to the Gestalt model (because he cannot be reduced to its components subordinate to the whole. Economic behavior is very complex and is the result of combining the objective with the subjective elements in a specific socio-economic environment, manifesting itself in the form of forces that cooperate or face each other. In pursuit of economic behavior, it must be borne in mind that human action in the economic environment is a result of several factors: personality, thought, will, conscience, feelings, perceptions etc. - related to the psychology of the individual.

Human behavior is predictable in a very limited extent, so that economic modeling will have to develop a component to build economic forecasting models based on human behavior.

Performance at work are largely conditioned of professional behavior in the environment and workplace. Professional success is a result of the individual's personality traits - temperament, abilities, skills, character, creativity, motivation at work - all of which influence efficiency and labor productivity. Type of temperament - sanguine, choleric, phlegmatic, melancholic - and personality types in relation to the environment (C. G. Jung, 1997) - extroverted, introverted - will often dictate certain professional behaviors and events in the working.

Also, the man has the ability to adapt their behavior to the economic environment restrictions, while acting on it, in order to achieve their targets. In general, people are influenced in their decisions by the production of recent events; if a market is not functioning following the trajectory that took it in a recent past, deviations from economic logic will manifest not only in the subsequent operation of the market, but also in the decisions of participants in economic life. It follows that an issue which manifests itself

and must be resolved, is to determine the economic instability caused by perceptions of individuals. That is
as important as the actual fundamentals of the economy.

5. Economic behavior between utility and need

One of the benchmarks for consumer behavior is the real usefulness. (By the consumer behavior we understand the reasoning and the reactions of individual about choosing and using economic goods.) Apparently, the term utility is a very clear notion of utility/usefulness designating what is necessary, appropriate serving at something. In a general sense, a good utility is the ability to satisfy a need. Depending on the intensity with which a need is felt from one individual to another, they will decide how much to purchase/consume a particular good. This is the reasoning that leads to the distinction between utility in a general sense and utility in the economic sense. Economic usefulness is the satisfaction that consumer hopes to achieve in given conditions of time and space, by using a certain quantity of an economic good.

If the notion of economic utility has an objective character, meaning for cover the needs, assessing the economic value is subjective, because in this respect important is the intensity with which different consumers feel the need in external conditions similar to their individuality. In other words, the marginal utility appears, from one individual to another, at different times of the same product consumption. Economists believe that the assessment of the economic value is realized by the amount of money that, under specified conditions of space and time, a buyer decides to pay in exchange for a given quantity of a particular economic good - which is correct, but not enough. Besides material aspects, people's choices are determined by factors related to education, culture, psychological traits, motivation.

Human needs were investigated in detail by economists; they not only defined but also laid down a number of regularities and features that characterize their manifestation. Generally, the needs are objectively necessary requirements in human existence and development. Human needs, therefore expresses a state of individual objective necessity for the individual or for a human collectivity.

Beyond this point of view, they express other opinions that challenge the human personality and spiritual side of the individual:

- needs reflect objectively necessary conditions of human life made of all material and spiritual goods;
- economic necessities represent a state of human personality that occurs as a condition as well as impulse of all activities forms.

Compared to previous enunciations, that have the consistency of definitions, we take from the literature other meanings too of the term need/necessity, namely: lack of something desired or imaginary shape of man's requirements, which means that the individual is determined to act because it feels a lack, or in the event of a dissatisfaction state. These approaches are all arguments in support of the need to complete research and the views of economists with those of psychologists in the study of economic behavior.

A very important aspect that currently exist, is to change the relationship between resources and needs, as a result of increasing their complexity. The complexity of these relations stems both from the growth of needs and change their content from the limited and exhaustible natural resources both from the changes in satisfaction of needs.

Research of needs typology allowed the identification of classification criteria and their hierarchy about importance degrees for the everyday life, starting from a first level which meets basic needs (food, housing, clothing, health) followed by social and communication necessities, - placed at an intermediate level - to a higher level that include

intellectual necessities related to knowledge, training, opening of educational and cultural horizons.

In terms of growth and diversification of needs - which emerged as an objective law in their evolution - Emery and Thorsrud, in "Form and content of democracy", published in 1969 (Ciobanu Olga, p. 43) identified an account of psychological needs that influence the individual to increase their culture level and integrate into work, namely:

- the need to hire his personality in a meaningful activity;
- the need to learn through work;
- the need to know the nature of the approach and how it can be done;
- the need to make decisions and take initiative;
- the need for positive social contact and recognition of personal merit;
- the need to connect their existence in the community;
- future security needs;
- the need for psycho intellectual comfort, in sense of intrapsychic stability;
- the need to find meaning and purpose of education and of work for human life.

In today's society, after achieving the need by purchasing / owning a particular asset (a house, a car), instead of seeing the so-called "saturation", often installing a need with a great psychological charge, that property owned cannot meet. There are individuals who will feel the need to purchase another property (a country house, a luxury car), which caters to more than just need. There are more numerous cases where individuals purchase some goods, not to satisfy a need, but simply to show with satisfaction that good, probably in the hope that it will enjoy an extra prestige in the community. As economists explain marginal utility in this case? Here there is no question of achieving the need but satisfying an ego. It is no longer a need objective, but a false need. It is not about expanding human needs as a result of social progress and individual development, but the manifestation of traits, whose analysis and interpretation falls within the human psyche.

Advancing knowledge concerning human needs has led some experts to seek methods of needs measurement. Contrary to opinions that denies the possibility of their quantitative measuring, the economic literature has outlined a possibility of needs economic quantification through their social usefulness (Postelnicu Gheorghe, page 5), through three parameters: the saturation measure, preference measure, elasticity measure. If for the first parameter they found a way of measuring the relative utility of goods and services by comparing actual consumption with optimal saturation on the second parameter - the measure of preference - stands his great psychological load. It can be said that the quantitative determination of needs is very elastic and unstable due to the dose of subjectivity that can not be quantified.

6. Rational and spiritual determination of economic behavior

Addressing economic rationality in behavior brings into focus the concept of Homo economicus, which is characterized by: rational behavior, self-interest, has clear preferences, maximizing utility, does not like constraints, it is perfectly informed. With such features, Homo economicus remains an abstract being designed by economists, framed in society and driven by the stimulus to satisfy their material needs.

Rationality, described by the classical theory of rational choice, refers to how a person takes a decision, weighing the cost and benefits / disadvantages of an action. The theory assumes that there are several stages of decision-making: to identify the nature of the problem; determining targets subsumed to the solving problem; identifying all possible options to achieve the objectives; evaluating the consequences associated with each option and select the most suitable one. And this theory is debatable, especially due to premise such as: unlimited access of decision maker to information; possibility of taken decision by

assessing all information and choice in a scientific manner; action of individual who must make decisions is selfish, he followed his own interests.

Building on the positive aspects of rational choice theory, to explain human behavior as alternatives to the economic approaches are biological, sociological and psychological ones. Among the alternatives to the rational choice theory, the theory of social norms coexist with rationality. "While homo economicus is guided by instrumental rationality, attracted by the prospect of future rewards and adapt to changing circumstances, always seeking improvements, homo sociologicus performing a behavior guided by social norms, being pushed from back by semi-inertia forces and insensitive to circumstances, loyal to the prescribed behavior, even if they are new and apparently better options." (Mihaela Cioca, page 31)

In G. S. Baker's view, the social actor is those who trying to maximize utility of its shares consistent with a stable set of preferences and information available. "Considering that the basic unit in society is the individual, J.Elster and J. Coleman continues this thought. But they insist on the deliberate nature of the action and admit that the economic outlook cannot explain all aspects of human behavior." (Mihaela Cioca, page1)

Behavior oriented to social norms is considered as a form of rational behavior or optimizer. Both rationality and social norms are actions' determinants, especially when it comes to collective action, which cannot be explained only by selfish rationality. Therefore we need to find the mix of motivations that lead to collective action in question: selfish and normative, rational and irrational. Economic rationality is present increasingly in society, penetrating all its spheres. But the complexity of social life cannot be reduced to economic calculations, costs, benefits and transactions, without taking into account the human factor and his psyche. In an economic environment perceived as very rational the influence of feelings and psychological factors is often underestimated.

Given the evolution of life on Earth, corresponding to the universal law of progress, we can say that the passage of millennia, human behavior is more responsive to the needs of higher order in the hierarchy of needs, such as those spiritual. Based on psychological studies and esoteric knowledge in the study of evolution of life and individual, Burcu A, (2003, p. 7) arranges human needs in a "pyramid of needs" divided into twelve levels, of which are activated currently only nine namely: physiological, safety, environmental, social, knowledge, self-esteem, creative, identity, spiritual. According to this hierarchy, above social necessities we meet that can be assigned to psychological - self-esteem, creativity, finding identity – and the highest level of human needs is the spiritual plane. Of course, not all individuals have activated all levels of needs; as evolvement in social plan and advancement in knowledge, as the transition from the profane to the sacred, the same individual will be felt necessities of the higher planes of existence.

Conclusion

Because socio-human sciences cannot exist outside phenomena reflected - which by their nature are volatile and vary from one historical stage to another - it requires that sciences such as psychology, social psychology, economics to refocus on the their analysis and study object. Human perceptions evolve; thinking becomes more complex; language and vocabulary change; typology of emotional states diversifies. In those circumstances, the elements of the human psyche are becoming more deeply involved in the operation of social and economic phenomena. Therefore it is necessary to call into question the humanity, not only in the science of psychology, but also in deepening the analysis of economic behavior.

As currently is studied the subsystems economic from, micro, meso, macro and mondo level, is necessary to extend the analysis of economic phenomena and processes in psychological terms; psioeconomic subsystem is come into view. It could be, in fact, the

investigation of a border science, dealing particularly with economic behaviors triggered by psychological factors (perception, thought, imagination, emotionality, motivation, will, personality).

Knowing the causes of the economic behavior of man, implies on the one hand, identify the contents of needs and their evolution, and on the other hand, examination of business processes and their progress and development mechanism. By now, those aspects was studied by various experts: economists, sociologists biologists, philosophers, psychologists and their research have a complex and interdisciplinary character.

Motivational determinant of any human activity can be placed inside or outside of his being. Thus, individual behavior is influenced from within, either by the prerogative of his personality concrete result of coexistence elements innate - instincts, needs, activity nervous, psychological characteristics, thinking, imagination - or socio-moral learned in the socialization process - norms and values social beliefs, ideals. By the external determining, human action is a response to psycho-behavioral actions of other individuals.

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