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EXPLORE IRRATIONAL CONSUMPTION PATTERNS BASED ON BEHAVIORAL ECONOMICS

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ABSTRACT
Traditionally, economics has been normative economics, and behavioral economics is descriptive economics, which is a science that describes how people actually do it, so behavioral economics is a science that starts from human nature and is used to observe people's economic behavior.
Owing that behavioral economics is the field of introducing psychology into economics, especially the framework of introducing behavioral decision-making into economic analysis, taking into account people's judgment and selection factors in the process of behavior decision-making, it can be used to explain many unexplained abnormal phenomena in traditional economics. From the perspective of behavioral economics and consumer psychology, this study analyzes the definition, causes, classification, performance law, consequences and prevention of irrational consumption, and is a supplementary statement to the combination of behavioral economics and modern consumption reality.

Keywords:
Irrational consumption, behavioral economics, bias behavior.

INTRODUCTION

In modern economic society, because traditional economics explains many unexplained economic phenomena, only generalized by the phenomenon of "extraordinary state", however, when the phenomenon of extraordinary state is more and more, economic theory can not be used to explain economic phenomena, nor can it be used to solve economic problems, so when the behavioral economics of psychology into economics can be used to interpret economic phenomena that traditional economics can not explain, the theory of behavioral economics has gradually been paid attention to by economics, and gradually become the mainstream of economics.

In the past, traditional economics has been constructed on the assumption that people are rational self-interested and pursue the maximization of benefits, that is, to take as the basis of analysis the assumption of an economic person who is good at calculation and not affected by emotions, etc. But in real life, human behavior is often influenced by unconscious or illogical factors such as preferences, impulses, and values, resulting in many economic behaviors or phenomena that traditional economics cannot explain [1].

Traditional economics assumes that people make rational decision-making and choice behavior after considering only cost and benefit, that is, collect all the information before making decision-making behavior. However, behavioral economics found that in the real society to affect individual behavior factors, not so simple, that traditional economics ignores the psychological and social factors on behavior, that is, people are

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not the rational machine for calculating costs and benefits, but will be affected by psychological preferences, experience, environment and other factors of the limited rational subject [2]. That is, because the individual's ability is limited and the information is incomplete, and will tend to simplify the problem and situation, often with approximate information instead of the correct information, loss avoidance and often intuitive decision-making and other bias behavior [3].

Behavior refers to the individual's response and expression, including language, expression, action and attitude. In real life, when individuals make decisions or judge behavior, most of them are faced with a complex and incomplete information situation, coupled with the innate limitations of personal thinking and cognition, can not be in a completely rational situation to make decisions and judgments, so there are often many bias behavior occurred. However, the most direct cause of individual behavior is motivation, and human motivation comes from demand, that is, motivation is the inner process of the individual, human behavior is the expression of this internal process, according to psychologist Maslow research shows that motivation constitutes the basis of most human behavior, but not all motivation can trigger human behavior, must have a certain intensity of demand. However, everyone's behavior will be a little different, because from its different motivations and different psychological factors, that is, people can not be like a computer with complete rational self-interest, but will be affected by the external motivation of the mind limited rationality.

Behavioral economics is the integration of psychology, behavioral science and other economics to explore human behavior, which is different from the traditional economics stressed by the complete rationality, but emphasizes that people's behavior is limited rational, that is, human behavior will be affected and limited by psychological factors such as preference, time, environment and experience, so that people can not make the most appropriate decision-making or judgment based on rational self-interest, but many factors will make many biased behavior, such as loss of disgust, framework effect, overconfidence and representative bias behavior ([4], [5]). With the development of behavioral economics and brain science research, many scholars gradually find that the past discussion of human behavior is too simplistic, that is, people are not as the traditional economics said rational self-interest, such as people often only want to see what they like, in order to make their own preferred judgment, but it is easy to lead to many false and wrong cognition, so that the maintenance of the status quo of the bias behavior, that is, from the perspective of brain science, psychology and behavioral science to see the performance of human economic behavior, to provide a limited rational basis for discussion and interpretation [6].

There have been many experiments and studies on behavioral economics, such as Werner Guth, Rolf Schmittberger's 1982 ultimatum that participants do not behave as traditional economics assumes, gradually leading many economists to face up to the effects of human intrinsic tendencies and emotions on economic behavior, and behavioral economics has incorporated psychological research into economics, recognizing that humans are limited rational. Although behavioral economics is not intended to replace the existence of traditional economics, but to revise and supplement the shortcomings of traditional economic assumptions, but the relevant research and theoretical development of behavioral economics is not so smooth, because of the traditional economists' exclusion and disapproval, until scholars Kahneman and Tversky (1979) put forward the prospect theory of systematic classification of cognitive bias in the individual decision-making process (the Prospectory) in 2002. They won the Nobel Prize in Economics, and the research and theory on behavioral economics have attracted more and more attention from the academic circles. In recent years, many scholars have invested in the field of behavioral economics, such as Robert Shiller, Matthew Rabin, etc., which has

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made behavioral economics more and more mature, and developed behavioral economics in public policy implementation, finance, urban development and planning decision-making and other fields above .

LITERATURE REVIEW

As early as economics became a social science, the idea of behavioral economy began to germinate, with economists from the early Adam Smith, Thomas Robert Malthus, and now Daniel Kahneman, Amos Tversky, Richard Thaler, and others emphasizing the importance of psychological factors to economic decision-making behavior. But the early economists' statements about psychological factors were not taken seriously, or even obscured, by future generations, and it was not until Kahneman and Vernon L. Smith won the 2002 Nobel Prize in Economics that the theory of behavioral economics gained highly attention [3].

Behavioral economics introduces the research of psychology, mainly "behavioral decision-making", into the framework of traditional economic analysis, and will inevitably introduce some concepts that traditional economics does not have. Behavioral decision-making is generally divided into "judgment" and "choice" two categories, "judgment" in behavioral research means that people estimate the incidence of something, the whole decision-making process, and "choice" in behavioral research means that people in the face of a number of optional things in the case of how to choose. Many of the behavioral studies on "judgment" and "choice" can be used to explain people's actual behavior in the field of investment and consumption, which has become an important theoretical element in behavioral economics.

The development of behavioral economics can be traced back to Adam Smith's moral sentiment, which mentions that people do not only pursue their own interests, that is, people also have empathy, altruism and other emotions, and in 1975 Herbert Simon put forward the limited rationality, because it is that people are limited by the scope of information and knowledge and process of processing and resolution and time is also limited, so the individual in decision-making or judgment behavior, only to meet the present self rather than the most appropriate results. The first to lay the foundation of behavioral economics is Daniel Kahneman and Amos Tversky in the 1960s began to apply the research results of psychology in the field of economics, but also in 1979 proposed that individuals in real life will be limited by cognitive mechanisms, often irrational bias behavior, that is, in some cases, human behavior may not be like traditional economics that people are rational self-interested, always in accordance with self-interest maximizing decision-making and judgment behavior, But will be affected by the environment, psychological preferences, values, time and other factors to make some irrational anomalies, such as drink-drivers know that there may be danger or arrest by the police, but still choose to drink driving or gamblers know that may lose or even debt a lot of money, but will still bet and other phenomena [7].

Scholars Daniel Kahneman and Amos Tversky also point out that human judgment is influenced by Jess, that is, human judgment or decision-making behavior in an uncertain environment and information, in order to simplify the complex processing of information, and make human bias behavior ([8]; [9]; [3] & [10]). Based on the above, it can be found that behavioral economics does not negate the assumption of traditional economics, but explains the problem that traditional economics cannot reasonably explain or irrational choice from another point of view [11]. And at the same time, they put forward the prospect theory, that people's perception of something, based on the location of reference points, individuals will have different risk attitudes, and different decision-making patterns will lead to different decision-making results, the theory is also one of the theory of expectations in decision-making theory. Generally speaking, outlook theory can be regarded as one of the major achievements of behavioral economics, and also the main theoretical basis of behavioral economics, because the relationship between risk and reward can be empirically analyzed by using prospect theory. It is also the application of psychological factors in economics, especially in the judgment and decision-making made under uncertain circumstances, with its unique insights and special contributions.

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Behavioral economics is a discipline that is integrated into the field of economics with the concept of psychology, and because of the change of human factors, and different people will have different views on different affairs, even the same things may have different cognitions, therefore, the theory of behavioral economics can not be summarized or explained by rigorous mathematical logic, but can be verified by different experiments, which is the main reason why behavioral economics is particularly focused on experimental application

Consumer behavior is people in daily life, in order to meet their own material and the need for cultural life, the acquisition of consumption data and the conduct of consumption In sum, it is one of the important economic behaviors of mankind, its change decision benefits affect the economic life of the whole human society. in the Western economy In science, consumers are sampled as "economic people" and their nature is assumed to be It's self-interested. "Economic man" will make a joint decision in all economic activities Rational choice, that is, all self-interested as a motive, try to minimize economic costs to pursue and obtain their own best economic interests. Traditional Economic research relies on a variety of rational assumptions. But this assumption is related to People's actual economic behavior is far from the same, in reality people are making a decision to eliminate. It is sometimes difficult to make decisions without thinking very carefully and irrational behavior exempt. 2021081901-3 What is rational consumption? What is irrational consumption?

Rational consumption refers to consumption by consumers in accordance with the principle of maximizing utility under the conditions of consumption ability. From a psychological point of view, rational consumption is a reasonable purchase decision made by consumers according to their own learning and perception, and when the material is not abundant, the rational consumer psychological pursuit of goods is cheap and durable. Irrational consumption refers to the unreasonable consumption decision made by consumers under the influence of various factors, which is generally manifested in consumers not according to the maximization of utility consumption, or consumption without taking into account the constraints of income, or not according to the law of diminishing marginal utility consumption, or lack of understanding of consumer goods judgment.

People's consumption behavior is varied, the consumption behavior between individuals. The difference is also very obvious, what kind of consumption is rational fee, without a strict standard, because reason and irrationality themselves is a vague concept. But we cannot deny rational consumption and irrationality. The existence of consumption difference, because of the rational and irrational division of consumption behavior help to regulate people's consumption behavior and reduce irrational consumption caused by the waste of resources.

In a general sense, the so-called rational consumption refers to the consumer in the consumption under the conditions of ability, the elimination is carried out in accordance with the principle of maximizing utility fee. From a psychological point of view, rational consumption is the consumer's own Learn and perceive to make sound purchasing decisions. Irrational consumption refers to consumption unreasonable consumption decisions made under the influence of various factors, it is general or manifested in the consumer's non-consumption, or elimination, of maximizing utility. Time-consuming without taking into account income constraints, or not by the law of diminishing marginal utility consumption, or lack of understanding of consumer goods.

The appearance of irrational consumption behavior has obvious uncertainty, but it is also is a very common phenomenon. According to a survey by Zero Point Research Co., 93.5% of women aged 18-35 have had a variety of irrational depressions irrational consumption accounts for 20% of women's consumption expenditure. in an uncertain bar under the pieces, people's decision-making is a structured and continuous process for everyone shortcuts or applications are taken when faced with complex situations and problems information is processed, so it is also very irrational for people to make decisions normal. This explains why people want to

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save a few dollars and prefer to drive far and wide to buy bargains, rather than buy more expensive goods nearby, so save money of the same value, including gas [12].

RATIONALITY? IRRATIONALITY? THE REPESENTATION OF CONSUMES IN BEHAVIOAL ECONOMICS

Consumption behavior is the sum of people's behavior in daily life, in order to meet their material and cultural life needs, obtain consumption data and consume, it is one of the important economic behavior of human beings, its change decision.

Traditional economic research relies on a variety of rational assumptions. But this assumption is related to People's actual economic behavior is far from the same, in reality, people are making a decision to eliminate It is sometimes difficult to make decisions without thinking very carefully and irrational behavior exempt. American psychology and economics expert Kahneman think that it is precisely people's irrational consumption behavior, will affect the guest and thus won the 2002 Nobel Prize in Economics. From this point of view, the use of economics, psychology knowledge, to understand people's irrational behavior, especially irrational consumption, is increasingly influenced by people attention [12].

In a recent book, "Phishing for Phools: The Economics of Manipulation and Deception" two Nobel laureates, George A. Akerlof and Robert J. Shiller, tried to answer, "Why are consumers vulnerable to manipulation and deception by businesses?" They argue that cheating comes from information asymmetry, while manipulation is trapped in self-deception because of irrational decision-making by consumers. The second most important research results in economics in the past 40 years are "information asymmetry" and "consumer irrationality", which gives rise to many examples of market mechanism failures.

The problem is that the general public doesn't fully understand the profound and complex economics, so the two Nobel laureates worked together to launch this elegant and common appreciation of "Phishing for Phools." Apart from a few abhorrent malicious deceptions, most of the illustrations illustrated in the book are legitimate manipulations. In other words, the party with the advantage of information uses the average person to overestimate their own discipline and make irrational excessive consumption decisions. This deception is sometimes not self-deception, but self-deception.

Enterprises take advantage of this human weakness, the case can be seen. As small as a fitness center selling "not cost-effective" membership cards to consumers, as much as Wall Street selling to investors "not cost-effective" financial products, or in the health care market due to highly asymmetrical information, and people in the case of loss of health irrationality, a large amount of money wasted on ineffective medical care. Economists have observed market failures caused by many information gaps, arguing that people tend to lose out to super-shrewd businessmen in the decision-making process of a free-market economy.

In the case of fitness centers, for example, consumers who choose to pay automatically on a monthly basis are estimated to spend an average of $1,400 a year, but could save $600 a year if they start by paying per pay. Fitness centers certainly like this kind of overconfidence in self-willpower, and add obstacles such as fees to customers who want to change their payment methods.

Two economists [13], have made interesting observations by analyzing the detailed data of 7,752 health club members in detail. In a simplified way, these clubs offer customers three payment options: a $10 single-spending card, an $80 monthly unlimited card, and an $800 year-round unlimited card. Also, the expiration of the monthly or annual card will automatically continue if it is not cancelled. As a result, more than 90 percent

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of customers chose a monthly card, but they only went to the gym just over four times a month on average, about $17 per unit. Therefore, people think that the discount is actually 70% more expensive.

Based on the price of a single purchase, the person holding the card paid an average of $600 more during their membership. In addition, the study has another interesting finding: People who no longer go to the gym will not be able to cancel their membership for a long time -- and there is a general reluctance to admit that they are undisciplined. Most people only go to the gym occasionally, and after they don't go at all, it takes an average of another 2.3 months to terminate their fitness contract, paying an extra $187 for a membership they don't use at all. Even 20% of them terminated their contracts after paying more than four months' membership fees.

Of course, not everyone is wrong, but members who can always do it are, after all, a minority that triumphs over humanity. The health club attracts members to a persistent fitness program with big photos of beautiful men and women. Don't they worry about members who buy monthly or annual cards coming to the gym every day? But the reality is that most members are defeated by overconfidence. The good wishes in my heart can easily be dashed by the daily chores or busy work of the future. This inconsistency of human nature's "self-deception" has become the basis for the vigorous development of the fitness membership system

Self-restraint is also a major focus in consumer behavior research, such as: how to promote consumers' impulse to buy, how to eliminate consumer consumption guilt, etc. , are very interesting research topics. On this basis, savvy merchants have also unearthed many effective marketing strategies. Take the current quite popular mid-to-high-end gym as an example, generally take a monthly or annual payment method. This payment method is popular because going to the gym is an activity that consumers think they should often attend, but in fact often find excuses for being absent. These consumers, when buying monthly or annual cards, think they can stick to the gym several times a month, so it's more cost-effective to spend on cards on average. But because of self-restraint, many consumers can only insist on buying consumer cards in the early stages, and then may become increasingly lazy. If gym operators understand the existence of this self-restraint problem, they can carefully analyze the fitness frequency of the existing customer base to set the best rates, including the time interval of each payment, the price per card, etc., in order to achieve a balance between locking in loyal customers and reducing the loss of sports equipment.

CONCLUSION

The study of consumption theory in traditional economics mainly uses budget constraints and non-differentiated curves to develop the conditions for maximizing utility, and on the premise of rational economic man, expresses the individual's consumption choice as: the actor makes the choice under certain conditions, and aims at pursuing the maximum utility. For consumers, the specific performance is: under the condition of budget constraints to consume a group of goods, so as to maximize the utility function of its evaluation. But in real economic life, there is still a broad field of irrational choice, including irrational consumption behavior, which can not be reasonably explained by traditional economic theory. Under such a background, many scholars turn their attention to behavioral economics and try to solve irrational choice behavior with a new analytical framework. Behavioral economics combines behavioral analysis theory and economic operation law with the related research results of psychology, explores the loopholes in the traditional economic model, and patches up the deficiencies of the basic assumptions of mainstream economics about rational economic man, complete information, utility maximization and preference stability.

In modern economy and society, because traditional economics can not explain many economic phenomena, the reasons for this are mainly because its assumptions about "economic man" and "self-interested behavior" do not exactly match the real society, in the real society, people's psychological factors will affect their economic behavior, because people have different perceptions of the consequences of a certain event, and different

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cognition will have different decision-making behavior, thus affecting people's profits and losses, but also affect a country's economic development, and from the theory and experiments, It can be found that the theory of behavioral economics can better explain people's decision-making behavior, therefore, through the theory and experimental explanation, can list the conclusions and recommendations of this study as follows:

Behavioral economics is a booming field, and its ultimate academic contribution is uncertain. But even today, it has had a great impact on certain areas of economics, particularly the financial economy, the legal economy, the theory of choice and the labour economy. Some of its arguments are also gradually embedded in the structure of the mainstream economy. But the author thinks that one of the major shortcomings in the field of research is that the theory often depends on laboratory simulation results, rather than real-world presentation. And there is still a huge gap between the lab and the real world in many economic interactions and choices. Although the recent rise of field experiments wants to have a lab that can control both the causes and the real-life benefits of the real world, but there aren't enough findings in this regard. Of course, behavioral economics provides a very broad space for scholars interested in this field and interested in empirical research.

As an important subject of market economy, consumers have been protected by legislation passed by the state as weak, but the special protection of consumers by law makes people ignore the abnormal consumption behavior of consumers. With the rapid development of China's economy in recent years, the total amount and variety of consumer goods continue to increase, consumers' irrational consumption phenomenon is more and more serious, waste of resources, waste surplus and other problems emerge endlessly, some consumers in order to show their social status, profligate waste, this alienation of consumption led to the dislocation of people's correct value orientation and the loss of spiritual belief, seriously threatening the overall healthy development of people, threatening the sustainable development of China's economy, society and ecology. Irrational consumption behavior not only makes consumers fall into the consumption misunderstanding, but also forms the wrong consumption misleading to social reproduction. In recent years, the state has also begun to pay attention to consumption, through various policies to regulate and guide consumers to rational consumption. Therefore, when we emphasize the social responsibility and obligation of the government and enterprises, the rational consumption of consumers is also an unavoidable problem.

SUGGESTIONS

1. The idea of behavioral economy has been sprouting since the establishment of economics, but it has not been paid much attention by future generations economists, so it is necessary to study the theory of behavioral economics not only for the current behavioral economists, but also to understand the reasons for the divergence of human factors in traditional economics, and to understand the similarities and differences between traditional economics and behavioral economics.
2. The theoretical basis of behavioral economics mainly includes expected utility, outlook theory, psychological account, self-restraint, irrational prosperity, noise transaction, information asymmetry, and happy economy, but this is not enough to represent the whole of behavioral economics, other such as family economy, marriage economy, etc., must be considered, because only through the theoretical discussion of behavioral economics, we can fully understand people's real economic behavior.
3. The theory of behavioral economics can not be summarized or explained by strict mathematical logic, so there must be relevant experiments as the basis for analysis, and how reasonable behavioral economic activities should be experimented in order to explain the connotation of people's economic behavior, then the nature of experiments, experimental methods, experimental content, experimental results, etc., must be further explored, in order to contribute to the development of behavioral economics.
4. Advocate rational consumption. Rational consumption should be the mainstream consumption of society, the news media, public opinion should vigorously publicize which is rational consumption, which is

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irrational consumption, for irrational consumption behavior, should point out its harmfulness in time, it is smothered in the bud.

5. Strengthen the accumulation and learning of knowledge, improve the ability to identify consumer goods. Avoid blindly following the trend, compared with each other and other consumer behavior

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