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**Economics of meaning - comparison of  
efficiency based on meaning**

*Bachelor's thesis*

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### **Abstrakt**

Tato práce se zabývá relativně novým tématem pro ekonomy. Spojení ekonomického aparátu a lidské potřeby po smyslu, je vskutku novátorské. Nicméně práce se nezabývá kalkulacemi s potřebou po smyslu v ekonomickém smyslu. Hlavním tématem práce je ukázat, že lidská potřeba po smyslu je hlavním motorem tvorby preferencí a lidského jednání. Prostředkem analýzy je syntetický přístup vícero vědních oborů. V práci jsou tak spojeny poznatky z oborů biologie, sociologie, psychologie, ekologie a ekonomie a jejich příbuzných oborů.

Na těchto základech je vystavěna nová syntetická teorie tvorby preferencí spotřebitele. Model má velký předpovědní a popisný potenciál.

Z výsledků analýzy vyplývá, že lidská potřeba po smyslu by mohla být opravdovou klíčovou proměnnou mající vliv na lidské rozhodování.

## **Abstract**

This work deals with a relatively new topic for economists. The connection between economic apparatus and the human need for meaning is pioneer, indeed. However, the work does not handle this topic by classical means of economics. The main topic of the work is to show that the human need for meaning is the main source of preference creation and human activity. The tool of analysis is a synthetic approach of various scientific branches. In the work is thus combined knowledge of biology, sociology, psychology, ecology and economics and their related branches.

On this basis is constructed a new synthetic theory of the consumer's preference creation. The model has a big predictive and descriptive potential.

From the results of the analysis stems that the human need for meaning could really be the key variable having influence in human decision making.

## **Klíčová slova**

Ekonomie smyslu, syntéza, teorie rozhodování spotřebitele, Frankl, prostředí, preference

## **Keywords**

Economics of meaning, synthesis, consumer choice theory, Frankl, environment, preferences

**Extent of the work:** 123 669 characters

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2. I declare that the thesis have not been used for obtaining another title.
3. I agree on making this thesis accessible for study and research purposes.

In Prague, July 31<sup>st</sup> 2012

Michal Kráčmer

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**Economics of meaning – comparison of efficiency based on meaning**

Charakteristika tématu, současný stav poznání, případné zvláštní metody zpracování tématu:

The vast majority of economic models are based on very unrealistic assumptions. Standard economic theory ignores very big part of human psychology and assumes that humans are motivated nearly only by material goods.

Even though microeconomics assumes that utility is the primary source of human activity, it counts usually only with the utility of a man from material things.

I want to show in this work that the main drive of human behaviour is not the utility. The basic concept which a man follows is based on meaning. It is based on a huge human need of searching for meaning.

Moreover it is important to understand that when a man does not have meaning of his life or cannot see meaning in his work, a man is unhappy and is forcing himself to do something. On contrary when a man has reasoning behind his actions he is doing everything with ease and without doubts.

When one thinks about human activities from this point of view, naturally, there arises a main question.

How can be this finding used in practise?

I want to give the answer for this fundamental question in this work. Also I would like to show

that this principal is already working and it has been working. The only mistake of people of this time is that they do not pay attention to that problem. And as a result the whole society's system is stagnating and nowadays is even in the threat of collapse.

The main tool of analysis is comparison between subjects which included some kind of meaning for their existence in their fundamentals and subjects whose existence has lost meaning or the meaning was never there at the first place.

Also it is important to show how the meaning of those subjects is implemented in its everyday functioning and how it influences the people involved in comparison with the people working for subjects without a good implementation.

At the end I would like to give final recommendations on how certain subjects can be constructed or reconstructed with regard to giving them meaning and thus making them efficient in a long term.

#### Struktura BP:

##### Osnova

- 1) Introduction to the economics of meaning
- 2) Rationing behind the thoughts
- 3) Concept of the economics of meaning
- 4) Real examples of the economics of meaning in practise
- 5) Comparison between subjects with meaning and without it
- 6) Implementation of the theory
- 7) Recommendations
- 8) Conclusion

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# **Part I**

## **Introduction to the role of meaning in economics**

*“How can we dare to predict the behavior of man? We may predict the movements of a machine, of an automaton; more than this, we may even try to predict the mechanisms or “dynamisms” of the human psyche as well. But man is more than psyche.”*

Viktor E. Frankl, *Man’s Search for Meaning*  
(2006, Critique of Pan-Determinism)

From the Frankl’s quote is visible how extremely hard and complicated is the task which economists want to accomplish. The task of knowing and predicting human behaviour is the very essence of microeconomics. In general we could say that it is very essence of economics itself.

Economics is a social science widely defined as a science which analyzes, how scarce resources are allocated<sup>1</sup>. The core of this work is centred in the very basic definition of economics. Economics is defined a social science which implies the main object of economic analysis is a human being and relationships among them. Basically the definition can be understood in the way that economics is a science which analyses how *people* allocate scarce resources. Stressing this fact is very important for the thesis of this work.

The purpose of this work is the same as purpose of economics in general, i.e. to present arguments and theories for better understanding of how people (societies)

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<sup>1</sup> The definition can be found in many sources. The definition also varies among the sources. Usually, in the mainstream textbooks, the definition is already deepened to state clearly the agents among which are the relationships studied. In the most widespread knowledge source on the world, i.e. Wikipedia (EN) we can read, that “Economics is the social science that analyzes the production, distribution, and consumption of goods and services.” (wikipedia.org). The source of this definition is not stated there. Since I will be using the very general concepts of economics, this definition is too detailed for the purpose of this work. That is why I rather extracted the definition from Mankiw (2000) who says that “Economics studies how society manages its scarce resources.” (translated from Czech language).

allocate scarce resources. This work refers mainly to the general consumer choice theory.

## **Chapter 1 : Motivation**

Before the thesis will be clearly stated in the next chapter, let's consider following situations for better understanding of the nature of this work.

Mary is a 28 years old young lady which has recently got married to her boyfriend after 5 years they were dating each other. Till that moment they were both living together and focusing mainly on their carriers. Mary studied medicine and now she is working in a hospital and gathering experience to open her own private practice one day. What happened is that she got pregnant and she is in her 3<sup>rd</sup> month now. As she wants to become a mother and she is excited about that fact, she needs to change her preferences, life-style, thinking and many other things. One could easily understand that her life is already changed forever.

It is kind of natural to understand that Mary needs to change her whole life, as now her life received a different dimension – she is going to be a mum. And with that fact are many others connected. From now on she needs to learn totally new skills, i.e. mainly all the procedures how to take a good care about the baby and how to take care of such a household together with her husband. It will change his life forever as well, even (very likely) not to the extent as Mary's life. Their values will change, as now the baby will be in the centre of their focus and they need to provide the baby a lot of care (i.e. time, energy, etc.). Usually this means they need more money or they need to become more modest.

But mainly what it implies is that their preferences will be changed for next many years radically, very likely irreversibly, and they will demand much more different things and services than they have been till now. Many of them will be totally new to them (e.g. nappies, child food, toys, etc.). Moreover this kind of preference-changing process will be happening naturally for ca. next 20 years, as the child demands different things at different stage of development.

Now let's consider a different situation.

Jakub is a master student of politics. During spring time he decided he will travel to India for 3 months during the summer break in order to study different culture and he also hopes it will help him to gather new perspectives for the studies. Because this idea was very good motivation for him, he finished all his exams in May and from June he even spent 4 months travelling around India.

Naturally, when he was at home (let's say Prague) he used to eat usual central European food. The beef meals were usual and he was having them from time to time. But also naturally, when he came to India he really needed to stop eating cows, as he wished to survive the 4 months stay there. For Indian people a cow is a sacred animal, so they do not eat them, they do not kill them. Moreover Indian cuisine differs from the Czech one very fiercely (e.g. in the usage of various kinds of spice which do not even grow in the central Europe).

So (again) naturally Jakub's preferences will change instantly and greatly.

And let's consider last situation.

Anya is a 48 years old manager of a middle-sized company based in Moscow. She earns ca. 2 000 USD a month and every working day she is going out to have a lunch with her colleagues at a nearby restaurant. The lunch meals cost always around 7 USD. One day she went for a lunch at 12 o'clock (as usual) and she ordered spaghetti Bolognese. The next day the situation repeated. She went at the same time to the same restaurant, but this time she ordered Caesar salad.

Well (again) it seems quite natural that people choose different meals for their lunch and they do not eat the same food every day.

All in all, these 3 situations are very common and we or our friends or relatives experience them. We experience some on daily basis (lunch) some once in a lifetime (birth of the first baby). Author suppose you will also agree that these situations are not extremes and so you will have the same perception.

Yet all these 3 situations have something in common. They violate the basic assumptions of consumer's behaviour according to the neoclassical (contemporary mainstream) theory. And such behaviour of people (consumers) would be considered as irrational.

The question is, why these (and billions of other) situations happen every day and still the basic economic theory cannot capture them. It just label them as irrational (they should not have happened at all or they are marginal) and does not have an intension to *explain* or *understand* them.

In the following parts will be shown, how the situations violate the postulates and, what implications it might generate for the mainstream consumer choice theory.

## **Chapter 2 : Character of the analysis**

In this chapter is stated the thesis of this work, the tools of the analysis and explanation of the reasoning behind the approach.

For understanding the way how people allocate scarce resources we need more details in the definition. This work operates clearly in the range of microeconomics and according to one of the standard microeconomic textbooks by Pindyck and Rubinfeld (1996) “Microeconomics deals with the behavior of individual economic units. These units include consumers, workers, investors, owners of land, business – firms, in fact, any individual or entity that plays a role in the functioning of our economy. Microeconomics explains how and why these units make economic decisions.”

According to the definition the main purpose of microeconomics is to *explain how* and *why* these units make economic *decisions*. The whole concept springs from the consumer choice theory, which in basic describes, how consumers’ preferences (and choices) are influenced by prices of goods and services and their incomes.

As economics’ goal is to describe how people allocate scarce resources, one can see that the allocation origins in their choices (preferences what and how to acquire). This process will be discussed more in the third part. Actually the main purpose of this work is to contribute to the discussion of this process – preference creation and realization.

It appears that many principles in mainstream microeconomics are of normative approach rather than positive. This basic distinction needs to be done when one wants to study world in the respect of the definition of economics as a science. Economics is concerned about how people allocate scarce resources, hence economists are (should be) interested in the description, in knowing the process, i.e. to know *how*. Unfortunately the key assumptions of consumer choice theory seem to be of a normative nature (i.e.

describing how the process *should be* working) rather than positive (description). The same view advocates Thaler (1980), who argues precisely in the same manner. If something appears (or is) in the end as a norm rather than reality, it automatically generates bad description of the reality and also wrong predictions. Thus in the end we actually do not know *how* something happened, *why* and *what* it may bring. There are only bad predictions and surprising results.

*“This is indeed a mystery. What do you imagine that it means?” Watson remarked. “I have no data yet. It is a capital mistake to theorize before one has data. Insensibly one begins to twist facts to suit theories, instead of theories to suit facts.”*

Sherlock Holmes (A.C. Doyle, A Scandal in Bohemia, 1891)

Sherlock Holmes is a fictional character, but Sir A. C. Doyle is not. The main approach of this work can be found in this quote. The author of this work would like to “twist theories to suit facts” indeed. In order to solve the mystery (find the positive theory) of the situations mentioned in the previous chapter, one must collect more data, exactly how Sherlock Holmes said.

In that respect one must take a holistic approach to the problem. If collected only a part of data, inevitably holistic judgments about the agents, i.e. people, cannot be made. One cannot be surprised that by collecting human preferences and assumptions about them one can make only conclusions about the preferences but not about the whole man. And as Frankl (2006) said a man is more than that. Naturally one cannot define a human being only on the basis of the choices of consumption. Human beings are doing much more activities than just buying goods and services.

Well if one wants to take a holistic approach to the problem, one needs to take a look at a man from different angles. Practically, several approaches from other (social) sciences are needed. The main sources (in order to solve this theoretical problem) are from psychology, sociology, biology, philosophy, ecology, economics and their evolutionary branches. Biology is not a social science in its essence, but it studies human beings as well. And it provides many important clues for the whole theory.

Since other sciences are social, they study (not only, but mainly) human beings and relations among them, each from different angle than economics. But economics wants to understand how human beings allocate, thus necessarily it needs to collect more

information and theories from other social sciences (on contrary other social sciences' theories are inspired by purely economic theories as well) in order to describe the process *well* and with practical implications. Economists understood that many years ago and as a result new branches of economics (successfully) occurred, e.g. behavioural economics, evolutionary economics, neuro-economics, happiness economics and others. Clearly the trend is to transgress the commonly perceived borders of economic science and merge the theories together and so bring more light into the crucial economic problems and questions. In the end the whole consumer choice theory needs to be of a synthetic nature. So is this work.

In the respect of transgression, it is important to change the way how a consumer is perceived. Economics states agents which play the roles in the economic organization of the society (as mentioned above). Yet economists ignore one crucial fact which was outlined in the very beginning of this work. *The agents (no matter which ones) are still humans – people – sometimes not alone, but organised in some kind of groups (households, firms, governments, unions, etc.).* Still they are human beings. This stigma does not go away when they group. It does not go away when we label them differently (consumers) also. If we accept this fact, we can see human behaviour (including economic) in a new light and perspectives which can help to understand the human behaviour much more.

From this perspective it occurs that revealed preferences are only at the very surface of the whole concept (process) of the human decision-making. And thus it is important to understand the core, so there is a possibility of building a big theory and having the power to describe the behaviour and predict it.

Also in this respect this work is pioneer. Not many authors were studying the same concept. The only exception forms the paper by Karlsson, Loewenstein, and McCaffery (2004). They also studied economics of meaning. But rather than including the Frankl's (2006) findings in the theory, they dealt with the problem of raising utility by usual neoclassical means. But many authors from various science disciplines contributed heavily to that problem, but usually only partly. Thus the goal is to synthesize those theories and put a basic building block to a new consumer choice theory (or decision making theory) and to show which way could lead to the success.

Taking into account the nature of the task and availability of sources, it is naturally very hard to synthesize all this information. Actually it is impossible for a man to do it in one work. Here are shown the main ideas, which may contribute to better understanding of the choice theory, and which answer the crucial questions *how* and *why* humans make their decisions.

Naturally, questions arise.

Why is all this important to an economist?

Why should one bother to study human behaviour in this manner?

What are the practical implications?

As stated above, economist should be bothered by this problem, because the neoclassical model does not work well and still economists use it to understand and explain the world.

The reasoning behind the chosen approach is explained above. Previous approach of rationality of a consumer does not work, as it will be shown and discussed in the next part. If an economist wants to understand and as a result be able to make practical implications, one needs to take a look at the basics and understand them clearly and well. So the predictions would be clear and good as well.

The practical implications present a possibility not only to understand the whole allocating process, but also to be able to make it more efficient. Particular practical implications and examples are noted in the 5<sup>th</sup> chapter of the second part.

So the objective of this work is to show that assumptions of (mainstream) neoclassical model of consumer behaviour are not realistic, and thus the model provides poor predictions and description of the reality as well. But the main objective is to suggest solution for this problem by presenting roots for a new synthetic theory of consumer behaviour.

The synthetic theory is based on the recognized human need for meaning by Austrian psychologist Viktor E. Frankl (2006). It reveals that human need for meaning might affect the economic order of the society crucially. It is demonstrated that the main determinant of human activity might lie in the meaning one perceives. Also the problem

of motivation is discussed and it appears that subjects with meaning are more efficient than those without it.

Essentially, the goal is to show human need for meaning plays the main role in the allocation of scarce resources. In other words human need for meaning explains the *why* and consequently *how* people make decisions about the goods and services they demand or consume.

In next chapters and parts is discussed the whole principle in details. Now it may seem strange that just one need could generate the preferences, but later it will be visible that this approach might lead to the dream goal of understanding.

The socio-psychological approach, chosen in this work, is apparently absolutely in accordance even with the economists of the ordinal revolution. According to Hands (2010) the consumer choice theory was influenced by psychology from the very beginning. He recognizes 3 periods. First one is early neoclassicism at the turn of 19<sup>th</sup> and 20<sup>th</sup> century. Second one is ordinal revolution in 1930's and the third one is the period from ordinal revolution till today.

Hands showed that the era of early neoclassicism was strongly influenced by hedonism and introspection. That is one of the reasons why the theory employed cardinal notion of utility. Because psychology is not an exact science and economists at the time of ordinal revolution were striving for acknowledgment of economics as an exact science, they strictly crowded psychological approach out of economics. It was done by the ordinal revolution, as it was based on observable and thus objective variables. And during the third era the psychological concepts were again coming back to economic theories.

Hands focused on the era of the ordinal revolution and chose 3 main economists for the analysis. They were Slutsky, Robbins and Samuelson. Those 3 were considered as the main anti-hedonists and advocates of non-psychological approach in economics. Despite those assumptions, Hands showed that they actually were using psychological concepts in their theories and sometimes they even contradicted themselves.

## **Chapter 3 : Concluding remarks**

The multi scientific approach chosen for the purpose of this work is truly in accordance with the goals of economics. Also this approach is not anything new in the science of economics. The history brings many proofs that economists relied on psychological findings at each stage of history of economic thought.

The need for meaning seems to be the leading force for the human actions, thus it is broadly discussed and from it is derived the whole concept. But before this discussion, the neoclassical model is reviewed.

Lastly, when one deals with the economics of meaning, the question of the meaning of economics arises. Since the economics' goal is to study process, economics is just a tool. And tools have the feature that it is manipulated with them. Thus economists need to know what they want to achieve by the manipulation.

## **Part II**

### **Understanding the neoclassical model**

In this part are discussed assumptions of the neoclassical model of the consumer choice theory. There is a definition of the model in the first chapter. The second and third chapter then discuss violation of the axioms. And finally in the fourth chapter are presented conclusions from the analysis of the violation.

#### **Chapter 1 : Definition of the model**

By the neoclassical model is understood a classical textbook model originating in the theories of ordinal revolutionists (Hands, 2010). According to the standard microeconomic theory (Pindyck, Rubinfeld, 1996) the basic assumptions of consumer preferences are:

1. *completion* of the preferences, meaning that a consumer can compare and rank all consumer baskets of all quantities that exists.
2. *transitivity* of preferences, meaning that if a consumer prefers basket A to basket B and basket B to basket C he must prefer basket A to basket C.
3. “*good*” or only positive in quantities, meaning that when a consumer is buying a good he or she wants more of everything (he or she prefers more quantity of a good to less quantity of the same good).
4. *maximizing* of utility; this assumption says that consumer always wants the higher – preferred baskets, as they should bring more and more utility

The whole process can be briefly described as follows. Consumers ranked all possible baskets and ordered them according to the utility the baskets bring them. This ordering forms a continuous utility function. Then consumers’ indifference curves are constructed. The curves are derived from the utility function and they represent all market baskets which bring the consumers the same level of utility. Then it is considered that consumers have a budget which they want to spend on the ordered baskets. Thus the constraint is laid against the indifference curves. As a result the preferred basket is found, as maximization of utility pushes the consumers to choose the

basket, which is located just in the touch of the budget line and the most available indifferent curve (considering graphical analysis).

## **Chapter 2 :      Limitations of the model**

In the first part of the work were introduced 3 motivational situations of 3 different people. As was promised above, here are discussed the situations facing the neoclassical model.

At first let's consider Mary. She got pregnant and her preferences have inevitably changed. She started buying absolutely new things like nappies, baby cosmetics, etc. As a result her monthly shopping basket contains absolutely different goods than just a few months ago. Of course this happened *ceteris paribus*, as her income has not changed and the prices have not changed dramatically from that moment.

By her behaviour Mary has violated the second axiom of the neoclassical theory, as she should have known before that she will prefer nappies and baby cosmetics. She knew about the existence of the nappies and their prices (from the first axiom), and she included them in her previous calculations (ordered in accordance with the first axiom). How come Mary started demanding (*ceteris paribus*) something else than before?

Before she got pregnant she demanded a basket A which was the best one she could achieve with her income. When she got the news of the birth of her baby, she absolutely shuffled her priorities and preferences and as a result she started buying a basket B. But basket B was available even before, when she chose the basket A. Thus Mary violated the axiom of transitivity and would be labelled as irrational.

Other example was about Jakub, a young student. He travelled during summer to India and spent there 4 months. But his preferences changed. And as a result he also violated assumptions of the neoclassical model.

It is a similar situation to the one with Mary. He started buying baskets which were available (financially) before. But at that time he chose to buy different one. As a result he violated the second axiom of transitivity. Moreover Jakub violated the first axiom. Naturally when he arrived to India he discovered absolutely new kinds of goods (spice, meals, etc) which were not available to him back in Prague, where he had lived.

The first axiom assumes that Jakub should have known about the existence of all the goods on the world, including India. So how come he did not? Again his behaviour would be labelled as irrational according to the mainstream theory.

And in the last situation Anya played the main role. She went two times for a lunch and already she managed to violate the assumptions. And again, she violated the second axiom of transitivity, as she preferred a meal (basket) which was *ceteris paribus* available to her last time but she did not buy it. Her preferences are inconsistent and thus irrational.

The situations are explainable, though, when taking into account other variables than neoclassical model. All these influences will be discussed in the third part of the work, where is outlined the new synthetic theory.

### **Chapter 3 : Implications and critique**

This chapter is more focused on each axiom and presents arguments about their validity. Let's begin with a Lancaster's (1966) quote about the first axiom.

“In the case of new commodities, the theory is particularly help-less. We have to expand from a commodity space of dimension  $n$  to one of dimension  $n + 1$ , replacing the old utility function by a completely new one, and even a complete map of the consumer's preferences among the  $n$  goods provides absolutely no information about the new preference map. A theory which can make no use of so much information is a remarkably empty one. Even the technique of supposing the existence of a utility function for all possible goods, including those not yet invented, and regarding the prices of non-existent goods as infinite-an incredible stretching of the consumers' powers of imagination-has no predictive value.“

Lancaster pointed at all of the problematic areas of the first axiom. Indeed the assumption, that all the people on the planet *know all* kinds of goods and they are able even to understand how many pieces of those goods they want to consume and also they can *judge and order* all possible combinations of all goods in an order which would represent their desires from the least desirable to the most desirable basket (infinity problem), does not possess much of reality to say the least.

The validity of the second axiom was already tested through the situations in the previous chapter. More to the point, Tversky (1969), indeed, showed the same result. People tend to violate the second axiom of transitivity. He also showed that people usually use approximation methods to make the decision. And also he found that this method can be predictable to some extent.

The third axiom can be easily proven as non-valid as well. But in the textbook (Pindyck, Rubinfeld, 1996) was written, that this assumption is stated only from pedagogical reasons. Thus the author does not want to blindly attack on obvious facts and rather redirect the reader to the following part and the chapters 3 and 4 which discuss the problem of constraints and limitation during a decision making process.

The fourth axiom of maximization is very controversial one. Many authors argue that people do not maximize their utility. Also it is important to understand what actually utility is. Opinions on that topic vary very much. But contemporary authors (especially economists devoted to happiness economics and related branches) argue that people do not maximize their utility, rather happiness. For instance Mlčoch (2007) discusses the notion that less is sometimes more. The notion is closely related to the ever-lasting stigma of the need for economic growth. And as he points out, the less is truly sometimes more, as the growth of economy is nowadays connected with destruction of basic values which in the long-term undermine the economy, because decision-makers do not account for the social capital and perceive only financial and material one. But the social needs are crucial for people. And this problem is discussed more in the 1<sup>st</sup> chapter of the following part.

Moreover those economists question existence of the principle as such. For instance Kappeller, Schütz and Steinerberger (2012) showed in their paper (based on models of Tversky, 1972 and Simon, 1955) a decision strategy based on a judgment of characteristics of goods, where necessary aspiration levels of satisfaction are set for each characteristic, and the first good satisfied those levels, the consumer selects and buys. This is in a contradiction with maximizing theorem as the consumer here does not search for the best option but for the first satisfying option.

Also the notion that people rather decide upon other strategies than maximization is stated in the following part, as it seems to be one of the conclusions from the theory. On the other hand it is showed, that indeed, people might be

maximizing something, i.e. the decision making process itself. More to this point could be found in the third chapter of the following part.

When considering the 3 situations mentioned above, one could propose, that people usually have monthly income and thus it could be compared to the monthly sum of purchases. Sadly, the theory assumes the preferences are timeless. Thus the only situation when one can select *ceteris paribus* a different basket of goods is, when one's income changes or the prices of the commodities change. The model does not deal with a change of preferences from other reasons.

Thus the axioms imply there is always only one way how to satisfy a consumer. Since the preferences are not variable, a consumer is doomed to choose always the same set as before in order not to violate the axiom of transitivity (*ceteris paribus*).

## **Chapter 4 : Concluding remarks**

From the previous chapters it is clear that the neoclassical theory has its limitations. Also it is evident where. But one needs to ask, what does it imply?

Let's consider Samuelson's principle (Hands, 2010) of revealed preference. Samuelson argues that one can capture consumer preferences retrospectively by observing their realized preferences – purchased baskets. But this technique is also troublesome, as still it supposes that the consumer preferences are consistent and that the only information one need for modelling are the prices of the goods and the amounts purchased. All these variables are found deficient as they possess very limited information for predictions. These approaches are also discussed in the following part.

It seems that this is the main problem of the neoclassical theory. Despite having unrealistic assumptions, bigger problem very likely lies in the fact that it is focused on wrong variables for predicting. Thus the model tries to predict more information than it receives. And it results in yielding bad predictions, as well as bad description of the reality.

When Friedman (1953) (Gowdy, Mayumi, 2001) was confronted with the problem of unrealistic assumptions, he answered that it does not matter, as long as the model makes good predictions.

Well, apparently it matters, as the predictions are not good. Thus the solution for this problem might be in accounting for more variables, as well as in a shift of focus to other directions than money and its influence. All these approaches are revealed in the next part.

## Part III

### **A new approach to the consumer choice theory**

When considering economics' main goal as understanding the allocation process of scarce resources, naturally, economists need to ask *why*. What is the goal? The understanding itself is just a tool.

When microeconomics is considered, one needs to ask the same question. Why we need to know how consumers make decisions? Why we want to know their preferences? In order to predict? But why we need to know the predictions? What for we want to use them?

Generally speaking tools exist in order to be manipulated with. When people use tools, they want to achieve something – a goal. Thus economists need to know what their goal is, i.e. what is the meaning of economics.

Since the word manipulation does not have to be perceived in a bad light, it also provides some good possibilities. Author considers that by proper studying of the human behaviour, the economic order can be made more efficient. In other words the decisions needed to be made could be made better and faster. And such a goal is achievable through studying consumer choice theory.

The key for understanding the human behaviour lies in the answer to the question *why*. Till nowadays vast majority of economists asked the question *how*. But they absolutely forgot to study the other, which is at least the same importance. The mainstream model of consumer preferences is outdated. Many authors were arguing for his change for at least last 50 years (Lancaster, 1966), still it is taught students of economics all around the world as the main one and valid one.

In this context this part presents an attempt for a synthesis of models of many authors. They are from various science branches, yet they all contributed to the process of decision making. Thus this part of the work brings crucial concepts, whereupon the new theory could be based on.

Because the work is synthetic, it was necessary to take rather deductive approach to the problem and as a result this part consists of 5 chapters. These chapters deal with 4

basic concepts, which together form the whole theory. In the first chapter is shown, how human needs shape preferences. The second chapter discusses the vital human need, i.e. need for meaning, which is the basic impetus for creation of preferences. The third chapter then deals with the means, how people make final decisions. The fourth chapter discusses the dynamics of needs, as they are being manipulated and it has big consequences for the human preferences. And the last chapter brings a general conclusion of this part.

## **Chapter 1 : From utility toward needs**

In this chapter, it is shown that primary human utility is derived from satisfying their needs. Thus the needs they perceive are considered as the main source of motivation for their actions and acquiring preferred goods.

### **First steps toward needs**

Building up the whole synthesis requires taking a complex look at humans. This look needs to be taken from very big distance, so that the human behaviour can be watched in its complexity.

When watching humans one can observe them consuming. In today's terms they buy something and then consume it. Imagine people shopping in a supermarket, but it can also be the same people travelling by public transport. They are still consuming something. The ultimate question which is stated above is – *why?* Why do they consume the things they do?

The first answer in hand is they simply prefer it. In mainstream economic terms they chose a set of goods (services) with respect to their financial restrictions (income) to maximize their utility.

Well, if the answer is stated like that, knowing the process from the previous chapter, one needs inevitably to ask another *why*. Why did people prefer the sets of goods (baskets)?

The preferences of what to consume do not come out of the blue. Something must have triggered them. Somehow they must have been created. Economists often argue that the preferences show utility derived from consuming the corresponding

baskets. And from maximizing theorem is supposed that the most preferable basket brings the most utility.

Again one must ask, how it is judged, how much utility the consumption of something will bring to a person, and *why* the utility actually comes (is perceived)?

Clearly, when people consume, they do not consume because they have fun performing that kind of activity<sup>2</sup>. There is some kind of purpose behind the consumption. People eat because they are hungry. People travel because they travel to work or school. People read newspapers because they want to know the news.

Generally speaking the goods and services preferred, and which are observable, are just tools for people to achieve something. People buy food to overcome hunger. People travel because they want to do something in a different place than they were before. People read newspapers because they want to know the news in order to speak about them with other people or just to know some kind of specific information (stocks prices, sport result, etc.).

And as each tool has the characteristic that it helps the user to achieve something – a goal, preferences are not an exception. It implies that people have preferences in order they could achieve something. Thus the goal of people (consumers) does not lie in the observable data – buying act – but rather in something else.

## **Real objects of desire**

In this respect Lancaster (1966) came with a theory of multidimensional goods. Based on the works of other authors he constructed a new theory. He believed (based on works of other authors) that people actually do not demand goods as themselves, but rather their intrinsic qualities. He showed that each good possesses a set of characteristics by which people judge them and decide whether to buy them or not. Imagine a meal. In the eyes of a human it does not only have nutritional characteristic, but also e.g. aesthetic characteristic. Different meals have different relative proportions of those characteristics. He also argued that existence of substitutes and complements automatically imply the existence of goods' intrinsic characteristics.

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<sup>2</sup> Practically people can have good feelings from the consumption itself, i.e. doing the consumption process just because they like it. But this activity is rather perceived as an addiction than common behaviour.

“Elementary textbooks bristle with substitution examples about butter and margarine, rather than about shoes and ships, as though the authors believed that there was something intrinsic to butter and margarine that made them good substitutes and about automobiles and gasoline that made them somehow intrinsically complementary“.

From the theory it is visible that actually people demand characteristics rather than final products. What is important is to understand each good can possess more than one characteristic (car – trip vehicle, work vehicle, social status, colour, engine power, gas consumption etc.) and thus one good can bring satisfaction from more characteristics it possesses. It is also judged (consideration for buying) on the basis of more characteristics, which are important to the man. Moreover a demanded characteristic can be satisfied by a combination of more goods than one (not only complements – nutritional characteristic could be satisfied by buying a banana and an apple).

Lancaster also revealed a fact that (even back then in 1966) market researchers, advertisers and manufacturers understood this principle long ago and as a result they act to the consumers in that respect. They offer them the characteristics of the goods rather than the good itself. That is why all car advertisements are based on the fact that one will feel special when one buys it and that one will save a lot of money because the car has low petrol consumption and many more characteristics people would consider as important for them.

That brings another very important conclusion. Each person sees different characteristics in each good and also different relative proportions of those characteristics. This concept will be discussed more in the 3<sup>rd</sup> chapter about decision making. For now it is important to understand that people demand characteristics rather than final goods.

This finding automatically raises another question. What are the characteristics people demand? As stated above the characteristic could be e.g. nutritional or aesthetic. It means people demand nutrition (energy) and something which would fit their personal taste. So the answer to the question would be that there are characteristics important to the people. They want them. That is why they demand them, which begs the question – Why people demand nutrition or aesthetics or other characteristics? Why do they want them?

Let's answer with a particular situation first. Imagine you are going to buy lunch. Why are you going to buy lunch? Well because you feel hungry. That means that you feel a need for nutrition. You just *need* food. The need for nutrition is making you act. So when you feel hungry you go and buy your lunch.

Basically people demand characteristics because they have a feeling of a need for them. The need is a crucial concept here. In respect to the lunch scenario, what actually brings people the utility? People feel rise in the utility only after they consume the good they bought. So you will feel satisfied when you finish your lunch (process of consumption). The hunger will disappear and the need for nutrition is warded off. It means that when you finish the meal you will stop demanding nutrition. *You have just satisfied your need.*

What actually brings a man the utility is not (purchase of) the good itself, but the consumption of the good, in the situation when the consumption is done in order to satisfy a need which one felt. In this point people are not utility seekers or pleasure seekers and pain avoiders, but rather *need satisfiers*.

### **Need is the key**

This approach is well described by Oliver (2010). The needs could be perceived from 2 opposite categories. The first one is that people feel deficit in their life and they wish to remove the deficit. And the second one is that people see acquisition as enhancement, i.e. the wished good will add positive value to their lives. In this case the deficit is created by them (experience, imagination) as they see the future utility of the possession. Thus he sees needs of the first category as restoring process, whereas needs from the second category as enhancing process. Both processes are called reinforcements in general. He defines the reinforcement as "... a reward that has the property of sustaining behaviour, of informing the organism that its response to a stimulus (i.e., its behaviour) is correct." I will be referring to the reinforcements as needs generally, though, as all in all they are still needs. And the need itself can be defined similarly to the reinforcement.

So far was implied that people have needs, and they are striving to satisfy them. Also when they reveal a preference and buy something, they buy it for some reason, i.e.

to satisfy corresponding need. And from that satisfaction people (consumers) perceive their utility.

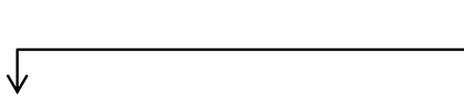
The main need theory was constructed by Maslow (1943), who argued that satisfaction of the needs is ordered in the respect of importance of the needs for human survival. He constructed famous triangle of needs, where physiological needs are the basic needs which people satisfy and when they satisfy those, their higher-order needs (social, self-realization, etc.) come to the process of satisfaction.

According to Oliver (2010) the need satisfaction process has the following development:

*Deprivation* » *Dominance* » *Gratification* » *Homeostasis*<sup>3</sup>

The trouble is that the needs have one specific feature, i.e. temporality. Consider need for nutrition. Usually people undergo this need satisfying process 5 times a day. Thus after some time the need is *reactivated* and the development of motivational need satisfaction process would be:

*Deprivation* » *Dominance* » *Gratification* » *Reactivation*



*Dominance* » *Gratification* » *Reactivation, etc.*

All in all satisfaction of a need is a process. That means it possesses some characteristics. These will be discussed later in this chapter.

Now let's focus attention to another view of the satisfaction problem. How is it actually perceived by man? Basically, people have feelings. Hunger, the need for nutrition (food), is a feeling. This feeling is caused by hormone called ghrelin (Kojima et al., 1999). But there is another hormone which regulates satiation of a man. It is called leptin (Zhang et al., 1994). These two hormones work as duality. When a brain perceives that body needs energy (nutrition) the level of hormone ghrelin increases and as a result people feel the need for nutrition (hunger). When the brain understands, that

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<sup>3</sup> Homeostasis is the property of a system that regulates its internal environment and tends to maintain a stable, constant condition of properties such as temperature or pH. – source: <http://en.wikipedia.org/wiki/Homeostasis>, retrieved 31<sup>st</sup> July 2012.

there is enough energy, the level of ghrelin decreases and level of leptin increases. As a result a man does not feel hungry, but satisfied by the increased level of leptin.

The satisfaction process works always on the same basis for all needs, i.e. it works the same even for social needs or self-realizing, etc. Other needs are treated respectively. They just involve other hormones, which regulate the processes (e.g. endorphin).

Apparently satisfaction of a need is a process which is based on biological and chemical reactions in human body. It also means that perceived utility from consumption of a good is based on hormonal processes. So, again, as was noted above, this whole need satisfaction process is just a tool for achieving something. This time it is a mechanism of a body to motivate us to do something. In respect to economics this mechanism creates or satiates needs. It means it creates a space for utility rise of a man (consumer). And this space (rather tension) is making him consider what to acquire and finally what to buy.

## **Characteristics of needs**

Now let's shift attention to the needs from a general perspective. Need is a part of a process (in the end it is a process) of satisfaction and it has some characteristics which are subject of further analysis.

The first important feature of needs is *consciousness*. Some needs people perceive (and satisfy) consciously. For instead the need for nutrition, need for love or need for sex. But others needs are satisfied unconsciously. This would include a lot of physiological needs, e.g. breathing, blinking, heart beating, etc. But when the need is not satisfied, naturally, one feels when one cannot breathe or when one's heart stopped beating (assuming one has not fainted yet).

As was already noted above, another crucial characteristic is *temporality*. Each satiation of a need lasts for a specific length of time. In other words, the brain is controlling the situations of needs satisfaction. When the correspondent hormone level reaches specific number the need is shifting from the Deprivation stage to the Dominance stage and the person will perceive this as a rise in their feelings of a need and will ultimately become motivated to act in order to ward off the need and receive a reward in a form of satisfaction. There is also another temporal aspect of a need. When

the need is not being satisfied for very long time, the feeling of deprivation (need) is getting bigger and bigger and finally may cause death.

This second temporal characteristic can be perceived from more angles. The first example is at hand - physiological. If one does not drink at all for a few days one will die. Another example is not that evident but everything works in that respect. If people do not satisfy their need for esteem or self-actualization (categories recognized by Maslow, 1943) it will deprive them so much that they will not be able to perform crucial social activities (going to a job) or as a result of dissatisfaction they will not succeed in a society, i.e. they will not find their place in a society, and they will die as well. The importance of social needs will be discussed later in this chapter.

Next important characteristic is *dynamics*. The needs are dynamic processes. It means that they are changing. Since each need has different duration and they are satisfied in a different time, at each moment people feel different needs.

The last important characteristic is *ordering*. People satisfy their needs according to what kind of need is perceived as the strongest one at each moment (can be milliseconds). It implies that needs are satisfied serially rather than concurrently. On the other hand some needs could be satisfied mutually. Since the need is persistent and just the level of the importance is changing (by releasing more motivating hormones), it may happen that people satisfy more than one need by their act of satisfaction. Consider the meal example from the beginning of this chapter. In the meal one can search for satisfaction of nutritional need as well as aesthetic one. In other words by eating lunch one may satisfy not only the hunger but also one's aesthetic needs by the fact that one consumed something considered as good-looking or tasty. Or consider breathing. People can breathe and still do a huge amount of other activities (with an exception of eating and drinking since those activities use the same instrument for satisfaction). On contrary when one cannot take a breath one usually stops all activities (including moving) and begins to gasp.

## **Types of needs**

So far, only a need as a concept was discussed. However, there is a vast number of needs a human can feel. The first attempt to recognize several human needs was made by Maslow (1943). Some of the needs he recognized were mentioned already

above, but now all will be stated. Instead of describing each need Maslow recognized 6 categories of human needs. They are Physiological needs, Safety needs, Affiliation needs, Esteem needs, Need for self-actualization and Need for transcendence. He also ordered them as his basic concept is that the needs human perceive are satisfied hierarchically. Those categories then form his famous triangle of needs. He argues that people satisfy their needs from the bottom, where are situated the physiological needs to the top where is located transcendence. And from his point of view people start satisfying higher-order needs only when the lower-order needs are satisfied.

This approach was tested by many works and the results were not very supportive of his suggestions. According to Oliver (2010) and his review of those works none of the approaches of Maslow were empirically found to be correct. People do not satisfy their needs in the order which Maslow described the triangle. Also people do not need to satisfy low-order needs as a prerequisite to the satisfaction of high-order needs. According to the researches even the suggestion of existence of six categories suggested by Maslow appears to be wrong. Also Maslow ignored individuality and assumed that all people have the same needs and that they satisfy those needs by taking the same paths. Nonetheless the importance of his work lies in the fact that he recognized groups of human needs. And even though the real connections among them differ from his theory, for this analysis it is absolutely enough to take the existence of the needs and understand the branches of human needs.

In addition to the Maslow's needs, psychologists had recognized human needs long before he published his work. So far, there are three important human needs which are identified. First one was recognized by Freud. He argued that human is striving in his life for pleasure, namely sexual pleasure. That generates human need for sexual self-realization. Second need was recognized by Adler (Frankl, 2006), who he argued that people are driven by a need for power. And the third need was recognized by Frankl (2006), who recognized huge human need for meaning. The last need described by Frankl is the centre of this work and will be discussed in full in the following chapter.

## **Evolution of needs**

The following section will discuss needs from an evolutionary perspective. In order to be able to understand human needs, it is necessary to take a closer look at their evolution, as it explains many needs, which might seem insignificant to an economist.

Imagine prehistoric people. Such people were organized in small groups containing maximum tens of people (usually much less) and were either roaming landscape or settled down at some kind of cave. A bit younger people (historically) started their own farm and also started the history of agriculture. Taking a look at those people one can observe their needs. They were hunting animals and collecting plants or fruits and reproducing. They were also striving to keep themselves safe and protected from bad influences of weather, dangerous animals, etc. Important thing to notice is that back then they formed relatively small societies, in comparison with societies nowadays.

Naturally, as human-kind was evolving and was satisfying needs better and more efficiently, more people could be kept alive. As a result, societies grew, as well as man-kind.

Even back then people had social needs, but they were satisfied much easier than nowadays. Also, in order to survive at that time, under those circumstances prehistoric people valued skills like javelin throwing and fast running rather than computer programming and song writing.

When there were 20 people in society the needs and means for satisfaction of social needs of those people were clearly different and less complicated from the needs of a present human.

Lipton (2008) also noted to the topic: “British scientist Timothy Lenton provides evidence that evolution is more dependent on the interaction among species than it is on the interaction of individuals within a species. Evolution becomes a matter of the survival of the fittest groups rather than the survival of the fittest individuals.” This implies that the social needs of people are crucial to satisfy, as their satisfaction is prerequisite for further evolution. The same conclusion was made according to Seligman and Diener (Štika, 2006). They concluded that people felt happier when they had a functional family, many friends and corresponding time spent with them.

Connecting this evolutionary view with one of the characteristics of needs, i.e. dynamics, we can see the dynamics even from a different angle. Human needs naturally evolve; meaning absolutely new needs are occurring man needs to satisfy. There are

also needs which no longer need satisfaction – they disappear. This point is more related to the evolution of the means and how to satisfy a need.

## **Means of satisfaction**

And that leads us to another perspective of needs. As was stated above the needs are being satisfied. But the ways, how to satisfy each need may vary. There are thousands of ways how to satisfy a need. Basically we can distinguish a few general means how needs are satisfied.

The first one is obvious to all economists. Humans satisfy their needs by acquiring and consuming various goods and services. That means the satisfaction comes from a material good (or service – but it does not necessarily be material).

Another mean could be considered when social needs or self-actualization needs are being satisfied. These needs can use something material as one of the components of the satisfaction. But many times these needs are satisfied by simple actions. Namely by speaking, being somewhere with other people, listening to the music, etc.

Next mean of satisfaction is very common among societies and still it is not captured by the mainstream economic theory. People do “things” (rather provide services) for other people on the basis of reciprocal services. This phenomenon is called reciprocal altruism (Štika, 2006) and it is actually a base of the whole economy, as one of the economic units is considered a household. And households does not work on the basis that people would pay each other money for all the services they do in order to keep the household. Imagine father paying his sons for hovering or sons paying for lunch to their mother. Štika also writes about the more interesting phenomenon, i.e. unilateral altruism, which basically means that one is doing something for someone else without any expectations about future reciprocity.

Basically human needs can be fulfilled materially or non-materially. As a result people attain utility also from non-material “goods” and not purely from material goods.

## **Chapter conclusion**

From all the findings one can conclude that people (consumers) do not search for goods. They do not demand final goods or services. Rather they demand the a feeling of satisfaction. This is conducted by the satisfaction of a need.

And thus ultimately we can partially answer the question which was raised at the beginning of this chapter. People consume the goods they consume because they satisfy their needs for something by the act of consumption of the goods. Thus inevitably human preferences (what to buy) are created by the needs they perceive.

The need itself serves as an engine and the satisfaction is the fuel. The motivation for acting is the need and the satisfaction brings it to life.

## **Chapter 2 : The need for meaning**

*“Life is not primarily a quest for pleasure, as Freud believed, or a quest for power, as Alfred Adler taught, but a quest for meaning. The greatest task for any person is to find meaning in his or her life. ... Suffering in and of itself is meaningless; we give our suffering meaning by the way in which we respond to it.”*

Harold S. Kushner (foreword to Frankl, 2006)

In this quote are summed the 3 biggest needs of a human recognized by psychology. According to Frankl (2006) the biggest human need is the need for meaning. And during his whole life he successfully established a new branch of psychology, i.e. logotherapy<sup>4</sup>. His findings were supported by his therapeutic successes and his thoughts are developed even after his death, mainly by his student Längle.

In this chapter is shown that the main need people have is the need for meaning. It is also shown that the need for meaning is the basic source of human actions and thus preferences.

### **Meaning – the vital need**

Author of this paper agrees with the Frankl’s postulate, that biggest human need is the need for meaning. The logic behind this reasoning will be discussed later in this chapter. But now let’s consider a parallel. When mathematicians are solving a problem, the first question they ask is whether the problem actually has a solution. In other words they are dealing with the existence of the solution first. And only when they understand that the solution exists, they continue in solving the problem. In that respect they satisfied the first need – need for meaning. The solving process needs to have meaning. Otherwise it would be useless effort.

Usually when people are starting new projects or deciding whether to continue one, they consider if it is worth it. In other words they are asking themselves if it has meaning to continue.

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<sup>4</sup> Logos is a latin expression for meaning, thus logotherapy means therapy of a meaning. This branch of psychology deals with the basic human need for meaning. The purpose of such therapy is to help a patient to find his own meaning of life. Patients are usually people with existential crisis.

It is really hard to judge which one of the basic needs is the strongest, but the need for meaning sparks as the candidate number one.

Defining the need for meaning is very hard. The best approach to deal with it is to show that such a need exists. And, indeed, Frankl (2006) brings several arguments. The main argument is based on the fact that Frankl spent several years in concentration camps during the Second World War. He was a psychologist before he was deported. But the life in the camps was so much filled with existential troubles of the prisoners that he understood the basic concept, i.e. a man is able to suffer at the highest degree as long as his or her life has a meaning.

*“It is one of the basic tenets of logotherapy that man's main concern is not to gain pleasure or to avoid pain but rather to see a meaning in his life. That is why man is even ready to suffer, on the condition, to be sure, that his suffering has a meaning.”*

This quote from Frankl (2006) summarizes the main argument why the need for meaning is the strongest one a human perceives.

Frankl argued that the satisfaction of the need for meaning is actually essential to a human. The meaning itself provides a human a possibility to perform life itself, as Frankl (2006) said “I consider it a dangerous misconception of mental hygiene to assume that what man needs in the first place is equilibrium or, as it is called in biology, "homeostasis," i.e., a tensionless state. What man actually needs is not a tensionless state but rather the striving and struggling for a worthwhile goal, a freely chosen task. What he needs is not the discharge of tension at any cost but the call of a potential meaning waiting to be fulfilled by him. What man needs is not homeostasis but what I call "nob-dynamics," i.e., the existential dynamics in a polar field of tension where one pole is represented by a meaning that is to be fulfilled and the other pole by the man who has to fulfil it.”

In respect with that when people lose their meaning and resign to find another one, it might be lethal for them (Frankl, 2006): “And what happens if one's groping for a meaning has been in vain? This may well result in a fatal condition. Let us recall, for instance, what sometimes happened in extreme situations such as prisoner-of-war camps or concentration camps. In the first, as I was told by American soldiers, a behaviour pattern crystallized to which they referred as "give-up-itis." In the concentration camps,

this behavior was paralleled by those who one morning, at five, refused to get up and go to work and instead stayed in the hut, on the straw wet with urine and feces. Nothing - neither warnings nor threats-could induce them to change their minds. And then something typical occurred: they took out a cigarette from deep down in a pocket where they had hidden it and started smoking. At that moment we knew that for the next forty-eight hours or so we would watch them dying. Meaning orientation had subsided, and consequently the seeking of immediate pleasure had taken over.”<sup>5</sup>

The words above indicate the meaning as a crucial concept for people. With it people feel they are alive and are even ready to suffer for it. Without it people feel they are dying and in the end they truly are. The need for meaning could be perceived as the main source of life itself for a human. It reminds an engine (the need) which is ready to move the car when it receives a fuel to burn (found meaning).

Important implication from this concept is that when people find their own meaning, they act in order to achieve it on the basis of free will. They want to do it. In other words they are motivated to act and they *do* act. Nobody needs to push them to achieve such a goal. This feature will be discussed more in the 4<sup>th</sup> and 5<sup>th</sup> chapters of this part.

## **Kinds of meaning**

When people perceive the need for meaning as somewhat leading force of their actions, inevitably one needs to ask what kind of meanings people can have (or do have). Frankl (2006) recognizes 3 basic types of human meaning. According to logotherapy the meaning can be discovered at a patient by following ways:

- (1) by creating a work or doing a deed
- (2) by experiencing something or encountering someone
- (3) by the attitude we take toward unavoidable suffering

The first type refers mainly to a deed which transcendent oneself, i.e. it is done in a respect to other people as well. The second type refers to the experience of

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<sup>5</sup> It is good to show that Maslow (1943) was not actually wrong in his concept of a need satisfaction, when he assumed that by achieving satisfaction one achieves homeostasis. The point is that the homeostasis is present only for some kind of time and then the need is reactivated how it was suggested by that following model. Thus these findings are in accordance with Frankl's.

situations connected to specific values like love. And the third type represents meaning found on the basis that sufferer transforms the suffering into a moral victory.

Interestingly one can find specific values behind each type of meaning. In the first type the value is creation, secondly it is experience and thirdly it is attitude. In the end logotherapy works with the human values. So when performed on a patient, main task of the therapist is to find a value which the patient respect or appreciate and from that value create patient's meaning of life.

## **Characteristics of the need for meaning**

As were recognized some characteristics of needs generally in the previous chapter, the same applies to the need for meaning. It possesses some crucial characteristics with the respect of the general ones.

The essential feature of the need for meaning is connected with consciousness. The main characteristic is that *people create their own meanings*. Each person on this planet is not only capable of creating his or her own meaning but also it is the only person who can do it. As Frankl (2006) points:

“As each situation in life represents a challenge to man and presents a problem for him to solve, the question of the meaning of life may actually be reversed. Ultimately, man should not ask what the meaning of his life is, but rather he must recognize that it is he who is asked. In a word, each man is questioned by life; and he can only answer to life by answering for his own life; to life he can only respond by being responsible. Thus, logotherapy sees in responsibility the very essence of human existence.”

This view is supported by many authors and theories and is crucial for the purpose of this work. The fact that ultimate determinant of a human life is the human himself springs from sources across sciences. A cellular biologist Lipton (2008) showed that not only animals or humans behave in that respect, but also single cells or one-cell organisms. The same conclusion is basically done from quantum physics (Lipton 2008, Štika, 2006).

Finally Frankl (2006) showed the results from the observations made in concentration camps, i.e. that, “Even though conditions such as lack of sleep,

insufficient food and various mental stresses may suggest that the inmates were bound to react in certain ways, in the final analysis it becomes clear that the sort of person the prisoner became was the result of an inner decision, and not the result of camp influences alone.”

Second feature of the need for meaning is its temporality. Like any other need even the need for meaning has some duration. And the *satisfaction of the need has finite duration* as well. As was stated above if the deprivation from dissatisfaction of the need for meaning is very long people tend to have bigger self-destructive inclinations which may result in a suicide. Also it indicates that people have more than one meaning during their lives and that the meanings they perceive vary during their life. As was stated in the previous chapter, having a meaning is the satisfaction for the need, thus the found meaning is a tool to satisfy the need for meaning. Also from this point of view people who have a long-term meaning, do not suffer from the deprivation of not having the meaning, as it is satisfied.

These words take us to the third characteristic of the need for meaning, i.e. dynamics. In that respect the *need for meaning changes*. In other words the need is persistent but the satisfaction tool is changing naturally. Also when people perceives a meaning which they do not conduct after certain period of time, they start questioning such a meaning and as a result new meaning must be found in order to satisfy the need.

Thus natural example of the changes is the fact that a human evolves. Since a baby is born it evolves. It is gathering experience during the whole life and naturally, at each stage of life it demands different things. Also human meanings vary in that respect. Consider babies and their primary goal to explore and eat and sleep. When the baby grows it is interested in other activities like games or playing. When people enter puberty they start discovering their sexuality and so their primary meaning is connected with that fact. Later when they finish school they need to find a job and they decide between higher education and work. In next stage they find a partner to establish family with. Then they take care of their children. And the story continues. Each stage is represented by different meanings. Moreover the more experience people gather the more it broadens their horizons and they can see other possibilities how to satisfy this need for meaning.

Naturally different societies and cultures possess different values. And since the meaning is based on what kind of value people believe in or appreciate, it implies that the meaning varies across nations and cultures. Also a set of DNA, which is for each individual unique, plays main role in the decision about the meaning one executes.

Frankl (2006) noted on that topic:

“For the meaning of life differs from man to man, from day to day and from hour to hour. What matters, therefore, is not the meaning of life in general but rather the specific meaning of a person's life at a given moment. To put the question in general terms would be comparable to the question posed to a chess champion: "Tell me, Master, what is the best move in the world?" There simply is no such thing as the best or even a good move apart from a particular situation in a game and the particular personality of one's opponent. The same holds for human existence.”

Last feature concerns ordering. People can have more than one meaning in their life at the same time. The need for meaning can be satisfied by more than one tool (as was discussed above with the multidimensional goods of Lancaster, 1966). In this perspective the more meanings one perceives and conducts the more stable he is regarding to the need for meaning. And indeed people tend to have more than one meaning. People define themselves on the basis of their *family or partners* (i.e. second type of meaning according to Frankl – love). At the same time they define themselves on the basis of their *job* (i.e. first type of meaning – creation). And at very same time they can have a meaning of the third type – they may feel they suffer because of their attitudes, but this suffering brings them satisfaction, because they believe in the value. The reasoning behind the existence of more than one life meanings lies in the concept of precaution. If one of the meanings will be lost (i.e. death of family member, loss of the job, understanding of wrongness of the value), people will not suffer such a deprivation because they still have other meanings and the lost one could be restored (faster).

Frankl (2006) added to the character of the meanings: “One should not search for an abstract meaning of life. Everyone has his own specific vocation or mission in life to carry out a concrete assignment which demands fulfilment. Therein he cannot be replaced, nor can his life be repeated. Thus, everyone's task is as unique as is his specific opportunity to implement it.” And he continued: “These tasks, and therefore the meaning of life, differ from man to man, and from moment to moment. Thus it is

impossible to define the meaning of life in a general way.” By these words Frankl recognized last characteristic of the need for meaning and it is its *individuality*. The individuality implies from all other characteristics, as each person’s decision about his or her meaning of life are unique of its characteristics – time, age, DNA, cultural background, etc.

## **Chapter conclusion**

Before there will be a conclusion of this chapter, last Frankl (1994) quote<sup>6</sup> will be stated. It refers to the problem of universality of his findings as well as to their topicality.

“In front of me lies a letter which from I would like to quote this section:

I am 22 years old, I have an academic title, a luxury car, I am financially secured and I have more sex and power at my disposal than I can manage. However I must ask what kind of sense does this all have?

Our patients complain not only about the feeling of meaninglessness, but also about the feeling of emptiness, which I marked and described as “existential vacuum”. It seems that the existential vacuum is spreading further more. So as I take only one example, a research of 500 students revealed, that “existential vacuum has increased from 30 – 40 % to 70 – 80 % during last 2 or 3 years” (Alois Habinger). Even in Africa can be found the increment, namely among academic youth. And Freud’s supporters admit the presence of the existential vacuum as well as Marx’s supporters.

The First ones stated at the international congress that there is an accumulation of cases, in which patients suffer less by clinically apprehensible symptoms, but more by lack of life content. And it was even said that this circumstance bears considerable guilt in the analyses lasting for years, as in those cases the analytical treatment itself is becoming the only content of life.

As to the Marxists, Christina Kohl, chief of department for psychotherapy and research of neuroses at the psychiatric clinic of the University of Karl Marx in Leipzig, found in her researches “frequent presence of existential vacuum”.

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<sup>6</sup> The quote were translated from Czech edition of the book by the author.

The vacuum crosses, how correctly remarks Osvald Vymetal, chief of psychiatric clinic of the University Palackého in Olomouc, “without permission borders of capitalistic and socialistic societal order”.”

In this chapter was discussed broadly the human need for meaning. The need for meaning possesses standard characteristics of other needs but one. It seems that the need for meaning is the essential need for humans. When this need is not satisfied all other needs does not matter to people. In other words, the need for meaning is the engine of people and by its satisfaction (realization) people put fuel to the engine.

If people perceive their need for meaning as satisfied, i.e. they have the meaning(s), they act in accordance with the meanings. On contrary people who perceive their need for meaning as not satisfied they are often trapped in existential vacuum. This tension to satisfy their needs motivate them to search for the new meaning or it brings them into depressions which might cause suicide.

Ultimate conclusion is that people’s preferences (for buying something) springs from the meaning they have at the moment. Thus individual preferences are created through the satisfaction of the human need for meaning. As the satisfaction comes from the process of having a meaning which is *practically* conducted in the real life, and each action *might* need material tool for the realization, the human preferences (for goods and services) are created in the respect of the perceived meaning of the individual. And since the meanings are changing from various reasons, the preferences are changing accordingly.

## Chapter 3 : Decision making process

The first 2 chapters dealt with the basic mechanism which explains the origins of human preferences. In this chapter will be discussed the process of preference creation, i.e. which goods or services a man actually chooses for consumption.

The mechanism revealed the answer *why* do people have preferences. But now the focus will be moved to the question *how*, i.e. how the preferences are created, which refers to the problem of making decisions. Also for easier understanding, it is assumed the term “goods” refers also to services and includes material and non-material goods.

### Demand for characteristics

As was stated in the beginning the preferences (rather realized) are clearly a tool which should help achieving performing an activity. This activity then leads to a satisfaction of a need. So there is a situation when a human feels a need and wants to satisfy it. In this situation the human is starting deciding about how to satisfy the need. It means the human is starting considering his options both consciously and unconsciously. An example was noted above – the need for oxygen – breathing is usually performed unconsciously and the human does not decide about the options consciously. He or she just continues breathing by the lungs.

Since the needs are the impetus for the process of decision making, people search for the correspondent characteristic which would satisfy the need they perceive. E.g. when they feel hunger they starting considering goods which have the nutritional quality (it does not have to be only food, nutrition is in sweet drinks also, etc.). This brings us again to the concept of multidimensional goods proposed by Lancaster (1966). The concept was introduced in the beginning of the 1<sup>st</sup> chapter. Lancaster points the limitations of the neoclassical theory and the motivation in support of his approach:

“All intrinsic properties of particular goods, those properties that make a diamond quite obviously something different from a loaf of bread, have been omitted from the theory, so that a consumer who consumes diamonds alone is as rational as a consumer who consumes bread alone, but one who sometimes consumes bread, sometimes diamonds (*ceteris paribus*, of course), is irrational. Thus, the only property

which the theory can build on is the property shared by all goods, which is simply that they are goods.”

In this spirit he brings the theory, that what actually brings people (consumers) the utility is not the final good itself, but rather the *intrinsic* characteristics of the final good. In his theory he still works with the maximization of consumer utility, i.e. he assumes its existence. But from the findings of previous chapters we can conclude that intrinsic characteristics of goods bring satisfaction of needs rather than general increase in utility (neoclassical approach).

Then Lancaster continued speaking about the description of preferences:

“We assume that consumption is an activity in which goods, singly or in combination, are inputs and in which the output is a collection of characteristics. Utility or preference orderings are assumed to rank collections of characteristics and only to rank collections of goods indirectly through the characteristics that they possess“.

In that thought he presented the core of the final choice of goods for people. When people know which need they are striving to satisfy then they order the characteristics in the respect they think they will bring the satisfaction (usually unconsciously, but not always) and they search for such a set of characteristics in the set of goods available and order the sets of goods in that respect. And that would be the preferences of final goods.

But the mechanism is much more complicated. As was noted in the 1<sup>st</sup> chapter, the fact that a good can bear more than one characteristic and on contrary that consumption of a set of goods can bring together completely new characteristic (which is not present in each single good) and as a result a set of goods may bear more characteristics than there is the number of the goods shows the complexity of the approach and its closeness to the reality. Lancaster demonstrates this approach with an example:

„..., a dinner party, a combination of two goods, a meal and a social setting, may possess nutritional, aesthetic, and perhaps intellectual characteristics different from the combination obtainable from a meal and a social gathering consumed separately“.

The Lancaster's work (1966) was followed by Kappeller, Schütz and Steinerberger (2012), who showed that the multidimensional approach could easily end up in a circle (intransitivity) when following neoclassical assumptions.

## **Judging the characteristics**

Based on Lancaster's ideas of multidimensionality, Simon's (1955) approach of *satisficing*<sup>7</sup> and Tversky's idea of choice by elimination (1972) they set-up a new approach of consumer decision making.

Simon's theory is based on the principle that people have an aspiration level of what to achieve with the goods and when deciding among options they choose the first option which satisfies the level (is sufficient).

Tversky proposed that a consumer decides sequentially and each round is selected an aspiration level and the goods which do not fit are eliminated from the options. Accounting to the multidimensional approach, he would propose an aspiration level for each characteristic and the consumer would eliminate each round the deficient alternatives.

Kappeller et al. combined both these principles and modified them. They argued that instead of sequential approach, a consumer decides about each characteristic's aspiration level in the beginning and then makes decision among the options which have fallen from the constructed sieve. This principle can result in more rounds, as it depends whether 0, 1 or more options are left after the procedure and then the same approach with different levels would be conducted or the consumer chooses by some other technique (e.g. randomly).

This finding implies that a consumer is judging characteristics of the options. The procedure suggested by Kappeller et al. is only one of the approaches, though. And as they said themselves, they understand the limitation of usage when considering every-day life and that this kind of process is very energy and time demanding.

If we get back to the Lancaster's work (1966) he mentioned once that the intrinsic characteristics of the goods are perceived in different proportions by each individual. This is a crucial thought regarding the way of choice.

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<sup>7</sup> The word comes from a combination of 2 words, i.e. satisfying and suffice.

Combining this thought and the Kappeller's et al. model, the people decisions could be perceived from a different angle. Consider people shopping in a supermarket for food. When observing the behaviour people naturally judge each good before they buy it. For instance when they buy meat they do not only check the price, but also what kind of colour the meat has (if it is not greenish – yellowish, i.e. bad), how it smells (the smell provides the same info) and then many more, e.g. what kind of meal they could cook with the meat, how long it will last in the fridge or freezer, etc. And unconsciously they have the aspiration levels in their heads. Each item is then just judged by the characteristics (categories) which are important to the individual.

This brings another finding. The *price itself is just another quality* of the good. The price does not play a crucial role in the decision process. Carrots may be even free, but if they are rotten, people will not take them, as they are useless to them.

Moreover each characteristic naturally has different importance to the buyer. As a result the items are judged by *proportional weighted categories*. Not all the categories can be enumerated, though. Thus when tested in reality each characteristic could be converted in percentage rather than numbers and as a result one would receive comparable results among the goods. Lancaster (1966) assumed that each good has the same proportion so there could be a possibility of testing. The trouble is that each man sees in each good different characteristics (not only the proportions). But maybe some kind of general characteristics of the goods can be found, only testing will tell.

On that basis each person sees the satisfaction of the need in different number of the goods. That is because each person's satisfaction requires different amount of the good. If someone is of a bigger physical constitution very likely he or she will consume more food in order to satisfy the same need, i.e. hunger. Also different people see different proportions or qualities in the goods. Consider 2 people of the same constitution. Still (*ceteris paribus*) they do not have to demand the same amount of selected food as they see in the food different satiation potential (one can think that 3 bananas are enough for him, the other will choose 4).

## **Features of the decision making process**

The fact that people actually do not know clearly how their choice will satisfy their needs raises the problem of expectations. Basically people cannot be sure if the

option they will select and finally consume will bring them the satisfaction they expected. Thus inevitably in order to satisfy the need there will be needed an immediate second round but with different set of goods in order to bring the satisfaction or the need will be satisfied for shorter time than it was expected. And after that time the body's chemistry will start working and the need will be perceived again.

The existence of expectations implies another important feature of the decision making, i.e. *causality*. Inevitably each decision affects the subsequent one. E.g. we cannot expect a man who has just finished his lunch to go and buy food. He has already satisfied this need, so the need will awake after some period of time. Thus the need satisfaction could be perceived as a dynamic process of many (infinite) rounds or in a short-term that several rounds will be realized as the first expectations could be wrong.

Thus the preferences could be described as a set of options one has selected in order to satisfy one's needs based on his expectations at a precise moment at a precise place. In other words one finally knows what one wants and he expects arrival of satisfaction. And after the consumption one reviews the need again and may react in a way of other selection and consumption.

Also some of the decisions people make unconsciously and thus some of the choices (preferences) are unconscious, usually biological ones. Imagine the need for love. Usually people do not know why they love someone. They just do. The choice was made on the basis of feelings, not conscious calculation.

## **Decision making constraints**

But the final choice one does, i.e. realizes the preferences (and buy or acquire), is made upon another opposite force – constraints. The choices are not made in a time-less vacuum with infinite possibilities. The neoclassical theory assumes only one constraint – money (usually monthly budget). In reality people feel more constraints. The most obvious ones are *time, space, energy (human body)*. As the money is considered as a characteristic of a good rather than a constraint, one can imply that the three are the most important constraints influencing decisions.

Possibly the most important constraint is actually the energetic one. According to Rock (2010) decision-making is a very energy demanding process from the biological point of view. Moreover human being is capable of keeping not more than 3 or 4

thoughts in consciousness and work with them. The part of a brain which deals with making decisions is relatively newly developed organ (evolutionary) and as a result it has these characteristics. The decision making process is such an energy demanded process, that Rock suggests a few hints, how to work with a load of information. He suggests to *group* information which one needs to decide about and also to perform the decision making in the first part of the day, when a man feels the most energetic. Various studies approve those findings. Also bringing the information in the consciousness is very energy demanding process (remembering).

Generally speaking the meaning of decision making process is to find only *one* alternative among others which would satisfy the man's needs the most. In other words it could be perceived that always one searches for an alternative which is expected to bring satisfaction in the best way. Important distinction need to be stated here. The more goods do not mean more satisfaction. Imagine people deciding about how to satisfy the need for nutrition (hunger). There is a certain level (number of goods) when they will be satiated and as a result additional food would not bring them satisfaction, even rather it would bring them dissatisfaction, as they have another limit – the size of their stomach. Thus more food would cause at best vomiting. If they do not consume it, then it would get rotten, etc.

Another important constraint is time. Decision making is a process as any other. And as each process consumes human energy (even thinking, see Rock, 2010), it also lasts for some period of time. People just do not have infinite quantity of time to make the decisions. They want to and need to do other activities as well.

And last important constraint is space. The decisions are made in some kind of space. And since people cannot be everywhere, where are situated the alternatives they would consider as satisfaction-bringers, they are limited by the space which they occupy at a precise moment.

But the constraints are very helpful tools for the decision making. Since the purpose of the process is to make one final specific decision, the constraints build imaginary walls of a space where from one can choose the goods from (even theoretically mathematically). This helps the decision process as it is energy and time demanding and there is a *need* to be satisfied which must be satisfied, thus the quicker decision the better for the man (energy, time).

Actually the energy and time can be viewed as scarce resources of an individual which could be studied by economics (and time is already studied in that respect – e.g. the analysis of how many hours one wants to work and the rest spend for “leisure” time). This is another argument why economics needs to account for these variables as well.

In the end one must ask what is it then, what people maximize. The neoclassical theory assumes maximization of utility. As was described above in this chapter and in the previous chapters, there is no utility which one could maximize then. One feels satisfaction from satisfied needs. One could argue that the more satisfied need the more utility. As was shown the need has actually never-ending cycle. Thus the only quality, which can be perceived as being able of maximizing, is the duration. But this bumps in the fact that several needs have a limit (recall the stomach example).

One way of perceiving this, is a parallel to Maslow (1943). He suggested that there is a reachable “bliss” one can achieve. In the terms of needs people would achieve it when their all needs would be satisfied at one time. Thus this feeling has inevitably some duration as well, as all the needs cannot be satisfied instantly. So people might strive to satisfy all the needs and when it is achieved, the utility (satisfaction) would be maximized. But from the quotes of Frankl from the last chapter we can see that this bliss is not very likely desirable, as the continuous satisfaction of the need for meaning is the created tension one perceives as living.

But what seems to be a subject of maximization is the decision process. The constraints there are evident. Thus maybe the focus could be shifted on that problem and how people achieve the best decisions.

## **Chapter conclusion**

In this chapter the process of decision creation was discussed. Apparently the choices spring from the needs perceived. After that people need to make a decision about how (or with what) to satisfy the need. They can satisfy the need by material goods or nonmaterial (need for meaning, social needs). The need can be satisfied by more than one good and also one good can satisfy more needs.

The decision making is a process. And as such possesses characteristics, namely time duration and energy consumption, a choice of a strategy, consciousness.

These three chapters showed people as entities which perceive needs they strive to satisfy. At each moment and place, they perceive a need, which satisfaction they strive for. Variables (which they consider) of the options available, correspond the needs they perceive. The final choice is then made based on a strategy chosen and is consumed in order to satisfy the need.

From these conclusions a few implications can be made.

Firstly people do not have preferences as suggested by the neoclassical theory. Instead they satisfy needs momentarily and under the circumstances of the moment. When they make decisions about the final choice, they consider each good available and judge it according to the momentary needs. Also price of a good is one of its intrinsic quality and as a result it enters into the decision making process in a different way than it is perceived by the mainstream theory.

Secondly, instead of maximizing one's utility, people rather maximize the decision process itself, which includes judgments about prices.

Thirdly, on contrary of the neoclassical assumption of consumer behaviour, the preferences cannot be complete. People cannot compare goods which they do not know they do not exist yet. Also people do not compare among the goods they expect they will not bring them utility as a form of satisfaction. When people are hungry, they just do not consider how many war tanks they will buy alongside the loaves of bread.

As a result at each moment at each place people are making the best decision they can.

## **Chapter 4 : Manipulation of needs**

The previous chapters dealt with the whole process of choice (preference) creation. This chapter completes the whole synthetic theory as there are discussed other determinants which influence the creation of preferences. It shows that it is being manipulated with preferences.

Let's begin with a definition of the manipulation. In socio-psychological sense manipulation is understood as "a type of social influence that aims to change the perception or behavior of others through underhanded, deceptive, or even abusive tactics." (Braiker, 2004).

In accordance with the definition there will be discussed ways of manipulation with needs and preferences (choices) further in this chapter.

### **Environment as the main determinant**

The ultimate concept of this chapter stems from the fact that people are shaped by the environment they are living at. All the surroundings including other people, authorities, weather, climate, culture and more have crucial influence on people. All these determinants co-determine human needs and preferences (choices). They manipulate with human needs and preferences.

The basic arguments in support of the notion stem from biology (mainly epigenetics) and quantum physics (Lipton, 2008, Štika, 2006).

"Suddenly I realized that a cell's life is controlled by the physical and energetic environment and not by its genes. Genes are simply molecular blueprints used in the construction of cells, tissues, and organs. The environment serves as a "contractor" who reads and engages those genetic blueprints and is ultimately responsible for the character of a cell's life. It is a single cell's "awareness" of the environment, not its genes, that sets into motion the mechanisms of life."

That is the main Lipton's finding which was later confirmed by various researches. The hypothesis was tested on many cells including human ones. The principle is universal. As a result the opinion that ultimate determinant of a human body and psyche is DNA was dismissed.

“At first DNA was thought to be responsible only for our physical characteristics, but then we started believing that our genes control our emotions and behaviors as well. So if you are born with a defective happiness gene, you can expect to have an unhappy life.” According to Lipton that was the mainstream opinion of biology and medicine for the last 5 decades. After this discovery and development of epigenetics the view of the problem changed:

“In contrast to conventional wisdom, genes do not control their own activity. Instead it is the membrane's effector proteins, operating in response to environmental signals picked up by the membrane's receptors, which control the "reading" of genes so that worn-out proteins can be replaced or new proteins can be created ...

... Epigenetics is the science of how environmental signals select, modify, and regulate gene activity. This new awareness reveals that our genes are constantly being remodelled in response to life experiences. Which again emphasizes that our perceptions of life shape our biology.”

Which brings us to the main notion which was outlined above. Ultimately Lipton noted: “Just like a single cell, the character of our lives is determined not by our genes but by our responses to the environmental signals that propel life.”

From the extracts of Lipton's work is understandable that not only DNA does not influence people deterministically, but also the DNA itself changes during one's life. And the other finding is that people are shaped physiologically and mentally mainly by the environment they live in. This has roots in evolution. As the main feature of human-kind is *adaptability*. And only the adaptation to the changes of climate (or generally environment) enabled people survival till now.

Purely beautiful fact supporting this view is found in a book about nutrition for sportsmen by Fořt (2006). He describes the fact people of Indo-European origin are the only race whose adults are able to digest (cow) milk (in other words ca. 95% of people is lactose<sup>8</sup> tolerant). Afro-American and Asian adults, though, are mainly (95%) lactose intolerant. Common feature of all mammals is the adult lactose intolerance, as the mammal body requires a specific enzyme in order to dissociate lactose to simpler sugars. And this enzyme is present in the mammal body only few months (tops years)

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<sup>8</sup> Lactose is a specific type of sugar found in mammal milk.

after birth. This finding shows, how environment shaped humans, as human body needed to adapt for the milk consumption.

## **Other determinants**

When it is understood that the environment shapes human, then it is no surprise that weather and climate has influence on people preferences. One can see this from the point of food. As in each climate grow different kind of plants, as well as there live different species of animals. Thus human need for nutrition will be satisfied by different goods in different climates. Also people living in warmer climates do not require converting that much energy to keep the body warm (36 °C), thus they do not demand so much highly energetic foods as people in cold climate. The same principle applies to weather. During summer people eat lighter food (not that energetic), as its generally warm weather and they do not demand that much energy as during winter, when their bodies use the energy from food also for heating (not only for moving, thinking, etc.). From different angle, consider a hungry man travelling by bus. During the journey there are usually not many options what to consume (snacks, water). It is a completely different situation to the one when a man is making decisions about the food in a supermarket.

The topic of weather is connected also with time. The whole planet Earth is based upon cycles, i.e. day, night, change of the seasons, etc. Thus the fact at what time the person is making the decision plays important role in his final choice. Imagine when people decide about what to eat in the morning for breakfast and what to eat for lunch at noon. People do not eat beef steaks for breakfast. Instead they rather eat sugars (like cereals or fruits).

Also as was pointed in the 2<sup>nd</sup> chapter about the need for meaning, preferences change according to which kind of meaning one has. People's meanings vary not only across each of them but also within a human. From the time a baby is born, it changes its meaning every few months or later maybe years. The change comes with the fact that a baby is gathering experience and learning. As a result it is able to perceive the world from more perspectives and angles. This naturally changes the meanings of people. And since the meaning one perceives is the source of other actions which leads to the satisfaction, the preferences change accordingly.

In the respect of the facts stated above, the changes of the needs and preferences are natural. The changes and influences have origins in natural cycle of life. Thus they can also be studied, because they are very likely consistent within the cycles.

More interestingly it needs to be noted that a man is capable of manipulating his needs and preferences consciously. Usually the manipulation based on the determinants above is unconscious. But one can change the needs one feels.

The first point of view results from the findings of the need for meaning. As Frankl (2006) pointed, a man is ready to bear a suffering when he has meaning for that. The suffering does not necessarily mean physical one. The main result of this human capability is to suppress other needs which need satisfaction. When one has meaning in which one believes, one can overcome all physiological needs temporarily in order to achieve the meaning. Consider usual example when a student is finishing an essay. He has 5 hours till the deadline. He had not eaten for 12 hours, had not slept for the whole night (also social needs had not been satisfied), he was just sitting and writing the essay, because it was very important to him. Indeed people can suppress other needs in order to achieve the goal – the meaning. The suppressed needs will be satisfied after the need for meaning is satisfied, but still they were inferior at that time. And this kind of situation is not unusual for people.

Viewed from a different angle, a man is able to suppress the needs because he wants to change their cycle. Fořt (2006) showed that it basically takes 3 days a man to change his eating habits. During these 3 days a man will feel usually very bad, as the man needs to suppress the needs a few times. But after the 3<sup>rd</sup> day the body gets used to it and it works on that new principle. Also consider usual reduction diet. People deliberately change their eating customs in order to achieve a goal – a meaning – to lose weight. The body then changes habits (feelings for hunger) respectively.

## **Free will and motivation**

“Forces beyond your control can take away everything you possess except one thing, your freedom to choose how you will respond to the situation. You cannot control what happens to you in life, but you can always control what you will feel and do about what happens to you.”

This Frankl's (2006) quote represents his second main recognition. He argued that ultimately a man has one type of freedom which no one can take away from him or her. It is a freedom to choose a reaction to the situation. In this notion Frankl works with the principle of free will. And this principle seems to be an assumption of all the previous findings.

The principle of free will is highly connected with human motivation. Frey (1994, 1997) in his works showed that when people are pushed by external forces, their motivation to accomplish the required task is much lower. Frey works with a concept of *intrinsic* and *extrinsic* motivation. And by empirical studies he showed that, indeed, external intervention undermines intrinsic motivation. He calls this effect crowding-out of intrinsic motivation.

These findings are absolutely in accordance with Frankl's notions. This topic is also a subject of research of Deci (1975) and Ryan and Deci (1985). Firstly, Deci recognized situation of pure intrinsic motivation: "One is said to be intrinsically motivated to perform an activity when one receives no apparent reward except the activity itself."

This precisely defines the consequences of intrinsic motivation and recognizes basic attribute for further research. In real world, this motivational characteristic might play the crucial role in effectiveness. Thus these connections will be discussed in the following part of this work.

Also Deci found the reason why intrinsic motivation is better than extrinsic by defining the crowding-out effect: "... perception of external intervention to be controlling in the sense of reducing the extent to which they [people] can determine actions by themselves." And as a result "then intrinsic control is replaced by extrinsic".

Then by external pushing, people perceive the influence of this force as an attack on their only true freedom of choice. This naturally reduces the willingness of cooperation, as a man had not chosen it by himself or herself.

Frey (1994, 1997) then points out that if the reward has specific attributes, then people are even more motivated. This, again, is in accordance with Frankl's opinion, that people should search for meanings, which are executable in real life, i.e. specific

rather than general notions. This ensures avoidance of deprivation from not being able to accomplish the task, i.e. satisfy the need for meaning.

And finally Frey argued that these findings undermine one of the basic notions of mainstream microeconomics, i.e. people react on (financial) incentives. His researches showed that financial incentives have limited force to manipulate. As was discussed above, people just consider also other things important than money. And more to the point, rather than financial incentive, people need incentive of having a meaning to perform a task; such a meaning, which would fit their values and which they would choose freely.

### **Manipulation by producers**

As Oliver (2010) points out, the main concept of advertising is based on finding customers' needs and persuade them that their product satisfy the need. Advertisers more and more pinpoint social needs. The biggest manipulation of human needs is conducted by marketing and advertising. The facts which are presented in this work are absolute basics for them and they have been for more than a half of a century, as Lancaster (1966) pointed out.

Also the findings of this work are in accordance with nowadays trends in marketing. The ultimate manipulative marketing tool is being developed in accordance with Customer Relationship Management. This branch of marketing deals with customer relationships. And as a result the most powerful tool was invented. Advertising companies created a system by which they have access to customer's purchases and as a result they can monitor customer's evolution. One of the biggest of these systems is infamous Tesco Clubcard. Customers are motivated to give the Tesco card with each purchase. During that occasion they will receive a marginal discount, but Tesco receives the most valuable thing – information about the customers. Since Tesco is nowadays everywhere and people are used to go there many days a week, they have the crucial information from which they effectively predict customer's behaviour. The information does not consist only about what the people bought, but also when and where did they bought it, which kind of payment method they used and other information. Instinctively is evident that the information actually economists would need in order to predict the behaviour. On contrary, since Tesco is interested only in

selling their goods and not in other activities, this kind of system is absolutely enough for them. Economists would require a bit more complex information, anyway.

From different angle, for producers applies the same as for people. They need to have a meaning in order to defend their existence. Companies live because their products are bought. Thus basically they need to persuade customers that their existence is worth it as their products help them satisfy their needs. Without customers, there will be no company. That is why some companies try to manipulate so hard, as their existence is very dicey. And they are aware of it. Thus they need to persuade people that they are worth buying instead people would decide by themselves and thus justify their existence based on real demand. Of course this problem is more complex, than a few statements, but the point of existence is valid.

Thus consider another big social manipulation – fashion. And this does not apply only to clothes and apparel. Fashion waves are artificially made in each possible branch of human production. And thus the producers try to aim at the human need of belonging somewhere (to some kind of social group). By making their product fashionable they try to make the effect that “who does not own it, is not in our group”.

## **Chapter conclusion**

The main objective of this chapter was to show how is manipulated with human needs or preferences. This manipulation has many forms and absolutely unnecessarily it need to be a bad procedure. As shown above many of the changes are natural. Others (mainly by producers) are artificial.

Thus the main finding lies in the fact that when one decides about the meaning based on one’s free will, one has full intrinsic motivation, which is the most efficient state when performing a task. When people find their meaning by themselves, they do not have to force themselves to fulfil it, as they have chosen it on their own free will. In that respect financial incentives do not have to bring the performance they intended, as people usually have different meanings than money.

At the end of this chapter is stated a Frankl’s (1994) quote, which very nicely summarize problems of nowadays society.

“Whenever I am asked, how I explain the creation of the existential vacuum, I point usually at this fact: On contrary to an animal, a human does not have any instincts that would tell him what he must; and nowadays there are no traditions which would command, what is his duty; and often it seems that a man does not know what he wants. And as a result he is more agog about either only wanting what others are doing or doing only what others want. In the first case we deal with conformism, in the second with totalitarianism.”

## Chapter 5 : Possible real-world implications

The notions stated in this chapter follow the theoretical implications of the previous chapters. Several real-life applications are suggested according to the findings. The better understanding of the process of preference creation enables stepping into the process in the right moments in order to make it more efficient. The efficiency could lie in the implication from the discussion about free will and motivation.

Basically, the main instrument for improving efficiency would be to use the instruments of logotherapy. As the main goal of logotherapy is to help a patient finding the meaning and thus gives the reason for living, the same application could be done with other entities than people.

As was sketched in the previous chapter, firms can be viewed as such entities. All in all they are group of *people* who possess usual characteristics. But the notion that companies strive for meaning as well in the form of consumers favour can be viewed also from a positive side. Imagine companies which have clearly stated meaning. The companies were established for the purpose which is contained in the meaning. Then people would have the chance to decide whether they want to help achieve that purpose or not. And the purpose could fit theirs. Thus such people would have the “biggest amount” of intrinsic motivation possible and thus would be the most efficient for the company.

This suggestion is not far from reality actually. The concept of a company having clearly stated meaning is today’s trend in management. According to basic concepts of strategic management (David, 2009) the first action, which is done when a new strategy for a company is being designed, is to ultimately decide about vision and mission of the company. David describes a vision as an answer to a question, what decision makers want the company to become. Thus each company is assigned a goal for which it should strive. And the goal could be absolutely perceived as the meaning of the company – the reason why it exists.

The trouble part of this concept is, that showing on real-life examples, companies usually have very bad vision. Frankl (2006) argued that the meaning should be specific rather than general and that the meaning should be an achievable goal (which does not mean necessarily enumeration). The visions of the companies presented

by David are e.g. “to become the biggest distributor on the U.S. market” or “to be a world-wide leader in production of lighting”, etc.

These visions – meanings are very empty for a man. Why should one to strive to become the biggest distributor? What kind of good feelings it could bring to an employee? I will rather leave these questions unanswered. Instead consider vision to which people could attach and as a result take the company’s vision as theirs. Great example of this principle presented Czechoslovakian shoe company Bat’a (named after the owner). The company experienced the biggest prosperity during 1930’s. And his business strategies are famous till now – everyone knows Bat’a’s invention of 9 ending prices (19.99, etc.). But the main feature of his business was that he had ultimate vision. He was very unhappy that back then more than half of the world’s population were bare-feet. Thus his vision (dream) was to shoe the world.

And that is the kind of meaning one can attach to. Imagine you would be working in a company which strives for shoeing everyone. It is a noble vision, it is realizable vision and it is based on qualities and altruism rather than quantities and egocentrism. And that is why people could attach to such kind of vision because it brought values which could be important to people.

Not only companies, but also governmental institutions could undergo the procedure of logotherapy. Usually people perceive institutions (authorities) as “necessary evil”. But let’s consider a British example. All the British authorities are devoted to the queen. Also they all have “royal” names. They are also presented to the public as services for the public. And the employees are in the service to the queen. They also make an oath that they will serve the queen. The queen works there as the main motivator. One can note that nowadays the values of a kingdom are not taken that seriously, but the queen works there also as a connecting feature. And British are usually proud of the queen (king).

Also in the respect of the findings, a war can be perceived as an ideal meaning. It possesses all best characteristics a meaning can have. The meaning is clearly stated – there is always an enemy. People can attach to it through basic feelings like scorn of the enemy and pride of their nationality. It is specific, but also it is more qualitative than quantitative. And it also clearly states what needs to be done in order to realize the meaning – to kill the enemies.

Last discussed matter concerning the theoretical implications is advertising. Advertising does not make much sense in the respect of neoclassical theory. As people know about existence of each good and also they know whether they want it or not, there is no space for any kind of advertising, as consumers already know all relevant information.

And yet marketing and advertising are the crucial departments of each today's company. No wonder. It does not matter how great product the company can produce when it does not know how to sell it. Knowing the importance of manipulation, indeed, no wonder, that most companies spent most of their money on marketing and advertising purposes.

Concluding this chapter, findings about motivation and the need for meaning, open possibilities how to increase efficiency. One might conclude that subjects without meaning are less efficient than those who already have the meaning. The conclusion is based on a characteristic of motivation. When the subject has a meaning, stakeholders of such a subject will be more efficient (working for the subject) when their meanings are similar to the one presented by the subject, as their intrinsic motivation will be at maximal level. On contrary when the meanings are not correlated, the efficiency decreases.

## Chapter 6 : Concluding remarks

This part developed the new synthetic theory of the consumer preferences. The main focus was on the origins of the preferences. Gradually was shown, that the primary source of human preferences are their needs. It seems that the need for meaning plays superior role among needs. And as a result it has the main influence for preference creation. When one is starting feeling a need, one starting acting and in that moment one needs to make a decision about the way how to satisfy the need. Various determinants of decision making were discussed, as well as strategies one can undergo.

Lastly it was shown that main source of violation of the neoclassical axioms lies in needs' manipulation. Needs and preferences are both subjects of manipulation. The manipulation can be of a natural or pushing kind. It was also shown that when one makes a decision upon one's free will, the actions based on that decision are more efficient than in the situation when one would be pushed into the decision.

Last 2 paragraphs summarized the whole process of preference creation which was subject of this work.

Let's consider the motivational situations from the very beginning of this work. By taking a closer look at each situation, one can conclude, that Mary changed her preferences, because she shifted her life forces to take care of the baby. One can say her life has a new *meaning*. Jakub's preferences changed just on the basis of different culture and place. The *environment* shaped his preferences. And Anya just followed the change of weather. As it became very hot, she just wanted to eat something lighter, so she would not feel heavy after the lunch.

All these explanations are quite natural. At least they appear to the author. It is believed that readers will consider the same. Thus all these situations are fully explainable within the framework of the new concept of preference creation.

If the goal of the consumer choice theory is to *describe* the process of preference creation, the presented approach works well. If the goal is to *predict the* consumer behaviour, within the framework it is possible. But on contrary to the common perception based on the mainstream view, prediction requires gathering much more information. In order to be able to predict the choices of a consumer, one, indeed, might

need not only information about the kinds, amounts and prices of the goods bought, but also information about the *environment* where the consumer lives, *time* at which he or she makes the decisions and consumer's personal information. Then from these 3 new characteristics can spring a fairly good prediction about the future behaviour of the consumer.

In that respect it seems that the neoclassical theory is rather a special case of the big framework. When fixing the 3 variables, and conducting neoclassical analysis, one can see that a man then indeed decides over an available set of goods which are known to him or her. The options are finite and thus the man can order the options and then very likely maximizes the process of decision making. Under these conditions the man satisfies the first neoclassical axiom and the fourth. The transitivity is always questionable, but since time was introduced in the model, the man can freely choose anything anytime. But the analysis is momentary, thus the man's preferences will be always transitive, as he always pick only one option.

## **Part IV**

### **Conclusion**

“In other words, man is ultimately self-determining. Man does not simply exist but always decides what his existence will be, what he will become in the next moment. By the same token, every human being has the freedom to change at any instant. Therefore, we can predict his future only within the large framework of a statistical survey referring to a whole group; the individual personality, however, remains essentially unpredictable. The basis for any predictions would be represented by biological, psychological or sociological conditions. Yet one of the main features of human existence is the capacity to rise above such conditions, to grow beyond them. Man is capable of changing the world for the better if possible, and of changing himself for the better if necessary.”

The last Frankl’s (2006) quote in this work, truly, summarize the whole discussion. The conclusion of the analysis is when economists want to predict human behaviour, inevitably, they need to take into account more variables. These would be truly of biological, psychological and sociological nature.

Finally, economists should take much closer look at the need for meaning, as it really appears to be the vital source of not only human preferences, but mainly human actions.

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