A Comparative Analysis of Behavioral Economics and Traditional Utility Theory in Predicting Consumer Decision-Making

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Abstract. This article examines the efficacy of behavioral economics as opposed to traditional utility theory in predicting consumer decision-making processes. By integrating data from recent experiments and surveys conducted across diverse demographic groups, the paper highlights scenarios where conventional economic models fail to account for irrational behaviors exhibited by consumers. Utilizing a mixed-methods approach, we analyze case studies that illustrate the discrepancies in predictions made by both theories concerning real-world consumer choices. Our findings demonstrate that incorporating psychological factors into economic models significantly enhances predictive accuracy, offering policy implications for market regulators and businesses alike. The conclusions drawn advocate for an interdisciplinary approach to economic analysis, suggesting that future research should prioritize the integration of behavioral insights into economic modeling frameworks.

Keywords: behavioral economics, utility theory, consumer decision-making, predictive models, economic analysis, market dynamics, interdisciplinary approach

Introduction

The global economy is currently facing unprecedented challenges that demand a re-evaluation of traditional economic models. In light of the complexities introduced by globalization, technological advancements, and behavioral anomalies, it becomes imperative to scrutinize the predictive power of established theories such as utility theory. As we advance into 2024-2026, consumer behavior appears to diverge increasingly from the assumptions of rationality that underpin classical economic models, thereby exposing the limitations of these frameworks in understanding market dynamics. Behavioral economics has emerged as a vital sub-discipline, positing that psychological, cognitive, and emotional factors significantly influence economic decisions. This article aims to provide a comparative analysis of behavioral economics and traditional utility theory, focusing on their respective roles in predicting consumer decision-making. We will explore how both approaches articulate the various motivations behind consumer choices, presenting evidence from empirical studies that illustrate the gaps in traditional frameworks. The analysis will also include the implications for policymakers and businesses seeking to adapt their strategies in this evolving landscape. The structure of the paper is as follows: we will begin with a literature review to contextualize the debate between behavioral insights and traditional economic models, then proceed to present our methodology, followed by a discussion of findings that delineate the strengths and weaknesses of each approach. Finally, we will conclude with policy recommendations and avenues for future research.

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