

From the Psychology of Decisions to Economic Models

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**Kovács Kármén: Viselkedési közgazdaságtan.
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Behavioral economics has become one of the most dynamically developing disciplines within economics over the past decades. The significance of this approach lies in the fact that it complements the rationality-based models of classical and neoclassical economics with empirical psychological observations, thereby providing a more nuanced understanding of consumer, financial, and economic decision-making. Although some of the seminal works of Richard Thaler and Daniel Kahneman had previously become available in Hungarian, Kármén Kovács's book is the first comprehensive, systematically structured, and highly teachable Hungarian-language work that presents the broader spectrum of behavioral economics.

One of the main strengths of the book is precisely this gap-filling role. The author not only summarizes the classical findings of the field, but also enriches them with the research results of the past two decades in behavioral economics. The discussions of heuristics (p. 50), bounded rationality (p. 54), and economic decision-making errors (p. 63) all demonstrate the author's conscious effort to connect the classical foundational works with recent international scholarship. This is particularly valuable for Hungarian higher education and domestic researchers, as the volume can simultaneously serve as a textbook, handbook, and methodological and modeling point of departure for future research. The style of the book is clear, concise, and logically structured, both in terms of the overall composition of the volume and the intellectual progression of the individual chapters. Furthermore, it offers an extensive body of references and scholarly literature.

The book does not merely summarize the literature; it also critically reflects upon the challenges and opportunities for further development inherent in the field. For instance, the author addresses the methodological limitations of the discipline itself. Already in the introductory section, the volume points

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out that many behavioral studies have been conducted in sterile laboratory environments using non-representative samples—typically involving university students—which may limit the social and macroeconomic generalizability of the findings (p. 13).² This reflexive approach is scientifically highly important because it treats the results of behavioral economics not in a dogmatic manner, but rather as an evolving body of knowledge open to further refinement and development.

The first chapter presents the theoretical and intellectual foundations of behavioral economics. The author reviews the critique of the traditional concept of economic rationality and explains how psychological research gradually penetrated economic models. One of the major strengths of the chapter is its clear distinction between normative and descriptive decision-making models, which is one of the fundamental prerequisites for understanding the discipline. Another important contribution of the chapter is its demonstration that behavioral economics should not be regarded as a “counter-revolution” against economics, but rather as a correction and extension of it. Kármén Kovács convincingly argues that integrating psychological factors into economic analysis does not weaken economic models; instead, it makes them more realistic. This perspective may be especially important in the analysis of financial decisions, consumer behavior, and government incentive systems.³

The second chapter focuses on heuristics and decision-making biases. The author provides a detailed presentation of the mechanisms of availability heuristics, representativeness, and anchoring, while making the theoretical arguments accessible through numerous everyday and economic examples. These biases are not treated merely as psychological phenomena; their economic consequences are also thoroughly analyzed. Particularly interesting is the discussion of positional goods (p. 103), which places the relationship between relative social status and consumption decisions at the center of the analysis. The phenomenon of status consumption is highly relevant when examining final consumer decisions, although the question remains as to whether it possesses similar explanatory power in the context of business customers or international trade processes. Nevertheless, the author correctly

2 A good example of overcoming the representativeness problems of behavioral research is the study by Ráti and Maró (2026c), which examines trends in household waste generation and recycling through the use of long-term panel data. The research demonstrates convincingly that macro-level and societal-level analyses of behavioral patterns can be empirically captured through approaches based on large datasets and panel models.

3 One particularly exciting branch of behavioral science is the examination of the behavior of public administration organizations and political decision-makers. Braunné Fülöp (2013) analyzes the differing risk-taking behavior of institutions in the business and public sectors, while Fülöp (2014) presents patterns of risk management observable among members of parliament in ethical decision-making situations. Together, these two studies clearly demonstrate that behavioral economics and decision theory provide a relevant analytical framework not only for consumer decisions, but also for the examination of public policy and institutional processes.

points out that the social and psychological dimensions of consumption are becoming increasingly decisive in modern economies.

The third chapter moves beyond simple static psychological explanations and examines decisions in their dynamic dimension. The author demonstrates how preferences change over time and how present-oriented thinking may distort economic decisions. In this chapter, psychological observations are successfully connected with economic decision theory. The dynamic approach to decision-making is particularly important because numerous economic phenomena — such as indebtedness, low savings propensity, or excessive consumption — can only be properly interpreted within an intertemporal framework. The author vividly illustrates how the conflict between short-term and long-term benefits emerges in everyday decision-making processes.

The fourth chapter introduces key concepts such as changing preferences, intertemporal decisions, the comparison of short- and long-term benefits, the temporal reallocation of costs, and time-inconsistent preferences (p. 116). The author effectively demonstrates that human decisions are not static but rather the outcomes of preference systems that evolve over time. Especially compelling is the discussion of the distorting effects of discounted utility and uncertainty avoidance, as well as the comparison between patient and impatient decision-makers (pp. 129–131). These models are highly relevant not only for understanding consumer decisions but also for analyzing financial markets, pension systems, and even government incentive structures.

The fifth chapter analyzes the behavioral aspects of financial decision-making. The author demonstrates that attitudes toward money can hardly be regarded as fully rational and that numerous psychological factors influence saving, borrowing, and investment decisions. For example, the reader learns that spending behavior differs depending on whether expenditures are financed through cash or credit (p. 158). The significance of this chapter lies in the fact that it effectively guides the reader from behavioral economics toward the field of behavioral finance. At this point, the volume may be particularly relevant for the readership of *Pénzügyi Szemle (Public Finance Quarterly)*, since distortions in financial decision-making, risk perception, and the phenomenon of excessive optimism are all directly connected to issues of financial stability, household savings, and financial awareness.

Due to the fact that the author focuses exclusively on the microeconomic approach to consumer behavior, one may identify additional areas that would deserve separate chapters in future editions. From my perspective, the book lacks a deeper, model-based examination of household saving behavior, despite the fact that savings decisions significantly influence consumption choices as well. Although Part Five examines consumers' financial decisions, it approaches them primarily from the perspective of erroneous or biased decision-making rather than savings behavior itself. While the book briefly refers to the study by Shefrin and Thaler (1988) on page 171, the essence of the Behavioral Life-Cycle Hypothesis is not fully elaborated.

In relation to the discussion on status-enhancing demand based on relative consumption status presented on page 106, it would also have been worthwhile to contrast this perspective with other influential schools of economic thought that do not necessarily assume endlessly increasing consumption as a normative objective. Indeed, it may be precisely through a behavioral science perspective that one can explain why consumers become receptive to narratives framed around environmental sustainability or degrowth. The book cites the work of Loewenstein and O'Donoghue (2006) on the psychological costs of overconsumption, yet the explanation of behavioral patterns associated with voluntarily giving up excessive consumption remains largely open for the reader to explore.⁴ At the same time, these observations also illustrate that the book provides an excellent starting for the readers to identify the appropriate theoretical and scholarly core upon which they can construct their own analytical models.⁵ One of the volume's greatest scientific merits is precisely that it continuously encourages readers to think further and develop new interpretations. Rather than offering a closed and definitive theoretical system, the author provides a conceptual and bibliographic foundation upon which future models and research projects can be built. Kármén Kovács's work thus offers an exceptionally broad basis for readers wishing to deepen their understanding of the diverse fields of behavioral economics according to their own research interests.

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4 In this context, particularly interesting are recent empirical studies that seek to connect the circular economy with behavioral economics. For example, Ráti and Maró (2026a) examine consumer acceptance of deposit-refund systems using the three-component attitude model, while Ráti and Maró (2026b) apply an integrated behavioral model to explain both the intention to participate and actual return behavior. These studies clearly illustrate how behavioral economics can be linked to issues of the sustainability transition and the circular economy.

5 The list can be continued by noting that macroeconomic policy and the institutional environment are also capable of significantly shaping consumer and financial behavior. For instance, Baranyai et al. (2025) show how the green transition of central banking may influence social trust and financial attitudes. Czeceli and co-authors (2021) analyze the effects of government savings incentives on household decision-making, while Marton (2018), through the economic consequences of population ageing in European societies, highlights how changes in demographic structure can reshape consumption and savings patterns.

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