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Important elements in consumer’s decision-making process

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Abstract

For many Romanian people material welfare is a basic motivation for their endeavour towards a good life as they represent it and want it. In Romania, throughout the period of transition, there has been a strong tendency towards social polarization. The economic inequalities also had a long term, systematic character. The economic divisions and poverty are, at first sight, purely economic phenomena. The market decides who is rich and who is poor, who will have the desired standard of life and who will experience material deprivation. A deeper analysis will reveal, however, that, at least in a poor country, as Romania, the division of society on poor people and rich people has genetic and functional connections with the social and political order.

Why are the rich people rich and the poor people poor? Which is the “key” to accomplishment which the people seek and treasure? Whom are we to hold responsible for success or failure in getting the desired standard of life: the individual characters or the social contexts? How much of the variance (and hierarchy) of welfare is due to the individual characters and how much to the structural ones? Agent or structure? The chance the people have to live better depend both on the individual characteristics (options and motivation, resources and capacities, adequate representations of the social play rules), and on the social context in which they live.

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1. Introduction

Why are the rich people rich and the poor people poor? The economic inequalities and the mechanism of social stratification are a vast field of research, with long tradition in the social research. The explanation of the social

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mechanism of the formation and perpetuation of economic inequalities, of their control and legitimacy should help understand the different chances people have in their life. Which is the “key” to accomplishment which the people seek and treasure? Whom are we to hold responsible for success or failure in getting the desired standard of life? If a person has a strong motivation and clearly defined purposes in life, various resources (financial, educational, social, health, etc.), good knowledge of the social play rules, will that person reach the desired level of material welfare? Inversely, if the social environment has numerous opportunities and norms of access to them which exclude any way of discrimination (except for the individual qualities and capacities), will all the people from a society have the standard of life they wanted? These are old questions, but continuously renewed by the sociological research from various theoretical and methodological perspectives. In principle, these are questions about the odds in life, a concept used for the first time by Max Weber to distinguish between the social classes (whose position is in economic order) and the status groups (which he places in the social order, meaning according to the distribution of “honour”). “The economic order is for us merely the way by which the economic goods and services are distributed and used.” (Weber, 1991, 181) The class situation is, ultimately, the market situation. “But this is always the generic connotation of the class concept: that the kind of chance on the market is the decisive moment which presents a common condition for the destiny of the individual” (Weber, 1991, 182) A few years later, Ralf Dahrendorf resumed the Weberian concept of the chances in life, but he adds new significations and uses it a theoretic instrument to explain the social changes and the social conflicts. “The chances in life are just partially options; the other side refers to the coordinates within which the options have a meaning.” (Dahrendorf, 1996, 31) This is about the social norms and social barriers which they can erect. Following Amartya Sen, the German sociologist considers that entitlement “focuses on the capacity of the people to control goods with the help of the legal means which society makes available.” (Dahrendorf, 1996, 129). The entitlement (basic rights, decreasing wages, rising prices, etc.) draw up frontiers and may erect social barriers. The chances in life depend both on options (possibilities of choice given by the social structure, a specific combinations of entitlements and offer), and by connections (deep cultural connections which guide the people to find their way in the world of options). Amartya Sen defines more clearly the social opportunities, speaking of the “institutional framework provided by the society in terms of education, health care etc., which influences the fundamental freedom of the person to live better.” (Sen, 2004, 60)

On the long-term, the economic inequalities may contribute to economic growth and better welfare. On the short-term, however, the higher inequality of incomes leads to deeper poverty. Any improvement of the financial situation of a social group leads with necessity to the deterioration of the welfare for other social categories. The privileges granted to some people are converted into disadvantages for other people, whose income remain constant, or decrease. The number of poor people increases and the poverty gets deeper and the privations more severe. “The most serious problem of inequality is the formation of the black area, which includes that segment of population which remains constantly in the area of low incomes, always insufficient to cover the basic needs. This segment of population, persisting in severe, chronic poverty, also accumulates educational and cultural handicaps, thus moving even farther from the rest of the population.” (Zamfir, 2011, 57).

2. Economic inequalities in Romania

The surveys conducted by IQL described long time ago the atypical character of the economic inequalities in Romania (compared to other EU member states), as well as a structural trend towards polarization. During the mid 1990s, C. Zamfir was drawing attention to a worrying trend in the evolution of the standard of living. “On the medium and long term, the danger of the current situation is the development of a strongly polarized society with highly stable pockets of chronic poverty.” (Zamfir, 1995, 161). Neither the period of economic growth, nor the economic depression of the recent years changed this trend significantly. “Phenomena of poverty and social disaggregation, on the background of the fast increase of inequalities, accompanied the transition. If the economy revives in a rather short period of time, these negative social processes persist for a period which is impossible to predict” (Zamfir et al., 2010, 11).

For a poor country, as Romania, compared to other EU member states, the improvement of the standard of life and the reduction of the economic inequalities, remain major challenges for the future. The relative poverty has a worrying constancy, and the inequality of incomes is higher than in other EU member states. “Limiting inequality can be found in no form of political concern” (Zamfir, 2012, 28).

In Romania, throughout the period of transition, there has been a strong trend towards social polarization. The economic inequalities have a lasting, systematic character. Their sources must be sought both in the economic mechanism and in the mechanism of social stratification. Large social groups have been excluded from the benefits of welfare during the periods of development and bore the cost of economic crises. “The basic problem of transition is therefore, the access to resources” (Zamfir, 2012, 14) The economic order and the political order had the tendency of overlapping largely, which gradually led Romania towards a society of status and towards a lower social mobility on the welfare scale. “The state in transition became the field of confrontation between two structural trends: the pattern of the Western capitalist state and the neo-feudal pattern.” (Zamfir, 2012, 15) The latter is also a redistributive state, but bottom-up, from the mass of the population towards the coalition at the top of the state, to the advantage of the wealthy segment. “The political measures adopted in Romania during the recent years promote strongly the inequality.” (Zamfir, 2012, 28) The wage policy and the fiscal system advantaged the rich people. Polarization and weakened state institutions favoured corruption and the large profits from the underground economy.

Over the past two and a half decades, the Institute for Quality of Life Research conducted numerous social researches of the standard of life, of the economic inequalities and poverty. During the years of transition, the inequality of incomes increased, and the Gini coefficient increased from 0.24 in 1989 to 0.33 in 2012, peaking in 2007 and 2008. Whatever measuring method we may use, in Romania, the economic inequalities are higher than in most EU member states. On the top two places in a European hierarchy, Latvia and Romania, the risk of poverty being higher than in the rest of the continent. While during the first decade of the new millennium the “absolute poverty decreased spectacularly, we may not say the same about the relative poverty, which is very constant at one of the highest levels in Europe” (Zamfir, 2010, 31)

In a sociological survey from this year, conducted by IQL, we submitted to the public evaluation whether the people need or not goods, services and essential activities in order to have a decent standard of living, according to the social standards, within the current Romanian society. Most Romanians experience more or less privations. Almost two million Romanians live in poverty, being deprived of basic necessities of their life. Other 14% are exposed to the risk of poverty. The index of material deprivation correlates significantly, and at a high level with other variables, such as the “monthly income of the household” or with the “evaluation of incomes in terms of necessities”. The poor belong to the people not involved on the labour market (or involved occasionally): unemployed, pensioners, house wives and workers by the day. The material deprivation is more often noticed in the rural environment than in the urban environment. Poverty is more often met, than in the average population, among the people with low education, married, having children.

Along the long road of Romania towards a modern market economy. Some people were winners, other were losers in the competition for a better life. Some people got rich very fast, other people preserved their status on the welfare scale, but most people turned poorer. After a quarter of century, in 2012, 14.1% of the Romanian live on less than 2 Euros per day; 22.4% live on 2.4 to 3.2 Euros per day. Among the poorest (20%) and the wealthiest (the last quintile), there is a 6.3 ratio, an economic difference higher than the EU average (5.1).

Table 1 Total household income, per decile, in 2012

Decile	Income per person (lei)	Total income (lei)	Distribution of the persons (%)
D1	Op to 260	1286,3	14,1
D2	(260-372)	1633,0	11,9
D3	(372-471)	1744,4	10,5
D4	(471-571)	1977,2	10,2
D5	(571-676)	2178,3	9,8
D6	(676-791)	2271,7	9,1
D7	(791-929)	2631,1	9,3
D8	(929-1474)	2940,1	9,0
D9	(1125-1474)	3374,5	8,6
D10	(over 1474)	4713,2	7,5
TOTAL			100,0

Source: Statistic Yearbook of Romania 2013

The inheritance cannot be invoked as factor of income distribution. The entrepreneurship – an individual trait – was the main source of welfare increase during the first decade. The proportion of the revenues from capital within the GDP increased constantly during the first decade and increased during the subsequent period; today the proportion remained higher than in other European countries. The explanation seems simple: the employers had a higher power of negotiation than the employees; it was increased by the process of deindustrialization, by the union crisis and, particularly, by the weakness of the institutions and legislation. One cannot ignore the association between the world of business and the politics, corruption and its consequences: the underground economy where over 1.3 million people are still working with no labour contract.

The distribution of the incomes from work is more relevant, however, in order to understand the economic inequalities because it affects the life of most people. There are major differences between the incomes obtained by the people active on the labour market and those inactive, between the employees and agricultural workers.

The economic inequalities increased between 1990 and 2007, then they decreased slightly, possibly because of the state policies (austerity, fiscal measures, etc.), and of the economic crisis too.

Tabelul 2 Evolution of income inequality in Romania (Gini coefficients)

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Romania	31	31	33	37,8	36	34,9	33,3	33,2	33,2
Norway	25,2	28,2	28,2	23,7	25,1	24,1	23,6	22,9	22,6
Portugal	37,8	38,1	37,7	36,8	35,8	35,4	33,7	34,2	34,5
EU 27	...	30,6	30,3	30,6	30,9	30,5	30,5	30,8	30,6
EU 28							30,5	30,8	30,6

Source: Eurostat

The economic inequalities are higher in Romania than in other European countries. The differences come not just from the level of economic development, but mainly from the way in which the states see the role of the social policies. The lowest differences between the rich and poor exist in Sweden, Czechia, Finland and Austria (Gini coefficient between 0.244 and 0.263). At the opposite end there are the countries from southern Europe: Italy, Romania, Greece, Spain and Bulgaria (and the United Kingdom, as exception).

The effects of the economic crisis had the same pattern of influence over the economic divisions. The states have different options for the social protection of their citizens.

In Romania, the number of employees decreased to almost half compared to 1990. The inter-individual variance of the incomes can be assigned to the law of demand and offer, to the type of economic activity and work productivity and to the (formal or informal) rules on the labour market, as well as to the nature of the income sources.

The incomes are also influenced by the household characteristics (size, number of people having an income, etc.).

Tabelul 3 Household incomes depending on the number of people (2012)

Column A (t)	Household income (lei)
Total households	861,2
Households with	
1 person	1140,8
2 persons	1092,7
3 persons	969,6
4 persons	764,0
5 persons	656,5
6 persons and more	527,5

Source: Statistic Yearbook of Romania 2013

Several individual characteristics are also “accountable” for the different incomes: education, health, complexity of training (human capital), age, gender and, particularly, the involvement on the labour market. The poverty rate is higher among women (17.1%) than among men (15.7%) and it can be explained by the discriminating attitudes of the employers. The poverty rate is higher among the young people (31.3%) than among the active population, which

draws attention to the relations between the educational system and the labour market.

The inter-regional variance of the incomes can be assigned, first of all, to the local contexts: level of development, structure of the economy, functioning of the local markets and level of urbanization.

Tabelul 4 Household income, a territorial profile (2012)

Region of development	Total households	Households of:			
		Employees	Agricultural workers	Unemployed	Pensioners
Romania	861,2	1056,3	583,7	488,0	852,9
North-West	867,7	1026,8	609,2	462,5	858,8
Centre	875,4	1032,5	647,6	378,0	891,1
North-East	757,2	971,7	519,1	500,8	780,2
South-East	756,1	900,8	554,9	439,7	757,2
South_Muntenia	835,5	1035,7	690,9	529,0	794,3
Bucharest-Ilfov	1168,3	1309,6	789,9	682,7	1017,1
South-West	775,0	990,9	568,1	474,9	730,1
Oltenia					
West	970,8	1125,9	782,0	582,5	872,4

Source: Statistic Yearbook of Romania 2013

3. Social consequences of the economic inequalities

The macro-social data give us an overall and, inherently, simplifying image of the wealth and income (consumption) distribution within the Romanian society. This description is necessary but it is insufficient for understanding the way in which people live the experience of economic inequality and they way this influences the formation of identities, the evaluation of the surrounding world, their attitudes, motivations, behaviours and social interactions. The effects of income distribution on the quality of life are mediated by the perceptions and evaluations which the people have about the division of the Romanian society in rich people and poor people. If they would not be perceived, the economic inequalities would not exist and would have no effect on their behaviour and social relations. If they would not be relevant for their personal life, the inequalities would not be evaluated. How do the people live the experience of economic inequalities? What effects do the economic inequalities and poverty on the quality of life? What representations do they have on the division in rich and poor?

The economic inequalities seem to be very important for Romanians and it is natural to be so as long as their options and chances to have a standard of life to which they aspire depend on the rules of the social play, on the extent to which they are equitable, fair or unfair. Nine people of ten, irrespective of their economic and social status, evaluate them as being too high. Such consensus is rare within the public opinion.

The income – central and homogenous variable – doesn't provide information about the interpersonal variance of the accomplishments and privations (the needs differ from one stage of life to another, from one family to another, for instance), about satisfaction and dissatisfaction, happiness and unhappiness, as well as about other characteristics of the life that people cherish. "Income inequality can differ substantially from inequality within several other 'spaces' (meaning about other relevant variables), such as welfare, liberty and different aspects of the quality of life (health and longevity, included)". (Sen, 2004, 126)

The annual diagnosis of the quality of life – research program conducted between 1990 and 2010 (13 sociological surveys) – showed a significant (co)relation between the evaluation of incomes through the prism of necessities (subjective welfare) and the health state as evaluated by the people.

In a recent study on the developed countries, the authors noticed that the health state and the social problems such as violence, mental diseases, teenage mothers, educational failure "have a weak relation or no relation at all with the level of the income within a society." (Wilkinson, Pickett, 2009, 24) "The problems from the developed countries don't appear because the society is not wealthy enough (or because it is too wealthy), but rather because the scale of material differences between the people within each society is too large. What matters is where we place ourselves in the relations with the other people within our society." (Wilkinson, Pickett, 2009, 25)

The economic inequalities and the poverty influence – directly or indirectly – the quality of life. Not just the material welfare and a life in agreement with the standards of the society makes the people feel "like the others"

depend on the position the people have within the economic order, but also the level of satisfaction with the life, health and longevity (and mortality), participation at the life of the community and the interactions with other people. In Romania, the insufficient incomes for a decent life are a critical area of the quality of life (Mărginean, Precupețu, 2011)

Material deprivation is associated significantly with the general satisfaction with life (Gamma coefficient = 0.545). Poverty means more for the life of the people than the lack or precariousness of incomes. In a previous study I showed how the incomes influence the emotional welfare of the Romanian people; poverty and privations, the problems which they cause sorrow and unhappiness (Dumitru, 2013). In Romania, just because of the expansion of poverty, “money can buy happiness”. In the countries with a high level of economic welfare, incomes no longer influence the variance of happiness.

The people are not – and cannot be – indifferent to the ways in which you can get rich or go poor, to the rules of the social play. What human qualities are evaluated positively, rewarded and allow the ascension towards welfare? What traits compel you to live in poverty? Is there any social separation between the rich and poor? Few people are objective and have neutral opinions about the division of society in people with fortunes and the people who don't have enough to live another day. Who has a good opinion about the rich people has an unfavourable opinion about the poor. Inversely, positive judgements about the poor people are associated with the criticism of the rich.

The poor are sorrow, humble and cause compassion, they have no money, are industrious, have no place to work, they are simple, honest people. At the opposite end, they are perceived as victims, ignorant, resigned, weak and lazy. The poor people are valued positively in the rural environment and are perceived critically in towns. The rich are intelligent, motivated, with spirit of initiative, adaptable and with power to work. When they are evaluated critically, they are characterized as crooks, opportunists, thieves, unfair, corrupt, tight-fisted, etc. The largest social distance exists between the “new middle class” from the metropolis (for whom the rich people are a group of reference) and the villagers (for whom the poor are both group of affiliation and of reference).

The economic inequalities and poverty have effects not just on the material welfare and capacity to have a standard of living to which the people aspire, but also on the relations between the social groups, generating alienation and tensions between them. Most Romanians believe that in the Romanian society there is a conflict between the rich and the poor.

The micro-social research of the human experience of economic inequalities is a complementary way of the study of income distribution, a perspective which allows a better understanding of the effects of division in rich and poor on the social cohesion and on the quality of life within the Romanian society. The rich and the poor form distinct social worlds. Between them there is cleavage, visible in the moral judgements they make one about the others. The division between rich and poor intersects with other social cleavages from the Romanian society.

Cconclusion

The economic inequalities (social polarization) and the high rates of poverty (absolute and, particularly, relative) are long-lasting social trends in the Romanian society. The material privations influence the life style of million Romanians, their health state, longevity, their emotional welfare and the interactions between people. Romania tends to become (again) a status society.

The evaluations of the population and of the sociologists are in agreement: Romania is a polarized society in which there are social barriers which divide the economically advantaged people from the disadvantaged ones. The latter have few chances to achieve the welfare and kind of life they treasure. “The Romanian economy provide presently little economic opportunities: generally low incomes, fewer and fewer jobs, limited and vulnerable opportunities for entrepreneurial economic activities, high fiscality of the work force, which fuels the informal work and, together with them, the arbitrary in rewarding the labour force, as well as the possibly healthy working conditions.” (Zamfir, 2011, 57)

The chances the people have to live better depend both on the individual characteristics (options and motivation, financial, educational and social resources, capacities, adequate representations of the rules of the social play) and on the social structure, on the opportunities and facilities which the social environment provide, on the norms and practices of access to the world of consumption of goods and services. The access to welfare also has functional connections with the chances of access to education, healthcare services, labour market or to participation and social

inclusion.

Income inequalities are complex phenomena generated, first of all, by economic mechanisms (such as the labour market), but also by social and political arrangements. The relation between market and state is the “Gordian knot” of the debates from the theories of inequality. Theoretically independent, when the economic, social and political order interact – such as in the case of Romania – income distribution through the market is distorted; high, long-term economic inequalities arise, which have major consequences on the social cohesion and on people’s life. People are extremely diverse beings. “We differ as age, gender, mental and physical health, strength, intellectual abilities, climactic circumstances, epidemiological vulnerability, social environment and in many other ways” (Sen, A., 1993, 28) People can assume any objectives regarding their own welfare and the welfare of the entire family. The limits and constraints which they encounter come not only from their personal characteristics (strictly individualised), but also from a social environment which is more or less generous in opportunities and in difficulties too.

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