

Abstract

A literal interpretation of neo-classical consumer theory suggests that the consumer solves a very complex problem. In the presence of indivisible goods, the consumer problem is NP-Hard, and it appears unlikely that it can be optimally solved by a human. A simple and intuitive heuristic suggests that the consumer adopt a top-down approach, dividing her budget among main categories, further dividing these amounts to sub-categories and so forth. Such a heuristic may give rise to phenomena of mental accounting.