

WHAT THOU LIV’ST, LIVE WELL

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Abstract :

In paring away what was considered inessential to the economic decision, economists have pared away human flesh leaving only the bone. To revivify and incarnate this skeleton I draw on insights from the social psychology of Deci and Ryan, Dweck, and Bandura to broaden the foundation of utility theory and expand the types of resources individuals have at their disposal, both individually and as part of a group, to effect their wellbeing. These theories recognize that the effects of society on the individual are not always to the good. Their nuanced understanding of the individual in society helps put meat and muscle on economic agents’ bones by placing these agents in society, suggesting how society affects agents and revealing how agents work together to adapt and change society. A model is developed to incorporate some of these features and examples are analyzed. The behavior of the individual that arises is not easily characterized, but its essential, even economic, humanness is.

Keywords : wellbeing, utility theory, goals, individual, society, social psychology.

Résumé :

En éliminant ce qui était considéré comme inessential à la décision économique, les économistes ont éliminé la dimension humaine – on a enlevé la chair en ne laissant que des os. Pour revivifier et incarner ce squelette, je m’inspire de la psychologie sociale de Deci et Ryan, Dweck, et Bandura pour approfondir les fondements de la théorie de l’utilité et pour élargir les types de ressources dont disposent les individus, individuellement et en groupe, pour parvenir à leur bien-être. Leurs théories reconnaissent que les effets de la société sur l’individu ne sont pas toujours bons. Leur compréhension nuancée de l’individu dans la société aide à mettre de la chair sur les os des agents économiques en plaçant ces agents dans la société, et suggère comment la société influence les agents et révèle comment les agents travaillent ensemble pour s’adapter et changer la société dans

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laquelle ils agissent. On développe un modèle qui incorpore certaines de ces caractéristiques et on analyse des exemples appropriés. Le comportement de l'individu n'est pas facilement caractérisé, mais son caractère humain essentiel, même économique, l'est.

Mots-clés : bien-être, théorie de l'utilité, objectifs, individu, société, psychologie sociale.

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1. INTRODUCTION

Individuals everywhere, regardless their political, social, cultural, religious, environmental or economic *milieux* desire to be as well off as possible. They want to maximize their wellbeing. But what defines wellbeing? Is it an individual construct such that each individual individually makes decisions to achieve maximal wellbeing for himself alone where society, should it enter his calculation, only does so as a constraining force? Is it a social construct such that what matters most is the wellbeing of one's social group taken together first and of each member of that group taken individually second leading to the possibility of individual sacrifice, either voluntary or not, for the greater good? Is it defined over the material alone or the transcendental alone? Is it defined absolutely or relatively? Is the definition intrinsic to the individual and, thus, in some sense independent of the political, social, cultural, religious, environmental and economic structures that define the human environment or is it politically, socially, culturally, religiously, environmentally and economically determined? This list of questions could be extended indefinitely. Answering these questions could be the work of many lifetimes. But in the answers given, implicitly or explicitly, is the definition of wellbeing used by a researcher of whatever discipline across the social sciences, the natural sciences or the humanities, a policy maker, a journalist, a teacher, or a quintessential man in the street. Each definition is critical because it governs our worldview and thus how we analyze and interpret that world as well as our own wellbeing.

Neoclassical economists, as Arrow (1994) argued persuasively, are in some sense trapped by methodological individualism, for which a better term would be methodological atomism (Zwirn 2007), the idea that all economic explanations must be reduced to individual

behavior, a concept he characterized as fundamentally flawed. The flaw arises from the simple fact that even if we restrict ourselves to market transactions alone, even the most basic of these is governed by societally determined rules of behavior. For all but the hermit cut off from all human contact, all economic interaction is social. Even if we accept the social nature of economic interactions, economic decisions are usually characterized as individuals maximizing their wellbeing, characterized by time-invariant preferences, by themselves, alone. Society and the social seem to operate only at the edges of economists', especially neoclassical economists', thought and decision-making processes.

What has trapped neoclassical economists is the Walrasian conception of the world. This world would be unrecognizable to Smith (2000), Marshall (1920) or Mill (1861) yet it has traditionally been presented to PhD students as the basis of economic analysis. This world is one of mathematical elegance and clear, interpretable behaviors. The real world, which would be recognized by Smith, Marshall and Mill in all its messiness, is anything but. Taking Arrow's criticisms to heart, the real world, as seen from a predominantly neoclassical perspective, can be and has been approached by weakening the assumptions that provided the Walrasian model's beauty. Endowments, which are taken as given, can be extended where some will have relevance only in social interaction (Becker 1974). The decision maker, rational and possessing complete information by assumption, can be made less than fully rational (Simon 1972) and less than fully informed (Arrow 1986). Absent power differences can be introduced between agents and between types of agents (Bowles and Gintis 1992). Costless exchange can be made costly (Allen 1999). Preferences, rather than given, can be socially referenced (Jeitschko *et al.* 2008), other as well as self-regarding (Cooper and Kagel 2016) and culturally determined *via* various societal mechanisms including the family (Layard 2006). Individual centrality can be weakened to allow for pro-social behavior (Meier 2006; Bowles and Polanía-Reyes 2012) and self-sacrifice (Benabou and Tirole 2006). Anonymous interactions can be enhanced to allow strategic and manipulative behaviors (Camerer 2003). Markets, rather than mechanistic, can be characterized as social constructs each with their own socially determined rules of behavior (Kirman 2004). Isolation can be lessened so society can affect decisions *via* social

norms of behavior (Bowles and Gintis 2000 ; Arrow 1994). Moreover, society can be explained as the optimal response to market failures (Fine 2000), thereby placing the heretofore absent society securely and neatly in the model. The neoclassical model has withstood the weakening of its assumptions and continues to generate clear, interpretable results on the behavior of actual markets, interactions that can be characterized as markets and individuals transacting in those markets. But many aspects of lived reality continue to be assumed away and the individual qua individual, even as the center of analysis, can seem to disappear from view.

Many argue that this generalizing of the neoclassical model is wasted effort since neoclassical economic methodology is itself fundamentally flawed and should, rather, be abandoned. Among the best-known challenges to neoclassical methodology is Hayek's methodological individualism, distinct from the, arguably misnamed, methodological (atomistic) individualism of the neoclassicals. Hayek held that society was distinct from the individual, that society acted on the individual and was acted on by the individual in an iterative process that generated a spontaneous social order. If society was reduced to its constituent parts, society would disappear, neither explained nor understood (Zwirn 2007). Rather, Hayek suggested that rational individuals, informed by social norms, beliefs and habits, in the context of their society, make choices which, together, change and determine society spontaneously (Boettke and Coyne 2005). Society is not an optimal response to market failure. Lawson's (1999) critical realism complements Hayek's methodological individualism. Lawson rejects the closed-system modeling and reductionism of neoclassical economics arguing instead for a view of the world where many outcomes are always possible and can be the subject of only local, *a posteriori*, interpretations. He, like Hayek, rejects the formalism of neoclassical economics and the idea that society can usefully be decomposed into individuals. The Ostrom's empirical project took a similar perspective, concentrating on the specific without implying a universal (Boettke and Coyne 2005). Unfortunately, the wholesale rejection of the neoclassical economic methodology, the dominant methodology in economics and the basis on which most policy, whether to improve the functioning of the macroeconomy or the wellbeing of the individual, is made, creates an unbridgeable divide.

An intermediate way focusing on the wellbeing of the individual while working within the neoclassical tradition is instead sought here.

In the neoclassical structure, even as extensively revised, time-invariant utility, which remains sparsely defined, continues to be considered an adequate measure of wellbeing. Implicit in the structure is that more income or wealth will make individuals better off, that is, happier with their lives, since income enables them to attain a higher level of utility. If this is the case, then knowing this enables policies to be devised to increase national and/or individual income and wealth and thereby wellbeing. However, numerous studies have shown that increases in income or wealth, once a basic level of economic security is obtained, do not generate increases in happiness. More money buys more goods, services and time at leisure, not more happiness (Easterlin *et al.* 2010). These findings are ratified by empirical psychological research which suggests that an overly materialistic focus makes people less, rather than more, happy since it places them on a never-ending treadmill of acquisition where enough is never enough (Kasser 2006).

What is missing from utility analysis is what consumption and leisure, or whatever else utility is defined over, are in service of, of how and why does more of it improve wellbeing. There is no context. Consider, for example, Jane's purchase of an apple. Was the apple she purchased, rather than the equally priced orange, to eat to sate her hunger, to be perched on her son's head and used as a target, to be part of a still life setting she intends to paint, to be a gift for her teacher to regain "pet" status, or to be poisoned and given to an unsuspecting Snow White? Three of these five reasons for purchasing an apple involve others for good or ill. Each imposes different requirements on the apple: for the still life painting an irregular, blemished apple may be ideal while for the poison delivery apple nothing short of perfection will do. Each suggests a different why: she's hungry; she, like William Tell, needs to prove her marksmanship and thereby free her country, the society of which she is a part, from a cruel overlord; she's a budding painter inspired by Cezanne; she's fallen from grace in class and wishes to make amends; she wants to remove her rival from contention. Each different why implies a different motive. All are personal motives, but some have social ramifications and are part of larger social goals: to stand up to tyranny and save her nation, to

improve her social status perhaps to the detriment of others, to end a rivalry by fair means or foul. Some will instigate social change. Some may require the willing participation/anticipated reaction of others. In these examples the settings are not functions of wholly external information but depend on something internal and specific to Jane and her place in society which is not generally captured in a preference ordering or a utility function. This is not “an umbrella if it rains” situation. What Jane is willing to pay in each setting is different, which suggests a set of contingent demands for a single good each demand depending on the goal it supports. Yet the market transaction in each case is still money for an apple on the apple market.

Jane’s labor supply could appear to be equally erratic. She could simultaneously offer her labor to and divide her labor hours among the financial services industry where she is a consultant on financial regulation, the higher education industry where she is a lecturer on financial services, the continuing education industry where she is a tutor of English for non-native speakers, to the fine arts industry where she is a still life artist, and to the sustainable food movement where she is a forager. All imply employment relationships. The first and second are remunerated, the third, fourth and fifth can but may not be. Yet Jane does them all. Again, what is missing is context: Jane needs an income to care for herself and her aged parents ; she is a member of a social action group dedicated to improving the plight of immigrants and the poor ; she is a member of the save the Earth movement ; her life’s goal is to paint full time. Thus, Jane consults because she requires an income and because she is concerned about optimal compliance concerning provision of financial services to the poor and traditionally underserved groups in society. To consult she has to remain up-to-date on research in financial services theory and practice. This is achieved by teaching, which also gives her a forum to put before students the societal requirements of finance. Knowing that access to social and financial services as well as social and economic integration of non-native speakers requires a facility in English pushes her to practice what she preaches. She paints because it is an individual imperative. While she cannot compare herself to Cezanne, painting for her is not a leisure time activity. As part of her membership in the save the Earth movement she, with others, forage for food in the wild, share that food with others, sell it to the restaurant

trade, and work to protect the habitats of the plants and animals they collect. The terms and conditions of her employment in each market are different. The tradeoff between labor and leisure is not just the wage but the social good created even if at cost to herself. Jane needs income, but this may lead her to satisfice in her consultancy/lecturing employments so that she can pursue other goals. Interpreting her labor supply decisions is not simple and cannot be done in isolation.

What my arguments here suggest is that in paring away what was considered inessential to the economic decision to better understand that decision, we economists may have pared away the human flesh of wellbeing, which may hold the key to happiness, leaving only the bare bone, which may well-describe market interactions. To move beyond the market to discover the nonmarket sources of wellbeing that augment or diminish the market sources of wellbeing, this skeleton must be revived, incarnated, embedded in society and its preferences endogenously formed. Such a project is beyond the scope of this short paper. However, there is a possible path for how this might be done that begins in social psychology. The social psychological theories examined provide other sources of wellbeing that can broaden the foundation of (neoclassical) utility theory and the resources individuals have at their disposal, both individually and as part of a group, to effect their wellbeing. I very briefly review Deci and Ryan's Self-Determination Theory, Dweck's Mindset Theory and Bandura's Social-Cognitive Theory, discuss how these theories can help neoclassical economists put meat on economic agents' bones, place these agents in society and suggest how society affects agents and how agents work together to adapt and change society. I further develop a model of endogenous goal-based, socially referenced and embedded preferences where the insights from psychology inform preference formation, goal choice and decision processes, then derive and discuss indicative results. I conclude with some thoughts on how this complex understanding of wellbeing can bridge the gap between neoclassical economics and its sister disciplines.

2. PSYCHOLOGY AND PREFERENCE FORMATION

In economics, utility is a generally a measure of material wellbeing. In psychology wellbeing is more holistically examined. In this holistic approach material wellbeing is only one element in an array.

2.1. *Self-determination theory*

Self-determination theory (see, for example, Deci and Ryan 1985, 1987, 2000 ; Ryan and Deci 2000) seeks to explain the psychological processes that lead to optimal functioning and health. Individuals seek to develop a coherence among the components of their psychological being, internal integration, and between themselves and society, external integration, which requires support from their social environment. To achieve internal and external integration optimal functioning and good health, three innate, universal psychological needs must be satisfied. They are the needs for competence, relatedness and autonomy. All three needs must be satisfied for an individual to attain psychological growth, integrity and wellbeing and to achieve the highest level of personal functioning alone and in society. All are essential for understanding the content, the what, and the process, the why, of goal pursuit.

When the individual's psychological needs for competence, relatedness and autonomy are not met the individual suffers. Whether these needs are met or not depends on whether the social context is supportive of need fulfillment, on what the individual aspires, and on what those aspirations are based. A supportive social environment enables the maintenance or improvement of intrinsic motivation, helps to internalize and integrate extrinsic motivation to ensure autonomous behavior, and promotes life goals that satisfy the basic psychological needs. Pursuit of intrinsic aspirations, which would include goals such as affiliation, personal growth or contributing to one's family or broader community, leads to high need satisfaction and greater wellbeing and mental health. Pursuit of extrinsic aspirations, which would include goals such as wealth, fame, image, all of which are neither related to nor conducive of fulfilling the basic needs once poverty is no longer an issue, does not lead to need satisfaction, does not improve wellbeing and may reduce mental health. Thus, what are often the goals associated with "economic man" are found to be

wellbeing reducing rather than enhancing. In all cases, autonomous regulation of goal pursuit by the individual is preferable to controlled regulation by a force external to the individual, whatever the goal. Pursuing extrinsic goals, even autonomously, still does not improve wellbeing, but may signal a need-substituting response to intrinsic goals and the psychological needs they fulfill being thwarted or crowded out by extrinsic rewards or inducements, such as monetary incentives, to the detriment of the individual. Fundamentally what matters is the relationship between the individual and the social environment such that the individual's basic psychological needs can be met and the individual, a social creature, can flourish.

2.2. *Mindset theory*

Mindset theory is the culmination of Carol Dweck's lifetime work studying personality and motivation (Dweck and Leggett 1988 ; Dweck 1999, 2002, 2006 ; Dweck and London 2004). Her theory suggests, and empirical work supports, that there are two prevalent mindsets which are not linked to an individual's innate intelligence yet determine behavior and personal growth. The first is the fixed mindset under which people believe that intelligence is given and no amount of effort will change this. Their behavior follows a helpless, maladaptive pattern, since what is is and cannot be changed, yet they crave social approval. Those of fixed mindset tend to avoid challenges and be overly risk averse so as to avoid failure and the social opprobrium they feel accompanies it. They give up when an obstacle is encountered thereby avoiding failure should they be unable to overcome it. They do not even try. They do not see the value of working hard since if things are as they are and cannot be changed, as they believe, why bother. They do not take well to criticism, no matter how well meant and constructive, as they take it as a personal slight. Finally, the success of others reflects negatively on them: life is a zero-sum game.

The second is the growth mindset under which people believe that they can develop and improve themselves. Their behavior follows an adaptive, mastery-oriented pattern. They seek challenges and take risks, since if something is easy little is gained by achieving it, and they recognize that failure is also a way to learn. Obstacles are to be expected and be overcome. Whether overcome or not, they provide

opportunities for learning about themselves and the world. Self-worth is not tied to any particular success or failure but to learning, and learning and the mastery, so gained, takes sustained effort. Criticism, when constructive, is welcomed, and even when negative can provide useful information so is not shunned. Finally, the success of others is celebrated and seen as an inspiration to personal growth. Life is not zero-sum. There is always more that can be learned and achieved. Personal growth never ends. The fixed mindset and the growth mindset are at two ends of the spectrum ; most people lie along the continuum connecting them. It is possible to move along the continuum in either direction in response to the vagaries of life. Where one is on the spectrum affects the choices one makes and the goals one pursues.

While fixed and growth mindsets explain individual motivations and behaviors, they also affect how the individual views the world (Dweck and Leggett 1988). Those of fixed mindset find that attributes of others and the world are immutable. Their goal is to judge these attributes either positively or negatively, but not to attempt to change those found negative since change is not considered likely or possible. Behavior is passive and rigid. They are judgmental. Those of growth mindset find that attributes of others and the world are mutable. Their goal is to both understand and to improve these attributes. With others, with whom they empathize, they seek to learn, to be challenged, to overcome obstacles, to make things better.

2.3. Social cognitive theory

Social cognitive theory (Bandura 1997, 1998, 2002) examines human functioning through an agentic perspective. “To be an agent is to intentionally influence one’s functioning and life circumstances (Bandura 2002, 270).” An economist might identify this individual as a utility maximizing agent. But the comparison is not exact. The economist would suggest that all utility maximizing decisions are taken by the agent and the agent alone. Society is a backdrop rather than an active player. A cognitive psychologist like Bandura would suggest, in contrast, that agency can be individual, proxy, or collective, where proxy and collective agency have essential social elements: others are required. The individual, acting as an individual, through a proxy, or as part of a collective, lives in, is affected by, affects and actively seeks to change society. To get through a day, all types of agency are required.

What one chooses to do and how one does it are affected by one's beliefs about one's self-efficacy as well as group efficacy where one is a member of that group: one's capabilities individually and jointly with others. Self-efficacy does not necessarily mean self-regarding behavior ; it is fully consistent with self-sacrifice. The decisions and actions of the group are not, as Becker's (1974) family, determined by an individual who has internalized the group's wants and needs, but rather by all members acting jointly, in concert. What could be considered the individual's "utility function" is not exogenously given, but is socially and individually constructed, context specific and changeable by external forces, own group actions and own actions. Society, of which the economy is just one part, is not monolithic but can be changed, for better or for worse, through human action.

2.4. Preference formation

In standard economic analysis an individual has exogenous preferences defined over goods, services, and leisure. More of each is always better, although subject to diminishing marginal utility, and the goods, services, and leisure may be complementary or substitutable and all goods and services can be purchased in the market. The goods, services and leisure over which utility is defined represents just the tip of the iceberg of wellbeing providing very little insight as to why more of one good or less of another service makes the individual better off. Instead, wellbeing depends on individuals' mindsets, and/or their ability to fulfill their innate needs of competence, relatedness and autonomy given their intrinsic and extrinsic motivations, and/or their self and group efficacy and the affects thereon of their individual, proxy or collective agency. In all cases individuals are goal oriented, where their goals reflect their mindset, the supportiveness or otherwise of their environment, their motivations.

Utility theory can be adapted to introduce the insights on wellbeing from the psychology literature. While economic preferences are usually defined absolutely they can also be socially referenced, so that how one's consumption of goods, services or leisure or how one's wealth or income compares to others determines how satisfied one is. This preference structure can be further adapted so that social references, such as comparisons of income with one's neighbors, are replaced by personal or social goals one hopes to attain, such as a

personal or social identity and thus how close one is able to come to achieving one's overall goal or set of goals, both now and in the future, can determine one's satisfaction. This preference structure can be generalized still further so that preferences are fully endogenized, formed by both the individual's social, cultural, political, and economic environment and the individual's intellectual, emotional, spiritual and psychological characteristics, some of which are innate, others not, and the individual's motivations, intrinsic and extrinsic, and self-beliefs. Goals can be very specific – to learn Spanish, to become a landscape painter, to become an economist – or more general and existential – being a moral and ethical person – or more general and social – effecting social change through participation in community groups or party politics, which may or may not require facility in Spanish. All goals require that actions be taken and resources be dedicated to fulfill one's innate needs, and to achieve or move toward one's personal and social goals. Goals provide context.

3. ENDOGENOUS, GOAL-BASED, SOCIALLY REFERENCED AND EMBEDDED PREFERENCES

This model draws from Smith's conception of individual behavior in *The Theory of Moral Sentiments* (2000 [1759]) where society, through the impartial spectator, provides a moral compass. It also is inspired by Granovetter's (1985) conception of the individual in and formed by society. It is a generalization of the model developed in Jeitschko, O'Connell and Pecchenino (2008) to examine identity and extended in Pecchenino (2011, 2015) to consider the effects of the passions on economic behavior. It sits at the opposite extreme to the standard economic model of individual behavior, leaving in rather than taking out the complexities of life in society. Here individuals allocate their resources to pursue personal and social goals.

Let

$$\Gamma(g^1-g^{1*}, \dots, g^p-g^{p*}, G^{p+1}-G^{(p+1)*}, \dots, G^S-G^{S*}) \quad (1)$$

represent an individual's preference ordering defined over personal goals, g , and social goals, G . These goals are developed, defined and modified by the individual individually and with others and depend on the social, cultural, political, environmental and economic environment

and the individual's and others' intellectual, emotional, spiritual and psychological characteristics. The individual's wellbeing is a function of his $p=1, \dots, P$ personal goals, g^p , and $s=P+1, \dots, S$ social goals, G^s relative to their socially influenced and individually perceived ideals, g^{p*} and G^{s*} , respectively, where goals can be added, deleted or amended over the course of the individual's life in response to changes in the individual's internal or external environment. Assume that for some r , where r can index either a personal or a social goal, that $\Gamma_r > 0$ (< 0) for $g^r - g^{r*} < 0$ (> 0) or $G^r - G^{r*} < 0$ (> 0) for all $r=1, \dots, S$, and that $\Gamma_{rr} \leq 0$ for all $r=1, \dots, S$. These assumptions simply state that the individual's wellbeing is higher the closer goal attainment comes to the goal ideal, taking each goal separately. The sign of Γ_{rt} , $r \neq t$ is positive if the r and t goals are complements, negative if they are substitutes, and zero if they are independent. The shape of the wellbeing function, whether goals are complementary, substitutable or independent depends on the individual individually and the society in which she lives which forms her, to which she responds and which she may change. Two individuals could choose to pursue the same goals, but for one these goals would be substitutes and for the other they would be complements.

Unlike goods and services, a goal cannot be directly purchased at a moment in time but must be worked toward over time, perhaps over the course of a lifetime. The individual, alone and with others, defines the goal, maps out pathways to the goal, where the pathway chosen will have temporal, material, psychological, social and spiritual components and will require adjustments and alterations as economic, social, cultural, political, environmental and personal conditions change. Following Deci and Ryan, the individual's choice of goals and pathways will depend on intrinsic and extrinsic motivations and must satisfy the innate psychological needs for competence, relatedness and autonomy. Should the ability to achieve these needs be thwarted, the goals pursued will change with extrinsic, what are often perceived as economic goals, replacing intrinsic goals but not leading to significantly enhanced wellbeing. Following Dweck, the individual's mindset will matter, with those of fixed mindset choosing easily achieved and socially ratified goals that, somehow, make them look good, while those of growth mindset choosing challenging, fulfilling goals. Movement toward and achievement of goals will be valued differently depending

on the individual’s mindset. Everything is contingent. Goods and services will be purchased, but demand for them is in service to goal attainment and thus is derived. Similarly for the individual’s supply of labor. Following a path and responding to the foreseen and unforeseen requires personal resources – emotional, psychological, spiritual, intellectual, social, cultural, political, environmental and economic, to be expended individually and in concert with others to move toward or to obtain a goal. Following Bandura, at any moment in time the individual’s resources are not fixed and depend on the individual’s beliefs concerning her self-efficacy and group efficacy. The individual with strong self- and group efficacy beliefs has the ability to call on hidden resources when more is needed. This is not the case for those with low self-efficacy beliefs. These belief differences strongly affect the individual’s goal choices. The individual’s store of resources, her personal and social/group efficacy, is defined by

$$e = \sum_{p=1}^P e^p + \sum_{s=p+1}^S E^s \tag{2}$$

As an individual’s self-efficacy and group-efficacy beliefs change, so does e . The cause of these changes can be emotional, psychological, spiritual, intellectual, social, cultural, political, environmental or economic, that is coming from within the individual or from outside the individual.

Assume the link between personal goal attainment and expenditure of effort is related as follows

$$g^p - g^{p*} = \hat{e}^p - e^p (v^p) \tag{3}$$

where

$$\hat{e}^p = e^p + \sum_{q \neq p} \beta^{qp} e^q + \sum_{s \neq p} \sigma^{sp} E^s + \sum_n \zeta^{np} e^p \tag{4}$$

and

$$e^p \geq 0 \tag{5}$$

The total resources the individual dedicates to attaining personal goal p , \hat{e}^p , is the sum of the resources she allocates specifically to this goal, e^p , which must be non-negative, any spillovers from effort dedicated to other personal goals, $\beta^{qp} e^q$, for all q , where $\beta^{qp} < 1$ for all p and for all q , any spillovers from effort dedicated to social goals, $\sigma^{sp} E^s$, where $\sigma^{sp} < 1$ for all s and for all p , and E^s is effort dedicated to attaining social goal s , and $\zeta^{np} e^p$, where ζ^{sp} represents the individual’s

perceptions of the net external effects of her actions on others and theirs on her on the effectiveness of the her effort. ζ^{sp} can take on any value, positive or negative. Others' utility is not embedded in her utility function, but interpersonal effects are. This internalization of external effects of the individual's behavior on others and theirs on her is consistent with classical utilitarianism and Smith's impartial spectator. Notice, pursuing goal p can move the individual closer to or farther away from her other personal or social goals. If goals conflict, the individual has to "work harder" to achieve either goal or accept that she will remain farther from the ideal. The value $e^{p^*}(\mathbf{v}^p)$ represents the individual's belief of the social belief (Orléan 2004) of the effort required given her knowledge of her own capabilities to attain the social ideal, a construct that depends on the society in which the individual lives and where \mathbf{v}^p is a vector of variables, focal points upon which the individual's beliefs about personal goal p are conditioned. This vector is not fixed and is augmented and diminished as external and internal conditions as perceived by the individual and her social group change. The individual's own actions, either individually and as part of society, can also change the conditioning variables.

Now assume the link between social goal attainment and expenditure of effort is related as follows

$$G^s - G^{s^*} = \left(\sum_n \hat{E}_n^s + \hat{E}^s \right) - E^{s^*}(\mu^s) \tag{6}$$

where

$$\hat{E}^s = E^s + \sum_{s \neq t} \psi^{ts} E^t + \sum_{q \neq t} \varphi^{qs} e^q + \sum_n \xi^{ns} E^s \tag{7}$$

and

$$\hat{E}^s \geq \underline{\hat{E}}^s \tag{8}$$

$$E^s \geq 0 \tag{9}$$

The total resources the individual dedicates to attaining social goal s , \hat{E}^s , given her beliefs about what all others will also be dedicating, $\sum_n \hat{E}_n^s$, based on her interactions with them and her understanding of group efficacy, is the sum of the resources she allocates specifically to this goal, E^s , which must be non-negative, any spillovers from effort dedicated to other social goals, $\psi^{ts} E^t$, for all t , where for all t and for all s , any spillovers from effort dedicated to personal goals, φ^{qs}

e^q , where $\varphi^{qs} < 1$ for all s and for all q , and is effort dedicated to attaining social goal q , and $\xi^{ns}E^s$, where ξ^{ns} represents the individual's perceptions of the net external effects of her actions on others and theirs on her on the effectiveness of the her joint, either by proxy or collective, effort. ξ^{ns} can take on any value, positive or negative. A minimum own input, \hat{E}^s , to working toward social goal s is required. This is a participation constraint. The input requirement may be perceptual, so the individual believes that it is implicitly or explicitly required by the group. Or it may be actually required by the group. This input could be impossible for the individual to meet if it, for example, requires her to be male and white if she is female and black. But, it is possible that spillover and external effects could be adequate to meet a minimum input requirement even without additional effort. This could be the case if social goals are strongly complementary. The value $E^{s*}(\mu^s)$ represents the individual's belief of the social belief of the total joint effort required to attain the social ideal given her knowledge of her own and her group's capabilities, where μ^s is a vector of focal points upon which the individual's beliefs about social goal s are conditioned. Not all individuals will share the same social beliefs even if they are working together to achieve the same social goals which can include social change. The vector defining the ideal is not fixed and is augmented and diminished as external and internal conditions, as perceived by the individual and by society, change. Social goals cannot be achieved on one's own.

Achievement of or movement toward one's goal ideals, regardless of effort expended, depends on personal and social recognition and approval thereof. Assume, similar to Eguia (2017) that for each ideal there is a minimum distance requirement that must be met, $d^r(D^R)$ where $d^r(D^R)$ is determined by own and societal expectations, where the society of note may depend on the goal, and individual perceptions and the extent of internalization thereof. That is,

$$|g^r - g^{r*}| \leq d^r \tag{10}$$

and

$$|G^R - G^{R*}| \leq D^R \tag{11}$$

Call this inclusion or acceptance. This requirement determines what is possible since if $|g^r - g^{r*}| > d^r$ for $e^r = e$ or $|G^R - G^{R*}| > D^R$ for $E^R = E$, then, even dedicating all resources to personal goal r or

social goal R , given the individual's expectations of other's actions, will not get the individual close enough to the goal to be included or accepted. Clearly, this inclusion requirement restricts which if any goals are worth pursuing. Think of, for example, a fixed mindset individual's versus a growth mindset individual's perceptions of what is possible/achievable in assessing whether this constraint binds.

It is important to note that since social goals and how to achieve them are negotiated jointly, the effort an individual expends is determined with others, at least to the extent of a minimum expected expenditure of effort. These minimum effort requirements can constrain other decisions. This suggests, further, that decisions as to which social goals to pursue are made with the recognition that participation in and perhaps enjoyment of some social goals may be precluded by inadequate resources or some socially constructed barrier that makes inclusion impossible.

The variables upon which goal ideals are conditioned are many and can include, among other things, the individual's need for coherence, relatedness and autonomy and their intrinsic and internalized extrinsic motivations (Deci and Ryan 1985, 1987, 2000 ; Ryan and Deci 2000), mindset (Dweck and Leggett 1988; Dweck 1999, 2002, 2006; Dweck and London 2004), beliefs about their self and group efficacy (Bandura 1997, 1998, 2002), the views of a Smithian impartial spectator (Smith 2000 [1759]), emotional states (Pfister and Bohm 2008), acute or chronic stress (Buckert *et al.* 2014) or physical or psychological pain (Kasser 2008). External conditioning variables could include social structures (Portes and Sensenbrenner 1993), legal structures (Duke 2013), the moral strictures of the society of which the individual is a part (Kaplow and Shavell 2007), the individual's socio-economic status and standing (Dalton *et al.* 2016) and cultural status and standing which may depend on one's gender or race independent of any other characteristic (Ridgeway 1991), the neighborhood of residence with its social, political and cultural expectations (Ellen and Turner 1997; Atkinson and Kintrea 2004), as well as situational norms (Aarts and Dijksterhuis 2003), social norms (Elster 1989) and social expectations (Wentzel 1994; van Boven 2005) which mandate particular behaviors. Goals and the ordering thereof, the value of individual and joint resources, conditioning variables and how they are perceived and filtered and the social beliefs implied depend on context.

What constitute goals in this framework vary from the very specific to the very general. Personal goals could include moral goals, such as being a good person, being a responsible person, being a good neighbor, or being a good citizen. These goals require the individual to consider others when pursuing her personal goals. They could include what could be perceived as strictly economic goals of being successful in a chosen career, of being materially successful absolutely or in comparison with one's neighbors or peers, or of being able to leave a substantial legacy to one's children, goals which may be a result of innate needs being thwarted and indicative of lower wellbeing. They could be physical or mental health related. Social goals could be at the level of society such as achieving world peace, a more equal society, a less equal society that benefits one's social group over others, greater or less fairness, greater or less acceptance of diversity and cultural and ethnic difference, or more or less social ownership of means of production. Social goals could be at the local level such as improving the local schools for all or racially segregating local schools to the perceived benefit of some, ensuring neighborhoods are safe and welcoming to all or are exclusive and welcoming only to those who are members of one's social group, or providing support for or barring access to those locally in need. The goals an individual wants to achieve, individually and with others, do not need to be a better world for all, rather it may be a better world for some, where the individual is one of those who benefit. Further, the goals the individual chooses to pursue, because they are chosen in a particular social, cultural, political, environmental and economic setting in which social, cultural, political, environmental and economic pressures are brought to bear, may not lead to an individual's personal or social fulfillment, as measured *ex post*, even if the goals are achieved. This suggests that goals may be reappraised, new goals and paths chosen, possibly with new and different social groupings, as an individual navigates her life alone and with others.

4. AN EXAMPLE

The agent's problem is complex given the interaction between personal and social goals and the effects of own as well as others'

actions on own effort and the specific goals to which it is directed, other personal goals, and other social goals. Analyzing a simple example with only two goals, a personal goal and a social goal, highlights the complexity and the struggles faced by the individual decision maker.

For this example, the individual's problem is as follows:

$$\max \Gamma(g^1 - g^{1*}, G^2 - G^{2*}) \tag{1'}$$

subject to

$$e = e^1 + E^2 \tag{2'}$$

$$g^1 - g^{1*} = \hat{e}^1 - e^{1*}(v^1) \tag{3'}$$

$$\hat{e}^1 = e^1 + \sigma^{21} E^2 + \sum_n \zeta^{n1} e^1 \tag{4'}$$

$$e^1 > 0 \tag{5'}$$

$$G^2 - G^{2*} = \left(\sum_n \hat{E}_n^2 + \hat{E}^2 \right) - E^{2*}(\mu^2) \tag{6'}$$

$$\hat{E}^2 = E^2 + \varphi^{21} e^1 + \sum_n \xi^{n2} E^2 \tag{7'}$$

$$\hat{E}^2 \geq \underline{\hat{E}}^2 \tag{8'}$$

$$E^2 \geq 0 \tag{9'}$$

$$|g^1 - g^{1*}| \leq d^1 \tag{10'}$$

$$|G^2 - G^{2*}| \leq D^2 \tag{11'}$$

Because the individual only aspires to two goals there are no spillovers from own effort between individual goals or between social goals, that is $\beta=0$ and $\psi=0$, respectively. Noting that by the total effort constraint, (2'), the individual has only one choice variable, e^1 . Using this and the relationship between effort and goals, the individual's problem is

$$\begin{aligned} \max_{e^1} \Gamma & \left(e^1 + \sigma^{21}(e - e^1) + \sum_n \zeta^{n1} e^1 - e^{1*}(v^1), \right. \\ & \left. \sum_n \hat{E}_n^2 + (e - e^1) + \varphi^{21} e^1 + \sum_n \xi^{n2} (e - e^1) - E^{2*}(\mu^2) \right) \\ & - \alpha_1 e^1 - \alpha_2 \left((e - e^1) + \varphi^{21} e^1 - \sum_n \xi^{n2} (e - e^1) - \underline{\hat{E}}^2 \right) - \alpha_3 (e - e^1) \\ & - \alpha_4 \left(d^1 - e^1 - \sigma^{21}(e - e^1) + \sum_n \zeta^{n1} e^1 - e^{1*}(v^1) \right) \\ & - \alpha_5 \left(D^2 - \left(\sum_n \hat{E}_n^2 + (e - e^1) + \varphi^{21} e^1 + \sum_n \xi^{n2} (e - e^1) - E^{2*}(\mu^2) \right) \right) \end{aligned} \tag{1''}$$

The first-order condition is

$$\Gamma_1\left(1-\sigma^{21}+\sum_n \zeta^{n1}\right)-\Gamma_2\left(1-\varphi^{21}+\sum_n \xi^{n2}\right)-\alpha_1+\alpha_2+\alpha_3 \\ +\alpha_4\left(1-\sigma^{21}+\sum_n \zeta^{n1}\right)+\alpha_5\left(1-\varphi^{21}+\sum_n \xi^{n2}\right)=0 \quad (12)$$

There are a number of possible outcomes. The first is the interior solution when all multipliers on the non-negativity constraints, the α_i , $i=1, \dots, 5$ are equal to zero. In this case

$$\frac{\Gamma_1}{\Gamma_2} = \frac{1-\varphi^{21}+\sum_n \xi^{n2}}{1-\sigma^{21}+\sum_n \zeta^{n1}} \quad (13)$$

where both numerator and denominator on the righthand side are positive. Here the marginal rate of substitution between the individual and the social goal depends on both own spillovers between goals and the external effects of the individual's actions on others and theirs on the her. For the interior solution the second-order conditions are

$$\Delta = \Gamma_{11}\left(1-\sigma^{21}+\sum_n \zeta^{n1}\right)^2 - 2\Gamma_{12}\left(1-\sigma^{21}+\sum_n \zeta^{n1}\right)\left(1-\varphi^{21}+\sum_n \xi^{n2}\right) + \\ \Gamma_{22}\left(1-\varphi^{21}+\sum_n \xi^{n2}\right)^2 < 0$$

where the sign of Γ_{12} determines if the personal goal and the social goal are complements (> 0), substitutes (< 0) or independent ($= 0$).

Consider, in the case of an individual whose personal goal is to provide a good standard of living for her nuclear family and her parents and her social goal is to improve the plight of migrants to her country, the effect of an increase in σ , the spillover from the individual's own effort on social goals to the achievement of her personal goal on her allocation of effort.

$$\frac{de_1}{d\sigma^{12}} = -\frac{1}{\Delta} \left\{ -\Gamma_{11} + (e-e^1)\Gamma_{11}\left(1-\sigma^{21}+\sum_n \zeta^{n1}\right) - \Gamma_{21}\left(1-\varphi^{21}+\sum_n \xi^{n2}\right) \right\} \leq 0$$

If

$$\Gamma_{11}\left(1-\sigma^{21}+\sum_n \zeta^{n1}\right) - \Gamma_{12}\left(1-\varphi^{21}+\sum_n \xi^{n2}\right) < 0$$

then the positive spillover leads her to invest less effort in her personal goal and more in her social goal but all the while moving her closer to both goals. This is the case when goals are complementary or independent. For example, she could be a lawyer with a subspecialty

in migrant rights. Since her work as a lawyer supports her family and her subspecialty improves the plight of migrants, working more in this area, perhaps by working for a migrant rights advocacy organization, achieves both ends. However, if the goals are substitutes the left hand side of the above inequality cannot be definitively signed. For example, she could be a corporate lawyer where this position supports her personal goal of providing for her family while her migrant advocacy work supports her social goal. Effort at one reduces the marginal return to effort at the other. At minimum, the substitutability of effort across goals weakens her response.

The individual's response to an increase in net external effects from others' effort on her personal goal is ambiguous. Here

$$\frac{de_1}{d\sum_n \zeta^{n1}} = -\frac{1}{\Delta} \left\{ \Gamma_1 + e^1 \Gamma_{11} \left(1 - \sigma^{21} + \sum_n \zeta^{n1} \right) - e^1 \Gamma_{21} \left(1 - \varphi^{21} + \sum_n \xi^{n2} \right) \right\} \cong 0$$

If the goals are substitutes, then the first and third bracketed terms are positive while the second term is negative, leading to the possibility that higher net externalities would lead to increasing effort on her personal goal rather than on the social goal. Because the goals are substitutes the individual is inclined to choose the one with the highest reward. Thus, if, in general, personal and social goals are substitutes, and the reward to pursuing the personal goal is higher or the effort cost required to approach or attain the goal is lower, then we would expect to see individuals behaving in a largely individual-centric manner. Whether this is the case could depend on the society in which one lives and on whether that society ranks the individual above the group or the group above the individual. For Aristotle (1885, 2000) or Aquinas (1981) or other philosophers of the common good, society would rank above the individual. For Nozick (1974) the individual would rank above society. When her goals are complements or independent, what matters is whether the direct or indirect effect dominates: she tries to balance her goals.

Other comparative static exercises can be examined. In all cases the interactions between and among goals, the individual's perceptions of the social, cultural, political, religious, environmental and economic environment in which she lives how they shape her preferences and the constraints they impose, the augmenting or diminishing effects of others' effort on her own goal attainment and hers on theirs, her

social goals and how the joint decisions affect her other decisions all come into play.

There are also various corner solutions. For example, if $\alpha_1 > 0$, then the individual exhibits extreme self-abnegation or self-sacrifice, and puts all effort into obtaining the social goal. This, however, may not be enough to meet the minimum effort required for participating in the social goal, that is $\alpha_2 > 0$. In this case the individual is unable to meet the social participation constraint even taking positive spillovers, if any, into account. There is no internal solution because of the inconsistency between personal and social goals that cannot be overcome. Here satisficing or avoidance, along the lines of Dweck's fixed mindset, rather than optimizing may better describe the individual's behavior. Or, following Ryan and Deci, the individual, because her innate needs indicated by her desired goals have been thwarted, may assuage her failure by pursuing material accumulation. Were she to do this the material needs of her family would be met. Thus, from the outside the traditional economist would not necessarily see a behavioral problem. However, her and her family's psychological and/or spiritual needs may not be and may be fundamentally damaged by the exclusively material goals. This need not be the case if $\alpha_2 = 0$. Here all-encompassing self-sacrifice is rewarded. In this case it is possible to imagine her family joining in her crusade to improve the plight of migrants, thereby linking her family's welfare to that of the migrants. A corner solution is also possible if no amount of effort is adequate to get the individual close enough to a goal whether personal or social. This occurs when either α_4 or α_5 is positive. In these cases it is not an unwillingness to try, but a resource deficit that cannot be overcome, where the resource deficit is defined by the minimum distance requirement for inclusion or acceptance. Many immigrants feel that no matter what they do – learn the local language, work at jobs they would never have considered in their home country, retrain so that they can again pursue the career they left behind, etc., still find insurmountable barriers erected that they cannot scale. Many still strive, as their goals are still clear to them, in the hope that their children will not face these barriers, essentially acting in the expectation of a future change in the inclusion requirement that may not occur in their lifetimes, willfully ignoring what is currently self-evident and endeavoring to change what is to what should be. While apparently

irrational, this strategy is consistent with Pettit's (2004) cognitive resolve where it is the end goal that is pursued and pitfalls along the way skirted, ignored, and overcome. The individual alone and with others redefines the possible.

5. CONCLUSION

We humans are complex creatures. We make a myriad of decisions each day, every day, some of which are economic most of which are not. When examining market decisions each individual's life story, their goals and their journeys toward those goals that inform those decisions and are taken to enhance their wellbeing, are left by the economist at the door. What this paper has attempted to do, using significant insights from social psychology, is to open the door and invite the economist to discover these life stories that describe individual's quests for wellbeing. In so doing my aim was to develop a picture of actual individuals pushed and pulled by internal and external forces, concerned about themselves and their society, trying to sort things out and achieve their various life's goals. What may appear to be irrelevant details, noneconomic connections and concerns, are retained, because these details, connections and concerns color the individual's perceptions, affect their understanding, and determine, to some extent, their, I contend, rational responses to their situation, economic and otherwise. They are important components of life in the market and life in society. Economic decisions are not taken in isolation but in concert with other decisions and with others, all of which are taken to move toward or achieve one or more goals, personal or social.

The clarity found in the standard, highly reduced neoclassical model is lost in this complex framework which still retains a neoclassical structure in terms of clearly stated assumptions and deductive reasoning. However, in revealing the complexity of the decision process where the noneconomic may hold sway, outcomes can deviate from what a simpler structure predicts as the rational outcome. Instead of suggesting that the individual concerned with own or social wellbeing has behaved irrationally, a new line of inquiry is suggested. The economist, taking a cue from the complex analysis, can weaken a simplifying assumption, perhaps on the central importance of material

or nonmaterial wellbeing, to reveal what seemed to be irrationality was instead, for example, a fervent concern for the common good. The idea here is not to abandon the clarity of the neoclassical model by moving to the other end of the complexity spectrum. Rather, in an attempt to understand wellbeing, it is a call to be more nuanced, to be more open, to approach decision making from a broader perspective, to highlight, in all humility, the limits to the neoclassical approach and to look for enlightenment in other disciplines. Our understanding will still remain imperfect. And that is as it should be.

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