99

ifu In

THE INDIVIDUAL IN THE ECONOMY

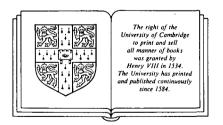
A Textbook of Economic Psychology

STEPHEN E. G. LEA University of Exeter

ROGER M. TARPY Bucknell University

PAUL WEBLEY University of Exeter





CAMBRIDGE UNIVERSITY PRESS

Cambridge London New York New Rochelle Melbourne Sydney

CONTENTS

-

Preface Acknowledgments		<i>page</i> xix xxiv
	I The essential background	1
1	Introduction to psychology	3
-	The scope of psychology	
	Social psychology	5
	Attitudes and their measurement	3 5 5
	Attitudes and behavior	7
	Attitude formation	9
	Attitude change	11
	Attributions, lay explanations, and locus of control	13
	Social comparison	17
	Learning and cognition	18
	Stimulus learning	19
	Response learning	21
	Vicarious learning	25
	Problem solving	26
	The information-processing approach	27
	Motivation and personality	28
	Activation and drive theory	29
	Maslow's theory of self-actualization	30
	Psychodynamic theory	32
	The psychometric approach to personality	34
	Conclusion	35
2	Introduction to microeconomics	36
	Economist's approach	36
	General characteristics	36
	The price mechanism	37
	Theory of price	38
	Theory of demand	38
	Theory of supply	40

	Working of the price mechanism Elasticity	41 42
	Theory of demand revisited	45
	The demand for characteristics	53
	The evidence	55
	Shape of demand curves	55
	Effects of changes of supply and demand	56
	Elasticities	56
	Indifference curves	57
	The role of the microeconomic theory	57
3	Introduction to macroeconomics	59
5	The economy as a whole	59
	Why macroeconomics?	59
	•	59 60
	Macroeconomic questions	65
	Methods of macroeconomics The role of data	65
		66
	The cornerstones of theory Models of the actional according	68
	Models of the national economy	69 [\]
	Three macroeconomic problems	
	Level of activity Inflation	70 74
		74
	Income distribution	
	Rational expectations	80
	The importance of expectations in macroeconomics	81
	Models of expectation formation	81
	The rational expectation formation model	82
	The state and the economy	84
4	Methods for economic psychology	87
	The study of individual economic behavior	87
	The conceptual, micro approach: rationality	87
	The individual in the experiment: the laboratory	
	approach	88
	Opinions, attitudes, behavior predictions, and lay	
	explanations	91
	Field observation and experimentation	94
	Investigating the entire economy	96
	The national accounts	96
	National surveys	97
	Econometrics	97
	Macroeconomic modeling	98
	Economic experiments	98 [°]
	Token economies	99
	The comparative approach	100
	Conclusion	102

	Contents	ix
5	Is human behavior rational?	103
	The rationality question in economic psychology	104
	Rationality, maximizing, and optimizing	104
	Alternatives to rationality	106
	Assessing rationality	107
	Homo economicus	108
	Maximizing ordinal utility	108
	Axioms of demand theory	109
•	Stochastic preference and the axiom of completeness	110
	Objections to greed: generosity and satiation	110
	Transitivity of preference	112
	Risky choice: classical decision theory	115
	Rationality in the face of risk	115
	Bernoulli and utility	117 \
	Subjective probability	119
	Subjectively expected utility	120
	The many facets of risky choice	122
	Is behavior under uncertainty irrational?	122
· ##	Intertemporal choice	123
	Time and economics	123
	Experiments on delay of gratification	124
	Subjective discount rates	126
	Rationality and intertemporal choice	127
	Rational behavior and economic behavior	127
	Pragmatic defense of rationality	128
	Flexibility of the class of rational behavior	128
	Approximate maximization	129
	The unimportance of rationality	130
	Maximands, goods, reinforcers, and fitness Is human economic behavior rational?	130 131
	·	151
	II The economic behavior of individuals	133
6	Work	135
	Different ways of asking why people work	136
	The level of generality	136
	The causes and functions of work	136
	A classification of reasons for working	137
-	Instrumentality	138
	Work as enjoyment	139
	Work as self-fulfillment	139
	Work as a social institution	140 ,
	The relative importance of the reasons for working	141
	General theories of work motivation	142
	Economic theory of the labor-leisure choice	142
	Need theories	144

`

	Reinforcement theories	148
	Cognitive theories	149
	Status of the theories	152
	Working and not working	153
	The "work ethic" and the factory mode of production	154
	Alternative sources of income	155
	Redundancy and unemployment	157
	Retirement	158
	Unpaid work	158
	The choice of a job	159
	Job choice and the reasons for working	159
	Skill, training, and investment in human capital	160
	Time spent working	161
	Economic data on hours of work	162
	Token economy studies	164
	Laboratory studies of animals	164
	The "overjustification effect"	166
	Quality of work	167
	Taylor and Tavistock	167
	Maier and efficiency	168
	Vroom's expectancy theory of work motivation	169
	Work as a social situation	170
	Why do people work?	170
7	Buying	172
•	The decision to buy	173
	Needs and durables purchase	173
	Market penetration and diffusion models	174
	Consumer confidence and durables purchasing	1,76
	Buying intentions and buying behavior	178
	Habitual buying	179
	Conclusions on the decision to buy	181
	Shopping	181
	Prepurchase processes	181
	Direct buying and selling	182
	Choice of a shopping area	184
	Choice of a shop	185
	Behavior in shops	⁻ 187
	Conclusions from shop-choice studies	188
	Quantity of goods bought	188
	Empirical study of demand	189
	Effects of price on demand: empirical generalizations	197
	Effects of price on demand: theory	199
	Effects of income on demand	203
	Social effects on demand	204

•

1

	Contents	xi
	Goods, products, brands, and characteristics	205
	Goods, products, and brands	205
	Brand uniqueness and brand loyalty	206
	Substitution and characteristics	207
8	Saving	211
	The nature and definition of saving	211
	The accounting period	211
	The propensity to save	212
	Macroeconomic versus behavioral definitions of saving	212
	Contractual, discretionary, and involuntary saving	213
	Thrift, impatience, and the pseudomorality of saving	214
	The perceived morality of thrift	214
	The problem of deferring gratification	216
	The measurement of impatience	218
	Macroeconomic consequences of saving	219
	Inflation, deflation, and the money supply	219
	Saving, investment, and capital formation	221
	Theories of saving	222
.4	Income and saving	223
	Saving for future consumption	224
	Saving for interest	226
	Saving to bequeath	226
	Saving as a goal in itself	227
	Factors that affect saving	229
	Income	230
	Wealth	231
	Pension plans and social security	232
	The rate of interest	233
	Inflation	235
	The state of the economy	236
	Age	237
	Other personal characteristics	238
	Conclusion: Why do people save?	239
9	Giving	241
	The nature and extent of giving behavior	241
	Axiom of greed	242
	The-biology of altruism	243
	The theory of evolution by natural selection	243
	The evolution of altruism	244
	The social psychology of altruism	247
	Factors affecting helping behavior	247
	Learning to be altruistic	250
	Mechanisms for learning altruism	253
	The psychological compensations for altruism	254

Υ.

ş

Content	S
---------	---

	Exchange and assurance models	254
	Exchange model	254
	Game theory	258
	Giving behavior in the economy	260
	Gifts between individuals	260
	Charitable giving	261
	Factors affecting charitable giving	264
10	Gambling	266
	Definition of gambling	267
	Normal and excessive gambling	268
	Factors influencing gambling behavior	271
	Economic and sociological factors	271
	Situational factors	271
	Learning	272
	Factors influencing evaluation of probabilities	274
	The perception of skill factors	276
	Decision models of risk taking	277
	From expected value to subjectively expected utility	277
	Information-processing models	281
	Theories of gambling	282
	Psychodynamic theory	282
	Personality theories	283
	Reinforcement theory	285
	Conclusions	288
	III How the economy affects individual behavior	291
11	Taxation	. 293
	The need for taxation	294
	The nature of taxes	295
	Taxation and society	. 297
	Is taxation efficient?	297
	How does taxation affect expenditures?	299
	Is taxation fair?	301
	The objective fairness of taxation	302
	The perceived fairness of taxation	305
	Individual behavior and taxation	306
	Tax evasion and avoidance	306
	Taxation and the incentive to work	310
	Taxation and choice between kinds of work	311
	Voting and taxation	313
	The economic psychology of taxation: positive or normative?	316

	Contents	xiii
12	Money	319
	The economic approach to money	319
	Psychological theories of money	321
	Psychoanalysis	321
	Operant behaviorism	322
	Resource exchange theory	324
	Piagetian psychology	325
	Sources of data about money	326
-	Anthropological research on money	327
	Psychometric studies of money attitudes and usage	330
	Experimental psychology of money	331
	Social psychology of money	332
	Toward a new psychological theory of money	335
	The multiple symbolism of money	335
	Measurement and the meaning of money	336
	Specifying the meaning of money	338
	An economic psychology of money	339
	Psychological characteristics	340
<i></i>	Economic implications of the characteristics approach to	
	money	341
13	Advertising	343
	Aims and claims of advertisers	343
	What is an advertisement?	343
	Aims of advertising	344
	Claims of advertising	345
	How effective is advertising?	345
	Advertising and the individual	349
	Models of advertising	349
	The social psychology of persuasive communication	350
	Advertising, attitudes, beliefs, and buying behavior	352
	Attitudes toward advertising	359
	Attributional processes and advertisements	360
	Advertisements as an indicator of quality	363
	A final word on the social psychology of advertising	363
	Advertising and society	364
	The economic consequences of advertising	365
	The social consequences of advertising	367
	Insignificance of advertisements	369
	Conclusions: Advertising and the individual in the economy	370
14	Growing up in the economy	371
	A possible developmental economic psychology	371
	Theoretical perspectives on the development of economic	
	behavior	374

	Cognitive socialization and its limitations	374
	Alternative theoretical perspectives I: distancing	378
	Alternative theoretical perspectives II: Holmes's theory	380
	Studies of children in the economy	381
	Children's concepts of economic reality	381
	The economic behavior of children	387
	Work	387
	Buying	390
	Saving	392
	Giving	393
	Gambling	393
	The significance of children's economic behavior	394
	Children and television advertising	395
	Toward a developmental economic psychology	398
15	Primitive economies	400
	The ideal cross-cultural approach	400
	The contributions of economic anthropology	401
	Theoretical approaches to economic anthropology	402
	Economic anthropology of modern society	404
	Cross-cultural perspectives on the economic behavior of	
	individuals	408
	Work	409
	Buying	411
	Saving	415
	Gambling	417
	Giving	418
	Economic anthropology and economic psychology	420
16	Economic growth and development	422
	Psychological correlates of expansion and depression in	
	advanced economies	423
	Economic variations due to individual producers	423
	Economic variations due to individual consumers	425
	Individual differences in the economy	426
	Effects of economic change on mental disorder	427
	Economic change and individual behavior	430
	Economic conditions and individuals' attitudes	431
	Psychology and development economics	433
	Psychological causation and development	434
	Achievement motivation, entrepreneurship, and	126
	development	436
	The current status of McClelland's theory	439
	Culture and development	441
	Mental health and the transition to development	443

. 1

	Contents	XV
	Other effects of economic development on individuals	445
	Basic needs and development	447
	Growth and development: one process or two?	448
17	Token economies	450
	Origins and types of token economies	451
	Behaviorism, behavior therapy, and behavior	
	modification	451
	From behavior modification to token economy	452
	Fields of application of token economies	453
	Different methods of implementing token economies	455
	Ethical problems of token economies	457
	Outcome studies in token economies	458
	Effects on target behavior of inmates	459
	Effects on nontarget behaviors of inmates	460
	Effects of token economies on staff	462 463
	Maintenance, generalization, and discharge	463 467
	The origins of the effects of token economies Token economics	467
	Economic behavior in token economies: token	400
	microeconomics	469
	Systematic token microeconomics	470
	Token macroeconomics: the token economy as a whole	473
	The lessons of the token economy	475
	Token economics and reinforcement theory	475
	Token economies and individual behavior	476
	IV Implications	477
18	The means and ends of economic behavior	479
	The psychology of choice	479
	Rationality as a description of choice	480
	Rational forethought as the mechanism of choice	481
	Habitual choice	482
	Saying and doing	483
	Attitudes and attitude change	484
	Social cognition and economic behavior	484
	The nature of human motivation	485
	Biological need	486
	Needs and wants	487
	Drives and instincts	488
	Drive reduction or drive induction?	489
	Reinforcement	490
í.	Incentive and value	490
	Utility	491

		The content of economic motivation	492
		Reliable basic motives	492
		Conflict of motivations	493
		Biological versus social motivation	495
		Structured motivation theories	496
		The characteristics approach	496
		Maslow's hierarchy of needs	498
		Status of structural theories of motivation	500
		The origins of motivation	501
		Structural motivational theory and the origins of	
		motivation	501
		Robust conservatism: Katona	502
		Acquired drives and functional autonomy	502
		Marx: commodity fetishism and wage slavery	503
		Veblen: conspicuous consumption	504
	,	Galbraith: artificially created wants	505
		Social limits to the satisfaction of wants	507
		What has economic psychology to say to psychology?	508
	19	Economics, policy, and psychology	509
		The methodology of economics	509
		Rationality	509
		Multiple sources of utility	511
		Data matter	512
		The need for theory at a lower level	514
		Substantive conclusions for economics	515
		The labor-supply curve, tax, and benefits	515
		Savings and durables purchase	516
		Money: not from primitive to modern, but from primitive	
		to sophisticated	516
		The independent economic life of children	517
		Economic policy	517
		The means of policy	517
		The agenda for policy	518
		The ends of policy	520
		The problems of our time	523
		The technological solution	524
		The political solution	524
		The economic dimension	525
		The psychological context	525
, ,	20	The causation of economic behavior	526
		Examples of dual causation	527
		Work	527
		Giving	528

Contents	xvii
The rationality question	528
The observed irrationality of behavior	529
Objections to the rationality question	530
In defense of rationality	533
Two alternative paradigms	534
Dual causation as a paradigm	535
Implications of dual causation for economics and	
psychology	538
Explanation and control of economic behavior	539
Applied economic psychology	540
The moral use of economic psychology	541
References	
Index	

•**