

## ON THE SCOPE OF ECONOMICS: WHAT IS THE QUESTION?\*

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*The paper attempts to identify the bone of contention concerning the extension of the neoclassical economic approach to traditional domains of other social sciences. The extension of the optimization hypothesis to the study of crime, status, and ideology – known as »economics imperialism« – definitely advances a universal social science. The paper tries to expose the crux of the debate surrounding such a broad scope of economics. The paper maintains that the central bone of contention concerns whether interest and moral commitment, understood as preferred interest, are commensurable as claimed by the optimization hypothesis of orthodox neoclassical economics.*

*The paper argues, the commitment/interest commensurability issue is at the heart of the scope of economics debate. The paper tries to show that the universality of economics thesis is not about, first, whether moral utility is independent of pecuniary utility. Second, it is not about whether the taste for fine arts and the taste for American-style wrestling are commensurable. Third, the thesis is not about whether tastes are given or whether they are endogenously determined by sociocultural values. Fourth, the universality thesis is not about the tradeoff between self-interest and other-interest (i.e., altruism). For that matter, fifth, it is not about the determination of preferences per se. Rather, the paper maintains, the universality of economics thesis stands or falls depending on whether the taste for commitment (i.e., preferred moral principles and rules of justice) is smoothly substitutable with interest. (JEL DO, B4)*

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### 1. Introduction

Most people would feel embarrassed if they discover, too late, that they forgot to remove the price tag on a Christmas or wedding gift. The embarrassment probably stems from the qualm of appearing crass. They are anxious not to be interpreted as asking the recipient to reciprocate the gift with another one with equivalent value. They want the gift to stand as a symbol of appreciation. Likewise, if people purchase a gift at a 75% discount, they would try to hide that fact from the recipient.

What is the source of gift exchange, when it expresses commitment as a taste? Why is it tactless to use a coupon for a meal at a restaurant on a first date? What is more puzzling is why it is crass to be »cheap» towards oneself? Why is it embarrassing to trade self-respect (expressed sometimes in the form of gifts to oneself) for more pecuniary gain, while the opposite substitution is usually admirable? The sale under normal circumstances of honor is awkward to the point that the agent might feel shameful or instead resort to self-deception stories (e.g., the fox and the sour grapes) to deny weak will.

The idea of weak will is used by economic theorists to present the negated commitment as about *given* tastes, rather than about *uncertain* tastes. Tastes, like the promise to help someone or restrain one's self from over-eating, could be uncertain because of the uncertainty of one's estimation of self-capacity to carry out the desired promise. The capacity of the individual, which cannot be captured even by risk estimation in the Knightian sense, hinges not only on innate biological and learned skills, but also on how these skills are organized. A good organization engenders coherent needs and focused common goals. The failure of an agent to fulfill a commitment might stem from a mistaken assessment of skills or a mistaken estimation of the organization principle. One may never know. But we do not need to present the question in terms of uncertainty to capture the problem of commitment. We could assume capacity to be a given fact. The problem then would be about the failure to carry commitment which engenders shame or rationalization.

Shame and rationalization are anomalous for the »economics imperialism» agenda, the orthodox neoclassical advocacy of the universality of optimization. The expansion of the scope of economics into other disciplines is defended by Chicago economists like Gary Becker (1976), Ronald Coase (1978), and George Stigler (1984; see Radnitzky & Bernholz, 1986).<sup>1</sup> Such orthodox neoclassical ad-

vocacy should not be equated with the standard theory of choice. The orthodox advocacy of optimization hinges on whether the tastes for respect, principles, and honor are *smoothly* substitutable with food, music, and clean air. The paper does not attempt to offer an answer. To wit, laboratory findings by psychologists (e.g., Tversky & Kahneman, 1981; Kahneman, 1982) and some economists (Thaler, 1987) have come to disconfirm many predictions of the optimization program. But this should not concern the paper. The paper mainly attempts to identify the question upon which the optimization program stands or falls.

To be specific, the question is restricted to the domain of precise tastes given independently of the well-defined resource constraint – a domain over which the optimization hypothesis operates. So the paper ignores the arena of entrepreneurial potential purposes – like the desire to become a great singer or a medical doctor. Such purposes are not given tastes because they depend on an uncertain assessment of one's resource capacity as made up of tenacity, aptitude, cognitive paradigm, beliefs, and habits. Such a resource capacity cannot be put in term of risk distribution because not all instances of the potential are known.

Section two shows that the multiple-self perspective originating from Alfred Marshall and defended by Jon Elster cannot ultimately challenge the unitary-self perspective of the optimization agenda. Section three argues that the universality of optimization thesis is not about the compatibility of the taste, e.g., for cock fighting with the taste for classic music. Section four contends that the controversy should be differentiated from another one, viz., whether and how sociocultural factors shape individual preferences. Section five maintains that the debate should also be distinguished from how to model other-regarding activity (beneficence) in relation to self-oriented pursuits. Section sixth clarifies that the issue is not about the determination of preference, but rather is about the determination of actual choice in the face of weak will. Section

<sup>1</sup> An advocate of economics imperialism, Michael Ghiselin (in Radnitzky, 1992, ch. 1), an evolutionary biologist and historian of evolutionary thought, even argues

that the neo-Darwinian theory of natural selection should be grounded on a generalized economic theory derived from orthodox neoclassical economics (cf. Khalil, 1993).

seven argues that the scope of the optimization program depends on the commitment/interest commensurability question.

## 2. *Is the multiple-self approach an alternative to the unitary-self perspective?*

Two radically opposing views of the scope of economics are crystallized in the classic positions of Alfred Marshall and Lionel Robbins. Marshall commenced his influential *Principles of Economics* with the definition of economics as the study of material pursuits as opposed to moral and religious ones:

Political Economy or Economics is a study of mankind in the ordinary business of life; it examines that part of individual and social action which is most closely connected with the attainment and with the use of material requisites of wellbeing (Marshall, 1920, p. 1).

Marshall continued: »[T]he two great forming agencies of the world's history have been the religious and the economic» (*Ibid.*). Contrary to Becker's (1976, p. 4) interpretation, Marshall's conception of material ends does not mean »goods» in the sense of tangible commodities, which would exclude services. Rather, it means pecuniary wants as opposed to moral principles and commitments. Marshall's definition entails that there is no single utility function which might encompass material wants and moral commitments as smoothly commensurable ends.

In contrast, according to Robbins, economics is about economizing, i.e., the rearrangement of bundles of products in light of scarce resources which have multiple uses:

Economics is the science which studies human behavior as a relationship between ends and scarce means which have alternative uses (Robbins, 1935, p. 16).

That is, economics, as the orthodox neoclassical approach largely came to adopt, is about the study of any behavior since all behavior re-

quires the expenditure of scarce resources.<sup>2</sup> As put by Becker:

The applications of the economic approach ... are as extensive as the scope of economics in the definition ... that emphasizes scarce means and competing ends (Becker, 1976, p. 8).<sup>3</sup>

In this sense, economics is not about a certain kind of ends, viz., the pecuniary as opposed to the moral. Rather, it is about the efficient use of scarce resources for *any* end. Given the flexibility of resources, rational choice (optimization) entails that agents compare the different ends. The cost-benefit calculation means that ends are ultimately sub-species of a unified pool of abstract utility. Only when one denies the ability to make choice, one can maintain that the agent has separate fixed needs, i.e., cannot be reduced to a common pool. Optimization entails a unitary-self involved in the maximization of unidimensional utility.<sup>4</sup>

Ironically, while Robbins's definition of economics as end-means relationship expels

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<sup>2</sup> Ironically, the etymology of the English word »economics» in Greek, *oikonomikos* (literally: house management), does not concur with Robbins's meaning of the word. Incidentally, the Arabic word for economics, *iktisad*, squarely fits Robbins's sense.

<sup>3</sup> Becker (1976, p. 14) also states that the economizing thesis »provides a valuable unified framework for understanding all human behavior.» This justifies the incorporation within the Hall of orthodox neoclassical economics not only the analysis of family decisions à la Becker (1991), but also the studies of organization of the firm à la Oliver Williamson (1985), crime and punishment à la Richard Posner (1986; see also Tullock, 1971; Becker, 1968; Landes & Posner, 1978; Demsetz, 1967), and behavior of politicians à la James Buchanan (see Khalil, 1987).

<sup>4</sup> The competing definitions of economics between Marshall's and Robbins's replayed itself in economic anthropology. Karl Polanyi (1957, pp. 243-244) advocated what he called »substantivist» economics in the sense that economics should focus on the production and consumption of material goods and services, while leaving status, power, communal goods, and so on, to other disciplines. He criticized what he called »formalist» economics which focuses on the logic of choice and, hence, fails to distinguish pecuniary from other motives. For a review of the substantivist/formalist debate in economic anthropology, see Stuart Plattner (1989, pp. 12-15).

normative judgment from the front door,<sup>5</sup> it invites it from the back door: The application of the global optimality criterion entails that all tastes are commensurable, i.e., smoothly reducible to a single generalized end. Maximizers, in the case of higher relative cost, would smoothly negate commitment in favor of greater income. This does not stipulate that »everything has its price,» but rather that everything has a price at the margin. On this basis, Becker (1968) explains criminal behavior as the product of rational choice. That is, the benefit must have outweighed the cost.<sup>6</sup> The cost does not have to be only the risk of incarceration. It also includes, at the margin, the pain exercised by conscience (Frank, 1987), the risk of tarnished reputation, and long-term loss of contractual business partners in light of reciprocity.<sup>7</sup>

<sup>5</sup> In this regard, Joseph Schumpeter argues that the moral evaluation of ends cannot be the criterion upon which to gauge scientific progress because ends are subjective:

*We may, indeed, prefer the world of modern dictatorial socialist to the world of Adam Smith, or vice versa, but any preference comes within the same category of subjective evaluation does, to plagiarize Sombart, a man's preference for blondes over brunettes (Schumpeter, 1954, p. 40).*

*In fact, Schumpeter (Ibid., 1141) takes pride in the movement away from the policy oriented, nineteenth century political economy to modern »scientific or analytical economics» which is wholly concerned with facts. That is, pure scientific economics is no longer interested in ends but only in means:*

*To say that pure theory is of no interest for practice is as unreasonable as to say that pure mechanics is of no interest for building the machines we want. The ends themselves, that is to say, the kind of society or culture we want, we must choose ourselves. No science can do more than indicate the means of attaining whatever it is we want (Ibid., p. 1145).*

<sup>6</sup> Such an orthodox view of rational choice is not limited to economists. Other social scientists – like James Wilson and Richard Herrnstein (1985), and James Coleman (1990) – use the same conceptual framework. For instance, Wilson and Herrnstein (1985, p. 43) describe criminal behavior as the outcome of reward and punishment calculations carried out by »people (who), when faced with a choice, choose the preferred course of action.»

<sup>7</sup> Many theorists in economics (e.g., Klein & Leffler, 1981; Williamson, 1983; Shapiro, 1983; Shapiro &

Critics of the universality of optimization program argue that when people do not commit crime, it is not because, in most cases, of marginal calculation of gain versus the risk of punishment and the distaste for cheating. But the critics have either failed to offer an alternative or centered their efforts in advocating a multiple-self approach to the question of utility (see Hausman & McPherson, 1993). For instance, Amartya Sen (1980/1981) criticizes the unitary-self conception on the basis that there are different kinds of utility functions. In addition, Amitai Etzioni (1986) insists that moral feelings arise from a different source than pecuniary utility. Etzioni argues that orthodox cost-benefit analysis neglects that there are two irreconcilable kinds of utility: »moral 'utility'» and »pleasure utility.» This implies that economics should be restricted to the study of one kind of activity, viz., the examination of the provision of products which give rise to pleasure utility as Marshall has earlier stipulated.<sup>8</sup>

Likewise, Jon Elster (1984, pp. 124–127) supports K. Borch's critique of the unitary-self conception of utility as epitomized by Becker's work which Borch (1968, p. 22) calls the »Axiom of Archimedes.» Elster instead asserts a non-Archimedean conception of preferences. The non-Archimedean conception recognizes other kinds of rationality »which are in a sense non-comparable and do not lend

*Stiglitz, 1984; Fudenberg & Maskin, 1986; Milgrom et al., 1990) and politics (e.g., Axelrod, 1984, 1986; Calvert, 1989) consider reputation exclusively as an investment to reduce transaction cost of future contracts or, at best, as a status good which could be smoothly traded with other goods.*

<sup>8</sup> Derek Parfit (1984, pp. 117–136) suggests the term »Self-interest Theory» to express what is called here the multiple-self approach, i.e., economics as concerned only with the pecuniary end. Parfit uses the term »Present-aim Theory» to denote what is named here the unitary-self approach. For Parfit, the self-interest standard of rationality presents human behavior as involved in the comparison of cost and benefit only in relation to pecuniary interests. In contrast, the present-aim standard of rationality does not subscribe to the classification of ends; all ends are outside the scope of economics. The end could be lofty, philanthropic, and apparently self-destructive like smoking, gambling, or even taking illicit drugs. Concomitantly, economics would be regarded as interested in the rationality of means – not the rationality of ends.

themselves to the economic approach» (Elster, 1984, p. 127). Elster's non-Archimedean conception of preferences is not different from Etzioni's multiple-self approach because he considers lexicographic preferences to be a »special case» of the non-Archimedean ones (*Ibid.*). Lexicographic preferences involve the idea that, e.g., at subsistence level certain goods have to be satisfied before one can embark on substitution. So, Elster regards moral values and commitments as belonging to a category which stands logically in a symmetrical fashion to the categories for food, shelter, entertainment, and so on. That is, the person is constituted of multiple, symmetrical selves one of which is the moral one.

Can the multiple-self conception, which is implied in Marshall's definition of economics, challenge the unitary-self agenda as entailed in Robbins's definition? There are two problems with the multiple-self approach. First, the multiple-self perspective considers morality as a category of goods which stands logically at the same footing as the clothing and knowledge category. It might be the case that the category for clothing and the category for vacation stand symmetrical vis-à-vis each other. But moral commitments cannot stand on their own to start with. They hinge on how one pursues the other, rudimentary tastes. One cannot consume moral utility independently. It arises as a by-product or a reflection of the consumption of clothing or vacation in the proper way.

Second, and of more importance for the question at hand, once the multiple selves are conceived as symmetrical, the different categories of utility could be eventually relegated to a more encompassing self. In fact, Howard Margolis (1982) proposes such a second-order self which acts as the umbrella of the first-order ones. In this fashion, the multiple-self perspective could be ultimately absorbed within the optimization, unitary-self approach of orthodox economics. The multiple-self conception from Marshall to Elster and Sen is, at best, an argument about the fragmented character of decision making or what Sen (1977) calls meta-ranking. In this manner, the agent makes a choice between certain kinds of shoes or between the broad categories of shoes, morality, and food – but not between one kind of shoes,

one type of moral principles, and one kind of food. So, moral utility would only make optimization choice a fragmented, multiple-step procedure. Thus, the multiple-self approach fails to challenge the main pillar of economics imperialism agenda.

### *3. Incommensurable tastes vs. incompatible tastes*

The optimization thesis requires that tastes are commensurable. But that does not mean the products which satisfy them should be homogeneous. In fact, in most cases, different tastes require different products. For instance, the tastes which shoes and movies satisfy are incompatible: One product provides comfort for the feet; the other provides stimulation for the imagination. But that does not mean the tastes for the comfort and the imagination are incommensurable.

The optimization agenda, which entails the end-means rationality, has enormous power with regard to the continuous ranking of product combinations. This includes the continuous substitution of necessities like home-cooked food with medicine, since both are geared towards the health of the body, in response to changes in relative prices. Furthermore, the standard end-means optimization could explain the substitution between what classical economists call, starting with Adam Smith, luxuries (like fine-cut meat) and necessities (like composite meat) in response to changes of income. The luxury/necessity differentiation gained some currency through Abraham Maslow's (1954) well-known concept »hierarchy of needs.»

According to Maslow, humans are first concerned with material needs whose satisfaction allows them to pursue social needs, like self-esteem, before further seeking moral needs like love, aesthetics, and justice. Such an idea means that honor and pride could only be attained separately and after the attainment of »lower» needs. It seems that Abraham Maslow's (1954; see also Lutz & Lux, 1988, pp. 9–15) »hierarchy of needs» invites many problems. For one, as many have pointed out, honor is woven in every action. To put it in a

probably caricaturistic way, agents do not wait to be rich in order to be self-respectful. Such a failing was recognized by the later Maslow (1968). He instead offered a theory of two types of needs: the set of deficiency (material) needs and the set of growth (moral) needs. In this sense, he does not differ from Marshall's definition of economics or Amitai Etzioni's (1986) divided-self approach.

One thing which could be salvaged from Maslow's hierarchy is Nicholas Georgescu-Roegen's (1954) »principle of irreducibility of wants.« It entails that preferences consist of different kinds, some of which cannot be reduced to or substituted with others. The thesis appears in modern choice theory in terms of lexicographic preferences, where a minimum amount of a necessary commodity like shelter must be satisfied before one substitutes it with other goods (see Elster, 1984, pp. 124–125).<sup>9</sup>

The luxury/necessity distinction is valid and could be empirically ascertained with respect to the value of income elasticity of demand. But the distinction only highlights that tastes for luxuries and tastes for necessities are incompatible. It seems possible for the orthodox utility function to handle the ordering of products like a Mercedes sports car and a vacation in the South Pacific, on one hand, and rice and beans, on the other. The continuity of such products is possible because they could all be transformed into one composite good, viz., Marshallian money. So the agent is not directly substituting between a vacation and a pound of beans. Rather, the agent is substituting each product with the general denominator, Marshallian money, which acts as a proxy for all benefit-providing products.

Asides from the luxury/necessity contrast, another objection to the optimization or commensurability idea could be traced to John Stu-

art Mill's (1962) ideas voiced over a century ago. Namely, Mill refused to treat the taste for pushpin, on one hand, and the taste for poetry, on the other, as lying along a continuum. This entails that refined products like Mozart's music and William Blake's *Urizen* are superior to coarse ones like alcohol and sensational fiction. As widely recognized, Mill used the refined/coarse distinction to distance himself from the homogenous concept of utility held by his father, James Mill, and Jeremy Bentham. Many discussions consider Mill's distinction between »higher« and »lower« tastes as problematic as the problem of the commensurability of commitment, e.g., against stealing and the taste for higher income. For example, Timothy Brennan (1989) regards Mill's refined/coarse distinction, on one hand, and the question of commitment, on the other, as »two« kinds of incommensurability problems. But is the refined/coarse contrast merely about incompatibility – like the case of the luxury/necessity differentiation?

Many parents and educators would probably preach about the superiority of reading Leo Tolstoy's *War and Peace* over watching the movie *Rambo*. The two products are certainly more incompatible than red apples and green apples. But, to start with, there are no perfectly compatible products: Even two equal-sized Granny Smith apples are not perfectly compatible. To wit, the only perfectly compatible values are fungible currencies. Thus, the question of compatibility is about degrees.

Stated differently, the incompatibility of Tolstoy's novel and *Rambo* is similar to the incompatibility of an automobile, a home, and a bottle of beer. Like a home and a bottle of beer, the novel and *Rambo* appeal to diverse tastes. The incompatibility would be accentuated further when the products possess a multitude of attributes. Such attributes certainly make decisions difficult as Issac Levi (1986) registers, but not necessarily discontinuous, insofar as the tastes are still commensurable.

Thus, the thorough characteristic of incompatibility should not be mistaken for incommensurability. As the paper discusses below, incommensurability is related to the actor's choice between what is optimal, on one side, and what is suboptimal but still tempting, on

<sup>9</sup> The idea of necessary, lexicographic preferences negates the notion of abstract, unitary utility function, as Georgescu-Roegen (1954) argues. This may make it easier for theorists to argue that humans have a common »nature« or »humanity« by the sheer common need for essential needs like food and shelter. If this is possible, theorists can undertake interpersonal comparisons. This would provide support, on non-normative grounds, for the redistribution of income in order to increase social welfare.

the other. Thus, in order to establish whether two products are incommensurable or merely incompatible, we need to know the optimal preference of the agent. If the actor prefers to read Tolstoy, but is greatly tempted to watch *Rambo*, the choice between the two products would be, even if he selects the optimal preference, incommensurable. We witness commensurable tastes when one is not tempted by suboptimal options.

In fact, it is possible that the agent's optimal preference for reading Tolstoy is tempted by the inferior alternative of listening to an opera. In this case, incommensurability exists between reading Tolstoy and opera listening – not between reading and watching *Rambo*. Thus, incommensurability is not an innate character of the product as Mill's distinction between refined and coarse tastes entails. Rather, it is a derivative trait in light of what is the tempting option as defined by the agent under focus. Thus, to challenge the optimization agenda, one has to establish that tastes are incommensurable, i.e., not merely incompatible.

#### *4. Anatomy of taste vs. physiology of taste*

The issue of commensurability of certain tastes – like between self-respect and suboptimal additional pecuniary interest – deals broadly with the architectural make-up or, in short, »anatomy» of tastes. Thus, in order to elucidate the scope of economics, one has to distinguish the anatomy problem from a closely related one. Namely, the anatomy problem differs from the question of whether individual tastes are formed in light of sociocultural<sup>10</sup> tastes – what is called here the »physiology» of taste question (Khalil, 1995).

The question of physiology has been discussed in terms of the over-individualization of the agent in orthodox neoclassical economics as opposed to the over-socialization of the agent in functionalist sociology (see Wrong,

1961). The question of physiology or how the economy is embedded within the sociocultural matrix is concerned with the origin of tastes. In contrast, the question of anatomy takes the origin of taste for granted and instead focuses on the interrelation among tastes.

The inadequate distinction between the problems of physiology and anatomy is epitomized in the famous debate between formalist and substantivist economic anthropology (which parallels the Robbins/Marshall contrast). The debate could be illustrated by the extensively studied prestigious activity »kula ring» of the Trobriand Islanders. Bronislaw Malinowski (1922), an early researcher of the Trobriand Islanders, offers a substantivist explanation of the »kula ring» which seems to fail to distinguish between anatomy and physiology of taste. He observes the apparently irrational storing of so many yams in garden storehouses to the point of rotting in order to receive respect from cohorts as well as the performance of expensive garden magic ceremonies. He explains such »irrational» activities as the result of tastes being determined by sociocultural values. On this basis, he concludes that decision making defies transhistorical rationality à la *Homo economicus*, which seems to apply only to modern industrial society.

In this manner, Malinowski explains interrelation among tastes for food and »irrational» tastes for wasted display of yams, i.e., the anatomy problem, in terms of the socioculturation of the individual in society, i.e., the physiology problem. Other anthropologists, usually formalist, are quick to note that prestige-seeking and patriotic/religious/corporate ceremonies, which are behind the wasted display of yams, also characterize activities in modern capitalist societies. Prestige-seeking and ceremonies in modern culture, which received enormous attention from Thorstein Veblen (1979), are too well-known to recount here. Does that mean efficient rationality or optimization is irrelevant in capitalist production as well? Or does it mean, as formalist anthropologists and orthodox neoclassical economists maintain, that prestige and honor are like the tastes for clothes and shelter, i.e., subject to the optimization rationality?

One has to be cautious here. There are the

<sup>10</sup> *There is a difference between subtle cultural heritage and explicit societal/organizational factors. But the difference is outside the scope of the paper.*

two issues at hand, viz., anatomy and physiology of tastes. With regard to anatomy, there is the argument that moral principles, respect, and honor cannot be reduced, at least smoothly, to pecuniary calculations. Such a critique of optimization rationality, as voiced by Veblen, could be transhistorical, i.e., valid to the Bongo Bongo tribe as well as to modern France. That is, its validity is unrelated to Malinowski's proposition that the agent's tastes are shaped by cultural values. With regard to physiology, there is the contention that individual tastes are embedded in the sociocultural matrix. That is, the tastes for certain symbols of honor, or even the menu to satisfy hunger, are determined by the variable sociocultural context. In this light, the thesis of sociocultural variability, at best, deals only with the determination of the specific commodities which satisfy hunger or self-respect; it cannot deal with the anatomical relation between them.<sup>11</sup>

To elaborate, the physiology question is concerned with the theory of the development of particular tastes for, e.g., yams and prestigious rotting yams within a particular historical space. This means it also deals with how, through sociopolitical processes, certain firms, groups, and intellectuals or prophets try to mold or change the tastes of the public towards, e.g., the treatment of animals, war making, other groups, tribal or national identity, and so on. In other words, one takes the inner relation between goals as given and instead investigates how each culture provides a general outline of tastes, technical know-how, and taboos on which the individual may or may not improvise. For instance, concerning the physiology question, the followers of Veblen's institutional approach tend to maintain that not only peer and affiliation groups determine individual choices (e.g., Hodgson, 1989), but also the underlying outline explains

the inertia of habits and customs (e.g., Mayhew, 1987; cf. Khalil, 1994).

In contrast, the anatomy problem examines the connection between the taste for income, on one hand, and the taste for self-pride derived from earning such income through diligent work, on the other. Such an examination, which has moral implications, proceeds irrespective of the specific physiology or content of the tastes which vary across individuals and societies. Thus, the problem of anatomy is not concerned with the origin of the specific content of proud behavior, like abstaining from shirking, winning a football game, or joining a patriotic call to arms. The anatomy problem deals with morality insofar as any action, like free riding, presents an uneasy choice to the agent.

The distinction between the physiology and anatomy of taste is implicitly recognized by the orthodox theory of rational choice. With regards to the physiology problem, the orthodox theory assumes that tastes of the agent are well-defined, i.e., not ambiguous. The axiom does not, as many critics tend to maintain, entail that sociocultural tastes have not shaped the agent's tastes. Rather, it means that the theory abstracts from the problem of such genesis.<sup>12</sup>

With regard to the anatomy question, orthodox theory assumes, on the basis of the axioms of continuity and tradability, that tastes are commensurable: The utility arising from the consumption of a product and the utility stemming from self-respect for attaining the product, are substitutable along smooth indifference curves. This entails that the tastes for self-respect and income are tradable along a continuous function.

This is not the place to analyze critically the axioms of the orthodox theory of rationality. But if they suggest anything, it is the fruitfulness of distinguishing the two problems with which they deal. The distinction between anatomy and physiology might shed some light: When we examine the desirability of certain

<sup>11</sup> Another example of how debaters could be talking across each other is the recent symposium on moral and economic approaches to the study of peasants in Asian societies (Keyes, 1983). Generally speaking, there is no explicit distinction made by the participants between the physiology problem of the relation of the individual to the wider context, on one hand, and the anatomy problem of commensurability of tastes for personal clothing, respect, and communal pride, on the other.

<sup>12</sup> In a well-quoted article, George Stigler and Gary Becker (1977) even maintain that tastes vary very little over time and, hence, they should not even be accorded an explanatory power in the account for price changes.



tastes – like cock fighting, fat-rich diet, Christmas decorations, and wrestling – we are probably interested to know whether such tastes are determined mostly by sociocultural variation or mostly by eccentric habits or biological needs. Such a physiological question differs from the anatomical evaluation of tastes like displayed rotten yams as opposed to yams-as-food, and self-pride as opposed to additional income.

There cannot be global optimization without assuming that self-pride is smoothly traded with additional income. The universality of economics does not hinge on how the taste for cock fighting, self-pride, or wrestling is determined. The fact that the taste is the product of eccentric individual development or sociocultural evolution would not affect the universality of economics thesis. Obviously, the universality of economics thesis has a limited sense. It is not to be understood that economics can substitute psychological, sociological, and political accounts of the genesis of tastes. Advocates of economics imperialism do not even want to investigate the origin of tastes of rudimentary goods (Stigler & Becker, 1977). The vindication of the universality of economics would be limited to the explanation of action in light of *given* tastes. No advocate of the universality of economics claims, with the help of the optimization criterion, to be able to explain the physiology of taste.

### 5. *Commitment vs. self- and other-regarding interests*

In light of the above, the universal scope of economics thesis appears to be related to the anatomy of taste problem. The task here is to clarify further the connection, if any, between the universality of economics thesis and the composition of the utility function with respect to self-oriented tastes as opposed to other-regarding preferences.

The universal scope of economics is often confused with the discussion about human motivation ranging from self-interest to altruism. Critics and advocates alike often cite altruism as a hindrance for or as a manifestation of success of the optimization agenda. Com-

mentators like Amitai Etzioni (1986) and Amartya Sen (1991) point out that one cannot use self-interest maximization if the utility function includes objectives other than self-interest, i.e., beneficence:

A person who chooses on the basis of a systematic preference ordering that takes note of self-interest as well as other objectives may well possess an integrated personality, but his or her behaviour would not typically coincide with one of self-interest maximization (Sen, 1991, p. 14).

Likewise, advocates of the universality of economics point out that the utility function could include tastes concerning the well-being of others without hindering the application of optimization. For example, the utility function proposed by Gary Becker (1976, pp. 282–294, 1991) and Robert Frank (1987) includes the sharing of one's income with others or other altruistic acts while succeeding in submitting the functions to maximization.

However, the ability or inability of the optimization practice to handle altruism is beside the point. The question concerning optimization, to start with, is not about the agent's motivation. The confusion of optimization with motivation is not limited to technical discussions. For example, Siegwart Lindenberg (1983, p. 450) opposes »choice and utility» which underpins economics, on one side, to »moral obligation» which underlies sociology, on the other. The split supposedly follows the divide between the *Homo economicus* of Thomas Hobbes and the *Homo ethicus* of Jean-Jacques Rousseau. This anticipates Thomas Sowell's (1987) categorization of the utilitarian/Hobbesian view of human nature as »constrained vision» as opposed to the moralistic/Rousseau view as »unconstrained vision.» The constrained vision includes Edmund Burke, Milton Friedman, and Adam Smith,<sup>13</sup> while the unconstrained vision includes Tom Paine,

<sup>13</sup> *Contrary to the assessment of Thomas Sowell (1987, pp. 19–21), it seems that Adam Smith does not belong to the constrained view of human satisfaction. To wit, Smith (1976, pp. 315–317) explicitly criticizes Hobbes's egocentric explanation of beneficence and sympathy. This does not make Smith, however, part of the moralistic, unconstrained vision (Khalil, 1990).*

Karl Marx, William Godwin, and Thorstein Veblen.<sup>14</sup>

Although Lindenberg's and Sowell's taxonomies are helpful, they are too wide for isolating the crux of the universal scope of economics postulate. In this regard, they are no different from Marshall's moralistic definition of economics and Etzioni's (1986) idea of »pleasure utility« as opposed to »moral 'utility'«. The category of Lindenberg's »choice and utility,« Sowell's »constrained vision,« Marshall's »material requisites of wellbeing,« or Etzioni's »pleasure utility« fails to demarcate between the commitment made to the self like losing weight, on one hand, and the self-enjoyment of playing a game of cards, on the other. Likewise, the category of Lindenberg's »moral obligation,« Sowell's »unconstrained vision,« Marshall's religious commitment, or Etzioni's »moral 'utility'« fails to distinguish between commitment made to others, on one side, and other-regarding sympathy, on the other. To wit, as Sen notes, there is a difference between the two:

[W]e must distinguish between two separate concepts: (i) sympathy and (ii) commitment. The former corresponds to the case in which the concern for others directly affects one's own welfare. If the knowledge of torture of others makes you sick, it is a case of sympathy, if it does not make you feel personally worse off, but you think it is wrong and you are ready to do something to stop it, it is a case of commitment... It can be argued that behavior based on sympathy is in an important sense egoistic, for one is oneself pleased at others' pleasure and pained at others' pain, and the pursuit of one's own utility may thus be helped by sympathetic action. It is action based on

commitment rather than sympathy which would be non-egoistic in this sense (Sen, 1977, p. 327).

However, there is one problem with Sen's categorization. It is not the fact that he treats sympathy with others as egoistic, which »does not seem a very appealing categorization« for Jack Hirshleifer (1985, p. 55). Rather, it is the restriction of commitment to acts directed towards others. But such a problem is easy to correct: The object of commitment could include the self as well. Such a correction would highlight that the most portentous divide is not between self- vs. other-regarding actions. Rather, it is between interest (which could be self- or other-regarding) and commitment (which could be self- or other-oriented).

In *The Theory of Moral Sentiments*, Adam Smith (1976, pp. 136–137) sketches a problem of moral choice which could illustrate the difference between interest and commitment. Let us suppose that a huge earthquake in China swallows all of its inhabitants. A man of humanity in Europe »would be affected upon receiving intelligence of this dreadful calamity«; he »would ... express very strongly his sorrow«; and »he would make many melancholy reflections upon the precariousness of human life, and the vanity of all the labours of man, which could thus be annihilated in a moment.« But »when all these humane sentiments had been once fairly expressed, he would pursue his business or his pleasure ... as if no such accident had happened.« In contrast, for understandable reasons, the »most frivolous disaster,« like losing the little finger, »which could befall himself would occasion a more real disturbance.« Should we conclude that to »prevent, therefore, this paltry misfortune to himself, would a man of humanity be willing to sacrifice the lives of a hundred millions of his brethren, provided he had never seen them?« For Smith, human nature »startles with horror at the thought« of such a trade.

Smith asks, but »what makes this difference?« That is, why it is understandable to be concerned more about losing one's finger than losing hundreds of millions of lives in an earthquake, while no »villain« has emerged so far who would conspire to save his finger at

<sup>14</sup> *The constrained/unconstrained terminology is part of Sowell's attempt to identify the ultimate difference between conservative and liberal (in the American sense) ideologies with regard to economics, international politics, and social policy. The constrained view regards human action as basically worldly, conniving, instrumental in the sense of being expedient, self-serving, and determined by the free choice of the individual. In contrast, the unconstrained view regards human action as idealist, trustworthy, conscientious, publicly spirited, and determined by cultural/social forces.*

the expense of human lives? If the condemnation of the hypothetical villain is mainly motivated by the concern about the interest of others, we should equally censure the man who pays more attention to his paltry misfortune than to the calamity which took place in China. But obviously there is a difference between the two. This should indicate that our condemnation of the imaginary villain is not based on the »soft« voluntary commitment of sympathy (i.e., the concern for the interest of others). Rather, the prohibition against the infliction of harm or to act so as to affect the happiness of others, must stem from the strong power of commitment, obligatory inhabitant of the breast, i.e., conscience:

It is not the soft power of humanity, it is not that feeble spark of benevolence which Nature has lighted up in the human heart, that is thus capable of counteracting the strongest impulses of self-love. It is a stronger power, a more forcible motive, which exerts itself upon such occasions. It is reason, principle, conscience, the inhabitant of the breast, the man within, the great judge and arbiter of our conduct. It is he who, whenever we are about to act so as to affect the happiness of others, calls to us, with a voice capable of astonishing the most presumptuous of our passions, that we are but one of the multitude, in no respect better than any other in it ... It is not the love of our neighbour, it is not the love of mankind, which upon many occasions prompts us to the practice of those divine virtues. It is a stronger love, a more powerful affection, which generally takes place upon such occasions; the love of what is honourable and noble, of the grandeur, and dignity, and superiority of our own characters (Smith, 1976, pp. 136–137).

In other words, when we act according to duty and commitment, and do not inflict harm on others in order to advance our interest, we try to fulfil the »superiority of our own character« rather than try to advance the interests of others. Of course, in many occasions, agents act in order to advance the interest of others. But when we refrain from injuring others, such actions arise more from a commitment to the self than out of concern for the interest of oth-

ers. If justice and the sense of duty, which prompt agents to undertake enormous sacrifices, flow purely out of sympathy with others, why should we not be concerned with every little misery in the world – not to mention the great calamities like Smith's story about the huge earthquake in China?

This calls for the separation of interest and committed interest – which is asides from whether the self or the other is the object of action. The separation between interest and commitment might allow the clarification of the optimization question. The issue of optimization does not stand or fall in light of whether the object of agents' actions is exclusively the self or includes others. Rather, the optimization agenda of economics imperialism stands or falls in light of whether interest and commitment (irrespective of the object) are commensurable or incommensurable.

## 6. *Determination of choice vs. determination of preference*

The distinction between interest and commitment seems to correspond with Sen's differentiation between sympathy and commitment. However, the term »interest« is more adept than »sympathy.« The term »interest« conveys that the issue is not about the self/other divide. This would clarify that the question of the universal scope of economics is not about the determination of interest, i.e., what bundle of tastes (including obligation) is determined as optimal. Rather, the universal scope of economics stands or falls on whether, once the optimal preference bundle is determined, there is a strong will or a commitment to select the optimal preference.

The determination of interest is about the determination of one's preferential action in light of justice, the budget constraint, and relative prices. The determination of other-regarding interest, like sharing one's automobile with a stranded traveler or helping a friend to clean her backyard from fallen trees after a storm, involves the allocation of resources according to one's set of *preferences*. In other terms, the determination of preference is concerned with, given rules of justice, the alloca-

tion of sympathy between self- and other-regarding and the exact content of the enjoyed products. In comparison, the carrying out of commitment has no content: It is basically about the execution of the optimal preference; i.e., it is about the actual *choice*, against any tempting suboptimal bundles, whatever the person has determined to be her optimal allocation of resources. In this manner, commitment is an empty shell of actually choosing the optimal interest. Therefore, commitment is not about the determination of preference, but rather it is about the determination of (actual) choice.

The well-known story of Ulysses and the Sirens is relevant here (see Elster, 1984, pp. 36–37). Ulysses asked to be tied with ropes to the mast of the ship and to be released only after passing the island where the Sirens live. In such a constrained choice, he could not (since he alone could hear) be lured by the seductive singing of the Sirens and steer the ship into the deadly rocky coast. While Ulysses *preferred* to live, he knew that he had a weak will with respect to his *choice*. The Ulysses and Sirens story, known also as the »precommitment» problem (Elster, 1984, ch. 2; Thomas Schelling, 1984b, chs. 3–4), exposes the thin but important dividing line between the determination of preference (interest) and the determination of choice (commitment). The line is usually squashed in the many discussions conducted by orthodox as well as heterodox economists.<sup>15</sup> As mentioned above, the preference/choice fault is obliterated when writers equate altruistic acts (other-regarding interest) with actions which fulfil commitments.

The preference/choice distinction is implicitly recognized by the orthodox rationality theory. Orthodox theory employs the axiom of completeness (i.e., the strong axiom of revealed preference) in order to determine the order of preferred bundles. The axiom assures that agents can judge among the set of possible bundles. In comparison, orthodox theory employs the axiom of selection with regard to

(actual) choice. The axiom assures that there is one-to-one correspondence between preference and choice; i.e., humans do not have a weak will.

With relation to preference determination, an agent may decide (without informing others) to eat less fat-saturated food because, in light of relative cost, health is more optimal than a tasty diet. Or she may decide (without letting anyone know) to help a friend to paint his house because, given the degree of sympathy or bonding, the adjusted cost of hiring someone is greater than her opportunity cost. However, with respect to choice determination, the agent might actually choose to eat more of the fat-rich food – not because of new, unexpected information, but rather because of failure to resist the temptation. Or she might choose not to help the friend – not because of an unexpected event, but rather because of failure to block the lure of television watching.

To be clear, temptation or weakness of will is not simply the difficulty of making one's mind – which could be the result of insufficient information or incompetence. Once weakness of will is recognized, choice definitely does not reveal, as assumed by the selection axiom, optimal preference. As pointed out by Jon Elster (1985) and Thomas Schelling (1984a), the weakness of will is the major hole in the orthodox neoclassical paradigm. The weakness of will questions the validity of the selection axiom. This creates a disjuncture between the determination of interest and the determination of choice. Since choice determination concerns executing commitment, the disjuncture between preference and choice is necessarily the same as the commitment/interest distinction.

## 7. *The commitment/interest distinction*

The commitment/interest differentiation might be the adept gate through which to investigate the optimization thesis. While commitment represents optimal option, interest expresses the substrate of choices from which the optimal option is identified. Under the protection of the selection axiom, economists

<sup>15</sup> To note, it seems that Adam Smith (1976) distinguished between the moment of determining preference and the moment of prompting choice (Khalil, 1990, pp. 265, 270).

shun the question of choice which many agents might face between what could be incommensurable options. Once the selection axiom is critically examined, one starts to ask: Does the chosen action reflect (optimal) preference and, hence, fulfill one's commitment? Or does it negate preference and, hence, nullify one's principle?

It appears that the familiar emotions of shame and awkwardness may reflect the self-judgment that the negation of preference is not the result of unexpected events (i.e., events which were not part of the *ex ante* calculation). Rather, the feelings may suggest the self-assessment that choice was suboptimal, i.e., the outcome of weak self-control with regard to temptations.<sup>16</sup> In such a case, the choice would be, not to be confused with Sen's (1982) term, »counter-preferential.« In contrast, when the choice is optimal, it could be called »pro-preferential« choice.

Once counter- or pro-preferential choice is introduced, and the selection axiom is no longer hidden away, it would shed interesting light on many phenomena which are not handled well by orthodox theory. The feelings of pride, arising from pro-preferential choice, and shame, emerging from counter-preferential choice, are by-products of actions originally aimed at attaining interest or elementary tastes.<sup>17</sup> The major question with regard to the universality of optimization is whether such by-product feelings of pride and shame commensurable with the elementary interests which occasioned them?

If pride and shame are incommensurable with the elementary interests which occasions them, we cannot have a simplistic, unitary utility function. That is, the maximization universality thesis, stretching from Robbins to Beck-

er, would be shaken if the by-product feeling of pride in connection to choosing commitment is found to be non-substitutable with elementary tastes.

It seems that the anatomy of a preferred interest, on one hand, and the by-product feeling which arises from choosing or failing to choose the preference, on the other, is the crux of the universal scope of optimization thesis. The thesis is premised on the postulate that the by-product feeling of embarrassment, e.g., for failing to stand up to a supervisor in order to enhance the chances of career advancement, lies with income along a smooth utility function. This presents, at first level of approximation, a picture of the function as a simple plane of tastes, i.e., free from any deep moral conflicts.

## 8. Conclusion

The paper tried to argue that the universality of economics question is not, first, about the separateness of moral utility from pecuniary utility. Second, it is not about the luxury/necessity incompatibility of goods à la Maslow and the refined/coarse incompatibility of tastes à la Mill. Third, it is not about the physiology, i.e., the sociocultural or psychological genesis of the agent's tastes. Fourth, it is not about the question of self- vs. other-regarding interests. Fifth, it is not about the determination of optimal interest. Rather, it is about the incommensurability of options, as deciphered in the anatomy of taste, arising from weak will, i.e., the choice between optimal interest (commitment) and suboptimal interest. The commitment/interest opposition, which makes choice determination problematic, has been dodged in orthodox economics under the comfort of the selection axiom.

The paper commenced with two competing definitions of economics: Is economics about one kind of behavior, viz., the pursuit of material (as opposed to moral) ends? Or is economics the study of efficiency with regard to all behavior? Marshall's idea that economics is about one kind of behavior faces one great challenge: It obviously misses the fact that people use economic reasoning when, e.g.,

<sup>16</sup> It might be helpful to limit the concept »self-control« to the resistance of temptations. In contrast, it would help to restrict Adam Smith's (1976, part 1) concept »self-command« to the manner he employed it, viz., the tuning of one's grief or exhilaration to the degree called by the occasion (Khalil, 1990). To note, Thomas Schelling (1984a) uses the term »self-command« not in Smith's sense but in the sense of »self-control« suggested here.

<sup>17</sup> See Jon Elster's (1983, pp. 43–108) discussion of by-products and the awkwardness of willing them directly.

they donate money to a shelter for homeless mothers. Why, to plagiarize Frank Hahn (1991), do some individuals donate \$100 rather than \$1000 to a cause or charity which they support?<sup>18</sup> However, Robbins's definition of economics as covering the broadest scope cannot easily explain why people feel awkward when they fail to abstain from suboptimal fat-rich food and feel proud vice versa. The feeling of pride is evident irrespective of the object of the interest (self or others) served by the action. The end of Saint Thomas More might be an extreme example of the pursuit of pride and commitment – nevertheless it is instructive since it is usually admired.

Thus, the challenge which should face the universality of economics thesis is not the run-of-the-mill critique that we cannot or should not place pecuniary value on expected infants, life, sexual services, internal organs, and so on. Rather, the challenge is that once people regard something – like a born infant, promise, or symbol of bonding (gift) – as part of one's »individuality» or »self-worth,» it would be embarrassing for them to exchange it for additional interest which was *ex ante* determined to be suboptimal.

The issue of »individuality» raises a whole set of questions concerning the »self» which cannot be entertained here. But it is important to study how different societies and individuals define differently what belongs to the »self» proper. Such an investigation might show that there is nothing intrinsically part of the physiology of the self as presumed by moralists. On the other hand, the study might show a transhistorical tendency, afforded by the anatomy of taste, for agents to segregate cer-

tain goods and regard them as »sacred,» i.e., cannot be substituted with interest under implicitly understood costs. That is, for each sociocultural setting, there is a class of goods which define the »self» and act like promises, i.e., cannot be traded as a result of the temptation for comfort or income. Thus, the challenge facing the universal scope of economics thesis is to show how pride, arising from preferential choice, could be placed with elementary interests along a smooth utility function.

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<sup>18</sup> As put by Frank Hahn, it is evident that economization is an aspect of all behavior, and man is competent:

Why do you give the beggar ten pence and not ten pounds? Why do you visit your friend in hospital once a week and not daily? You are evidently trading between competing desires and motives. But trades involve comparisons and comparisons require comparability. This can be achieved in thinking of the individual not as in search of happiness, or respectability or physical well being but as having preferences over a suitable domain of alternatives. This essentially becomes a theory of the integrated personality: a man knows what he wants (Hahn, 1991, p. 8).

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