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The "economic" or "rational-actor" approach to the study of human behavior draws on the traditional economic view of the individual as self-interested and isolated, freely and rationally choosing among alternatives based on cost-benefit computations. This deliberately parsimonious approach has been applied to an increasingly broad spectrum of human behavior that extends well beyond the economic realm. While this application has yielded useful insights, it is ultimately too simplistic to adequately describe even the basic economic processes of consumption and production for which it was initially designed. In the interest of greater realism, it is time to abandon excessive parsimony and to reincorporate into the economic discourse some of the factors that account for the complexity of human nature. Specifically, two fundamental human tensions should be revisited -- the choice between instrumental and noninstrumental modes of behavior and the propensity towards self-interest or public morality -- and two basic human endowments should be reincorporated -- voice and the capacity for self-evaluation. "Voice", the capacity for verbal and non-verbal communication and persuasion that can affect economic processes by means other than the traditionally recognized option of "exit", has been discussed at length in another work.[1] This article addresses the importance of the other three factors.

TWO KINDS OF PREFERENCE CHANGES

Amartya Sen and others have introduced into economic discourse the useful distinction between first-order and second-order preferences, or, in the terminology that will be used here, between preferences and metapreferences[2]. Economists have traditionally limited themselves to the consideration of (first-order) preferences, that is, the tastes that are revealed by individuals when they buy goods and services. However, this limited scope of analysis ignores the uniquely human capacity for self-evaluation that may lead an individual to question his or her revealed tastes or preferences and form value-based metapreferences that differ with -- and potentially bring about changes in -- preferences.

There are therefore two types of preference change: unreflective, impulsive changes in tastes, and reflective, tortuous changes brought about by the development of metapreferences that are at odds with previously exhibited preferences. If economists are truly interested in understanding processes of economic change then they must understand both types of preference change. However, traditionally they have focused on the unreflective - and generally minor - changes in taste, ignoring changes of the reflective kind or at best reducing them to the status of mere changes in taste, e.g., the concept of a "taste for discrimination" introduced by Gary Becker[3].

Two problems arise from this approach. First it impedes efforts to develop an understanding of strongly held values and how they change. Secondly, it leads to the assumption commonly made by economists that human values can best be changed by raising the costs of acting in ways that society deems to be undesirable, rather than by setting standards and imposing prohibitions and sanctions. Economists therefore propose to deal with problems such as pollution by only using effluent charges or other direct costs. Legislators and the public, however, try to change the standards of acceptable behavior through political and regulatory instruments such as laws that limit pollution. In effect, economists assume that individuals are driven purely by tastes in both civic and consumption-oriented behavior, and that these tastes are either unchanging or change, such as in response to price and income differences. The possibility that preferences are influenced by values and that people are capable of autonomously and reflectively changing their values is ignored. Yet, such changes in value do occasionally occur and their effects on consumption behavior are worth exploring.

TWO KINDS OF ACTIVITIES

In evaluating the productive activities of firms, a clear distinction can be made between inputs and outputs, or costs and revenues. However, with respect to the productive efforts of individuals, the distinction between inputs and outputs, or between work/effort and pay/reward, may be less clear. For firms, inputs (costs) are clearly entered as negatives in company accounts. For the individual, the effort of production may be seen either as a positive or negative, i.e., the means to the end of a productive effort are *not necessarily* a negative entry in the calculation of satisfaction. The positive and normative implications of this for income differentials have long attracted the attention of economists, and it is necessary to understand the sources of this ambiguity if the complexity and full range of human activities are to be properly interpreted.

One way of understanding the extent to which the means (work or effort) is seen as a negative cost or as a positive benefit may be found by considering the predictability of the outcomes of this effort. If an activity has a perfectly predictable outcome in the short or long run, then the clear separation of the productive process into means/costs and ends/benefits seems to make sense; the work appears to be essentially instrumental. However, for activities with uncertain outcomes such as the pursuit of truth, beauty or justice, *striving* becomes an important component of the inputs, and the clear means-ends distinction breaks down. Noninstrumental activity is thus characterized by a certain fusion of, and confusion between, striving and attaining.

In a similar way, traditional economic thinking has typically assumed that utility accrues through the actual consumption or use of a good. However, in reality there is often much utility gained in *savoring* expected future consumption, use, or achievement. This can be true whether or not the expectation is certain to be fulfilled. This savoring - the fusion of striving and attaining - thus explains much of the existence and importance of noninstrumental activity. A complementary view developed in part by Pizzorno[4] suggests that much of noninstrumental behavior, e.g., working in a political campaign, is valuable because it enhances either the feeling of belonging to a group or simply of being human. In other words, noninstrumental behavior can be understood as an investment in individual and group identity.

The importance of this for economists is its usefulness in explaining both collective action and productivity changes. Analyzing political action without an understanding of noninstrumental behavior leaves economists unable to explain why people vote or engage in collective action. However, in the context of noninstrumental behavior it becomes apparent that

> since the output and objective of collective action are . . . a public good available to all, the only way an individual can raise the benefit accruing to him from the collective action is by stepping up *his own input*, his effort on behalf of the public policy he espouses. Far from shirking and attempting to get a free ride, a truly maximizing individual will attempt to be as activist as he can manage.[5]

Accordingly, collective action becomes a less surprising phenomenon. For example, shifts in labor productivity can be explained by the fact that the assumed connection between instrumental and routine activities and noninstrumental and non-routine ones does not always hold; some routine activities may take on noninstrumental components, and vice-versa. Fluctuations in this component may then affect labor productivity, such as through the extent to which people see their work as just a job or as part of a "collective celebration".

LOVE: NEITHER SCARCE RESOURCE NOR AUGMENTABLE SKILL

The need of any economic system, including capitalism, for the "input" known as morality, civic spirit, trust, or observance of elementary ethical norms is widely recognized. Differences arise, however, over the question of what happens to this input as it is used in the production process. Two standard models of factor use apply. The first is for inputs such as scarce material resources that are depleted during the production process. The second is for inputs such as skills that are improved by use and hence increase in availability during the production process. However, neither of these models adequately account for the important input of public morality, or "love".

Love, or public morality, has occasionally been treated as a scarce resource, the use of which must be economized. The near absurdity of this approach is clear; certainly the supply of this input is not fixed or limited. Hirsch has approached this problem from the opposite perspective[6]. He suggests that if a system such as capitalism convinces people that self-interest is all that is required for adequate performance, and that morality and public spirit are unnecessary, then the system will undermine its own viability since these civic-minded inputs are more important to the system than the official ideology acknowledges. Yet, this alternative view based on the "atrophy dynamic" (which equates love or public morality with a skill that improves with use and atrophies when ignored), also has weaknesses since it seems unlikely that increasing the use of public spirit can indefinitely increase its supply. At some point this practice would conflict with self-interest or even the requirements of self-preservation. In fact, it seems that love and public spirit exhibit a complex, composite behavior, atrophying when inadequately called upon by the socioeconomic system, but susceptible to overuse if they are relied on to excess. The problem lies in locating these outer boundaries, a challenge that may correspond to the weaknesses of today's capitalist and centrally planned economies. Nevertheless, it is necessary for economists to recognize both the importance of and the limitations on this resource in the economic production process.

CONCLUSION

Economists have tended to ignore the human capacities for voice, communication, and for self-evaluation. They have thus overlooked the existence of values and metapreferences that shape and change tastes and preferences. In addition, they have focused excessively on the instrumental aspects of behavior while neglecting noninstrumental modes. This has championed the role of self-interest, while it neglected the importance of benevolence and public morality to all economic systems. In the interests of better reflecting and understanding reality, it is time to reincorporate these missing elements into the economic discourse.

Notes

1. Albert O. Hirschman, Exit, Voice, and Loyalty: Responses to Decline in Firms, Organizations, and States (Cambridge: Harvard University Press, 1970).
2. Amartya K. Sen, "Rational Fools: A Critique of the Behavioral Foundations of Economic Theory," Philosophy and Public Affairs (1977, *6*, 317-344).
3. Gary S. Becker, The Economics of Discrimination (Chicago: Chicago University Press, 1957).
4. Alessandro Pizzorno, "Sulla razionalità della scelta democratica," Stato e Mercato (1983, 3-46); English version in Telos, Spring 1985.
5. Albert O. Hirschman, Shifting Involvements: Private Interest and Public Action (Princeton: Princeton University Press, 1982), cited by Hirschman, 152.
6. Fred Hirsch, Social Limits to Growth (Cambridge, Mass: Harvard University Press, 1976).