

ADRIAN FURNHAM AND ALAN LEWIS, *The Economic Mind: The Social Psychology of Economic Behavior*. New York: St. Martin's Press, 1986. xii + 292 pp., index. \$35.00.

Both economists and psychologists often attempt to explain the same kinds of behavior—work effort, private consumption and saving decisions, government expenditures—but have traditionally done so with very different models and methods. Economists usually build their models from the utility maximization framework developed over the last century, relying on a methodological view that emphasizes the predictive power of theories rather than claiming descriptive realism for their assumptions. Psychologists have relied on a more eclectic approach, which often revolves around key concepts such as the Maslovian hierarchy of needs, cognitive dissonance, and the Protestant work ethic. Although the original theoretical development of these concepts may not rely on extensive empirical work, their application to models of behavior is typically grounded in data much more firmly than are economic models.

It is natural to ask whether each discipline can learn from the other. Economists have taken two different approaches to interdisciplinary work. One line of thinking, pioneered by Becker, is based on the view that the economic approach, combined with a little ingenuity in applying concepts of prices, incomes, and budget constraints to unconventional situations, provides a unifying structure for understanding virtually all of the behavior studied by social scientists. Another approach taken, for example, by Akerlof and Dickens (1982) in their model of cognitive dissonance and Kahneman et al. (1986) in their firm pricing models, integrates some insights from social psychology into the traditional economic models of consumer demand and other kinds of behavior.

How social psychologists model economic behavior is the subject of *The Economic Mind*. Its purpose is “to offer a comprehensive critique of the (social) psychological literature as it applies to various specific economic phenomena” (p. 9). The list of topics covered is broad and includes the economic socialization of children, consumption, saving, gambling, poverty, affluence, unemployment, and public sector choices. The authors, both British social psychologists, have made substantial contributions to some of the literature they review.

The authors are most successful in compiling accessible summaries of often vast literature in these various areas. Economists interested in an overview

of how social psychologists have approached these subjects will find this book and its references quite useful. Insights range from the substantial, as with expectancy theories that elaborate the concept of expected value and the work by Kahneman and Tversky on information processing, to the curious, as with evidence of a substantial negative correlation between a country's per capita GNP and the physical size of its currency, interpreted as an institutional expression of the greater subjective needs of persons in poor countries.

The authors' critique of this literature will be less satisfying to economists. Neither of the authors appears to have a grasp of more than introductory economic theory; their critique, accordingly, fails to integrate economic and social-psychological approaches to understanding economic behavior. To be fair, though, it must be noted that the authors never promise such an integration.

Dissatisfaction also stems from the literature itself rather than from the authors' summary of it. Too often the social-psychological approach centers on a concept whose empirical investigation is conducted through a factor analysis of data collected especially for the purpose. The links between the given concept and the behavior of interest are rarely incorporated into refutable hypotheses. Worse, the scaling for the factor analysis is usually obtained through exploratory factor models not linked to the behavioral outcome of interest. Confirmatory factor models such as LISREL would enable these links to be made and offer a more satisfactory approach to the scaling problem.

Empirical work linking the social-psychological factors to outcomes of interest often shares with the economic approaches a dearth of appropriate data to test the models adequately. Several chapters in this book conclude with a call for more appropriate, often longitudinal, data to make proper testing possible. This need is most clearly apparent in the literature linking social-psychological concepts such as locus of control and economic success. Here the chicken-and-egg problem is particularly perplexing: Does the attitude produce the success or does the success lead to more positive attitudes? The literature using U.S. longitudinal data sources to investigate this question is more extensive than the authors believe (e.g., Andrisani, 1978), although it is by no means conclusive.

*The Economic Mind* is a useful statement by social psychologists on the current state of work done largely by members of their own discipline studying economic behavior. That much more work needs to be done is obvious to both the authors and to economists viewing the subject from their own very different discipline. Perhaps such work will be forthcoming. Interest in linking psychological concepts and economic behavior has grown sufficiently to support a new journal, the *Journal of Economic Psychology*, and to produce some private foundation support for the research itself. The barriers stemming from the different theoretical and methodological approaches of each discipline are formidable, and there is a tendency for each to look askance at interdisciplinary efforts. But by the same token, the enormous investments of intellectual re-

sources made within the fields of psychology and economics aimed at a greater understanding of economic behavior have produced insights worthy of integration and likely to shed light on the behavior that each discipline, in its own way, seeks to understand.

#### REFERENCES

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