

CHARLES UNIVERSITY IN PRAGUE

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**Ideas of Hedonism and Stoicism Implemented in
today's World of Economy**

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Abstract

The main motivation for this work was to show that economy cannot be explained just by economy. Many other sciences are essential for understanding economic processes and models of behavior. This paper presents the proven relations between the philosophy, economics and psychology. The study of different economic concepts requires development of an extensive network of connections between humans on the one side, and their social needs and behavior on the other side. The starting point is the return in the time of Ancient Greeks, with whose theoretical approaches can be explained the majority of person's actions. This paper uses theoretical analyses to assess the impact of the "passions and interests", hedonic happiness and stoic self-interest on the economic policy and individuals. Through the gently presented forms of hedonism, this work deals with different theories such as theory of modern consumerism, marginal utilitarianism, preference theory, theory of rational allocation. The data gathered in the form of publication analysis, little psychological experiments and real life examples serve to test the hypothesis of the direct relationship between hedonistic impacts on economic theory. The two research questions are dealing with mastery of passions and interest in the economic behavior as well as with the difficulty of achieving overall satisfaction in the selfish, individualistic era. Results are showing that it is not possible to find happiness in material wealth; furthermore it is not possible to act like hedonist in market oriented economy. People are driven by their interests, which are prominent in relation to the passions. In the end, greed and competition for the material possessions make people unhappy and leads them to contradictory choices and non-rational behavior. The general conclusion of the thesis states that in spite of the contrary believes of many theorists hedonism still has a strong conceptual framework for the economic theory.

Keywords

Hedonism, Consumerism, Individuals, Society, Hedonistic Paradox, Happiness

Statements

1. This statement is to prove that this paper is a product of my own work and to confirm that I used the listed sources in producing it.
2. I agree that the paper can be checked for research and studying purposes.

Prague, 31 July 2012

Ivana Djikanović

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Introduction

Before we begin to explore this topic, we would like to say something more about the subject itself. We would like to introduce dualism in the world which becomes a part of the society, human behavior, political system and economics. The dualism in society exists before the first civilizations came to be and almost in all cases society was under the existence of dichotomy, and it has not worked, and the result was corruption and ruination. In ancient civilizations, the wise people constructed states where the desiring and greedy brought them down as a result of their lust for conquest and rising prosperity. We choose hedonism and stoicism as two sides of the same in order to describe and explain urges of human actions in today's world of economy and politics. In the short run, people's decisions and actions can be reshaped from stoics to hedonistic and vice versa. This topic is attractive because it allows making connections between reality, human thinking, principles of behavior and society. Economy as a science cannot be explained just with economy and this concept will remain dominant through the whole work. We will use different natures of correlations in order to understand deepness of the economic processes.

Economic sphere is imbued with branches of music, philosophy, psychology, arts, politics, astronomy and every little piece of that Universe can be crucial for understanding one system, and process of human existence and functions. The world is one powerful machine; its mechanism must be essentially understood in order to achieve the optimal social system in which hedonism and stoicism will find their natural string of balance. Strong network of factor's interdependence and changing, in order to achieve improvement, is anti-altruistic construction of the capitalist world, but we will talk about that a little bit later. This study addresses a wide range of theories and utilizes numerous empirical instruments. In the first part of the dissertation,

we will use some basic hedonistic and stoic principles in order to describe today's economy from their point of view. Some of the theories will be individualistic models of behaviour, ethical hedonism, theory of rational choice, consumerism theory, altruism as well as a concept of happiness. All these theories are distinguished not only for understanding the underlying hedonistic and stoic's principles but for understanding well-being and the main idea implemented in today's socio-economic system and culture. In other words, these theories can be used to describe the behaviour of the state and market players as well as general behaviour of people in the society. Also, one of the objectives of this thesis is to show how crucial role hedonism and stoicism have played in the continuous and, at the same way, central issue of economic theory. In the process of showing, there will be use a brief examination of the crucial origins of hedonistic and stoic ideas, which are fruit of the ancient Greeks' work. In the economic theory, main hedonistic ideas found their role primarily in the works of Hobbes, Helvetius, but their sub sequential implementation started with the work of Jeremy Bentham, John Stuart Mill and Paul Samuelson. It will not be scrupulous not to mention the relationship between elements of hedonism and economic thoughts imbued through leading marginalism theories and marginal school. According to this school, hedonistically based terms became part of the central economic theory. Even microeconomic theory has hedonistic attitude. From the other side, anti-hedonistic alignment has been support by many famous creators of economic theory. Between popular and influential philosophers and economists, who were supporting alternative economic approaches, are Adam Smith, John Maynard Keynes and Marx. They developed stoic's form of non-maximizing theories, which are independent of the hedonistic background. Before we begin to develop influence of these two philosophical approaches on the

economy, and legislative framework we would like to introduce fundamental beliefs of ancient Greeks ideas based on hedonism and stoicism.

The hypotheses that will be explained by this study are:

- The self- interest and passions are the main leaders of capitalist society
- Hedonistic paradox- The pure hedonistic happiness cannot be found in material wealth

This study aims to show that, contrary to popular belief, hedonism has played vital and continuing role in the development of economic theory. The work deals with a brief discussion of the nature and significance of these two philosophies. The historical experience will give a brief examination of the origins of hedonistic and stoic ideas.

The results of this analysis will allow us to draw attention to the main philosophical issues. On that way, we can learn how to use them for the future challenges of humanity.

Methodology

In this section, we will briefly discuss the methodological appearance of the research. We will elucidate the advantages that qualitative methods available in the context of hypothesis improvement. The last section of the chapter will cover the list of sources where empirical data was gathered.

Qualitative methods

This dissertation will focus on two main philosophies: hedonism and stoicism. Also, we will discuss in details the linkage between them, different economic processes and subjective

states of individuals, pointing out causality issues. Therefore, qualitative methods that are based on conceptual understanding, deep data, processes and meanings will help us to understand and provide answers to the over mentioned research statements. The main challenge of using qualitative methods is defined by the ability to explore practices, attitudes and experiences that lead us to a comprehensive understanding of certain connections between different fields. (Stocker 2002)

Sources

The types of tools that can be used within the domain of qualitative methods that use the logic of development are mixed. In preparing theoretical framework, we use academic studies and journal scholarly articles on the hedonistic processes in the economy. Data is primarily gathered from philosophical researches as well as psychological observations. We will discuss the practical occurrence of hedonistic ideas in modern thought through their usage in the economic field. These ideas are mainly introduced with the work of Mill, Bentham, Samuelson, Smith. They have considerable impact on current developments in economic theory especially in the fields of consumerism. We will also present discussions of alternative economic approaches based on stoic issues- Adam Smith and Marx altogether with some popular articles based on hedonism through the economy of happiness by Richard Layard.

Historical Background - Ancient Greek Ideas

In Ancient Greek “stoic” was derived from their main ethic based on freedom from “passion” by following “reason” or ratio. In simple words, stoic means a person which is indifferent to pain and is quite reasonable. Stoics believed that destructive emotions are the result of improper judgement, and they were proclaiming that a person who emotionally is free can be morally and intellectually perfect. The main stoic principle about perfectly rational way of life is to behave properly. They believed in Natural life and they used to say “We must use nature as our guide ...Therefore to live happily is the same thing as to live according the Nature”. (J.N. Sevenster, 1961, p.137) Later Stoics believed that virtues are sufficient for happiness and causally the man could avoid failure. Even today the idea of self-control, as one of the most critical components of human behaviour, is commonly presented by stoic philosophy. Their concept of universal reason called “logos” was a rise of development of later individual’s ethics and moral well-being as a rational way to fight negative emotions. Stoics created a way of living life in harmony where logos will remain dominant. The main place was given to reason and virtue with the divine order of the Universe, in recognition of the common reason and intrinsic value of all people. First Plato, in his teachings, wrote about central virtues of the Stoic philosophy such as wisdom, justice, and temperance. On the other side, word “Hedone” gave a birth to a little bit different philosophical approach, called hedonism. As it is all known, even in jargon, this word means pleasure as the leading power in life. Main focus of hedonistic philosophy was how to maximize pleasure, satisfaction and happiness. From the economic point of view, this can be translated in how to maximise utility and became richer in every possible sense. Later Utilitarianism has partly been derived from hedonism, but we will discuss this approach a little bit later.

The hedonist function of utility was equal to maximization of their pleasure. Consequently, J.S. Mill included the term of utilization through the quality of pleasures that we enjoy. One of the earliest Hedonistic schools was called Cyrene and its “father” and creator of the basic principles was Democritus. They developed the idea that pleasure, as the universal hedonistic “God”, has to be included in every possible area of life. Hence, they recognized the importance of social obligation, and they believed that pleasure can be enhanced from altruistic way of life. Out within a century this school died and was replaced with more familiar school of revolutionary philosophy of Epicureanism. Father of this school, Epicurus, was proclaiming the idea of proper pleasure whose primary purpose was to obtain spirituality and freedom from the fear which was possible through flowers of humankind’s knowledge and limits of irrational desires. This means that following form of hedonism was against greed which is the supreme leader of the human actions in the mainstream economy. Slowly we came to the greatest turning point between the Stoics and Hedonists. Stoics were satisfied with what they have, they put an effort to make connections between spirit and nature but on the other side hedonists enrich their pleasure in the pure existence where their relation with nature was not necessary. Even with many differences, these schools had a common goal which was based on construction of peace and harmony, in order to avoid crisis and collapse. In any case, everything is a matter of attitude. According to both schools, failure and crisis are the result of poor character, lack of knowledge and self-awareness. Unlike the hedonists, who evaluate the welfare of others, only in terms of one’s own satisfaction, the stoics viewed all humans as responsible citizens of one “universal city”, which they used to call Cosmopolis. Later on, from branches of stoic’s ideas, has originated cosmopolitanism. Major beliefs of these two philosophical trends show that nothing in this world is either black or white; everything has small line of profusion. To conclude on the stoic side, we

have determinism in understanding the world around us, self-control principle as prime virtue, power of external things, which can control behavior and actions of a human being, materialism of all existing things. They supported ideas about Lock's Tabula Rasa and the fact that knowledge is empirically gained (a posteriori). On the other side, hedonists gained pleasure as the main principle which was followed (to be clear, not every pleasure just one which would not lead to more pain e.g. Epicurus would not get drunk because of the hangover the next day), patriotism and generosity, nothing exists out of the things-everything is eternal, no religion for them because it means fear and destruction. They believed in "a Priori" knowledge and perception which help us to embrace the fruits of knowledge, maximization of intensity, length and clarity of pleasure. Now, when we have adequate concept of these approaches we can begin to interlace economy and politics with a wealth of philosophical inspiration.

Morality Concept- Freedom of Body and Mind

To understand any concept, events, and philosophy implemented in today's world of rapid thoughts and information, it would be necessary to depart from more tailored, subsequent connections. On that way, it is necessary to understand relations between Epicureans and Stoics whose philosophy became a part of the invisible economic concept and function of leading ideology- capitalism. If we consider utility as the key factor of mentioned ideology, we can observe it through consumption and production of goods. The maximized utility was not found in actions of consumption or production but in breaking free from both because of already mentioned physical possession. According to Stoic school, emphasis of self-control was significant, but, on the other side, they believed in human freedom from material dependence,

which is the complete opposite of modern beliefs and orientations. One example for this is ancient philosopher Diogenes whose different life style refutes the theory of a “modern” man. Can one imagine a capitalistic man, with the exception of homeless people, is living in scantiness of goods? In this world where paradox of choice is wasting human time and putting them in a great confusion of unconsciousness, there is no man who will live in a barrel, totally naked and satisfied. Today, remarkably small number of people are satisfied to live with just basic things which allow them to survive. Diogenes may have been the extreme point for explaining stoic’s view. The surplus, which is today one of the main goals of capitalist nations, is the devil, and it can activate desire for unnecessary “greedily” satisfaction. Adam Smith, who considers himself as stoic, through his book “The Theory of Moral Sentiments” describes moral teachings of Ancient Greeks, using comparison between different schools of stoics and hedonists. In the field of moral sentiments, man is presented as egotistical and self-commanded being, which response to the idea of self-control. In order to achieve personal freedom, according to Adam Smith (1759) in both, economic and political sense, it is essential to investigate self-interest based on principles of natural law. However, Smith rejected the idea that man was capable of forming moral judgments beyond a limited sphere of activity, again centered on his own self-interest. This we can call determinism that was primary explained through one of the stoic’s major beliefs.

Now on the stage comes morality of an act, which is not placed in the outcome of notable acts, nor in decreased or increased utility, but in virtue of the act itself. In other words, they never pay attention to costs of the action and maximization of potential utility. For hedonists utility is remarkable and it is not something that is ruled by some external actor but individualistic perception. Humans are led by their self-interest where egoism represents main ethical form

for them. In other words, Ethical hedonism claims that we should act so as to provide our own pleasure. Later John Stuart Mill (1874) developed theory of utilitarianism which was classified as altruistic hedonism, which judged the morality of actions according to their dispersed effects on all people. The best solution is to be rationally selfish in order to accomplish self-interest and to act on moral way without violation of various possibilities and skills of other people. It is advantageous to be aware of the fact that everyone has so called “egoistic gene” that affect human actions in order to create in us an inordinate desire for greed in the race for satisfaction of self-interests.

Even if, the main ideas of epicurean philosophy were based on egoism, hedonic calculus and moral calculations, they are not strictly defined without any possibility of exception, especially in the form of egoism. First Adam Smith brought the idea of pleasure dependent on sympathy, which is not egoistic use of self-interest at all. He argued that people feel pleasure from the presence of others with the same emotions as one’s self and displeasure in the presence of those with "contrary" emotions. This pleasure is not egoistic, but others are more likely to support one if they are in a similar emotional (and intellectual) state. He called that “healing consolation of mutual sympathy”. (Adam Smith, 1759)

Altruistic vs. Egoistic Concept

Even if, there are a lot of differences between stoic’s and hedonist’s beliefs, they have some common features that establish relations between them. First of all, they became one of the two dominant philosophical schools of the day since they are implemented through political ideologies that rule the world of democracy and globalization. On the other side, there is social

intelligence of a human being. Beliefs of both philosophical schools are rooted in something more complex. They created a fertile ground for development of different ideologies that became crucial point for social and intellectual leadership in the world. Whether or not, ideology can be eliminated from the world of thought in the social science, but it cannot be erased from plenty of actions in social life. If we look into global society, we can conclude that there is no society which can exist if there are no members with common, shared feelings and it is these feelings which are creating one ideology. There is a question about egoistic and altruistic society. Through the gained inspiration, from Joan Robinson (1962), we can argue that is not possible to have undoubtedly egoistic or, in contrary, wholly altruistic society because it will knock itself to pieces. The reason lay down in strong self-interest, which can harm compassion and abilities of other people in egoistic society while altruistic society grows individuals who are perfectly oriented to other people and soon they starve by themselves. Feelings of compassion are more prominent in human relations probably because of the norms of morality which are derived from common share of mutual liking. Adam Smith was writing about this in his book "Theory of Moral Sentiments". He said:

"How selfish so ever man be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it, except the pleasure of seeing it. Of this kind is pity or compassion, the emotion which we feel for the misery of others, when we either see it, or are made to conceive it in a very lively manner. That we often derive sorrow from the sorrow of others, is a matter of fact too obvious to require any instances to prove it; for this sentiment, like all the other original passions of human nature, is by no means confined to the virtuous and humane, though they perhaps may feel it with the most exquisite sensibility. The greatest ruffian, the most hardened violator of the laws of society, is not altogether without it." (Adam Smith, 1756, pp 1-2)

This could be the truth, but, from the other side, this approach cannot cover the whole situation among human beings. When there is social conflict almost every person will try to defend their own attitudes. Benevolence and sympathy will be the last preferred emotions. Egoistic impulses are much stronger than altruistic, especially among capitalists.

Utility Concept

Next metaphysical concept that is used in the creation of distinctive nowadays ideology is utility. Even earliest hedonists were talking about maximization of pleasure in the sense of their utility. The peak of hedonistic influence on economics was reached through the marginalist period where the main feature of economic growth was egoistic maximization of utility. At the beginning of 20th century the notions of utility and satisfaction of the preferences, as well as conceptions of the consumer as the main subject of maximization, were developed through Samuelson's revealed preference theory. His theory explains the influence of different policies on the consumer actions and behavior. Furthermore, consumers are making consumption decisions in order to maximize their utility, and utility function can be defined by observing behavior of the consumer. In one research, we found the fact that contemporary economic theorists are trying to be independent of any philosophical or psychological basis like hedonism. On the opposite, in almost every economic or political book, explicit or implicit, element of hedonistic beliefs and approaches can be found. That the influence of hedonism, especially was present during the creation of different models of consumer behavior theories during the marginalist revolution, and in recent economic making-decision processes. At that time, hedonistic views were going through the process of transformation from psychological meanings

to economic once. Pleasure was replaced by economic utility, and one spiritual man was changed in economic man, named Homo Economicus, with the spirit of rational progress. Hedonistic ideas were reshaped into something more useful in the economic sphere, mainly through the Pareto's and Irving Fisher's impact. Fisher (1956), for example, tried to replace all previous psychological statements and satisfaction's notions of economics in order to explain links between economic factors as prices, quantity and marginal utility. A huge number of modern economists will rather say that hedonistic paradigm is utterly without any influence on the economy today, but not entirely so. Almost every factor and decision in economy stems from the philosophical ideas that later received various forms, altogether with the evolution of society and technology. One is sure hedonistic beliefs were precursors to utilitarianism. From hedonism with its internal looking has emerged Utilitarianism with considering of the greater benefit of society. So while, a hedonist is asking, "what way of action leads to the most pleasure for me," a Utilitarian asks, "what causes the greatest good for all of society?" It seems to be a little bit altruistic but it is not. It is just a question of morality and fair play. To see the difference between these causally linked philosophical ways, we will use everyday situation that happened in Belgrade while Serbia was playing football against France. Innocent French guy was beaten to death by Serbian supporters and mentioned fans were not supposed to preserve the peace. Although utilitarianism recommends silencing the angry crowd, the individual's rights cheer the desires of the greatest number of people. In some key situations, decisions to follow Utilitarian system only if constrained by respect for an individual's right, became socially healthy. Finally, earlier utilitarianism was mainly based on judgment by act (Bentham, 1768 and Sidgwick, 1870) or by rule (John Stuart Mill, 1871), but the same one during 19th and 20th became a principle of individual moral action. Today in its political philosophy, Utilitarianism directs the authority of

government considering guarantee and protection of individual rights upon their own utility, which lead to development of alternatives of natural law, natural right and social contracts. What kind of the government would be the best, depends on consequences of its actions, which are directly dependent on human nature and social behavior. For sure, the best government could be the one who protects the individual's rights adequately and sufficiently, but not rashly. Apropos, utilitarian form of the government is supporting democracy as one of the best ways to proclaim general interests where the greatest individual liberty is "friendly" with liberty for others in the society and each person is free and capable to make the best judge of his own welfare. In other words, each person is required to conduct its sociological and economic activities on the way to make a contribution to personal growth and progress of society.

"In a world in which there is so much to interest, so much to enjoy, and so much also to correct and improve, everyone who has this moderate amount of moral and intellectual requisites is capable of an existence which may be called enviable; and unless such a person, through bad laws, or subjection to the will of others, is denied the liberty to use the sources of happiness within his reach, he will not fail to find the enviable existence." (J.S. Mill, 1871, p. 198)

In this quotation, we can find perfect Homo Socio - Economicus who is respecting the rules, who is rational egoist and whose way of thinking is just another bridge built over the turbulent, restless river. Every citizen, every social person, is able and obliged to find a way to prosperity and own principle of happiness which will further, optimistically, affect the structure of the whole society.

The Stoic Origins of Liberalism

In reality, not just utilitarians and hedonists were interested in the study of individualism. Stoicism is one of the first ideas that come to mind when there are beginnings of

the economic liberalism. It is well known that the seventeenth century was enriched with the political ideas of early liberalism, and in the eighteenth century, the economic ideas were put forward in an unforgettable way. Liberalism was dealing with the substance of the Stoic's philosophy which was based on the individuals, their responsibilities about themselves and those around them, on the qualities that make individuals distinctive. What is noteworthy about Stoicism is the moral philosophy of which the liberal views of the individuals are developed.

During the history, especially the period of classical economic school, stoicism was badly treated. Its moral philosophy was considered harsh, impractical, passive and almost useless. That basement was not too much acceptable and entertaining for pupils of liberal economy. Sometimes superficial observation of things and processes leads to rejection of what can be extraordinarily fruitful. Stoicism has given the modern world some of its most consequential ideas about natural sketches of human behavior, even if they were lately transformed through the principles of Christianity and Enlightenment. Even the idea about perfectly harmonized society built by the invisible hand of a man who is naturally reasonable, inherently selfish and led by his private interests to promote the goods of others altogether with the notion of goodness and morality, is canalized from common impression of Stoics. Their ideas were mainly based on proclaiming that man should secure himself by developing the rational side of its nature. That can help him to overcome any crisis and destruction. That perfect rationality is a self-contradiction as well as the idea of a natural order is teasing. Why? Marcus Aurelius, in one of his lucid moments, wrote about the unreliability of this philosophy. Stoic emperor faced the problem that he had to love mankind, but, on the other side he had to despise what they desired and what they love. When there is the reason, then humans have a guiding force of the world and their guiding principle. For example, success in writing thesis is enough strong reason for

achieving a part of mine duty as Stoics. They teach us how to think and how to discover the truth about human life and the whole world, rather than to avoid the truth and lose rationality in this chaotic world of intertwined emotions and various processes. On that way, with all respect for rules of Nature, we can live one life full of virtues as relevant guidance in all sociological spheres. As we all know, Roman Empire was one of the richest and successful in the world. Does it mean that Marcus Aurelius was a rare example of a very successful philosophical leader of that time? Does it mean that the world will be a better place if all state's presidents imitate and implement components of Marcus's Stoicism? Did Roman emperor face the similar problems to those of our time? The events of his time included several economic crises, a growing difference between rich and poor, meaningless and controversial wars with terror to the domestic population altogether with violence which was incorporated in cultural entertainment, and social differences that reborn a religious fanaticism, and so on. His stoic way of thinking helped him to resolve a many of economic and political dilemmas in order to fulfill, effectively, his imperialistic duties. Today, stoicism may be used as leading ideology of rational consciousness in order to make more rational choices and to avoid irrational elements, which can harm creative destruction of human intelligence.

Passions and Interests as Main Guides of Global Era

If we can present our imagination about what is capitalism, we will say that it is one big world's stage on which nations are dancing special democratic steps of and every human is constructed of "innocuous interests and harmful passions" (Amartya Sen, 1996, p.6). When I was making friendship with the book "The passions and the Interest", I find some amusing metamorphosis of passion in something more useful, more oriented to socialization of the human being. Virtues and vices are deeply implemented in the contemporary world. Hirschman (1998) believed that the existence of violent passions is subdued by innocuous interest in acquiring wealth. If we want hedonism to make closer to today's system, in both economic and political sense, than we can implement in the structure of the democratic system. Self-interest still occupies a central position of behavioral foundations of capitalistic theory. First Montesquieu believed that:

"It is fortunate to men to be in a situation where through their passions may prompt them to be wicked, they have nevertheless in interest not being so." (A. Hirschman, 1998, p.20)

Also, John Stuart Mill eulogized interests as the most "effectual bridle" against the "folly of despotism" (A. Hirschman, 1998, p.11) Not only Montesquieu and Stuart but some of the contemporary economists and philosophers saw self-interest as a way to escape from evil, destructive emotions, which ruin rationality of the possible existence of Homo Economicus. Mainstream economic theory lay down on basic assumptions created through principle of self-interest. Even in some theories, like in Gary Becker's model of rational allocation, altruism is allowed because altruistic actions are undertaken in order to fulfill personal interests and they lead to the creation of altruistic own welfare, thanks to sympathy which is sub element of human

interactions. Therefore, it has to be clear that self-interest is the only motivation of human behavior in globalized world. Contemporary mainstream economic theory is concentrated around the assumption of simple pursuit of self-interest, while in the practical world of political science and business appeared cultural-related declarations as a motivational component of capitalistic regime. One outstanding example for previous statements is East Asia where Asian main values in social and economic contribution are based on “order”, “discipline” and “loyalty” as main virtues to achieve capitalistic success. Practical illustration of these values can be seen on the example of Japan which was transformed from four “tigers” to one of the fast-growing economies, not just in Asia but in the whole world. Cultural and sociological values, self-interest, passions, altogether with self-knowledge have the secret answer to the question “how exactly have we ended up where we now are. They are the key reality of an imagined world that helped to create the real world in which we now live.” (A. Hirschman, 1998, p.8)

At the beginning of his famous essay, Max Weber asked:

“Now, how could an activity, which was at best ethically tolerated, turn into a calling in the sense of Benjamin Franklin?” (M. Weber, 1958, p.74)

In the other words, in the modern age commercial, banking, trade and similar ways for money-making became highly profitable and popular after they were, firstly, convicted and sorted as activities full of greed, with wrong orientation that built a love of lucre and cruel parsimony which was criticized and rejected for past centuries. No matter how much support and approval was dedicated to commerce and other forms of money-making, they stood lower on the scale of values than a number of other social activities. Idea of glory, which was a crucial point for “spirit of capitalism”, started to become hugely popular in the middle ages and the Renaissance. Early

Stoics, as well as the scholars of Christian era, made basic guidelines for the way of thinking and behaving by denouncing the lust for money, power and possessions as one of the three principal sins of man. They were showing that lust for power is combined with a strong desire for glory and dominance. First St. Augustine speaks of the “civil virtue”, as characteristic of ancient Romans “who have shown a Babylonian love for their earthly fatherland” and who were “suppressing the desire of wealth and many other vices for their one vice, namely, the love of praise” (H.A. Deane, 1963, pp. 52, 269) What he was lately proclaiming, through his school, is love of glory in contrast with the purely private dominance of riches, which was more acceptable social value. On the other side, Smith’s idea of “Invisible Hand” was permeated by search of glory, rather than by the desire for money, by Montesquieu. On that way, pursuing of the man private interests and passions were located toward public or “mass” interest driven by altruistic orientation. During the Renaissance, the striving for glory and honor came to throne as a dominant ideology. At the same time, concept of glory-seeking became purest justification of human life and main goal of social “contamination”. Glory-seeking orientation created new ideal of man and all those heroic virtues become forms of self-preservation of Hobbes, of self-love by La Rochefoucauld and of furious escape from real self-knowledge by Pascal. One heroic ideal was demolished, but moral code was not changed. Furthermore, saved values of tradition served as a framework efficient enough to protect interests of the new class and their pursuits. From the Renaissance’s implications, the new theory of the state was developed, and commerce, banking and eventually industry were widely hailed for a plenty of reasons. Here, we encounter with an idea how to achieve maintain and expand power. Machiavelli made a significant, and at the same time fundamental, distinction between “the effective truth of things” and the “imaginary republics and monarchies that have never been seen nor have been known to exist.”

(Machiavelli, 1532, p. 367) The demand for a positive approach was extended later from the Prince to individual, from the nature of the state to human nature. Machiavelli first came to the idea that realistic theory of the functioning of the state is not possible if it is not constructed on the knowledge of human nature (the same belief as Stoics school), but his researches were not enough systematical to develop depth of arid approaches. By the next century, some significant changes had occurred. Hobbes, in his *Leviathan*, developed remarks of the “human nature of Galileo” before preceding its connections with the commonwealth. Spinoza was one of the first philosophers who made a revolutionary step in order to show disapproval against the utopian thinkers in relation to individual human behavior. He was supporting the idea of man as he truly is and he refuted the theory of ideals. In his work, *Tractatus Politicus* he attacks the philosophers who “conceive man not as he is but as he would like him to be.” (Spinoza, 1965, p. 277) Spinoza’s man “as he truly is” is a leading subject of what is today called political science. Giambattista Vico, who was supporting “man as he is” idea wrote:

”Philosophy considers man as he ought to be and is, therefore, useful only to the very few who want to live in Plato’s Republic and do not throw themselves into the dregs of Romulus. Legislation considers man as he is and attempts to put him to good uses in human societies” (G. Vico, 1953, pp. 131-132)

That principle that men should be taken as they are was reshaped through the centuries especially according to the inner relation with passions. Creation of the idea of harnessing passions, instead of simply repressing them, was more in harmony with logical channels of human preoccupation. In this process, state or society was a main transformer of this psychological and social performance. Changing passions from their disturbed nature to something that can be constructive is one of the basics of the order and balance in market oriented economy. All innovations and technological improvements have arisen from creative destruction, and, as such,

it is not possible without individual passions that held together society more than charity. We will quote considerably influential Vico whose statement of metamorphosis of destructive passions into virtues expresses the idea of making men work toward the general welfare.

“ Out of ferocity, avarice, and ambition, the three vices which lead all mankind astray, (society) makes national defense, commerce, and politics, and thereby causes the strength, the wealth, and the wisdom of the republics; out of these three great vices which would certainly destroy the man on earth, society thus causes the civil happiness to emerge. This principle proves the existence of divine providence: through its intelligent laws, *the passions* of men who are entirely occupied by the pursuit of their private utility are transformed into a civil order which permits men to live in human society.” (G.Vico, 1953, pp. 132-133)

The idea of the invisible hand by Adam Smith also can be read through these few sentences of extraordinarily seminal Vico's mind. The “only” thing that is missing here are adequate conditions or “fertile ground” on which these ideas of inner transformation and creation of beautiful human society can survive and bear fruit. Bernard Mandeville (1965), precursor of laissez-faire, has studied the best possible conditions for turning of “private wishes” to “society benefits”. His idea of “modus operandi” was not considered in everyday intervention but rather on the slow elaboration and evolution of an appropriate and institutional framework that will be fruit-bearing for balanced human society. (N. Rosenberg, 1967) On that way, it was possible to avoid paradoxical transformation, which led society to the fallacy and disorder. Later, the work of Adam Smith “The Wealth of Nations” was wholly concentrated on passions where he was able to make one step forward in making persuasive statement of changing Mandeville's passions and vices in terms such as “advantage” and “interests” which make the theory of passions even closer to the economy as a practical science.

On that way passions, explained with much more complex essence, were able to survive and to become the principle of nineteenth-century liberalism and a central pillar of economic theory. Very small number of philosophers and economists were careful when they entered the study of passion. They were explaining passions superficially with ignorance of their natural and essential depth on which has emerged the entire march of history and the general progress of mankind. For instance, Hegel with his concept of Cunning of Reason expresses the idea that man by following his passions is serving to some higher world purpose, and while he is doing so, he is totally unaware of what the passion is. Mainly, the idea of harnessing passions is accomplished through world process where seminal passion became a force that always “wills evil and always brings forth good.” (J.W. Goethe, 1829) Passions are durable only if they feed each other, and it is not possible to discriminate among the passions – to utilize one set of comparatively “good” passions to countervail another set of more dangerous or destructive passions. In other words, man as a human being is not perfect, and it cannot be constructed just of the good side or bad side. We all have Good and Evil in us we all live through the successes and failures. Nothing is just black or white, and everything is built on the principle of counterbalance and related antithesis. Spinoza was one of the first philosophers who believed in the idea that passions can be used successfully only through other passions, which may explain an unbreakable connection between countervailing similarities and differences. This is not a state where we can stop because more general and permanent formulation of the role of countervailing passions is desirable. Such a formulation emerged in opposing the interests of men to their passions and of contrasting the favorable effects. That is possible when men are guided by their interests that usually prevail when men restrain their passion.

Interests

To understand the essence of the interests, we should say something about its meanings in the course of the evaluation of ideas. Personal or collective interests are central in economic advantage theory. Their core meaning was found in social terms like class interests and interest groups, which have immense influence on public decisions and changes in systematic structure. The term interest became economically dominant in Western Europe during the late sixteenth century, and its meaning was not just limited to the material aspects of a person's welfare, but rather it comprised the totality of human aspiration. Contemporary analysis of human behavior shows that interest of individuals is one of the most common principles on which is built advantage of society, and in general it is a vehicle for social and economic intellect. Machiavelli, the founder of the new statecraft, created two terms *interesse and ragione di stato*. He introduced, so called, *battle on the two fronts* where, on the one side, they were the declaration of independence from the moralizing precepts and rules. At the same time, they were directed to identify a "sophisticated, rational will, untroubled by passions and momentary impulses" that should give a clear and sound guidance to the man. (Machiavelli, 1532, p.184)

From the psychological point of view, it is necessary to avoid grief which came to the throne because someone was following passions rather than interests, or he was following empty interests that were abandoned by passions. For instance, the interest of a King is to maintain and increase the power and wealth of his kingdom, but this principle hardly yielded precise "decision-making rules" in concrete situations. The same is with today politicians and state leaders who are willing to promote their intents to illuminate human mass, promising that they will improve the whole socio-economical situation in the country, but, in the end, most of the

aims remain to hang in the air like empty illusions. “Prince” of the state has to be prospered remarkably when he is applied to groups or individuals within the state. Here, we can naively observe the combination of self-seeking and rationality that have been implemented in the essence of interest-motivated behavior. Even Adam Smith was to explain the meaning of interests as a root for behavior based on “desire of bettering our condition”. He said:

“An augmentation of fortune is the means by which the greater part of men proposes and wishes to better their condition. It is the means the most vulgar and the most obvious...” (A. Smith, 1937, p.326)

Interests are carried on money making process which has a positive connotation because of its previous association with the idea of more effective way to conduct human affairs and actions, private as well as public. As far as economic theory was making progress in its development, interests became one of the most common temptations for explanation of human behavior, especially self- interest that became normative principle for explanation and understanding of human actions and orientations. During the previous centuries, especially 17th and 18th, interest built a form of self-evidence and everything- human motivation, economic development, class, elite, social actions-was covered with this term, and no one was bothered to define it precisely. The same is with interest that is leading globalization of nowadays.

Linkage between Passions - Interests vs. Public Interest

We mentioned before that interest has to be in exceptional relation with passion. It is very logical and close to simplicity by looking at some everyday examples regarding human urges. What aggravates pleasure and entertainment for people is one of the most secure channels to

make a satisfactory profit and become a leading source of income. That means that interest is closely connected with the passions. People investing a large amount of money in football because they have a passion for it and also it brings “interesting” earnings. When students hear that some University has a very stimulating program and skilful teachers, then they are motivated to go there and invest in themselves in order to make imaginative profit in the sphere of knowledge. Now imagine an industry of Walt Disney, which through a combination of imagination, passions and interests has become one of the most successful in the world of economy and business. We feel confident to draw a tremendously huge importance of the vital connection between complexity of passions and ineffectuality of interests. They should be the most significant guidance in economic behavior. Even more, interest and passions govern the world of rational selfishness and creative destruction “as the physical world is ruled by the laws of movement so is the moral universe ruled by laws of interests.” (A. Hirschman, 1998, p. 43)

Hedonistic oriented individuals would say that the world is a better place when the passions are taken into account. The world where the passions are not active is not so constructive and richly endowed world. Studying the interest always led us to predictability. Uniform of human nature and behavior is torn down in pieces when people preferences and passions were removed from the shackles of universality, and that was the starting point of interests’ deliverance. John Stuart Mill was to argue that individual behavior governed by self-interest is preferable not only for the rule of the passions but even for moral behavior and certainly for relief of the accomplishment of public interest among “self” one. If there will be the state where people are disinterested than it will be extremely difficult, or better to say, impossible to lead and serve them. Here, we can get to a lack of understanding about the impact of individual interest to the state, society or other people if we do not ask how and why. On the one hand, man is willing to pursue his own interest

which has the crucial importance for his behaving while, on the other hand, there is an advantage for others in that process of pursuing individual interest and so individual's actions are becoming more transparent and useful for more people. Mutual gain from individual interest emerged from the collective working of interest in politics and economics. The possibility of mutual gain is derived from the situation in which every party is streaming to pursue its own interest. In the field of international politics, the strongest parties are often opposite of each other. In the rational circumstances, interests of both political parties can be useful only by the process of elimination of "passionate", irrational behavior. Then the rational pursuit of interest without interference can be implied. Benefit derived from predictability, based on examination of interests, are the most seminal for observing and understanding economic activities of individuals. In economic and political system, there is a huge number of actors with different interests that create an influence between each other. In this atmosphere individuals are supposed to act according to their economic (rational) interests which will consequently create a balance of healthy relations. Interests allow us to follow predictability of human actions, and there is just one "universal" passion which is constantly the same; how it was yesterday so will be tomorrow, from seventeen century until today, and from one person to another. That is the love of money.

Universal Passion- Love of Money

Hume was the one who elaborated theory about greed, avarice and simplicity in understanding "universal" passion. He said: "Avarice, or the desire of gain, is a universal passion which operates at all times, in all places and upon all persons." (A. Hirschman, 1998, p. 55)

We live in the world in which everyone's mind is transformed into one big, egotistic interest. Love of money and wealth has become possessive and selfish guideline of all capitalistic people.

There is no place for altruism and for irrationality, which leads to overall happiness. Even their own hedonistic pleasure is often replaced, or better to say, drowned in vertiginous race for achieving more success, earning more money and creating a new uniform and tractable vice. People are, now, more like robots; slaves of their own evolutionary creations, prisoners of technology and globalization and their brains are like one gigantic productive machine focused on paradoxical accumulation. The more they get they are becoming greater capitalistic slaves. Insatiability is one of the most dangerous, let us say, passion in the capitalistic world and usually causes disorder between desire of gain and its fulfillment. Interest motivated behavior and money making were considered to be superior to ordinary passion-oriented behavior. On that way, commerce has become a key activity of the old Western Europe whose increasing wealth was clearly perceived to have much to do with expansion of trade. Love of gain prevails over the love of pleasure in every possible way. This period is representing the culmination of the movement of ideas that have been tracing: capitalism is hailed by Hume, and it was born to repress more destructive components of human nature. Commerce and movable wealth give rise to “interest which are either independent or require the same means for their furtherance.” (Montesquieu, 1758, pp. 341-343)

For Spinoza, on the other side, the amount of money that can be owned by individuals is limited only by their efforts. These efforts, as main principles of the network of mutual obligations, would reinforce the ties that are keeping society together. (Spinoza, 1969) Increasing importance of moving wealth was used for construction of positive political views defined by James S. Mill and Adam Smith. At that time, expansion of movable wealth was considered harmful rather than beneficial because it led to public debt expansion. Hobbes said that every man who has power tends to abuse that power and every man goes up to the point where he meets with barriers. This

is deeply rooted in the human nature; it is hedonistic part of human greed. “The love of power is natural, constantly whetted and never cloyed by possession. “ (A. Hirschman, 1998, p.77)

In order to avoid abuse of the power, Hobbes suggested that it is necessary to build different institutional and constitutional safeguards on the field of the central politics. Later on, Adam Smith, Adam Ferguson and Stuart Mill sprang ideas about economic changes as basic determinants of social and political transformations and progress. Mill (1767) was sure that trade and industry, if they are conducted properly, were supposed to increase the power of the nation empire and, therefore, to increase its sovereignty. The game of trade and industry take an unexpected turn in the process of power gaining. Leaders of the states begin to have a wealth in their own hands, have it also in their own power, and consequently it became their inclinations to shake off their authority. Administration plan started to be more loose and regular with its mechanism more complex. At this point Stuart argues a bit about complicated system of the modern economy by saying:

“I speak of government only which are conducted systematically, constitutionally, and by general laws; and when I mentioned princes, I mean their councils. These principles I am enquiring into, regard the cool administration of their government; it belongs to another branch of politics, to contrive bulwarks against their passions, vices and weaknesses, as men.” (J. S. Mill, 1767, pp. 278-281)

The power of modern Prince, even if it is absolute, is always limited by the creation of the economic plan which is led by the constitution of the kingdom. It turns to the conclusion that the modern economy, as a starting point of capitalism, is most effectual thread invented against the “folly of despotism”. The interest are again dominant because they would win out over the government, over the “folly of despotism”, and most important, over the passions of rulers.

Reorganization of the Government

Hedonistic impulses of human nature now have become part of newborn “economics of control.” As an example, Stuart used two opposite approaches which can be identified with the hedonistic and stoic views. He compared modern economy with the watch, where he illustrated the two aspects of state intervention. On the one side, the watch is so brittle and fragile, “it is immediately destroyed if touched with any but the gentlest hand”, which further more shows how the old-fashion administration can be harmful for new economic system. (J.S. Mill, 1767). If we translate this in philosophical point of view, it can be said that passions are not acceptable if they dominate over the interests. In this sense, pure hedonism is not entirely desired. On the other side, the same watch “is continually going wrong: sometimes the spring is found too weak, at other times too strong for the machine and workman’s hand become necessary to set it right”, hence rational and delicate interventions are from time to the time required. This watch needs frequent, corrective moves in order to skip impossibility of arbitrary and careless handling of the statesman. Development of trade and productivity in manufacturing and agriculture lead to greater personal independence and to higher notions of general liberty. The farmers who are employed in different cultivation spheres consider only their own individual profit. On the other side, the “landed gentlemen” seeks only to purchase a revenue sufficient for the supply of his needs. The merchant (capitalist) is always accustomed to linking his own gain with that of his relatives and is always ready to join with those of the same profession and interests, in order to meet the demand of government’s aid. In the end, they are promoting general interests and measures of their trade. Just as Stuarts had made a connection between working mechanism of the modern economy and “fragility of the watch”, on the other side, movements of the “mercantilists” and their allies are viewed as proceeding “with uniformity of the machine” (John

Millar, 1996). This powerful and reliable mechanism was supposed to ensure that passions of state leader (Prince) will not prevail for long over the public interest and the basic needs for the expansion of the economy. The main goal was to create healthy and functional political order where the economic mechanism should work effectively. In Adam Smith's book, "The Wealth of Nations", he explains how establishment of powerful economic justification for the pursuit of self-interest is dependent of political effect. In chapter 4 of the Book III – "How the commerce of towns contributed to the improvement of the country" sets out how commerce and manufactures should be basic ground for establishing honorable government, which will, furthermore, take a care of humans' liberty and security principles. Everyone in the kingdom was depended of the powerful lords who shared surplus from their estates before the rise of commerce and industry. Later on, with development of "the silent and insensible operation of foreign commerce and manufactures", the lords could spend their surplus on something else. (A. Smith, 1776) They enter into much more businesslike relations with their tenants. From the political aspect, situation was changed too. Great capitalist were not able to interrupt regular power of justice, or to disturb achieved equilibrium of the state. *Modus operandi* of reshaped government was quite different from that invoked by Montesquieu and Stuart. Supreme authority of the king was replaced by power of the feudal lords. Decline in power of lords occurred because they attempted to take advantage of the new opportunities for their own consumption and material improvement opened u by the progress of the arts. In fact, this period was a victory of the passions, especially luxury and cupidity, over the long-run interest of the lords. That was one representative fraction where interests were tamed by passion, and hedonism has overcome the world. In the end, decline of the power of lords benefited not only the newly rising merchants and manufacturers but the sovereigns, as well. Smith did not have so much hope that economic development itself will

bring improvements. He maintains that considerable economic progress is possible regardless of improvements in the political environment. He argued:

“The natural effort of every individual to better his own condition, when suffered to exert itself with freedom and security, is so powerful a principle, that it is alone, and without any assistance, not only capable of carrying on the society to wealth and prosperity, but of surmounting hundred impertinent obstructions with which the folly of human laws often encumbers its operations.” (A. Smith, 1767, p.508)

This explains that the economy as science can go alone within wide limits of tolerance, where political progress is not needed as holder and helper for economic advice, at least at the level of the highest councils of government. It appears that Smith advocated reduced role of the state with minimal functions then one whose capacity for folly would have some enormous spectrum. On the other side, Smith overplayed his concept of Invisible Hand where he explained that folly of the lords raises the question of the lord's blindness due to their class interests.

Adam Smith's considerable impact on ideas can be found elsewhere. While Stuart was observing the improvement of political control through control of the wilder passions, Smith undercut it and showed a men actuated entirely by the “desire of bettering condition” (Adam Smith, 1767). The main increase in human fortune will happen when men propose and wish to better their condition, than to rise own wealth. On that way, Smith did not make a place for the richer concept of human nature in which men are driven by diverse passions of which “avarice” was only one. Even if he were aware of existence of other passions, he found a way for collapsing them in order to enable process of fortune augmentation. In fact, Smith was to define the noneconomic and non-consumption motives that were hidden behind the struggle for economic advance. He shows that human, bodily needs are limited by arguing:

“... it is chiefly from the regard to the sentiments of mankind that we pursue riches and avoid poverty. For to what purpose is all the toil and bustle of the world? What is the end of avarice and ambition, of the pursuit of wealth, of power and preeminence? From whence... arises the emulation which runs through all the different ranks of men and what are the advantages which we propose by that great purpose of human life which we call *bettering our condition*? To be observed, to be attended to, to be taken notice of with sympathy, complacency, and appreciation, is all the advantages which we can propose to derive from it. It is the vanity, not the ease or the pleasure, which interests us.” (A. Smith, 1801, pp. 98-99)

On the other side, Rousseau made a fundamental distinction between “amour de soi” which represents the satisfaction of “real needs” through the restricted amount of goods and “amour propre” where goods are not limited, and men are willing to admire different things, not to have just “real needs”. (Rousseau, 1762) Then Smith made a simplification on a grand scale by saying that the lever for economic advantage is no longer autonomous. Powerful noneconomic factors are all made to feed economic machine, they can reinforce it, being thus released of its independent existence.

What happened with the relation between interest and passion during the way? Even if the lust for power and, consequently, the desire for respect should all be satisfied by economic improvement, Smith undercut the idea that that passion can be directed against passion, or the interest against the passion. Hereof, the whole machine of thoughts and ideas jumped on the return train to the stage when the prime passions were considered to be coherent and to feed on each other. The passions with interests in a key passage of *The Wealth of Nations* become unavoidable modus operandi of the market oriented society:

“It is thus that the private interests and passions of individuals naturally dispose them to turn their stock towards the employments which in ordinary cases are most advantageous in the society. But if from this natural preference they should turn too much of it towards those employments, the fall of profit in them and the rise of it in all others immediately dispose them to alter this faulty distribution. Without any intervention of law, therefore, the private interests and passions of men naturally lead them to divide the stock of every society, among all the different employments carried on in it, as nearly as possible in the proportion which is most agreeable to the interest of the whole society.” (A. Smith, 1767, pp. 594-595)

The idea is to show that material welfare of the whole global “society” is achieved when everyone is allowed to follow individual, private, self-interest always with rational competition and behavior.

The economic growth in the nineteenth and twentieth century’s uprooted millions of people caused large scale unemployment during cyclical crisis and depressions and produced modern mass society. It becomes clear that those who were caught in these violent transformations would become passionate, passionately angry and fearful. With the appearance of capitalism, the existence of private property, in particular, the private property in the means of production is essential to provide people with material basis even if this concept of private property comes under attack. By the middle of the nineteenth century, experience with capitalism was totally changed because the property was seen as a wild, boundless, and revolutionary force that nourishes and strengthens the power of the state. Rising power of state was harmful for individuals. Later, Weber (1905) in his work of Protestant Ethic claimed that capitalistic behavior and activities were one indirect result of a desperate search for individual salvation. There are many critics of capitalism, but they are useful not to resolve issues, but to raise the level of the debate. In the end, it is obvious that the capital is making directions for interests and

thus increases the diversity of passions among the people. On that way, desire for hedonism is awakened, and it is deeply rooted in the capitalist theory.

Bentham's Utilitarianism, Preferences and Social Welfare

Utilitarianism as normative ethics, mainly presented by Jeremy Bentham and John Stuart Mill, tends to promote happiness as a main principle of individual action. On the other side, opposition theory of egoism pursue that individuals should act to satisfy their own self-interest, even at the expense of others. Utilitarian theory also differs from other ethnical theories that make the rightness or wrongness of an act. According to Utilitarian it is possible for the right thing to be done from a dishonest motive and vice versa. In fact, the main ground of this theory is to support individual actions that are producing the best consequences possible. In order to assess the consequences of the actions, Utilitarianism involves theory of intrinsic value where something is held to be complete by itself, apart from further consequences, and all other values are believed to derive their significance from their relations to this mentioned intrinsic good. Hedonists such as Bentham and Mill analyzed happiness as a universal balance of pleasure and pain, and they believed that these feelings alone are parts of intrinsic value. Utility is seen through the terms of maximizing happiness and minimizing unhappiness. On the other side, which is even more momentous for understanding social behavior of the individuals, there is social utility in terms of individual utilities. Social utility defines individual's utility function in accordance with their personal preferences. This approach is little bit different from hedonistic utilitarianism and it is called preference utilitarianism. (Bentham, 1789) Individual utilities derived from individual preferences are the main principle of creating collective interest of the society. Here is important to make a distinction between "is" and the "ought" that exists because

individuals, acting in order to achieve their own happiness, do not always act in such a way that the collective interest is maximized. The community interest will always be on a higher level if each member would act in such a way that the higher interest is realized. Homo Economicus is not motivated to make the right choices from the general (aggregate) perspectives. The reason lay down in diversity of choices, where every choice has own externalities, and the optimal individual decision, usually, is suboptimal for the society as a whole. The best solution, according to Bentham, was to generate “a transparent and rational society”, where the principle of utility will be defined at the collective level but at the same time will be constructed of individual interest. In order to achieve compatibility between individual and collective interest, it is necessary to include outside intervention. He said:

”If all men wish to be happy, but cannot be so, is it not because the means, which individuals use to this end, are mutually contradictory? ... Since this reduces the attraction of pleasure, it is necessary to threaten the infliction of pain equal at least in intensity to the pleasure to which the individual aspires. Such threats convert these actions into offences. The science of intimidation, that is, legislation, general utility, these are the motivation, and pain is the sanction of the obligations which it imposes. In society, the Legislator is the great dispenser of pleasure and pain. It is he who creates moral order, *the equilibrium of interests*. Society is the construct of his artifice. There we find his application of what we have called the principle of the artificial identification of interests.” (J. Bentham, 1987)

Principle of utility is the one which defines if artificial intervention is necessary or not. In situations like this exist a tension between hedonic and the ethical principles, between individual and collective interests, action should be channeled on defining individual utility. Social welfare is maximized if and only if individual utilities are maximized. These principles are justification of utilitarianism. Bentham will call this “welfarism.”

Utilities are not the only notable thing connected with interests and preferences of individuals in the society. For the economic theory, important is to define how individuals, in accordance with their preferences and interests, are spending their incomes. In this case, individuals are consumers and their tastes are changing over time. This change is closely associated with the hedonistic principle, what we will discuss it in current part of my work. Consumerism in relation with hedonism is just a way to introduce the main issue of my thesis, the paradox of hedonism, through the discussion of Homo Economicus's happiness.

Consumerism

At the global level, technical changes are the largest factor in determining economic growth; consequently the question of how consumer tastes develop over time is purely an economic issue. Economic theory of the consumer is essential for understanding economic process. All the interactions between consumers and different elements of the economic system are making market economy extraordinarily dynamic. American economist Thorstein Veblen explained hedonistic dynamic of market- oriented economy in the following way:

“The hedonistic conception of man is that of a lightning calculator of pleasures and pains who oscillates like a homogeneous globule of desire of happiness under the impulse of stimuli that shift him about the area, but leave him intact. He has neither antecedent nor consequent. He is an isolated definitive human datum, in stable equilibrium except for the buffets of the impinging forces that displace him in one direction or another. Self-imposed in elemental space, he spins symmetrically about his own spiritual axis until the parallelogram of forces bears down upon him, where upon he follows the line of the resultant. When the force of the impact is spent, he comes to rest, a self-contained globule of desire as before.” (T. Veblen, 1898)

Veblen analyzed consumer behavior as one which is not constant but rather continuously variable by following the developments of technology, innovations and culture. Now we are coming to the crucial question, how individuals are supposed to behave? If individuals are to behave as hedonists, while market economy is supposed to function according to economic principles, then all behavior cannot be motivated by hedonism. Veblen would say that consumers must be “schizophrenic”, which alludes to the hedonism with respect to consumption, but on the first place with respect to the key institutions of the market. If there is no respect for social

institutions, such as the concept of individual property and the concept of legal exchange, then inadequate consumer's behavior would lead to the collapse of the entire production process. In this kind of situation, the market force, rather than prices and incomes, will be determinant of what people consume. (Veblen, 1878) In fact individuals, who are subjects of economic actions, should respect the institutions of property and exchange by means of market-determined prices. However, if people are acting truly hedonistic they do not need strictly to obey the rules of legal exchange. Why? They just need to reach the balance border of law up until the point where the marginal disutility ("pain") equates to the marginal utility ("pleasure"). If people are always behaving on hedonistic way, then the system of exchange will break down. Self-interests introduce costs into every market transaction which is characterized with prices that, on the other side, maximize social efficiency. In practical, this means that an employer will pay employees more than their "marginal product" is, therefore they will be more motivated to work hard. Hence, complete rationality of individuals is not in fully compatibility with economic principles of a market economy, which allows everyone's utility maximization.

With these approaches, Veblen concludes that pure hedonism is not appropriate for explanation of individual's behavior in real economic world even if in a simple situation in which consumers decide which commodities to consume. In practice, people mainly do not behave in this way. They behave with respect to the conventions of civil society, and they are not driven just by hedonistic orientation in their personal actions. On that way, non self-interested behavior is essential for healthy functioning of market society, and it allows achievement of reasonable efficiency on the economic field. Bowles and Gintis (1986) described the existence of social norms as one of the most significant facilities for realization of desirable solutions for coordination problems. Social norms develop a sense for truth telling and non-aggression

behavior among actors on the global market system. On the other side, Kenneth Arrow, American economist, suggested “norms of social behavior, including ethical and moral codes, might be reactions of society to compensate for market failures or agreements to improve the efficiency of the economic system ... by providing commodities to which the price system is inapplicable.” (S. Keen, 2001)

Famous American economist Stiglitz (1993), made a critique on the Bowles and Gintis’ statement by arguing that perfectly stoic behavior, or better to say, absolutely self-interested individuals are hostile to the functioning of a capitalist economy. Behavior, inspired by the pure self-interest, can harm efficiency of the economic actions and it can bring the price system closer to neoclassical efficiency.

In the end, if the dominant philosophy of the society will be based just on self-interested individuals, then there will be a decrease in respect for the social institutions and law norms. On this way, some social conservatives see economic theory as the dominant force, which is suffocating civil society. Rising crime rates and expansion of the black economy could be a perfect example for showing results of purely individualistic perception of individual behavior in a market economy.

Hedonic calculus

Theory of marginal utility shows that the main objective of all actors on the market economy is consumption. Thus, both the poorest and the richest are working in order to satisfy their necessities and “pleasures” for consumption. On the other side, Veblen denied the statement

of marginal utility theory. According to hedonistic calculus, he said, this theory is applicable just on workers, but it is not rationally valid in the case of businessmen. Why? In the world of entrepreneurship, people are oriented on accumulation of their wealth, which transcends every level of practical consumption. The prime “hedonism” for these ultimate capitalists, is thus not consumption, but the wealth itself. As the best example of prior exposure, I will quote Mr. Veblen who said:

“Business men habitually aspire to accumulate wealth in excess of the limits of practicable consumption, and the wealth so accumulated is not intended to be converted by a final transaction of purchase into consumable goods or sensations of consumption. Such commonplace facts as these, together with the endless web of business detail of a like pecuniary character, do not in hedonistic theory raise a question as to how these conventional aims, ideals, aspirations, and standards have come into force or how they affect the scheme of life in business or outside of it; they do not raise the questions because such questions cannot be answered in terms which the hedonistic economists are content to use, or, indeed, which their premises permit them to use.”(T. Veblen, 1909)

Hence, in order to incorporate economic theory into rational hedonistic calculations, it is necessary to neutralize the businessmen role from it; otherwise it would not be valid for the “holders” of capitalistic enterprise. This theory is strictly an opposite from the earlier form of assumptions that all individuals are identical according to their economic behavior. In reality, some individuals are so poor that all they consume is food, while on the other side, a minority is so rich that consumption cannot be unique and last aim of their wealth, and their marginal expenditures will not have any similarities.

Time Dimension

When we are talking about economic rationality, time should not be omitted, as an aspect of the real world functioning. Incorporation of the time dimension leads to the exclusive irrationality when we question the constructions of fundamental economic rationality. When we are talking about unlimited consumption, in a sense of time, we can say that is better to have more than to have less. Now, if we observe consumption in the margins of time, the previous approach declines in water. The biggest problem of economic theory is a requirement that everything should happen at once, but, in reality, almost all human actions and individual's consumptions are periodic, sequential and occur at different time intervals.

Paradox of Choice

Now it is time to say something more about the diversity of consumption for the purpose of introducing one of the most popular topics of today's capitalist economy - paradox of choice. In the real world, we are facing chaotic diversity of products in terms of quality and quantity. Our generations are the present and future of the capitalist community that meets a wide range of choices. In such an environment, hedonism is entirely scattered around us, and stoic concept of simplicity in meeting needs is somehow forgotten. Consumers need a plenty of time to choose which combination to make among ten thousand different commodities. One experiment from 1997 shows that, even when forced to choose between eight commodities, consumers need near by 30-40 minutes to finalize their decisions. (Sippel, 1997) The economic view of consumers is

quite impossible and unrealistic. When consumers are scattered between variability of choices, they are spending too much time on creating optimal combinations that will maximize their function of utility. In the end, consumers do not behave the way economist surmise they do. In contrary, consumers always form habits, which are mainly defined by their incomes and they are not reacting immediately to new created, relative prices like economists expect them to do. All this leads to the conclusion that consumers are not the most rational economic actors in the field of the economic system, and they behavior confirms the existence of hedonistic paradox.

The Ethical Beast

From the economic aspect of view, it is extremely hard to argue that society's welfare is simply the sum of the welfare of its individual members. Society cannot be reduced to the sum of individuals, but on the other side, interpersonal and social aspects of human behavior cannot be ignored because they are essential for understanding economic actions of individuals. If we exclude ethnic norms from economic behavior, then we are ignoring the strongest identification of us as humans. That ethical connection is so strong, significant and unavoidable in a complete understanding of actions. It is clear that individual's actions will make effect on other's utility, and people are mainly worried about what happens to other people because of the causal connection between their actions. And two results are obvious. Firstly, the self-interest, which is the essence of economic behavior, is not enough for achievement of maximization of social welfare. Secondly, if we want to explain and to understand how the market is functioning, then we must take into account non-hedonistic, ethical aspects of human beings. This approach can be seen through the Wilber argumentation:

“The assumption that self-interest in a competitive environment is sufficient to yield the common good is an illusion. Individual self-interest, cowed to the logical extreme, suggests that is usually in the person’s interest to evade the rules by which other players are guided. Therefore, what constrains individuals from doing so? The answer is that our selfishness or tendency to maximize our material welfare at the expense of others is inhibited by a deeply ingrained moral sense one often based on religious conviction. “(Wilber, 1996)

The morality of the humans cannot be reduced to the individual “pursuit of pleasure and avoidance of pain” (Bentham, 1962), because the ethical perception of the people is changing over time and, the final objective, the fight for the common good has changeable dimension. Wilber gave an extensive explanation, based on how altruistic behavior is not harmful for the market’s principles and laws. He said that altruism is ineffective if overused, but if there is balanced-altruism, principles of morality will have more chances to create conditions for their own achievement, on the market. On the other side, economists claimed that some goods such as supply of love and public spirit are limited and crumbling. It becomes clear that hedonic virtues are not like material factors of productions, which values are decreasing over time. Their values are rather increasing trough their use. Therefore, these moral resources stay in positive correlation with practice and in negative to the non practice. It remains clear that a healthy functioning economy requires respect of ethical behavior through which people are fulfilling the rules of the market exchange.

Some of the questions remain untouched. What kind of society is the most suitable for the best functioning of the economy? What kind of the ethical principles and laws would be best pillars for the achievement of success? How society could be improved to the benefit of all its members? Is hedonism the best way to organize society? Economists argue that the market is

fair, and they affirm that the best market policies are one which make society more unequal, more unfair which is contradictory to the relatively altruistic principles. On the other side, hedonistically-oriented policy leads to even greater increase of economic and social greed. In the end, economics should support and strength socially cohesive behavior and policy which implicate cohesion rather than pure hedonism or the sole altruistic inequality.

Single Case - American Hedonism Called “The Tyranny of Choice”

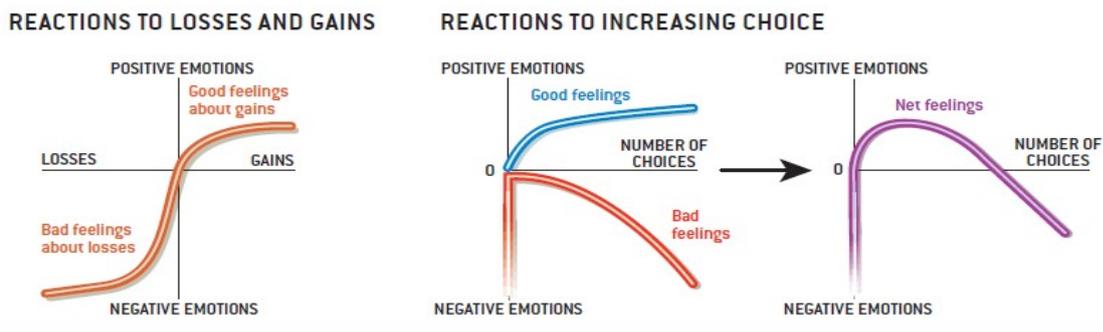
One of the leading capitalist societies of today is facing a critical problem connected to the paradox of choice. Today Americans can choose among more options in every field of life, than has ever been possible. Some people are ready to live in infinite options and to benefit from them, but others are willing to ignore, for example, 450 versions of tooth paste they have never tried. The truth is, that is always better having some choice than none, but more is not always better than less, as we mentioned above. Some economic and social researches show that the gross domestic product has been increased more than double in the past 35 years, while the proportion of the population describing itself as “very happy and satisfied” declined by about 6 percent, which is approximately around 15 million people. A huge number of findings advocate that the hedonistic explosion of the choice plays an important role in reducing happiness of the nation. This is an era of the greatest personal autonomy, choice and control but results are showing that something is going on the wrong way. Why people end up unhappy, rather than pleased, when their choices and options are expanded? For better understanding, it is useful to make a distinction between people who always aim to make best possible decisions and people who aim for “good enough” independently if there may or may not be a better selection process. Late Nobel Prize - winning psychologist and economist Herbert A. Simon named them

“maximizers” and “satisficers”. Maximizers need more time to decide what to buy and they are constantly in the process of creating purchasing decisions. They usually spend too much time on checking out possible options. Since there is a time factor, as one overriding limiter, after making a selection they are burdened by the alternatives they have not had time to investigate. On the other side, satisficers stop looking and selecting when they find a product that meets their standards. In the end, maximizers are more likely to make better choices than satisficers, but they get less satisfaction from them. (H.A Simon, 2003) Even after a purchase, they are questioning their choices, and if products disappoint them, their sense of well-being takes longer to recover.

There are a few different factors that explain why more choice is not always better than less. First of all, we will talk about opportunity costs. Making a selection brings a cost of losing the opportunities that a different, non - chosen option, would have afforded. These opportunities costs reduce the general desire of the most preferred choice and with more alternative options sense of loss will be deeper, and final decision will decrease satisfaction of consumption. Opportunity costs are worse for maximizers than for satisficers, because “good-enough” policy of consumerism can overcome the existence of mentioned costs, because there is much less searching of alternatives than in case of maximizers. As a second factor that leads us in the world of choosing and consuming, there are expectations. Daniel Gilbert and Timothy Wilson (2003) have shown that consumers cannot predict how long pleasurable experiences will make them feel good and how long unpleasant experiences will make them feel bad. Decline of pleasure or enjoyment over time always cause disappointment in both situations, with so many or with just a few options. Decisions have, so called, “fixed costs” that are an equal opportunity costs associated with the time of decision and effort which is necessary for realizing it. Every day individuals are investing in their decisions. The more they invest in a decision, the more

satisfaction they expect to get from their investment. If the final decision is providing satisfaction for a long period, then the costs of making it are becoming insignificant. If the decision provides satisfaction only for a short time, then the costs are much higher than the desire was. As an example, spending two months deciding which car to buy is not harmful if someone truly enjoys that car for a long time. If the car breaks down in a few years, then all the investment and effort is fully reduced to the disappointment. The amount of choices that we have today, in globalized, capitalistic world, naturally contributes to high expectations. In almost every situation where we are evaluating things that we do and buy, we are making time comparison, due to the expectation. This means that we usually taking into account past experiences, then what we are hoping for and in the end what we expected from our consumer’s decision. It is always better having neither high nor low expectations but to stay in the “gold” middle of expectations, in order to avoid experiences that will not bring us satisfaction and pleasure. (Figure 1)

Figure 1- More or less choice?



Source: Barry Schwartz, Andrew Ward, John Monterosso, Sonya Lyubomirsky, Katherine, White and Darrin Lehman, 2002, *Maximizing versus Satisfying: Happiness Is a Matter of Choice*, Journal of Personality and Social Psychology, Vol. 83, No. 5, p. 1178, 2002;

Does all this mean that we will be in a better situation if consumer's choices are restrict and limited? The one thing is obvious - the relation between choice and personal well-being is very complicated. In the world of hedonistic number of choices, the most prominent is to change the way of thinking and to create the best way of using plenty of options. It is always better to stay in situation in which individual choices are producing positive emotions rather than negative ones. The freedom of choice is the wealth in today's world only if we use it in an appropriate way. Much more autonomy is gained through free choices in public education, in health systems, and transparent public policies. If we want to enjoy life made of plenty of choices we need to find a way to avoid the slavery that comes from diversity of the capitalistic era. Consumerism of individuals, who are in some segments supposed to act according to principles of Homo Economicus, has to be one rational action in order to become successful and to bring positive impact on subjective well-being.

Hedonistic Paradox – Happiness of Homo Economicus

“Concern for our happiness recommends to us the virtue of prudence: concert for that of other people”

(Adam Smith, 1801)

Adam Smith was arguing that under certain conditions, the actions of the rational and self-interested individuals promote the general welfare which is seen through the efficient allocation of material wealth. On the other side, a huge number of studies doubt in the importance of wealth for achievement of general, society's happiness. Through “The Theory of Moral Sentiments” connection between self-interest and happiness get different, more complex form than in social researches. The Hedonistic Paradox is based on the statement that person who seeks just for personal pleasure and happiness will not find it, but the person who is altruistic and who helps others will have bigger chances to find it.

The scientific study of the concept of happiness recently became a topic that has a significant place in economics. The main economic interest is tunneled through the question “Does money buy happiness?” The economist Richard Easterlin (1973; 1974) has argued that happiness is based, not just on one absolute income but on a comparison to others that depend on society. On the other side, sociologist Ruut Veenhoven (1991), one of the leaders of the absolutist school, shows that the increasing wealth at low levels of income can satisfy basic needs, but after all needs are satisfied additional income has very little or no effect on happiness. For developed economies, increases in income will not substantially increase aggregate happiness of the society.

In today's world, the economics of happiness has become exceedingly popular. This type of economy is concerned with investigating the behavior that leads to the greatest satisfaction and happiness in the economic sense. Some researchers have shown that altruistic behavior causes greater happiness. Happier people are more interested in volunteer work because it causes much more happiness, life satisfaction and physical health than work in leading companies for fixed salaries, as it has been shown through the Thoit's and Hewitt's (2001) panel data. This approach is undoubtedly contrast to what we get used in the capitalist atmosphere. Some modern theoretical and empirical research, made by economists, argues that people who act on selfish way, especially in the field of economics, usually fail to maximize their material and subjective returns. These subjective benefits are mainly described by hedonic empirical approach which is outcome-oriented. The view of subjective well-being is best described through Socratic doctrine that happiness is the highest good. Later on, Utilitarianism gave an extremely valuable review on how philosophy can make influence on the principles of mainstream economics. In order to understand human behavior, it is significant to explain basic psychological process connected to individual well-being. Beside the elementary needs that can be easily satisfied (and they bring momentary pleasure), there are much more complex needs that are connected with the process Maslow called "self-actualization". The process of self-actualization depends on the individual's potentials. One of the oldest eudemonists, Aristotle associates well-being with a life of virtue while some modern philosophers made this approach more categorical. Kasser and Sheldon (2001) introduced two categories of personal goals: *intrinsic goals* that are oriented toward self-acceptance, community feeling and affiliation and *extrinsic goals* oriented toward external factors such as financial stability, success and popularity gained from achieved success. People oriented to intrinsic goals have much more stronger predisposition to achieve desired level of

personal happiness than people who are seeking for external happiness, mainly through the rise of their material wealth. Many economic and psychological researches had shown that income growth leads to a little or no increase in aggregate happiness. This is tightly linked with “hedonistic treadmill” theory where the attempts to increase happiness are almost impossible. Some scientists compare this hedonistic process with the myth of Sisyphus who vainly works in order to climb the stone on top of the hill in order to roll it down to the starting point, and then again the same.

Generally, the most valuable thing is to cultivate happiness in order to achieve absolute hedonism in this world. As John Stuart Mill said:

“Those only are happy, I thought, who their minds fixed on some object other than their own happiness, on the happiness of others, on the improvement of mankind, even on some art of pursuit, followed not as a means, but as itself an ideal end. Aiming thus at something else, they find happiness by the way” (J. S. Mill, 1893, p.117)

Happiness and satisfaction are not just found in selfishness and greed but in moral behavior and respect for others. The term of selfishness can mean something other than greed and pure individualism. Happiness can be found, for example, by choosing occupation where individual performs well, or what he enjoys. Through the individual’s decisions, their values are prominent and, their happiness makes a positive impact on society’s structures.

Hedonic Treadmill

It has been always difficult to prove the strength of the relation between subjective well-being and objective circumstances. While numerous studies show that objective outcomes and subjective well-being are not tightly correlated, on the other side some researches show that they

have a strong correlation. The lack of the compelling evidence raises the concept of a hedonic treadmill on which humans' happiness remains stationary regardless of the circumstances and efforts to increase it. On the other side, human happiness will decline if material circumstances remain fixed on the same level. People are mistaken when they argue that material circumstances have no effect on welfare. It deeply implies that economic inequality is irrelevant within the fact that the poor would be no better off if they were rich. Subjective level of happiness is remaining on the same level, despite objectively improved circumstances, because of the treadmill's satisfaction. In situations where the circumstances are improving, individuals are ready to adopt higher aspirations for the amount of enjoyment that is admissible for them. To put lights on it, we can use one example when person change old car for new, more comfortable one. According to hedonic treadmill hypothesis, the pleasure met by the new comfort diminishes over time, until the "oiled" sound and feeling of softness of a new car brings no more pleasure than formerly derived from creaking noise of old machine.

From the wider point of view, it should be observed that the economies of most countries partially depend on this hedonic treadmill phenomenon. Since so many people have constant desire to improve their lives in every possible sense, this often induce them to spend more money on material staff. Paradox of their action lay down at the point where their level of expectations and obligations is becoming equal to their sense of happiness. After they reached that point, individuals as consumers will continue to buy goods and services that bring them opportunity to meet the current level of happiness. Even if, the human greed is always present and strong, individuals will tend to preserve the equilibrium which they have achieved by satisfying hedonic treadmill. Existence of the hedonic treadmill phenomenon differs from pure, selfish hedonism. For example, people who live in a poor situation with financial debts may be just as satisfied as

wealthier individuals who are enjoying in wide consumerism. There is one more fascinating study that shows what happen when person has a “crash” with sudden wealth. Lottery winners experience just a short-run increase of their personal happiness. When they reach the point where all their essential needs are satisfied and when they become financially stable, many of them, who came in touch with sudden wealth, start to feel disappointment because new wealth did not make them feel any different about their lives. (P. Toynbee, 2003)

In the end, the hedonic treadmill has generated claim that happiness is not in material wealth, money cannot buy happiness like one swallow does not make spring.

Happiness, Income and Society

We cannot deny that the economy has become a science that governs our lives and politics. Also, GDP has become the main guide of the capitalist world. Growth of economies, positive trend of GDP movement, in general, does not make a difference to citizens' well-being. What is the meaning of all extra money if it does not lead to happiness either on individual or national level? For many years, Western nations did not feel the rise of happiness, despite massive increases in wealth. Hedonistic philosophy is becoming more and more necessary in the purpose of awakening the human consciousness, to make people wonder how they spend their lives. A huge number of people, fascinated by accelerated, capitalist mode of life, spend their time on making and measuring money without making crucial question - what is the purpose of that. They become accustomed to seeing their happiness through the money and material wealth. Money does matter in a various way especially in situations when income of people drop from what they get used to, or when people get higher income and consequently they become happier when paid more. Above all, money makes people unhappy in situations where they compare own

income with income of others. The fact is that richer people are happier. The reason does not lay down in the absolute size of their wealth but in the fact that they have more than other people. In other words, when people are able to satisfy their greed more than others, they will be happier. This rivalry in income makes those left behind more miserable that it brings a new happiness on the winners. Richard Layard, the director of the Centre for Economic Performance, suggests that the winners in such a situation deserve to be taxed more compared to those who lose the game. He argues:

“The rich people, with their selfish and rival behavior, are causing measurable unhappiness by getting out too far ahead of the rest, without doing themselves much good.” (R. Layard, 2007)

In order to obtain larger amounts of money, people are working even harder, and they put themselves in the process of hedonic treadmill where the ultimate purpose becomes meaningless like already mentioned Sisyphean job. In recent years, people all around the world, report more stress, harder work, greater fear of insecurity and greedy race for new gains. Happiness of contemporary Homo Economicus is affected with the seven scientifically established factors: mental health, satisfying and secure work, a secure private life, a safe society, freedom, and moral values. (P. Toynbee, 2007) Andrew Oswald, professor of Economics in Harvard University, made a table in which he describes the effects that these seven factors have on overall happiness.

Table 1- Effects on happiness

| | Fall in happiness (index) |
|---|---------------------------|
| Income | |
| Family income down 33% relative to average | 1 |
| Work | |
| Unemployed (rather than employed) | 3 |
| Job insecure (rather than secure) | 1.5 |
| Unemployment rate up 10 percentage points | 1.5 |
| Inflation rate up 10 percentage points | 0.5 |
| Family | |
| Divorced (rather than married) | 2.5 |
| Separated (rather than married) | 4.5 |
| Widowed (rather than married) | 2 |
| Health | |
| Subjective health down 1 point (on a 5-point scale) | 3 |

Source: Helliwell (2001, p.62), Blanchflower and Oswald (1999), Di Tella, MacCulloch and Layard (2002)

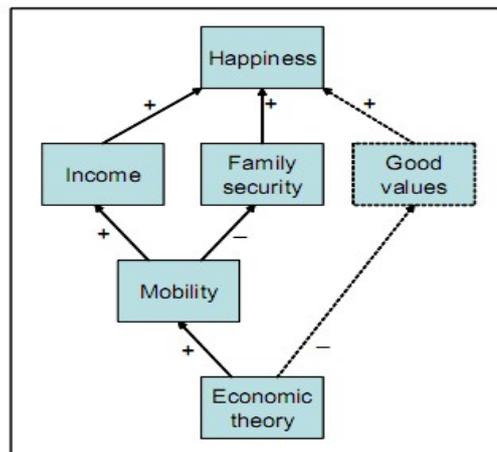
The context of the table is accessible and it measures a person's happiness under the effects of different factors and situations. In each row of the table are factors that affect happiness with the implication that other factors are constants. In order to measure the size of these effects, we compared the size of each effect with the effect of income. Units of happiness are used so that when family income falls by a third relative to average income, happiness falls by 1 unit. From the table we can see that there is unusually large non-income effect of unemployment or lower income. Effects of job insecurity, for people who are employed, are also huge, which can be seen from the second row.. Also, the rise in general unemployment has stronger effects on happiness than the equal changes in the rise of inflation.

Moving on to the section of private life, there is some reverse causality that shows that more unsatisfied people are more likely to get a divorce. Family influence is particularly beneficial

when compared with income level especially in the sense of the health of the individual. Moreover, if society as a whole decreased its income by a third, the happiness of an individual would fall by less than 1 unit, because everyone is suffering together. (R. Layard, 2007) Hence, these facts reflect the most obvious and direct way to establish what causes happiness and how these influences are essential for further understanding of economic behavior.

It is obvious that almost any policy that affects income also affects happiness through non-income channels. Mobility of individuals as one of the possible ways to raise income has positive effects on happiness. But from the other side, it can make negative implications on security of the families and society, thus leads to reduction of the happiness (Figure 2). There is also second point about the effect of economic theory through the effects on value. In economic theory is assumed that people's actions are normally selfish. Such a claim can affect an individual's values while causally individual's values have a significant influence on the happiness of the society.

Figure 2- Economic theory and happiness



Source: Di Tella, MacCulloch, and Oswald, 2002, *The macroeconomics of Happiness*, Warwick Economic Research Papers Department, p.112;

Political Impact on Happiness

Layard in his hedonistic story about happiness inserts the political implications describing them as the most devastating for the success of Homo Economicus. “Virtually everything politicians can promise with any degree of certainty depends on money - more growth, higher GDP, more things. Once they leave the terra firma of hard economics, they are in alarming territory. Politicians are not priests or moral guides: since they are now treated with (unjustified) contempt, they are unlikely to assume the mantle of the nation's happiness gurus.” (R. Layard, 2003) Beside the daily occupation about creation of budget, politicians should orient their objectives on increasing the sum of national felicity and happiness. On that way, one budget day will be replaced with “hedonic measurement day”. Hedonic behavior has to call for public morality, self-actualization in the direction of the greater good, and limit extreme selfishness of individualism. Since we are living in one purely individualistic, global society where the hedonic treadmill overrides an invisible hand of economic processes, it is hard to imagine Homo Economicus who is fully rational and satisfied. This explanation of political implication opens another question – question of moral norms.

The Moral Hole

Through different centuries, which brought the different findings, people beliefs, their way of understanding life and behavior has been changed. Along with these changes, there have been variations in the philosophy of life and in social transformations that resulted in different social systems. The rise of socialism set a moral code on prospering mutual obligations, while in recent capitalistic regime emphasis is placed on individualistic, selfish gene. The fail of socialism left holes which have been filled by strong individualism. Today, it is deeply rooted in

every pore of capitalist humanity. In economic theory, individualism is supported mainly by Smith's argument that the pursuit of self-interest, with the necessary assistance of the invisible hand, will lead to the creation of social optimum. All what society needs to deal with is to establish strong legal framework and protection of property rights. After so many years, experience shows that this is relatively wrong. People are turned into slaves of the capitalistic machine, and the meaning of their modern life is relatively lost because of the chaotic race to enlarge material wealth. The experiences thus show that pursuit of self-interest is not the best formula for achievement of personal happiness. We are in the situation of capitalistic vacuum. There are no concepts based on how unselfish person should be or what is crucial for healthy and happy society. One interesting research shows that students who took introductory economics became less honest, while astronomy students became more honest, and the difference was significant. (E. Frank, 1993; 1996) Similarly, when Prisoners Dilemma was playing the students of economics were less likely to cooperate than students from other science fields. This shows that the economy has a wide range of influence in the society, and the principle of selfishness became the principal leader of world culture, while, on the other side, the hedonic principle of happiness is settled somewhere into silence. Individuals would make better off situation when they direct their own actions in satisfying their needs. They gain substantial advantage because the market oriented economy brings better products and high level of personal autonomy.

Cooperation Leads to Happiness

Humans cannot avoid natural principles that are ingrained in their behavior and the way of thinking. This explains why humans naturally seek the good and satisfaction out of themselves. In the world where leading enterprises rule the economic sphere of business, it is unimaginable to work and function without strong and healthy cooperation. Natural selection will punish those

who cannot cooperate with others and who are searching just for their short-run gain. Individuals with cooperative traits, as well as the communities that educate people to be cooperative and open-minded, will be more successful and desirable in the world of economy. People are willing to cooperate to each other because naturally that makes them feel better. As evidence, here are some results from monitored experiment while individuals were playing Prisoners' Dilemma. When the first player were acting cooperatively, his brain showed signs of pleasure even before he knew whether the other player had cooperated. Virtue of an individual is its own reward and makes him act hedonic and economically rational at the same time. As Richard Layard explains:

“I am talking about something that goes beyond pure, reciprocal altruism, and explains why we help many people we will never meet again. We tip taxi-drivers, vote in elections and even dive after drowning people that we do not know. These social feelings are deep inside us and can even lead us to sacrifice our lives. But they have survived the stringent test of natural selection because people who are made like that are liked by other people and used for rewarding activities. They are liked because they do not always calculate.” (R. Layard, 2003)

It is normal that we take a care about personal security, in the process of cooperation, because we cannot be sure if the other person behavior will be fair. Generally, if people behave badly, they cannot be satisfied because of the fear which decreases the level of pure hedonism. Since natural sociability is not universal and we learn it through experience, we should build morality on the basis of fairness. If we appreciate own happiness, it is only fair if we appreciate happiness of others. From an objective point of view, it is very easy to argue that the best state for society is where the people are happiest, not the richest. Consequently, the right actions are those which promote hedonic state of the society. With changes of principles, general morality also goes through the reformation process. It is human nature that make moral progress through the search

of the comprehensive moral principle and its application. On that way the hero of this story, Homo Economicus, should be happier without violation of the basic principles of moderate selfishness and his rationality.

Conclusion

It is clear that people are acting due their interests and preferences. Even old Greek's philosophers have created picture of hedonistic and stoic behavior of people which is deeply implemented in capitalist model of behavior.

Even if the free market economy is based on greed and self-interest, that fuels its machine, it has been shown that it is not the best formula for happiness. Those interests of individual's cause people to make transactions and trade. Further, trade is beneficial for economy, and it creates better living conditions for individuals in the economy. It also has been proven that happiness does not lay in material wealth.

Individuals who are oriented to pursue their wisdom and virtues have much more predispositions for achieving happiness than others whose main objective is the acquisition of the material wealth. We show that pure self-interest does not present the main ingredient for socio-economic success because it undermines the value system of individuals on which capitalism (according to Adam Smith) was built. The pure self-interest would work only in wealth societies where people happiness is not harmed by paradoxes in the sphere of consumerism choices and hedonic treadmill. By the contrary, market oriented economy should be driven by strong work ethic, passions and the hedonistic virtues of individuals. On the other side, passions received a new form of their primarily non-material, existence. In the capitalist system, passions were striving for either material wealth or public recognition. This causes people to forget that there are other things in life outside of the chaotic drive for more material wealth, power and fame. People forgot about their happiness and pure, inner satisfaction.

We should agree that society benefits from a strong moral and value system adopted by individuals within the society. These values are supremely important for the societal issues, even more than economy itself. At this point, we should mention satisfaction, or better to say, gratification, as one key value of capitalist society. For example, investors are investing money hoping that this act will bring them the gain in the future. The whole capitalist system lays down on this ideal. Michael Novak argues:

“Only a culture, in which a majority of citizens is capable of deferred gratification, of a sense of responsibility, and of a capacity for saving and wise investment, can support...a capitalist economic system. By concentrating upon fulfilling desires, democratic capitalism nourishes a hedonism which undermines the self-denying spirit.” (Novak, 1978)

Even capitalism, with its individualistic orientation, is not able to survive in the strict selfishness or an environment of extreme hedonism. Such capitalist society and the free market economy can harness an individual self-interest for social purposes. However, this situation keeps the system on an immoral level, where the selfishness of the individual is sublime. (Novak, 1978)

Not overused altruistic behavior with the virtues of generosity and benefaction could increase overall happiness and may also help the economy. If people are willing to provide help for those who are poorer than they are, it could have a positive impact on the status of less fortunate individuals. Great example for this is found through the education system, which is becoming more flexible for lower classes and it gives them opportunity of becoming more proficient and more involved in economic processes. Therefore, altruism is allowed because altruistic actions are undertaken in order to fulfill individual's interests and they lead to the creation of altruistic own welfare, thanks to sympathy which is sub element of human interactions.

Hence, in order to avoid hedonistic paradox we should support democratic government, which will on the best way proclaim general interests and passions of the individuals. In such circumstances principle of individual liberty would be in compatibility with the liberty for others and everyone will be free and capable to make their own, optimum welfare. With moderate hedonism or not, each person should conduct their social and economic activities on the way to make a contribution to personal growth and progress of the society. Every person who is acting on rational way would be obliged to create own principle of happiness which will, if constructed in an adequate way, positively affect the concept of the whole society. The transformations of interests and preferences into something more useful would strengthen a progressive step of civilization in order to satisfy socialization of human beings. We argue that the state plays a role of the main social transformer in this process. Changing passions from their disturbed nature to something that can be constructive is one of the basics of the order and balance in market oriented economy. This dissertation presents the ways on which individual wishes could be effectively reshaped in order to contribute to social benefits. The best way for directing personal passions and interest to social framework is through the creation of appropriate institutions that will make balance and save morality in the society. In the end, individual utilities derived from individual preferences are the main principle of creating collective interest of the society.

We show that happiness, as hedonistic principle, could not be achieved through enlargement of material wealth. On the other side, we meet paradox which explains that love of money and power present the strongest guideline for individual actions today. Thus, game of trade, banking, commerce and industry take the most dominant place of power gaining in the socio-economic ladder. In individuals actions, the most valuable thing is to find equilibrium border between their marginal disutility and their marginal utility. In other words, they should follow Bentham's

principle of achieving pleasure and avoiding pain. On that way, even society can make progress in both, economic and social spheres. If people are not willing to respect that balance border of their economic behavior, then the whole system will break down because of their either extreme hedonistic or extreme altruistic way of acting.

If we look into the consumerism, we can conclude that hedonistic explosion in the sphere of choices and preferences plays an crucial role in reducing overall happiness of the society. People are facing enormous amount of different goods, which bring them confusion and dissatisfaction in terms of maximizing their own utility. For example, Montenegro is one small country which does not have developed production in many fields. For Montenegrin economy, the import presents salvation. Its economy is dependent on neighbors' production and export. Unlike American society, here people are facing small amount of choices and they can easily create their optimum consumers "basket" of goods. This is a pure example that too many choices could waste too much time and consequently reduce efficiency of purchasing decisions.

However, happiness of the individuals, with respect for passions and interests, is calling for systemic change in economic and social structures. On the one side, the Universal government is promoting globalization and strengthens of corporate power and wealth. At the same time, all around the world people are trying to abolish these policies, demanding new regulation framework for trade and finance, in order to avoid paradoxes and causal failures in a capitalistic society. Future generations should abandon old institutions of power, and they should plant a new moral, social and economic seeds that will slowly growth in flowers of harmony, economic balance and happier future.

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