Abstract.
In addition to his treatment of habit, which is widely recognized as contributing to a theory of institutions, William James’ discussion of choice and rationality, as well as self-interest, make significant contributions to areas of concern in modern economic theory. James’ incisive and insightful analysis of these and related phenomena is achieved in part by including, together with instinct and habit, emotions as a key faculty of human psychology. Each of these themes is discussed in the present paper, and connected with aspects of relevant economic literature, in order to indicate the contribution of James’ pragmatism to economic theory.

Key words: Pragmatism, William James, Emotions, Habit, Choice, Rationality, Self-interest.
JEL classifications: A12, B15, B25, B52.

1. Introduction.
In recent years a number of papers have appeared in the Cambridge Journal of Economics that have pointed to the contribution of pragmatism, and William James in particular, to economic theory (Twomey, 1998; Hodgson, 2003; Lawlor, 2006). There is agreement in these accounts that James’ treatment of habit in The Principles of Psychology, first published in 1890, provides insight into the individual-level mechanisms that sustain institutions in the economy as well as in society overall, and also that this treatment and the general approach of which it is a part directly influenced pioneering statements of institutional economists, especially in the work of Thorstein Veblen (Veblen, 1990; 1970; 1946).

James’ discussion of the economizing capacity of habit to simplify ‘the movements required to achieve a given result’ (James, 1931a, p. 112) continues to be relevant to institutional and evolutionary economics. The chapter from which it is drawn, however, is only one of twenty-eight in a massive two-volume work. Many of these other chapters also contribute to resolution of current concerns in economic writing, including, for example, heterodox accounts of decision making and self-interest. If related work by James were also to be considered, especially the essays published together in 1897 as The Will to Believe and Other Essays in Popular Philosophy (James, 1956), then a theory of economic action can be added to the contribution of pragmatism to economic theory. These themes extend well beyond the matter of habit, however, and the relevance of pragmatism to economic theory is therefore not completed with James’ discussion of it. James has elemental things to say concerning innovation, decision making and choice, economic action, and self-interest, which together significantly augment the arguments concerning habit and its application to a theory of institutions.

The discussion to follow will begin with James’ treatment of habit and show that it is more or less restated in Nelson and Winter’s important account of skill and organization. One of the achievements of the latter’s An Evolutionary Theory of Economic Change (1982) is the demonstration of continuity between skill (or habit) on the one hand and innovation on the other. The discussion of James, therefore, will go on
to consider his pragmatic explanation of innovation and economic action, including his treatment of choice, decision making and rationality. Finally, James’ discussion of self and self-interest will also be brought to bear on central questions in current economic theory. Through these particular instances it will be shown that in addition to the instinct-habit couple typically indicated in institutionalist summaries of James, emotion must be included as a key explanatory concept in Jamesian pragmatic economic psychology.

2. Habit and skill.
James famously describes habit as ‘the enormous flywheel of society, its most precious conservative agent’ (James, 1931a, p. 221). The function of habit is to provide regularity in and therefore predictability of behaviour that permits coordination and stability of activities and operations. It is appropriate, therefore, to regard habit as an individual-level mechanism of institutions, as indicated, for instance, by Geoffrey Hodgson (Hodgson, 2003; 2004). Because they are learned behaviour options or protocols, habits are flexible enough to accommodate to changing circumstances. As more or less automatic patterned sequences, habitual behaviours are stable enough to ensure adherence to enduring systems of rules that constitute institutions. The importance of habit to economic institutions in particular was noted by Veblen and later commentators have recognized the Jamesian source of Veblen’s account of institutions (Twomey, 1998, pp. 434, 438-9; Lawlor, 2006, pp. 332-4).

In his treatment of it James highlights a number of features of habit that relate directly to economic questions. First is the simple economizing attribute of habit in which it ‘economize[s] the expense of nervous and muscular energy’ (James, 1931a, p. 113). More particularly James says that ‘habit simplifies the movements required to achieve a given result, makes them more accurate and diminishes fatigue’ (James, 1931a, p. 112). The purchase of greater accuracy of movements through habit is an additional dimension of its economizing capacity. Second, as habit involves sequenced patterns of behaviour it ‘diminishes the conscious attention with which our acts are performed’ and therefore occurs ‘without any reference to the conscious will’ (James, 1931a, p. 114). James observes, though, that conscious deliberation is required for the learning of skills, through which habits are established, in order to correct the unnecessary movements to which unaccomplished performance typically gives rise. Once proficiency is attained, however, and the relevant accurate and efficient movements become habitual, then even for the most complicated sequence ‘mere sensation is sufficient guide, and the upper regions of the brain are set comparatively free’ (James, 1931a, pp. 115-6).

A corollary of the last point is a discerning appreciation of the limited role of reason in choice-taking and decision-making in action. In habitual action, according to James, accuracy and efficiency are achieved by the sequencing of appropriate choices within the framework of learned responses. Inaccurate and inefficient options are already chosen to be not taken, without the assistance of deliberative intervention, by the framework of options learned in the prior phase of thinking through the errors that must be overcome in order to achieve proficiency of performance. In contrast to this situation it is only a deliberative or what James calls a ‘strictly voluntary act’, which, he says, ‘has to be guided by idea, perception, and volition, through its whole course’ (James, 1931a, p. 115). The distinction between sequenced choice and deliberative choice, one located in habitual or skilled performance and the other in strictly voluntary action, can profitably be applied to the assumption of hyper-deliberativeness found in mainstream statements of economic action in which only conscious choice is recognized as a requirement of
rationality. James’ argument is not that deliberative choice does not occur, only that it does not occur routinely and that the circumstances in which it is required have to be specified (James, 1931a, p. 122).

The ideas of the preceding paragraph have been developed without explicit reference to James by Richard Nelson and Sidney Winter in their discussion within an evolutionary framework of skills and organizational capabilities (Nelson and Winter, 1982). The parallels between the two accounts, however, could not be more comprehensive. The habit/institution nexus accepted by institutionalist thought is captured by the evolutionary model of Nelson and Winter in the idea that ‘individual skills are the analogue of organizational routines’ and that by skill is meant ‘a capability for a smooth sequence of coordinated behaviour that is ordinarily effective relative to its objectives which involves sequenced successive steps, tacit knowledge embedded in the performance, and, thirdly, that choices are inherent in the skill and do not require ‘awareness that a choice is being made’ (Nelson and Winter, 1982, p. 73). While these authors adopt the term ‘skill’ it is acknowledged by them that other terms have been applied to the concept in question, including ‘habit’ (Nelson and Winter, 1982, p. 74).

Of particular interest is the way in which Nelson and Winter develop James’ insight concerning the absence of conscious volition and deliberation in habitual or skilled performance. They make the point that in skilled actions a large range of alternative behaviours are ‘continually being rejected in favour of the behaviour sequence called for in the program’ and therefore that ‘the choice among behaviour options that takes place in the exercise of a skill typically involves no deliberation and it is a constituent of the capability that the skill represents’ (Nelson and Winter, 1982, p. 82; emphasis in original). The idea, which they go on to articulate, that ‘Skillful acts of selection from the available options are constituents of the main skill itself: they are “choices” embedded in a capability’ (Nelson and Winter, 1982, p. 84), is equivalent to a statement made by James. After noting that habit diminishes the conscious attention with which acts are performed James says: ‘habit soon brings it about that each event calls up its own appropriate successor without any alternative offering itself, and without any reference to the conscious will’ (James, 1931a, p. 114). That an event calls up its own appropriate successor is to say that it chooses the next event.

None of this is to hold that deliberative choices do not or cannot occur, of course. As indicated above deliberative choices are necessary, for instance, in learning a habit or skill: ‘it is the novice who really chooses’ (Nelson and Winter, 1982, p. 83; emphasis in original). The question, concerning when deliberative choice might occur or be required, can be answered by specifying the conditions under which habits or skills are inappropriate or simply unavailable. Indeed, to pose the question is to provide a general answer: actors must deliberately choose between possible options when sequences have not yet been learned, and secondly when circumstances have changed in such a way as to render established habits and skills insufficient or inappropriate. As Nelson and Winter put it: ‘Deliberate choice plays a narrowly circumscribed role, limited under normal circumstances to the selection of the large-scale behaviour sequence to be initiated’ (Nelson and Winter, 1982, pp. 84-5). The modifications to skilled performance introduced by deliberate choice ‘greatly expands the potential diversity, flexibility, and adaptability of behaviour’ but always at additional costs (Nelson and Winter, 1982, p. 85). The costs of non-embedded choices include those associated with the contingency and fragmentation of behaviours that are without the benefit of prior coordinated sequencing (Nelson and Winter, 1982, p. 69).
One way of indicating the requirement of deliberative processes in a situation of habit and skill is to say that existing institutions and organizations may cease to be effective when the contexts in which they operate change. In these circumstances explicit decisions and choices effected by self-conscious agents are required to initiate new learning sequences. For Nelson and Winter this is a question, on one level, of innovation or a change in routine (Nelson and Winter, 1982, p. 128), and on another of attention, selecting what has to be attended to (Nelson and Winter, 1982, p. 67). Of these two the latter is primary because the direction and content of innovation will be determined by selection of things to which attention is to be given. It is from this that a significant cost of deliberative choice, mentioned above, derives. As James puts it: ‘Attention and effort are … but two names for the same psychic fact’ (James, 1931a, p. 126). While Nelson and Winter call for a theory of attention (Nelson and Winter, 1982, p. 67), they do not provide one.

3. Instinct, habit and emotion.
There seems to be a consensus that pragmatic psychology regards instinct and habit as the basis of human nature or personality (Twomey, 1998, p. 434; Hodgson, 2003, p. 167), and that while the human reasoning capacity has a role to play, it is subordinate or evolutionarily posterior to instinct and habit (Twomey, 1998, p. 439; Hodgson, 2003, p. 167). Indeed, this view of the pragmatic approach seems to hold that instinct, habit and reason can be regarded as more or less exhaustive of the range of relevant human faculties. In distinguishing habit from instinct, for instance, Hodgson adds that the latter can take the form of reflexes, urges and emotions (Hodgson, 2004, p. 653), which is to say that these are subsumed by instinct. This is not entirely James’ position, and any serious appreciation of James’ contribution to pragmatic psychology and philosophy must accept the independent significance he attributes to emotions in explanation of consciousness and action.

It is true that James regards the physiological bases of instinct and emotion as the same and therefore that whatever produces an ‘instinctive reaction’ also produces an ‘emotional expression’ (James, 1931b, p. 442). But the differences between instinct and emotion are much greater than their similarities. Two particular differences between them are immediately mentioned by James. Whereas instinctive reactions necessarily have a behavioural component, emotional reactions in the first instance are largely dispositional and while they may affect consciousness they have no necessary or direct behavioural sequence; as James says, they may ‘usually terminate in the subject’s own body’ (James, 1931b, p. 442). Indeed, James had earlier written that instinct is a ‘faculty of acting … of the general reflex type’ (James, 1931b, pp. 383-4), whereas his treatment of emotions in Chapter 25 of Principles, ‘The Emotions’, is confined to ‘emotional feelings’ (James, 1931b, p. 449). Second, the stimuli of emotions are much ‘more numerous’ than those of instincts and their ‘expressions are more internal and delicate’, so that the class of emotions is ‘rather larger’ than that of instincts or impulses (James, 1931b, p. 442).

A good deal of confusion surrounds James’ theory of emotions and any fair statement of it must overcome the misunderstandings of generations of commentators (Barbalet, 1999). Part of the confusion results from the fact that Principles Chapter 25, ‘The Emotions’, provides a statement of the somatic or bodily basis of emotional feeling or consciousness. But this is not James’ full theory of emotions, nor is it the only discussion of emotions in Principles. For instance, Chapter 10, ‘The Consciousness of Self’, discusses the influence of self-related emotions on thought and action, in providing
a non-utilitarian account of self-interest. During the period that James wrote *Principles* he also published a number of papers that were collected in *The Will to Believe* (1956). These papers develop a theory concerning the significance of emotions for action (as opposed to feeling) (Barbalet, 1997). The relevance to economic theory of all of these considerations shall be indicated in what follows, beginning briefly with James’ account of emotions and attention.

As an evolutionist James accepts that organisms adapt to environments through biological functions and processes, but as a pragmatist he adds that the human organism is not a mere product of forces to which it is subjected and indeed generates its own circumstances out of adaptive necessity. For James, the human mind actively projects from present experience into the future and cannot be characterized as an imprint of past experience, as with classical empiricism, because it is a selective and interested agent in the creation of its own future. ‘Only those items which I *notice* shape my mind’, says James, and what is noticed, he continues, is not accidental or random, for ‘without selective interest, experience is an utter chaos’ (James, 1931a, p. 402; emphasis in original). The ultimate source of selective interest is the ‘passional’ nature of the human organism. James does not isolate emotion from reason or volition: ‘the conceiving or theorizing faculty … functions exclusively for the sake of ends that do not exist at all in the world of impressions we receive by way of our senses, but are set by our emotional and practical subjectivity altogether’ (James, 1956, p. 117). Without ‘emotional pertinency’, says James, ‘there is little to care or act for’ (James, 1956, p. 83). Not only does emotion direct and energize action, it is the source of originality in thought and action (James, 1956, p. 247).

It will be clear that in emphasizing the role of emotion in attention and action James’ position is not the same as the one most frequently represented as pragmatic, especially in the sociological literature. Pragmatic theories of action that follow the formulations of George Herbert Mead (1934), for instance, tend to ignore emotion and instead emphasize only meaning and interpretation. Mead developed the important idea that communication and interaction are symbolically mediated. In this process, he argues, action is based on the expectations actors’ form of the intentions of other actors. These expectations function as meanings and an actor’s interpretation of these meanings is the proximate source of the direction and form of the action they take. Difficulty in understanding the processes Mead refers to arises, however, when the emotional nature of expectation is ignored and meaning and interpretation are treated as entirely cognitive facilities (Blumer, 1969). As James has shown, impression is transformed into conception through the mediation of emotion (James, 1956, p. 117), and, as more recent research has confirmed, behaviour cannot be guided by cognitions as they arise retrospective to events (Collins, 1981, pp. 990-4). The emotional precondition of both action and interaction, and the temporal separation of action and its consequences are intimately connected for James.

Pragmatists agree that the meaning of an action is formed in the course of the action itself and cannot be known prior to the commencement of the action. As the meaning of any action will include a conception of the actor’s intentions as well as the goal or purpose of the action these latter also are therefore necessarily consequences rather than antecedents of an action. This conclusion contradicts utilitarian and mainstream economic assumptions, concerning preferences, for instance, as does its implication that fundamental uncertainty is characteristic of all action systems. Because actions have consequences that cannot be contemporaneous with the action itself, but are
necessarily subsequent to it, the consequences of an action must remain unknown at the
time the action occurs. As the consequences of action change the circumstances of all
subsequent action, uncertainty then is a constant feature of social and economic
experiences.

James recognizes that the temporal disjuncture between the present, in which
current actions occur, and the future, in which consequences of action are located,
presents an unbreachable problem for the concept of rationality. As the ends and
outcomes of actions cannot be known at the time an action is undertaken, it is not possible
to form a conception of the reasonableness of an action: information concerning its
outcome is simply not available when the decision to take the action is made. In an article
called ‘The Sentiment of Rationality’ James argues that the unease of futurity generated
by fundamental uncertainty can be practically settled only by a feeling of expectancy, and
that this feeling is the basis of a constructed sense of rationality (James, 1956, pp. 77-8).
In this affective or emotional displacement of uncertainty concerning the future the
‘emotional effect of expectation’ enables actors to proceed in their practical affairs
(James, 1956, pp. 78-9). In this way a sense or sentiment of rationality is characterized in
terms of a particular emotional configuration that enables actors to effectively engage
unknowable futures about which factual information – because it has not yet occurred – is
simply not available. A similar understanding of apprehensions of unknowable futures is

In his discussion of the marginal efficiency of capital Keynes notes that the
propensity to invest is dependent upon ‘the state of confidence’ (Keynes, 1981, p. 149)
and that confidence therefore provides a ‘theoretical link between today and tomorrow’
(Keynes, 1981, p. 145), between the known today and expectations regarding an unknown
future. Keynes says that in forming expectations, therefore, weight is given more to facts
about which we feel confident than to matters about which there is uncertainty. The
general tendency, then, is to project from present facts to future outcomes (Keynes, 1981,
p. 148). It is in this way that economic actors face the uncertainty of an unknowable
future, with a constructed or fabricated rationality based on projection rather than
calculation. Keynes’ insight into the extra-rational basis of action is expanded further in
his discussion of stock market speculation (Keynes, 1981, pp. 151-3).

That the feelings of confidence and expectation to which Keynes refers are
emotional feelings is not necessarily accepted by all who have read the *General Theory*,
although his discussion points in that direction. He writes of ‘the characteristic of human
nature that a large proportion of our positive activities depend on spontaneous optimism
rather than on a mathematical expectation’ and immediately adds: ‘most … of our
decisions to do something positive … can only be taken as a result of animal spirits – of a
spontaneous urge to action rather than inaction, and not as the outcome of a weighted
average of quantitative benefits multiplied by quantitative probabilities’ (Keynes, 1981, p.
161). He continues:

… decisions affecting the future, whether personal or political or economic,
cannot depend on strict mathematical expectation, since the basis for making such
calculation does not exist; and that it is our innate urge to activity which makes
the wheels go round, our rational selves choosing between the alternatives as best
we are able, calculating where we can, but often falling back for our motive on
whim or sentiment or chance (Keynes, 1981, pp. 162-3).
At the root of an act to invest – and practically every other type of action – is uncertainty mediated by confidence born of feelings of expectation.

When uncertainty can be subject to stabilizing forces, such as institutions and organization, then action choices can be mediated through habit or skill and the actor’s confidence can be taken for granted as internal to those capacities. When uncertainty is more difficult to manage, as in volatile stock markets, then choices are made more directly through emotional engagement. James’ argument concerning the sentiment of rationality not only complements and sustains Keynes’ discussion of confidence and expectancy, it goes on to demonstrate the way in which emotions are central to courses of action when routine is absent and volitional or deliberate choices are required.

The majority of actions are taken in the absence of evidence concerning their most appropriate course (James, 1956, pp. 23-4). There is a smaller class of circumstances, however, in which it is not possible to avoid deliberately choosing between alternative courses of action. James calls such a circumstance a ‘forced option’ (James, 1956, p. 3). A paradigm case is trust. In order to achieve an outcome in an economic context cooperation between persons is frequently required. To effectively cooperate, one actor is typically called upon to trust another. But whether trust is warranted can only be known after it is given. The decision to trust, therefore, cannot be based on relevant evidence. Under these circumstances the absence of evidence regarding a correct course of action means that deliberative calculation to aid decision-making is not possible, and habitual engagements are not relevant. James argues that an emotional choice or commitment is necessary if action is to occur at all.

The constructive significance of emotion in conscious choice-taking is demonstrated by James through the case of the ‘Alpine climber’ in which an actor’s particular emotional commitment leads to a definitive material outcome (James, 1956, pp. 96-7). In order to avoid difficulty an Alpine climber must leap from a narrow and icy mountain ledge, a feat she has not previously performed. If she is engaged by the emotions of confidence and hope she is likely to accomplish what would otherwise be impossible. Fear and mistrust, on the other hand, are likely to lead to hesitation, which will increase the probability of missing her foothold, with the likely consequence of her falling to her death. Whichever emotion is engaged will be commensurate with a particular outcome, but with contrastingly different consequences. James demonstrates, therefore, that the emotional component of action is significant in prefiguring its consequences. In that sense, an actor’s emotional apprehension of her options selects one possible future about which a choice is required.

The summary role of emotion in practical conduct or human agency, according to James, is to facilitate action even in the absence of routine and when information concerning its likely outcome is unavailable. Recourse to deliberative calculation in determining choice is not possible when pertinent evidence concerning its consequences is not available. James demonstrates that emotions of expectation – confidence, hope, fear, mistrust – are signal in determining the choices actors make when routine and logic offer no purchase on events, and he also shows that such forms of choice-taking is not a subversion of rationality. These important contributions to our understanding of agency and choice do not conclude what James has to offer economic theory, however. James’ account in Principles of the self and self-interest provides a novel and powerful correction to the utilitarian model of rational self-interest that informs mainstream economic thought.
4. Self-interest and diverse utilities.

Observation of market behaviour reveals contradiction and apparent irrationality. This can be explained in terms of the difference between short- and long-term interests or intra-personal interests and intra-psychic bargaining. In an endeavour to theorize these phenomena, and, in doing so, drawing upon the work of Sigmund Freud, George Ainslie postulates conflict among interests in a multiple self (Ainslie, 1986). While this is an important step in addressing the incomplete and inadequate notion of the self in mainstream economic theory, Ainslie’s approach is too narrowly psychological. Alfred Marshall had earlier acknowledged the error of assuming a single scale of utility and value commensurability when he agreed that ‘egoistic motives’ may drive ‘business life’ but insisted that there is also ‘vanity and recklessness … delight in doing .’ work well for its own sake … [and] sacrificing [oneself] for the sake of family, neighbours or country’ (Marshall, 1966, p. 22). Marshall’s distinction between different motives is without the benefit of a theoretical basis, however, and he assumes that departures from ‘egoistic motives’ are departures from self-interest. In this way Marshall leaves the utilitarian concept of ‘self’ intact. James, on the other hand, in outlining a pragmatic account of the self, resolves the problem of self-interest and diverse economically-relevant motives.

James indicates that an understanding of the self requires consideration of three things: the constituent parts of the self, the emotions they arouse, and the actions they prompt, which he calls ‘self-seeking’ and ‘self-preservation’ (James, 1931a, p. 292). This third element includes self-interest, through which James’ account can be related directly to the concerns of economic explanation. The significance of emotions shall be discussed below. In conceptualizing self in terms of its component parts James first distinguishes between the ‘I’ and the ‘Me’. The I, who knows, is the subject of self, and the Me, which can be known, is the object or the empirical self. The empirical self further comprises three elements or parts, which James analyzes as distinct selves (James, 1931a, pp. 292-6). First, the ‘material self’ is located in the body and the things with which a person identifies, including bodily adornments and extensions, especially immediate family and close friends. Second, the ‘social self’ forms through the recognition self gets from others and therefore responds to the perceived or assumed expectations of others. Third, the ‘spiritual self’ comprises concrete manifestations of a person’s subjective faculties and disposition, including how a person regards herself, her moral sensibility, conscience and will. Whatever it conveyed to James’ readers at the time, however, the notion of a spiritual self is today misleading and in discussion here it shall be called the subjective self, which is how James described it.

It can be noted that James’ conception of the social self, later described sociologically as the ‘looking-glass’ self (Cooley, 1964), is identical with the notion of self set out by Adam Smith in a work first published in 1759, The Theory of Moral Sentiments (Smith, 1976, pp. 109-13). The significance of the social-self, in which one knows oneself through the recognition of others, is that self ceases to be a merely subjective phenomenon and is understood as an inherently inter-subjective phenomenon in which the terms ‘self’ and ‘society’ refer to continuous connected processes and not separate entities. But James goes beyond this now conventional sociological view of the self by adding the material-self and the subjective-self as analytically distinct from each other and from the social-self. The capacity of the social-self to influence the makeup of the other two components of the empirical Me is insisted upon by James (James, 1931a, pp. 314-6), who recognizes that the bodily and evaluative aspects of self are socially conditioned. But because physiological needs and structures are necessary underpinnings
of the material-self and, similarly, psychological and neurological needs and structures form the framework of subjective experiences, James theoretically acknowledges them accordingly. Thus he refers not only to a social-self but also a material-self and a subjective-self, as we have seen. The relations between the components of the empirical Me as depicted by James can be represented figuratively as Figure 1.

Each of these components of the self is self-seeking, according to James, which satisfies the behavioural foundation of economic theory, except that for James the self is a complex not a simplex phenomenon, and self-interest becomes proportionately complex rather than consisting of the simplex form it is given in mainstream economic theory. Complex-self interest has increased explanatory force, as we shall see, and better accords with experience and empirical studies of market behaviour. The market proclivities of Jamesian selves readily account for a range of different behaviours (James, 1931a, pp. 307-9). The material-self, that is to say the embodied self, including its extensions, accounts not only for preference for goods and services that maintain the body and provide it with certain comforts, its welfare, but also much gender and age-set variation in market behaviours, related to what attachments to significant others obtain. The social-self, formed through the regard of others, accounts for a quite different type of self-interest. Its needs are recognition rather than maintenance. The role of image-advertising may be particularly relevant in social-self interest, but more generally, the goods sought by the social-self relate to status rather than immediate utilities. The interests of the third component self, the subjective-self, are both more principled and yet more susceptible to harm than the other two types of self-interest. This is the self in which values predominate and may override utilities in satisfying its self-interest. But a person may value risk as much as enlightenment, say, in which case gambling and lottery markets may satisfy interests of the subjective-self, as may substances markets, for alcohol, tobacco or even heroin. The subjective-self is responsible for ethical over-riding of material-self interest as well as moral lapses that may threaten material welfare. The subjective-self, being the domain of values and self-appraisal, is more self-monitoring than the material- and social-selves and therefore can be seen as the source of preference reflexivity, to which we shall return below.

It will be clear that reference to the interests of the material-self, the interests of the social-self, and the interests of the subjective-self, and treatment of each of these as forms of self-interest, is not to fall into the trap Adam Smith warns against, namely ‘deducing all our sentiments from certain refinements of self love’ (Smith, 1976, p. 13). Indeed, Smith’s caution is directed against the reduction of all inclinations or preferences to a single metric exercised by a unitary self. The understanding of self in James is similarly concerned to overcome the limitations of egoistic utilitarianism.

By conceiving self as complex not simplex, self-interest is necessarily more varied than it is held to be in mainstream economic thought. The Jamesian self offers solutions to certain perennial problems of utilitarian egoism, such as the supposed contradiction between self-interest and altruism (James, 1931a, p. 325). From the perspective of a Jamesian complex-self, altruistic behaviour can be explained in terms of extensions of the material-self. The material-self’s extensions include not only immediate family members, with whom the self identifies, but under certain conditions may include total strangers. As an Australian tourist in Malaysia, for example, the bad behaviour I witness of a fellow
Australian otherwise unknown to me makes me blush with shame. This is not an instance of sympathy, but more directly links one to another through a sense of common belonging or identity, in this case resulting from the contrast with the ‘strangeness’ of the host society. Sympathy, on the other hand, arises through a person imagining themselves in the situation of another. Extension, however, results from a subject’s sense that the other occupies the same position that they do. Principled altruism, on the other hand, which is based on value-commitment, must be distinguished from the identity altruism of the material-self, and has its source in the subjective- rather than the material-self. This raises a further point, namely that principled, or what Max Weber, for instance, called value-rational behaviour, does not necessarily contravene self-interest in the Jamesian account because even if it conflicts with certain instances of interests of material-self or social-self, it always nevertheless expresses interests of the subjective-self.

There are a number of things to say about the notion of a complex-self in the Jamesian sense outlined here. An aspect of the rationality of market behaviour assumed in mainstream economic theory is that revealed preferences, choices based on self-interest, will be internally consistent. This requirement is simply jettisoned with the Jamesian self. The complex-self with its correlatively complex-self interest – it might be better to say selves-interest rather than self-interests – means that apparently inconsistent preferences are in the first instance distinct or merely different rather than contradictory, relating to different types of needs. Amartya Sen, for instance, has complained about the requirement of consistency in mainstream economic theory:

A person is given one preference ordering [which] is supposed to reflect his interests, represent his welfare, summarize his idea of what should be done, and describe his actual choices and behaviour. Can one preference ordering do all of these things? A person thus described may be ‘rational’ in the limited sense of revealing no inconsistencies in his choice behaviour, but if he has no use for these distinctions between quite different concepts, he must be a bit of a fool (Sen, 1977, pp. 335-6).

The Jamesian self goes some way toward preventing the market actor being a fool. Sen’s point regarding the problematic nature of the consistency requirement raises, though, an associated question concerning the unity of the complex-self outlined here. This question can be answered after considering the solution Sen offers to the issue he alludes to in the quotation above.

5. Commitment and values.
In order to depart from the circularity of behaviour ‘explained in terms of preferences, which are in turn defined only by behaviour’ (Sen, 1977, p. 325), Sen distinguishes between sympathy and commitment. This distinction is found in subsequent papers (Sen 1985; Sen 1997) but its clearest statement is in the earlier and now classic essay (Sen 1977). While sympathy is in a sense egoistical, as sympathy for another is experienced as one’s own satisfaction, commitment is not, according to Sen (1977, p. 326). This is because commitment may lead ‘a person [to] choos[e] an act that he believes will yield a lower level of personal welfare to him than an alternative that is also available to him’ (Sen, 1977, p. 327). Sen goes on to say that the aspect of commitment of particular relevance to his critique of mainstream economic theory is that ‘it drives a wedge between personal choice and personal welfare, and much of traditional economic theory relies on the identity of the two’ (Sen, 1977, p. 329). The full importance of commitment to Sen’s argument is that it permits an approach to preference ranking that allows the
ranking of preference ranking or meta-ranking of action-sets that goes well beyond behavioural evidence for preferences and ‘gives a role to introspection and to communication’ (Sen, 1977, p. 339).

It is not possible to discuss here Sen’s meta-ranking structure and how it is operates except to say that it is highly cumbersome and artificial. The coherence of a Jamesian complex-self may do all that Sen here wishes to achieve through a quite different route, as we shall see. The distinction between sympathy and commitment does make analytic sense, even though Sen’s use of it has difficulties. Commitment considerations, says Sen, are not particularly important in markets for private goods, but significant in choices concerning public goods (Sen, 1977, pp. 330-1) and in labour markets, especially regarding the problem of work motivation (Sen, 1977, pp. 333-4). These examples relate to two quite different senses of commitment, however, that threaten the coherence of Sen’s account but are readily resolved by the distinctions found in the Jamesian complex-self. The reduction of individual welfare by payment of a levy in commitment to a public good, for instance, is necessarily intentional and recognized by the committed as a consequence of the values implicit in her commitment. The commitment that maintains the interdependent and tight-knit relations of occupational communities may also have the consequence of reducing personal welfare by foregoing work practices associated with higher earnings, but it is not primarily the result of a value choice. Rather, the latter commitment can best be regarded as a consequence of social solidarity and peer pressure (out of which values may arise). Commitment may drive a wedge between personal choice and personal welfare, as Sen observes, but it is not the only thing that can do so. Traditionalistic social relations may have the same effect. Whereas the former relates to Jamesian subjective-self interest, the latter derives from a particular form of the interests of the social-self, the self that functions in terms of the orientations and dispositions of others.

Commitment as value-rational, which is the sense Sen intends and requires, has both the capacity to lead to ‘no-gains maximization’ behaviour and to allow meta-ranking of preferences, including preferring that one did not have the preferences one has, for example. If this is seen as an attribute of the Jamesian subjective-self, however, rather than as an operation more or less removed from self-interest and which is self-consciously deliberative, as in Sen’s account, then a less cumbersome and more realistic set of possibilities emerges. Values, including commitments, pertain to the Jamesian subjective-self. The processes through which values arise contingently involves the social-self and the material-self, but the locus of values is necessarily in the subjective-self because they are experienced self-consciously by the actor concerned and are amenable to reflective formulation by her. Secondly, values, including commitments, consist of an emotional centre or core. While Max Weber, for instance, insists on a basic distinction between value-rational and affective actions (Weber, 1978, p. 25), he does so on the erroneous assumption that emotions, unlike values, are devoid of meaning, without an object and free of intentionality (Barbalet, 2001, pp. 51-2). In any event, the emotional nature of commitments is not entirely unknown in the economics literature (Frank, 1988). This returns discussion to James’ perspective. Not only are values ‘cognitions infused with emotions’ (Collins, 1990, p. 27) – a formulation that summarizes James’ discussion in his chapter, ‘The Place of Affectual Facts in a World of Pure Experience’ (James, 1912) – but, James argues, a person knows the component parts of her empirical self through the emotions they arouse. Indeed, it is through the self’s emotionality that its parts stably cohere in real individuals.
An important aspect of James’ account of what he calls the empirical self is that its constituent parts are linked to the actions they promote through the emotions they arouse (James, 1931a, pp. 292-3). In his discussion of the ‘rivalry and conflict of the different selves’ James says that the particular self that one chooses is dominant and that through that choice the others are suppressed (James, 1931a, pp. 308-9). Also, the self-feeling that achieves simultaneous elevation and suppression of the distinct parts of the empirical self is volitional: ‘our self-feeling is in our power’ (James, 1931a, pp. 311). Indeed, in choosing where their self-interest or identity lies, persons experience a falling away of other aspects of their engagements and evaluations. This much accords with mainstream economic theory. But by offering a complex rather than a simplex notion of self, the Jamesian approach provides a wider and more realistic account of what constitutes self-interest, including value aspirations and the regard of others as well as more straightforward utilities satisfied by concrete goods. These can each be classed as self-interest in the Jamesian schema because underlying all of them is emotional engagement. It is this part of the Jamesian self that has very little resonance in mainstream economic theory but which is central to the consistency of James’ pragmatic psychology.

The efficacious emotional constitution of the market actor does not imply rational incapacity, impossibility of impartial abstraction and only labile self-interest (James, 1931a, pp. 327-8). Indeed, there is an important though neglected tradition within British empiricism, which mainstream economic theory could draw much from, that regards emotions not only as not necessarily discordant with reason, but source to values and directions of rational action. This tradition, which builds on the relevant work of the eighteenth-century Scottish writers, David Hume and Adam Smith, especially the latter’s *The Theory of Moral Sentiments*, is continued in the writings of William James. James’ argument, that the consolidation of the complex-self is achieved through self-feeling, does not deny the significance of social determination. Indeed, as indicated above, James recognizes the pervasive influence of the social-self in self-formation overall (James, 1931a, pp. 314-6). In actualizing self-interest, however conceived, choices are exercised and preferences acted upon. James shows that such engagements, however, are emergent rather than pre-given in the economic actor, as with conventional approaches to self-interest.

6. Conclusion.
The present paper attempts to achieve three things. First, it has been demonstrated that James’ pragmatic psychology provides detailed accounts of a broad set of themes that include, for instance, the foundational role of habit and skill in the formation and operation of institutions and organization; the affective nature of choice, innovation and rationality; and the complexity of self-interest, its emergent constitution and the variety of its forms. Not only is each of these themes of intrinsic interest, James’ approach to them addresses limitations in current understandings within mainstream economic theory. Second, it has been shown that a key element of James’ pragmatic psychology is his appreciation of the significance of emotions in the full range of human involvements. This is a frequently ignored aspect of James’ contribution to pragmatic analysis and theory, even though it unifies his approach and is a major part of its strength. A biographer’s comment summarizes the situation appropriately:

Ever since Plato most philosophers had been suspicious of feelings or emotions, and regarded them as hindrances to obtaining pure truth … But now James not
only restored feeling to respectability but argued that it was essential to cognition. In fact, it is only by feeling that one really knows an object; if the object is only present in the mind or consciousness and not experienced through the sense and emotions then one only knows about it (Allen, 1967, pp. 266-7; emphasis in original).

Third, James has been shown to be a thinker of significant scope and depth. Too frequently he is described as a writer who popularized pragmatism and at best made minor contributions to it by introducing the mundane perspective (Lawlor, 2006). The contrasting assessment of Hilary Putnam, for instance, that James was a major figure whose "way of philosophizing contains possibilities which have been too long neglected" (Putnam, 2000, p. 6), is rather closer to the truth. This brief paper has attempted to indicate that what Putnam indicates of James’ contribution to philosophical discussion can also be said of James’ contribution to current economic theory.

Note.
¹ This paper was written when the author was Scholar-in-Residence at the Max Planck Institute for the Study of Societies in Cologne, Germany, during 2007. The MPI’s hospitality and stimulating environment are gratefully acknowledged.

References.


