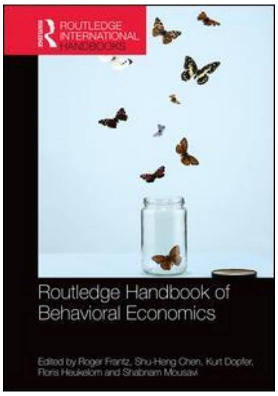

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Roger Frantz, Shu-Heng Chen, Kurt Dopfer, Floris Heukelom, Shabnam Mousavi

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Nina Bandelj, Julie Kim, Zaibu Tufail
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EMOTIONS IN ECONOMY

Nina Bandelj, Julie Kim, and Zaibu Tufail

Introduction

About twenty years ago, George Loewenstein (1996: 289) concluded that "[with] all its cleverness . . . decision theory is somewhat crippled emotionally, and thus detached from the emotional and visceral richness of life." Since then, research on emotions and economy has grown substantially. A search in EconLit database in 2015 produced about 200 articles with the word emotions in their titles, with the bulk of these articles appearing after 2000.

In this body of work, which is growing across disciplines, researchers use notions such as emotions, affect, physical drive states, or mood, and link them to various economic processes. While there are conceptual distinctions between these terms, we will subsume them under the general term "emotion" for the purposes of this review. In social psychological and sociological analyses emotional states include visceral physiological reactions as well as interpretation of these reactions. We also include in this review research on economics of happiness, recognizing that this research deals with not just emotions but more general understandings of subjective wellbeing.

Many writers on the role of emotions in economic processes note that early economic theory considered emotions as peripheral to decisions. As Figure 22.1 illustrates, this framework treats emotions as a byproduct of decision-making and not related to the outcome. With the rise of behavioral economics and increasing experimental evidence, economic analysts started to take emotions seriously, and have found it useful to distinguish between "expected" and "immediate" emotions (Loewenstein et al., 2001; Loewenstein & Lerner, 2003). Expected emotions refer to those emotional states that are anticipated ahead of time to occur as the outcome of a certain decision occurs (Figure 22.2). For instance, a person buying a car may anticipate feeling happiness after the purchase is complete, which can become a part of her subjective expected utility. Such a role for anticipated emotions is entirely consistent with the assumption that people assess the desirability and likelihood of consequences of particular courses of action and choose the action that promises maximum expected utility. Here, anticipated emotions are just one additional factor to take into account when assessing expected utility.

In contrast, immediate emotions are, just as the term implies, immediately experienced as the decision process is ongoing, often as visceral reactions that shape the ongoing decision-making process. Immediate emotions are not merely a byproduct of decision-making, but have an

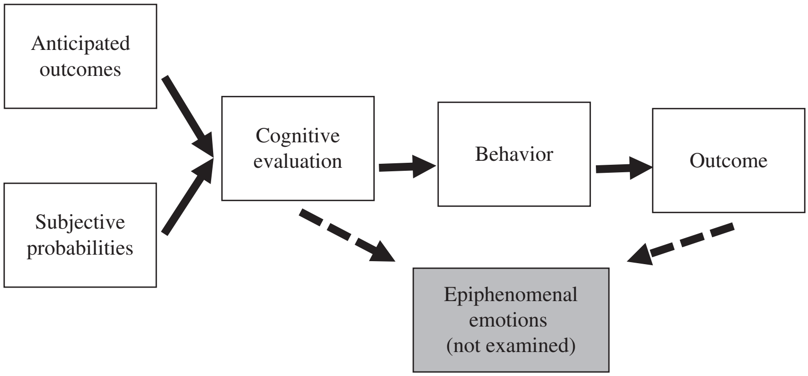

Figure 22.1 Emotion and classical economic theory

Source: Adapted from Loewenstein et al. (2001).

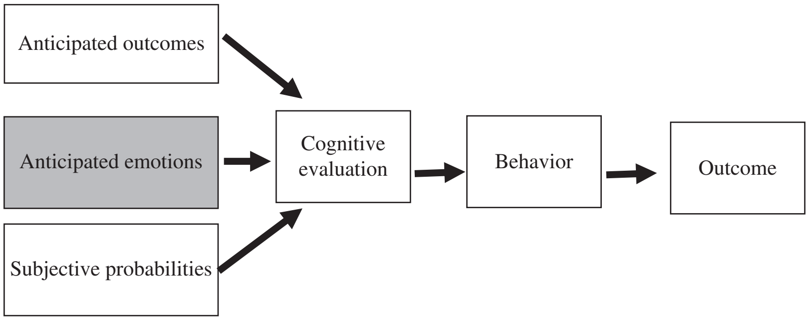

Figure 22.2 Anticipated emotions integrated into classical theory

Source: Adapted by authors from Loewenstein et al. (2001).

influence on what kind of a decision takes place, what Loewenstein and colleagues (2001) summarized in a "risk-as-feelings" perspective (Figure 22.3). We can distinguish between two kinds of immediate emotions, integral and incidental (Rick & Loewenstein, 2008). On the one hand, integral emotions arise while individuals consider the consequences of their decisions and are experienced at the moment of choice. For example, in the process of deciding whether to buy a car, a person might experience immediate elation and pride at envisioning her driving this car, or immediate fear at the thought of investing a large amount of money in a durable that will lose its value as soon as she drives off the parking lot. On the other hand, incidental emotions, while also experienced during the process of decision-making, "arise from dispositional or situational sources objectively unrelated to the task at hand" (Rick & Loewenstein, 2008: 138), such as the crying of a child that may happen to be in that car dealership shop, or spilling coffee on the way to buy a car, which makes the buyer upset for reasons unrelated to the purchase. Integral immediate emotions may be incorporated into a classical decision-making framework, if we relax the assumption that people have known preferences. In this case, the integral immediate emotions would help articulate tastes and clarify what expected emotions of a decision maker truly are, as the incremental decision process is ongoing. Taking incidental emotions seriously presents a challenge to the classical perspective because, by definition, incidental emotions are an

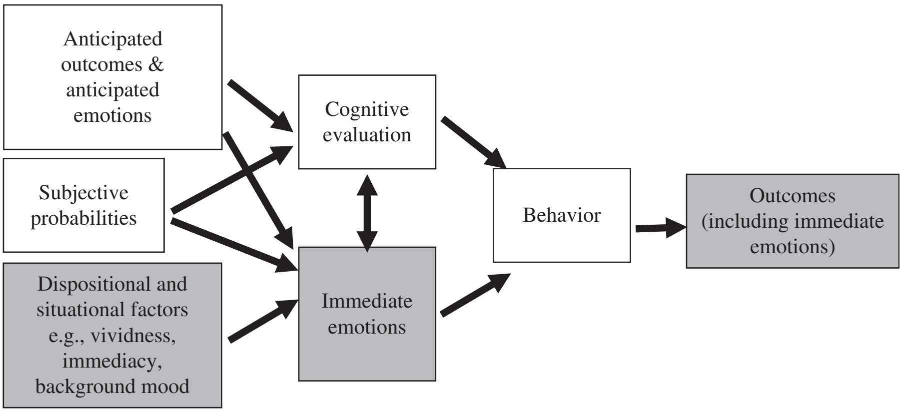

Figure 22.3 Risk-as-feelings perspective

Source: Adapted by authors from Loewenstein et al. (2001).

unexpected byproduct of the decision situation (such as vividness, immediacy, background mood, etc.) and thus irrelevant to the decision at hand. This means that a factor unrelated to the expected utility may influence decisions.

Social psychologists and sociologists provide what we call an emotional embeddedness perspective because they go beyond the individual decision-making framework to point to the influence of social interaction between individuals during one's economic decision-making process, and how such interaction induces immediate emotions that shape economic outcomes in often unanticipated ways (Bandelj 2009, Rivera 2015). Moreover, this emotional embeddedness perspective also stipulates the impact of organizational context and occupational roles on emotional experience (Figure 22.4).

Integrating findings across disciplines, this chapter provides a brief overview of the classical statements on the role of emotions in decision-making, and then proceeds to review recent experimental evidence on anticipated and immediate emotions in economic decision-making, economics of happiness, and emotions in organizations and corporations.

Central theoretical contributions on emotions in economic decision-making

Considerations in the literature on emotions and economy dovetail with the perennial debate about the link between emotion and cognition, to which psychologists, economists and neuroscientists have contributed. We review these statements here before we provide the outline of theoretical contributions by behavioral economists.

Theories of the emotion–cognition link

Providing a classical statement, Zajonc (1980, 1984) argued that emotion does not require cognition. "Affect and cognition are separate and partially independent processes and although they ordinarily function cojointly, affect could be generated without a prior cognitive process" (Zajonc, 1984: 117). Imagine that you suddenly face a barking dog. According to Zajonc, your physiological emotional reaction of fear will occur before you have processed the sensory image of the dog cognitively. Zajonc bases his conclusions on the "mere exposure" effect experiments,

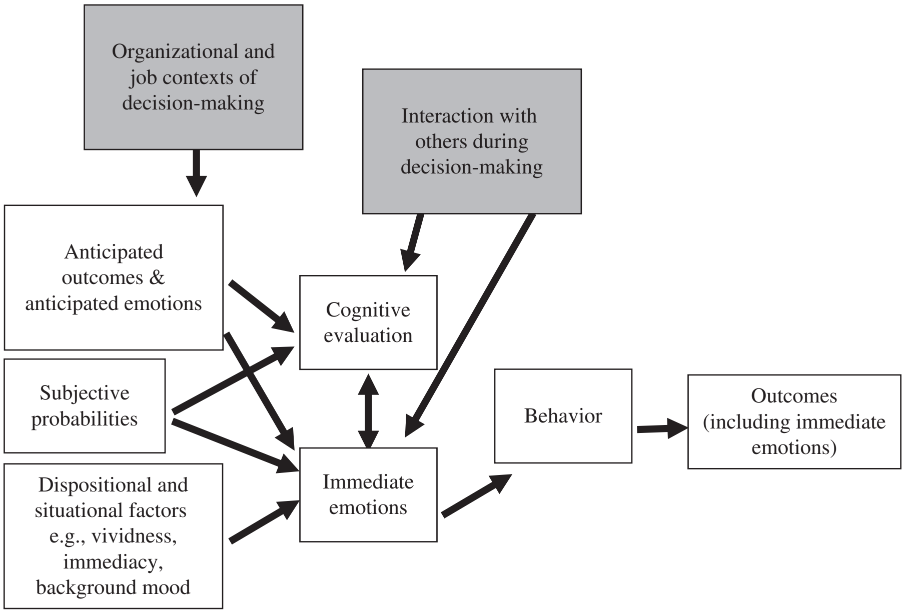

Figure 22.4 Emotional embeddedness perspective

which show that people will tend to like something simply because they have been exposed to it (or seen it) before. Lazarus (1982) has criticized conclusions about emotion and cognition based on mere exposure experiments. He warns us about equating awareness and cognition. For Lazarus, if subjects like more things they have seen subliminally then they may still have processed these things cognitively. It follows then, for Lazarus, that the cognitive process of detecting or determining affect has primacy over any elicitation of emotion.

Along these lines, Damasio (1994) made a crucial intervention using neuroscientific and psychological experimental evidence to argue that affect is essential to rational action. Damasio posited that human thought is made largely from images (i.e. symbolic and perceptual representations), and that through a lifetime of learning, people link these images to positive or negative feelings, or what he calls somatic markers. This means that when a future outcome is considered and an acquired link between the image of this outcome and affect is positive, this is perceived as a prompt for action. On the other hand, if contemplating a future outcome triggers negative somatic markers, this sounds an alarm. Damasio concludes that "the effective deployment [of reasoning strategies] probably depends, to a considerable extent, on a continued ability to experience feelings" (1994: xii). Subjects in his studies who due to injuries sustained to the prefrontal and somatosensory cortices of the brain had a diminished capacity to experience emotion were severely hindered in their ability to make intelligent practical decisions. More recently, Damasio and colleagues developed a somatic marker hypothesis (Bechara & Damasio, 2005), which states that decision-making is influenced by marker signals in bioregulatory processes that express themselves in emotions and feelings. In this neural model of economic decision, emotions are treated as a major component in the interaction between environmental conditions and decision-making processes. Emotional systems are seen as providing implicit or explicit knowledge for making efficient and sound decisions.

In a different vein, economist Robert Frank (1988) emphasized the strategic role of emotions. Frank focuses on the intersection between emotion and economy in the so called "commitment problem." The gist of this problem is that commitment appears irrational because it is based on emotions such as love or anger. However, Frank reasons that it is in one's interest to engage in commitment often because otherwise one's position in a reference group would suffer if one did not make these commitments, which would worsen one's wellbeing in the long term. Hence, there is a calculus of rationality even in apparently irrational behavior, which Frank (1988) calls "shrewdly irrational." In this case, emotions seem to facilitate rational action because they permit us to act in ways compatible with our long-term interests.

Theoretical foundations on emotions from behavioral economists

Integral to the development of the field of behavioral economics, a fundamental intervention to understand emotions in decision-making came from the work of Daniel Kahneman and Amos Tversky, which substantiates how the use of heuristics leads to significant departures from synoptic rationality. Kahneman and Tversky's (1979) prospect theory emphasizes that people are rather narrow in their focus of assessing alternative courses of action, and use heuristics to do so. Moreover, what matters more to people are changes in wealth or welfare relative to a reference point rather than absolute values. The part of the prospect theory most relevant to emotions is preference for loss aversion, or the tendency of people to prefer avoiding losses than acquiring gains, perhaps even twice as much (Tversky & Kahneman, 1992). This may be because people feel losses more deeply than the elation of gains, and have a stronger visceral reaction against losses, not wanting to be hurt by them.

Kahneman and colleagues have also studied what Thaler (1980) termed the "endowment effect," or a tendency of people to value an object more highly if they possess it than they would value the same object if they did not possess it. Kahneman et al. (1990) conducted an experiment where individuals possess an object and are given the option of trading it for various amounts of cash while other participants do not possess the object but are given a series of choices between receiving the object and receiving various amounts of cash. Although the objective wealth position and possible choices of the two groups are identical, those participants who possess the object are willing to sell it at high prices, which are significantly higher than the price that those sellers who do not possess the object identify, presumably because it is painful to part from objects that we already possess and are emotionally attached to. In fact, further elaboration by Loewenstein and Adler (1995) suggested that participants who are not endowed with an object fail to predict how painful it is to part with it once they possess it.

While most research tends to focus on anticipated emotions, which are expected to be experienced in the future as opposed to at the time of decision-making, Loewenstein (2000) has been influential in calling attention to immediate emotions, experienced at the time of decision-making. He urges economic analysts to consider visceral factors, which include a range of negative emotions such as anger and fear, drive states such as thirst and hunger, and feeling states such as pain to motivate their behavior, because they underpin daily experiences and propel behavior contrary to long-term costs and benefits analyses. Loewenstein argues that visceral factors play a critical role in decision-making in three domains of economic behavior. The first is bargaining behavior clouded by anger, fear, and embarrassment. For instance, pre-existing anger toward the people an individual is in negotiation with could drive that individual to behave in ways that work against her own economic interests. Second is intertemporal choice (e.g., visceral factors may help to explain inconsistencies, such as among those in the entertainment industry who do not stick to their diets despite the possibility of long-term gains by maintaining attractiveness). Lastly, visceral factors play a crucial role when making decisions under conditions of market risk and uncertainty. For instance, fear may increase over time as risk becomes temporally relevant while cognitive risk evaluations may remain unchanged. Such divergence between emotional reactions to risks and cognitive evaluations of risks could result in "chickening out."

Taking on the bias in economic theory toward cognitivism and consequentialism, Loewenstein and colleagues (2001) develop a risk-as-feeling proposition, which emphasizes the role of affect experienced in the moment of decision-making. They propose that emotional reactions to risky situations are often quite different from cognitive assessments of those risks. It is not so much that "people make decisions on the basis of an assessment of the consequences of possible choice alternatives" (p. 267) but that the emotional reactions often drive behavior. The authors distinguish between anticipatory emotions and anticipated emotions, where the former refer to immediate visceral reactions, such as anxiety or fear experienced in the immediate present, and the latter to emotions anticipated in the future. While we need more research on the role of anticipatory emotions, a few studies point to their influence. For instance, Harle and Sanfey (2010) test and confirm that incidental emotions bias decision-making. When psychology undergraduates were asked to play the ultimatum game in which they were asked to accept or reject monetary offers among themselves, incidental moods elicited through simple emotional priming altered decision-making. Similarly, in Rick's (2007) experiment, tightwads and spendthrifts had to decide whether or not to purchase a variety of goods while listening to neutral or sad music. Due to incidental immediate emotions the tightwads spent more when sad than when in a neutral state, and spendthrifts spent less when sad than when in a neutral state.

Loewenstein's work is part of what has become known as affective forecasting research (Wilson & Gilbert, 2005). This involves examining how people estimate their future emotional states, finding that we are relatively poor judges of our future emotions, their intensity, or duration. For instance, researchers find that people succumb to impact bias (Gilbert et al., 1998), which is one where we tend to overestimate the impact that a particular future event may have on us emotionally, such as the extent to which a future winning of lottery is thought to increase our feelings of happiness. Likewise, the durability bias captures the fact that people overestimate the length or the intensity of future feeling states. In a study of consumer choices, Wood and Bettman (2007) found that people make their choices based on estimated pleasure they will derive from a good, but they often overestimate this pleasure, as affective forecasting would predict. However, if people overestimate the duration of pleasure derived from a good, then they are more likely to purchase it, something that advertisers can manipulate. Research on attachment to objects that individuals are asked to sell, or predictions of future attachments, points to "projection bias" (Galanter, 1992; Kermer et al., 2006; Conlin et al., 2007), whereby people tend to overestimate the degree to which their future tastes will resemble their current tastes.

Experimental evidence on anticipated and immediate emotions in economic decision-making

Empirical evidence from research in behavioral economics, experimental economics and economic psychology focuses on various types of emotions that people experience when different outcomes are realized, people's predictions of what emotions they will experience, and the degree to which decisions are in fact guided by anticipated and immediate emotions. In general, researchers find that emotions have multifaceted functions, such as provide information on pleasure and pain, enable rapid decision-making under time constraints, focus attention on decision relevance, and generate commitment, meaning sentiments or commitment to stick to morally/socially significant decisions (Pfister & Bohm, 2008).

Much research concerns the role of regret that potentially arises by comparing the outcome one experiences once the decision is made with the outcome one could have experienced should one have made a different choice (Loomes & Sugden, 1982; Mellers et al., 1997), finding that regret is an important influence when the possibility of regret is salient (Zeelenberg & Beattie, 1997), which is often more in prospect rather than in retrospect (Gilbert et al., 2004).

Emotions have also been considered influential when making risky decisions. Bechara et al. (1997) drew on neuropsychological evidence with patients who suffered damage to the ventromedial prefrontal cortex and found that these patients were more willing to make risky decisions in a game where they were asked to try to win as much money as possible, because of their failure to experience fear when contemplating different risk decisions. Also examining risk, Johnson et al. (1993) found that participants were not treating all possibilities of risk the same and were willing to pay slightly more for insurance protecting against terrorism as a cause of plane crash than other crash risks. In considering choices among consumer products, Kahn and Isen (1993) found that a positive mood may make decision makers more risk-averse so as to not disturb the experience of positive feelings.

When manipulating emotions in determining buying and selling prices, Lerner, Small and Loewenstein (2004) found that disgust leads to reducing buying and selling prices, whereas sadness increased buying prices but reduced selling prices. When manipulating feelings related to fairness, researchers found that the experience of pain, as shown on brain scans, was greater in ultimatum games when receiving unfair offers from human proposers than for fair offers from non-human proposers (Knutson et al., 2007). Inducing anger or happiness during the ultimatum game, Andrade and Ariely (2009) found that happy responders were less likely than angry responders to reject unfair offers.

Studies also considered the role of time in receiving pleasure from consumption choices. Ainslie (1975) identified a general pattern called "hyperbolic time discounting," which says that people are distressed more about the delay that is proximate rather than distant, and they do not discount the future exponentially (Kirby & Herrnstein, 1995; Rachlin & Raineri, 1992). For instance, people will be more unhappy with delaying consumption of a pleasurable good from today to tomorrow rather than from 50 to 51 days.

Research on immediate emotions undermines the idea that individual decisions are guided by strict considerations of opportunity costs. For instance, Frederick et al. (2009) asked participants whether they would (hypothetically) be willing to purchase a desirable video for $14.99. They framed this decision in two ways. One was to say that you are deciding not to buy this entertaining video, and the other was to say that you can keep the $14.99 for other purchases. These two options were objectively equivalent, however, the former framing highlighted the pleasure from other purchases that would be forgone by purchasing the video, and more participants decided not to purchase when the opportunity costs were directly highlighted to them. This suggests that many people do not spontaneously consider opportunity costs, unless these are explicitly brought to their attention by evoking immediate emotions. Moreover, in charity giving and helping behavior, researchers pointed to an "identifiable-victim effect" (Small & Loewenstein, 2003), which refers to the tendency to give more to, or help more readily, identifiable victims than to statistical victims, suggesting that immediate emotions play a role in generosity toward others (Kogut & Ritov, 2005).

Although traditional finance theories assume that securities in financial markets should be priced according to their technical quality, market participants gauged the price of securities using factors other than technical information. MacGregor et al. (2000) asked 57 advanced business students in a securities analysis course to evaluate a number of industry groups on the New York Stock Exchange using a set of judgment variables. Participants were first provided with imagery and affective evaluations for each industry group and then asked to judge their likelihood of investing in companies associated with each industry. Their results suggest that while imagery and affect make up a psychological framework for evaluating securities, that framework may have low validity for predicting actual market performance.

There is also some research on the role of optimism, or positive emotional inclinations, finding that optimists work harder (Carver, Scheier & Segerstrom, 2010), and make more money (Mohanty, 2012). The mechanism suggested for these outcomes is that optimists are less likely to give up when things get difficult than pessimists, and are quicker than pessimists to switch to alternative tasks with higher chances of success when given the opportunity. However, extreme optimists may carry things too far, as Puri and Robinson (2007) found that overly optimistic people made bad financial decisions.

Economics of happiness

A growing body of research on emotion in economy is what many have termed happiness economics (Bruni & Porta, 2008; Frey & Stutzer, 2001). This research asks about the relationship between "happiness" and macroeconomic variables, such as income, economic growth, unemployment, inflation and governance. To understand "happiness" researchers used various notions of positive emotional states, wellbeing, quality of life, or life-satisfaction, which they try to quantify (van Praag & Ferrer-i-Carbonell, 2004). Emotions are most often conceptualized here as subjective wellbeing. Researchers use aggregated self-reports of individuals, from established data sets with questions on wellbeing, such as those from the World Values Survey or European Social Survey (MacKerron, 2012).

What does this research find?

Income

One of the interesting findings is the effect of income on subjective wellbeing. There is a positive relationship (Gardner & Oswald, 2007), but the magnitude of the effect is relatively small (Clark et al., 2008). In fact, Layard and colleagues (2008) find that the marginal utility of income declines somewhat faster than in proportion with the rise in income. Moreover, past income is negatively associated with individuals' current subjective wellbeing (Clark et al., 2008) as is the reference group income, which seems to matter even more than individual's own income (Knight et al., 2009). However, despite the relationship between happiness and income at the individual level, there appears to be little corresponding relationship between the rising GDP on average national happiness levels over time (but see DiTella et al., 2003), which researchers have termed an Easterlin paradox (Easterlin, 2004).

Unemployment, inflation, welfare

Economists have also studied the effect of unemployment on subjective wellbeing, and find a negative impact, and that high local unemployment rates ameliorate the impact of an individual's own unemployment (Dolan et al., 2008). Inflation may also have a negative influence on subjective wellbeing, but evidence on income inequality is mixed and varies by real and perceived mobility (MacKerron, 2012). There is little evidence concerning the effects of the welfare state on subjective wellbeing (Dolan et al., 2008).

Emotions in organizations and corporations

Social psychologists, sociologists, and organizations scholars have developed three broad lines of research on emotions in an economic sphere. One concerns the influence of organizational structure and culture on emotional states, the other on emotional intelligence as linked to corporate performance, and the third focuses on so called "positive organizations."

Organizational impacts as a cause of our emotional states

Researchers have identified a multitude of organizational events with emotional impact for workers including those related to interactions among coworkers, with customers, and superiors (Mastenbroek, 2000; Weiss & Brief, 2001; Bono et al., 2007; Elfenbein, 2007). A key contribution from sociologists is about the effect of occupational roles on emotion management in organizations. Hochschild (1983) developed this concept based on a study of flight attendants, underscoring that service workers are trained to express particular emotional reactions as part of their job, so that managing emotions becomes work (cf. Pierce, 1996; Bolton & Boyd, 2003). The consequences of emotional labor for the self have also been a subject of research. The most consistent finding is that surface acting (changing one's outward appearance) is associated with emotional exhaustion (Wharton, 2009), but deep acting (changing one's inner feelings) does not necessarily lead to emotional exhaustion (Grandey, 2003). Rather, emotional labor effects are conditioned by the workers' level of job autonomy and involvement and the workers' self-monitoring/regulating abilities (Wharton, 1993). Morrill's (1995) work on conflict management in corporations shows that how conflict and emotions are managed depends on organizational cultures and informal social networks shaped by the organizational structure of companies. In another study of how organizational contexts moderate emotional experiences, Grant et al. (2009) found that under different conditions, the same corporate-sanctioned values can lead to different emotional experiences.

With the rise of financialization, researchers have also paid attention to emotions in finance organizations. Pixley (2002) argues that finance organizations routinely use emotions in formulating expectations. She states that "emotions are prevalent all the time" and "necessarily play some part in actually fostering 'rational' decision-making in finance organizations" (2000: 42) because they enable economic actors to formulate expectations. Based on interviews and ethnographic observations of financial fund managers, Chong and Tuckett (2015) develop the notion of conviction narratives, which is a way of dealing with uncertainty and ambivalence of everyday financial decision-making that produces emotional conflicts for decision makers. In the authors' view, conviction narratives both enable participants to become excited about opportunities they identify as well as repel any doubts associated with those opportunities and therefore mitigate anxiety. Chong and Tuckett's work is in line with research that finds emotions have an analogous role to trust in permitting financial action (Bachmann, 2006; Nooteboom, 2006; Pixley, 2009). Barbalet (2009) argues that this is because financial decisions are always uncertain and dealing with this uncertainty involves emotional work.

Environmental factors within organizations, such as temperature or noise, are also found to impact emotions within organizations (Isen & Baron, 1991), as are physical artifacts, such as colors and symbols (Rafaeli & Vilnai-Yavetz, 2004). Scholars have also examined how external factors that carry over to work, such as family concerns, matter for emotional experience in work organizations (Brief & Weiss, 2002).

Emotional intelligence as a cause of organizational performance

Business literature has increasingly focused on emotions by expounding the notion of emotional intelligence (EI) and its impact on organizational performance. Defined as the ability to perceive and understand emotions of the self and others to inform and guide self-behavior (Salovey & Mayer, 1990), a social psychological and organizational approach shapes much of the theoretical and empirical development of EI. For Goleman (1995) EI is comprised of five features—understanding your emotions, managing them, emotional self-control such as delaying gratification, empathy, and relationship management—that are particularly pertinent in leadership performance, leadership processes, and group achievement (Goleman, 1998; George & Jones, 2000; Prati et al., 2003). Empirical studies find a positive association between EI and leadership skills and assert that EI enhances managerial effectiveness by influencing workplace attitudes and behavior and, ultimately, organizational performance outcomes (Carmeli, 2003). The link between EI and leadership offers an explanation for why managers with both knowledge and industry experience sometimes do not succeed at the workplace, suggesting that cognitive intelligence, personality traits, and competence do not fully account for work success (Rosete et al., 2005). Though most studies examine the role of EI in enhancing leadership skills, some focus on how employee EI is related to their job satisfaction, job stress, job control, commitment, turnover intentions, and emotional labor (Petrides & Furnham, 2006; Wong & Law, 2002). Other studies specifically explore the impact of EI on occupations requiring extensive emotion work, such as nursing in care work (Carson & Carson, 1998; McQueen, 2004) and hospitality in service work (Jung & Yoon, 2012). EI also affects organizational capability and influence organizational change (Huy, 1999). However, not all studies point to positive associations between EI and team performance outcomes. When multifaceted investigations look at the relationship of the leader, employee, and team, EI is not related to group performance (Feyerherm & Rice, 2002). The relationship between EI and leadership disappears when controlling for ability and personality (Cavazotte et al., 2012). EI can also facilitate self-serving interests for high-EI individuals at the cost of others (Kilduff et al., 2010). Because EI is neither tangible nor observable, measurements often entail self-reports (Palmer et al., 2001; Gardner & Stough, 2002) or questionnaires (Barling, 2000). Frequently used questionnaires include Goleman's 10-item measure, Seligman Attributional Style Questionnaire, EI Inventory, and the Mayer–Salovey–Caruso EI Test, among others. The self-report approach is limited, however, and some measures are not suitable in the organizational context (Wong & Law, 2002).

Positive emotions as a cause of organizational performance

Another strand of organizational research explicitly concerned with emotions is positive organizations scholarship (Cameron, Dutton, & Quinn, 2003), which examines how a *positive* lens or an orientation that focuses on strengths rather than weaknesses, on optimism rather than pessimism, and on the supportive rather than critical actions (Cameron, 2008), influences the organization in its decision-making, behavior, and judgment (Forgas, 2001). Organizations may have positive organizational social capital, meaning that members of an organization maintain high-quality relationships and reciprocity among each other (Baker & Dutton, 2007) through organizational practices that motivate employees to pursue such relationships and attitudes. This literature finds that interpersonal trust among employees affects both the behavior and performance of the firm (McAllister, 1995). Other studies focus on positive psychological capital (Luthans et al., 2004; Youssef & Luthans, 2007; Toor & Ofori, 2010), which includes individual capacities of hope, optimism, resilience, and efficacy as well as character strengths such as feelings of vigor, physical strength, emotional energy, and cognitive liveliness (Shirom, 2003). These are found to affect job performance and employee attitudes such as perceived organizational support, emotional commitment to the firm, job satisfaction, and work happiness. Positive organizations are also negatively associated with undesirable employee attitudes such as anxiety, job stress, turnover intentions, and cynicism (Avey et al., 2011). Individual-level satisfaction can add up at the aggregate level to engender organizational innovation or generate and implement creative ideas (Shipton, 2006).

Whereas studies examine how individual-level traits and interactions have organizational-level impact, conversely, others examine the implications of a positive organizational structure on organization and individual outcomes. Some firms promote positive affect in the workplace or structure a positive climate such that rather than focusing on individual error or power control, they focus on building an organization with a hopeful orientation, creating a culture of creativity, or an ethical organizational identity (Avital et al., 2006; Cangemi & Miller, 2007; Verbos et al., 2007). Positive organizations are associated with healthy mental and physical outcomes for employees (Heaphy & Dutton, 2008). Staw, Sutton and Pelled (1994) show an association between positive emotion at work and both work achievement (favorable work evaluations and higher pay) and supportive social context with more support from supervisors and coworkers.

Conclusion

Emotions have received increasing attention by scholars of economic behavior. It is no longer controversial to consider that people anticipate, and take into account, how they are likely to feel about the potential consequences of alternative choices identified in their economic decision-making. Such research on the role of expected emotions in economy has tried to identify the types of emotions that people experience when different outcomes are realized, people's predictions of what emotions they will experience, and the degree to which decisions are in fact guided by predicted emotions. More recent work on emotions has considered the role of immediate emotions. A review of this research concludes that,

> In some cases, these emotions seem to play a beneficial role in decision-making, informing decision makers about their own values. But in other cases, such as the disproportionate fear commonly associated with flying as opposed to driving, integral emotions may cause people to act contrary to their own material interests.
>
> *(Rick & Loewenstein, 2008: 149)*

Other ways in which emotions are considered consequential for the economy have been emphasized in the macro research on the economics of happiness, in the scholarship on emotion management of workers to fit occupational roles, and in studies on the impact of EI and positive organizations on organizational performance.

On the whole, there is much still to be done to understand emotions in economy, including how immediate and anticipated emotions interact. For example, immediate emotions may encourage risk-taking behavior, but contemplation of anticipated emotions associated with such decisions, such as regret, may discourage it. More generally, considerations of immediate emotions pose problems to traditional economic models of rational decision-making. Weighing of costs and benefits requires a deliberative process that immediate emotions likely undermine.

These immediate, unanticipated, emotions result either because of unrelated background moods and states, or because decision makers engage in unpredictable social interaction during the process of decision-making. Moreover, different kinds of emotions, not only regret and pleasure, and different strength of emotions, especially very intense ones, have yet to be examined more rigorously, albeit this is quite challenging to do in laboratory experiments. Finally, economic and psychological models of decision-making do not pay enough attention to social interaction, and how emotional experiences change because of organizational and institutional contexts. This calls for more interdisciplinary research on emotions and economy, and collaboration of behavioral economists with other social scientists.

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