Bridging Psychology and Economics

A Unified Theory of Human Emotions and Motivation

The Emotional Economy

Economists often model human behavior as rational cost-benefit calculation. Reality is different. People act under the influence of emotions as well as logic. Behavioral economics has begun to capture this, but a broader framework is needed. This theory links psychology and economics to explain emotions and motivation in a single system.

Core Principles

Two ideas form the foundation:

Expectation Violations

Emotions arise when outcomes diverge from expectations. Positive surprises create joy, negative ones spark anger.

Subjective Importance

The weight of an emotional response depends on how much the outcome matters. High stakes drive stronger emotions.

Emotions as Economic Shocks

Each emotion can be understood in economic terms:

- **Anger**: A negative supply shock. Outcome falls short, energy mobilizes to correct injustice or threat.
- **Joy**: A positive supply shock. Better-than-expected results reinforce behavior that produced them.
- **Sadness**: Anticipated shortage. Signals unmet future needs and elicits social support.
- **Anxiety**: Anticipated loss. Promotes vigilance and caution in the face of risk.
- **Contentment**: Expected surplus. Creates stability, reduces stress, and conserves energy.
- **Laughter**: Neutral shock. Response to the unexpected without threat, reducing tension and strengthening bonds.

Mood as Emotional Wealth

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Mood functions like income or wealth. Positive mood is high emotional wealth, lowering risk aversion and promoting engagement. Negative mood is low emotional wealth, raising risk aversion and encouraging withdrawal.

Depression as a Behavioral Trap

Depression represents persistent low mood and low emotional wealth. The result is:

- **Net Motivation Decline**: Losses weigh more heavily than gains, reducing initiative.
- **Dynamic Risk Aversion**: Fear of losses prevents pursuit of rewarding outcomes.
- **Trap Cycle**: Reduced engagement reinforces low mood, creating a feedback loop.

Treatment can focus on expectation management, achievable positive reinforcement, and medication that stabilizes mood and motivation.

Conclusion

This unified model explains emotions through expectation violations and subjective importance, while treating mood as emotional wealth. It connects psychology with economics and shows how mental states influence decision-making. The framework offers both theoretical insight and practical strategies for improving behavior, mental health, and welfare.