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   University College London, Faculty of Laws, United Kingdom

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BEYOND THE ANSWER: MAKING SENSE OF NEUROPRUDENCE

Anthea Jay KAMALNATH

University College London, Faculty of Laws, UK

antheajk@gmail.com

Abstract

A favourite uncle wants to borrow money from you but he is a compulsive gambler. In three years, he has gone through nearly a million dollars, depleting all of his savings. His life and marriage are just about on the rocks. His only child has no resources to finance her college education. As you sit there looking at him, figuring out your answer, no fewer than twenty of your brain structures and their circuits are busily at work. Your long-term memory (stored in the cerebral cortex) dredges up recollections of your many talks with your uncle, as well as time spent together attending the Yankee games when you were a child. Recent conversations with him (part of your short-term memory and stored in your hippocampus) and your aunt’s chronic kidney disease also surface to make you feel sorry for him and his family. Sympathy for him gets a strong boost as your visual cortex and mirror neurons (including the superior temporal sulcus, the fusiform gyrus, and the amygdala) process your uncle’s facial expressions and his embarrassment over needing money. The amygdala is also activated when you experience a twinge of fear as you perceive that your refusal of his request could cause a rift as damaging to his family as the path he is on.

Fuelled by disappointment and anger, your ambivalence activates your premotor cortex, which rehearses throttling him. Your frontal lobe and anterior cingulated cortex step in to stifle the throttle impulse. The problem-solving function of these structures understands that some addictions are impervious to intervention; you thus reason that you might just as well give him the money and keep his affection.

Your prefrontal cortex, on the other hand, steps in to take command and sorts out how to deliver a gentle, loving ‘no.’ This winds up activating other regions of the cerebral cortex – visual (occipital cortex and superior temporal sulcus, spurious colliculus), auditory (temporal cortex), language (Broca’s and Wernicke’s areas) – as your prefrontal lobe reviews all the sensations you’ve received and develops a plan of response. Finally you will experience his reaction to your ‘no’. This will activate your sensory systems (auditory and visual), limbic structures – in particular the amygdala (emotional reaction to his affect), hippocampus (connecting memory to emotions), as well as anterior cingulate cortex (self-control), and hypothalamus (bodily response such as sweating, increased heartbeat) – and the frontal lobes.

Fortunately, both you and your uncle are blissfully unaware of these processes (Tancredi 2007, 41-42).

Keywords: neuroprudence, rational behaviour, neuroeconomics, utilitarianism

JEL Classification: A12, K00

1. Introduction

With this the foregoing presentation of a simple moral dilemma, Tancredi describes the processes the brain goes through while making choices. In his analysis, Tancredi assumes that this is a moral choice that is, in effect, a ‘right’ choice. Jurists and ethics philosophers alike would agree with him. Analyses of decision-making is at the heart of any reductive approach to answering the questions of why people choose to follow the law and how they apply the law and find right answers. Or more specifically – an analysis of decision-making in the courtroom is pivotal to some jurisprudential theories such as American Realism and Judicial Behaviourism1. On a far more abstract level, decision-making applies to Dworkin’s interpretation and the Right Answer Thesis. The law demands a functional need for decisions to be made. Dworkin explains that this is ‘because any argument that the law is indeterminate about some issue must recognize the consequences of that being true, and take

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1 See also: Karl Llewellyn and Glendon Schubert.
these into account' (Dworkin 1996). Dworkin distinguishes a doctrine he calls 'strong' discretion – the kind of discretion a decision-maker has when he ‘is simply not bound by standards set by the authority in question (Dworkin 1967) – from the doctrine he calls ‘weak’ discretion, which says only that ‘the standards an official must apply cannot be applied mechanically but demand the use of judgment’ (Yu and Zhou 2007 and Leiter 2003).

What forms the neural and philosophical bases of man’s recognition of the rule of law, and how man not only decides to follow such rules, but also thus executes decisions – will be explored in this paper. Neuroscience has made rapid advances and makes it possible to answer important questions about how individuals arrive at decisions. As the nineteenth century economist Thorstein Veblen wrote in 1898 ‘economics, properly understood, is simply a branch of biology’ (Zak 2004). Neuroscience has also shown that increasing trust in the form of cooperative action and ‘mutual investment’ increases efficiency providing systems of trust as cornerstones of valued democratic societies (Blair and Stout 2001).

Concluding remarks

The evidence as presented, of reductionist theories of neurobiology and studies in neuroeconomics, is not a mere challenge to interpretivism, nor is it simple fodder for the legal positivist. It demands a restructuring of the fundamental questions in jurisprudence. When confronted by new disciplines, old questions call for new answers. The essence of being human transcends mankind’s rich spectrum of political authorities, individual hopes and collective ideals. Trust as the neural currency, not trust as the abstract virtue, lays the bedrock for our systems of law. The mirror mechanism predates any promulgation of the law: empathy is man’s social grace. From the fruit fly to the mouse and even Hercules, all beings that comprise our living world are made up of the exact same molecular cellular pathways that allow for cognitive behaviour. Law is a cognitive process and trust is its ultimate rule. A rule may be binding before it is accepted with no debate between the mind and molecule as to whether or not it is valid. Law is not posited through decision. We live in and by the law, but not as subjects of law’s empire. With what ruler must jurisprudence draw the line between the validity of law and the trouble of being human? This is a question. Hercules can only begin to ask if he moves beyond his answer and makes sense of neuroprudence.

References


THE IMPACT OF WORSHIP ON INDIVIDUAL’S WELL-BEING

Fozia Munir  
Kashmir Institute of Economics  
University of Azad Jammu and Kashmir, Pakistan

Ashar Awan  
Kashmir Institute of Economics  
University of Azad Jammu and Kashmir, Pakistan

Syed Nisar Hussain Hamdani  
Kashmir Institute of Economics  
University of Azad Jammu and Kashmir, Pakistan  
nisarhamdani@gmail.com

‘If religion is not a determinant of happiness for individuals, then why do they spend time and money on it?’

Abstract

Purpose: Individual well-being has been the focus of analysis among rapidly rising number of economists in the world. Especially, after the ground breaking work of Layard (2005), a variety of factors affecting well-being has been identified in the literature. However, despite its prime importance, religion could not get the proper importance in such an analysis. It has been observed by some critics that, for example, GDP ignores the environmental cost a country is bearing, wealth variations between poor and rich, factors impacting the well-being of the individuals like mental health, social relations and personal safety (Anheier and Stares 2002; Fleurbaey 2009, Michaelson et al. 2009). Subjective well-being is the level of satisfaction from an individual’s life, environment, relationships and other economic and social matters. Researchers found a number of factors which affect well-being and which are therefore included in the economic and environmental judgment. There are also many non-material factors which can affect well-being, presented in McAllister (2005), including personal relationships (Helliwell and Putnam 2004); social and community relationships (Keyes 1998), employment (Layard 2005); and political regimes (Donovan and Halpern 2003), contextual and situational factors, demographic factors; (iv) institutional factors, (Hoorn 2007). Some studies included religious factors as the determinant of well-being (Hewitt Source 1994, Chang 2003). There have been studies (Iannucccone 1990, 1998, and 2000), (Finke and Stark 1992), (Finke 2003), and (Hamdani 2006) that brought the attention of other researchers towards multi-disciplinary research. The emerging importance to study religion has convinced the social scientists to observe how religion affects different aspects of human behaviour. According to Iannnaccone, (1998) more than 200 papers have been published on religious and the economic impact of religion.

Approach/methodology/design: The paper examines weather religiosity, per capita consumption and education index can affect well-being. Using data from the Divine Economic Survey (2000), the study is an application of Divine Economics. Divine economics is a term associated with the study of economics and religion in each other's perspective. Divine economic survey’s 2000 data set on 302 household is used in this study. In this survey, prayer index is used which identifies number of obligatory prayers respondent performs daily. The Divine Economic dataset was said to be the largest in the world on religion and economics (Freeman, London School of Economics, 2004\(^2\)). Researchers such as G. Sison et al. used Ordered Logit Model as their dependent variable life satisfaction – it is an index which takes values from 1 to 10. Our Well-being index takes values from zero to 100; i.e. it is a sum of responses against a variety of questions. To check the impact of religion we used OLS technique and descriptive analysis for the study.

Limitations: Ideally, we should have used the Divine Economic Survey 2009 conducted by the Pakistan Institute of Development Economics. However, that data set cannot be used due to copyrights. Therefore, we have used Divine Economics Survey 2000 for our study. A future researcher can obtain access to the later dataset.

Findings: The study found that negatively per capita consumption and worship, education index and duty time positively effect on individual’s well-being.

**Keywords:** worship; happiness; well-being; religion; religiosity; divine economics.

**JEL Classification:** D6, I31

1. Introduction

‘Worship is an act of religious devotion usually directed towards a deity’ ([http://en.wikipedia.org/wiki/Worship](http://en.wikipedia.org/wiki/Worship)). According to Gill (2005), ‘prayer is defined as human communication with divine and spiritual entities’. The total world population is around 6.76 billion. Jewish, Christians, and Muslims make around 55% of the world population ([www.adherents.com](http://www.adherents.com)). Worship is highly encouraged in nearly all religions and considered as an important aspect of religious life. In this paper, all these terms - well-being, happiness, life satisfaction and quality of life - will be used interchangeably. Happiness and life satisfaction are used as synonymous in many recent studies (see, for example Caporale et al. 2009 and Cunado and Perez de Gracia 2010 a, b, c). In this paper, we used both happiness and life satisfaction scores as measures of subjective well-being (i.e., dependent variable in our empirical analysis).

Major religions including Christianity, Judaism, Buddhism and Islam are more than a millennium old. Human beings have experienced a lot of changes in social and cultural context since then. Due to inventions and disasters some things may have been eradicated completely or became unnecessary. The question is: why worship has survived till today? Although science has given reasons why earthquakes happen, floods come and kills and removed the myth that this was due to anger of God, people still are busy worshiping their God, going to churches or mosques and paying charity.

Over the last few decades happiness has been getting an increasing interest from researchers. Its popularity was limited to sociological and psychological studies; for e.g. Diener (1984), Diener et al. (1995, 1999, 2000). Happiness comes to the focus area of economist because happiness is what individuals are particularly looking for. As Ng (1997) puts it ‘we want money (or anything else) only as a means to increase our happiness. If having more money does not substantially increase our happiness then money is not very important but happiness is’.

The debate has been started by Easterlin (1973) and is still under discussion today. On one hand there are researchers like Easterlin that say that a higher level of income does not generate happiness and on the other hand, theorist such as Stevenson and (Wolfers 2008) claim that increasing income leads to more happiness.

Economists have mostly neglected religiosity as a factor in economic decision-making, though a limited literature has been developed in the perspective of Christianity (Hamdani 2004).

The main focus of this paper is not contributing in the discussion that either income increases or decreases with happiness or self-satisfaction, but to look closer into the matter and find other hidden variables which affect happiness. In this paper we focus on the relation between the acts of worship and happiness by analysing whether people who do the act of worship are happier than those who do not.

During last few decades the literature on well-being (individual life satisfaction, subject well-being, happiness) has been given an increasing attention by economists. Among those highly admired are: Frey and Stutzer 2002a, b, Easterlin 2005, Clark et al. 2006, Di Tella and MacCullough 2006, Helliwell 2006, Bruni and Porta 2007, Layard 2006, Blanchflower 2008, and Graham 2008. Less empirical attention was given in these studies to the measurement of the impact of religion on happiness. Among few recent papers that analysed the impact of religion on individual life satisfaction are Soydemir et al. 2004, 2005, Witter et al. 1985 and Clark and Leikes.

The concept of utility was incorporated into neoclassical economics in what is called ‘utility theory’. According to this theory, the level of happiness or utility that an individual achieves is directly related to the level of consumption of goods and/or services. Recently, advances in behavioural psychology have led some academics to re-examine the underlying behavioural assumptions of economics and what factors determine individual economic well-being Economic literature argues that individuals derive well-being from the satisfaction of their wants according to their own preferences. The well-being starts by incorporating traditional utility theory that consumption of goods and services directly effects the well-being. In this way consumption is determine by the available income. According to this concept, individuals maximize their well-being through material interest. Countries with higher income have higher average levels of well-being (Diener et al. 1995). This restricted form
of well-being is not primarily an ethical principle but an assumption concerning human behaviour. There are also other domains of well-being as health, education, employment and the level of worship (Doug 2007).

Religion devotion, for e.g. worship, is positively related to happiness and satisfaction. Religious people are better able to overcome and compete with adverse circumstances. The feelings of being close to God and the belief - are the sources of that happiness (Ellison 1991).

Literature review of economics argues that people obtain well-being from fulfilment of their desires according to their own preferences. The assessment of well-being has to rely on proxies because the level of satisfaction cannot be measured directly. One of the most widely used is income, though well-being can be measured with the proxy of real income (Romina Marco 2006).


This study is designed under the Divine Economics framework. The Divine Economics is a framework for ‘the study of economics and religion in each other’s perspective’ developed by Hamdani 2000, 2001, 2004. ‘The foundations of the Framework are laid down on standard rational choice theory and the role of religiosity as defined in the Divine religions is incorporated in the scientific model’ (http://medlibrary.org/medwiki/Economy_(Eastern_Orthodox_Church).

As the Quran says ‘Whoever does right, whether male or female, and is a believer, we will make him live a good life, and we will award them their reward for the best of what they used to do’ (Quran 16:97).

Main objectives of this study:
1. To analyse the Divine Economics Framework (Hamdani,2001) for analysing the per capita consumption, education index, and worship impact on well-being;
2. To find out important indicator of well-being;
3. To analyse impact of worship on individual’s happiness.

Concluding remarks

This study is an attempt to explore the relationship between worship and individual well-being. Individual well-being is measured in terms of life satisfaction derived from education, consumption, and devotion to religion such as worship. The analysis is based upon the cross sectional data, collected by the Divine Economics Survey in 2000. The OLS technique is used to analyze the data, descriptive analysis and applied for this study. Education, prayers have positive effect on IWB, per capita consumption has negatively effect the individual’s well-being. Variation in independent variable is small because there may be problems in collecting data; but these tentative results are a support and open a new horizon for future researchers to work in this field.

References


STRUCTURAL CHANGE AND MODELS OF STRUCTURAL ANALYSIS: THEORIES, PRINCIPLES AND METHODS

Daniele SCHILIRÒ
University of Messina, DESMaS, ‘V.Pareto’, Italy
schi.unime@katamail.com

Abstract

Structural change indicates essentially a qualitative transformation and evolution of the economic systems, usually marked by technological progress and organizational changes. Technological factors, knowledge, institutions are all elements that contribute to the process of structural change. Schumpeter (1912, 1939) has certainly been one of the most influential economists who has analysed and explained the process of development and at the same time took into consideration the mechanisms of transformation of the production system.

This contribution focuses on the models of structural analysis, particularly on the methods and principles that such models adopt; in this context, structural change becomes the underlying dominant theme of the present work. The investigation of the models of structural analysis and of theories of structural changes carried out in this contribution has a double meaning. On the one hand, it allows picking up several essential principles that characterize these models; on the other hand, it should allow us to examine some important methodological issues, such as different methods of decomposition of the productive systems, the problem of complexity and the strategies to reduce complexity.

Keywords: structural change; structural analysis; analytical principles; complexity; methods of decomposition

JEL Classification: B41, D57, L16, O41

1. Introduction

Structural change indicates essentially a qualitative transformation and evolution of the economic systems, usually marked by technological progress and organizational changes. Technological factors, knowledge, institutions are all elements that contribute to the process of structural change. Schumpeter (1912, 1939) has certainly been one of the most influential economists who analysed and explained the process of development and at the same time took into consideration the mechanisms of transformation of the production system (Schilirò 2005, 2012).

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The investigation of the models of structural analysis and of theories of structural changes carried out in this contribution has a double meaning. On the one hand, it allows picking up several essential principles that characterize these models; on the other hand, it should allow us to examine some important methodological issues, such as different methods of decomposition of the productive systems, the problem of complexity and the strategies to reduce complexity (Schilirò 2006, 2007, 2009).

The economics of structural change has a long story which goes back to the Classical Economists, as Hagemann, Landesmann and Scaszziari (2003, XIII) have highlighted.

In the following pages, I limit my analysis to the models of Leontief, von Neumann, Sraffa and Pasinetti, since these economists, similarly to Classical Economists, focus their analysis on economic structure as the crucial factor in understanding the working of economic systems. Indeed, their models may be connected to the theoretical line that is centered on the analysis of the conditions of reproduction of the economic system. The foremost economists of this line of research are Quesnay and Classical Economists like Marx, but also some economists of the Russian-German School, such as Dmitriev and von Borkiewicz, who are at the root of von Neumann’s and Leontief’s contributions. The choice of Leontief’s, von Neumann’s, Sraffa’s and Pasinetti’s models is relevant because it is possible to single out analytical principles and discuss methodological issues,
which are at the root of structural change analysis, with the aim of contributing towards a further epistemic advance.

In general, the analysis of structural models brings out a clear distinction between the description of the production system in terms of material flows reflecting inter-industry relationships and the description of the same system in terms of a set of vertically integrated sectors. This methodological aspect is pointed out in the paper, and the models are also distinguished in relation to it.

Moreover, the paper tries to compare Quesnay’s Tableau, taken as a benchmark model, with Leontieff’s, von Neumann’s and Sraffa’s models to pick up the different features of these models with respect to his theoretical framework and also to identify their characteristics for structural analysis and structural change.

Conclusions

The main theme of this paper has been to investigate essential characteristics for structural analysis of economic systems that can be identified in the analytical frameworks of Leontief, von Neumann, Sraffa and Pasinetti. These authors can be assimilated, at various degrees, to the Classical Economists with regard to the analysis of production, growth and structural change. The investigation in the paper was carried out with the aim of contributing towards a further epistemic advance in the analysis of structural change, by examining models which adopt similar analytical frameworks regarding the economic structure, but also different assumptions and methods for the analysis of economic change.

The paper is, therefore, essentially conceptual and methodological, since it tries to reconsider important methodological issues under a new light and to point out fundamental analytical principles mainly from the circular models of Leontief, von Neumann, Sraffa, that should constitute the basis for a deeper analysis of structural change, confronting them with Quesnay’s framework as a benchmark model.

A peculiar methodological feature of structural analysis that comes out from the previous analysis is the notion of ‘relative structural invariance’. A notion explicitly used by Leontief, but which is rooted in the tradition of the analysis of structural change of the Classical economists, who concentrate onto few critical variables and their relations. This means that the economic structure is generally described in a way that some of its elements are considered to be fixed, while other elements may change over time. ‘Relative structural invariance’, thus, is a distinctive feature of structural change analysis, since it is always relative to a given structural description. This assumption is essential in order to determine the set of possible transformations that any given economic system may undergo. There is a clear relationship between the circular approach and the notion of ‘relative structural invariance’. This is because relative structural invariance allows the study of structural change through a ‘time differentiated’ description of the interrelationships among elements of the economic system.

According to Simon (1962) the analysis of structural change presupposes the ability to get an insight into the ‘architecture of complexity’ (Hagemann, Landesmann and Scanzieri 2003, XXXVIII). Thus, another important methodological feature is the decomposition of the economic system into sub-units such as industries or single productive processes to reduce the degree of complexity of the analysis.

Leontief’s input-output method is consistent with this goal, as it concentrates on a finite variety of characteristics and activities of the economic system, but the structure is determined by the state of technology and not by the assumptions concerning economic agents’ or social classes’ behaviour, has in Quesnay. Sraffa, instead, adopts a similar inter-industry framework and a circular approach, he also decomposes the system in sub-units which are the sub-systems, that have a different meaning with respect to the industries in Leontief, and he is not committed only by the state of technology to determine the economic structure and the price system, but his analytical system is open and it has degrees of freedom. von Neumann, on the hand, is constrained by his complex and restrictive hypothesis about technology, which must remain constant over time. Another crucial and restrictive assumption in von Neumann’s model, concerning his method of analysis and the complexity problem, is that von Neumann assumes the non-decomposability of the system. His choice of excluding the partition of the economic structure into independent sub-systems is a consequence of the fact that decomposability is not essential to reduce complexity in a balanced-growth model, and also because there is no structural change in his model, but this approach makes his framework ‘too rigid’. Moreover, structural analysis implies that the degree of diversity of the economic environment is reduced by the assumption of limited heterogeneity.

The peculiar methodological features of structural change analysis are, therefore, the notion of ‘relative structural invariance’, the adoption of methods of decomposition and the identification of normative conditions of equilibrium. Quesnay, in particular, made use of methods of decomposition and, above all, explicitly considered
normative conditions of equilibrium. Leontief, instead, made use of the notion of ‘relative structural invariance’ and of methods of decomposition, but he did not take into consideration normative conditions of equilibrium. Von Neumann did not make use of methods of decomposition, because of his assumption of non-decomposability. Von Neumann’s definition of ‘growth in equilibrium’ also implies highly restrictive assumptions on technology in the model that makes his concept of equilibrium independent from the behaviours of the individuals or social classes. Sraffa made an important use of methods of decomposition for his analysis; he also adopted an equilibrium concept which was related with possible different solution about income distribution among social classes.

In conclusion, the analysis of structural change concerns an economy in a state of qualitative and quantitative transformation. The variety of methodological approaches and analytical solutions of theoretical frameworks on structural analysis and structural change confirms the necessity of a theory selection which presupposes both an adequate understanding of the economic structure and the description of relevant features of institutions and of individual or social patterns of behaviour. Indeed, Leontief’s, von Neumann’s and Sraffa’s models can help to sort out this complex task, as we have tried to argue in the present work.

References


UNFAIR TERMS IN CONTRACTS CONCLUDED BETWEEN TRADERS AND CONSUMERS, IN ROMANIAN AND EUROPEAN LAW

Ion Cătălin VOICULESCU
University of Craiova, Faculty of Law and Administrative Sciences, Romania
catalin_voiculescu@yahoo.com

Abstract
The European Union's internal market has the potential to become the largest retail market in the world, but at the moment it is fragmented into 27 markets, hence the market is created within national borders. Technical progress and open e-commerce opportunities are way ahead of consumer behaviour and even the dealer’s. There are still major retainers in purchasing products from another country, not knowing the way your interests as a consumer are protected by the laws of that State.

The current market conditions are fundamentally different from those existing at the time of adoption and subsequent transposition of Directive 93/13/EEC. The minimum harmonization proposed by that State has been effective up to a point, but it is obviously not enough.

The national regulations raise barriers to the internal market, affecting traders and consumers. The full harmonization of some key regulatory aspects will considerably increase the legal security for both consumers and traders. Both consumers and traders will be able to rely on a single regulatory framework based on clearly defined legal concepts that govern certain aspects of the contracts concluded between traders and consumers in the EU. The effect of such harmonization will eliminate the barriers stemming from the fragmentation of the rules and will create the internal market in this field. These barriers can only be eliminated by establishing uniform rules at the Union level. In addition, consumers will enjoy a high common level of protection across the Union and the harmonization will be full, the Member States being able to maintain or introduce in their national law, also provisions diverging from those laid down in this Directive, including more or less stringent provisions, to ensure a different level of consumer protection.

Unfair terms in consumer contracts represent only a segment in consumer protection field and it is a topic that has recently come to the attention of the public opinion in Romania, together with the consumption credit problem. The media insisted especially on this issue, given a certain degree of novelty, and due to the large number of people affected.

The purpose of this approach is not to analyse this problematic sector of credit agreements, but to define some terms used by the Romanian legislation and analyse a relevant case law of the Court of Justice of the European Union, on the interpretation of the rules of Council Directive 93/13/EEC of 5 April 1993 on unfair terms in consumer contracts and how relationships between consumers and traders will be affected that as an effect of the adoption this year of the new Directive on consumer's protection.

Keywords: contract, European Law, Romanian Law, consumer behaviour,

JEL Classification: K12, K00

Internal regulations
As a general rule, the problem of unfair terms in commercial contracts is regulated by Law no. 193 (r2) from November 6 2000, on unfair terms in contracts concluded between traders and consumers. The normative act has seen a number of changes and republications since its adoption: amended by Law no. 65 from January 16 2002, republished in the Official Gazette, Part I no. 1014 on December 20 2006, amended by Law no. 363 on December 21 2007 on combating unfair practices of traders with customers and regulatory harmonization with

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