

## Detailed response to Reviewer 1

I thank the reviewer for her/his extensive comments, suggestions, and hints. I have attempted to meet all the points raised, although lack of space has prevented discussion of all the details.

Reviewer's writing is in small letters.

I found this paper fascinating to read, as the length of the comments below indicates. What the comments suggest, however, is that in some respects Scitovsky's view is (or points towards) a much more radically different kind of economics from behavioural economics than is being suggested at present, and yet at times there are also some missed areas of significance where the two approaches might usefully be brought together (especially in relation to Prospect Theory, which is oddly missing despite it being where the material in Kahneman 2011 on slow thinking gradually leads).

I thank the referee for her/his words of appreciation. In revising the paper I have made it clearer that Scitovsky and behavioural economics take different perspectives, as emerges from my discussion below. I have also shown how the two approaches might be brought together by referring to Prospect Theory.

p. 3 (and p. 5 in relation to 'very strong' uncertainty): In the middle of the page the focus as regards novelty rapidly become Scitovsky's concern of uncertainty about capacity to deal with novel options. This 'to deal with' aspect needs to be differentiated more clearly from the traditional view of ambiguity in terms of it not being clear what the outcomes associated with a choice might be. Scitovsky's focus is one often ignored (though we might see it as rather similar to Stigler and Becker's experience-based view of choice) but it is really a focus on a subset of uncertainties associated with a choice.

Now Scitovsky's focus on uncertainty has been better distinguished from the other types of uncertainty both in the Introduction, which is more succinct on this aspect, and, more extensively, in section 3.1.

An important issue related to this is whether Scitovsky's view of ambiguity is really more in Shackle's way of thinking (...) The 'to deal with' aspect of his thinking seems to me to make most sense in the Shackle framework (...)

Now Shackle has been usefully referred to in footnotes 3 and 9.

'the experience to acquire' should probably be 'the potential opportunity to acquire'

Now this has been corrected.

p. 5 I think the discussion here would benefit from some examples of what Scitovsky means by consumption skill (...)

Now the examples are given as suggested (p.5).

Note also that the novelty needs only to apply to the individual's experience. It need not be a new kind of situation for the economy as a whole.

Now this clarification has been introduced at pp.4-5.

p. 6 (...) At the top: pleasure is mentioned for the first time here. I think

it needs to be made clearer how Scitovsky saw pleasure as differing from comfort, for this difference is important to his analysis (despite the term not appearing on many subsequent pages in this paper): it seems to involve temporarily 'living dangerously' in some sense by taking on a level of novelty in excess of the arousal level that is optimal for comfort, in the hope of surviving the experience whether physically or merely in terms of one's sense of self. Perhaps the second line might be reworked to emphasize that pursuit of pleasure seems more about testing one's view of one's capacities rather than an investment in augmenting them. If the argument is presented along those lines, it opens up scope for aligning Scitovsky's perspective with the reference point aspect of Prospect Theory and the emphasis there on loss aversion.

Now the term 'pleasure' has been neatly introduced at p.5, then qualified in the sense of 'testing capacities', and connected to the optimality of stimulation at p.6. Footnote 2 is devoted to Berlyne's theory of arousal. The link between pleasure and 'living dangerously' appears at pp. 20-21. Prospect Theory has been briefly addressed at pp. 3, 13, and 17.

Further down this page it might be noted that, for marketing purposes, there may be a problem with trying to offer products that are portrayed as challenging and risky in any sense, rather than offering products that make life safer. The point that Scitovsky is making in *The Joyless Economy* is not, it seems to me, that there is a lack of opportunities to experience novelty, but that US consumers were choosing comfort rather than pleasure, whereas European traditions favoured being more adventurous choices.

The fact that producers also offer opportunities to experience novelty is briefly considered at p. 7. However, I am reluctant to introduce Scitovsky's original distinction between US consumers and European consumers, because it was scaled down by himself in the second edition of the book (1992: vi).

Near the bottom of page 7, the way that behavioural economics is being characterized is implicitly rather in terms of an aspect of mainstream economics where the latter is, in Lakatos's terms, a 'degenerating research programme' – a mass of ad hoc assumptive changes are made to deal with empirical anomalies (rather than beginning with a new framework). A Lakatosian perspective would help mainstream readers make sense of the very bottom of this page (regarding Scitovsky's departure from a focus on a 'given option set'), for Scitovsky seems to be working with a different 'hard core' view (one that looks much more like that of Shackle or evolutionary economists).

I am sympathetic with these considerations, but it seems to me that lack of space prevents adequate discussion of such demanding methodological issues. As mentioned, footnote 3 on Shackle has been introduced.

Top page 8: Kahneman's reference dependence view of perception is very similar to what Hayek proposed in 1952 in *The Sensory Order*, but of course Kahneman doesn't refer to Hayek.

Exactly. Kahneman does not mention Hayek even in his recent book.

Last paragraph on page 9 is very interesting: it is redolent of the interchanges between Sidney Winter (Yale Economic Essays 1963, QJE 1971) and Richard Day (QJE 1967) (...) I can't remember if Winter's frequent coauthor Richard Nelson has talked about Scitovsky in his recent papers on evolutionary consumer theory, but it would be worth checking these out.

Nelson and Winter's most famous book on the Evolutionary Theory, unfortunately, does not mention Scitovsky.

Bottom of page 10: here is one possible place where the 'reference point' aspect of Prospect Theory might be brought in, as indicating how Kahneman sees wellbeing.

Also at this point Prospect Theory has now been brought in (now p.12).

Also in relation to the two-systems view, I wonder whether it might be argued that, if people are to be bold, they need to have a strong system 1 driving force, for too much system 2 thinking may deter 'taking a plunge' into unfamiliar territory – those who jump into exciting situations are probably doing so on a system 1 basis, categorizing them as the kind of situations they can survive based on superficial examinations of their similarities with things that have been tried previously.

I have attempted to capture this point in the case of 'undeveloped system 1' (p.13).

This might be augmented by noting what Kahneman (2011) says about the driving force of entrepreneurship and optimism bias.

This has now been mentioned at p.12.

Page 12: the footnote here prompts me to consider whether the lotteries-focused experimental work of modern behavioural economics really is an appropriate venue for making any sense of Scitovsky's thinking. (...).

Now the difference between Scitovsky and the lottery approach has been shown more clearly (p.14).

P. 13 the arguments of Pope discussed here seem worth considering in contrast to Shackle's view: he suggests a shortening of the period between choice and outcome may diminish satisfaction because it reduces the amount of enjoyment by anticipation (though with fear present, a shortened interval would be preferred since it limits the time spent worrying). Pope's point about knowing one's date of death might simply reflect the fact that, so long as that day is uncertain, one can engage in denial, so it would be wise to reflect on her findings via cognitive dissonance theory.

I have distinguished Pope's 'enjoyment by anticipation' at p.15. I could further discuss this issue as well, but I fear that the paper would become too long.

I suggest caution in tying Scitovsky really closely to Pope and Selten. The material on Pope and Selten seems to be getting detached from the notion of pleasure in a way that I think it important for the paper to bring out: The way these authors are thinking seems oblivious of the notion of 'flow' that seems key to understanding the nature of pleasure. If we are really getting pleasure out of an activity, we tend to be completely engrossed in it and largely oblivious of the passing of time; our attention is not tending to wander on to other things we might be doing. It might be noted that the 'flow' view is very hard to fit into a standard economics framework since it is denying ongoing monitoring of opportunity costs, but I think that it is very much where Scitovsky's view leads (...).

Now the link between Pope & Selten and Scitovsky is clearer. In order to clarify Scitovsky's notion of 'pleasure' better, Csikszentmihalyi's concept of 'flow' has been referred to in footnote 4.

Bottom of page 15 it is good to see the link to Becker being mentioned: as my p. 3 comment may indicate, that link might usefully be drawn far earlier in the paper.

Now the reference to Becker has been anticipated at p. 3 and p. 6.

This subsection on preference change misses the opportunity to note that within Prospect Theory (on which the paper seems oddly silent) Kahneman isn't really seeing preferences as given: everything seems to depend on the path the consumer has taken, for the value function is given but its reference point moves with choice. In his 2011 book this critique of standard thinking, implied by Prospect Theory is well made in a chapter towards the end.

Now Prospect Theory has been taken up also in this Section (p. 17).

p. 18 Regarding boredom, one might usefully reflect on the possibility of it arising due to failure to develop (or to be allowed to develop) the kind of imaginative capacity that Shackle's later work emphasized. Consider how children at play can be amazingly imaginative in what they can do with very limited physical materials, and yet by teenage years they can be bored despite material abundance at home because there is 'nothing to do'. Is the problem one of parental pressures or social pressures impeding even the retention of that imaginative capacity they displayed as young children, let alone its development.

Now section 3.3 has been thoroughly revised and the role of boredom should be clearer. Investment in early education has also been mentioned.