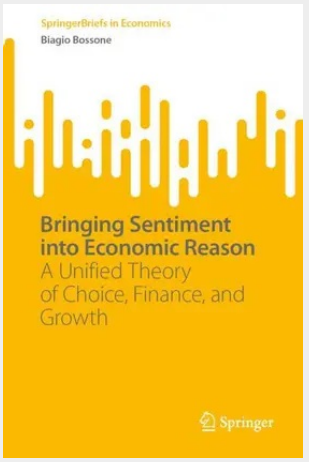
Bossone

Bringing Sentiment into Economic Reason

A Unified Theory of Choice, Finance, and Growth



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This book introduces SAGE—the Sentiment-Augmented General Equilibrium framework—as a unified theory of choice, finance, and growth that integrates human sentiment into the core of economic modeling. Departing from fragmented traditions across intertemporal choice theory, asset pricing, and growth models, SAGE develops a utility-based structure in which all assets—money, bonds, capital—deliver utility contingent on liquidity, price volatility, and sentiment-driven expectations. Agents form rational yet sentiment-sensitive expectations. Central to the model is the dynamic interaction between reason and sentiment: expectations evolve not only from knowledge and information but also from psychological states, market moods, and narrative feedback loops. The reverse holds as well, since agents' expectations about the future shape their current sentiment. SAGE thus explains how sentiment and reason affect the utility agents derive from the full range of resources available to them and shifts in their portfolio choices reshape macroeconomic outcomes even in the absence of structural shocks. The model reproduces observed anomalies—persistent stagnation, excess volatility, asset mispricing—as rational equilibria under uncertainty and belief asymmetry. By embedding financial frictions, market depth, and institutional trust into the utility calculus, SAGE also links macroeconomic dynamics to the quality of financial intermediation. The result is a flexible, tractable, and psychologically grounded framework that offers new directions for empirical research, policy analysis, and the scientific unification of economics.

"Bossone's book offers a welcome departure from New Keynesian orthodoxy by developing a unified framework where sentiment and reason jointly shape economic expectations and outcomes."
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