

HOMO OECONOMICUS: CONCEPTUAL ASPECTS BETWEEN DILEMMAS AND PARADOXES

Halangescu Constantin, PhD Student

Alexandru Ioan Cuza University from Iasi, Romania

Abstract:

The subject of this paper seeks to transpose the main conceptual aspects of sociological model of *homo oeconomicus* between the limits of dilemmas and paradoxes. Built in the way of a "snapshot" of some of the most popular views on human social evolution of this type, the paper points out contradictory "curriculum vitae" models created by economists and it is a starting point for further research that can respond fully to such interrogations: Is *homo oeconomicus* the representation of the total man or a caricature? Is *homo oeconomicus* the quintessence of true economic human behavior? The ideas advanced in this paper generate conclusions between subjectivism and objectivism positioning and argues that the identity of *homo oeconomicus* is dependent on adaptive human social anthropology in composition, re-composition, decomposition, association and dissociation. Evolution of the concept, the idea, the abstraction, and finally the model of *homo oeconomicus* and undeniable presence quota "complicates" things, and our character is more "scar", not lack of affection and impeccability.

Key Words: Homo Oeconomicus, Theoretical Economy, Socio-Human Model

Introduction

"Tired" and "discouraged" by the chaos and drift of the confluences of millennia he went through, opting for a development inevitably dictated by the manufacturer or teleological, subservient daily mercantilism sultry, preferring a transfer circuit counterpoint in his existential, cultural thirsty exhaustive, heterogeneous, difficult and yet rewarding giving diverse intellectual, man instinctively seeks an escape, a refuge induced by the recurrent definitive answers of the obsessive question: *Quo vadis ... homine?*

Aware of the pitfalls and benefits created by himself, man today lives the image of the company to which globalization is stuck in the mechanism attribute supreme and eternal ontological equation of becoming sustainable, the basic terms are marked by blood relations derived from tangible-intangible and reversible-irreversible relationships.

The sense of the mutations we are witnessing, from non-causal correlation between events, forming a system of echoes, resonances replays and a system of unwritten rules de jure but de facto recognized. And all this can be found in the expression of matrix that is established by the market democracy, constituting a new paradigm-matrix. And this matrix, eo ipso, suffers continuous changes and wants to print its own image; and the society, the state does not exactly acts as a representative of all human values or even man himself in goods.

Placing THE MAN in the globalization process brings the main point of the nowadays debates, the unity-diversity structure configured in a relationship/dynamic reciprocity, creating new types or reconfiguring old coordinates of old human types. And regardless of the "birth" of these types, everyone's life depends increasingly on translocal frames - regional, national, continental and, in the long run, global.

Supported by technology and by quasi potency of the new media, the almighty economy must be authoritative over other areas: political, social, cultural and even religious, claiming the authority of the *lex mercatoria* that triggers irreversible paths in all spectrums of society. Power switches to economics; finance in particular, technology and media. Freedom of trade, extremely high and competitiveness, transforms our entire existence, transferring biological Darwinism principles in

social and economic development: citizens became *homo oeconomicus*. A *homo oeconomicus* which otherness identity captured in the frames of *fatum* (asserting that chance) and *destiny* (the chance that assertion) is dependent on the generative anthropology by composition, re-composition, decomposition, association, dissociation.

On one hand, it becomes apparent contradiction between making this effervescent logic of private consumption and segmented image world / economy and, on the other hand, public consumption and public goods/common. On the other hand, antithetical antagonism to the consumerist model of *homo oeconomicus* and, the other side, waste and destruction of natural conditions, human existential as waste and ruin of human creativity is becoming more pressing. It is almost obvious that the model of *homo oeconomicus* reconsideration occurs precisely because of these situations in present tense, with reflexes tension: power relations who determine inertia in economical models, the models legitimized and human types, precisely because these old models are consistent with those in power.

So, although there is plenty of research that disproves them, although the spirit of anticipatory and preventive / proactive is laborious and creates human models and economic / societal alternatives, the inertia is still dominant.

Biography of *homo oeconomicus*: a contradictory curriculum vitae

Often by mistake Adam Smith, the philosopher and the founder of classical economics, in his paper „The Wealth of Nations” (1776), it is considered responsible for "fraudulent entry" of *homo oeconomicus* in the economy.

The explanation of Albert Hirschman (1977) on how the "passions" that governed the behavior of *homo naturalis* in ancient times, have been replaced by "self-interest" in modern times cannot be considered a gain an advantage. But it is a mistake to believe that self-interest is entirely a smithean character of *homo oeconomicus*. He is indeed a male character, but in many respects it is more complex that his ancestor. The smithean man is a complex mixture of preferences, talents, inclinations and motivations, all grafted on personal interest, he is total man (Pohoățã, 2011, 81-82), caught in the framework of a quintuple perfection: perfectly rational, perfectly selfish, perfectly free, perfectly competitive, perfectly social (see in detail in Popescu, 2009, 184-185).

Smith's political economy is not positive, but in its normative teleology, is a political economy that does not pretend to be described as a positivist theory of any society in history - when it was published under best utopian society - but, rather, a political critique of existing social conditions. No wonder that it is considered a social critique of materialism, ethical radicalism and personal interest law, natural law, 'the ideology being in debate especially in academia.

Homo oeconomicus was born across social philosophy which emerged as an inseparable part of it. With some characteristics added over time (e.g. global rationality, including the beliefs, desires and good-provision), *homo oeconomicus* has become the invariable subject of economics.

Adam Smith's metaphysics will become, mutatis mutandis, impregnated with axioms of rational economic man (*homo oeconomicus rationalis*). Critical elements are addressed by methodological issues. Combining the natural law anthropology epitomized in *homo oeconomicus*, Adam Smith streamlines counterfactual to political economy. This rationalization is the focus of criticism from "The Wealth of Nations". Without man, ontological conceptualized natural law would not subject you to proclaim it freely: they stand and fall together. Important is the role of *homo oeconomicus* as mental artifact in the analysis of political economy. Dominant British tradition of classical economists, Malthus and Ricardo for example, paint a narrower portrait, but one in which self-interest is still an element of some motivations and preferences. For Thomas Malthus, human self-interest is more than overwhelmed by its natural affinity to procreate. The interaction of these reasons creates economic cycle between poverty and poor worker satisfaction in life. Moral restraint can act as a check on population growth, just because the man used his "ability to reason" in deciding to have fewer children. For David Ricardo, as in Smith, the capitalists are prepared to accept different rates of profit, depending on their perception of "safety, cleanliness, tranquility, or any other real or imagined advantage that an occupation can have over another". The psychology of the classical *homo oeconomicus* tells us about his motivations and actions, not about the individual consequences that these create on one's destiny or behavior. Individual will is characterized as part of human group

behavior, such as buyer or seller, or as a laborer or capitalist. Individual motivations and actions are essential to business however individuals are powerless in the face of economic laws which govern it.

Karl Heinrich Marx and Georg Wilhelm Friedrich Hegel will retrieve anthropology developed by Adam Smith as a strictly positive for their criticism. Critical matrix, according to the optimistic idealism of Hegel and Marx's historical materialism, embedded in Hegelian dialectic, emphasizes is on *homo oeconomicus* and his inclinations. Hegel rejects the idea of an ethics based on natural law liberalism, seeing in a given pre-social individual. In his view, the design of the world is in strict accordance with the gods. Adam Smith considered wrong in its premises, but should be congratulated on the conclusions.

Political Economy of liberalism serves the common good; market interactions are seen as reconciliation between personal interests. *Homo oeconomicus* competes with private and isolated economic objectives and the result is a harmonious civil society. "*Subjective selfishness turns into a contribution to meeting the needs of everyone else. Through a dialectical movement, the particular is mediated by universal, so each individual, gains, produces and enjoys on their own and thereby earns and produces the joy and pleasure of others.*" (Hegel apud Popescu, 2009, 605)

Ardent disciple of Hegel, Marx, warns against Smith's eschatological views. According to Marx, Smith's political economy is a defense built on an anthropology that cannot be sustained. Classical political economy that followed the Wealth of Nations is historically conditioned by forms of thinking clearly interspersed with social validity the conditions and relations, determining how historical production, i.e. production of goods.

Modern world economy is described in terms of classical economics, but his ethical principles are self-referential as rationalizations, not man's situation in the world and its living conditions as such, but of *homo oeconomicus* conditioned by the laws of capitalist economy. "*The man of the eighteenth century, on the one hand dissolutions product feudal forms of society and on the other side of the new productive forces developed in the sixteenth century, appears as an ideal whose existence is designed in the past. Not as a historical result but as the starting point of history. As a natural person suitable notion of human nature, it is not history, but it is postulated by nature.*" (Marx, 1858, 84, apud Wilson and Dixon, 2008, 249).

Political economy or the economy in generally cannot be derived from *homo oeconomicus*, rational or not, as a starting point. This is the epistemological conclusion in Marx's criticism of *homo oeconomicus* of classical, criticism that can also be found in John Stuart Mill.

The first explicit and conscious limitation in characterizing economic behavior came with the creation of *homo oeconomicus* of John Stuart Mill, a man emotionally limited in its register only economic motivations and inclinations. In his book "On the Definition of Political Economy" (1836), Mill 'slander' economics as follows: "*This does not address the whole human nature as modified by the social state, nor the entire human behavior in society. It is concerned with him solely as a being who desires to possess wealth, and who is able to judge the comparative efficacy of means to achieve this (purpose)*" (p. 321, apud Machlup, 1978, 89).

Mill's characterization of *homo oeconomicus* is an "abstraction" of the whole man, totally, and was introduced deliberately to make possible a science of economy in two ways. In the "anatomy" of Mill's *homo oeconomicus*, you can see signs of willingness to caricature economists individual, because we are dealing with a skimpy portrait lazy but entirely effective

Individualism and subjectivism was the favorite but for Max Weber who, as we know, has rejected the concept of *homo oeconomicus* of economic theory called exact, his approach is one purely ontological. As agents of socio-economic processes, individuals are enrolled in certain frameworks and constrained by a complex structure comprising multiple and their various interactions with others.

The so-called "marginal revolution" in economics, in the 1870s, Mill's *homo oeconomicus* received a new characterization of the individual, he become more effective, efficient. Since Mill's classic economy took a break on the production and distribution laws and rejected the existence of economic laws of consumption, for Jevons "the economy should be based on a full and fair investigation of the conditions of utility (usefulness) and to understand this element, it is essential to consider the needs and desires of man." (Jevons, 1871, 102, apud Schabas, 1990). This change has significant implications for economist's value theory, market theory and the concept of balance.

Although these significant changes in the economy have been started by economists with slightly different interpretations, I will focus on the contributions of William Stanley Jevons (1871) and his main character, which I call *homo oeconomicus computans* (who calculates); this is the direct ancestor of *homo oeconomicus rationalis* in modern economy.

If we consult the works of Vilfredo Federico Pareto, institutional benchmarking and many theorems public choice theory, which is based on "... belief that *homo oeconomicus model appropriate behavior remains the derivation of normative proposals of the institutions themselves*" (Brennan and Buchanan, 1981, 165), required should ask: is *homo oeconomicus* a ontological model relevant in scientific matters? Pareto is trying to clean the *homo oeconomicus* of all psychological content and connotations induced by default semantics. In pure economic frameworks of political economy, *homo oeconomicus* acts to maximize his advantage individual's *ophelimity* as a strictly personal relationship between himself and his belongings. The use of *homo oeconomicus* as a referential leads to indifference. The lack of indifference between freedom and socialism capitalist competition at a standstill in the first approximation to solve the problem within pure economy. In a second approximation, the impasse can be overcome by modification of *homo oeconomicus*, who "... acts only as a result of economic forces". (Pareto, 1896, § 592, apud Morgan, 2006)

While classical economists have reduced the *homo oeconomicus*, the marginal and neoclassical economists such as Knight, exaggerated certain characteristics of (computing capacity and "perfect knowledge") to create a fictional idealized model of *homo oeconomicus*. These exaggerations were required not to understand man in real economic life, but because *homo oeconomicus computans* could act as "required" general mathematical theory strongly in the economy that was created by neoclassical economists.

For John Maynard Keynes, the figure of *homo oeconomicus* is one where coexist a drop of some fundamental assumptions of classical liberalism and a certain incisiveness to change the status quo fueled by subjective factors. Jon Elster even perceives the great economist "obsessed with hedonism and the present moment", and therefore, this *carpe-diem* is lead by, for Keynes, "*homo oeconomicus* may be trying to" propensities "but means he is not willing to play a "seller" of wisdom or others concerned about the future of his relative." (Pohoată, 2011, 84). Primary for *homo oeconomicus* dominant Keynesian stance consumer is a consumer activity which the state can intervene, but only as a last resort.

In fact, all representatives of the Austrian school promoted a revival of neoclassical rationality of *homo oeconomicus* on the basis of methodological individualism. For example, Ludwig von Mises combat universalism, holism, collectivism, stressing that the company itself, although it has an ancestor on the individual, is a "*sum of individuals united cooperative effort*" (and here hypostatic figure of *homo oeconomicus reciprocans*!), but the individual is one who acts and thinks he is the author of all *ex cathedra*. In this climate, the division of labor is fundamental result is induced cooperation, but the company remains a means, not an end "in terms of individual, society is the best way to achieve their goals." (Mises, 1985, 174, apud Pohoată, 1993, 94-95).

We thus see that *homo oeconomicus* becomes more altruistic, hedonistic logic may allow by Mises, except: *homo oeconomicus* is a complex entity, subject to the laws of competition, but not devoid of feelings and moral understood its axiological frameworks (virtue vs. vice). If Smith has the merit of being established, exhibits and realize certain values of *homo oeconomicus*, even caricatured manner, Mises's transplanted into the realm of *homo oeconomicus* rehabilitation.

Same effort, but on another level, is found at another Austrian economist branded Friedrich Hayek for the synthesis of *homo oeconomicus* is an entire culture. In view of the economist, *homo oeconomicus* is cleared of any abstraction, is subject to cyclicity in which he himself is a *quo* point (where) and *ad quem* point (to where) and setting the framework for action defines as social individual: create their behavioral rules, and respects you aware of the outcome of this action - its good and others. For this individual, altruism, philanthropy without being identified, is the vehicle that defines him in building the social order.

The liberal *homo oeconomicus* was designed to express personal interest in exchange and consumption maximum personal utility, neoliberal rational actor expresses its interest in entrepreneurship and competition for maximum profit. Thus, while liberal rational actor's own interests converge with others to produce desired social order, competitive neoliberal *homo*

oeconomicus, determined by their own purposes, is determined to create appropriate incentives structures, "directives" for purposes of individual personal socio-productive.

However, French radicalism, new economy, managed to outline an image in terms of combined classical-neoclassical economics crisis that acclaim. So *homo oeconomicus*, in French radicalism came under the knife in the position of a homunculus, an "abortion of capitalist society ... the typical, simplistic and reductionist formalistic manner of looking at and analyzing man." (Pohoată, 1993, 125-126)

Homo oeconomicus: total man or caricature?

Homo oeconomicus embodies a set of idiosyncratic theorems, descriptive and normative, fit with the trends of the natural and social reality, which gives rise to a concept, particularly circumscribed to social reality that underlies his particular way of describing and explain economic realities.

Can homo oeconomicus be considered a total man?

Interrogation can find at least one attempt to answer. Of course, looking at the above and based on systematic reviews present in the literature (see Dixon, 2010) affirmative answer may seem brave, perhaps subjective. Perfection of the individual and thus human models he created them or who joined discussed various registries, multidisciplinary, was not confirmed by anyone. In contrast, seems much closer to the truth imperfection. If we look at Adam Smith and the image he created our character, total man would have enough arguments. Evolution of the concept, the idea, the abstraction, and finally the model of *homo oeconomicus* and undeniable presence quota "complicates" things, and our character is more "scar", not lack of affection and impeccability. Our character, as it raised, had the *non posse mori* and not *posse non mori*, in other words he did not had the instruments to oppose the changes that were imposed to him by the very same environment that created him.

Homo oeconomicus cannot be a ***total man***, as Adam Smith sketched to perfection, but it is a ***whole man***. That's right: with the scar, sequelae, uneven and subject to therapeutically healing, but is whole. Without hesitation transmit position for this variant, we present below a model of ***summa oeconomica***, which characterizes our model, noting that generalization is schematic, so minimal, not total and omissions not exempt:

a) on knowledge and truth, *homo oeconomicus* is an epistemological position that the world, including every individual present there, existing properties a priori, without that they are experts, independent of human belief of the truth, their reality (metaphysical realism) cognitive and gives authority. They are surrounding reality and contingent mundus to be real (realism), material (materialism) and objectively knowable (objectivism) by adopting "natural epistemology". (Rorty, 1997)

b) on reasoning and rationality, *homo oeconomicus* views by reasoning involves *ens a se* to shape or draw inferential conclusions from objective epistemological premises or concrete phenomena evident. This makes a concrete explanation, practical, deliberate or causative (which is effective). (Hollis and Sugden, 1993)

c) on free volition and freedom, *homo oeconomicus* sets to the idea that one is superior to social group and focuses on negative freedom (freedom from) and so on personal autonomy, personal freedom and the need to justify any imposition of restrictions. (Berlin, 1969)

d) on human nature, *homo oeconomicus* embodies the idea that individuals invariably have concerns for their own interests and selfishness, excluding most of the times, the needs or interests of others, predisposition to action motivated by self-preservation and self-interest (namely on conceptual matrix of self-serving, self-centered, self-interested and self-preservation. (Roese and Olson, 2007)

e) on social action, *homo oeconomicus* sets to the idea that social actions are the product of utility calculations, the assumption based hedonistic self-interest in putting together a site pathos (passions, desires, tastes, preferences) and logos (motivation or instrumental reason), ie, *homo oeconomicus* is not just ***zoon noetikon*** - (reasonable man), it is also ***zoon politikon*** - (social man). (Sen, 1987)

f) on ethical and morality, *homo oeconomicus* symbolizes the ethical principle that morality decisions (actions) and actions can be judged by an investigation logical, persuasive (ethical

naturalism) using moral knowledge (moral realism), which is formulated in terms related to non-moral parameters such as individual pleasure or utility, making the material consequences of moral arbiter (indirect ethics). (Christman, 1989)

Conclusions

This brief above, followed the path that economists have adopted a model of human economic behavior. We crossed through a series of portraits, some narrow, others more complex. From the total man of Adam Smith to Mill's *homo oeconomicus*, to *homo oeconomicus computans* of Jevons and Edgeworth's, *homo oeconomicus moralistic* or *behavioralis*, our character gradually weakened (become more absent) during the nineteenth century. Each request was part of an attempt to systematize the main features of the model, feelings and human emotions, actions resulting from them, all converted into "explicit economic aspects" of human behavior. And this amount has given us a model of *homo oeconomicus*.

Since the late nineteenth century, since the marginal economy, we find these pure forms of economic behavior, often exaggerated to an extreme degree, so that *homo oeconomicus* is endowed with tremendous amounts of economic knowledge (knowledge economy) and certainty attempt to analyze the effects of economic behavior. In neoclassical economics of the twentieth century, *homo oeconomicus* is not given as an example to represent real man, totally, but seems a figure artificially created by economists abstracted.

Process simplification and focus attention on economic behavior offered possibilities to achieve analytic hyper-rich in literary production economic, human economic behavior with all the feelings of the individual or collective events. The invention of the nineteenth century, *homo oeconomicus*, and the main descendant of the next century, *homo oeconomicus rationalis* become equally timid in this analysis.

However, *can homo oeconomicus be considered, in its entirety, a caricature?*

Considering the truth that a caricature based on the artist's subjective vision which not only simplifies, but based on distortion or exaggeration of certain features beyond objective truth, we are obliged to recognize that it is this distortion or exaggeration is what allows us to recognize true significance of the characteristic exaggerated. The same is true for *homo oeconomicus*. He is not only a simplification of man, as all models of hominess are, but he is also a caricature, because it boils down to an extreme degree the essential features of economic behavior. The caricature appeared and evolved gradually from one generation to another, economists have become less concerned with real-life representation model elements and more concerned with his idealization, to emphasize the role / roles in economic theory. Once economists have given a more accurate representation / concrete *homo oeconomicus*, they were free to choose a more subjective perspective in portraying their favorite character.

This caricature model of the man that economists have portrayed, is what helps them to learn about idealized theoretical economy, and they do this because they allow them to explore human economic behavior and its consequences in different (exaggerated or not!) their forms. Also abstracted model, caricature of *homo oeconomicus* seems a funny and sometimes ridiculous other social science researchers, but if I needed a paradox, it is precisely why economists, in their model apology, argues analytical comparisons success made exactly the same representatives of social sciences when they take the *homo oeconomicus* model in their work. And the **paradox** goes further: analytically compared, *homo oeconomicus* becomes malleable, transform itself just the way on that research, because if it were so inflexible, it would not be able to be a good model, worthy of consideration. Although economists have come to "depend" on their caricature, **dilemma's** essential response (total man or caricature?) is clear: *no one can deny the value of caricature in building an accurate picture.*

References:

- Berlin, Isaiah. Four essays on liberty. London: Oxford University Press, 1969.
 Brennan, Geoffrey and James Buchanan. Is Public Choice Immoral? The Case for the 'Nobel' Lie. Virginia Law Review. Vol. 74, pp. 179–189, 1988.

- Christman, John, ed. *The inner citadel: Essays on individual autonomy*. Oxford and New York: Oxford University Press, 1989.
- Dixon, John. Naive neoclassical economics and the promised land of privatization: A critical deconstruction of homo economicus. *Administrative Theory & Praxis*. Vol.32(3), pp. 348-372, 2010.
- Hollis, M. and R. Sugden. Rationality in action. *MIND*. Vol. 102, pp. 1-35, 1993.
- Machlup, Fritz. *Ideal Types, Reality and Construction, The Universal Bogy: Economic Man; Homo Oeconomicus and His Classmates*, în *Methodology of Economics and Other Social Sciences*, New York: Academic Press, 1978.
- Morgan, Mary S. Economic Man as Model Man: Ideal Types, Idealization and Caricatures. *Journal of the History of Economic Thought*, 28, pp. 1-27, 2006.
- Pohoată, Ion. *Doctrine economice universale*. Iași: Fundația academică "Gheorghe Zane", Iași, 1993.
- Pohoată, Ion. *Epistemologie și metodologie în știința economică*, București: Economică, 2011.
- Popescu, Gheorghe. *Evoluția gândirii economice*. Ediția a IV-a. București: C. H. Beck, 2009.
- Roese, N.J. and J.M Olson. Better, stronger, faster: Self-serving judgment, affect regulation, and the optimal vigilance hypothesis. *Perspectives on Psychological Science*. Vol. 2, pp. 124-141, 2007.
- Rorty, Richard. Realism, antirealism, and pragmatism: Comments on Alston, Chisholm, Davidson, Harman & Searle. In C.B. Kulp, ed., *Realism/antirealism and epistemology*, Landham: MD, 1997.
- Schabas, Margaret. *A World Ruled by Number*, Princeton: Princeton University Press, 1990.
- Sen, Amartya. Rational behavior. In J. Eatwell, M. Millgate, P. Newman, eds. *The new Palgrave: A dictionary of economics*. London: Macmillan, 1987.
- Wilson, David and William Dixon. Homo Economicus Meets G. H. Mead: A Contribution to the Critique of Economic Theory, *American Journal of Economics and Sociology*. Vol. 67, pp. 241-263, 2008.

Acknowledgements:

This work was supported by the European Social Fund in Romania, under the responsibility of the Managing Authority for the Sectorial Operational Programme for Human Resources Development 2007-2013 [grant POSDRU/CPP 107/DMI 1.5/S/78342].