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HOMO OECONOMICUS – EXPRESSION OF THE THEORY OF RATIONAL ECONOMIC CHOICE

Marius-Mihai RUSU

“Ştefan cel Mare” University of Suceava, Romania
mariusmihairusu@gmail.com

Abstract: *The theory of rational choice involves several aspects, which I chose to present especially in highlighting the impact it has on economic agents. The issue I have chosen to address in this paper concerns how rational decisions that impact on available resources should be made at a given time. Man from the perspective of the economic agent expresses economic rationality in situations of all kinds of constraints, in other words, he realizes the importance of some resources when economic imbalances manifest negatively on the economic agent. The notion of homo oeconomicus has evolved over time depending on the economic realities at the time, whether we refer to the classical or neoclassical period, being essentially the expression of the theory of rational economic choice. Rationality is a permanent trait of human being, but at the same time it can also have better results while implemented in a context.*

Keywords: homo oeconomicus, economic rationality, perfect rationality, imperfect rationality

1. Introduction

In the analysis of economic activities, it starts from man and his needs, the evolution of human society is actually the history of a permanent process of development, multiplication and diversification of needs, and this process of evolution of needs has intertwined with the entire development and the entire process of society.

The specialized literature presents man as a biological, social and rational being, and needs as representing the needs, aspirations and expectations of people to acquire goods, all of which end up becoming real needs largely determined by the degree of economic development, the level of culture and civilization.

2. Homo Oeconomicus

Economic rationality, in all its forms, as it emerges from the study of economic science, presents at its center the economic man, in economic language homo oecomicus.

From the bibliographic study of the specialized literature, the fact that the term economic man is found both in the classical area of the study of economic science, for example in the book Wealth of Nations, the economic thinker, nicknamed and the father of economics, Adam Smith, presents the economic man from the perspective of the individual, interdependently related to other individuals, who through their concentrated actions seek to satisfy their needs and shortcomings, with implications for the achievement of general well-being,

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as a consequence of the primacy of each individual's self-interest, but, what is interesting, this aspect has not meant the reduction of behavior only to the selfishness that results from satisfying one's own interest.

On the other hand, if we refer to the neoclassical area of economic science, economic thinkers such as Pareto, Marshall, Jevons, etc., starting from the understandings formulated by Adam Smith, nuance somewhat from a caricature perspective the image of the economic man through a reductionist way .

Analyzing both the classical and the neoclassical approaches, we can consider that they are not opposite, they are not excluded, but they are completed by referring to the elements of economic reality. From the analysis of the human condition, in general, we cannot exclude the theory of moral feelings, because the desire for better and well-being are aspirations that man, as a social being, has always sought to fulfill, but these desired with economic substance, cannot be realized at optimal levels without commercial relations, the marginal productivity of labor, of the market, the place where demand meets supply, the place where economic man, through the desire to maximize his profit, becomes an economic machine

On a different note, regarding the idea of "natural police", which is highlighted to J.P. Boisquillebert in "Dissertation on the nature of wealth", armed with the function of personal redistributor, "concern" with social order and harmony, more than the expression "invisible hand", constitutes the foundation for the exclusion of the normative from rational economic behavior that the economic man in addition to the fact that he knows his needs best, he is also able to satisfy his needs better than the state can achieve through its policies. Looking from a different perspective, the economic thinker J.B. Say does not consider it appropriate for the state to intervene in the economic life of the individual, that is, the government is not the most important thing for a society. The exclusion of the idea of the minimum state, gendarmerie state, respectively with the "night watchman" according to Adam Smith's vision is a necessary evil, are of economic approaches belonging to J.B. Say.

If in the classical period, the satisfaction of self-interest forms a symbiosis with the ethical, we find this aspect enhanced and abstracted to the maximum in the neoclassical approaches, where we find the economic man who possesses a perfect rationality, who adopts economic behaviors resulting from good information and analysis of needs.

However, the idea of an economic man has been abstracted so much that he is viewed from the position of a perfect, rigid economic machine, hungry for huge profit. The desire to win enormously becomes somewhat of a new need for this individual approach, animated only by the taste of the market.

The exclusion of moral feelings, the severing of the link between persons and goods, the summing up of all benefits, doubled by an exclusion of any form of morality from human life. In arguing these aspects, Galiani opines that "the value of human talents must be appreciated in exactly the same way as the value of things" [1], positioning the idea of a rational, social being in the same place as a material good.

The human action, determined by mercantile behavior, characterized by a behavior according to the taste of the market, puts the economic man in the situation where he becomes the main element in various analyses, which have positioned him in ‹‹diagrams in a box››, ‹‹curves of indifference››, profit or utility maximization functions (Pareto), with its quantity-based options, in various equations or ‹‹games›› (Game Theory), in equilibrium or optimal models.

3. Critical Approaches to Homo Oeconomicus

I thought it appropriate to first present the critical positions on homo oeconomicus, because from my own research I noticed that they manifested themselves more virulently and were characterized by a higher weight than the favorable ones.

Whether we are referring to the classic, Smithian economic man, or the one from Say's or Mill's approaches, or the one from the neoclassical economic thought, we can certainly and perhaps critically analyze the critical approaches formulated to the notion of economic man.

Such an identified critical approach can be found in Emille James, who presented opposing approaches to the author of The Wealth of Nations, represented by the fact that he portrayed the individual far from the concreteness of the complex environment in which he lives like an abstract entity [2].

In another vein, Marie-Claude Bartholy and Jean-Pierre Despin consider, for their part, that "The claim of economic science to build its models starting from an obvious rationality of the producer or consumer is totally illusory because this alleged rationality never meets in reality" [3], expresses total disagreement with a real economic rationality. The fact that they did not take into account the systemic effect, this statement, from my perspective, is not supported by solid arguments, but only individually, or economic science does not deal only with the individual parts that belong to each individual.

Another critical approach, belonging to a thinker from the contemporary sphere, in the person of Jon Elster, who in turn, promoting disinterest as a subject of meditation, precisely to oppose it not only to the logic presented by Adam Smith, criticized for offering a scheme in which reason has been put at the service of interest by such a simplifying maneuver, standard economic science tries to construct, by design, an image of “pure and hard science” [4].

From the analysis of the hypotheses formulated by Elster, it emerges the importance of the individual's passions at the expense of self-interest in making profit, but the desire to place economic science on a ground characterized by mathematics and cold calculations, eliminating human states such as emotions, beliefs, desires and all others that hold of the organizational culture of a social environment, can lead to virtual and unsustainable results when applied to real actions. From my point of view, an analysis based only on quantity, with detachment from the qualitative component, does not express a valid scientific result from the point of view of the concrete and does not express economic science, but rather belongs to the sphere of econometrics.

In accordance with the above meanings, Professor Pohoață states that Jon Elster “invoking, in support of the demonstration, Kant, quoting and paraphrasing him, wants, like the great philosopher, to convince us that we can never know the true reason for an action, be it economic. And, of course, even less can we build an economic machine animated only by profit and baptized homo oeconomicus, starting from such an apodictic prediction” [5].

In the continuation of the unfavorable arguments against economic man, we also find Joseph Stiglitz, laureate of the Nobel Prize for economics, who, as he states, considers the economic environment characterized by economic crises a necessary impetus for the reformation of economic science by highlighting homo oeconomicus in a more large. A crisis that means, according to the American economist, a failure, both of the classical and neoclassical approach to the theory of growth and development. The only model found to be “rational” would be the Keynesian-inspired one. The others did nothing but provide schematic models of alleged rationality in the conditions where irrationality was the one that gave the measure of things. In a paragraph of his

recent book In Free Fall. America, the free market and the collapse of the world economy, entitled Homo Oeconomicus, Stiglitz tries to convince that it was not perfect rationality but precisely the irrationality of individuals that led to the crisis.
Stiglitz after making an economic picture of irrationalities and after stating that "...individuals act systematically in an irrational manner" [6], Stiglitz recognizes that the trigger is the result of the crisis. The issues present themselves in such a manner because "These systematic irrationalities can also give rise to macroeconomic fluctuations. Irrational exuberance leads to speculative bubbles and booms; irrational pessimism, during periods of economic decline. During irrational exuberance, people underestimate risk. They have done it in the past, and after the memory of this crisis has faded, they will more than likely do it again" [6].
Analyzing these approaches belonging to Stiglitz we can see that in his opinion, the economic man tends towards the idea of irrationality. More than that, by his statements are also supported by the interventionist state, in his opinion the state "has an important role to play: it must not only prevent the exploitation of individual irrationalities, but also help individuals make better decisions" ([6] p. 399).

4. Approaches in Favor of Homo Oeconomicus

The hypotheses formulated by economic thinkers such as Smith, Ricardo and Mill, who built their theory starting from the hypothesis of economic rationalism that characterizes a normal consumer and producer, are included in the sphere of arguments favorable to the economic man. On this hypothesis, of the normal man in his economic behavior, is based their liberal philosophy that brought progress and civility to the world; of the individual convinced that he is acting in a universe where each and everyone alike is guided by the same principles springing from and subordinate to rationality. The mentioned classics never divided individuals into perfectly rational or irrational. They considered the preponderance of the economic side of human behavior and from this, from this direction alone, argued that individuals have no chance of survival unless they appeal to rationality.
Following the same trend of economic thought, with reference to rationality, Robert Nozick notes, clarifyingly, that "rationality gives us greater knowledge and the chance of greater control over our own actions and emotions, as well as over the world" [7], this this expresses the need to analyze human behavior in obtaining notable results in economic calculations, doubled by the idea of interoperability between rationality and the opportune and timely adequacy of the individual's actions.
In strengthening the hypothesis of economic man, the approach of Jacques Généreux exhaustively expresses favorable ideas: "The profane is often mistaken about the meaning of economic rationality. Economists are often criticized for having too reductionist a view of man. Man is not a computer, strictly selfish and never wrong. This kind of criticism is completely misplaced. Indeed, economic rationality does not absolutely mean that individuals are selfish, infallible, but simply that, starting from available resources (including information), they seek to obtain the maximum possible satisfaction. It involves nothing but the sources of individual satisfactions; welfare procured for another or altruistic behaviors are not neglected in such a situation. Moreover, rationality does not imply systematic accounting behavior. On the contrary, economic calculation requires time, technical means and information. All this work has a cost that it is not rational to bear unless there is some compensation in the expected advantage of the decision made. For this reason it is perfectly

rational, for most decisions in everyday life... to make a habit of exploiting only part of the available information rather than to undertake a general and laborious economic calculation. Since rational individuals do not use all the information, being so costly, it is normal for them to make mistakes. Rationality does not exclude error; it excludes systematic error, that which by repetition could never be corrected" [8].

I wanted to present the whole approach because I considered it edifying in characterizing the real economic man, without retouches and econometric adjustments. Personally, I support such an approach, because in my opinion man has an individual personality and is characterized by the sum of the tensions between his needs and his potential to satisfy them.

If we want the modern economic man to enter the equation of rationality, he must also go through some educational stages, designed to guide him in his decisions. The lack of economic education, the lack of reference to values and care for the environment in the acre develops, lead to chaotic, irrational and unproductive behaviors. The modern economic man needs freedom, because an attitude of excessive state coercion creates the premise for the establishment of a new socialism.

The fact that econometrics presents rigid economic results, close to the fixed sciences, is not necessarily a disadvantage, however, the analysis following economic prescriptions in which the ingredients are virtual individuals loses credibility at the moment of its applicability, because real individuals become determined factors in the spectrum of collective economic rationality.

Regarding the contemporary approach to the notion of economic man, I have identified several positions that I considered appropriate in explaining this term. In this sense J. Paul Narkunas in his work entitled Reified life: speculative capital and the ahuman condition, he describes a shift in governance from protecting citizens to producing "economic people" who can connect to the market and easily manage risks. Instead, the industrialization of subjectivities, thinking and the emotional part as a product of the information age allows the creation of a new model of homo oeconomicus. At the same time, with reference to the economic man of the information age, he also emphasizes the fact that those the poor align with the aspiration of people in the market, therefore they may find themselves in a situation where they resort to economic decisions that hinder their social existence [9].

Different from this approach, in conjunction with religion as an expression of the emotions of the economic man, the authors Francois Gauthier and James Spickard present, in a study on the religious approach to decisions, admit that the rational choice of religion applies neoclassical economic principles to create models of religious behavior, manifested through the critical development of the theory, with strict examination of the economic issue. The history of this discipline shows that the utility-maximizing figure of Homo economicus is a modern construct, as is the notion of a self-correcting free market. Both are contextual and ideological, not universal. Their hypotheses lead to the idea that recent alternative approaches by economists show that the neoclassical formalism really fails to account for basic economic phenomena [10]. I personally believe that, reiterating ideas already mentioned, the basic principles are applied to the behavior of the economic man nowadays, based on emotions and the focus on satisfying one's own interests, with oscillation between the technical and rigid models created by the economy characteristic of the information age.

5. Conclusions

In my opinion, from the analysis of what has been presented, we can admit that the common man is neither in the category of those with perfect rationality, nor in the category of perfect irrationals, but is written in that of individuals with limited rationality. Going further, making causal links, we can deduce that if most people have a limited rationality, this aspect concludes to the idea that perfectly rational or perfectly irrational society models exist only in theory and do not represent the whole. This assumes, however, that the market, defined in economic science as the meeting place between demand and supply, cannot be a perfectly rational one, nor is it desirable, because we would frustrate human actions and atrophy their response capacities in a situation of crisis.

The imperfect market, together with the behavior of individuals who show limited economic rationality, lead to situations where economic forecasts have a low degree of realism.

Economic rationality is not only inscribed in the sphere of logic occupied by the idea of efficiency and maximization of results, because it is found that it differs from each individual.

Choice Approach to Religion. Method & Theory in the Study of Religion (2022)

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