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ON THE NEED TO REVISIT THE CONCEPT OF ECONOMIC MAN IN THE LIGHT OF THE PRESENT GLOBAL SCENARIO

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ABSTRACT

The present global scenario has impacted all dimensions of one's life, be it physical, social, cultural, economic, psychological and so on. The purpose of the paper is to present the need to revisit the concept of 'man' in economics, especially in the background of the present global situation. Here, it must be noted that the word 'man' is used in a generic sense and not in a specific gender sense. The concept-based paper brings in to focus the perception of 'man' in economics. The traditional classical and neo-classical economists consider man as rational and a rational economic man is always expected to be a maximizer in any given situation. In short, human behavior is ever motivated by the principle of economic maximization/selfishness. Such a man is termed as homo-rational.

The modern socio-economists, by providing theoretical and empirical evidences, have proved that economic maximization is not feasible in the real world. Moreover, it does not accommodate the altruistic and moral commitment of man. Socio-economists state that both self-interest and moral values are important factors affecting human behavior. Such a man is termed as homo-ethicus. In the present global scenario, where moral values are very vital for effective survival and growth, it would be prudent for economics to recognize the view of socio-economists and perceive 'man' as an ethical person possessing rationality as an instrument.

KeyWords: classical/neo-classical economists, homo-rationals, socio-economists, homo-ethicus, present global scenario.

Introduction

The classical and neo-classical economists define 'Man' (economic man) and his/her behavior with the help of the concept of rationality. 'Rationality' in economics refers to the maximization behavior of an economic man. Every economic man is a compulsive maximize in any given situation. As a consumer, he/she is expected to maximize his/her satisfaction or utility. As a seller, he/she is expected to maximize profit/sales. Thus, economics enforces the complete identity of economic man with rationality and rationality with the maximization principle (C.Dyke, 1981, p. 29). This view of 'man' is termed as *homo-rationals*.

The modern socio-economists do not question the conventional view that economic man is rational. But, they question the second proposition that links economic rationality with the maximization principle. In short, they accept rationality assumption but disagree on the content of rationality. They argue that economic maximization is neither feasible nor desirable.

The non-feasibility of economic maximization

According to economics, every firm would strive to maximize its profit and every individual would strive to maximize utility/satisfaction, under any given condition.

Socio-economists content that it is not feasible to achieve maximization at the firm-level. Herbert Simon (1959, p. 263) Satisficing Behaviour theory, Rothschild (1974, p. 302) secure profit theory, Hall and Hitch (May 1939, p. 43) full-cost principle theory, Cyert and March (1963, p. 140) multiple goals theory and Harvey Leibenstein (1981, p.98) X-efficiency theory are all examples of the non-feasibility of economic maximization at the firm-level.

Socio-economists argue that given the limited ability of human beings to gather and process information and the complex world they face, it may not be feasible for individuals to always maximize their satisfaction.

The un-desirability of economic maximization

A close observation of the above position shows that the urge to maximize, the urge to compete, the urge to be 'better-off' in any given situation-all stem from the selfish nature of man. Economics not only legitimizes and fosters self-interested behavior of an economic man, but also explains the non-selfish behavior of man in terms of self-interest. When an individual contributes to charity, economics would say that giving money to charity maximizes one's self-interest more than spending the same amount on oneself (Lipsey and Steiner, 1975, p. 142).

Modern socio-economists, pointing out numerous instances, forcefully argue the presence of non-selfish motives behind the decision-making deliberations of an economic man. Based on empirical study, Kenneth Arrow (1972, p. 350) claims that voluntary blood donation systems, as in Great Britain, are more efficient and effective than commercial systems, as in United States. Amartya Sen (1977, p. 329) uses the term 'commitment' to explain the presence of moral values in man. Gerald Marwell and Ruth Ames (1981, p.298) conducted a large number of experiments under different conditions and found out that people do not take free rides, but pay voluntarily as much as 60% of what economists figured is due. Other factors like guilt and habit also plays a vital role in the behavior of an economic man.

Thus, from the foregone discussion we are able to clearly understand the socio-economists contention that altruistic and moral commitments do play a vital role in human decision-making procedures and they cannot be reduced to self-interest, as advocated by traditional economics.

The perception of economic man as *homo-ethicus*

According to socio-economists, self-interest and moral values are both considered as important factors affecting human behavior. Thaler and Shefrin (1981, p. 395) states that a person is to be viewed as an organization that consists of a planner (concerned with moral values) and a doer (completely selfish and myopic). Siegwart Lindenberg (1983, p. 465) suggests that actors have two baskets, one containing all forces that advance their normal utility and the other containing all those that urge the actor to favour a taste for variety. Howard Margolis (1982, p. 47) points out that people split their resources between pursuits of self-interest and those that benefit some larger social entity of which they feel they are integral part. According to Albert Hirschman (May 1984, p.13) people have preferences (concerning self-interest) and meta-preferences (concerning moral values), in their decision-making procedures.

Thus, we observe the socio-economists promoting the perception of an economic man as an ethical person possessing rationality as an instrument/tool in the decision-making behavior.

Conclusion

In the present global scenario, where we face an un-balanced present and an un-certain as well as un-predictable future, the effective and efficient coordination among individuals, organizations and society becomes paramount importance. In such a situation, moral and ethical values of individuals, organizations and society are very vital for effective survival and growth of mankind. It would only be prudent for economics to recognize the view of socio-economists and perceive 'man' as an ethical person possessing rationality as an instrument. It would be a paradigm shift from perceiving 'man' as '*homo-rationals*' to '*homo-ethicus*'. It would be a paradigm shift from 'economics Vs morality' to 'economics with morality'. In the process, this would enable the concept of 'economic man' to be the starting point for incorporating ethics and morality in economics.

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