

**DOUGHNUT ECONOMICS PRESENTS . . .**

# **ECONOMIC MAN vs. HUMANITY: A PUPPET RAP BATTLE**

**STARRING:**



**"POTATO"**



**"FACTS"**



**"BRASH"**



**"PROF"**

*Storyline and lyrics by Simon Panrucker, Emma Powell and Kate Raworth*

*Key concepts and quotes are drawn from Chapter 3 of Doughnut Economics.*

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## **VOICE OVER**

And so this concept of rational economic man is a cornerstone of economic theory and provides the foundation for modelling the interaction of consumers and firms. The next module will start tomorrow. If you have any questions, please visit your local Knowledge Bank.

## **POTATO**

Hello?

## **BRASH**

Hello?

## **FACTS**

Shall we go to the knowledge bank?

## **BRASH**

Yeah that didn't make any sense!

**POTATO**

See you outside.

They pop up outside.

**BRASH**

Let's go!

*They go to The Knowledge Bank.*

**PROF**

Welcome to The Knowledge Ba... oh, it's you lot. What is it this time?

**FACTS**

The model of rational economic man

**PROF**

Look, it's just a starting point for building on

**POTATO**

Well from the start, something doesn't sit right with me

**BRASH**

We've got questions!

PROF sighs.

**PROF**

Ok, let me go through it again . . .

### ***THE RAP BEGINS***

**PROF**

Listen, it's quite simple...

At the heart of economics is a model of man  
A simple distillation of a complicated animal  
Man is solitary, competing alone,  
Calculator in head, money in hand and no  
Relenting, his hunger for more is unending,  
Ego in heart, nature's at his will for bending

**POTATO**

But that's not me, it can't be true!  
There's much more to all the things humans say and do!

**BRASH**

It's rubbish!

**FACTS**

Well, it is a useful tool

For economists to think our reality through

It's said that all models are wrong but some are useful<sup>1</sup>

So can't we take a new look at this model being truthful?

**PROF**

The model's fine, it's really quite obvious,

That man fits the mould of our *Homo economicus*<sup>2</sup>

It is the average individual, an atom we can

aggregate to make the model calculate outcomes<sup>3</sup>

**FACTS**

But studies show the more that students learn

Of this model of man then the more they turn to

Self-interest, see? And competitiveness

They value altruism and collaboration less<sup>4</sup>

**BRASH**

To take the model literally is actually dumb!

**POTATO**

Who we tell ourselves we are shapes who we become

If we carry on regardless, we're heading for calamity

We desperately need a better portrait of humanity

**CHORUS**

*The model seems quite ideal to me*

But it doesn't match up with reality

We need a better portrait of who we are

*It must project rationality*

But what about our humanity?

*Things are working fine the way they are*

We disagree, let's debate some more!

**PROF**

Let's break it down: self-interest, of all the virtues

Is most beneficial for individuals to turn to

Truck, barter and trade, economy starts

With a model of man with only ego at heart

**POTATO**

But self-interest's just one of many traits  
Showing only ego at heart is a terrible mistake

**BRASH**

Justice! Generosity! Public spirit!

**POTATO**

...are missing from the model and we think they should be in it!<sup>5</sup>

**FACTS**

If we study our behaviour we can clearly show that  
We're more socially invested than the naked mole rat<sup>6</sup>  
We share...help...co-operate...queue<sup>7</sup>...  
Things we'd be amazed to see another species do<sup>8</sup>

**POTATO**

This aspect of our being is critically valuable  
We are so much more than just a dollar-hunting animal<sup>9</sup>

**CHORUS**

*The model seems quite ideal to me*  
But it doesn't match up with reality  
We need a better portrait of who we are

*It must project rationality*  
But what about our humanity?  
*Things are working fine the way they are*  
We disagree, let's debate some more!

**PROF**

Humans hate to work – it's a means to an end  
Only money motivates, luxuries make amends<sup>10</sup>

**POTATO**

But money only goes so far before it's worthless  
My motivating force is something deeper - purpose!

**FACTS**

Sometimes we work because we care about the aim  
And if money enters in then our enthusiasm wanes<sup>11</sup>

**BRASH**

Not everybody wants to work for money on a platter

**POTATO**

Sometimes we do things just because they matter

**BRASS BAND BREAK****PROF**

Rational economic man is all knowing  
Calculating constantly to keep his wealth growing<sup>12</sup>  
Comparing all goods and all prices over time<sup>13</sup>  
Sure it's an abstraction, but it works just fine<sup>14</sup>

**BRASH**

No it doesn't.

**FACTS**

No, it's a superhuman version  
In reality there's no way we can be so certain  
Usually we make do with the rule of thumb<sup>15</sup>  
Since people can't know everything, the model must be wrong

**POTATO**

The model doesn't feel to me like it's a human being  
It's abstracted us into a kind of human slot machine!<sup>16</sup>  
When we want the best, yes, we estimate the cost  
But if we don't admit uncertainty something core is lost

**CHORUS**

*The model seems quite ideal to me*  
But it doesn't match up with reality  
We need a better portrait of who we are

*It must project rationality*  
But what about our humanity?  
*Things are working fine the way they are*  
We disagree, let's debate some more!

**PROF**

The economy needs inputs and the world is replete  
Nature is a resource that lies at our feet  
Mine it, log it, drill that well,  
The Earth is our dominion and it's here for us to sell<sup>17</sup>

**BRASH**

Um, sorry but that's very big headed

**POTATO**

We are not above the web of life, we're deeply embedded!<sup>18</sup>

**PROF**

But human desire is an insatiable force<sup>19</sup>

And what the market demands will be supplied of course!

**FACTS**

But that comes down to culture – we need sufficiency

Where we're part of nature's cycles, not a separate entity

So will we keep consuming until we're overstuffed?

Or can we find a balance, knowing how much is enough?<sup>20</sup>

**PROF**

ENOUGH!

**PROF**

Look, clear off would you? I've gotta close up for the night!

**POTATO**

Ok, thanks for your time

**FACTS**

I've got a few more questions though!

**PROF**

Yeah I bet you have...

**BRASH**

See you tomorrow!

**PROF**

Grunts

**PROF**

We need a better portrait of who we are. What would *that* look like then? . . .

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## Notes on key quotations and ideas

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<sup>1</sup> 'All models are wrong, but some are useful' - George E.P. Box, statistician

<sup>2</sup> The term *homo oeconomicus* was coined in the 1880s by Charles Stanton Devas, a critic of John Stuart Mill's model of economic man. He derided Mill for 'dressing up a ridiculous *homo oeconomicus*'.

Devas, C.S. (1883) *Groundwork of Economics*. Longmans, Green and Company. pp.27

<sup>3</sup> In the 1870s, engineer-turned-economist William Stanley Jevons was inspired by Newton's success in reducing the physical world to atoms and then constructing its laws of motion from a single atom up. So Jevons attempted to model a nation's economy along the same lines by starting with what he called the 'single average individual, the unit of which population is made up.'

Jevons, W.S. (1871) *The Theory of Political Economy* (III.47).

<http://www.econlib.org/library/YPDBooks/Jevons/jvnPE.html>

<sup>4</sup> Studying the model of rational economic man can alter us, reshaping who we think we are, how we should behave, and how others will behave. In Israel, third-year economics majors rated altruistic values – such as helpfulness, honesty and loyalty – as far less important in life than did their freshman equivalents. After taking a course in game theory (a study of strategy which assumes individual self-interest in its models), US college students behaved more selfishly, and expected others to do so as well. The pernicious effect of the self-interest theory have been most disturbing' concludes economist Robert Frank, 'By encouraging us to expect the worst in others, it brings out the worst in us: dreading the role of the chump, we are often loath to heed our nobler instincts.'

Frank, R., Gilovich, T. and Regan, D. (1993) 'Does studying economics inhibit cooperation?' *Journal of Economic Perspectives* 7: 2 (pp. 159–171)

Wang, L., Malhotra, D. and Murnighan, K. (2011) 'Economics Education and Greed' *Academy of Management Learning and Education*, 10: 4, pp. 643–660.

Frank, R. (1988). *Passions within Reason*. New York: W.W. Norton, p. xi.

<sup>5</sup> Adam Smith wrote about humanity's traits in two major works, his 1759 *Theory of Moral Sentiments* and his 1776 book known as *The Wealth of Nations*. Today Smith is best remembered for having noted the human propensity to 'truck, barter and exchange' and the role of self-interest in making markets work. But although he believed self-interest was, 'of all virtues that which is most helpful to the individual', he also believed it was far from the most admirable of our traits, knocked off that top spot by our 'humanity, justice, generosity and public spirit . . . the qualities most useful to others'. Did he consider humankind to be motivated by self-interest alone? Not at all. 'How selfish soever man may be supposed,' he wrote,

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‘there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it except the pleasure of seeing it.’

Smith, A. (1759) *The Theory of Moral Sentiments*, Part I, Section 1, Chapter 1, available at <http://www.econlib.org/library/Smith/smMS.html>

Smith, A. (1776) *An Inquiry into the Nature and Causes of the Wealth of Nations*, Book 1, Chapters 2.1 and 2.2. Reprint edn 1994, New York: Modern Library.

<sup>6</sup> *Homo sapiens* is the most cooperative species on the planet, outperforming ants, hyenas, and even the naked mole-rat when it comes to living alongside those who are beyond our next of kin.

<sup>7</sup> At the same time as being self-regarding, people are also other-regarding. We help strangers with heavy luggage, hold doors open for each other, share food and drink, give money to charity and donate blood – even body parts – to people we will never meet. Toddlers just 14 months old will help others by handing them out-of-reach objects, and children as young as three will share their treats with others. Of course people do not share all the time. The remarkable thing is that we share at all.

Jensen, K., Vaish, A. and Schmidt, M. (2014) ‘The emergence of human prosociality: aligning with others through feelings, concerns, and norms’, *Frontiers in Psychology* 5, p. 822.  
<http://journal.frontiersin.org/article/10.3389/fpsyg.2014.00822/full>

<sup>8</sup> According to economists Sam Bowles and Herb Gintis, people in social groups typically practise ‘strong reciprocity’: acting as conditional cooperators (tending to cooperate so long as others do too) but also altruistic punishers (ready to punish defectors and free riders even if it costs us personally). And it is the combination of these two traits that leads to the success of large-scale cooperation in society.

Bowles, S. and Gintis, H. (2011) *A Cooperative Species: Human Reciprocity and Its Evolution*. Princeton, NJ: Princeton University Press, p. 20.

<sup>9</sup> In the 1880s Charles Stanton Devas accused John Stuart Mill of examining only ‘the dollar-hunting animal’ in his economic model of man.

Devas, C.S. (1883) *Groundwork of Economics*. Longmans, Green and Company. pp.43

<sup>10</sup> John Stuart Mill played a critical role in creating the character of economic man. He wrote in 1844 that political economy ‘does not treat the whole of man’s nature . . . nor the whole conduct of man in society. It is concerned with him solely as a being who desires to possess wealth.’ To this desire for wealth, Mill added two other exaggerated features: a deep dislike of work and a love of



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luxuries. He admitted that the resulting depiction was ‘an arbitrary definition of man’, based on ‘premises which might be totally without foundation’, making the conclusions of political economy ‘only true . . . in the abstract’. But he justified his caricature, confident that no ‘political economist was ever so absurd as to suppose that mankind are really thus constituted’, while adding that ‘this is the mode in which science must necessarily proceed’.

Mill, J.S. (1844) *Essays on Some Unsettled Questions of Political Economy*, V.38 and V.46, [www.econlib.org/library/Mill/mlUQP5.html#Essay V. 'On the Definition of Political Economy'](http://www.econlib.org/library/Mill/mlUQP5.html#Essay V. 'On the Definition of Political Economy').

<sup>11</sup> ‘As markets reach into spheres of life traditionally governed by nonmarket norms, the notion that markets don’t touch or taint the goods they exchange becomes increasingly implausible,’ warns the philosopher Michael Sandel. ‘Markets are not mere mechanisms; they embody certain values. And sometimes, market values crowd out nonmarket norms worth caring about.’

An example of this was found in research in a range of villages around Morogoro, Tanzania. Community members were asked to spend half a day cutting grass and planting trees together in their local schoolyard. In villages where they were offered a small payment to take part, 20% fewer people were willing to participate than in villages where no mention was made of money at all. Furthermore, among those who were paid for the work – with a typical day’s wage rate – most said on completion that they were dissatisfied with the task and its pay, while those with whom money was not discussed at all overwhelmingly expressed satisfaction at having done something useful for their village.

Sandel, M. (2012) *What Money Can’t Buy: The Moral Limits of Markets*. London: Allen Lane.

Kerr, J. et al. (2012) ‘Prosocial behavior and incentives: evidence from field experiments in rural Mexico and Tanzania’, *Ecological Economics* 73, pp. 220–227.

<sup>12</sup> In the 1870s, William Stanley Jevons was intent on mathematizing the model of humanity in economics. He drew on the philosopher Jeremy Bentham’s concept of utility – a ‘felicific calculus’ based on an ambitious classification of 14 kinds of human pleasure and 12 kinds of pain – in order to provide the quantifiable basis for creating a universal moral and legal code. Seizing upon the mathematical potential of this concept, Jevons drew up ‘calculating man’, whose fixation on maximising his utility had him constantly weighing up the consumption satisfaction that he might derive from every possible combination of his options.

Morgan, M. (2012) *The World in the Model*, Cambridge: Cambridge University Press, pp. 145–147

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<sup>13</sup> The nineteenth-century model of economic man was ever calculating but he was not all-knowing, and his inherent uncertainty (which forced him to act upon opinion rather than knowledge) barred the way to complete mathematical modeling. Hence in the 1920s, Chicago-school economist Frank Knight decided to endow economic man with two godlike traits – perfect knowledge and perfect foresight – enabling him to compare all goods and prices across all time. This was a decisive break with the old portrait: no longer merely exaggerating recognisably human features, Knight embellished his *Homo economicus* with superhuman powers, going beyond the exaggerations of caricature to create a cartoon character of humanity.

Knight, F. (1999) *Selected Essays* by Frank H. Knight, Volume 2. Chicago: University of Chicago Press, p. 18.

<sup>14</sup> Milton Friedman reinforced Knight's justifications in the 1960s, when he defended the cartoon character. He argued that since in real life people behaved 'as if' they were making the self-interested, all-knowing calculations ascribed to rational economic man, then the simplified assumptions – and the cartoon character they depicted – were legitimate. Crucially, around the same time, that cartoon began to be seen by many leading economists of the day as an exemplar, a model for how real man should behave. Rational economic man came to define rationality, recounts the economic historian Mary Morgan, and turned into 'a normative model of behaviour for real economic actors to follow'.

Friedman, M. (1966) *Essays in Positive Economics*. Chicago: University of Chicago Press, p. 40.

Morgan, M. (2012) *The World in the Model*. Cambridge: Cambridge University Press, p. 157.

<sup>15</sup> *Homo sapiens* clearly can't match the infallibility of rational economic man. That much has been agreed upon since the 1950s when Herbert Simon broke rank with his fellow economists and started to study how people actually behaved, finding their rationality to be severely 'bounded'. His findings, augmented by those of psychologists Daniel Kahneman and Amos Tversky in the 1970s, gave birth to the field now known as behavioural economics, which studies the many kinds of 'cognitive bias' that systematically cause humans to deviate from the ideal model of rationality. These so-called biases are the underpinnings of our heuristics, the unconscious mental short cuts we take every time we use a 'rule of thumb' to make decisions. Over millennia, the human brain has evolved to rely on quick decision-making tools in a fast-moving and uncertain world and in many contexts those heuristics lead us to make better decisions than exact calculations would do.

<sup>16</sup> In the 1920s when Chicago-school economist Frank Knight decided to endow economic man with the two godlike traits of perfect knowledge and perfect foresight, he admitted that his depiction of humanity was loaded with 'a

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formidable array' of artificial abstractions, resulting in a creature who 'treats other human beings as if they were slot machines'. But, he reasoned, economic science needed just such an idealised man to inhabit its idealised economic world, in order to unleash the potential of mathematical modelling, and so he persisted.

Knight, F. (1999) *Selected Essays* by Frank H. Knight, Volume 2. Chicago: University of Chicago Press, p. 18.

<sup>17</sup> The traditional Western depiction of man has nature lying at his feet and at his disposal. 'Let the human race recover that right over nature which belongs to it by divine bequest,' wrote the seventeenth-century philosopher Francis Bacon. That perspective was echoed by W. Arthur Lewis, founder of development economics, in his 1949 book *Economics: Man and His Material Means*, which set out to study 'the ways in which mankind tries to wrest a living from the Earth' by making 'the most efficient use of scarce resources'. This presumption of man's dominion over nature runs far back in Western culture, at least to the Bible's opening verses. It also underpins the language of environmental economics, which frames the living world as a storehouse of 'natural resources', as if it were waiting – like a pile of Lego blocks – to be transformed by man into something useful to man.

Bacon, F. (1620) *Novum Organon*, CXXIX, available at: [http://www.constitution.org/bacon/nov\\_org.htm](http://www.constitution.org/bacon/nov_org.htm)

<sup>18</sup> Rather than presiding at the pinnacle of nature's pyramid, however, humanity is woven deep into nature's web. We are embedded in the living world, not separate from or above it: we live within the biosphere, not on the planet. As the American ecologist Aldo Leopold deftly put it, we need to transform the way we see ourselves, 'from conqueror of the land-community to plain member and citizen of it'. This shift in perspective – from pyramid to web, from pinnacle to participant – also invites us to move beyond anthropocentric values and to recognise and respect the intrinsic value of the living world. 'What's really needed,' suggests the thinker Otto Scharmer, 'is a deeper shift in consciousness so that we begin to care and act, not just for ourselves and other stakeholders but in the interests of the entire ecosystem in which economic activities take place.'

Leopold, A. (1989) *A Sand County Almanac*. New York: Oxford University Press, p. 204.

Scharmer, O. (2013) 'From ego-system to eco-system economies', *Open Democracy*, 23 September 2013. <https://www.opendemocracy.net/transformation/otto-scharmer/from-ego-system-to-eco-system-economies>

<sup>19</sup> As Alfred Marshall wrote in his influential 1890 text *Principles of Economics* 'Human wants and desires are countless in number and very various in kind,' he wrote. 'The uncivilized man indeed has not many more than the brute animal;

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but every step in his progress upwards increases the variety of his needs . . . he desires a greater choice of things, and things that will satisfy new wants growing up in him.'

Marshall, A. (1890) *Principles of Economics*, Book 3, Chapter 2.1. [http://files.libertyfund.org/files/1676/Marshall\\_0197\\_EBk\\_v6.0.pdf](http://files.libertyfund.org/files/1676/Marshall_0197_EBk_v6.0.pdf)

<sup>20</sup> 'Wherever and whenever we are excessive in our lives it is the sign of an as yet unknown deprivation,' argues the psychoanalyst Adam Phillips. 'Our excesses are the best clue we have to our own poverty, and our best way of concealing it from ourselves.' When it comes to consumerism, perhaps the poverty that we aim to conceal lies in our neglected relationships with each other and with the living world. The psychotherapist Sue Gerhardt would certainly agree. 'Although we have relative material abundance, we do not in fact have emotional abundance,' she writes in her book, *The Selfish Society*, 'Many people are deprived of what really matters.'

Phillips, A. (2009) 'Insatiable creatures', *Guardian*, 8 August 2009, available at: <https://www.theguardian.com/books/2009/aug/08/excess-adam-phillips>

Gerhardt, S. (2010) *The Selfish Society: How We All Forgot to Love One Another and Made Money Instead*. London: Simon & Schuster, pp. 32–33.