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# Homo Economicus: The (Lost) Prophet of Modern Times

by **Daniel Cohen**

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## I.

People live faster and seem to have less and less time to ask questions about the ultimate goal of what they do and what they aspire to. At the same time it seems as if two processes are taking place. On the one hand, production possibilities are enhanced as a result of the enormous momentum of human creativity. Scientific knowledge and productive power that people possess now have reached unprecedented heights. Modern man has become much better equipped to cope with scarcity than were people just a few decades earlier. He is able to produce ever more and ever better goods and services. Large parts of humanity have been freed of the shackles of extreme poverty. With increasingly powerful means of transport man travels ever faster over vast distances, high level of medical services is made available to him, and in everyday life he can use technical means that just a few decades would have been unthinkable. Information technology has connected people across the globe, and the ability to continually learn from other successful people is now greater than it was ever before. All this has dramatically changed the way of life.

But there is another side to the coin. Namely, the question arises whether man feels happier beside this unquestionable progress in a number of areas that are important to his life and well-being (under happiness we have in mind how one is satisfied with one's life). Is he, in spite of increasing material well-being, missing something important? If the answer to this question is yes, then what is it that he lacks and what makes him discontent? Searching for an answer to these questions economic science has developed a special field - economics of happiness. How is one to measure happiness at all, and how can one measure the feeling of satisfaction with life? The first thought that spontaneously arises is that satisfaction with life does not depend only on the income earned. The so-called emotional components are also important. The researchers suggest that it is difficult to compare these emotional components of well-being with other components. Frey and Stutzer summarize numerous research findings, which come down to the statement that non-financial variables are very

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<sup>1</sup> Translation from French: **Daniel Cohen**. 2012. *Homo economicus, Prophète (égaré) des temps nouveaux*. Paris: Albin Michel.

important for the feeling of satisfaction with life (Bruno S. Frey and Alois Stutzer 2002). The results of different studies on this topic indicate that happiness depends on three groups of factors: demographic and personality factors; economic factors (unemployment, income and inflation); political factors. Frey and Stutzer acknowledge that culture can influence the determinants of happiness to some extent, but add that numerous studies lead to the conclusion that some universal factors determine subjective well-being after all.

This topic is also discussed in the book written by the French economist Daniel Cohen of which on this occasion we are talking about. Numerous topics emerge when we begin to observe social phenomena and processes from this angle. Among others, Cohen specifically comments on the following questions: what happened to the society that has set itself the goal of providing “happiness for the greatest number of people” and why has the proclaimed goal been constantly elusive? Why the enormous growth of material well-being is not accompanied by the feeling of satisfaction with life and happiness? Why are the younger and older people much happier than middle-aged adults? Does economic growth increase happiness at all? Has work become a value that is slowly disappearing? Is it advisable for parents to motivate children by promising them a reward for good grades in school? Why job loss and divorce are the two most painful moments in the adult life, and these are constantly being encouraged by contemporary world? Is democracy the assumption of a stable economic development or *vice versa*? Why has the last economic crisis reinstated mechanisms and behavior thought to be obsolete? Is contemporary globalization actually a return to the past? In discussing these and other issues Cohen actually examines the foundations upon which the modern global society is based.

## II.

Throughout their lives people are constantly in search of happiness and are trying to achieve it in various ways. Man does not live in isolation, but in society, that is, he is involved with others with which he can cooperate or compete. Economic science is based on the “economic man” to which it attributes rationality and the pursuit of self-interest. He is in constant competition and comparison with others. Customarily, he compares himself with more successful people trying to catch up them and overtake. We often speak of the so-called hopeless comparisons, i.e. the condition when one’s life is associated with other people’s lives that are impossible to imitate. Man’s feature to quickly adjust and adapt is further enhanced by the feeling of dissatisfaction with what he currently possesses. Man is quickly satisfied by any progress and success which is why he changes his objectives even in the short-run - the income achieved is always small compared to the income achieved by someone more successful. Any wealth amassed quickly pales in comparison with the wealth of others. Any increase in income results in a desire to achieve a higher income. What has empirical research shown? The connection between the income growth and feelings of happiness and satisfaction is not unambiguous. In some countries this relationship has been established, but in rich Western societies higher income *per capita* does not result in the feelings of satisfaction with life (Frey and Stutzer 2002).

Competition and constant comparison have become an integral part of human life. Ranking lists are formed everywhere and everyone is terrified of the thought to be part of the “losers”. Only open contempt is felt for them. Their fate is to be rejected. Constant competition and comparison with others makes a man to lose sight of what he really needs to be happy. Cohen recalls the division of goods introduced by Bruno Frey to explain what people have in mind when comparing themselves with others. Specifically, he stresses the difference between two types of goods. The first type is related to the status and wealth (external signs of social success), the second to someone else’s affection, love, feeling of life’s goal (“meaning of life”). The former type emphasizes rivalry in society, while the latter enhance the feeling of well-being. Both types of goods, Cohen argues, are necessary for man’s happiness. The problem, however, lies in the fact that man systematically underestimates the benefits of the latter type of goods and accordingly makes concrete decisions. Actually a paradox appears that people are investing their energies and efforts in activities for which they eventually repent. After putting themselves in projects that they believe will make them more satisfied, people eventually come to realize that they have lost something important. In spite of this, they continue with the same pattern of behavior of which they cannot liberate themselves.

Isolation represents a distinct problem. Modern man is isolated from other people. Sociologist Robert Putnam, to whom Daniel Cohen refers, analyzed the changing patterns of trust and altruism in America (philanthropy, volunteerism, honesty, reciprocity - in a word willingness to help others). His central finding is that there has been a decline in civic engagement and social capital - people are socially isolated. Putnam also notes that in the last decades of the twentieth century, despite growing prosperity, the generosity of the average American was largely reduced. At the same time, social trust has also declined. The Americans are separated from one another, that is, they are towed away from the community. They are “bowling alone” (Robert D. Putnam 2000/2008). This isolation of a modern man has resulted to a great extent from technology. Electronic entertainment has led to the privatization of leisure time. Frequent use of the Internet is just another indicator of loneliness. Belonging to a virtual community does not reduce the feeling of loneliness. On the other hand, television and commercials, in Cohen’s view, have only further strengthened the human need to directly compare with others. New technologies, although it does not look so at first glance, have stepped up the feeling of stress and pressure on the man. In particular, they have enhanced daily pressure in the workplace (“no useful minute is to be wasted”).

### III.

In this very interesting book, Daniel Cohen confronts the reader with ideas from philosophy, sociology, history, literature, psychology, behavioral economics and, of course, economic theory. He provides an overview of findings from different fields, comments on them and based on them develops the basic theme of the book that can be actually expressed by the question: does *Homo economicus* become someone who kills the joy of new times? Has he with time become a “sad prophet”? Cohen actually represents and comments on the results of research in various fields in order to indi-

cate that human nature is far more complex than the one described by the “economic man” and that the motives which govern human behavior cannot be reduced to a single dimension only.

This is not a new issue. It’s been long since the question of rational behavior and its deviations was raised. It is not easy to answer the question so formulated, especially not possible to offer an unambiguous explanation. Within man live conflicted creatures that are competing for his attention. Human behavior is governed by motives that are directing him in different directions. The individual, as Jon Elster explained, is faced with motivational conflicts (Jon Elster 1987). The complexity of human motives has long been a subject of analysis. Although there are different approaches to this topic, none of them can be considered “canonic” (Elster 2007/2014). Empirical research has shown that individual preferences can be inconsistent in various ways.

In addition to the standard monetary motive that drives a man, there are also many other aspects that must be taken into account when trying to explain his behavior. For example, if the analysis of individual behavior also includes identity, then some behavior that had previously seemed irrational get an entirely different meaning in the new context (George A. Akerlof and Rachel E. Kranton 2000). Man is prone to self-deceit and impulsive behavior. He is guided by egoistic motives, but also manifests altruistic behavior. He must adjust his short-term and long-term interests. Apart from material motives there is a great influence of emotions on behavior, as well as the impact of formal and informal social norms. In that, it should be borne in mind that people are not able to predict a weakening of their emotion in the future and, accordingly make decisions that may later prove to be problematic (Elster 2007/2014). On the other hand, empirical studies have shown that individual preferences can be inconsistent in different ways.

Society cannot survive if it does not rely on institutions that encourage competition, but also those that encourage cooperation. It is about how they will be designed and combined. However, it is also important to note that the mechanism of competition, if applied in an inappropriate context, may be counterproductive. For example, is it a good strategy for a company to continually enhance competition among the employees in trying to increase their efficiency? In this way, the advantages of reciprocity are lost, i.e. the state when the trust given is reciprocated by trust received. Cohen refers to the studies showing that people in the company are mutually solidary, and if their interrelationships are set in the form of highlighted mutual competition, it can prove to be counterproductive for the company. Research of company behavior has indicated that additional material stimulation of employees can cause quite the opposite effect. The thing is that monetary incentive becomes counterproductive if it hurts feelings. Financial compensation cannot be added with moral compensation. Also, the experience of Finland warns that competition between the students and the institution is not the way to achieve a successful education and quality educational system.

## IV.

Today we live in a decentralized world in which the newly industrialized countries greatly contribute to global economic growth. This has caused not only changes on the world stage in terms of the division of power, but has also caused deep social changes in the countries that have been rapidly industrialized. Thus, in China emerge the usual consequences of the rapid economic development: social stratification, increased standard of living which has encouraged mass tourism, lifestyle changes (reducing the number of children per family) and the like. Great social changes are taking place in India. Capitalism has, says Cohen, undoubtedly changed Asia. It turned out that no tradition is an obstacle to it to establish itself and develop successfully. In this regard predictions of those analysts who felt that particular cultures will hardly be compatible with capitalism, have proved wrong. *Homo economicus* is invited to the celebration. He came, survived and remained to stay.

The key issue regarding China comes down to whether by increasing its wealth China will become a democratic country? Cohen believes that this is one of the most important issues for the future of the world. In this context, Cohen recalls the contrasting views of Edward Glaeser and Daron Acemoglu. The first holds that economic development leads to democracy (although he is skeptical of the thesis that democracy supports economic growth), while Acemoglu believes that democracy is largely a factor of progress (in his opinion democracy in the long run wins in the economic field).

Will, asks Cohen, economic and technological globalization become a factor of peace by spreading common values or will it only exacerbate the old quarrels and divisions thus creating a multipolar world? In periods of crisis, warns Cohen, *Homo economicus* can become vindictive. In fact, in the time of crises, economic rivalry kindles the old national rivalries. Europe has not escaped these problems, either. It is plagued by economic problems that, among other things, are manifested as euro crisis. But the key problem lies in the fact that the solution to the current crisis requires mechanisms at the level of the whole of Europe, while the policy is going in a different direction. Europe lacks a sense of community, and instead “everyone is for himself and the devil takes the hindmost”.

Cohen insists on his view that globalization is a hybrid process. It has stimulated economic growth. What is undoubtedly the positive side of economic growth is the opening of borders and enabling free flow of ideas. Thus globalization expands not only economic, but also cultural and political models. Globalization has led to the creation of a new networked society with all the good and bad consequences. Cohen also points to the other side, or, as he calls it, the “grief of globalization”. Increased connectivity between economies and societies has also caused disturbances to be transferred extremely quickly. They are transferred as contagions had transmitted in the past. Financial crises are only one example of this. They existed before, but in a networked system, they become more numerous. Globalization has among other things revived mercantilism (Cohen specifically points to the Chinese mercantilism). A particular problem for many countries is the de-industrialization. Cohen speaks of “industrial mercantilism” that is of a situation when a country is able to impose de-industrialization on others which she itself manages to avoid.

## V.

The idea that competition is sufficient for the effective organization and functioning of society, according to Cohen, has resulted from an anthropological illusion. Cohen argues that by carefully reading Darwin and Adam Smith, we can only conclude that there is a delicate balance between competition and cooperation, and also that nothing indicates that competition is more “natural”. The tendency to cooperation and empathy constitutes an important dimension of human nature. Therefore all those theories about society which are based exclusively on ruthless competition where the successful survive, do not reflect any “natural state”. In such conceptions other motives are ignored, and everything was put on the stake of “economic man”. And what happened? Cohen notes that the “economic man” won, but at what cost? He has, among other things, in the name of economic efficiency ruthlessly suppressed *Homo ethicus*, *Homo empathicus*, that is, all the other sides of the human personality that are aspiring to cooperation and mutuality? *Homo economicus*, says Cohen, has defeated his rivals, but at the cost of closing the human nature in an “in efficient world devoid of ideals”.

Cohen reflects on the experience of the Roman Empire, which for a long time had been superior to any other society, but then it collapsed. He believes that modern societies need a big change that can be measured with the change that was needed in times of crisis of the Roman Empire. The adoption of Christianity, believes Cohen, was an approach to the problem which had caused great social tensions. The crisis of the Roman Empire, according to his view actually had to end up in a religious revolution. What did this revolution mean? It put in the forefront a different concept of personality, which is based on individualism. According to him, modern societies are faced with a challenge that requires such internal upheaval that would have the weight that Christianity had during the crisis in the Roman Empire. More specifically, it is necessary to give a new impetus to cooperation, sociability and empathy. And according to Cohen’s opinion, the first step in this direction is that these issues are being discussed. Therefore, his book can be seen as a very interesting and at the same time very encouraging contribution to such discussion. A special quality of the book is provided by its visibility, accuracy and the language of analysis that is devoid of excessive technical jargon. All this together makes it accessible to a wide circle of readers.

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