

Economic Man vs Humanity: A Puppet Rap Battle



LESSON PLAN | VIDEO | TEACHING TOOL

Handout for Part 2: Breakout Groups



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- 1** Get students into 5 groups and give them the handouts with the lyrics and references (below).

The handouts are themed according to these verses:

- Verse 2: Models and reflexivity
- Verse 3: Self-interest vs. altruism
- Verse 4: Motivation and incentives
- Verse 5: Rationality and information
- Verse 6: Humanity and nature

- 2** Ask the students to read through the references as a group then discuss the theme given in each handout

Verse 2: Models and reflexivity

Prof: Models are harmless, allowing us to study a typical individual.

Students: Models change us so they matter a lot.

Discussion: do you think the models we learn – that claim to tell us who we are – change how we actually behave? What are some examples from everyday life of how the stories we tell ourselves shape what we do?

PROF

The model's fine, it's really quite obvious,
That man fits the mould of our *Homo economicus*²
It is the average individual, an atom we can
aggregate to make the model calculate outcomes³

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 less⁴

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

References

² 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

³ 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>

⁴ 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.

Verse 3. Self interest vs Altruism

Prof: self-interest is a valuable economic trait and through the market it can generate collective wellbeing.

Students: we are highly social animals, motivated by our interest in others - it can't be left out of the model.

Discussion: Do you think people are primarily self-interested or socially motivated or a mix of both? Where are some tensions between these two traits? Give examples from life.

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!⁵

FACTS

If we study our behaviour we can clearly show that
We're more socially invested than the naked mole rat⁶
We share...help...co-operate...queue⁷...
Things we'd be amazed to see another species do⁸

POTATO

This aspect of our being is critically valuable
We are so much more than just a dollar-hunting animal⁹

References

⁵ 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, '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.

⁶ *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.

⁷ 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.

George Monbiot, 'We're not as selfish as we think we are: here's the proof' *The Guardian*, 14 October 2015
<https://www.theguardian.com/commentisfree/2015/oct/14/selfish-proof-ego-humans-inherently-good>

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>

⁸ 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.

⁹ 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

Verse 4. Motivation and incentives

Prof: we can model ourselves as work-hating and luxury-loving, and motivated by money.

Students: we are also intrinsically motivated - and introducing money can even undermine that.

Discussion: Are people work-hating or are they actually purpose-seeking? Bring examples from life of when money can motivate and also when introducing money into the situation can undermine our motivation or relationships.

PROF

Humans hate to work – it's a means to an end
Only money motivates, luxuries make amends¹⁰

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 wanes¹¹

BRASH

Not everybody wants to work for money on a platter

POTATO

Sometimes we do things just because they matter

References

¹⁰ 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 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/mIUQP5.html#Essay V. 'On the Definition of Political Economy'.

¹¹ 'As markets reach into spheres of life traditionally governed by non-market 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.

Verse 5. Rationality and information

Prof: it works well to model humanity with full information and full rationality.

Students: life is inherently uncertain, we make decisions with incomplete information and follow heuristics (rule of thumb).

Discussion: When you are buying things, how much information do you seek out first? When do you follow the rule of thumb? How does this change according to what it is that you are buying? How 'rational' do you think your purchasing decisions are? What other factors come into the mix?

PROF

Rational economic man is all knowing
Calculating constantly to keep his wealth growing¹²
Comparing all goods and all prices over time¹³
Sure it's an abstraction, but it works just fine¹⁴

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 thumb¹⁵
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!¹⁶
When we want the best, yes, we estimate the cost
But if we don't admit uncertainty something core is lost

References

¹² 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.

¹³ 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.

¹⁴ 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.

¹⁵ 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.

¹⁶ 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 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.

Verse 6. Humanity and nature

Prof: nature can be portrayed as a resource, an economic input that serves to meet people's endless demands.

Students: we are part of the web of life, and need to develop a sense of sufficiency so that we live in harmony with nature.

Discussion: How does mainstream economic theory treat the living world? ('environmental externalities'). What are the consequences of seeing the living world as 'natural resources'? Do humans have insatiable demands, or do we have (or can develop) a sense of sufficiency? Give examples from life, and discuss the implications.

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 sell¹⁷

BRASH

Um, sorry but that's very big headed

POTATO

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

PROF

But human desire is an insatiable force¹⁹
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?²⁰

References

¹⁷ 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

¹⁸ 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>

¹⁹ 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; 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

²⁰ '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.