Homo economicus versus ‘the whole human’

Sir, After an encyclopedic analysis of “morality and the money motive” (Capitalism, The Big Read, July 18), John Plender comes to two “eternal verities”: one is that capitalism “has not and will never create the political economy of a just society” and another is that “boom and bust, together with severe financial crises, are permanent features of the system”.

These inherent tendencies of capitalism are essentially what E.F Schumacher, author of Small Is Beautiful (1975) and A Guide for the Perplexed (1977), calls “divergent problems”. Unlike “convergent problems” — distinct, precise and certain beyond any reasonable doubt and can be solved by mathematics and exact observation — divergent problems do not yield to ordinary logic. Such are the pair of opposites Liberté and Égalité. Whoever coined this slogan of the French Revolution insightfully added a third factor, Fraternité.

A pair of opposites like freedom and equality cease to be opposites at the human level where the higher forces of brotherliness, love, compassion, understanding, and empathy reside. And such faculties can be generated only through education that develops “the whole human” — not the so-called Homo economicus, who cannot move against his strict utility function. Such is the paradigm taught in mainstream economics today: the mindset of “a rational agent who optimises his utility under the given budget constraint” and is nothing more than a “clever animal”. This gross reductionism leaves dormant those higher human values, and “the ‘clever animal’ is more likely than not to destroy itself”, according to Schumacher. It is revealing that a recent study finds that university students who take microeconomics become more selfish after taking the course.

As Mr Plender correctly points out, capitalism has “a phenomenal capacity to lift people out of poverty”. In a sense, there is no “economic” problem. But there are moral problems, and moral problems are not convergent but divergent problems which must be understood and “transcended” by developing our higher faculties through moral education. Without it, our alternative is a course to inevitable self-destruction.

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