

Homo Economicus (*lat. homo oeconomicus*)

PLEASE READ THESE TEXTS INDEPENDENTLY AND VERY CAREFULLY. USE A BILINGUAL DICTIONARY WHILE READING THE TEXT. HIGHLIGHT, UNDERLINE, AND PUT NOTES AT THE MARGINS. YOU CAN PUT TRANSLATIONS WITH A PENCIL ABOVE NEW AND IMPORTANT WORDS.

M1-M2

M1

What is the *homo economicus*?

Homo economicus is the 'ideal' decision-maker, a master of rationality¹, a logician's poster child. Every choice he [or she] makes is meticulous². He wants to be as happy as he can possibly be. When he woke up this morning, he considered all possible choices for breakfast, and then picked the combination of juices and cereals that maximized his happiness. He works exactly the number of hours he needs to balance his desired income with his desired time off.

He has full information about all the decisions he makes. When he wants to buy an apple, he knows the price and quality of every apple in town and has a good idea just how happy each apple will make him. He not only knows what interest rates and inflation rates³ are today, but has a decent idea what they will be 10 years in the future.

Homo economicus doesn't care about you; he's only looking out for #1. In economics talk⁴, he is completely self-interested. That doesn't necessarily mean he's a total jerk – he might still do things to help others. But if he does, it's because it makes him happy to do so, or because he thinks it will help him in the long run.

Finally, *homo economicus* knows what he wants, and what he wants doesn't change all that often. He has concrete tastes and preferences, so he knows exactly how happy buying a banana will make him in relation to buying a chocolate bar. He usually knows what he will want years in the future so he can save just the right amount to make himself as happy as possible over his lifetime.

Source: <https://www.ecnmy.org/learn/you/choices-behavior/rational-choice-theory-homo-economicus/>
[accessed: 04.07.18, and slightly modified]

M2

Beyond *homo economicus*

The concept of *homo economicus*, which asserts that humans are rational actors who make decisions based on narrow self-interest, has dominated political and economic thinking since the 1970's. But, while the pursuit of self-interest may be advantageous in certain contexts, it is not the only, or even the principal, driver of human behavior⁵ – and it is not conducive to overcoming today's most pressing global issues. [...] In fact, humans are often driven to help those in need, even complete strangers, by feelings of empathy and compassion⁶. [...]

Humans are capable of far more than selfishness and materialism⁷. Indeed, we are capable of building sustainable, equitable, and caring⁸ political systems, economies, and societies. Rather than continuing to indulge the most destructive drivers of human behavior, global leaders should work to develop systems that encourage individuals to meet their full socio-emotional and cognitive potential⁹ – and, thus, to create a world in which we all want to live.

Source: Project Syndicate/Institute for Human Sciences/Global Economic Symposium, 2013.
<https://www.project-syndicate.org/commentary/a-new-model-of-human-behavior-by-tania-singer>
 [accessed: 05.07.18]

Word Cloud

1. rationality – Rationalität (im ökonomischen Sinne): ein allein vernunftbasiertes Denken und Handeln mit dem Ziel, den persönlichen Nutzen zu maximieren, indem die Vor- und Nachteile berechnet oder zumindest abgewogen werden. Der homo oeconomicus ist dem Modell nach strikt rational (und damit im engen Sinne rein ökonomisch) handelnd.
2. meticulous – Sorgfältig, übergenau
3. interest rates and inflation rates – Zinsraten und Inflationsraten
4. economic talks – Wirtschaftsgespräche
5. driver of human behavior – der Antrieb menschlichen Handelns
6. empathy and compassion – Empathie und Mitgefühl
7. selfishness and materialism – Egoismus und Materialismus
8. sustainable, equitable and caring – nachhaltig, gerecht und sozial

Tasks:

- 1.) Summarize both of the texts “in a nutshell”, i.e. focus on the main messages.
- 2.) Explain and give real-world examples for
 - a. the concept of homo economicus,
 - b. the criticism of the concept of homo economicus.
- 3.) Think about your life and the decisions you take. On a scale from 0 – 10 (5 standing for the exact middle), indicate *in average*
 - a. whether you are a more (0) rational or (10) emotional person,
 - b. and whether you act rather in accordance with your (0) self-interest or more (10) altruistic reasons.

In German, explain your rating to the class along with examples from your life (different situations, persons you deal with etc.).
- 4.) Do you believe that humans always behave rational and thus predictable?
Discuss this question, giving examples from real life.
- 5.) Optional: “*Rationality is often overshadowed by emotion or erroneous cognitive shortcuts.*” (Dani Rodrik, a world-known and renown economist, in his book *Economic Rules!* from 2015). Comment on his statement