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Does Culture Matter in Economic Behaviour?

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Abstract

In this article we address the following question: does culture play a role in economic behavior? We conclude that culture influences economic behavior in all three areas of economic activity: work, consumption, and leisure. Our proof lies not so much in replicating certain experimental results, but in documenting in real-world circumstances how culture influences economic behavior. Attention to the role of culture in economic affairs acknowledges that humans are more than the one-dimensional, autonomous, individuals, as premised in mainstream economics, whose very existence is temporal, whose role in economic affairs is strictly instrumental, and whose behavior is virtually the same across cultures. We have argued that humans are two-dimensional twice over. First, humans are individual beings and social beings: solitary and communal, self-made and culture-bound, autonomous and dependent, rational and emotional, self-centered and other-centered. Second, humans are both matter and spirit. The duality of the human person, rooted in individuality and sociality, affords an opportunity to unify economic theory wherein individuality is the focus of microeconomics and sociality is the center of macroeconomics. Putting the isolated individual at the very heart of economics closes down that opportunity and assures that mainstream economic theory will remain truncated indefinitely. The makeover of mainstream economics will take place once neo-classical economists accept that the ultimate end of economic systems relates not to maximum personal net advantage but to integral human development.

Key words: Culture and economic behavior, mainstream economics and individualism, personalist economics and personalism, duality of the human person.

¿Importa la Cultura en el Comportamiento Económico?

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Resumen

En este artículo se aborda la siguiente pregunta: ¿juega la cultura un rol relevante en el comportamiento económico? Concluimos que la cultura influye en el comportamiento económico en las tres áreas de la actividad económica: trabajo, consumo y ocio. Nuestro artículo no radica tanto en aportar resultados experimentales, como en documentar el modo en que la cultura influye sobre el comportamiento económico en circunstancias reales. Centrar la atención en el rol que desempeña la cultura en los asuntos económicos permite reconocer que los humanos son algo más que seres unidimensionales, autónomos, individuales, como supone la economía *mainstream*, cuya existencia es temporal, cuyo rol en los asuntos económicos es estrictamente instrumental y cuyo comportamiento es prácticamente el mismo en todas las culturas. Argumentamos que los seres humanos presentan dos dimensiones por partida doble. En primer lugar, los seres humanos son seres individuales y sociales: solitarios y comunales, que se hacen a sí mismos y culturalmente vinculados, autónomos y dependientes, racionales y emocionales, centrados en sí mismos y en los demás. En segundo lugar, los seres humanos son tanto materia como espíritu. La dualidad del ser humano, arraigado en la individualidad y en la sociabilidad, brinda la oportunidad de unificar la teoría económica en la que la individualidad es el foco de la microeconomía y la sociabilidad es el centro de la macroeconomía. Poner al individuo aislado en el corazón mismo de la economía cierra esa oportunidad y garantiza que la teoría económica *mainstream* permanecerá indefinidamente truncada. El cambio de imagen de la economía *mainstream* tendrá lugar cuando los economistas neoclásicos acepten que el fin último del sistema económico no reside en el máximo beneficio neto por persona sino en el desarrollo humano integral.

Palabras clave: Cultura y comportamiento económico, economía *mainstream* e individualismo, economías personalistas y personalismo, dualidad del ser humano.

An article published by Joseph Henrich 15 years ago begins with this question: Do all humans share the same economic decision-making processes? Using experimental evidence from playing the Ultimatum Game with Peruvian villagers (the Machiguenga) and UCLA graduate students, Henrich questions the validity of the premise that notwithstanding cultural differences “all humans share the same economic decision-making processes, the same sense of fairness, and/or the same taste for punishment.” (Henrich 2000, p. 978).

As with other experimental economists Henrich employs “fairness” and “punishment” to characterize human behavior that rewards a person who is “fair” and punishes a person who is “unfair.” A 50-50 split of the money offered to the players indicates fairness and a 0-100 split indicates unfairness.

In the following we address the same question raised by Henrich: does culture play a role in economic behavior? However, before we can proceed it is necessary to define the terms that are central to addressing that question properly. We conclude that culture indeed matters, calling for a reconstruction as to how we think about economic affairs.

Defining Terms

Justice. If fair and unfair are synonyms in experimental economics for “just” and “unjust,” the terms are used inappropriately. In the most general sense, justice has to do with what one person owes another person or group of persons. In economic affairs this obligation is defined in terms of the three kinds of human interactions: (1) between equals, (2) between the superior and his/her subordinates, and (3) between a member and the group to which he/she belongs (Dempsey 1958, p. 165).

In the first type of interaction, commutative justice spells out the duty of buyer to seller in a routine exchange: to exchange things of equal value and to impose equal burdens on one another. In the second kind of interaction,

distributive justice spells out the duty of the work-group supervisor to the members of that group: to distribute the benefits and burdens among group members in some equal or proportional fashion. In the third type of interaction, contributive justice sets forth the duty of a member to the rest of the group: insofar as a member receives benefits through group membership, that member has a duty to maintain and support the group. To illustrate, duping a buyer with counterfeit goods and passing bad checks violate commutative justice. Racial and gender discrimination violate distributive justice. Insurance fraud and insider trading violate contributive justice.

In Ultimatum Games experiments where the two paired persons do not know one another, as in Henrich's experiments, it is not possible for either one to be driven by fairness or punishment because both persons must have specific knowledge of the other to establish a legitimate basis for fairness or punishment. Without such knowledge, it is impossible to pass judgment on another. Anonymity, in other words, rules out any reasonable grounds for describing their behavior as fair or unfair.

Additionally, just and unjust, fair and unfair, do not apply in the Ultimatum Game because the money offered to the proposer-responder pair is not owed to either one or both under any of the three principles of economic justice. Rabin (1993, pp. 1281-1302) introduces "kindness" as a synonym for fairness, and shortly thereafter Camerer and Thaler (1995, pp. 216-217) interpret Rabin as meaning punishment or "manners" and proceed to introduce "polite" and "rude" for fair and unfair. Their effort fails because etiquette reduces to a set of rules such as tennis players shaking hands at the net at the end of the game. Because the rules of etiquette often are arbitrary they cannot be confirmed or rejected by rational discourse. Justice, on the other hand, is much more than a set of rules subject to change. Put simply, etiquette is conformance, justice is virtue.

The permanent nature of the principles of justice as applied to economic affairs is confirmed by observing the chaos in modern economic systems that do not restrain and punish persons engaged in such practices as counterfeiting goods, passing bad checks, openly discriminating against

minorities in the workplace, defrauding their insurance companies, or using confidential information to take advantage of others in stock market transactions.

The money allotted in Ultimatum Game is a gift¹ governed not by etiquette but by generosity. Indeed Camerer and Thaler (1995, p. 215) use “generous” in the very same article in which they embrace the economics of etiquette, and Rabin uses “generous” in the article that impressed Camerer and Thaler. Thus, it is not a question of how much the proposer in the experiment owes the responder. Rather it is a question as to how generous the one should be in sharing the gift with the other. Unlike the virtue of justice, generosity does not require the giver to have specific knowledge of the recipient. For these reasons, we suggest that “generous” and “selfish” are better suited to the Ultimatum Game than any other pair commonly used.

Generosity and selfishness, in turn, may be conditioned by a variety of factors including whether the proposer and responder see one another² as friends/neighbors or as rivals/adversaries. Most importantly generosity and selfishness reflect how both parties value human life itself. Two options are available: a human being has value only in instrumental terms or is precious quite apart from any instrumental value and is properly considered an end and not just a means. Thus, following John Paul II (1981, § II), the effect of work on the worker is more important than the things produced through work. Clearly, these contrasting views, which are importantly shaped by both faith and reason, are fundamental to cultural development. In this regard, note that such enduring works of art and music as Michelangelo’s ceiling in the Sistine chapel and Handel’s Messiah are inspired by faith and revelation, and such magnificent structures as the Gateway Arch and the Golden Gate Bridge spring from human intelligence and aesthetics.

Culture. Culture, it seems, is only loosely defined in experimental economics, and probably has different meanings among experimental economists. Dulles (1999, p. 2) provides a helpful definition.

[Culture] is a social force that encompasses individuals and welds them into communities. It shapes their prejudices, ideas, values, habits, attitudes, tastes, and priorities... Whereas politics and economics are concerned with proximate and limited goods, culture has to do with the meaning of human existence as a whole. It inquires into what we are as human beings, and what reality is in its most comprehensive dimensions.

Culture is expressed, for example, through art, literature, and music, reflecting long-lasting social values such as equality, freedom, and community and such cherished traits of character as courage, fidelity, and truthfulness.

Pop culture also finds expression in art, literature, and music, and with the passage of time may not endure. The music of the Frank Sinatra and Ella Fitzgerald has endured well beyond the stage of popular whim and fancy. The Lady Gaga and Miley Cyrus sensations may not. Ong (1970) who has written extensively on culture asserts that, in terms of the communications media, cultures can be divided into three successive stages: (1) oral, (2) script that originates with the invention of the alphabet and alphabetic movable types, and (3) electronic.

The Role of Culture in Economic Behavior

Henrich's Experiment. Following Ong's three-stage classification scheme and taking into account Henrich's description of the culture of the Machiguenga, it is clear that theirs is one and possibly two stages behind the culture of the UCLA students in his experiment. If culture truly matters in economic behavior, the differences in his experimental evidence could be attributed to cultural differences as Henrich himself asserts. And if Ong is accurate on another matter - that only high-tech cultures give rise to personalist philosophies (Ong, 1981) - it is possible that the very philosophical foundations of the two groups included in Henrich's experiment are substantially different in that the Machiguenga could not possibly hold to a personalist philosophy, thereby reinforcing his argument

that cultural differences could account for differences in economic behavior as indicated in his experiments.

The fact that the sharing among the Machiguenga rarely takes place outside extended kin circles, as Henrich reports (2000), could provide a reason as to why their behavior was so different than the behavior of the UCLA students if the proposer and responder regarded each other as outside their respective circles. If they found out later that indeed they had been wrong in this regard, the proposer would have good reason to share the money more equally with the responder to bring their behavior into compliance with the cultural norm of sharing within the extended family circle. If they discovered later that they were not from the same circle, there would be no good reason for the proposer to change the original settlement

Another possible explanation for the differences Henrich observed is that the Machiguenga no doubt were living much closer to a poverty-level existence than the UCLA students and it would be reasonable for the proposer to take the lion's share of the money in order to do more to relieve the poverty within his/her own extended kin circle.

Dysfunctional Economic Behavior. Because they are dysfunctional in the sense that they exceed any reasonable or normal limit on work, consumption, or leisure and therefore inflict loss or punishment on themselves, their families, and others, workaholics, shopaholics, and compulsive gamblers do not conform to the norms of rational economic behavior as asserted by mainstream economics. To illustrate, in a study based on a convenience sample of 406 students at a private university in Texas nine percent were identified as compulsive buyers³ whose behavior was associated with credit card usage (Roberts & Jones 2001). Lee and others (2000) found that among women who are television shoppers ten percent were compulsive buyers and that this subgroup had more symptoms of binge eating than did the other women in the sample. In a report derived from three-experiments involving 145 college students, Vohs and Faber (2007) found that unwanted spending may occur when temporary lapses in

self control are exhibited. Thus the origins of impulsive spending are not in the product but the consumer.

Killinger (1997, p. 6) defines the workaholic as “a person who gradually becomes emotionally *crippled* and addicted to control and power in a compulsive drive to gain approval and success”.⁴ Drawing on a typology attributed to Spense and Robbins, Burke and others (2008, pp. 31) identify workaholics as persons who score high on work involvement and drivenness, and low on work enjoyment. They organized their study around three workaholism types: work enthusiasts, work addicts, and enthusiastic addicts. Based on a survey conducted through the internet that involved 327 respondents at work in professional and managerial jobs, most of whom were women, the authors found that work addicts had a “generally negative set of experiences” in terms of perfectionism, delegating work, job satisfaction, and work engagement (Burke & others 2008, pp. 30, 37).

Using data from an online survey of 1,329 respondents, Van Beek and others (2011) confirmed that workaholics are driven by controlled motivation, that is by external and internal rewards and punishments. They recommended that in order to differentiate workaholics from other hardworking employees workaholism should be measured not only as working excessively but also working compulsively (Van Beek, Taris & Schaufeli, 2011).

Robinson (1998) states that work addiction is a learned addictive response to a dysfunctional family of origin and when that child becomes an adult workaholic the family lives according to rules dictated by the career and work habits of the workaholic.

The roots of workaholism lie in the Calvinistic tenet that self-indulgence is destructive and work is redemptive. Killinger identifies two other sources: the dysfunctional family wherein work itself is one member’s drug of choice; and the materialism, consumerism, technological growth, and competition within which workaholism has flourished (Killinger, 1997).

As the workaholic breaks down, decision-making becomes more difficult due to more episodes of chronic fatigue, panic attacks, loss of concentration,

and obsessive overwork. Mistakes follow because as “the Feeling function no longer informs judgment,” all that matters is the “A to B goal” (Killinger 2013, p. 3).

According to the American Psychiatric Association when persons are engaged in internet gaming

... certain pathways in their brains are triggered in the same direct and intense way that a drug addict's brain is affected by a particular substance. The gaming prompts a neurological response that influences feelings of pleasure and reward, and the result, in the extreme, is manifested as addictive behavior (American Psychiatric Association, 2013a, n.p.).

A gambling disorder “activates the brain reward system with effects similar to those of drugs of abuse and ... resemble(s) substance abuse disorders to a certain extent” (American Psychiatric Association 2013b, p. 16). Compulsive gamblers often have “substance abuse problems, mood or personality disorders, or attention-deficit/hyperactivity disorder.” In addition they may abuse alcohol and experience depression. Complications include legal and financial problems, job loss, problems with relationships, and suicide (Mayo Clinic 2014, n.p.).

In the context of economic behavior we refer to gaming and compulsive gambling as disordered uses of one's leisure in that used properly leisure has positive or healing effects on the human body and human spirit.

Persons who are dysfunctional in the ways indicated above can be reinforced in that behavior by employers, merchants, and casinos who turn a blind eye to the harm being done. For example, the change in slot machines from mechanical to microprocessor-controlled devices encouraged rapid play, allowed the casino operators to reduce the number of jackpot payoffs, making tremendous payoffs possible. As a consequence, many former low-stakes players lost control of their gambling behavior (McCown & Chamberlain, 2000).

It follows that cultural differences can make for important differences in economic behavior for one overriding reason. Human beings are not machine-like products each one identical to every other one in the production process. A human being is one-of-a-kind, different from all other humans, and cloning aside never to be repeated. Human behavior cannot be accurately represented by the homo economicus of mainstream economics that rationalizes all economic behavior as maximizing personal net advantage.

If the physical environment influences economic behavior surely the same must be said for the cultural environment. Henrich (2000, p. 978) poses three questions that lead the way in helping to link culture and economic behavior.

- (1) Where do people get the rules, expectations, or notions of fairness from?
- (2) Why do these rules, expectations, and notions affect real economic behavior?
- (3) How much can the varying rules, expectations, and notions affect real economic behavior?

The answers to these questions, in turn, will either re-affirm the neo-classical assumption that humans share the same economic decision-making processes or overturn it. (Henrich, 2000).

Henrich's First Question. Humans develop their own set of rules, expectations, or notions of fairness by reflecting on their own life experiences and by accepting them on the word of another, that is through reason and faith. The university is an important institution that studies human behavior in order to understand it better for the purpose of setting down rules, expectations, and notions of fairness in the form of: (1) codes of ethical conduct for the professions; (2) statutory law governing criminal behavior; (3) tax codes specifying how the burden of supporting the

government is to be distributed, and the like. These rules, expectations, and notions of fairness may differ for the moral absolutist and the moral relativist even if they have attended the same university. Or they may be the same because the two share the same faith and frequent the same place of worship. In any case rules, expectations, and notions of fairness develop over years and are transmitted and reinforced at various times by family, school, place of worship, judicial system, and other social institutions.

Kohlberg (1981) studied the moral decision-making process and identified six discrete steps: perception, discernment, resolution, assessment, decision, and action. His six-step process is circular rather than linear. A person's basic knowledge of the good is a prerequisite for sensing whether a moral problem is present and whether he/she has some personal responsibility in the matter. It is determined as well by direct personal experience with the other steps, especially with the action step. That is, what is learned in the action step improves one's ability to more readily perceive other moral problems thereafter (O'Boyle, Dawson & Tansey, 1996). Drawing upon Kohlberg, we identify six stages in a person's own cognitive moral development: (1) avoidance of punishment; (2) desire for reward; (3) anticipated disapproval of others; (4) anticipated dishonor; (5) maintaining respect of equals and community; and (6) self-condemnation for departing from one's principles. In general, a person progresses to higher stages of moral development with age, but there is no assurance that he/she will have progressed to the last stage upon reaching adulthood.

It follows that different persons are at different stages of their own cognitive moral development and therefore some are better prepared than others to handle ethical issues in economic affairs, and in fact may act differently in the same situation. Thus, employers following virtually the same decision-making process but at different stages in their cognitive moral development likely will behave differently. To illustrate, an employer at the avoid-punishment stage might take no action at all in a clear case of workplace discrimination especially if there is no punishment likely to befall him/her, whereas an employee in anticipated-dishonor stage might act

promptly in order to avoid any dishonor. Some senior managers might be more prone to schemes that defraud their stockholders when the payoff is large enough, while others would not, whatever the size of the payoff, because the former have an underdeveloped conscience while the latter are much further along in their ethical development. Similarly, workers in the same firm may respond differently to defects in workmanship or unsafe work processes, one blowing the whistle while others remain silent. And for the same reason consumers and employees may respond quite differently to the same shoplifting and embezzling opportunities.

Students of economics, who under the influence of logical positivism have formally rejected normative economics, are ill-prepared to address ethical issues in economics with the possible exception of matters relating to distributive justice. In effect, commutative justice and contributive justice are dismissed because all such matters are addressed by the free and informed interaction between economic agents in a market economy or are subsumed under the common good that is served through the “invisible hand.” In other words, issues of conflict wherein ethics plays a role are sorted out by homo economicus.

Henrich’s Second Question. Rules, expectations, and notions of fairness affect economic behavior because they are the mechanisms used to bring economic behavior into compliance with the dominant social values of the culture. When there are changes in the values that are formalized by specific rules, expectations, and notions of fairness, the transmission mechanism must change in order to produce the desired economic behavior with as little disruption as possible

Rules, expectations, and notions of fairness change as our insights into human action deepen. For example, we have come to understand the silent injustice of the gentlemen’s agreement, the glass ceiling, redlining and many other unjust practices and we are witnessing considerable efforts to condemn these practices as unacceptable behavior in economic affairs. As social values change or are ranked differently as to their importance, economic

behavior changes too under the influence of new rules, expectations, and notions of fairness.

Changes such as these originate in and are reinforced by changes taking place deep within the socioeconomic order and that are changing the very institutions that we rely upon to provide stability and continuity as to the rules, expectations, and notions of fairness governing economic behavior. For some time, we have been under the influence of two powerful revolutions. One revolution is based on information technology is affecting the five central economic processes of production, distribution, exchange, consumption, and investment. The other revolution originates in a shift along all four axes of tension underlying the social order and the basic institutions that express the fundamental values embodied in culture: (1) away from the sacral toward the secular; (2) away from the absolute toward the relative; (3) away from the objective toward the subjective; and (4) away from the group toward the individual (Becker, 1992). Culture matters in economic behavior and becomes much more visible when economic institutions are shaken by revolutionary change.

These four shifts are slowly redefining our culture from one of life and hope to one of death and despair. This cultural revolution, in turn, is further promoting the individual and dismissing the person by redefining how we perceive the economic realities around us. Notice how these two revolutions are linked by internet sales of pornography, by chat rooms that redirect human behavior from spouse and children to others through human imagination and fantasy, by video games, motion pictures, and cable television that are deliberately marketing adult materials to children.

Day-trading over the internet that can distort the true risks involved in such practices, replacing them with the false promise of instant wealth and a lifetime of ease and comfort. Notice as well internet sales of powerful drugs without a prescription are raising false expectations that self-medication will produce more favorable outcomes than better-informed prescribed medication. And take note of the huge and growing demand for illegal drugs in the United States alone that are taken ostensibly to meet the needs of the

human body or human spirit but all too often lead to death and despair in addiction and homicides attributed to an overdose or a “deal which went bad.” And notice how suicide and mercy killing increasingly are rationalized by mainstream economics on cost-benefit (pleasure-pain) considerations. Conventional economics rationalizes a human life that is not worth living.

Henrich’s Third Question. Culture itself and cultural change can and do affect real economic behavior profoundly. Note, for instance, the huge cultural change that occurred after the end of World War II and how the baby boom that followed is still affecting economic affairs. Before the war, a woman’s place was in the home. After the war, especially after the development of the birth control pill, women could pursue professional careers and, with the passage of time, have done so in even greater numbers and proportions with the approval of the rest of society.

In 1985 Nobel Laureate James Buchanan (1985, p. 15) took the profession to task in language that hardly can be misunderstood.

Our graduate schools are producing highly trained, highly intelligent technicians who are blissfully ignorant of the whole purpose of their alleged discipline. They feel no moral obligation to convey and to transmit to their students any understanding of the social process through which a society of free persons can be organized without overt conflict while at the same time using resources with tolerable efficiency.

Fifty years earlier, Keynes (1935, pp. 16-17) offered a similar criticism:

The classical theorists resemble Euclidean geometers in a non-Euclidean world who, discovering that in experience straight lines apparently parallel often meet, rebuke the lines for not keeping straight -- as the only remedy for the unfortunate collisions which are occurring. Yet, in truth there is no remedy except to throw over the axiom of parallels and to work out a non-Euclidean geometry. Something similar is required to-day in economics. We need to throw over the second postulate of the classical doctrine and to work out the behaviour of a system in which involuntary unemployment in the strict sense is possible.

Reconstructing Economics to Incorporate Culture

How then do we reconstruct economics to incorporate culture? We propose four points of departure from the mainstream way of thinking: economic agency, literary skills, personalistic modeling, and philosophical foundations.

First, we must examine much more carefully the idea that economic affairs are best understood and economics is best taught in terms of the autonomous, self-interested, thoroughly rational, utility calculating and maximizing individual.

To insist that the autonomous individual is absolutely essential to the way in which one thinks about economic affairs requires one to absolutely reject the cultural environment as informing economic behavior, all the while clinging to the logical inconsistency that the physical environment is a factor in economic decision-making.

Because more is required than simply adding a social dimension to the individual dimension of homo economicus it is necessary to cast aside that dated concept of the economic agent. In brief, we propose replacing the individual with the person, more precisely the acting person, the dynamic person of action. This revision would acknowledge that economic behavior of consumers, for instance, is at times other-centered, utility-satisficing, dependent, and driven by such powerful emotions as fear and love, and that poverty, for example, is a problem of insufficient resources to meet minimal material needs and should be fully integrated into our treatment of consumer behavior.

Lutz and Lux (1988) proposed a new economics – humanistic economics – that argues that homo economicus is not an accurate representation of human behavior in economic affairs, that economic science cannot any longer ignore the insights from psychology to the effect that human needs are hierarchical in the sense that consumers proceed to higher-level needs such as the need to belong after lower-level needs such as food, shelter, and clothing have been met. In addition, needs are not reducible to wants, and

that notwithstanding the mainstream view that all wants are commensurable, human needs are incommensurable.

Years later a set of papers was collected in O'Boyle's *Personalist Economics* and published in 1998. The book was organized around three subjects: premises, description of economic affairs, and economic policy. In the section on premises, he argues for replacing homo economicus with homo socio-economicus wherein the social dimension of human nature is incorporated into the economic agent along with the individual dimension. More recently and all the while retaining the individuality and sociality of the economic agent, O'Boyle has replaced homo socio-economicus with the dynamic acting person to incorporate more directly and accurately the philosophy of personalism as a replacement for the individualism of mainstream economics.

Danner and O'Boyle identify the economic agent not as a collection of preferences or capabilities but as:

... embodied spirit, a spirit which can act externally only through its body, not like a rider on a horse nor a ghost in a machine, but essentially and necessarily bonded to the body. The 'I,' therefore, retains its identity even though the body renews itself many times in a lifetime (Danner & O'Boyle 1999, p. 50).

For Danner, the ultimate purpose of economic activity is not maximum personal net advantage. Rather, it is whether it adds to or takes from the integral development of those who engage in that activity. For Danner (2002, p. 129) "... every person is in a real sense an economic person."

As an embodied self-consciousness, personhood is best portrayed in a career of self-development, the effort and action of becoming personal by blending contraries: spirit/body, male/female, individual/social, self-aware yet reaching out, *unified but constantly changing*, free but morally restrained (Danner, 2002, p. 53).

Davis thinks about economic agency in terms of individuals who are socially-embedded in social and economic relationships and act through participation in groups. In arguing for the outward directedness of the economic agent he does not reject inward directedness. Rather, the economic agent is both (Davis, 2003; Davis, 2011). Additionally and importantly, for Davis the “socially-embedded individual” is an active being who is able to influence the social structure (Davis, 2003; Davis, 2011). Davis connects social embeddedness to the capabilities approach and represents the economic agent not in terms of preferences but capabilities.

Davis (2011) claims that social embeddedness means embedding individuals in a social world, coupled with human capabilities including a personal identity capability that helps them maintain or re-establish their personal identities in complex and changing social interactions that can reduce them to mere social aggregates, allows him to offer the concept of the individual thus modified as an appropriate replacement for homo economicus because it offers a better explanation of human behavior in economic affairs.

Second, we must again emphasize the importance of literary skills both in terms of presenting our premises as well as describing economic affairs and proposing policy recommendations. Some concepts and ideas are better rendered in literary form than in the mathematical form. For example, what mathematical expressions adequately substitute for such enduring expressions as “the invisible hand,” “the Protestant ethic,” “the euthanasia of the rentier,” “there is no such thing as a free lunch,” “the tragedy of the commons,” “the prisoner’s dilemma,” “in the long run we are all dead,” “creative destruction,” and “the reserve army of the unemployed”? Helping students acquire literary skills means that it is necessary to reverse the systematic purging from the economics curriculum of the courses on history of economic thought, comparative systems, and economic history, not to mention ethics and metaphysics where mainstream economics is woefully inadequate.

Metaphors such as the one that Alfred Marshall employed to answer the question What determines price? can be most helpful if economists are ever-mindful that metaphors are pedagogical devices that are truly useful when they are modified properly to take into account the human persons who are being represented. We have in mind something like the following that draws on Schumpeter.

The economy is like a twin-engine aircraft in which competition and cooperation supply the power for lift, and intervention and regulation function as the aircraft's control surfaces that the pilot uses to give the craft guidance and direction. Admittedly the economy can operate successfully on one engine alone, but it performs much better on two engines functioning together. Credit creation fuels both engines, and caring for one another supplies the engine oil. Justice operates like the oil filter removing such dangerous deposits as ill will, discrimination, and disunity that originate in violations of commutative, distributive, and contributive justice.

The entrepreneur is the pilot who charts the destination and course for the aircraft and who bears the immediate responsibility if anything untoward happens. The central bank is charged with the responsibility of maintaining the aircraft to assure that a serious malfunction beyond the control of the pilot results in a "soft landing" rather than "crash." Bankruptcy is the parachute that saves the pilot's life in an extreme emergency and lets him/her survive to fly again.

Culture is to the economy what weather is to the aircraft. A culture of death and despair is bad weather for flying; a culture of life and hope is favorable weather. Just as meteorologists help us recognize different weather systems, philosophers, writers, and others offer a deeper understanding of our culture. Ignoring their warning signals can be fatal.

Third, in bringing greater understanding to economic affairs, some modeling less exact and mechanical than econometric models but more deeply probing of the person and therefore at once more accurate and more personalistic is necessary. Mathematical models use reductionism to deliver more precision and detail to our description of economic realities, and thus

more superficial certainty. What we need is greater accuracy and understanding of the very same economic realities, even when it means less authentic certainty. We have in mind the exhaustive study of experience rating in unemployment insurance by Becker whose final remarks are a model of pushing the data and information as far as the limit of authentic certainty permits:

... if we choose to maintain a set of income maintenance programs that are closely geared to the market and operate like deferred wages, with benefits proportioned to wages and with taxes levied solely on payrolls and employers, unemployment insurance as presently constituted will be a necessary part of such a system and experience rating is likely to be considered a desirable part of unemployment insurance (Becker, 1972, p. 325).

We also point to diagrammatic and schematic renderings as an alternative to econometric models.⁵ Our business in economics is to search for the truth ever mindful that the precise findings from econometrics at times are not the whole truth because the human spirit is not entirely within our understanding. The human spirit is and more than likely always will be part mystery. In these circumstances, the researcher cannot achieve the kind of authentic certainty with econometric models that mainstream economics promises.

Figure 1 presents a schematic that summarizes much of what we have said in the preceding. It brings together five different premises as a point of departure - slave, object, agent, human, and person - with their philosophical foundations in the context of Becker's four axes of tension and the One-Many dichotomy in a way that relates to a market economy and a planned economy. We include slave for two reasons: (1) slavery is a part of human history and thus of economic history; and (2) the effects of slavery in the United States persist more than 150 years after the Emancipation Proclamation, and though the civilized world denies it and condemns it, slavery is an ongoing practice directly in the sense that slaves are being brought into many western countries and indirectly in that the goods

produced by slaves are sold in the United States and elsewhere (Bales, 1999).

Figure 1 is arranged to be consistent with Ong's observation that only high-tech cultures give rise to personalist philosophies (Ong 1981, p. 200) and with John Paul's insistent re-affirmations that person is nearly divine (more below). Accordingly, slave hierarchically is the lowest starting point for thinking about economic affairs and person the highest with human, agent, and object between the two in that order. Figure 2 focuses on person, human, agent, and object in the same hierarchical order as in Figure 1 and indicates why the autonomous individual effectively splits economic theory in two, and why in principle human and person bring unity to economic theory.

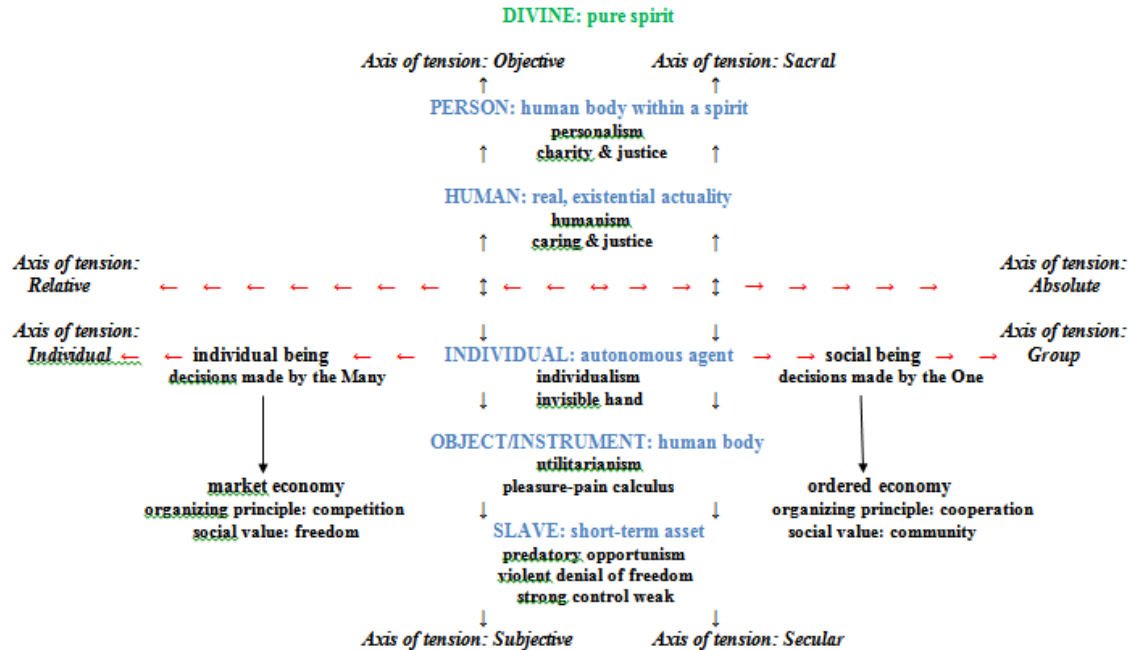
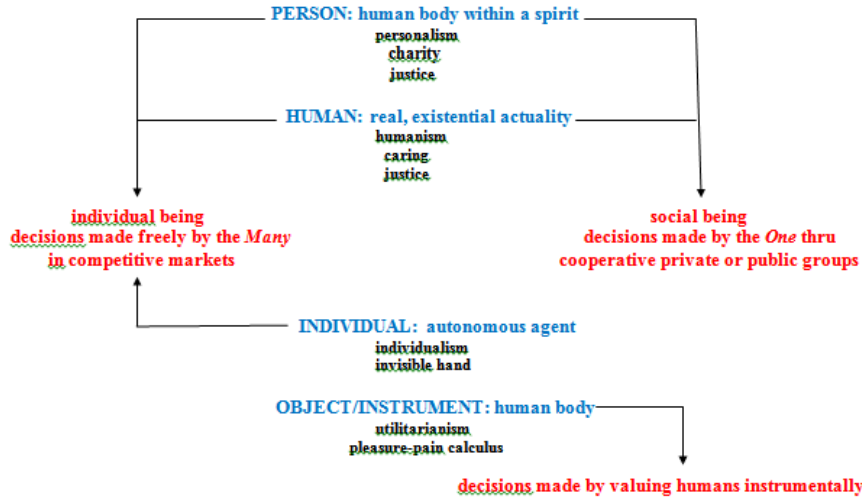


Figure 1. From Slave To Person: The Central Premise in Economics

Microeconomics and Macroeconomics Fused into a Unified Theory Because Both Personalism and Humanism Rest on the Premise that Humans are at once Individual Beings and Social Beings



Microeconomics & Macroeconomics Split Apart Because Individualism Rejects Human Sociality & Socialism Rejects Human Individuality

Figure 2. From Object to Person: Connection to Economic Theory

Fourth, we must re-examine the philosophical foundations of economics beginning with the recognition that a philosophy other than individualism that developed in the second stage of communications media, the script stage, no longer serves us as well as it once did. Taking seriously Ong's (1981) observation that only high-tech cultures "have given rise to personalist philosophies" it is entirely reasonable to argue that personalism is a better foundation for thinking about human behavior in economic affairs than is individualism.

Very recent times have activated concern with the human person as person to a degree of explicitation unknown before, and that at many levels of awareness. At the highest level of speculative thinking such philosophers as Martin Buber and Gabriel Marcel and many phenomenologists have worked out self-consciously personalist philosophies. Such theologians as Hans Urs von Balthasar have pointed out that in the past, when nature overshadowed humanity, human beings had approached God through nature, whereas today, when technology has reduced nature's dominance and put human beings over nature, philosophy has become anthropologized and tends to approach God through the human lifeworld and the human person. Existentialism is a by-product of the technological scenario ... Earlier cultures, less able to analyze themselves than is a high-technology culture infused by thought processes made possible by the technologies of writing and print (and now electronics), were less explicit about both depersonalization and the personal problems of the human person (Ong, 1981, pp. 200-201).

Thus the need to replace the passive homo economicus of mainstream economics with the dynamic acting person of personalist economics. This substitution promises to unify economic theory that for many years has labored under the micro-macro split. That fracture can be healed when economic decision-making is seen in terms of the One-Many dichotomy wherein homo economicus connects only to the Many and the acting person relates to both. Initial steps have been taken in this direction (O'Boyle,

2014). What we have sketched in Figure 1 and Figure 2 are the bare bones of a new paradigm that we hope someday will deepen our understanding and description of economic behavior even if they are not as mathematically precise as we would like.

Concluding Comments

Our concluding remarks begin with two observations. First, as Henrich suggests, culture influences economic behavior in all three areas of economic activity: work, consumption, and leisure. Second, the proof inheres not so much in replicating Henrich's experimental results, but in documenting in real-world circumstances how culture influences economic behavior. For example, are there differences in work behavior that originate in family type? Or differences in consumption behavior originating in ethnicity? Or differences in leisure behavior originating in nationality or religious affiliation?

Attention to the role of culture in economic affairs acknowledges that humans are more than the one-dimensional, autonomous, individuals, as premised in mainstream economics, whose very existence is temporal, whose role in economic affairs is strictly instrumental, and whose behavior is virtually the same across cultures. Though living in different cultures, humans according to mainstream economics are not influenced by those differences when it comes to economic affairs. In the mainstream way of thinking, the individual according to Waters (1988) acts freely, self-interestedly, and calculatedly in a self-regulating economy, with behavior that is knowable with mathematical certainty and empirical precision, whose worth is determined instrumentally.

We have argued instead that humans are two-dimensional twice over. First, humans are individual beings and social beings: solitary and communal, self-made and culture-bound, autonomous and dependent, rational and emotional, self-centered and other-centered. Second, humans are both matter (visible outwardness) and spirit (invisible inwardness).

Following John Paul (1998), the human being is the one who pursues the truth, and whose body is the medium whereby a person expresses him/herself (Wojtyla, 1979).

The duality of the human person, rooted in individuality and sociality, affords an opportunity to unify economic theory wherein individuality is the focus of microeconomics and sociality is the center of macroeconomics. Putting the isolated individual at the very heart of economics closes down that opportunity and assures that mainstream economic theory will remain truncated indefinitely.

Ong (1967, p. 181) regards the human being as a “bridge connecting the material and spiritual, which means, under grace, the material and the divine.” In *Fides et Ratio* (John Paul, 1998) John Paul puts the person between the human and the divine. Three years earlier in *Evangelium Vitae*, John Paul professed the sacred dignity of the human person several times.

Ong (1981) points to the role of human communication in either affirming personhood or reducing humans to things. Indeed, all such communication displays some regard for the other human being as a person and when communication comes to a halt the person is reduced to a thing. By avowing the isolated individual and denying the role of culture in economic behavior, mainstream economics effectively reduces humans to mere instrumentalities, to things. This objectification of humans is necessary because culture, as Dulles (1999) observes, is inseparable from religion. It is essential, therefore, to exclude culture and the values associated with it through its inseparability from religion in order to cling fast to the claim that economics must be value-free to have any authenticity as a science. This exclusion reflects as well as helps fortify the shift away from the sacral toward the secular (see Figure 2).

Mainstream economics converges with a culture of death and despair. Humans are not ends in themselves but only a means whose value depends on their usefulness and who have no value whatsoever once they no longer are useful. This development, in turn, destroys the very foundation of the democratic state, John Paul warns (1995), because once the inviolate dignity

of every human being is denied, the personhood and the rights of the weak also are denied, allowing the strong to dispose of them freely and to claim that what they do reinforces individual freedom and therefore is good and justified. Because the powerful claim rights that they deny to the powerless, the principle of equality is dismantled and the inevitable outcome is a transformation from democracy to tyranny.

Turning mainstream economics away from its current premises is a difficult task because it entails carefully re-examining what has been taken as given, what indeed is thought to be immutable. But the task is not impossible. A growing number of professional organizations in economics are attracting new members to institutional economics, feminist economics, humanistic economics, environmental economics, socio-economics, radical economics, and personalist economics all of which hold one position in common: there is something fundamentally flawed or missing in neo-classical economics. A number of respected academics including James Buchanan, Geoffrey Harcourt, Walter Adams, Wallace Peterson, John Elliott, Amartya Sen, Severyn Bruyn, and many others have voiced their criticism of mainstream economics, offering other descriptions of economic affairs and advocating other policy positions proceeding from different premises⁶.

The makeover of economics will take much time because the mainstream way of thinking about economic affairs is deeply entrenched. However, it will take place once neo-classical economists accept that the ultimate end of economic systems relates not to maximum personal net advantage but to integral human development

Notes

¹ “Given” or “allotted” is the operative word in experimental economics.

² In direct face-to-face experiments or in the mind’s eye in blind or double-blind experiments.

³ Identified and defined first by O’Guinn and Faber in 1989 as “chronic, repetitive purchasing that becomes a primary response to *negative* events or feelings” (quoted in [Faber & O’Guinn, 1992, p. 495](#); emphasis added).

⁴ Killinger's book was published in 19 countries and nine languages. A new edition appeared in 2004 ([Psychology Today](#), n.d.).

⁵ McKenna's 1955 intermediate macro-economic text is an excellent example. His representation of the components of aggregate demand and aggregate supply ([McKenna, 1955](#)) is especially noteworthy.

⁶ See Waters (1993) for a listing of the twentieth-century social economists who "best contributed to supplying the building blocks of a realistic and personalist economy."

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