A NEW PARADIGMA OF THE ECONOMICAL AGENT. FROM ADAM SMITH'S HOMO ECONOMICUS TO HOMO GENEROSUS BASED ON SOCIAL RESPONSIBILITY

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Analyzed form outside, many actions of the economical agent seem to be impulse by the self interest. As a prototype of this kind of person we have the Homo economicus as Adam Smith described it. In a blitz portrait we identify some characteristics: he is perfect rational, perfect egoist, perfect free, perfect competitive and perfect social. The aim of this research is to permute the barycentre from Homo economicus based on self interest, to Homo generousus, based on social responsibility. As a support we have used the prison dilemma to illustrate the roll of cooperation instead self interest. This new coordination will be analyzed to the level of ethical system. Homo economicus is identified in ethics of consequences and the homo generousus in ethics of duty. In my vision, the prototype of homo generousus, is delineated under Kant’s categorical imperative: respectful, based on principles as subject and sovereign.

Key words: ethical system, self interest, cooperation, Homo economicus, Homo generousus

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Homo economicus based on self interest
Homo economicus based on own interest can be enclosed to the ethical system called ethical egoism. Egoism is the theory that people act out of their self-interest. When we describe an egoist person, we have the next portrait: a person devoted for his own interest and advantages, looking forward to accomplish his needs, without evidencing interest for people around. One occasional altruistic act dissembles a hidden further interest.

There are two versions of egoism. One is known as psychological or descriptive egoism; this view holds that people do, in fact, act in their own self interest. The second version of egoism is known as ethical egoism or normative egoism; it holds that people should act in their own self-interest. The distinction between these two type of ethical system is represented at the level “is” and “should be”. When we are speaking of self-interest, there are some questions to be clarified, for example:

− Do people always act only for self interest?
− What is the meaning of the definition “self-interest”?

The two version of the egoistic ethical system mentioned above holds that whatever people do, they do in fact always act only out of their own self interest. A work hard to be promoted, I donate some many or I help a person to increase a reputation, to be considered a good man, or I love my children or my family to be also loved by them to be respect. In this situation can we identify Mother Theresa’s action under the impulse of self interest? It is obvious that people seem to act for various other motivations other than just self-interest. But The egoist has to claim that these other motivations are only a mask for self interest, that the person who is doing something altruistic (i.e. action done for the sake of another) is really being altruistic for his own self interest -- he is doing this, the egoist claims, because he has a self interest in being seen by others as being altruistic or because he gets pleasure (thus satisfying his self interest) in being altruistic. To argue this affirmation Lloyd Eby, illustrate us the case of the red light of the fire engine. “Suppose someone claims that all fire engines are red. I reply that this is not true because I've seen green and yellow ones. The first person then responds, "But those are not true fire engines because all fire engines are, by definition, red." The first person may thus win the argument, but
does so only by introducing a highly tendentious - and false - definition of “fire engine.” I think
that, in a similar way, strict egoists likewise set up tendentious - and false - accounts of human
motivation and altruistic behavior.”168 The answer to the first question and its particularly
arguments illustrate some actions which are not only motivated by self interest.

The second question proponents of egoism must distinguish between people's genuine self
interest and their apparent self interest. Thus most of us would hold that a person who smokes
a lot of cigarettes or who takes heroin is not in fact acting out of his self interest because those
practices are highly self destructive. The proponent of egoism says that such people are acting not
out of their true self interest but only their apparent self interest; such addicts, the egoist claims,
believe that their actions are in their self interest, even though they are not in their actual self
interest, and thus they do what they do out of their self interest after all. That answer, however,
flies in the face of the fact that many addicts will say explicitly that they are not acting in their
self interest when they continue to smoke or take drugs. This suggests that people are aware of
the difference between true and false self interest and are well aware that they sometimes act out
of motives other than self interest, either true or false self interest.169

Until now we have created a background to illustrate the coordination of the self interest. This
type of system was claimed by Hobbles offering a psychological argument; Adam Smith
illustrates an economical argument and Ayn Rand statues selfishness as a virtue quality.
In this paper work our interest is focus upon Smith’s economic argument. Smith argument for a
self interest which conducts to public benefits is exemplified by the well known quotation: “It is
not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but
from their regard to their own interest. We address ourselves, not to their humanity but to their
self-love, and never talk to them of our own necessities but of their advantages.”170

The eighteenth century economist Adam Smith defended an egoistic approach toward morality
based on the economic benefits that this would bring to society. Based on the theory of “invisible
hand”, in a competitive market, the homo economicus produce a state of optimal goodness for
the society. Smith argues how competition determines the economical agents to produce a better
product ant to sell it to a lower price compared to the other.

His self interest – to sell his products and to obtain profit – guides his actions, related with his
competitors. This kind of attitude, in Smith’s opinion, concurs to a public benefit not only for the
one’s sake.

The laws of the market formed by Adam Smith are quite simple. These can be reduced to a
picture which illustrates two important things: self interest, and on the yonder side the
competition. For example, if I am a gloves manufacturer my interest is to sell my merchandise
and to obtain a substantial profit. To achieve my aim I would like to sell my products to a high
price. But the high competition will not admit this situation, because the consumer would like to
buy the gloves from my competitor, if they are to a lower price. I need to find ways in producing
gloves to a reduced cost ant to sell it at a cheaper price in an effort to get more costumers. Adam
Smith considers that in this situation the manufacturer gain, but so too does the costumer. Thus,
my self interest leads to a best overall situation for society.171

For Smith, these two: self interest and competition can not be separated. It is both natural and an
advantage to cooperate in economic affairs. Making reference to the quotation above, we
understand that the butcher, brewer or the baker, do not give away meat, beer or bread, but they
depend on mutual respect, fair play in business, the honoring of contracts, and indeed, even

168 Lloyd Egy, **Viewpoints: What about ethical egoism?** http://www.tparents.org/Library/Unification/Talks/Eby/Eby-
060607.htm, accessed at10.04.2010

169 Lloyd Egy, **Viewpoints: What about ethical egoism?** http://www.tparents.org/Library/Unification/Talks/Eby/Eby-
060607.htm, accessed at10:12.04.2010


cooperation to stay in business together in the same town. Adam Smith’s economical argument directs to a tow tier system:  
- individual motivation – egoistic;
- general goal – social utility;
Both levels are based on the ethical system based on consequences. On the first level the consequences are redound upon one person, the one involved in the action. This level is known under the terminology of ethical egoism. When it is looked for the social utility, there is involved a great number of people and it is intend to offer the greatest happiness, or good to a great number of people. This way of acting is known as utilitarianism. In Smith economical argument, we met on the highest level, the utilitarianism, which makes use of self interest to attain the good for a great number of people, a social benefit based on free-enterprise system that guides enlightened self interest to reach that goal. Conform to his theory the economical agent is not worry for the social good, but only for his own good and in this way he will attain the highest social good possible.
The problem with that argument is that not everyone has equal power and ability -- Adam Smith's argument depended on a more-or-less equal distribution of power, information, and ability among the actors in his economic drama -- and thus in pursuing their self interest the strong will prey on the weak, and the less powerful or wealthy or knowledgeable will be abused (and thus unable to achieve their self interest) by the actions of the powerful, the wealthy, and those with greater knowledge.

An example of self interest in business world was offer by Nestle Company which infant formula. During the 1970s and 1980s, Nestle launched a marketing strategy in developing countries that lured countless poor mothers into infant formula dependency. Wearing uniforms that resembled those of the legitimate nurses, Nestle’s sales force infiltrated hospitals, accentuated the health benefits of their infant formula. The penetration of this product forced and made dependant the mother of this infant formula. However, proper use of it required up to 70 percent of a family income, an unable to pay, mother diluted the formula, often with contaminated local water. The result was the death of millions of infants from disease and malnutrition. After a decade-long worldwide boycott against Nestle, in 1984 the company changed their practices. The train of events illustrates how the follow of self interest does not conduct to a social benefit, as Smith argue.

**Homo generosus based on social responsibility**

Nowadays, many practices invoke the way self interest did not conduct to public good, different crisis exemplify the deficiency of classical laissez-faire. As a new paradigm for economical development we identify a **permutation from Homo economicus based on self interest to Homo generosus based on social responsibility**.

Under the terminology social responsibility, has been developed a new concept **corporate social responsibility**. Corporate social responsibility (CSR) is a form of **corporate self-regulation** integrated into a **business model**. Ideally, CSR policy would function as a built-in, self-regulating mechanism whereby business would monitor and ensure its adherence to law, ethical standards, and international **norms**. Consequently, business would embrace responsibility for the impact of its activities on the environment, consumers, employees, communities, **stakeholders** and all other members of the **public sphere**. Furthermore, CSR-focused businesses would **proactively** promote the **public interest** by encouraging community growth and development, and voluntarily eliminating practices that harm the public sphere,

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regardless of legality. Essentially, CSR is the deliberate inclusion of public interest into corporate decision-making, and the honoring of a triple bottom line: People, Planet and Profit. This concept has developed from the classical form exposed by Milton Friedman: “the social responsibility of business is to increase its profits” - when corporate are responsible only to their shareholders - to the responsibility for the society seen as a whole. Nowadays the impact of corporate social responsibility is measure on the level of reporting or standards. One of these is the Global Reporting Initiatives. The table below illustrates the number of the company who adopt this way of reporting. The evolution on 10 years is relevant to conclude the great impact assumed by the economical agent seen at the level of corporation.

### Table nr. 2 – The numeric evolution of CSR-GRI reporting on period 1999 – 2009

<table>
<thead>
<tr>
<th>Period of reporting</th>
<th>Number of company which have reported a CSR-GRI Report</th>
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<tbody>
<tr>
<td>1999</td>
<td>20</td>
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<tr>
<td>2000</td>
<td>50</td>
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<tr>
<td>2001</td>
<td>80</td>
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<tr>
<td>2002</td>
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<td>370</td>
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<tr>
<td>2006</td>
<td>507</td>
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<tr>
<td>2007</td>
<td>684</td>
</tr>
<tr>
<td>2008</td>
<td>1068</td>
</tr>
<tr>
<td>2009</td>
<td>1368</td>
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</tbody>
</table>


### Conclusion

Adam Smith’s homo economicus relieved the portrait of an economical agent who action in the economical field based on self-interest. He is based on the premise that the economical agent does not have to worry about the social benefit or good but only about his own good or benefit and in this way he will attain the highest social benefit possible. The homo economicus can indoor his individualism under the theory of “invisible hand”, considering that the interactions between the egoistical impulses will lead to an unanticipated result: social harmony. As a support, for cooperation instead self interest we intent to use the Prisoner’s Dilemma. It points to another possible logical error in egoism by offering an example in which the pursuit of self-interest results in both agents being made worse off.

### Tabel nr.1 Prisoner’s Dilemma

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<tr>
<th>Prisoner B</th>
<th>Confess</th>
<th>Don’t confess</th>
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From the table, two suspects in a crime are individually offered different sentences by their captors. A, for example, is offered 5 years in prison if he confesses, and he is told that if his partner doesn’t confess he will be given 6 months in jail and his partner 10 years. If he refuses to confess, then A faces 10 years in prison if his partner does confess; however, both would only serve two years in prison if they both do not confess. A prior agreement between A and B not to confess would result in the best solution for the two of them, but that is not allowed by the game because they must make their decision by themselves without communicating with the other person. The incentive that each personally faces to avoid spending time in prison is to squeal in the hope that the other does not confess. If each does this, then both will end up serving the non-optimal solution of 5 years each.176

As an argument for the sunset period of homo economicus based on self interest are different depression and crises which could not illustrate how the classical laissez-faire works. Included in an ethical system, Adam Smith’s homo economicus, has a good responding to the consequences ethics, based on ethical egoism and utilitarianism. The consequences system sustains the moral of an action based on its consequences. If an action ends with good benefit for me and for the others, then we identify a moral action. If a fact produces bad consequences upon me, then it is immoral. Specified to Adam Smith theory, the ethical egoism is released under the concept of self interest and the utilitarianism – which sustain the spread of happiness or in this case benefit around as much as possible – is identified at the level of social benefit, which is accomplished if everyone is looking forward for own benefit.

I identify the economical agent based on social responsibility, homo generosus, having as coordinates the ethics of duty, substantiated by Kant. Specific to Kant’s categorical imperative, the economical agent will “act only on that maxim which can be considered in the same time a universal law”, this means that his action are based on principles, compared to homo economicus, which based his action on consequences. Second, the prototype of homo generousus, according to the second Kant’s imperative, will respect the human being, treating the stakeholders as persons: “always treat the humanity in a person as an end and never as a means merely.” And the third imperative analyses the business firm as a moral community.177

This is a way to understand the balance from the economical agent based on self interest to the economical agent active involved in social responsibility through ethical system.

Reference

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177 Robert Frederick, A companion to business ethics, Blackwell Publishing, 2009, p.10