

## **“Homo economicus”: fact or fiction?**

Professor Lothar Erik Siebler (Venlo University B.V., the Netherlands)

In economics and game theory, the homo economicus is a rational agent who seeks maximum utility. This model is used in macroeconomics as a representative agent to describe economic processes. The time-consistent maximiser of expected benefits appears in a specific situation that deals with behavioural economics.

The term homo economicus is an allusion to the term homo sapiens in the sense in which this term is used outside the field of economics. The homo economicus model can be used to explain economic interrelations and forms the basis of many economic models. It is disputed whether a completely self-interested preference order can be used to describe the homo economicus. It seems preferable to view the homo economicus as an actor whose rational assumptions are composed of a preference relation drawn from a preference order.

In the context of observed demand, we can assume that a behaviour observed in several people may represent a utility function of an average consumer. The representative utility function can be derived from a behaviour which can be rationalised: this reveals a preference relation. With regard to revealed preferences and representative consumers, we can conclude that the behaviour represents a rational, “as if” expectation-benefit maximisation. It is not assumed that individual consumer behaviour has any validity; rather, a representative actor can be described based on behavioural and demand functions.

In this model, the actor describes alternative conditions as a clear order of preferences, according to which decisions are made that, in turn, determine the actions most likely to bring around the desired outcomes. In this context, the intrinsic motivation for the preferences remains irrelevant. The decision of a homo economicus represents the maximisation of the utility function. The utility theory principle is thus of central importance in microeconomics and macroeconomics.

Bibliography: Kirchgässner, Gebhard (2013): Homo Oeconomicus: Das ökonomische Modell individuellen Verhaltens und seine Anwendung in den Wirtschafts- und Sozialwissenschaften. [Homo Oeconomicus: The Economic Model of Behaviour and Its Applications in Economics and Other Social Sciences.] Tübingen.



Professor Lothar Erik Siebler

Born 5 March 1966 in Tiengen/Hochrhein, Germany

Professor at Venlo University B.V., the Netherlands

Member of the Business Administration Faculty's examination committee for doctoral students (PhD programme).

Honorary Professor in the Business Administration and Management Faculty at the N. Isanov Kyrgyz State University of Construction, Transport and Architecture, Bishkek.

Lecturer and instructor at IB Internationaler Bund, Bad Säckingen.

Member of various examination boards at the Hochrhein-Bodensee Chamber of Commerce and Industry.

Chief Juror for the Youth Chamber of the Waldshut-Tiengen Regional Court.