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ECONOMICS AND THE THEORY OF HUMAN BEHAVIOUR

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Abstract

Economics purports to be a science of human behaviour, and yet it falls well short of this aim, probably because of the anthropological assumptions on which it is based, which are too simplistic and restrictive. Nevertheless, the tendency of the main currents in economic science is currently forcing the broadening of these assumptions, although in a slow and disordered process, with many upsets, restrictions and setbacks along the way –all because of the lack of an adequate research programme. In this paper, we shall discuss various attempts to broaden the assumptions on which economic science is based and propose the general lines for the revision of these assumptions. We shall place particular emphasis on the definition of the anthropological (and sociological) hypotheses that sustain the development of economics, as well as on the link between the theory of (economic) allocation and a more wide-ranging theory of human behaviour.

ECONOMICS AND THE THEORY OF HUMAN BEHAVIOUR

Introduction (1)

When von Mises (1949) called his treatise on economics *Human Action*, he was setting high targets for our science. In any case, our profession had already taken up the challenge, since it had been trying to formulate just such a theory for a long time. By this stage we can safely say that our attempt has been only partially successful or, at the very least, that the representation of human behaviour offered by the main schools has more in common with a caricature than with an explanation of the real world (2).

It is logical, over time, that there should have been a proliferation of attempts to correct, wholly or partially, the dominant paradigm. It has to be said, however, that we economists are better at criticising than at constructing a new economics, which is a far from easy task. To begin with, it requires considerable knowledge of the traditional formulation of economics; one has to have explored its possibilities at length and, at same time, be well aware of its limitations and, above all, know the causes of these limitations. In addition, it requires a broad sweep of knowledge beyond the frontiers of our subject. This will clear the way for new ideas, which will be reflected in an examination of the foundations, and the use of analogy and comparison (McIntyre 1990).

Nor should one neglect the importance of maintaining a critical attitude towards traditional economics. Indeed, the accumulation of evidence regarding the shortcomings of the prevailing, received wisdom and the creation of an atmosphere of crisis which favours new ideas have made it possible to detect specific circumstances in which the standard science is of no use, to discover cracks in the edifice and, even more importantly, to spot weaknesses in its premises. For all that, we should not underestimate the profession's capacity to resist any change in the paradigm. Any such change is likely to have to come about through a *scientific revolution* (Kuhn 1970), i.e. by changing the questions –the relevant problems– and the method of inquiry, while at the same time expanding and/or correcting the foundations.

The questions are changing already, although this is not always apparent. For instance, the unemployed who so troubled Keynes sixty years ago and who embodied the surplus of supply over demand for work were the same kind of people as those who now queue up to receive unemployment benefit in many countries of the European Union. Nowadays, however, the problem is different. This is not just because of the numbers involved, or the length of time, or the difficulties in achieving any improvement. It is different above all because the solutions offered by economics in recent years appear merely to have succeeded in making the problem worse. Conventional theory has had perverse effects (Llano 1988) because it believed that the explanation for certain phenomena was scientifically closed, when in fact it was open.

In spite of this, many economists would argue that the questions have not changed. They would claim that events have become more complex (or that we are now in a position to examine them in greater depth and pay more attention to detail) and that, in spite of everything, economics is perfectly capable of dealing with them. No doubt this is true, at least in the early stages. However, events such as interdependence, learning processes, feedback, review of preferences and other, similar questions that contribute to this new complexity end up demanding a broader framework and a new theory (which may take decades to appear). This is the change which I believe to be in gestation.

I am not trying to say that traditional economics is mistaken. In fact, l believe it to have been right on many occasions. Let us consider the example of inflation: nowadays, there is a consensus about its causes, which was not the case thirty years ago (3), although this does not imply unanimity (4), nor, of course, does it mean that the diagnosis is correct. In any event, this consensus about the immediate causes –growth in the money supply– has switched our attention to a higher level: that of the social and political processes which explain the creation of money. Such an extension is legitimate. Furthermore, traditional economics has provided the instruments to enable us to tackle the new questions, thereby extending the classical analysis of individual preferences to governments, politicians and civil servants.

Nevertheless, we economists are on unfamiliar ground when we start to analyse political preferences. Undoubtedly, it is difficult to believe that a politician, on being invested with authority, dramatically alters his procedure for rating his preferences by ceasing to compare the potential consumption of apples and oranges (which is how our elementary textbooks formulate the decision-making problem) and starting to think in terms of social welfare, of combinations of levels of inflation and unemployment (against which he enjoys a fair amount of protection), or of guns versus butter (which do not feature in his consumption function). How do these political choices get to figure among his preferences? Is it only by means of income effects and the substitution of his consumption of apples and oranges? We need to know more about how our politician decides his preferences. And the same applies to the average citizen, for he or she, too, may be concerned about the macroeconomic consequences of substituting butter for guns, or inflation for unemployment, in which case we ought perhaps to review what traditional theory says about the way individual consumers determine their preferences.

Note how, once traditional theory had enabled us, with a fair degree of confidence, to posit monetary causes as the reason for continuous and sustained increases in prices, we could then pose a more advanced question: why do governments engage in expansive monetary policies if they know that it will lead to higher inflation? Once again, traditional theory can provide answers, although to do so it will have to clarify its assumptions. Here, we are treading on less firm ground. It is one thing to explain how the reaction of thousands of rational individuals to an increase in the supply of money leads to rising prices, but it is altogether another matter to explain why the Executive Council of the Bundesbank lowered its official discount rate by half a point on December 14, 1995. Do we have a sufficiently precise theory of (economic) decision-making to be able to respond to such a question?

Up to now, our answer was affirmative on the basis of the *autonomy of economics*. But, can we go on thinking like this? Plato and Aristotle, those excellent observers of human nature, explained the behaviour of the rulers of the Greek city states in terms that do not coincide with those used by the theoreticians of “the political economy of economic policy”. Were the philosophers so very wrong? We theoretical economists can explain a great deal with considerable precision, but then so can the philosophers (and the sociologists, and the educationalists, and the political scientists...). Can we learn anything from them? In short, *where does the autonomy of economics begin and where does it end?* What are the advantages (and disadvantages) of adopting an interdisciplinary approach that links the economists' insights with those of the other social sciences? Indeed, is such a link necessary? Does the broadening of the basic assumptions of economics lead us to posit the existence of such a link?

In the next few pages I shall endeavour to outline the scope of work for broadening (or renewing, or replacing) the prevailing conventional paradigm. I shall try and do this in the least traumatic way possible. Nevertheless, although it is likely that the change will end up being a scientific revolution, I think it important that we start our task by recognising the achievements of traditional economic science. This will enable us to locate its weaknesses in order to overcome them. I shall begin by explaining what I believe a general theory of human behaviour should consist of. I shall then consider the two fronts (which, in reality, are just one) on which one can consider developing a plan for revising the basic assumptions, i.e. that of the underlying anthropogical conception of man, and that of the theory of human behaviour. This will be followed by a discussion of their application to organisational theories, institutions, and economic systems, before concluding.

The theory of human behaviour

The central thesis of this paper is that economics should renew its calling to be a theory of human behaviour. Or rather, *we need a general theory of human behaviour*, and economics is in a position to provide us with an excellent (though incomplete) base for this purpose. For, although it has not managed to become a complete science of human behaviour, it has developed a (partial) theory of behaviour in relation to economic or allocatory processes (5).

A general theory of human behaviour ought to be able to respond to the following types of question: Why do people act? What do they seek with their actions? What are the motives that move them to act? How do they choose the *ends* of their actions? How do they establish these ends? What criteria do they use to determine the *means*? How do they know what ends they have available? How do they design the specific *courses of action* that will enable them to achieve those ends with the means they have available? What factors determine the *development of human actions in time?* Is there a *hierarchy* of actions that leads to some being subordinated to others? Or, at the very least, is there a degree of *coordination* between different actions? What effect does this hierarchy or coordination have on the preparation of action plans? How can one relate the action plans of *different agents?* Are there any mechanisms that ensure or facilitate *compatibility* between the plans of different agents? What effect do *interpersonal relations* have on the preparation of individual plans? What (individual or social) learning processes are involved in the preparation and execution of action plans? What effect does this learning have on the ends, the means, the preparation and execution of the action plans, interpersonal relations and future learning? Is such learning always *positive*, in the sense of working to ensure the satisfaction of the individual's future needs, or can it have a negative effect? What consequences does negative learning have for future processes? Can one talk of *equilibrium, stability and convergence processes* (6), either in an individual or in a social context? In what sense?

All these questions are important, although only a few can be answered by traditional economic science, i.e. by *the theory of human behaviour in economic or allocatory processes*. This theory has the following characteristics:

1) There is a definition of the decision-maker (consumer, producer, worker, etc).

2) The action is identified in terms of certain alternative objectives or ends and scarce means within a given framework or set of circumstances.

3) The process is characterised as economic when it involves a choice between scarce means in order to attain alternative ends, according to the principle of optimisation or economic efficiency (achieving the best result with the minimum means).

4) The individual's choice is manifested in action plans.

5) Individual action plans are coordinated via the market (or some other institution).

By analysing these various points, we will be able to identify the significant elements in the traditional structure of economics, together with the lines that should guide its improvement. This shall be our task over the next few sections.

The agent: anthropological foundations

We would all like to start our analysis of human behaviour by describing the character of the real men and women who are responsible for this behaviour. However, the theory of human behaviour would be unworkable without some sort of prior selection and simplification. That is why all theories begin by abstracting, or simplifying, the real traits or characters of people and *selecting only those that are most relevant to their goals*.

In the case of traditional economics, these character types might be: evaluator, resourceful, and optimiser (Brunner and Meckling 1977) (7), compared with a sociological view of man that considers him to be determined by social processes and rôles. To say that the economic agent is an evaluator means that he "is not indifferent", that he "cares about the world around him", that he "differentiates, sorts and orders states of the world, and in this ordering, reduces all entities encountered to a commensurable dimension" (pp 71-72).

"Resourceful" implies that the agent is capable of making use of external and internal resources (his or her potential and capacities); that he is capable of developing them and putting them to use for the purpose of achieving his ends. This quality "emerges whenever man is confronted with new and unfamiliar opportunities, or when man searches for ways to modify the constraints and opportunities. Coping, groping and learning all express man's resourcefulness and form an essential aspect of his systematic behavior" (p. 72).

Finally, there is the maximising element: the agent "recognises that all resources are limited, including his own time" and "attempts to achieve the best position he can, under the constraints facing him" (p. 72). That is, economic man –in fact, any economic agent– systematically applies the economic principle, the principle of optimisation, in that he seeks to obtain the best possible results with the available resources (or, alternatively, to consume the least possible resources in fulfilling a predefined target) (8).

The characters we have chosen here are not representative of any particular school (9). Nor can they merely be applied to the set of prevailing economic theories, not even to those of the "mainstream" (10). Our point is simply that when we attribute these (or any other) characteristics to the economic decision-maker, *we are effectively accepting a particular anthropological framework*. This framework influences the whole of the rest of our analysis.

The choice of the terms in which we define the agent is not a scientifically neutral act, as it implies a particular concept of the person, i.e. it involves a selection of character traits that affects the rest of the analysis.

In any case, the anthropological characteristics mentioned above do not help us to discover *how the individual forms his/her preferences,* i.e. how he/she chooses between different ends. Traditional theory solves this problem by appealing to the satisfaction of certain needs, which are assumed to be known to the individual. *A theory of action (whether general or economic) that fails to explain the choice of ends is only valid if those ends remain unchanged as a result of the agent's decision-making process,* i.e. if the ends are affected neither by the learning that takes place as a result of the choice (and the execution of the choice) (11), nor by the acquisition of capacities and techniques, nor by the information obtained regarding the viability of the proposed action plan, nor by the reaction of other individuals to this plan, and so on. Of course, all of this is most improbable.

Besides considering the extent of the agent's knowledge of his own needs and the chances of fulfilling them, the study of the choice of ends should also consider the agent's set of *values,* i.e. how he decides which needs (his own and other people's) should be satisfied and what restrictions he wishes to place on the means he proposes to use; in short, the *ethical dimension* of his decisions. The traditional economist usually assumes that these restrictions are included in the agent's preferences and are therefore given. However, this is not correct. Ethical learning is far more important for the agent than learning for knowledge or for abilities, because it has a bearing on his final goal; accordingly, each and every one of his acts contributes in one way or another to that moral learning, which goes on changing his assessment of the ends he should or should not pursue and the means he may or may not, or should or should not, use.

Accordingly, the assumption of unchanging preferences is unacceptable except in the simplest cases. In order to explain how these preferences are established (how the ends are chosen), we need a theory that is linked not just to the satisfaction of needs but also to the process of acquisition of knowledge, abilities, values and attitudes. This process is not merely individual: it also has a social dimension, as it is both inter-personal and social (12).

We assumed earlier that economics had progressed by expanding its assumptions so that it could make predictions that were increasingly penetrating and that held true in ever wider circumstances. In this way, the theory gained in depth and in extension, although at the cost of displaying some inconsistencies. These were rectified by revising and purifying the assumptions. This approach has now been tried without the specific backing of an anthropology, resorting instead to a procedure based on trial and error. Our suggestion is that more work should be done to *base economic theory on clear anthropological concepts*. Such concepts would indicate the aspects of the person that are relevant to economics, and how they relate to one another (13).

There are quite a few different anthropologies available (including that of *homo oeconomicus*). And as one might expect, some are more valid and useful than others. How do we choose the most appropriate anthropology for our purpose? We should make our choice only after we have studied human action.

Human action and economic action

There is no such thing as a type of behaviour which, because of its content, deserves to be described as "economic behaviour " (because it has to do with the production and distribution of goods and services, or with money and wealth, or with the welfare of nations, etc.). The adjective “economic” is better applied to *any action that involves an allocatory process* (i.e., allocating scarce means to satisfy alternative ends: Robbins 1935).

Whatever the ends may be (the satisfaction of needs, the acquisition of knowledge, power, prestige, pleasure, happiness) and the means used to achieve them (money, material goods, services, time, prestige, knowledge, influence, threats, promises), they are not material to the allocatory (economic) character of the act so long as the ruling criterion is that of efficiency or optimisation. Thus, allocatory economic processes tend to be broad and diverse and are present in many human actions.

For our purposes, we shall assume that the individual is faced with a potentially infinite number of possible objectives or ends, whether material or non-material, real or imaginary. He will invariably seek to impose a subjective order upon these ends by establishing a scale of priorities and trade-offs among them. This will be true both for the overall objectives and for the intermediate objectives, which are means to achieving the former. We have already remarked that economic science does not tell us what these ends are, nor where they come from, nor how the individual can recognise them. Nor does it say whether there is any method for reviewing the ends in the light of the experience gained from the planning and execution of specific courses of action. Instead, it assumes that the ends exist, that they are given, and that the individual knows exactly what they are (14). Similarly, the means can vary considerably; they can be material or non-material, present or future, certain or possible –all that matters is that the individual consider them appropriate for achieving his/her ends and that they be scarce (for him/her).

All of this implies that *a theory of economic behaviour is not, and never can be, a theory of human behaviour in general*. This is so because the first thing that any theory of human behaviour should do is specify the ends of any given action and the changes it brings about. This ought not suprise us, for, as we have already pointed out, an economic act is only one type of human act: one that allocates scarce means among alternative ends (although this has not prevented people from trying to view the economic theory of human action as a genuine anthropology).

I would suggest that there ought to be a general theory of human behaviour, with the economic aspects being one particular manifestation. However, economic science does not usually recognise any such general theory because it considers economic actions to be autonomous: whatever explanation is offered for human behaviour in general, so long as an action is economic (i.e. involves a process of allocating scarce means among alternative ends), it can follow its own logic, which will be derived from the laws of economics, independently of the general laws of human behaviour.

However, this assumption is ill-founded. What the allocatory nature of an action says about that action is that it fulfils a condition of efficiency: the chosen end (or set of ends, duly ranked) shall be attained with the minimum possible use of means (also given) and within a stable set of circumstances (ceteris paribus). Under these conditions, traditional economic science assumes that the agent formulates a plan of action that links the means to the ends and proposes a number of actions, to be carried out over time, that lead to a certain outcome (15). This outcome is assumed to coincide with the planned outcome, which means that no new, relevant information can emerge regarding the desirability, hierarchy, compatibility, etc. of the ends, the availability and ability of the ends to fulfil the needs, the circumstances, or the agent himself. And should the process affect other agents, there are means (such as markets) that assure the mutual compatibility of their actions (16). In the last analysis, the course of action turns out exactly as planned.

This description coincides, more or less, with that offered by our textbooks. But economics is not like that, or at least should not be like that. We know that reality is far removed from this ideal world and have therefore introduced certain "realistic" elements into our assumptions: markets are not always up to date with the latest information, prices are relatively rigid, there is a lack of information (and acquiring it is bothersome as well as expensive), some plans do not succeed, effective demand does not always match notional demand, there are market failures, etc. Nonetheless, we usually retain the essential elements of our earlier formulation, denying the existence of learning or feedback processes in relation to the ends, the means and the mechanisms for coordinating actions that affect various agents. Basically, we do not know how to introduce these complicating factors into our model without undermining the paradigm that we have constructed.

As we said earlier, the problem would disappear if we had a general theory of human behaviour (17) that could explain that economic actions (i.e. those with an allocatory content) are part of, and derive their meaning from, broader human actions (of which the allocatory element will be merely one aspect). This general theory should identify the agent's *motives:* some will be aimed at obtaining a response from the environment in which the action takes place (extrinsic motivation); others will be geared to obtaining results within the individual (intrinsic motivation); while others are intended to produce results in other people (transcendental motivation). On the basis of this understanding of motives, the ends would cease to be known data subject to unidimensional maximisation. We would need to explain the process of preference formation (Morse 1993, 1995a, 1995b) and integrate the acquisition of knowledge (data about the agent and the environment, expectations, etc.) with the acquisition of abilities (and, accordingly, with changes in the ends and in the use of the means), attitudes and values (and, therefore, ends) in a homogeneous and coherent process. *Motivational learning* thus ends up changing not just the results of the action plans but also the very composition of these plans, and even their basic elements: the ends, the means, and the processes of interpersonal coordination.

This is not the place to elaborate a general theory of human behaviour; our proposition here is that economics should be developed on the basis of such a theory. Needless to say, this would remove some of the (supposed) autonomy of economics, but it would place economics on a genuinely autonomous foundation; and to the extent that it was founded on assumptions that were genuinely realistic (18) in respect of human behaviour, economics could become much more fruitful. In the last analysis, this is the true meaning of the economic or allocatory process: to put into operation, and to obtain, all the potential to be derived from the principle of optimisation that drives the relationship between means and ends and that lies at the basis of the whole theoretical construction of economic science (19), although subordinated to the principles of human action in general.

Organisations, institutions and the economic system

So far, we have not discussed the *framework, environment* or *context* in which the agent takes his decisions. This environment comprises the physical, human, social, historical, cultural and institutional elements that economic theory takes as given. This is not to say that the environment does not change, but rather that such changes as do occur have no bearing on the relationship between means and ends in the action plans that have been put into effect.

It seems fairly obvious that this assumption is unrealistic, even though there are reasons for defending it in practice. On the one hand, an economic action can have many effects on the circumstances of the decision, and *a priori* we have no way of knowing in advance which of these effects will be relevant in terms of the feedback effect they may have on the agent and his system of ends and means. On the other hand, it would be reasonable to assume that the circumstances do not play an active rôle in the decision-making process and that we can therefore leave the question of coping with this supposition until later.

Nevertheless, it seems to us that treating the circumstances as given is largely a consequence of the type of process studied by traditional economics (at least that of a neo-classical hue), i.e. *mechanical processes of ultra-stable equilibrium* (Pérez-López 1993), in which the agents are *mechanisms* that react in predetermined ways to any changes in resources or relative prices (20). In this sense, a more broadly based anthropology (i.e. a more generalised theory of human action) would allow us to record other types of individual response to changes in the circumstances. This ought not make our analysis more complex, however, given that the changes would most likely be introduced by way of the theory of motivation, information and learning outlined above.

When the actions of one agent have an effect on other agents, some sort of *interpersonal co-ordination mechanism* will be required if their independently formulated plans are to be made compatible. The market is the obvious answer to this need, although there are other options, such as the *firm* (organisations in general) and *institutions* (which include the network of laws, rules, social standards, mores, etc. geared to solving this problem).

In recent years, economics has made considerable progress in developing a *theory of the firm* (or organisation). Reasonably enough, it has nearly always done so by starting from its basic assumptions, in line with conventional wisdom. For example, Coase (1937) did not need to extend the anthropological hypotheses. Instead, he simply introduced into his analysis the transactional costs, which had received insufficient attention up to that point (of course, this could also be seen as a change in the anthropology underlying neoclassical economics). However, the limitations imposed by anthropological assumptions are displayed more acutely in the business and institutional world (Argandoña 1994a).

Changes in the assumptions underlying the theory of the organisation have affected the basic assumptions of our science (21). If economics has failed to progress, it is because it has a weak anthropological base and is not founded on a general theory of human behaviour (22). For all that, it behoves us to keep up with developments in the field of economics, as well as in managerial science, in order to find ways of moving forward in these areas (Pérez-López 1993).

As we have already indicated, besides the market and the firm, there are other means of interpersonal –or social– coordination of behaviour: *institutions, rules* and *norms*. These are the product of human –though not always premeditated– behaviour, and serve to save on information and transaction costs, coordinate actions and give security in social behaviour (Argandoña 1996a). Institutional economics (23) has advanced considerably in recent years and has produced a number of interesting ideas that may help overcome the narrow focus of traditional economics. Its contribution has included more realistic assumptions (regarding the environment and the mechanisms of interpersonal relations) and new thrusts.

By this stage, it would not be surprising if the reader had become somewhat confused by this review of the various branches of economic science. Where is this leading us? Remember that earlier we claimed that there is a need for a general theory of human action on which to base an (economic) theory of action in the context of the allocatory process. Obviously, any such theory should begin with conducts that are strictly individual (Robinson Crusoe type), but should immediately open out into a *theory of human action in* *society*. This will form the basis for the branch of economics that we have called the theory of organisations (or theory of the firm). Once we move beyond the strictly personal context, our theory of human action in society should link up with *sociology* or a theory of society. Its first building block will be the minor organisations (the family, the firm, etc.), but it will then open out to embrace institutions, markets (as mentioned earlier), local, regional and national organisations, and eventually the whole of human society.

Unfortunately, we do not possess a general theory of society equivalent to the general theory of human action referred to earlier, and of which an economic theory of society (markets, institutions, political economy, regional and international economics, etc.) would be but a part (24). Nevertheless, we need to continue working in this context without the benefit of such a general theory, which, on the other hand, could benefit from the (partial) insights of an economic theory of markets, institutions, etc.

In this context, the study of *economic systems* deserves to play a leading rôle in any revision of the foundations of economic science, for it is here that economics manifests its rationality and legitimacy (25). In fact, the elements that go to make up an economic system are similar to those we have already discussed: agents and their behaviour, the (physical, geographical, historical, biological, cultural, legal, political, etc.) environment or context (26), the institutions, the rules, the social standards, the laws and the organisations (including firms and organisations and markets), etc.

However, our knowledge of an economic system remains incomplete so long as we are unable to say what *system of ideas, concepts and values* define that society. This should include society's knowledge (both explicit and implicit, popular and scientific, true and false, certain and indeterminate) about man, life, society, the economy, institutions, sciences, etc. It should also cover society's values, i.e. the things on which society places value (not just economic value, of course), that is to say, the things that society considers good and just, what should and should not be done; in short, the things that society believes *can* be done (including in the economic sphere) (27) and *should* be done. As indicated earlier, what *can* be done belongs to the realm of ideas, whereas what *should* be done belongs to the realm of ethics –which here we understand not so much as a system of standards imposed "from outside" but rather as the "operating rules" for man and society, *which are derived from his own anthropology* (and sociology, as we explained earlier).

This comprehensive vision of the economic system does not amount to a different approach to the re-founding of economics. An economic system is simply a part of the society in which we live (or, indeed, a facet of that society, to the extent that it is related to the allocation of resources). A society functions according to the concepts and values of its members and agents. These concepts and values are derived from the social theory and, in the last analysis, the anthropology of society's members. The economic system finds its meaning in society and society guides it towards the welfare of its members (at least so far as the allocation is concerned). For this reason, by arguing in favour of an anthropology (a theory of human action) and a theory of society, we are really laying the foundations for the development of the theory of the allocatory processes (economic theory), first on an individual level and then in the context of society as a whole. Indeed, when we define the ideas and values of a society, we are laying the foundations for what its individual members know and want, i.e. the set of knowledge and motives that is at the root of human (and economic) action, first in an individual setting, then in an organisational context, and finally in the whole of society.

Conclusions

Science does not advance in a straight line. It is subject to ebbs and flows (scientific revolutions). Although one does not sense an atmosphere of deep crisis in the field of economics, there is ample evidence that we need to revise the existing paradigm, which is shared by many schools and is corrected and counterbalanced, in one way or another, by each of them.

In the course of this paper, we have put forward some ideas about the way this process of revising the foundations of economic science will develop. The broadening of the anthropological assumptions (which are not always explicit), which is characteristic of scientific progress, will give rise to problems of coherence. This will force us to continually revise and clarify our initial hypotheses. Thanks largely to this preliminary work, we are now in a position to undertake an overall evaluation of the anthropological understanding on which we base our discipline. An examination of the motives for our actions and the process of acquiring knowledge, techniques, attitudes and values (motivational and ethical learning) in the context of a general theory of human action would appear to us to be a suitable basis on which to undertake the task of redirecting economics, in both the individual and the organisational (i.e. firm) context, in the context of institutions and in the overall economic system.

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(1) I am grateful to Juan Antonio Pérez-López, Rafael Rubio-de-Urquía and Blanca Sánchez-Robles for their comments.

(2) I do not propose to go into the differences between the various schools (neo-Classical, Keynesian, Monetarist, new-Classical, neo-Keynesian, Austrian, etc.), which in some cases are substantial. Nonetheless, it is worth mentioning the (unsuccessful) Keynesian attempt and that of the Austrians.

(3) See Argandoña (1995b) and compare this with Argandoña (1969) or Bronfenbrenner & Holzman (1965).

(4) Consider, for example, the thesis of the inverse causality of money and, therefore, the non-monetary causality of changes in prices, which is supported by authors as diverse as real cycle theorists and postkeynesians.

(5) In relation to these questions, see Rubio-de-Urquía (1990, 1992, 1993a, 1993b, 1994 and 1995).

(6) I use these neoclassical concepts in an analogical sense.

(7) See also Brunner (1983).

(8) Certain writers, such as Simon (1957), would replace the concept of maximisation with that of the achievement of a ‘sufficient’ level of ends.

(9) The line we have adopted could be considered a weak version of the neoclassical approach. In its strong form (which would embrace the entrepreneurial capacity), it would be close to the Austrian school.

(10) See, for example, the comments of Schotter (1985) and Hamlin (1986) with regard to the anthropological characteristics of traditional economics.

(11) Stigler and Becker (1977) have explained how one can (and should) overcome the unchanging nature of preferences.

(12) See Morse (1993, 1995a, 1995b).

(13) The reluctance of economists to discuss the basics of their science (equalled only by their reluctance to discuss methodology) is quite understandable. Nonetheless, sooner or later they end up having to engage in such discussion. Indeed, as we explain in this paper, they do so each time they decide to broaden their assumptions.

(14) The most one can say is that the objectives, or ends, can be expressed as expected values of a given variable, according to a known distribution of probability.

(15) Or an outcome with the degree of uncertainty common in the usual models (e.g., a random disturbance of zero mean and constant variance), which makes the concept of uncertainty almost redundant. All the same, it has to be said that there are plenty of more searching analyses of this issue.

(16) Some authors –those of Keynesian inspiration, for example– cast doubt on the existence and correct functioning of these procedures for interpersonal coordination; Clower (1965) and Leijonhufvud (1966) come to mind in this context. However, they do not draw the conclusions that we mention here (a review of the agent's preferences, for example).

(17) The following is based largely on Pérez-López (1991, 1993). I have presented these ideas in a more succint form in Argandoña (1991a, 1994a, 1994b, 1995c).

(18) Realism should not be judged by how close its assumptions are to reality, but by how successful it is in identifying the strands of an individual's behaviour that are significant for the purpose of explaining his actions.

(19) This is what Rubio-de-Urquía calls "the unvarying, non-deterministic universal legality", which can be applied to specific allocatory processes in order to derive economic laws.

(20) It is significant that economics should explain the agent's behaviour as a response to changes in incentives, given the agent's preferences and the fact that those preferences are expressed in monetary terms or the equivalent. This means that the variety of motivation ascribed to the individual can be reduced to just one type: extrinsic motivation, which says that an action is performed in the expectation of receiving a certain response from or producing a certain effect on the environment (for example, offering to work for a given number of hours in the expectation of receiving a salary in return).

(21) I shall give just a few references: Barnard (1938), McGregor (1960), Simon (1976), Williamson (1975 and 1985), etc. See Pérez-López (1993) for a critical review.

(22) Take, for example, agency theory (Jensen and Meckling, 1976), whose narrow motivational framework only allows for conduct prompted by extrinsic rewards and sanctions. This is undeniably an interesting contribution; it has highlighted a number of relevant issues and can be applied in certain cases. However, it is obviously far too narrow to work as a theory of organisational management.

(23) See, for example, Eggertsson (1990), Knight (1992), Langlois (1986), North (1990) and Schotter (1981).

(24) Current developments in sociology do not suggest that such a theory of society is likely to be forthcoming in the near future.

(25) See Argandoña (1991b, 1991c, 1992, 1994c, 1995a and 1996b).

(26) The "environment" that we referred to when discussing individual behaviour includes the economic system, institutions, markets, etc. It is therefore a broader term than the "environment" of the economic system, although not for all that substantially different.

(27) What this means is that economic ideas (economic science) belong to this domain of ideas and interact with it.

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