

# The price of efficiency: Effects of Capitalism on Human Behaviour Tibor Scitovskys' Economic Approaches

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**Abstract:** Scitovsky is known as a forerunner of behavioural economics, who presented a new challenge to the conventional economic models and he was one of the first economists to deploy the results from cognitive psychology in his studies. Critics of mainstream economics focus on the differences between abstract models and reality and consider the potential reasons for these differences. Scitovsky reverses this question and focuses on the distorting effects of modern capitalism on human behaviour. Can we say that neoclassical models, the notion of 'homo oeconomicus' are the manifestation of the intrinsic feature of capitalism? As such, these can serve as a benchmark for analysing human behaviour. Scitovsky integrates into his research the results of other disciplines of social sciences, especially the closed, reserved field of psychology. In the 21<sup>st</sup> century, more and more economists recognise the importance of his studies, especially his results related to welfare and happiness. Scitovsky recognised that welfare economics must be more than just studying how the economy operates. The societal-psychological aspects and their impacts must be taken into account as well.

**Key Words:** Tibor Scitovsky, Culture of Capitalism, Behavioural economic, Welfare, Human desires, Social stimulation

## 1. INTRODUCTION

Scitovsky advanced strictures on the problems of economics in the era of modern market economy. He argued that contrary to plausible expectations, a rapid increase in average incomes is not accompanied by an increase in well-being, joy and satisfaction. One of his main arguments is that the well-being of an individual does not correspond consumption and it cannot be measured easily. Certain types of consumption are "joyless" if they lack elements that are risky or challenging and therefore, they do not provide the feeling of satisfaction, accomplishment and enjoyment. Why do the majority of people still place great importance on income and goods that money can buy? (Scitovsky, 1990; Di Giovinazzo, 2014)

Scitovsky started from two main assumptions of economics, accordingly:

- Several pleasures in life depend on the person's level of income.
- Consumers know what is good for them and this guides their choices.

## 2. THE PRICE OF EFFICIENCY

Scitovsky pointed to the problem that goal achievement is almost fetishized in our time. He argued that concentrating too much on the goal may deprive us from enjoying participation in activities that are pursued for they own sake. Mankind invented many activities so that we can enjoy them: games, sports, creative or artistic activities are pleasurable and make our lives joyful

and pleasant. These so-called autotelic activities, which are pursued for their own sake, do not need external motivation or reward, they carry the intrinsic reward in themselves. The way to achieving the goal or immersion is often more satisfying than attaining the actual goal. On the other hand, focused attention during rational calculation brings alienation and diminishes the experience. Careful, meticulous planning, logic, compulsion to comply, standardization or time efficiency all demolish pleasure. Dividing life into goals and sub-goals permeates modern society. Future oriented planning, neat to-do lists are counterproductive to preoccupation. Goal achievement and result-oriented thinking pervades every aspect of life. In this day and age, people try to eliminate randomness, nothing is left to chance, everything reflects purposeful design and planning. There are innumerable examples of how human attitudes to our basic activities in life have changed. Activities of pure relaxation, leisure or recreation have slowly been disappearing or have become exotelic activities. Modern man has his garden designed by landscapers, has his body built by trainers, and although they are very efficient, they do not give him satisfaction or pleasure any longer. His own presence is sacrificed for efficiency (Pugno, 2014).

The great cult of the 'perfect moment' was established, and very few people realise that the perfect moment cannot be created through rational planning and organising. The 'perfect moment' cannot be planned, therefore checking off the goals on the bucket lists motivates people in the wrong direction by taking away the sense of experiencing

joy and pleasure or the feeling of being immersed. There has been quite a vogue for mindfulness activities and trainings to try and reduce stress and alienation. It is a fact that time management has dramatically changed. Leisure time is considered less 'useful' when it comes to well-being. If people do leisure time activities that they value more than work, their income may decrease but their life satisfaction may increase. Our modern education system is also permeated by a utilitarian vision. This oversimplified and uniform interpretation of knowledge highlights the importance of the practical value and commercial viability of education. The motivation behind this conviction is that the only use of knowledge would be its practical application in the production processes. On that view, such 'techné' knowledge forms the cornerstone for progress and is an important element of the competition among the nations and individuals. Revenue-generating knowledge is valued more than skills that can make life meaningful. We do not choose to study areas which are important or satisfactory for us, but the ones that generate revenue or immediate use. Pure research conducted by the researcher's curiosity (autotelic) is replaced by the practical use of projects offered by grant schemes (exotelic). Researchers are like entrepreneurs, the measure of their success is the short-term economic and social benefits of the projects and the commercial value of their results. In project based research attention is turned to the compliance with external objectives: we have to research what can be sold or where a need exists. This utilitarian approach to knowledge, study and our everyday activities does not take into account the fact that these are sources of joy and personal fulfilment as well as tools for dealing with an important problem of mankind - to reduce boredom (Scitovsky, 2000). Scitovsky discussed his views on boredom and its harmful consequences. He argued that the lack of consumption skills, i.e. the skills to meaningfully spend leisure time may trigger boredom and escalate into destructive behaviour or violence.

Scitovsky stressed the generalist character of consumption skills by referring to the great educational power of humanities and liberal arts and to the importance of humanistic culture and arts pursued for their own sake. Since culture doesn't have immediate utility, American consumers who grew up on utilitarian traditions keep a wary eye on it. However, the need for stimulation hasn't perished from modern man, and the entertainment and leisure industry is eagerly fulfilling this need. To replace the lost ability of using leisure time in a meaningful way, modern man has

a wide choice of „superstimuli“. Sensory experience is at the heart of this behaviour. Excessively stimulating activities offered by the entertainment and leisure industry (e.g. extreme sports, addictive computer games) are intended to mediate the necessary sensation of reward in the midbrain, which will stimulate the person to search for more enjoyment and will get used to the relatively high joy ceiling. It's no coincidence that by the turn of the century, the entertainment and leisure industry has a 70% share of all consumptions in the US, whereas the share of spending on material needs (e.g. accommodation, clothes, food) was only 12% (Scitovsky, 2000).

### 3. THE PRICE OF EFFICIENCY

Scitovsky observed that although the main source of pleasure is social stimulation, a rational lifestyle, a utilitarian, work-centred culture can lead to economising on time and attention to others even though the quality and richness of relationships improve the feeling of joy to a bigger extent than income growth or consumption.

In the American culture, individualism and the importance of the private sphere is highly esteemed. People value or measure themselves by the things they individually achieved in life. Children are encouraged to be independent and self-reliant.

Scitovsky highlighted the - albeit narrowing - difference between the attitudes of the Europeans and Americans by using time-use statistics. He argued that the separation efforts of Americans are in sharp contrast with the family-oriented attitude of traditional societies. He argued that evidence lies for example in elderly people's residential mobility and rootlessness (Scitovsky, 1990, p. 162).

The mind-set rooted in the puritan traditions and ethical spirit promotes the virtues of work and frugality as a superior model, which leads to diligence and attentiveness. If possession and accumulation form the basis of identity, happiness is reduced to usefulness or utility. Gaining of wealth is no longer the way to satisfy the immediate material needs but is the purpose of life. Making money is also the measure of the effectiveness and efficiency of work. Possession is the basis of identity and people become not more than just each other's utility functions. Money is not only a medium of exchange any longer but is used to measure the value of people, which is a proof of the individual's social utility.

Scitovsky's views on motivations and goals of choices leads us to the analysis of the complexity of human activity. It looks at the psychological trap

that is hidden in the common approach of economics about happiness. Scitovsky found it contradictory that although people living in a modern society have to make compromises less often since they can draw on the rich reservoir of several alternatives and make decisions, an ever-larger number of people are still unhappy.

In his views, the reason is that in our modern world, the comfort-oriented dimension of consumption became dominant. The gains of comfort are apparent and immediate. It is the most natural to prefer them in our decision making even if we later found them irrational. Psychology clearly demonstrated long ago that the reward (instantaneously and noticeably improved well-being) received immediately after an activity means positive reinforcement, which can lead to repetition (Scitovsky, 1990, pp. 69-70).

The value of cumulated goods (family, community, friendship) become apparent on the long run and it is difficult and time-consuming to measure. In the long term, however, the effect of the absence or inadequate consumption of socio-cultural goods become obvious.

The concept of marginal utility - the change in the utility of a goods from an increase in its consumption - holds true only in the case of comfort-oriented goods. The reverse is true for cumulative goods: we gradually - not immediately - become aware of the loss of joy. In our everyday activities (eating, work, sexuality), dimensions that can improve our comfort take centre stage. These biological activities serve not only to relieve tension, but are complex social-cultural activities, since construction is in accord with the nature of every human being. Eating serves not only to meet the needs and comfort of our body but is a socio-cultural construction which can satisfy your mind, thus delivers a superior experience. Cooking practices, fantasy, the pleasure of eating goes far beyond preparing instant, semi-finished food products lightning-fast and the standardised, unrelieved world of fast-food restaurants (Scitovsky, 1990, pp. 154-155). Sexuality is also more than just stress relief or reproduction. It aims to strengthen and deepen the relationships. To win your love's heart, having a relationship or sexuality in a relationship can bring much more joy than a sexual intercourse (Schlett, 2018, pp. 66-67). Furthermore, the function of work is not only to generate income but it has a perfecting potential and it can give satisfaction through which people can achieve mental, spiritual development. In developed societies however, citizens often seem to be satisfied with the reduced function of such

activities. Lunch becomes a working lunch, work becomes income generation, friendship becomes relationship capital, parenthood turns into childcare. Such changes reduce the real value of the activities. We eat as quickly as possible, as simple as possible in the headlong dash of daily life, while the related social functions are gradually disappearing, even though quality food requires more time and attention than consuming instant, pre-prepared products. The function and meaning of work has also changed fundamentally. As human beings have become alienated from work has the conviction become more widespread that the aim of work is the increase in efficiency and productivity or its income-generating capacity. An activity that used to be joyful and gratifying became an obligation and a duty, merely a means for people to become successful and to get rich. For many people living in our modern times, the actual income has become the only ambition of work (Scitovsky, 1990, p. 83.)

What causes the shift in priorities? Why was the complexity of human activity reduced? In the course of making rational choices, people focusing only on the immediate benefits are thrust into a world of re-planning. They will never experience the particular phases of the activities, instead they will rather return to the starting line. The lack of cumulative goods which could mean the fulfilment of human existence leads to dissatisfaction and have serious long-term consequences. A big cancer on the western world is that families disintegrate and the remaining families do not fulfil their purpose. The opportunities offered by modern technology and the pseudo-solution of virtual reality have provided the illusion of belonging somewhere. Such artificial communities however, are unsteady and it is easy to step out of them. The next stage after escaping into a virtual reality is the substitution of human relationships with services, pseudo-families or hired friends. The well-known postmodern trends in society created a service of „hiring humans“. Why should people adapt? Why should they fight their battles with real, flesh and blood people?

In countries with a high level of GDP, solutions are offered to almost all the potential problems by the industry of hiring humans. Family members, friends, girlfriends, whole families, wedding guests, babies, old people, chat friends, disciplinarians, apology people, running buddies can be borrowed. Looking at the current trends in society, there has been an increasing demand for such services. Service providers proudly believe that, in their way, they create - even if only seemingly and temporarily - a balance in their customers' lives.

According to Scitovsky, the change in people's attitudes is due to the distorting role of puritan ethics in capitalist culture. Earning money and the collection of goods became a priority, while culture, the value and beauty of nature became irrelevant. The ethos proclaiming the supremacy of production and wealth encourage economic development by supporting certain attitudes of the individuals, such as commitment, rational mentality, goal centred actions and the ethical implication of them. The rational lifestyle of Westerners, their mundane orientation and approach to see their successes and losses as an enterprise foster economic growth. When these aspects become moral obligations, they will lead people to behave accordingly. These reduced attitudes or prevailing sentiments then put enormous pressure on the individuals. Science, especially human resource management, applies many of Scitovsky's first novel approaches, in particular the one that is important from the perspective of income generation, which justifies Scitovsky's assertions.

Motivation theories often cite Scitovsky's concept of arousal that analyses the differences of activation of the nervous system among the personality types. The main ambition of humans is the drive toward joy, the avoidance of pain, however there is an optimal degree of activation that provides higher comfort levels and wellbeing. The degree of activation is different for each personality type, since extroverts and introverts need different amounts and types of stimulation. When Scitovsky systematically studied the motivational role of activation, he pointed out that the basis of the gap between them is the pursuit of the optimal degree of activation. The degree of activation of extroverts is low, while in case of introverts it is high. Scitovsky stated that activities which are too challenging for an individual can lead to anxiety, while activities which are not challenging enough can lead to boredom (Scitovsky, 1990, pp. 35-36)

## SUMMARY

In his works, Scitovsky criticised the conventional economic concept of utility. These phenomena became the centre for his attentions in the 1970s when Robert Lucas and Thomas Sargent, two economists from Chicago provided the theoretical foundations of the theory of rational expectations. They argued that the market economy should be regarded as a machine which is operated by a clearly defined, eternal, universal economic reality. The most important feature of this theory is that it is suitable for applying mathematical methods,

which became more important in scientific research than compliance with reality itself. Scitovsky questioned the applicability and relevance of science that is hermetically separated from the problems of the real world.

Scitovsky pointed out to the limitations of mainstream economics. Human beings were in the centre of his studies and did not attribute overdue significance to the prevailing quantitative methodology. His statements were formulated based on what he saw around him in the world. He intended to go to the very root of the economic and social phenomena, and he tried to integrate into his research the results of the other disciplines of social sciences, especially the closed, reserved field of psychology. In the 21<sup>st</sup> century, more and more economists recognise the importance of his studies, especially his results related to welfare and happiness.

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