

Homo Economicus, Homo Sapiens: Reclaiming Economics' Problem-Solving Ability

Inaugural Lecture Summary

Prof. Syden Mishi

19 August 2025

The lecture challenges the long-standing economic model of Homo economicus—one that assumes the perfectly rational, self-interested decision-maker—and illustrates the adroitness of a paradigm that embraces Homo sapiens, the real human being, with inherent emotions, biases, incomplete information, thus bounded rationality.

Economics, a reminder is served, is inherently about decision-making under scarcity, yet traditional theory relies on unrealistic assumptions—perfect information, logical consistency, and stable preferences—that distance models from real-world complexity. While these assumptions simplify analysis, they exclude the realities of cognitive limits, emotions, and social influences. The result is a discipline better at explaining problems than solving them—due to fear of free parameters or inability to measure human madness (unpredictable or irrational economics behaviours).

Behavioural and Experimental Economics (BEE) offer tools to bridge this gap and presents unique opportunity for multidisciplinary works, replacing hypothetical representative agents with real human behaviour—generating data from real life scenarios in natural settings or designed for the study. Drawing from psychology— and of late from biology, physiology, and neuroscience; these approaches acknowledge phenomena such as overconfidence, loss aversion, and self-control problems captured in Kahneman's System 1 (intuitive) and System 2 (deliberative) thinking framework. Scarcity is explained to shape cognition—focusing attention but also narrowing decision horizons.

The lecture illustrates these ideas through applied research in water conservation, tax compliance, education, labour market, health behaviours, financial decision-making, and environmental valuation. This proves that BEE is about lenses and tools used to look at world problems, enhancing traditional techniques. Current projects use administrative data, experimental designs, and field interventions to generate evidence-based insights for policy. Advocating for “nudges”—small, well-designed interventions—to improve outcomes without removing individual choice, and making a call for Behavioural Insights (BI) units across organisations. BI units shall be a mainstay for each organisational structure, including academic institutions to improve functionality.

Looking forward, emphasis is made for multidisciplinary collaborations—embracing neuroeconomics and physiomics—to “measure the madness” of human behaviour and design realistic, effective policies. Warning is made against economics becoming “problem finder”, rather than an “architect” of solutions, urging, with practical examples, a return to the creative, problem-solving spirit of Adam Smith.

The lecture closes with examples of global adoption of behavioural insights in governance, and committing future works to advancing scholarship, training, and policy engagement, ensuring economics remains connected to the realities of human decision-making.