

MARCONOMICS

Defining Economics through Social
Science and Consumer Behavior

MARCONOMICS

Defining Economics through Social
Science and Consumer Behavior

BY

KEN R. BLAWATT
KRB Associates Canada

*Adjunct Professor, Arthur Lok Jack Graduate School of Business
University of West Indies, POS, Trinidad*



United Kingdom – North America – Japan
India – Malaysia – China

Emerald Group Publishing Limited
Howard House, Wagon Lane, Bingley BD16 1WA, UK

First edition 2016

Copyright © 2016 Emerald Group Publishing Limited

Reprints and permissions service

Contact: permissions@emeraldinsight.com

No part of this book may be reproduced, stored in a retrieval system, transmitted in any form or by any means electronic, mechanical, photocopying, recording or otherwise without either the prior written permission of the publisher or a licence permitting restricted copying issued in the UK by The Copyright Licensing Agency and in the USA by The Copyright Clearance Center. Any opinions expressed in the chapters are those of the authors. Whilst Emerald makes every effort to ensure the quality and accuracy of its content, Emerald makes no representation implied or otherwise, as to the chapters' suitability and application and disclaims any warranties, express or implied, to their use.

British Library Cataloguing in Publication Data

A catalogue record for this book is available from the British Library

ISBN: 978-1-78635-566-9 (Print)

ISBN: 978-1-78635-565-2 (Online)



ISOQAR certified
Management System,
awarded to Emerald
for adherence to
Environmental
standard
ISO 14001:2004.

Certificate Number 1985
ISO 14001



INVESTOR IN PEOPLE

Author Biography

Ken R. Blawatt, B.Sc. (ME), Manitoba; MBA, York University; Advanced Studies, York University; PhD, Cranfield University, U.K.

Dr. Blawatt is a corporate educator and seasoned business consultant in strategic management, entrepreneurship, and marketing. He is currently adjunct Professor at Arthur Lok Jack Graduate School of Business, University of the West Indies, Trinidad, having formerly taught at the University of Waterloo and Simon Fraser University in Canada. His publications include a text in Entrepreneurship, published by Prentice Hall, Canada, 1997; Marketing Basics for the Caribbean, published in 2004 by Randle Publishing; Jamaica and Marketing for the Technical Entrepreneur, Waterloo University, Porcepic Publications, 1977. His new book in Strategic Entrepreneurial Management, was released in 2014, published by Business Expert Press. The text is available on [Amazon.com](https://www.amazon.com)

Acknowledgments

The book owes much to the kind assistance and contribution of others who inspired, counseled, and motivated the author to put aside retirement and other pursuits in favor of struggling with the work cited herein. It began years ago when Prentice Hall's editor Patrick Ferrier insisted my book on entrepreneurship; process and management should include a section on the economics of entrepreneurship. At the time, there was very little on that particular topic and it stimulated a decades long search into economics and its application to business. It was Dr. Gordon Foxall who took a business biased academic and turned him into a research-oriented student and much is owed for his kind mentorship in those early years. My good friend Dr. B. J. Punnett, University of the West Indies, Cave Hill, was instrumental in launching the writings that led to the book and her kind encouragement is much appreciated. The introduction of the topic to academia was furthered by the wonderful support of Dr. Will Baumol, Professor Emeritus at Princeton University, who graciously counseled on a number of early papers that gave direction to the book. The idea of a better approach to Economics was encouraged by Dr. Sydney Scott whose counsel as a colleague led to the research work for the book and her stimulation is remembered and appreciated. Dr. Stanley Shapiro, Dean Emeritus, Simon Fraser University, urged further research and publication of the empirical study which forms the basic paradigm and much is owed to his benevolent push to publish. It led to a review and discussions with Dr. Philip Kotler,

the S. C. Johnson Distinguished Professor of International Marketing at the Kellogg School of Management at Northwestern University. His inspiration gave impetus to the creation of the book outline and submission to Emerald Publishing.

Much is owed to good friend Dennis Mayberry who read portions of the book and suggested important changes, and to Dr. Peter Tsigaris, Thompson Rivers University, who recommended a number of great sources. Finally, one cannot accomplish much in life without a supportive family and my wife Laurie has been a boon to my efforts. For her counsel on the topic, much love and thanks is owed to her and to many others who kindly gave of their time and thoughts.

Preface

Marconomics introduces an alternate theory to classical economics. It is the union of marketing and economics and draws its scientific foundation from the principles of consumer behavior. Economic activity is a human undertaking. It is motivated by needs, wants, desires and directed by social behavior, psychology, and our own personal experiences. There is very little that is assumptive in the approach to acquiring goods and services. It cannot be defined by the idea that we are driven to maximize our satisfaction, all things being equal. When we want something, we want it and it can be an emotional or an objective search. Just as easily it can be an irrational or an ulterior action of choice. It is not a one act play sketched out on an assumption backed downward sloping line.

The book begins with a review of the sense and sensibility of classical economics with an extensive search through the writings of hundreds of senior professionals and established academics. It concludes that the “laws” and nostrums of economics can best be expressed as an economic belief system that has taken society to a precarious place in history. And within this belief system there is a trinity, three conceptions that guide the faith. The first is that the wealthy are entitled to their position. This social nostrum has been accepted by mankind with the ancient notion that as the wealthy acquire riches they will share their gain with lesser beings through a trickle-down effect. Unfortunately, history shows this process does not work very well. The wealthy keep the vast majority of their wealth and through clever planning pass most of it on to

their heirs with little benefit to the society that helped them earn it. The second conception is the notion of a free market in which the theoretical beliefs of supply and demand will reach some equilibrium. There are no free markets. The concept of a free market is a myth and one that is welcomed by financial players for their own purpose. And the tenets that accompany the concept are also myths. The third is the acceptance of a monetary value as the only appropriate measurement of economic success. The goal is to make as much money as you can. We can add to that with Milton Friedman's declaration¹ "the social responsibility of a business is to make profit." Only money counts as the end result of business.

As the book will argue, the trinity is an unsupported belief system without scientific and empirical content. The book discounts the notion of free markets and the tenets of classical economics; the belief system that has built a structure that favors the upper "one percent." It challenges the emphasis economists and financial authorities have placed on the monetary outcome as being the only measure of economic success and suggests a return to human scale and the triple bottom line.

Classical economics is not based on any known scientific procedure. It is very much a development that comes from subjective estimations as to how the economy should work. As such it lacks both integrity and validity and this omission of reality has led to policies and directions that have produced any number of dramatic failures in regions and globally, including the 2007–2008 financial crisis. Here's the issue. In our universities, we instruct young people to know and understand the most current principles in the social sciences, medical health, the hard sciences, business, and technology. Each of the two dozen or so major disciplines is very busy doing scientific research that advances, changes, or modifies the principles of that discipline. As a result of this requirement,² academics are able to teach the latest in astrophysics, medical sciences, psychiatry, and so on. They perform

1. Friedman (1970).

2. It's why faculty are called on to publish or perish.

new experiments in chemistry and physics. They have come to understand mankind more and better in behavior and remedial applications. Every discipline pushes at and improves the underlying principles of that specialty. Well just about every one, excepting economics where the underlying “principles” have not changed since the days of Adam Smith. In fact, many of the mathematical formulations used in economics are redundant, out of date, and no longer useful. On this account it is argued the basis for economic thinking is actually a belief system. It is composed of selective laws that have no footing in fact and as such is more akin to being a religion.

In recent times, a number of learned economists have pondered the lack of a scientific foundation for the discipline. These few have begun to apply elements of the social sciences to economic decision making as a place from which they might begin an evolution. The book goes on to examine the recent emergence of economic thought that incorporates behavioral factors into a new field of “behavioral economics.” The advancement of this innovative thinking is long overdue; but it is only a partial solution. It is excellent but not good enough to cite Edward De Bono.³

“Marconomics” develops the argument there is a more advanced incorporation of the social sciences which progresses to a new economic paradigm; an extension of current behavioral economic thinking. It establishes a hypothesis, tests it empirically, and sets out a model that is more representative of human economic behavior. Economics is about the marketplace. It is not about the “price-auction” paradigm that Thurow⁴ sees as irrelevant to science and dangerous to policy. It is about human beings

3. Edward de Bono has had faculty appointments at the universities of Oxford, London, Cambridge, and Harvard. He is widely regarded as the leading authority in the direct teaching of thinking as a skill. He originated the concept of lateral thinking and developed formal techniques for deliberate creative thinking. He has written 57 books, which have been translated into 34 languages, has made two television series and there are over 4,000,000 references to his work on the Internet. Texts include *Lateral Thinking*, *New Thinking for the New Millennium*, and *Teach Yourself to Think*, all from Penguin Books. Read more at <http://www.penguin.co.uk/authors/edward-de-bono/8158/#cvHWHzIkc7ObjE0B.99>

4. Thurow (1983).

making developed decisions about the acquisition of a goods and services. It is directly tied to two variables; *expectation of performance* and *perception of worth* and these form the paradigm that establishes a new plateau from which one can examine economic activity. The theory has been tested in a pilot study and preliminary papers have been published. What is to follow will be a larger research effort that confirms the initial findings and leads to the development of an optional economic foundation.

The book goes on from this point to explore a number of directions that further research might take to empower economic considerations in forecasting the role of innovation, the entrepreneurial prerogative, and competitiveness. For example, there may be a rational basis for an historical price curve, similar to the demand curve that may play in a particular sector of the economy where there is an indicated association between price and volume.

Having reviewed and cast over the rationale of the elite or the upper one percent and the unsupportable assumptions of classical economic thinking, the book considers the effect of the paradigm as it moves the philosophy of economics from a foundation of monetary performance to one that is more human and based as much on behavioral outcomes. The proposed model is one that prioritizes the importance of the market (Customers), the enablers (Employees), the social system (Community) and lastly the monetary (Shareholders and Capitalists). It concludes with a discussion of conscious capitalism over an unfettered, pecunious, and individualistic capitalism as the over-arching economic model.

Abstract

Marconomics challenges the efficacy of classical economics and proposes a new paradigm that better explains the human dynamics of economic activity. The book reviews the literature beginning with a critical examination of *classical economics* on to the recently engaged *behavioral economics* and develops a new theory as to microeconomic behavior, *marconomics*. A pilot study tests the hypotheses and establishes an initial position that leads to a new economic model of behavioral economics.

The conclusion from examination of the literature is twofold. Firstly, classical economics has little if any validity in describing economic activity and the subsequent development of models. It should be set aside and a new approach applied to replace it. The newly emerging field of behavioral economics is a positive first step in understanding economics but needs to progress further into the use of the social sciences. The proposed new paradigm posits that two variables, (i) the *expectation* an individual has about the performance of a product or service and (ii) the *perception* as to its worth, are the primary dimensions of economic activity. The paradigm replaces the conventional price — quantity relationship used in the demand curve.

The new marconomic model describes the economy as a segmented structure made up of three sectors; an entrepreneurial economy, a managed economy, and a mass market economy. Implicit in the discussion is the need for more research and the

further exploration of the importance of a socially conscious economic system based on some of the propositions in the text.

Keywords: Marconomics; classical economics; behavioral economics; entrepreneurial economy; managed economy; mass market economy