

News

George Katona, father of 'Psychological Economics'

George Katona, a pioneer in the study of human factor in economic affairs, died on June 18, 1981 in West Berlin. One of the few economists who never accepted the mechanistic caricature of an economic automaton — the Economic Man — he studied how past experiences, attitudes and aspirations of consumers and businessmen affect their decisions to spend, save and invest. His human and humane 'psychological economics' never really made it into the limelight of modern economics, his valuable studies and insights were mostly ignored, he did not have many pupils and followers. Only in the past few years, in Scandinavia especially, organized efforts to revive psychological economics have been initiated.

George Katona was born in 1901 in Budapest, earned a Ph.D. from the University of Göttingen, and came to the United States in 1933 as an investment counselor. From 1936 to 1942 he was a lecturer at the New School for Social Research in New York. From 1942 to 1945 he was research director for the committee on price control of the Cowles Commission for Research in Economics at the University of Chicago. In 1946 he joined the faculty of the University of Michigan where he was Professor of Economics, Professor of Psychology, and research coordinator of the Survey Research Center until his retirement. In June 1981 he received an honorary doctorate from the Free University of Berlin.

Among his major books are: *Psychological Economics* (1975), *Psychological Analysis of Economic Behavior* (1951), *The Powerful Consumer* (1960), *The Mass Consumption Society* (1964), *Organizing and Memorizing* (1940), and *A New Economic Era* (1978). His thinking was influenced by Max Wertheimer, the founder of Gestalt psychology, and by Gustav Stolper, the publisher of *Der Deutsche Volkswirt*.

"Human beings do not react to stimuli as

automatons", Katona insisted. Consumers are not salivating Pavlovian dogs and should not be studied and treated as such. Instead, human motives and attitudes, their tastes, hopes, and fears, represent intervening variables that influence both their perception of the environment and their behavior. He strongly opposed the notion that economics is concerned with the behavior of markets rather than with the behavior of men, exemplified for example by Kenneth Boulding who stressed in 1956 that the economist "is not really interested in the behavior of men".

Katona attacked so called 'economic laws' as prime examples of expressing interrelations among objective variables while ignoring the behavior of the people who set the prices and whose *actions* bring about the observed phenomena. Supply, demand, income, and capital become the *things* per se, impersonal phenomena of the environment. The so called 'law' of supply and demand, expressed, for example, as "the amount demanded increases with a fall in price, and diminishes with a rise in price," ignores the fact that *human beings* create the supply of goods, form the demand for goods, and determine their prices. These convictions are reminiscent of those of Eugen Loeb and his *humanomics* (although Loeb never mentions Katona as his intellectual precursor).

Katona understood that human levels of aspiration are not given and fixed for all time, but are raised by a sense of accomplishment and lowered by a sense of frustration and failure. He knew that uncertainty, disappointment and anxiety do not energize to action but rather lead to a wait-and-see attitude and action postponement. Katona realized that GNP does not measure the quality of life, that mechanistic econometric forecasting is inadequate, that government alone does not and cannot 'manage' the economy. Such views, no matter how correct they may be, could not win points during the past 'dark ages' of economics.



A.A. BOGDANOV, Father of Tektology, plays chess with V.I. LENIN (in bowler hat). Behind them, from left to right: Vladimir Aleksandrovich BAZAROV, editor LADYZHNIKOV, Maksim GORKY, and Bogdanov's son and wife.

(Reproduced with the permission of George J. Klir who received this unique photograph from Bogdanov's son, A. Malinovskii, during his recent visit at the Institute for Systems Studies in Moscow.)

Tektology

Many readers have enjoyed Professor Gorelik's article on "Bogdanov's Tektology", HSM 1 (4) (1980) 327–337; now there is a first English translation of Bogdanov's "Essays in Tektology", also by George Gorelik, available from Intersystems Publications.

Gorelik's translation is excellent, reflecting many years of study and research of original Bogdanov's texts. We are truly fortunate that Bogdanov's potent and highly original work is being so vigorously resurrected: Bogdanov's thought not only preceeded that of von Bertalanffy, Wiener, and Ashby, but, in many respects, is superior, less mechanistic, more human-oriented, and more suitable for an organic view of complexity. And Gorelik's untiring and often unrewarded efforts are one of the most important factors in its resurrection.

The *Essays* consist of eight major chapters, 265 pages altogether: I. What Is Organizational Science?, II. Basic Concepts and Methods, III. Basic Organizational Mechanisms, IV. Stability of Organizational Forms, V. Divergence and Convergence of Forms, VI.

Centralist and Skeletal Forms, VII. The Paths and Results of Selection, VIII. Crises of Forms.

Tektology, a general science of organizations, was unacceptable to Lenin and is treated with cautious skepticism by contemporary Soviet scientists; it was never mentioned by the early proponents of General Systems Theory and is still greeted with embarrassing silence by their current followers in the West – even today Bogdanov remains ahead of his time. The *Essays* can be ordered from:

INTERSYSTEMS Publications
Seaside, CA 93955
U.S.A.

INTERSYSTEMS, in their *Systems Inquiry Series*, also published Geoffrey Vickers's "Responsibility – Its Sources and Limits", Jeffrey S. Stamps's "Hologonomy: A Human Systems Theory", and an edited compendium entitled "The General Theory of Systems Applied to Management and Organization".

Recently, a *Journal of Measurement and Decision Analysis*, edited by R.R. Yager of Iona College, was also announced by INTERSYSTEMS.

MCDM and AAAS

American Association for the Advancement of Science (AAAS) has invited a full-day symposium on *Multiple Criteria Decision Making (MCDM)* for its 148th National Meeting to be held on 3–8 January 1982 in Washington, D.C. This is the first time that any operations research/management science-related topic, or any decision science (analysis) topic, has been recognized to be of interest to a wider scientific community. This symposium has not been supported or sponsored by any OR/MS group or society.

It appears that MCDM is evolving as a separate field of inquiry, related directly to AAAS and sponsoring its own conferences, journals, and societies. MCDM, because of its generality and broad practical appeal, is capable of subsuming most of the traditional OR/MS theory as its special case (n , number of criteria, equals one). MCDM provides direct bridges to psychology and behavioral science, human systems

management, decision support systems, and humanistic economics.

MCDM symposium announcement states: "Traditional operational sciences (operations research, management science, decision analysis) are based on maximizing or minimizing a *single* objective function or figure of merit (for example, linear programming, cost/benefit analysis, utility theory, regression analysis, and so on). In the last 10 years a new field, *Multiple Criteria Decision Making (MCDM)*, has registered an explosive growth (over 1000 published papers in English only). Theoretical advancements and practical applications are still accelerating in both quantity and quality. MCDM area includes such methodologies as goal programming, multiobjective programming, compromise programming, social judgment theory, multiattribute utility theory, interactive programming, and so forth. This is a good time to

bring these advances to the attention of the scientific community in preparation for the decision-making-dominated eighties.?"

MCDM symposium includes invited presentations of leading North American MCDM personalities as well as of some foreign guests. For example, N. Georgescu-Roegen, P.L. Yu, Y.Y. Haimes, R.E. Steuer, G. Leitmann, J. Cohen, A. Goicoechea, A. Tversky, J. Morse, and others, are among the participants. The emphasis is on practical applications of

MCDM rather than its methodological advances. Water resources management, power plants siting, governmental regulation, investment decision making, and production resources allocation are just a few examples of the areas covered.

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