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The Evolution of the Economic Man. From *Homo Oeconomicus to Homo Moralis*

Abstract: This article traces the development of the concept of *homo oeconomicus*, a fundamental principle of mainstream economics. The concept is compared against alternative approaches proposed by representatives of other schools of thought such as heterodox economics, behavioural economics and neuroeconomics. Special attention is paid to the *Resourceful, Evaluative, Maximising Man* (REMM) model, which seems to be a missing link between *homo oeconomicus* and *homo moralis*. It is simultaneously assumed that the narrow interpretation of *homo oeconomicus* as a being solely guided by self-interest is oversimplified and that this kind of paradigm may be harmful to society in the real world. The article was written on the basis of a content analysis of literature. For the purposes of the research, both descriptive and interdisciplinary methods were employed. As a result of the conducted analysis, a conclusion was drawn that the explanation of economic behaviours requires a more holistic and dynamic approach. The incompleteness and inadequacy of the paradigm of *homo oeconomicus* were highlighted. It was noted that the rationality of the economic man results not only from concern for self-interest but also from his embeddedness in society and culture. The study showed that economic behaviour is context-dependent and additionally determined by morality derived from social and religious systems. In conclusion, it was emphasised that the economic man cannot be reduced to a machine concentrating on his own material well-being. The morality of an individual making choices in a world of scarcity is inevitably subject to assessment.

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Introduction

Homo oeconomicus, or economic man, is the prevalent model of human behaviour in mainstream economics. Adam Smith and John Stuart Mill are commonly recognised as its main creators. However, Joseph Persky noted [1995: 221–22] that the term "economic man" was formulated for the first time by John Kells Ingram in *A History of Political Economy* published in 1888. Meanwhile, the Latin version of *homo oeconomicus* was introduced into economics by Vilfredo Pareto in his work *Manuale di economia politica con una Introduzione alla Scienza Sociale* [1906]. Searching for the origin of this concept in the literature, it can be discovered that the oldest source that can be identified comes from 1889. The term *homo oeconomicus was* used by Italian economist Maffeo Pantalleoni in his work *Principi di economia pura* [1889].

Analysing the sources of the *homo oeconomicus* model, it is impossible to ignore the contribution of American economist William Dyer Grampp. He recognised Adam Smith as a thinker who in his main work, *An Inquiry into the Nature and Causes of the Wealth of Nations* [1776], created a portrait of a man striving to maximise his own benefits [Grampp, 1948: 315]. The concept of *homo oeconomicus* based on instrumental rationality and material self-interest was further developed by John Stuart Mill in his *Essays on Some Unsettled Questions of Political Economics* [1848]. Mill fully elaborated the concept in his *Principles of Political Economy* [1848]. Due to its reductionist and caricature-like character, the concept of an economic man described as a "money-making animal" became the subject of criticism by many heterodox economists, who generally tried to go beyond mainstream economics in order to develop a model that would better explain economic behaviour and have more predictive power.

Over the years, a lot of efforts have been made to displace, complement or substitute the neoclassical model of *homo oeconomicus*. As a result, the following terms can be found in the literature: *homo hierarchicus* [Dumont, 1980], *homo sustinens* [Siebenhüner, 2000], *homo politicus* [Nyborg, 2000; Becker, 2006; Grant, 2008], *homo axiotus* [Lipiec, 2005], *homo sociologicus* [Podgórski, 2008], and *homo moralis* [Zak, 2008; Den, Douglas, 2009]. Criticism of the *homo oeconomicus* model stems from its restrictive assumptions such as self-interest, rationality and complete information. In reality, economic behaviour is multifaceted and context-dependent. The economic man does not always seem to be a self-interest-maximising being and, what's more, economic choices are often made on the basis of various motives, including emotions, social norms and values. For this reason, economists, particularly those within behavioural and experimental economics, have begun criticising the pure selfishness of the economic man.

The article aims to analyse the development of the concept of *homo oeconomicus*, one of the main fundamentals of mainstream economics, against the background of alternative approaches that have been proposed by representatives of heterodox economics. The authors pay attention to the fact that *homo oeconomicus* cannot be separated from the real world and that he may behave differently from Robinson Crusoe because he is a social creature and possesses his own value system and feelings that often determine his economic choices.

According to the formulated hypothesis, the narrow interpretation of the concept of *homo oeconomicus* as an individual exclusively guided by self-interest seems to be oversimplified. This kind of paradigm may be harmful to society because it can both hamper the achievement of socio-economic progress and contribute to social, economic or ecological crises. As a result of the conducted analysis, a conclusion was drawn that the explanation of economic behaviours requires a more holistic and dynamic approach. On the basis of the literature review, the incompleteness and inadequacy of the paradigm of *homo oeconomicus* were indicated. The conducted analysis makes it possible to conclude that the concept of *homo oeconomicus* should be modified in the 21st century. Moreover, the economic man cannot be reduced to a machine concentrating only on his own material well-being. A moral assessment of an individual making choices in a world of scarcity, is inevitable.

The study was mainly based on a content analysis of literature. Both descriptive and interdisciplinary methods were used to verify the assumed hypothesis. The paper is organised as follows. Section 2 presents the origin of the concept of *homo oeconomicus* along with its main assumptions referring to the history of economic thought. In section 3, the critique of the model of *homo oeconomicus* developed by mainstream economics is conducted. Section 4 shows the rationale for a revision of the neoclassical concept of *homo oeconomicus*, while section 5 describes the REMM model that complements the traditional approach to the *homo oeconomicus* concept. The paper ends with a concluding section that summarises the conducted analysis and indicates possible avenues for future research, which can contribute to further development of the *homo oeconomicus* concept in the context of arguments focusing on the morality of the economic man.

The birth of the *homo oeconomicus* concept and its main assumptions

The portrait of a human as a social being is very clearly exposed in economic theory. Treaties on the role of human beings in social relations appeared in ancient times thanks to Greek, Roman and early Christian thinkers. These included Greek philosophers Hesiod, Xenophon, Plato and Aristotle, arguably the greatest ancient philosopher; the Roman philosophers Cicero and Seneca; and the Christian thinker St. Augustine. Their thoughts on communal human life have both ethical and economic dimensions. Meanwhile, medieval economic thought concerning the role of man in economic activity was dominated by scholars led by St. Thomas Aquinas. They focused on activities pointing to the complementarity of the secular standards of doing business with the dominant religious dogma. In the period from the 16^{th} to the mid-18^{th} centuries, economic thought developed under the influence of the mercantilists (Thomas Mun, William Petty, Bernard Mandeville, Richard Cantillon, and David Hume) and the physiocrats, with their intellectual leader François Quesnay (from around 1750 to 1780). Scholastic theorists and mercantilists focused on the existence of a fundamental conflict in which one part of the economy gains at the expense of another. In turn, the physiocrats professed the idea of laissez-faire, espousing freedom of the individual in all dimensions of social and economic life.

Pre-classical economics approached human nature in a different way and did not yield a model of man guided only by norms and aiming to obtain material benefits. Nevertheless, the pre-classical model exhibited a certain set of features characteristic of *homo oeconomicus*. In terms of mainstream economics, *homo oeconomicus* is characterised by rational and selfish behaviour, constancy of preferences, propensity to maximise his own benefits, an ability to think logically, and possession of computational skills (math). These features indicate that the economic man should possess the ability to comprehensively (fully) analyse the environment in which he finds himself and make the most optimal decisions that will enable him to achieve a specific goal.

The *homo oeconomicus* model is commonly regarded by economists as a foundation of economic theory and a basic aspect of methodological individualism. The model is credited with helping elevate economics to a scientific discipline. It is often believed that the concept was created by the father of classical economics, Adam Smith, the author of *The Theory of Moral Sentiments*, published in 1759, and *An Inquiry into the Nature and Causes of the Wealth of Nations*, published in 1776. However, both these studies by the outstanding Scottish philosopher indicate that, despite the importance of care for self-interest, there is no clear statement about the perception of the economic man as an economic entity whose only motive is the pursuit of wealth maximisation. This appears to be confirmed by remarks contained in *The Theory of Moral Sentiments*: "Every man is, no doubt, by nature, first and principally recommended to his own care; and as he is fitter to take care of himself than of any other person, it is fit and right that it should be so. Every man, therefore, is much more deeply interested in whatever immediately concerns himself, than in what concerns any other man …" [Smith, 2006 (1759): 74]. "How selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it except the pleasure of seeing it" [Smith, 2006 (1759): 4].

In turn, in *An Inquiry into the Nature and Causes of the Wealth of Nations*, Smith wrote that " [i]t is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages" [Smith, 2007 (1776): 16].

Self-interest in the light of Smith's liberal economic theory means that the real nature of the human being in relationship to his economic dealings is that he is solely self-interested, and that the private and the competitive pursuit of self-interest is the source of common good. These words by Smith make it possible to conclude that, although man often acts selfishly, he is not anti-social but rather rooted in a society, which gives grounds to assume that he is not completely egoistic. That was how the prototype of *homo oeconomicus* was presented.

By now, economists have come to grapple with the problem of precisely interpreting Smith's views on the motives which should guide an individual in economic life due to the dual type of human nature [Smith, 1998; Montes, 2003]. On the one hand, Smith highlighted the feeling of sympathy which guided the individual in the process of shaping social relations. On the other, the author pointed to the importance of self-interest in pursuing a maximisation of a person's own benefits.

One of the philosophers that contributed to the constitution of the *homo oeconomicus* model in economics was John Stuart Mill. Although he never literally used the term, he is perceived as another prominent representative of classical economics. Studying the achievements of his predecessors in the field of political economy, Mill noted that there was no formally defined concept of economic man complete with a comprehensive description of his features. The author, in his *Essays on Some Unsettled Questions of Political Economy*, wrote that political economy presupposes "an arbitrary definition of man, as a being who invariably does that by which he may obtain the greatest amount of necessaries, conveniences, and luxuries, with the smallest quantity of labour and physical self-denial with which they can be obtained in the existing state of knowledge" [Mill, 2000 (1844): 101].

The author claimed that political economy analysis should focus on examining human nature rather than cover all aspects of social life. Economics was once a science that studied human behaviours, concentrating on: "… a being who desires to possess wealth, and who is capable of judging of the comparative efficacy of means for obtaining that end. … It makes entire abstraction of every other human passion or motive; except those which may be regarded as perpetually antagonising principles to the desire of wealth, namely, aversion to labour, and desire of the present enjoyment of costly indulgences" [Mill, 2000 (1844): 97].

The quote testifies to Mill's commitment to methodological individualism. This is a principle in economics according to which the centre of economic analysis is not the social system but the human being characterised by instrumental rationality and selfishness as well as a search for the realisation of self-interest.

Mill further developed the concept of *homo oeconomicus* in his 1848 book *The Principles of Political Economy*. *With Some of Their Applications to Social Philosophy*. He argued that "the division of the produce is the result of two determining agencies: Competition, and Custom" [Mill, 2004 (1848): 112]. The economist additionally emphasised that " [i]t is important to ascertain the amount of influence which belongs to each of these causes, and in what manner the operation of one is modified by the other" [Mill, 2004 (1848): 112]. The author considered that it is commonly accepted that the focus of economists should be particularly on competition as the sole regulator of economic life [Mill, 2004 (1848): 113]. Despite his belief in the complexity of processes occurring in the economy, Mill accepted the human desire for profit as the foundation of the economy. As an economist, he seemed aware of the abstract nature of the proposed model but pointed to its analytical value [Mill, 2000 (1844): 97]. Moreover, the author was convinced that the construction of the *homo oeconomicus* model made it possible to grasp the principles governing economic life. The assumption constructed by Mill became a foundation of political economy's status as a scientific discipline. The concept of *homo oeconomicus*, in spite of its abstractness, is currently one of the most important paradigms in economics.

Although the *homo oeconomicus* model achieved paradigm status, it underwent further modifications. In the 1870s this process led to the development of a branch of economics called subjective marginal economics. This gave rise to the transformation of classical economics into neoclassical economics. An important role in this process was played by the precursors of this school of economic thought – Carl Menger [2007 (1871)], William S. Jevons [1965 (1871)], and Leon M. Walras [1954 (1874)]. Their views led to the formalisation of the idea propounded by Mill into an axiomatic set. As a result, the application of mathematics in economic analysis increased, enabling economists to give the *homo oeconomicus* model its subjective character. Researchers also accepted the assumption that individuals act rationally, which means that human beings have full knowledge needed to do business under conditions of limited resources. However, the economic aim of their actions was not profit maximisation but utility maximisation, a category considerably narrower than wealth. It is worth additionally mentioning the words of Menger, who regarded the dogma of self-interest as a crucial force and driver of human behaviour as well as the key to understanding the phenomenon of human activity [Menger, 1985 (1883): 86].

An important contribution to the discussion on the concept of the economic man came from Alfred Marshall, an economist who is considered to be the main representative or the founder of neoclassical economics. The model of *homo oeconomicus* proposed by Marshall is the result of his perception of economics. Marshall wrote: "Political economy, or economics, is a study of man's actions in the ordinary business of life; it inquires how he gets his income and how he uses it. Thus, it is on the one side a study of wealth, and on the other, and more important side, a part of the study of man. For man's character has been moulded by his every-day work, and the material resources which he thereby procures, more than by any other influence unless it be that of his religious ideals" [Marshall, 1895: 1].

The quoted words show that Marshall kept a certain distance towards the issue of rationality of human behaviours despite his own preference for quantitative analysis. He claimed that the motives of human activity are determined by both economic and non-economic factors, including religious ones. In 1907, the author introduced into economics the concept of economic chivalry. According to this concept, economic entities should be guided by honour, courtesy, and respect for others, not only a desire to maximise profit [Marshall, 1907]. This concept reflects Marshall's tolerance of deviations from the assumption of perfect rationality of human actions. It also confirms his openness to other, less mathematical, forms of economics.

A more radical approach to modifying the concept of *homo oeconomicus* emerged at the beginning of the 20th century when economists started using mathematical modelling in economics. Rational behaviours of individuals were presented by means of a set of axioms, with Vilfredo Pareto and William E. Johnson using an indifference curve [Pareto, 1971 (1906); Johnson, 1913]. In the 1940s, the concept of the economic man continued to formalise with the development of Game Theory. On the basis of this theory, in 1944, John von Neumann and Oskar Morgenstern extended Pareto and Johnson's model of rational behaviour using the achievements of formal logic [Neumann, Morgenstern, 1944].

The growing formalisation of the *homo oeconomicus* model as a foundation of economics, coupled with the increasing importance of mathematics in the theory of economics, promoted an extension of economic imperialism. These processes contributed to the imposition of economic research apparatus on other social sciences and to a triumph of neoclassical economics. Neoclassical economists argued that "economics is the science which studies human behavior as a relationship between ends and scarce means which have alternative uses" [Robbins, 1932: 15]. However, other heterodox streams of economics that appeared later proposed an alternative method of analysis. Heterodox economists mainly referred to the irrational behaviour of individuals, a factor that was often overlooked by the dominant neoclassical economics.

Can *homo oeconomicus* be considered a real human? The critique of mainstream economics

It seems that the *homo oeconomicus* model developed by representatives of neoclassical economics has many weaknesses. The biggest of these is its simplified assumptions regarding the rationality of human behaviour, seen as constant under all conditions and glorified by many economists. It is worth quoting a statement by Joseph Eugene Stiglitz, who believes that " [q]uite often in science certain assumptions are so strongly held or are so ingrained in the thinking that no one realizes they are only assumptions" [Stiglitz, 2010: 242]. Therefore, if the adopted rules do not correspond to the reality, they ought to be upgraded, taking into account circumstances that often cannot be described through the language of mathematics. It should be emphasised that the wave of criticism of the *homo oeconomicus* model in terms of classical and subsequently neoclassical economics, started at the end of the 19th century. Negative opinions about this model concern the nomothetic approach to the analysis of economic processes, in which a rationally acting individual, strictly guided by the economic calculus, plays a crucial role. The first stage of the distinctive critique was associated with remarks by representatives of an approach known as the German historical school and American institutionalism.

The proponents of the German historical school—both older researchers, such as Wilhelm Roscher, Karl Knies, and Bruno Hildebrand, and younger economists, such as Gustav von Schmoller, Werner Sombart, and Max Weber—attempted to oppose the universalism of economic modelling. By criticising the *homo oeconomicus* model, they tried to prove that the economic behaviour of individuals should be considered from the perspective of a certain phenomenon in the analysed environment. Economists within this stream claimed that the conclusions from the analysis cannot be universal. Therefore, they should not refer to the entire economic system but only to the observed part of it. However, they did not develop an alternative to the *homo oeconomicus* concept. Their studies showed that abstract economic models, developed by classical or neoclassical economists, are often ill-suited to the economic reality because they lack a specific historical or cultural context.

The greatest contribution to the development of the *homo oeconomicus* concept as a social phenomenon was made by Max Weber, who created an "ideal type" of social action. It was a mental construct that in its purely abstractive formulation was a methodological "utopia [that] cannot be found empirically anywhere in reality" [Weber, 1949: 90]. Weber additionally distinguished four major types of social actions that he further divided into two groups. The first group, defined as rational, comprises actions that are purposive and rationally calculated, and those that are undertaken in conformity with absolute moral and ethical values. The second group embraces non-rational actions that are determined by either emotions (affective action) or habits and customs (traditional action).

The *homo oeconomicus* model of a man operating in an institutional vacuum was also criticised by the institutionalists. Economists representing this stream, among them Thorstein Veblen and John Rogers Commons, argued that the model was too abstract and perceived its simplicity as a weakness limiting possibilities for explaining the complex processes that take place in an economy. In their view, institutions understood as "collective action in control, liberation and expansion of individual action" [Commons, 1931] have a large impact on the functioning of economies. A human being was thought to be a complex object of analysis, because his or her behaviour is determined by both economic and non-economic factors. The psychological motives of human behaviour, which are not always rational, play an important role. They are a result of certain values, habits and emotions embedded in the human environment that guide a person's actions in both private and professional life. Veblen wrote about this in the following way: "Not only is the individual's conduct hedged about and directed by his habitual relations to his fellows in the group, but these relations, being of an institutional character, vary as the institutional scheme varies. The wants and desires, the end and aim, the ways and means, the amplitude and drift of the individual's conduct are functions of an institutional variable that is of a highly complex and wholly unstable character" [Veblen, 1909: 629]. This kind of human behaviour and the conditions of man's functioning proved the irrationality of his actions. Therefore, the atomistic model of *homo oeconomicus* makes no sense in economic theory.

Some less radical views of the economic man can be found in the ideas of representatives of new institutional economics, such as Ronald Coase, Douglass Cecil North, and Oliver Eaton Williamson. These economists do not completely reject the classical model of *homo oeconomicus* but postulate the necessity of its supplementation. Like traditional institutionalists, they recognise institutions understood as rules of conduct and the foundation of human activity in the broad sense. They note that the economic man, despite the innate human propensity to maximise utility, acts under conditions of bounded rationality. This is the result of imperfections of human nature. Among the weaknesses of human beings, representatives of new institutional economics name limitations in cognitive and decision-making capabilities, learning skills, propensity to moral hazard and other opportunist actions [Williamson, 1973; North, 1992].

John Maynard Keynes also pointed to certain limitations of the *homo oeconomicus* concept. He expressed this in his greatest work, published in 1936, *The General Theory of Employment, Interest and Money*, arguing that a state of equilibrium is not an immanent feature of the capitalist economy. He claimed that " [e]ven apart from the instability due to speculation, there is the instability due to the characteristic of human nature that a large proportion of our positive activities depend on spontaneous optimism rather than on a mathematical expectation, whether moral or hedonistic or economic. Most, probably, of our decisions to do something positive, the full consequences of which will be drawn out over many days to come, can only be taken as a result of animal spirits – of a spontaneous urge to action rather than inaction, and not as the outcome of a weighted average of quantitative benefits multiplied by quantitative probabilities" [Keynes, 1936: 161].

Introducing the concept of *animal spirits* to the theory of economics, Keynes pointed to the psychological aspects of the economic man's functioning and his not fully rational behaviour. The author also paid attention to the state of confidence of the economic man within the economic system, a factor often neglected by economists [Keynes, 1936: 148–49]. He was additionally convinced that the effectiveness of economic activities undertaken by man at the micro level cannot be identified with the effectiveness of the global economy. This kind of analysis seems to be unfounded. In *the End of Laissez-faire*, Keynes [1926] wrote that no conclusions should be drawn from the functioning of the global economy by focusing on the actions of individual economic entities. He was a supporter of research based on aggregates.

A critical approach to the classical model of *homo oeconomicus* is presented by representatives of behavioural economics, among them Herbert Alexander Simon, Harvey Leibenstein, Daniel Kahneman, Amos Nathan Tversky, Vernon Lomax Smith, and Ernst Fehr. These researchers argue for the need to modify the idealised neoclassical economics model of *homo oeconomicus*, which, in their opinion, is far from perfect. According to Ernst Fehr and Urs Fischbacher, the explanatory power of the model based on the rational choice paradigm should be modified in the face of experimental evidence on deviations from purely self-interested behaviour [Fehr, Fischbacher, 2002]. The re-evaluation of the economic man pattern should be oriented towards showing his real and often irrational behaviour. The institutional environment plays a major role in this process, and human behaviour is determined by a variety of historical, cultural and psychological factors.

Among the theories indicating the need to change the *homo oeconomicus* model, the concept of bounded rationality developed by Simon [1955; 1957] should be mentioned. Under this concept, man aiming to achieve complete rationality encounters many unexpected limitations that must be taken into account. Also worthy of note is H. Leibenstein's concept of selective rationality referring to the ability to choose the degree of rationality based on a process of strict or loose calculation [Leibenstein, 1976]. Equally interesting is Kahneman and Tversky's theory of perspective, according to which the decision-making process occurs under conditions of uncertainty. This means that decisions are often made instinctively, sometimes under the influence of emotions [Kahneman, Tversky, 1979]. In turn, V. Smith criticised the *homo oeconomicus* model by using the concept of ecological rationality developed by Friedrich August von Hayek: "Ecological rationality refers to emergent order in the form of the practices, norms, and evolving institutional rules governing action by individuals that are part of our cultural and biological heritage and are created by human interactions, but not by conscious human design" [Smith, 2008: 2].

Studies conducted by representatives of behavioural economics indicate the high complexity of the environment in which man operates and expose the limitations of the human mind. It can be said that behavioural economics refers to the psychological foundations of human behaviour, which was previously the subject of attention of the early classics. According to Richard H. Thaler [2000: 133–141], emotions should be incorporated into the analysis of economic behaviour, and therefore the evolution of *homo oeconomicus* towards *homo sapiens* is inevitable.

The behavioural approach in economics has become the basis for the development of neuroeconomics, which is a science bordering on neurology, psychology and economics. Neuroeconomists present an interesting approach to the analysis of economic behaviours. They claim that the classical model of *homo oeconomicus* is inadequate to the conditions under which decisions are currently made. In their opinion, the decision-making process is the result of both rational and emotional activities [Hardy-Vallee, 2007; Glimcher *et al*., 2009]. V. Smith wrote that "human activity is diffused and dominated by unconscious, autonomic, neuropsychological systems that enable people to function effectively without always calling upon the brain's scarcest resource – attentional and reasoning circuitry" [Smith, 2003: 468].

The ideas espoused by the proponents of heterodox economics, which aimed to change the *homo oeconomicus* paradigm, contributed to a further search for model improvements. As John Tomer wrote, the current form of the model, based on the assumptions of the neoclassical *homo oeconomicus*, is characterised by narrowness, rigidity, intolerance, mechanicalness, separateness, and individualism [Tomer, 2007: 465]. This confirms that the model should be modified through incorporating the rational and moral aspects of human activity. An interesting view on this subject was expressed by Jon Elster, who argued that " [o]ne eclectic view is that some actions are rational, others are norm-guided. … Sometimes, the outcome is a compromise between what the norm prescribes and what rationality dictates" [Elster, 1989: 102]. It should be emphasised that the authors of this article fully identify with these words. In conclusion, the neoclassical model of *homo oeconomicus* is currently in decline among economic thinkers, and many attempts are being made to improve the concept.

Arguments for revising the *homo oeconomicus* concept

It is commonly known that mainstream economics has relied on the late-19th century individualistic doctrine of greed and welfare, avoiding or simply ignoring ethical questions. According to the neoclassical approach, the economic man seeks to maximise his own utility or profit as both a consumer and producer, and there is no room for moral values. The search for utility maximisation in the neoclassical model, subsequently taken over by the neoliberal doctrine, became the main and only moral principle of every consumer and producer who is self-seeking, rational, selfish and money-oriented [Teulon, 2014]. However, it is worth mentioning that in the classical economists' view of human nature and motives, which was rooted in utilitarian philosophy, individual self-interest was mixed with social motives. In addition, moral preferences, particularly the desire of people to have self-respect and the respect of others, were strongly accentuated, whereas the neoclassical model of the economic man represented a narrower view of human motives without a reference to any human goals or values.

The simple assumption of motivation of the economic man based on the rationality axiom prevailed in 20th-century economics. As a result, the neoliberal image of the economic man was shown through the prism of free-market processes that are the natural environment in which human nature reveals itself [Rothbard, 1977]. Applying the Darwinian natural selection theory more directly to the market, it has to be noted that only the fittest (i.e., the most rational) individuals are able to survive. The market imposes rationality and, what's more, it also shapes public morality. It is assumed that *homo oeconomicus* is subordinated to market laws focusing exclusively on his personal goals identified with economic success. The proponents of neoliberalism treat ethics instrumentally as a means of achieving maximal profit or maximum satisfaction from consumption.

The departure from a complex view of human nature and motives in the analysis of economic behaviour caused a lot of controversy within the research community. Can such a narrow interpretation of the *homo oeconomicus* model, based on the profit-maximising imperative and free from ethical considerations, fit into modern economics? What is the explanatory and predictive usefulness of the *homo oeconomicus* paradigm and its potential implications for economic policy? These questions raise many doubts, encouraging economists and policy makers to engage in discourse aimed at revising the paradigm [Anderson, 2000].

First, there are some limitations of the utility maximising version of the rational choice theory, which was formally incorporated into the analysis of economic behaviour by William Stanley Jevons, Carl Menger and Leon Walras in the 1870s. The claim that self-interested people always try to maximise their utility was regarded as an article of faith among mainstream economists from the 1950s to the 1990s, even though the explanatory power of such a general assumption is rather weak because it cannot explain social phenomena such as altruism, honour, trust, cooperation, and duty. Economic behaviour is much more complex than the *homo oeconomicus* model suggests as a rational economic man is shaped by institutions. The causal mechanisms through which culture and institutions mould and constrain the economic man remain unexplored in this paradigm. Taking this into consideration, a successful explanation of social phenomena in terms of individuals alone, without social relations and institutions, is not possible. Kenneth Arrow [1994] claimed that an individual's behaviour is always mediated by social norms. This means that economic laws concerning the behaviour of the economic man do not resemble the laws of physics and that there is an urgent need for emphasising the cultural and moral dimensions of human relations. According to Francis Fukuyama, the behaviour of the economic man is often a result not of a pure rational calculation of costs and benefits, but of inherited ethical habits. The author additionally argues that the source of economic success is the ethics of trust and spontaneous sociability (informal institutions), which were omitted by mainstream economics [Fukuyama, 1997]. To sum up, the perception of the economic man in a purely mechanical and asocial way is simply outdated and cannot fully explain the economic behaviour of individuals in the contemporary economy, whose growth heavily depends on the ability to cooperate in social networks.

Second, the development of behavioural psychology and neuropsychology led to a change in the utility maximisation assumption because the concept of rational choice was replaced by the notion of bounded rationality. Instead of maximising, the economic man usually makes rather "satisfying" decisions [Simon, 1987]. The rational choice model was the subject of criticism among many psychologists, such as Kahneman, who on the basis of empirical evidence, claimed that people are myopic in their decisions, possess limited skills in predicting their future tastes, and can be led to erroneous choices by fallible memory and incorrect evaluation of past experiences [Kahneman, 2011]. The *homo oeconomicus* concept is not relevant to economic reality because human behaviour is driven by various psychological motives (propensity to risk or propensity to consume), which, in conjunction with socially determined preferences and genetic determinants (gender), influence suboptimal decisions. Moreover, the rational choice model does not presuppose anything about human preferences. People may have self-centred, altruistic or even sadomasochistic preferences. Their preferences change over time. This concerns not only differences in their consumption tastes but also a more fundamental dimension with regard to how selfish or fair-minded they are. It is also claimed that their self-interest or altruistic attitudes are determined by the emotional nature of human beings. According to Robert H. Frank, emotions often predispose people to behave in ways that are contrary to their narrow interest [Frank, 1988]. The influence of psychological factors on the behaviour of *homo oeconomicus* was not taken into account by mainstream economics.

Third, George Akerlof and Robert J. Shiller [2009] claimed that an individual driven by "the hedonistic calculus" is often irrational, just as *homo oeconomicus* is assumed to be totally and completely focused on the pursuit of short-run self-interest. The *homo oeconomicus* concentrating on pleasure maximisation and profit threatens the sustainable development of the world [Hodgson, 2013]. The common acceptance of the model of a rational, autonomous, self-interested and hedonically-driven economic man deprived of normal pro-social motives, such as responsibility and care, seems to be harmful for economic development. Many authors simultaneously suggest that ignorance of ethics and moral values in economic life may contribute to serious economic crises, and therefore a deep re-examination of the relationship between ethics and economics is worth the effort. There is a close connection between the kinds of judgments philosophers make in dealing with ethics and the kinds of methodological value judgments that economists must make [High, 1985: 12, Hausman, McPherson, Satz, 2017: 1–18]. Economics as the science of making choices in a world of resource scarcity certainly refers to ethics. As neoliberal policies have failed in terms of social and economic development, there is an urgent need to revise modern economics and its concept of *homo oeconomicus*. Economists should take into account the fact that the morality of the economic man influences his behaviour and hence influences economic outcomes.

Economics is not a neutral science, and it cannot function without at least some moral values, such as trust or reciprocity. Both ethics and economic issues have never generated as much attention as the outbreak of the 2008 financial and economic crisis, the worst global crisis since the 1930s. Many economists have argued that the crisis is an example of the failure of moral virtues, which lies at the core of the failure of markets and institutions [Küng, 2009: 36]. The hedonistic and short-sighted *homo oeconomicus* seems to pose a threat to the contemporary economy. In the context of the social, economic, demographic and environmental problems that affect the global community, the critique of the neoliberal version of *homo oeconomicus* and a return to ethical values (such as sincerity, honesty, faithfulness, tolerance, and solidarity) are particularly desired [Dunning, 2003]. There is an urgent need to not only modify the economic man model, but also reconcile economics with ethics, despite the many conflicts between economic and ethical values (e.g. efficiency *vs*. social justice) that are commonly observed in social practice.

The link between *homo oeconomicus* and *homo moralis* in light of the REMM model

Every theory is based on certain assumptions that often, in the course of in-depth research, require rethinking. *Homo oeconomicus* is an idealistic concept that has little in common with the real behaviour of the economic man. The utility maximisation function loses its explanatory power in this scope because it says nothing about human motives, ignoring moral, social and other-regarding values and preferences [see Hodgetts *et al.*, 2010]. This is particularly worthy of consideration in the context of increasingly frequent voices that economics has "lost (its) soul" [Djelic, 2005]. As is commonly acknowledged, two metaphors of human motives have dominated in the theory of justice: *homo oeconomicus* (people as rational utility maximisers) and *homo socialis* (people as status and social value maximisers). However, there is also another perspective – that of *homo moralis*/*homo axiotus*[1], or people innately driven by morality [Skitka *et al.*, 2008].

Homo moralis is a concept in which the central point should be the understanding of the moral nature of human beings. There are plenty of definitions of morality. Bernard Gert perceives morality as a system of rules. This concept means an informal public system of institutions, including moral rules, ideals, and virtues, which has the lessening of evil or harm as its goal,

1 Polish researcher J. Lipiec [2005], in his work "The Ethical Circle", laid the foundations for the *homo axiotus* concept.

applying to all rational persons and governing their behaviour that affects others [Gert, 1998: 3–27]. Vasil Gluchman argues that morality "is a reflection of specific social and economic relations in a period; however, it regulates them as it reflects historical knowledge and experience" [Gluchman, 2013: 2]. In a general sense, morality is a set of views, assessments, norms and patterns of behaviour historically shaped and regulating the overall relations between individuals, between individuals and groups, and between social groups in a given society from the point of view of good and evil, right and wrong, righteousness and wickedness. According to Joseph P. Forgas, Lee Jussim, and Paul A.M. Van Lange, "[i]f morality has a flavor of the goodness or badness of humankind, and the ways in which individuals, groups, and societies regulate or should regulate individual action and behaviour there is little doubt that we are talking about one of the broadest topics possible" [Forgas, Jussim, Van Lange, 2016: 1].

Robert Hinde argues that morality "is a product of basic human psychological characteristics shaped over prehistorical and historical time by diachronic dialectical transactions between what individuals do and what they are supposed to do in the culture in which they live" [Hinde, 2004: 1685]. Moral principles are undoubtedly included in human nature, but it has to be noted that societies and their cultures change, leading to a differentiation of moral codes among them. It appears that morality is neither absolute nor wholly socially constructed and that both biological and cultural factors are worth exploring further to explain the sources and motives of moral behaviours. Some principles are pan-cultural: individuals are motivated to look after their own interests, to be cooperative and kind to other group members, and to look after their children. The moral precepts of every society are based on these principles, but may differ according to the vicissitudes that the society has experienced [Hinde, 2004: 1685]. Taking this into consideration, it is important to identify the sources of morality. Many authors discuss the issue of the moral motives of individuals embedded in a given society [Fukuyama, 1997; Hinde 2004; Tsakalotos, 2005; Hodgetts *et al.*, 2010]. The moral development of man is shaped by different processes, such as upbringing and education as well as learning social roles and duties derived from social and religious systems. These factors also determine the economic man.

Morality can be perceived from different perspectives, but for economists a rational approach towards morality plays a key role. The perception of morality as a concept relating to rationality has its intellectual and philosophical roots in the works of Jeremy Bentham, John Stuart Mill, and David Hume. In utilitarian philosophy, the complexity of moral concerns is expressed in terms of a simple rational principle, which means that "what is good and desirable is not inherent in the action itself but can be determined by analyzing the hedonistic consequences of alternative courses of action" [Forgas, Jussim, and Van Lange, 2016: 4]. However, V. Smith is convinced that there are two co-existing rationality orders: constructivist and ecological. These orders interact with each other when ordinary human interaction occurs, but these interactions are generally unconscious.

Constructivism is related to modelling attempts regarding the actions of a rational individual and the invention or design of social systems. The most famous representatives of 19th-century constructivism are Bentham and Mill. In light of this approach, every important social institution should be created using conscious deductive processes of the human mind [Smith, 2013: 15]. Ecological rationality is, in turn, linked to adaptive decisions made by people as well as group discovery processes in natural social systems [Smith, 2013: 13–14]. The concept of rationality was not designed by any brain, but appeared in the course of cultural and biological evolution processes and is identified with principles of action, norms, traditions, customs and morality. V. Smith noted that ecological rationality is in harmony with the viewpoint of 18th-century Scottish philosopher and economist David Hume, who claimed that people follow the rules of morality even though they are not always able to articulate them, but these rules can nevertheless be discovered. For Hume, rationality was a phenomenon that reason discovers in human institutions, similar to morality [Smith, 2013: 30–31].

Regardless of the different approaches to morality, most researchers believe that moral claims are normative and that they explain what is morally right or wrong, good or bad, virtuous or vicious, just or unjust [Copp, 2001: 9]. The normative perception of morality is related to the issue of good will. One of the greatest philosophers, Immanuel Kant, claimed that good will is the only thing good in itself. It is an intrinsic moral value that should influence human actions. According to Kant's ethics, a person is not guided by good will if he or she strictly acts for pure pleasure and reward or when they are afraid of social sanctions. The act of good will means that an individual's decision is made due to his moral sense of duty [Kant, 2013].

The concept of morality cannot be placed in opposition to rationality. It seems that the causes of moral behaviour are more complicated. Under certain circumstances, an individual follows social norms that are rooted in rationality, but sometimes he or she acts intuitively and, paradoxically, this can bring them greater well-being [Zsolnai, 2004]. Many influential economists (A. Smith, G. Becker, K. Arrow, P. Samuelson, A. Sen, and E. Anderson) pointed out that people are not only motivated by their material self-interest, but often take care of the well-being of others. Many people are strongly motivated by other-regarding preferences, which warrants the claim that fairness and reciprocity cannot be ignored in social interactions. The behaviour of fair-minded and purely self-interested individuals depends on the environment in which they interact and on their beliefs about the fairness of their opponents [Fehr, Schmidt 2001].

It is worth further exploring the causes of moral behaviour in regards to the economic man. According to Paweł Wawrzyński, a high moral sense of community supports growth and expansion at the macro-level. Morality determines what a person believes to be valuable. At the micro level, morality concerns individuals, who make different choices and take certain actions in their lifetime [Wawrzyński, 2015]. As noted by Charles Coppens [2016(1895): 38], our mind approves certain acts, calls them *morally good* and recognises them as worthy of praise because they are rightly directed to their true end, suitable to and worthy of a rational agent, conformable to the social requirements, and therefore conformable to our rational nature and conducive to our perfection.

Homo moralis as a person deeply embedded in social life who takes into consideration moral issues and is not just driven by self-interest [Maszewska-Łupiniak, 2009; Karniol, 2010]. According to Luk Bouckaert and László Zsolnai [2011], *homo moralis* can be the archetype of altruism, while values such as pure altruism, fairness and reciprocity are also in evidence in the case of the economic man. In recent years, many economists, particularly those within behavioural and experimental economics, have begun to question the predictive power of pure selfishness in certain interactions and turned to social or other-regarding preferences. Ingela Alger and Jörgen Weibull [2013] state that *homo moralis* is torn between selfishness and morality. Citing authors such as Christine Jolls, Cass R. Sunstein and Richard Thaler, and Samuel Bowles and Herbert Gintis, Zsolnai presents empirical evidence to the effect that man cares about his own material profit, considers the interest of others that he knows well, is willing to sacrifice his own material well-being to help those who are kind to him and to punish those unkind to him, takes into account the well-being of strangers whose interests are at stake, is interested in his reputation, and cares about his self-conceptions – what kind of person he wishes to be [Zsolnai, 2004].

The link between *homo oeconomicus* and *homo moralis* may be found in the resourceful, evaluative, maximising model. In the 1990 s, Michael C. Jensen and William H. Meckling[2] investigated five alternative models of human behaviour that can be identified on the basis of a literature review [Jensen, Meckling, 1994]. The authors distinguished: a) The Resourceful, Evaluative, Maximising Model; b) The Economic Model (or Money Maximising Model); c) The Sociological Model (or Social Victim Model); d) The Psychological Model (or Hierarchy of Needs Model); f) The Political Model (or Perfect Agent Model). Taking into account the purpose of the undertaken research, the first model seems to be the most interesting. The relatively comprehensive approach to the economic man represented by the REMM model explains why the authors of this article decided to focus on the key assumptions of this model, while also referring to the concept of *homo moralis*.

Jensen and Meckling [1994] suggested that, although the idea of REMM is new, the concept has been investigated for more than 200 years, starting with

2 The first draft of this concept was described by Karl Brunner and William H. Meckling in "The Perception of Man and the Conception of Government" in 1977.

Mandeville, Ferguson and Adam Smith. The basic foundations of the model are as follow [Jensen, Meckling, 1994]:

Postulate I. Every individual cares; he or she is an evaluator – people care about a lot of things (such as knowledge, independence, the environment, honour, health, culture, and wealth), which means that they care about the world around them and make trade-offs and substitutions. An individual wants to sacrifice a relatively small amount of any particular good to get a sufficiently large quantity of other goods. Aside from that the preferences of the individual are transitive.

Postulate II. Each individual's wants are unlimited – people desire a lot of things (both material and non-material goods) and prefer more things to less. REMM is never satisfied. He or she wants to possess more and more.

Postulate III. Each individual is a maximiser – people want to reach the highest possible level of value but there are some constraints that limit possibilities (wealth, time, knowledge, physical laws of nature etc.)

Postulate IV. The individual is resourceful – people are creative and resourceful. They can imagine the changes in their environment, predict their consequences, and respond to them, creating new opportunities in the process.

Jensen and Meckling stressed that the REMM model incorporates the best of the economic model, the sociological model, the psychological model, and the political model. They noted that, just like in the case of the economic model, the REMM model assumes that people are resourceful, self-interested maximisers, but rejects the notion of them being only interested in money, income and wealth. In the REMM model, man cares about different things: knowledge, independence, the situation of other people, the environment, wealth, honour, culture, and social norms. In a situation of different choices, when there is a scarcity of goods, the set of preferences is complete with respect to the broad range of human interests. Because preferences are linear and transitive, man, in a given situation, evaluates alternatives by judging how he can achieve what he desires. As Klimczak noted, compared to the neoclassical preference theory, which served to explain the choice of economic goods, the concept of Jensen and Meckling explains not only economic, but also moral, aesthetic, and cultural choices. [Klimczak, 2007: 35]. However, it is important to note that man in the REMM model is able to sacrifice reputation or morality if he wants to gain other desired goods [Jensen, Meckling 1994: 9]. This may mean that morality has a relative dimension.

Under the psychological model of human behaviour, the REMM model is based on the assumption that every individual has a hierarchy of needs (Maslow's pyramid of needs), but there also is a place for substitutions and trade-offs. Moreover, the REMM model incorporates the assumption that income elasticity of demand for various goods has certain regularities the world over. From the sociological model, the REMM model takes the assumptions that society imposes costs on people for violating social norms, which in turn affect behaviour. Despite this, individuals may depart from such norms if the benefits are sufficiently great. Finally, with reference to the political model, the REMM model adopts the assumption that although people are not perfect agents they have the capacity for altruism and are willing to sacrifice their private interest for the sake of public good [Jensen, 2001: 37].

Karl Brunner additionally stressed that the REMM model describes man's behaviour as a consequence of interaction between an individual value system and the limitations or possibilities generated by the institutional system surrounding man. This statement is usually supplemented with the assumption that the variability of constraining conditions influences the variability of the preference system. Changes in man's behaviour are thus dominantly connected to variations in possibilities and not to variations in values [Lys ed., 1996: 65].

The REMM model was also extended by Markus Wartiovaara. He claims that currently the most progressive economic thought with reference to *homo oeconomicus* has substantially moved forward including not only material but also non-material values, together with both selfish and altruistic motives. Nevertheless, a multitude of alternative perspectives seems to be useful in explaining human behaviour [Wartiovaara, 2011: 641]. Taking this into account, it seems that the REMM model can be a link between *homo oeconomicus* and *homo moralis* because, despite the neoclassical preference theory, in light of which the economic man judges every situation through the prism of private costs and benefits, the set of his preferences is an area of not only economic but also social, political and cultural choices. The REMM model allows a better understanding of the economic man, who is not a simple profit maximiser or utility maximiser as he often takes care of other people, the environment, honour, culture, social norms, etc. [Klimczak, 2007]. Brunner emphasises that the REMM model does not describe man as a calculating machine without a heart, because charity, love of family and compassion are also within the sphere of his interests [Lys ed., 1996]. It is worth noting that the REMM model has some shortcomings. In certain social situations, only minimisation of costs can be obtained. Furthermore, the REMM model does not fully explain why people are inclined to comply with social norms and values.

In the opinion of these authors, Jensen and Meckling rightly stressed that, regardless of whether people are politicians, managers, academics or professionals, their behaviour corresponds to the REMM model. What's more, the REMM model can be more useful for explaining certain consumer or producer behaviours when they are driven by moral and social motives rather than just pure own interest. Socially responsible actions undertaken by individuals caring for customers, the natural environment or the local community are both ethical and rational in the long term.

Conclusions

The *homo oeconomicus* model premised on the assumption that human behaviour is always rational and driven by self-interest under conditions of complete information is regarded as one of the cornerstones of mainstream economics. Although the portrait of the economic man developed by classical economists reached paradigm status, it has been the subject of growing criticism since the late 19th century. The adherents of the historical school and the institutionalists were the first economists who criticised the simplistic, ahistorical, reductionist and formalistic manner of analysing the economic man. Due to its narrowness, rigidity, intolerance, mechanicalness and separateness, the *homo oeconomicus* concept caused a situation in which heterodox economists, including the behaviourists and neuroeconomists, while striving to resolve this essential dilemma, contributed to a further revision of the main assumptions of the model.

On the basis of the literature review, some shortcomings of *homo oeconomicus* should be emphasised. First, the assumption of human rationality, under which the economic man is seen oriented towards maximising his utility function, is entirely fictitious. It is commonly known that the economic man does not possess perfect knowledge and, as a result, rational decision making is impossible. Second, the *homo oeconomicus* model oversimplified human nature. According to behavioural economists, economic behaviour is context-dependent and also determined by morality, which is shaped by both external and internal factors. External factors include the social value system and social norms, while the key internal factor is an individual value system. What's more, human emotions play a significant role in the making of economic choices. For this reason, a particularly interesting alternative to *homo oeconomicus* is a holistic approach to the economic man reflected in the REMM model. The resourceful, evaluative, maximising model of human behaviour presented in this concept, in spite of its certain weaknesses, is a kind of missing link between *homo oeconomicus* and *homo moralis*.

The *homo oeconomicus* model is regarded as too mechanistic and its predictive abilities are limited. The assumption that the only motive of the economic man is pursuit of his own short-run self-interest cannot be accepted in the contemporary economy because it does not always lead to common good. Like complete rationality, universal selfishness is false because of the variety of motives that drive human behaviour. It is also worth stressing that the moral and social dimensions excluded from the *homo oeconomicus* concept should be reconsidered. An individual deprived of morality will not contribute to social benefit. The focus on personal interest and greed for profit maximisation may be socially undesirable or even dangerous to the functioning of the economic system in the long term. In light of serious global problems related to pollution and the exploitation of the environment by society as well as increasing income inequalities, the rationality of *homo oeconomicus* cannot be simply perceived in terms of material payoff but should rather be interpreted as the ability to balance current and future needs. Moreover, it seems obvious that the rationality of *homo oeconomicus* in the 21st century is not free from moral judgments. On the contrary, respect for moral values postulated by ethics may paradoxically contribute to achieving higher profit and improving competitiveness.

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EWOLUCJA CZŁOWIEKA GOSPODARUJĄCEGO. OD *HOMO OECONOMICUS* DO *HOMO MORALIS*

Streszczenie

Celem artykułu jest analiza koncepcji *homo oeconomicus*, będącej jednym z podstawowych fundamentów ekonomii głównego nurtu w porównaniu do alternatywnych podejść, zaprezentowanych przez przedstawicieli ekonomii heterodoksyjnej, m.in. ekonomii behawioralnej i neuroekonomii. Szczególną uwagę zwrócono na model REMM (*Resourceful, Evaluative, Maximising Man*), który wydaje się być brakującym ogniwem pomiędzy *homo oeconomicus* i *homo moralis*. Przyjęto jednocześnie, że wąska interpretacja *homo oeconomicus*, kierującego się własnym interesem, stanowi zbyt duże uproszczenie i taki paradygmat w realnym świecie może być szkodliwy dla społeczeństwa. Artykuł ma charakter przeglądowy i został napisany na podstawie literatury przedmiotu, w tym materiałów źródłowych. W badaniach wykorzystano podejście zarówno deskryptywne, jak i interdyscyplinarne. W wyniku przeprowadzonej analizy sformułowano wniosek, że wyjaśnienie ekonomicznych zachowań człowieka wymaga bardziej holistycznego i dynamicznego ujęcia. Wskazano na niekompletność i nieadekwatność paradygmatu *homo oeconomicus* w stosunku do rzeczywistości. Zauważono, że racjonalność człowieka ekonomicznego wynika nie tylko z troski o własny interes, ale również z jego zakorzenienia w społeczeństwie i kulturze. Badanie pokazało, że zachowanie ekonomiczne zależy od kontekstu i jest dodatkowo zdeterminowane przez moralność, która wywodzi się z systemów społecznych i religijnych. W konkluzji stwierdzono, że człowiek gospodarujący nie może być zredukowany wyłącznie do maszyny koncentrującej się jedynie na swoim własnym interesie materialnym. Ocena moralna jednostki podejmującej decyzje w świecie ograniczoności zasobów jest nieunikniona.

Słowa kluczowe: *homo oeconomicus*, *homo moralis*, egoizm, własny interes, moralność, model REMM

Kody klasyfikacji JEL: A10, B10, B20, B31, B50