



**Anna Horodecka**

Szkoła Główna Handlowa w Warszawie  
Kolegium Analiz Ekonomicznych  
Katedra Ekonomii Rozwoju i Polityki Ekonomicznej  
ahorod@sgh.waw.pl

## **CHANGING CONCEPT OF HUMAN NATURE IN ECONOMICS AS A CONSEQUENCE OF SOCIAL AND ECONOMIC TRENDS**

**Summary:** The goal of the paper is to present the changes occurring in the concept of human nature in the modern heterodox economics as the effect of social trends, which are responsible for altering the way of understanding the world, which translates into real changes. Virtualization of life, greater sensitivity to human and environmental issues, increased contacts with other cultures and religions, greater sensitivity to the existing social injustice are some of those factors. These changes in world-view are inter-related with the changes in understanding of the individual – the economic subject of the economic theory. This affects the way of viewing the economic actor within selected modern economic heterodoxy: ecological, evolutionary, humanistic, feminist, and behavioral economics.

**Keywords:** concepts of human nature; social trends, economic anthropology, heterodox economics, economic psychology.

### **Introduction**

The concept of human nature (image of man, concept of man) is a topic, which is not discussed enough in the economic literature comparing to its crucial meaning for the development of the science. Only some of Polish [Stępień and Szarzec, 2007; Turek, 2010; Zboroń, 2010; Horodecka, 2012; 2014] and foreign [Biervert, 1991; Woll, 1994; Manstetten, 2000; Starbatty, 2000; Siebenhüner, 2001b; Schechner and Zsok, 2007] economic literature is focusing at this topic and stresses its meaning for the development of the science.

The economics reflects the major tendencies taking place both in social sciences and in the real social processes in their concepts of human nature.

Watching the transformation of the concept of human nature, we could trace back some major factors contributing to the changes and formation of new images of man. For instance, the very *homo oeconomicus* as created by Adam Smith was among others a reaction to the changes of worldview, which deprived the individual of his/her central place in the world<sup>1</sup>. Human being became just an element of the new puzzle – the world, a screw in the clock made by craftsmen<sup>2</sup>, a part of deterministic mechanism, subordinated to the rules, which do not depend on the free will of the individual. The science and philosophy got interested in these rules (for instance Newton's physics). Among them Adam Smith [2005] (similar to David Hume [2007]) looked for determinist rules guiding the behavior of individual and discovered it. It was for him – pursuing own wealth (later replaced by utilitarian philosophers with the concept of utility) and maximizing it with the help of rationality.

The concept of human being created by Adam Smith was accompanied by changes in the worldview. The fate of the world was not any more perceived as lying in hands of famous individuals, similar to the machine, which works due to some unmistakable work of all screws, which are subordinated to some general laws.

Another factor was the growth of knowledge about a human being, a discovery that human being is guided by moral sentiments streaming for the maximization of his utility. Other factors could encompass scientific embedding of the author (moral philosophy, Scotland, birth of empiricism, utilitarianism<sup>3</sup>). Authorities which could influence the development of the idea: David Hume (1711-1776), John Locke (1632- 1704), Jeremy Bentham (1748-1832) and experiences and observations made by the philosopher during birth of the industrial revolution.

Further development of science and the economic and social changes lead to a further sophistication of the *homo oeconomicus* – by marginal economics (Pigou, Jevons, Menger, Walras). This concept has been regarded as the icon of the economics, for over hundred years.

But what factors nowadays contribute to changes of the concept of human nature (especially in modern heterodox economics), which may shake the

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<sup>1</sup> It meant the loss of the image of a person as created God alike, as microcosmos in a world view of Thomistic philosophy.

<sup>2</sup> The idea was that God as craftsmen of the world, after the creation withdrew himself from it.

<sup>3</sup> Utilitarianism, considers such behavior as being ethical, whose effect delivers us the maximal utility to us (extreme utilitarianism) or to the majority of people affected by such an action. Adam Smith combined such two utilitarian's rules in one: the individual, pursuing for it is own wealth, raises the wealth of the whole nation.

monument of the neoclassic thought? In order to answer this question, the paper discusses, in first place, the factors which may be responsible for these changes and then presents the actual changes of concept of human nature within the modern economic thought.

### **1. Factors responsible for change of the concept of human nature**

It is possible to differentiate following reasons responsible for the actual changes in the neoclassical concept of human nature. In first place, it is to name the progress in the knowledge. The discoveries, especially in behavioral psychology (made by Kahneman [2001]), led to doubts about rational choices. Not the rational calculation, but some heuristics, which simplify the reality, are basis of human decisions. The application of those heuristics leads to other results as those effected by rational choices. In this way the assumption about maximization of utility can be modified. The terms ‘suboptimal choice’ and ‘bounded rationality’ replace therefore the ‘rational choice’. The mechanisms of choice applied in place of optimal choice, like prospect theory for instance, are described first by Kahneman and Tversky [1979].

Due to the progress in behavioral and cognitive schools of psychology and neuroscience it was proved that human being does not like risk. This risk aversion is greater than we could expect basing on the rational judgement about the expected value [Kahneman and Tversky, 1979]. This could be explained by the fact, that the negative and positive changes of income are experienced diversely. The same change in income when it is negative causes more ‘pain’ than the positive change cause ‘happiness’. In other words: The utility loss by negative change of one unit of income is smaller than utility gain caused by positive change.

The development of evolutionary psychology delivered some explanations towards the human behavior<sup>4</sup> [Wright, 2010; Buss, 2009]. This made clear that human motivation is not only oriented on survival or wealth for self, but as well for other persons related to this person (having a part of its gen). According to ‘Hamilton’s rule’, developed by Hamilton [1964], the tendency to show altruistic behavior is related proportionally to the level of relationship, expressed in the percentage of shared genetic code. It has been explored that the choices are determined by institutions, which gave basis to integration of institutional economics to neoclassical economics. As a consequence the new institutional economics

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<sup>4</sup> Without the necessity to enter into the subjective experiences of the human being, but remaining only by the sociological observation.

emerged [Coase, 1998]. Thanks to institutionalism the category of transactional costs is introduced, which prevent the individual in taking the optimal choice<sup>5</sup>. Many of modern heterodox schools applied into their research the institutional analysis (for instance the ecological, evolutionary, and feminist economics). Although they remained closer to the original thought of old institutionalists and haven't reduced the meaning of institutions to the potential costs.

The globalization influenced not only the change of world, but led to some relevant changes in the concept of human nature. The economists got aware of the fact that homo oeconomicus is not so culturally universal as economists used to think. In fact, it reflects only the western values ideals. To overcome these shortages of homo oeconomicus, the modern heterodox economics looks for greater cultural sensibility in its concepts of human nature.

Some of mentioned factors lead to only slight modifications of homo oeconomicus. Other are not yet adopted by the dominating paradigm as soon as their acceptance might cause the necessity of changing the paradigm<sup>6</sup>.

The following changes have a character of slight modification to the existing concept of human nature. They encompass institutional embedding of a person (institutional economics); risk avoidance, manifestation in taking suboptimal decisions (behavioral economics); change of needs within time, what requires an institutional and historical analysis; altruistic forms of behavior explained by egoistic motives and the growth of own utility and care in old age, children treated as an investment for old age (evolutionary, ecological, humanist, feminist economics).

More deep changes occurring in the concepts of human nature due to the mentioned factors, encompass following characteristics. One of such feature is assumption that people are interested in the wellbeing not only of themselves but of other people. For instance: evolutionary economics [Dopfer, 2001; Hodgson, 2007] or humanist economics [Lutz and Lux, 1979].

Other conviction is that gender and cultural setting matters. The motives and behavior of people are perceived as being dependent from gender (feminist economics). The masculine homo economicus is completed by introducing of a female view on human being by considering the 'gender' perspective [Strassmann, 1995].

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<sup>5</sup> This would be optimal if there have not been transactional costs, which are not maintained in the standard analysis.

<sup>6</sup> It is due to the fact, that they may possibly cause the necessity of changing the methodology or were not compatible at all with major concepts of the orthodox economics.

Moreover, it is assumed that fulfilling of needs does not enlarge the wellbeing neither of the individual nor of the society. The individual, in order to choose something what is good for him/her, needs some insight. This insight is not understood as the full information, but as the knowledge about this, what is good for the individual and what not, namely the character of the person [Tomer, 2011]. This is the case in the Buddhist [Payutto, 1994] and humanist economics [Lutz and Lux, 1979].

Finally, it is the conviction that neither the individual nor the society needs the permanent growth in production. This is because such a growth leads to overgrowth of the economic system over the ecological one and consequently the destruction of the ecological system, and therefore to the person, which depends on this system. The pressure on the growth in production is perceived a consequence of enlarging some illusory needs. Such argument is widely distributed within ecological economics [Daly and Farley, 2010], humanist [Lutz and Lux, 1979] and Buddhist economics [Payutto, 1994] refers here to wants.

## **2. The characteristic of the concept of human nature in the contemporary heterodox economics as a result of social real changes and changes in knowledge**

So, the changing environment creates a challenge for homo economicus. He is expected to adapt to another environment as he was meant for (time of the industrial revolution, relative simple social structure, etc.). Homo oeconomicus was an outcome of the times of industrial revolution, when it was born. But it is a too simplified model for the current postindustrial society.

Due to these discussed changes in the social and economic environment, the modern heterodox economists, exhibit some deep changes in the understanding of concept of human nature and in the worldview. These changes are presented in the table below (Table 1).

The changes encompass the critics of the concept of rationality as it is understood in homo oeconomicus, and its replacement by the bounded concept of rationality, which is understood within each of concept slightly differently. Moreover, the new concepts pay greater attention to the role of external factors impacting on the behavior of the individual, most of all of other people, society, and culture. Many of them consider the differentiation between wants and needs in place of preferences and introduce the hierarchy of needs. Last but not least, the new concepts of human nature reflect the role of nature in human behavior and its motives.

**Table 1.** The concept of human nature in the contemporary heterodox economics as a result of social real changes and changes in knowledge

Specification	Individual world	Social world and worldview
1	2	3
Behavioral	<ul style="list-style-type: none"> <li>• The critics of rationality – bounded rationality</li> <li>• Emotional and rational nature of human being</li> <li>• Behavior depends not on the subject of choice but on external factors as well (framing) and internal (personality, aversion to risk)</li> <li>• The role of diverse emotions (among them risk aversion)</li> </ul>	<ul style="list-style-type: none"> <li>• The relation between people base on reciprocity (fairness)</li> </ul>
Feminist	<ul style="list-style-type: none"> <li>• There are two aspect of human being – feminine and masculine</li> <li>• People polarize diverse behavior styles according to gender: rational-emotional, autonomous-dependent, egoistic-altruistic, rational choice – intuitive, preferences – needs</li> <li>• In fact, people are motivated both by ‘female’ and ‘masculine’ motives – necessity to overcome this bias</li> </ul>	<ul style="list-style-type: none"> <li>• The ‘female’ and ‘male’ world are complementary and build together the complex world</li> <li>• The economy should be part of the society and its values</li> <li>• The individual is embedded socially</li> <li>• The relation of humans toward nature, impacts and reflects the social structure</li> </ul>
Humanist	<ul style="list-style-type: none"> <li>• People are oriented on realization of higher needs (not: wants)</li> <li>• People consider in their decisions both self-interest and social interest, so they tend to behave pro-socially and altruistic</li> <li>• People are motivated by both lower and higher needs</li> <li>• Human needs are structured, and on the top there are non-material, and long-life needs</li> <li>• People aim towards self-realization and transcendence</li> </ul>	<ul style="list-style-type: none"> <li>• The human is in the centre of the world, the world is a reflection of him/her</li> <li>• The environment is changing (evolution of the society and culture),</li> <li>• The local community plays an important role</li> <li>• The harmony within society (even if it reduce economic growth), the economics and society shall support human development</li> </ul>
Ecological	<ul style="list-style-type: none"> <li>• The model of man integrates not only homo oeconomicus but as well homo reciprocans and homo communicus</li> <li>• People aim for happiness and well-being, which contains material and non-material elements</li> <li>• People are motivated not only by procedural utility, but by not possessive as well</li> <li>• The human rationality is bounded</li> <li>• Happiness depends as well on the interior factors</li> </ul>	<ul style="list-style-type: none"> <li>• Economic system is part of social-cultural and this of ecological system</li> <li>• The world system is a closed one, therefore the economic system has to respect the boarders put on by the social and ecological system</li> <li>• Biophysical foundations of the economics</li> <li>• The relation between people base both on competition and cooperation</li> </ul>

**Table 1 cont.**

1	2	3
Evolutionary	<ul style="list-style-type: none"> <li>• The rationality is bounded because there are limits in transforming of impulses</li> <li>• There are rules guiding behavior</li> <li>• People aren't optimizers but satisfiers</li> <li>• The needs are limited, but the knowledge not</li> <li>• People try to adjust to the changing environment</li> <li>• The knowledge makes such adaptation more effective</li> <li>• The fundamental human motivation is surviving, which is possible due to accumulation of knowledge. This means for the society the growth of knowledge</li> </ul>	<ul style="list-style-type: none"> <li>• The knowledge and its transfer with the help of institutions, technology and products is a key element in understanding of the world</li> <li>• The process of learning and selection of less effective subjects leads to the multiplying of the knowledge</li> <li>• People are in relation to other both egoistic and altruistic</li> </ul>

Source: Based on: Horodecka [2015a; 2015b; 2015c; 2016].

## Conclusion

Actual changes in the society, which encompass changes in the available knowledge, globalization processes, philosophical views, lead to the necessary adjustments of the concept of human nature. This paper discusses various factors contributing to the changes of the modern economic man and their results – new characteristics of the concept of human nature within heterodox economics.

Homo oeconomicus, who was developed in different social, cultural, and economic context, doesn't seem to meet the actual challenges of the changing environment. So, the modern heterodox economics criticize homo oeconomicus for no paying regard to actual empirical knowledge, not paying enough attention to the role and character of knowledge and information in human life, treating society as simple sum of individuals, and not as a net of processes, which are interconnected one with each other.

As result of this critics toward homo oeconomicus and regarding current social and economic changes, the concept of human nature in the contemporary heterodox economics (like evolutionary, ecological, humanistic, feminist and behavioral economics) takes a diverse form comparing to homo oeconomicus. The human is perceived in relations to other people, as someone in whose life not only egoistic but altruistic motives count. He/she is someone, in whose life both education and knowledge play crucial role. Moreover, it's assumed that the individual is culturally embedded (in all mentioned directions of heterodox economics).

We can ask, whether these diverse factors, which contribute to changes of human nature, result in one particular or diverse concepts of human nature. Probably the second answer is closer to the reality, although it's not the scope of this paper to provide answer to this question. However, there are some common characteristics of these various concepts, like ethical dimension, which recognize the meaning of the role of social, cultural and ecological environment in shaping the person<sup>7</sup>. Therefore, ethical concept of human nature may be one possible answer to the requirements of our times. Such a concept corresponds with the requirement of the complexity and refers to all dimensions of human being. Ethical concept is not so narrow as religious one, and could be a common platform for many religions, it is a source of values and goals. The ethical approach is one which bases of virtues, self-control, orientation. So it covers the mentioned topics of altruism, role of character, which allows for choosing goods, which could help us to be happier, orientation on fairness, sensibility towards the nature, concern about wellbeing of others. The chance of adaptation of such a concept of human nature is growing, as soon as moral values and sensibility to questions of justice and responsibility for other and nature find more and more their way into the contemporary discourse.

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<sup>7</sup> Other possibility would be homo sustinens [Siebenhüner, 2001a]. The sustainability contains as well many common issues, discussed within the current modern heterodox thought.



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#### ZMIANA KONCEPCJI CZŁOWIEKA W EKONOMII JAKO EFEKT ODDZIAŁYWANIA TRENDÓW SPOŁECZNYCH I EKONOMICZNYCH

**Streszczenie:** Celem artykułu jest pokazanie, że zmiany dokonujące się w koncepcji człowieka w nowoczesnej heterodoksji ekonomicznej są efektem ewolucji trendów społecznych odpowiedzialnych za zmiany sposobu rozumienia świata. Wirtualizacja życia zwiększa wrażliwość na człowieka i jego środowisko. Ułatwiony kontakt z innymi kulturami, religiami oraz wyczulenie na istniejącą niesprawiedliwość społeczną są niektórymi z przyczyn zmian w wizji świata. Są one powiązane ze zmianami w rozumieniu podmiotu gospodarującego w teoriach ekonomicznych. Ma to wpływ na sposób postrzegania podmiotu gospodarującego w obrębie wybranych szkół nowoczesnej heterodoksji ekonomicznej: ekonomii ekologicznej, ewolucyjnej, humanistycznej, feministycznej i behawioralnej.

**Słowa kluczowe:** koncepcje natury ludzkiej; trendy społeczne, antropologia ekonomiczna, ekonomia heterodoksyjna, psychologia ekonomiczna.