

# FROM *HOMO ECONOMICUS* TO *PERSON OF ACTION*

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*One* of the central pillars of orthodox economics is the manner in which it represents the economic agent. Orthodox economics has embraced *homo economicus* for a very long time. I too embraced it for many years after taking my very first course in economics as an undergraduate student in the late 1950s.

Little by little, over the next 30 years I began to question whether *homo economicus* truly represented the way in which various economic agents such as buyers and sellers, employers and employees, bankers and borrowers actually interact day-to-day in the real world. That led in 1994 to my using *homo socio-economicus* as a replacement for *homo economicus* (cf. O'Boyle 1994a).

Starting with his *Laborem Exercens* in 1979 I found the writings of John Paul II most instructive on economic affairs. After several years I acquired a copy of an English-language translation of his doctoral dissertation *The Acting Person* and was persuaded that it was an even better representation of my own thinking about the economic agent. The *acting person* replaced *homo socio-economicus*.

I used *acting person* for several years until suddenly I realized that the translator had used *acting* inappropriately because in English *acting* refers to a person who is filling a position on an interim basis, such as *acting* manager or *acting* chief executive officer, until a person is found to fill it on a permanent basis. I have used *person of action* without misgivings ever since.

In the following I explore my journey from *homo economicus* to *person of action* with the conviction that properly understanding and representing the economic agent is critical to how economists ought to think about economic affairs. Both representations of the economic agent are addressed below in detail, along with *homo socio-economicus*. Because the *acting person* replaced *homo socio-economicus* with no change in the nature or behavior of the economic agent the *acting person* is not addressed separately in the following.

Sections I and II derive from "The Origins of *Homo Economicus*" (O'Boyle 2009). Section III draws much from "Requiem for *Homo Economicus*" (O'Boyle 2007). In Section IV we rely on "*Homo Socio-Economicus*: Foundational to Social Economics and the Social

Economy” (O’Boyle 1994a) and “Requiem for *Homo Economicus*”.

This paper is not intended for publication. It is a working paper that in effect consolidates those three publications into one.

## I. *HOMO ECONOMICUS*

In orthodox economics, *homo economicus* is capable of acquiring or losing human capital and social capital but in terms of behavior remains essentially unchanged and predictable. *Homo economicus* is a machine that maximizes personal net advantage. Orthodox economics concedes that at times *homo economicus* acts altruistically, in accordance with the needs and desires of others, and reconciles this kind of behavior with the self-centeredness of *homo economicus* by labeling it “enlightened self-interest.”

*Homo economicus* is never-changing because the (over-) simplifying proposition of self-interested behavior assures predictability in economic affairs and in turn empirical findings from economic analysis about which there is greater (apparent) certainty. The economic agent of orthodox economics knows only “I / me / mine.”

*Homo economicus* is neither virtuous nor vicious, never hesitant or uncertain. Smith’s *Moral Sentiments* notwithstanding, never benevolent, generous, or sympathetic. Most importantly, orthodox economics asserts that in the end *homo economicus* maximizes utility and profit and the economy functions best when it reaches Pareto optimality where no one can be made better off without making someone else worse off. For *homo economicus* the good invariably consists in *having more*.

Three articles in the September 2000 *Journal of Economic Perspectives* call attention to a two-part question regarding the economic agent which from the very beginning economics has answered by taking hold of one part and setting aside the other. Does human sociality play a role in economic behavior or is it strictly human individuality that is the proper domain of economic science? Smith’s *Wealth of Nations* (1976a) embraces human individuality while his *Theory of Moral Sentiments* (1976b) opts for human sociality.

Fehr and Gächter frame the issue as follows:

We believe that for important questions in these areas [such as labor market interactions, public goods, and social norms] progress will not come from additional tweaking of a pure self-interest model, but rather from recognizing that a sizable proportion of economic actors act on considerations of reciprocity (Fehr and Gächter 2000, p.178).

Ostrom too focuses on the self-interested agent.

It is possible that past policy initiatives to encourage collective action that were based primarily on externally changing payoff structures for rational egoists may have been misdirected -- and perhaps even crowded out the formation of social norms [such as reciprocity, trust, and fairness] that might have enhanced cooperative behavior in their own way (Ostrom 2000, p.154).

Manski (2000, p.132) presents the issue in terms of the core concepts of preferences, expectations, constraints, and equilibrium.

The placement of these articles in the same issue, along with Joseph Stiglitz's (2002, p.488) observation in his 2001 Nobel lecture that "the economists' traditional model of the individual is too narrow," indicates that all is not right with *homo economicus*.

## II. ORIGINS OF *HOMO ECONOMICUS*

Searching for the origins of *homo economicus* is similar to the experience of the archaeologist. One never knows beforehand where the next dig will lead and what tiny piece of evidence may be all important in fixing the origins of this concept that is used so widely in teaching the economic way of thinking.

We began our search for the origins of *homo economicus* in 2001 by asking several colleagues to suggest sources that we might search. We were startled to learn that no one knew for sure where the expression originated. They did, however, suggest numerous sources and leads all of which we pursued but to no avail.

We soon realized that we were not digging alone, though at times it has seemed so. Others have been interested at least in the archeological sense that they regard *homo economicus* as a creature of the past, one that needs a fitting burial service and final resting place. For example, *homo economicus* has been constituted to embrace reason but not faith, philosophy but not theology, self-indulgence but not self-denial, thereby eliminating the messy problem of reconciling the radical tension between such opposites that enter into everyday human events including economic affairs.

Our search of the literature uncovered these replacements for *homo economicus*: *homo reciprocans* (Gintis and Orr no date, p.2), *homo politicus* (Nyborg 2000, p.306; Carruthers 1994, pp.165-194), *homo sociologicus* (Hirsch, Michaels, and Friedman 1990, pp.39-56; Weale 1992, pp.62-72), *homo socio-economicus* (Nitsch 1982, pp.20-49; Nitsch 1983, pp.16-18; Lindenberg 1990, pp.727-748; O'Boyle 1994a, pp.287-288), *homo hobbesianus* and *homo darwinianus* (Wiker 2009, not paginated), *homo orthodox* (Dinello 1998, not paginated), *neo-homo economicus* and *paleo-homo economicus* (Doucouliagos 1994, pp.1-5; Pearson 2000, pp.933-989), *homo erroneous* and *homo gustibus* (Pearson 2000, pp.933-989), *homo sovieticus* (Josef Tischner),<sup>1</sup> *homo heroicus* (Drucker 1939, p.137), and *homo sapiens* (Thaler 2000, pp.133-141). There have been as well a few attempts to re-make *rational economic man* such as Jensen's *socio-cultural person* (1987, pp.1039-1073) and, citing Pareto, Aspers' *moral man* and *religious man* (Aspers 2001, no page number).

As we continued to dig, we encountered some confusion regarding the origins of *homo economicus*. Sheasby (no date, p.2), for instance, attributes the expression to Adolph Löwe's *Economics and Sociology* (1935). With Zabieglík (2002, pp.3-4) concurring, Persky

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<sup>1</sup> See Goldfarb (1994, p.1), Halik (no date, p.4), and Alakbarov (2002, p.2).

(1995, p.222) identifies the term as originating with Vilfredo Pareto's *Manual* (1906) though he openly admits that he had not completed a thorough search of sources in Europe. Pareto<sup>2</sup> himself ascribes it to Vito Volterra (1901, pp.436-458).

To date, we have clearly identified Maffeo Pantaleoni's *Principii di Economia Pura* (1889)<sup>3</sup> as the earliest use of *homo economicus* in print. We also discovered use of *oeconomicus* alone in Karl Rau's *Grundsätze Volkswirtschaftslehre* (1847, p.1826) suggesting that perhaps the full expression originated in the German-language economics literature well before Pantaleoni's use. It is well-known that Xenophon's Socratic dialogue on household management [*οἰκονομικός λόγος*] centuries later was translated by Cicero into the Latin *oeconomicus* (Botley 2004, p.9).

In a private exchange of correspondence a colleague who has addressed the meaning of *homo economicus* extensively in the German-language economics literature volunteered that indeed it might be traced to an early or mid-19<sup>th</sup> century German economist who initiated its use in order to add more weight to the underlying concept. We were unsuccessful in finding *homo economicus* in the published works of Carl Menger, though our digging through his work and others published in German cannot be taken as definitive because we do not speak or read that language. That part of this archaeological venture is best left to those with the necessary German-language tools.

### III. CATHOLIC SOCIAL ECONOMICS

The call to move past *homo economicus* was heard much earlier outside orthodox economics. Writing in the early 20<sup>th</sup> century, Pesch clearly articulates the root of the problem.

When individualistic doctrine proclaims the proposition that each person knows his own interest better than an unkind and uncaring government, and that the interest of one is the interest of all, we must be careful not to see in that only a fallacy. Without a doubt, *the interest of the individual is the interest of all insofar as it is also held in bound by the interest of all.*

The fallacy of the individualist conception lies in the fact that, instead of assigning the guidance of the endeavors which serve one's own "best understood" self-interest to a well-ordered self-love, it entrusted this instead to the instinctive self-love that operates like a passion, in blind reliance on the "natural" goodness of man, and on the "natural order" as perceived by individualistic-rationalistic natural law theory; or it expected the right "selection" and progress to come from the unrestrained, competitive struggle.

For the masses of the people, however, self-love and one's own interest – if the state and the national and the economy are not to be destroyed – must find their effective restraints in the moral law, in that law which *justice* and *charity* call for, and which

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<sup>2</sup> In English text (Pareto 1971, p.12); in Italian text (Pareto 1906, p.14).

<sup>3</sup> Pantaleoni (1889) used it on pages 11, 30-31, 53, 58, 67, 68, 106-107, and 120. However, he was not an enthusiastic advocate of *homo economicus* (see Bellanca 1997:117-118).

establishes the *moral sense of obligation* and *social responsibility*. This applies all the more so at a time when the immense complexity of the economic process, with its highly developed intensity of division of labor, specialization, combination, and its millions and millions of convoluted relationships, etc, makes persons dependent of one another to a degree which past ages could not begin to imagine (Pesch 2002, p.29; emphasis in the original).

Pesch set forth a new way of thinking about economic affairs that he called Christian Solidarism and in which he proposed *solidarist man* who incorporates the social dimension to human nature that is missing in *homo economicus*. To our knowledge Pesch never latinized this different conceptualization of the economic agent. However, in contrast to Thaler and Stiglitz, he embraced the scholasticism of Thomas Aquinas and applied it to modern economic affairs unlike anyone before or since. Though Pesch's body of work is truly impressive, it never won favor except among a small circle of Catholic social economists in Germany in the early 1900s and in America in the mid-1900s.

Walker was one of those Catholic social economists. Some 50 years ago he argues that the economic agent has evolved from the *accumulator* of wealth, a concept that was widely embraced until well into the 20<sup>th</sup> century, to the *allocator* of economic means between various material ends in order to enhance his/her own well-being. The allocator concept was introduced by Robbins and is dominant within orthodox economics. Though clearly different, these two concepts are alike in that both are based on an inward-directed economic agent. Both underscore human individuality. Walker points to two other concepts neither of which has replaced the allocator concept: the *supporter* of socially endorsed ethical standards; and the *co-operator* in provisioning human material/cultural wants and needs. Both are alike in that they are based on an outward-directed economic agent. Both emphasize human sociality (Walker 1955, pp.69-77).

By confining economic agency to the role of the allocator whose behavior is strictly optimizing orthodox economics is able to simplify economic analysis and to achieve the appearance of greater certainty in its findings. By including all four roles -- allocator, accumulator, supporter, and co-operator – a new economics encompasses a wider range of fundamental human action in economic affairs in which humans from time to time switch from one role to another role, sometimes acting in accord with one role only, and at times in keeping with two or more roles as their own personal circumstances dictate. Human beings are complex creatures, often torn between the demands placed on them by these different roles, and therefore not always able to act as optimizing allocators. By making the economic agent more complex, the new economics renders economic analysis more problematical, calling for more hands-on experience in the details of the specific economic affairs under investigation and leading to less certainty regarding specific empirical findings.

Pesch and Walker were not alone in voicing their concern about the adequacy of the orthodox conceptualization of the economic agent. Other Catholic social economists found an important outlet in the *Review of Social Economy*. Using an analogy to the construction of a house, Dirksen points in a very general way to the philosophy that for two centuries supplied the underpinnings for *homo economicus*.

The special role of the Catholic economist is, first, to lay [the] foundation, and then, secondly, to align the various segments of the economic structure in accordance with it. He is a builder who wishes to follow the architectural plans of a sound philosophy. . .

... every economist accepts certain basic characteristics of human nature which is nothing else than accepting a certain philosophy of man. Whether he accepts one set of characteristics or another doesn't matter; he is dependent upon some kind of philosophy of man. . . .

No one will deny that the dominant social philosophy of the past two hundred years has been a liberalistic, atomistic, materialistic concept of social organization (Dirksen 1946, pp.15, 19).

Boulding (1954, pp.6-7) asserts that the type of personality that emerges from market behavior and market institutions is devoid of the "richness of full human relationship," and insists that economic man is more than the sum of certain minor virtues and vices such as honesty, thriftiness, industriousness, niggardliness, parsimoniousness, and chicanery. Because he misses the "Great Virtue" of love, economic man is less than the more fully human person who yearns for "the Divine, the heroic, the sanctified and the uneconomic."

Baerwald (1954, p.13) too finds something seriously amiss with economic man in that human desires extend "beyond the satisfaction of materials wants," encompassing the need to belong and the need for workplace opportunities to apply one's creative talents and energies.

Briefs holds a similar position that centers economic agency around the person instead of the individual.

Man as a person lived in communal structures that nurtured and elevated his personhood. As a person, therefore, man is irreplaceable and thus more than a mere individual (Briefs 1983, p.233).

While acknowledging his special indebtedness to Mounier, Danner in the early 1980s traces personalism to Socrates, Aristotle, Augustine, Aquinas, Descartes, Kant, and others, (Danner 1982, pp.178-181). Perhaps no one at that time understood the economic agent as person better than Danner who 20 years later set forth his ideas and arguments in detail in *The Economic Person*.

Four other articles were published in the *Review* that focused on the person of the worker, the manager, the businessman, and the entrepreneur. Dempsey's indictment of American society relates not so much to what depersonalization does to human beings that keeps them from realizing their full potential, but to what it does not do to help every human being become more fully a human person. While admitting that "discuss[ing] the Worker as Person is not easy" Dempsey asserts that "if we are to be realistic in America we must discuss the person working" (Dempsey 1954, pp.21-23).

In his article on the manager as a person, Hayes represents the manager as more than just a self-interested individual. The manager as a person is mindful of the dignity of others

with a deep concern for the health and welfare of his workers ..., develop[s] insofar as his efforts will permit the talents of those who are responsible to him ... and [is committed] to reasonably continuous employment once a person is placed on the payroll (Hayes1954, pp.38-47).

Whatever the enterprise might ask of him/her, the busy manager as a person retains certain rights including the right to marry and to a family life and the right to know how well he/she is performing as a manager, and embodies such personal characteristics as “integrity, fairness, ability to inspire, teach and develop.”

Froehlich calls attention to two theories of the firm that he refers to as (1) organizational analysis and (2) decision-making under conditions of uncertainty in which he speculates that the businessman is represented as a person

... more fully open to all kinds of moral, pseudo-moral, traditional and other influences, and more fully a human being than the pale figure traditional theory has let us surmise (Froehlich 1966, pp.129-130).

O’Boyle (1994b, p.335) represents the person of the entrepreneur as a fusion of individuality and sociality, of masculinity and femininity. As to individuality, the entrepreneur is a human being with a need to utilize his/her own unique creative talents through competition. As to sociality, the entrepreneur has a need to belong that is expressed through cooperation. The entrepreneur with a predominantly masculine personality likely is more successful in the competitive milieu of the marketplace. The entrepreneur with a largely feminine personality likely is more successful in the cooperative environment of the workplace.

Over the years, other contributors to the *Review* have addressed the issue as to what it means to be a human being. Hunt in 1978 and Wible in 1984 in particular come to mind because they were selected for authoring two of the twelve best articles published in the *Review* during the first 55 years (1944-1999) that it has been published.

#### IV. HOMO SOCIO-ECONOMICUS/ACTING PERSON AND HUMAN COMMUNICATION

Ong (cf.1967) is the one who reveals the connecting linkage between human communication and philosophy from which we argue that the individualism which originated in the 17<sup>th</sup> and 18<sup>th</sup> centuries and gave us the individual, *homo economicus*, as the basic unit of economic analysis is giving way to personalism which emerged in the 20<sup>th</sup> century and gives us instead the person, *homo socio-economicus/acting person*.

Human communication has passed through three distinct stages: the oral stage, the script stage, and the electronic stage. In the oral stage, communication was strictly face to face thereby drawing humans closer together and requiring economic agents to interact face to face. Their sociality as human beings was underscored in this stage. In the script stage,

especially after the invention of the printing press, interaction between economic agents could occur at great distances over an extended period of time without their ever meeting face to face. Their individuality as humans was accentuated in this stage while their sociality was subdued because they had to be more self-reliant in economic affairs. In the electronic stage which was launched by the invention of the telegraph economic agents interact over very long distances but in a very short period of time, in effect making them more other-reliant in day-to-day economic affairs without suppressing their individuality. The economic agent in the electronic stage is both an individual being and a social being, no longer just an individual but a person. Ong asserts that personalism emerged in the electronic stage.

This principle follows: where powerful means of human communication are inexpensive and readily available, reliance on others in economic affairs is inevitable.

*Homo economicus* is the creature born from the individualism of the script stage. *Homo socio-economicus/acting person* is the new human being conceived by the personalism that emerged in the electronic stage. There is no holding on to *homo economicus* with confidence unless one is prepared to deny the influence of the telegraph, telephone, radio, television, fax, e-mail, and internet. Probably without fully appreciating his own insight, Marshall (1948, p.25, p.685) confirms human communication as the driving force behind the evolutionary process that compels us to call for retiring *homo economicus*.

In the following we compare and contrast script-stage *homo economicus* who is totally an individual human being and electronic-stage *homo socio-economicus/acting person* who is a fusion of individuality and sociality along two centrally important economic activities: consumption and work.

#### *The Consumer.*

Characterized as *homo economicus*, the consumer is unique, solitary, autonomous, self-centered, and self-made, traits that accent the consumer's individuality. Self-centered and self-made consumers purchase goods and services for their own use without necessarily becoming selfish unless moderation has been entirely cast aside.

The consumer behaves predictably in ways that are described as utility-maximizing, privacy-protecting, and commodity-acquiring. In American culture acquiring and accumulating goods are perceived as signs of success. As *homo economicus* the consumer is free to choose whatever he/she is able to afford, makes those choices informed strictly by reason for the purpose of satisfying some want, and takes into account not only experiences in the past but also hopes and plans for the future. Comparisons are intra-personal or inward-looking, wherein consumers evaluate their own needs and wants over time without any regard for others.

However, there is more to the consumer than orthodox economics allows. Characterized as *homo socio-economicus/acting person*, the consumer is a social being as well as an individual being, and as such is both unique and alike, solitary and communal, autonomous and dependent, self-centered and other-centered, self-made and culture bound.

The consumer behaves in ways that are described as at once utility-maximizing and utility-satisficing, privacy-protecting and company-seeking, and commodity-acquiring and gift-giving. At times, a person will take less in terms of the maximum utility available at the moment so that a friend might have more. Or both may decide to share what they have, each one taking less than the maximum available if he/she were to exclude the other, in order that the other might have more, thereby affirming and strengthening their friendship.

As *homo socio-economicus/acting person* the consumer is free to choose whatever he/she is able to afford, but is morally accountable for the choices made, makes those choices informed by reason and emotion, both by mind and heart, for the purpose of satisfying a want or meeting a need. Fear drives some consumer choices, as at times with handguns and security systems. Some persons who are known as compulsive consumers are addicted to shopping. Their choices are not rationally determined, nor are they freely made. *Homo socio-economicus/acting person* is hindsighted and foresighted as when parents have to reduce their current consumption for years in order to set aside sufficient funds for their children's education.

Human individuality prompts the consumer to make comparisons that are intra-personal, but his/her human sociality encourages regard for others. Here as well our language informs us about the consumer whose behavior reflects human sociality. The free-rider or deadbeat is a person with little sociality. The caring neighbor and the philanthropist are consumers with much sociality.

Because humans are at once individual creatures and social creatures, conflict is a regular element in human affairs. Thus, consumers often are called on to resolve conflicts between self and someone else as, for example, between the teenager who wants a car and the parents who have to pay insurance on that car but really want to upgrade to a digital television. By recognizing the issue of conflict resolution in consumer choice, it follows that the behavior of *homo socio-economicus/acting person* is more difficult to predict than the conduct of *homo economicus* who encounters no such conflicts. Thus orthodox economists are reluctant to put aside *homo economicus* even in the face of overwhelming evidence that economic man no longer accurately represents the economic agent in a global economy that relies importantly on electronic communication.

Humans need more than the goods and services required for physical well-being. The human spirit seeks goodness, truth, and beauty in various forms such as music, art, and literature. One cannot experience goodness, truth, and beauty without purchasing certain goods and services such as airline tickets, hotel accommodations, restaurant meals, and thus an important dimension of consumption is to meet the needs of the human spirit.

It could be argued that *homo economicus* addresses the needs of the spirit through leisure activities. However, orthodox economics assigns leisure a negative formulation -- time spent not working -- and in that sense skirts the issue of those kinds of needs. An economics that defines the economic agent in terms of the person rather than the individual gives leisure a positive formulation -- time spent in activities that meet the needs of the spirit -- and

thereby construes leisure as influencing personal development.

*The Worker.*

Work has effects on the goods and services produced and the person who performs the work. The worker is two-dimensional, at once an individual being and a social being, capable of competing with co-workers and cooperating with them. Moreover, the worker is a real, living, breathing person engaged in economic affairs and not merely a resource to be used in the production process. The worker has dignity well beyond and apart from the instrumental value that attaches to his/her contribution to production.

Humans work to be able to purchase the goods and services that meet needs and wants both of which originate in the human body. The amount of income earned through work depends in principle on the significance of the worker's total contribution to the production of goods and services. Thus, earnings are linked to the first main effect of work, and therefore are an implicit affirmation of the principle of private property which asserts the simple truth that whatever is produced belongs to the person who produces it.

Humans also work to meet the need for work as such that originates in the human spirit. The need for work as such is linked to the second main effect of work and is two-dimensional conforming to the duality of human nature.

Because he/she is an individual, the worker has a need for work that provides on-the-job opportunities for the utilization of his/her own special gifts and talents. This is done by incorporating into the worker's job description specific tasks that require the use of those gifts and talents.

Because he/she is social in nature, the worker has a need for a job that makes him/her a partner in the work being done by the company that employs him/her. A real sense of belonging follows when the employer makes an effective effort to integrate the worker into the organization such that whenever the worker is absent he/she is genuinely missed by others who work there. The worker's need for acceptance and inclusion is underscored here.

Work is an opportunity for *homo socio-economicus/acting person* to develop more fully as a person by (1) meeting the need for self-expression through his/her own individual contributions, and (2) meeting the need to belong through the formation of integrated and inclusive teams in the workplace. Self-expression proceeds from and enhances the individual contribution of the worker that flows from authentic self-interest which is necessary for human survival. Belonging proceeds from and enhances teamwork that flows from caring for others that is rooted in a person's ability to sense or be aware of the needs of others.

Whether we are talking about consumption, leisure, or work, *homo economicus* and *homo socio-economicus/acting person* differ in two critical ways. First, *homo economicus* is strictly an individual human being; *homo socio-economicus/acting person* is at once an individual being and a social being. Second, *homo economicus* is an embodied creature;

*homo socio-economicus/acting person* is both body and spirit who more properly is characterized as an embodied spirit.

The never-changing *homo economicus* traces back to the very origins of economics as a separate discipline and today is taught and accepted widely across economics, often with no effort to examine and reflect on its meaning, and reinforces the grip this concept has on those who teach and those who are taught the economic way of thinking. Breaking that grip by substituting *homo socio-economicus/acting person* for *homo economicus* in effect brings the basic unit of economic analysis out of the individualism of the 17<sup>th</sup> and 18<sup>th</sup> centuries into the personalism of the 20<sup>th</sup> and 21<sup>st</sup> centuries.

## V. PERSON OF ACTION

We re-named the economic agent *person of action* for two reasons. First, the literature has become cluttered with similar terms such as *homo reciprocans*, *homo politicus*, *homo sociologicus*, *homo hobbesianus*, *homo darwinianus* that by and large orthodox economics has not taken seriously. Using *person of action* and linking it to the philosophy of personalism avoid the problem of being thrown together with those terms and then being thrown out with them. Second, *person of action* connects economic agency to human action in economic affairs who in acting virtuously accumulates what we call personalist capital, and thereby is more effective and more highly valued or in acting viciously squanders personalist capital and is less effective and less highly valued.

The *person of action* is ever-changing in the sense that the economic agent of personalist economics is a living, breathing existential actuality, a *person of action*, a creature with an individual dimension no less than a social dimension whose nature is illuminated by the philosophy of personalism, a divided self who often must resolve conflicts that arise between his/her individuality and sociality in order to restore his/her undividedness. The *person of action* knows both “I / me / mine” and “we / us / ours”. Thus constructed, the *person of action* can be virtuous, vicious, or both at different times, and at times conflicted, confused, hesitant, or uncertain.

Orthodox economics draws attention to the cost of what *homo economicus* cannot do or have when he/she makes a decision even in those instances where the agent is not explicitly aware of that cost. Opportunity cost for the producer is grounded in the premise that what is foregone is feasible and profitable. For the consumer it is grounded in the premise that what is foregone is available and desired.

A few heterodox economists would like to add the secular virtue of caring to their way of thinking about economic affairs. Their efforts fall short because (1) exchange triggered by caring involves need fulfillment not want satisfaction, and (2) economic gain applies only to the needy person. The caring person does not realize or even desire economic gain. Instead the generous person has an enhancement of personalist capital because caring is a good habit that rises above the demands of justice. The uncaring person with ample resources who walks past a person in need experiences an erosion of character and a depletion of personalist capital because callousness is a bad habit.

Opportunity cost does not apply to caring or Christian charity because both involve persons who are interacting with no expectation of reciprocity. For sure, the service or material thing freely offered and graciously received has economic value. However, for the person who receives those gifts nothing is foregone. The person who is prompted by caring or Christian charity appears to be giving up something of value without getting anything of value in return. But that person does experience something of value in return: enhanced personalist capital. In like manner, the firm that actively engages in caring or Christian charity acquires or adds to the valued asset goodwill.

*Homo economicus* necessarily is wedded to opportunity cost. *Person of action* is not.

### FINAL WORDS

The *person of action* is a living, breathing, existential actuality who actively engages in economic affairs and is best represented by Schumpeter's entrepreneur. Orthodox economics rests solidly on the premise of *homo economicus* as the basic unit of the economic decision-making who is governed by the law of nature and acts in a rational, self-interested manner. The common good is achieved by each economic agent pursuing his/her own self-interest by means of self-regulating impersonal forces of the market, the invisible hand.

The distinction between the individual and the person is directly traced to the advancement of human communication from the script stage of classical economics to the electronic stage of contemporary economics that has profoundly changed human awareness of others and of self. Humans are not the *never-changing*, static, and predictable individuals of orthodox economics, no different today than they were in the script stage of human communication. They are the *ever-changing*, dynamic, and unpredictable persons of personalist economics who inevitably change as they interact with others in an age of nearly instantaneous communication.

As the basic unit of economic affairs, personalist economics sees the person who is both individual and social, both matter and spirit. At times, humans act according to the premises of orthodox economics. At other times they act in ways that are emotional, other-centered, and utility-satisficing. The common good is achieved by means of the visible hand of humans acting collectively and, in accordance with the principle of subsidiarity, preferentially through private organizations versus public agencies.

The passive nature of *homo economicus* means that his/her development cannot change anymore than a machine can decide to change. The dynamic nature of the *person of action* means that his/her development unfolds over time as he/she acts in a virtuous or vicious manner. The *person of action* does not possess virtues or vices; he/she becomes a more virtuous or vicious human being, thereby enhancing or diminishing him/herself as a person. In personalist economics maximizing personal net advantage is not the final objective, human perfection is. On the matter of human perfection as the final objective of the economy both Dempsey (1958, p.57) and Divine (c.1960, chapter 33, p.4) agree.

By denying human sociality, orthodox economics has constructed an economic agent that is a distortion of human nature. Personalist economics argues forcefully that humans sometimes live in harmony, sometimes at odds, requiring a reconciliation of deeply personal conflicts such as between work and family, spending and saving. The *person of action* incorporates the sociality of human nature even at the expense of some determinateness in economic analysis because good science begins with the right constructs. Constructing economic agency around the dynamic *person of action* rather than the passive *homo economicus* makes for a microeconomics based on human individuality and a macroeconomics based on human sociality and indicates the direction to finally create a unified body of economic theory.

Personalist economics reflects positively on both *Wealth of Nations* that emphasizes human individuality and *Moral Sentiments* that calls attention to human sociality. Taken together these two complementary masterpieces are compelling reasons for reconstructing economics around *person of action* as the basic unit of economic analysis.

Personalist economics views economic development as based on creative destruction plus Schumpeter's other insights regarding development: creative vision, funding, access to resources, dynamic competition, and resistance to entrepreneurial change. Waters (1988, p.123) adds two other factors: the natural working together of labor, management, and government, and the cooperation of workers, managers, and owners in the workplace. At the very heart of economic affairs and therefore economic development is the entrepreneur, the agent of change, the quintessential *person of action*.

The *person of action* maximizes personalist capital that incorporates such practical virtues as justice, courage, moderation, and prudence into the very nature of the *person of action*. Human capital, social capital, and enlightened self-interest notwithstanding, orthodox economics regards *homo economicus* as never-changing because that simplifying proposition assures a predictability of behavior in economic affairs and a certainty regarding empirical findings that fit comfortably in the view of economics as a hard science.

*Person of action* emphasizes personhood and personalism in place of the individuality and individualism of *homo economicus*. The *person of action* directs attention to the economic agent as one who is dynamically engages in economic affairs rather than an individual who like a machine passively maximizes personal net advantage, to *what* the economic agent does rather than *where* the agent is embedded, to *how* the economic agent conducts economic affairs either by embracing virtue and avoiding vice or by computing costs and benefits. *Person of action* connects economic agency to work, consumption, and leisure that change the economic agent who accumulates or depletes personalist capital, and thereby is more or less effective and more or less highly valued. The *person of action* is ever-changing.

Maximizing utility and profit is based on the proposition that the good invariably consists in *having* more. Maximizing personalist capital rests on the proposition that the good always inheres in *being* more.

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