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HOMO ECONOMICUS: **PART HUMAN, PART MACHINE**

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William Waters identified Schumpeter as

“... the great man who restored the human person as the dynamic factor in the explanation of economic activity” who “... by philosophical preference [was] a true personalist.”

Waters 1952, pp, 14, 125.

For well over the last 100 years, *homo economicus* has been an essential concept in the way that orthodox economics represents the economic agent, construes economic behavior, and presents its insights on economic affairs to the general public. From the very beginning students of economics are taught to think in terms of *homo economicus* and are reinforced relentlessly as they continue their studies. They inevitably reach a point where the concept is taken as a fundamental truth and never re-examined.

If an upstart challenges the concept he/she is reassured that all is well because the utility (profit) maximizing economic agent that *homo economicus* stands for allows important analytical work to proceed with confidence and the findings of that work form the foundation of economic theory and in turn economic policy. *Homo economicus* gives economics heightened standing in the academic community as a hard value-free science.

This confidence in the findings of orthodox economics is strengthened by a way of thinking in which all economic activity repeats itself in cyclical fashion. This kind of thinking shuts itself off from the unpredictability of human behavior because all science, including economics, demands repetition for the purpose of maintaining control and achieving predictability. Nothing yields structure to human events more so than the circle because the circle is the “...simplest of generalized patterns ... [providing] structure at its barest and most evident.” (Ong 1967, p. 87). For that reason, orthodox economics is closed to the reality of human life. For a remedy to this

closed system, one must turn to the openness of evolutionary thinking. (cf. Ong 1967, pp. 61-126).

There are two reasons to reject these orthodox views. First, orthodox economics is not value-free. It rests firmly on utilitarianism, a philosophy that was applied in economics first by Jeremy Bentham at roughly the same time that Smith published *Wealth of Nations*. (Haney 1949, pp. 247-249). Utilitarianism teaches that all things including human beings have value in terms of their usefulness. Simply put, one is either useful or worthless. However, strictly speaking that is not a scientific finding, it is presumption. True enough, many outside economics hold fast to that presumption and that in itself is a fact which finds expression for example in the wage contract. Nonetheless, recognizing that some workers are paid more than others because they contribute more to the production process does not lead directly and necessarily to the conclusion that in the end all human beings are either useful, more or less, or they are worthless and nothing else matters.

Second and related to the first, *homo economicus* is a contrived concept constructed by orthodox economists around four principal human characteristics: individuality, rationality, volitionality, and acquisitiveness. Rationality and volitionality recognize that humans are endowed with intelligence and free will and know best how to arrange their economic affairs. Acquisitiveness means that economic agents pursue maximum personal net advantage in all matters economic. In that sense, getting and possessing are all-important. Individuality¹ means that *homo economicus* is entirely inward-directed, an individual being who notwithstanding Kant's second categorical imperative acknowledges others only in terms of their usefulness to him/her. Rationality means that *homo economicus* makes all decisions by carefully weighing what is to be gotten and what must be given up.

This value-laden orthodoxy gives us an economic agent with the appearance of a sculpted figure that the artist has left half-finished but needs no further work because in its present state is useful for analytical purposes. As a graduate student more than 60 years ago, William Waters (1952, p. 63) asserted that this kind of thinking is not restricted to economics: "this method ... is the procedure of modern scientific theory."² This contrived representation of the economic agent not

¹ Individual (n). "single object or thing," c. 1600, from individual (adj.). Meaning "a single human being" (as opposed to a group, etc.) is from the 1640s. Colloquial sense of "person" is attested from 1742. Latin *individuum* as a noun meant "an atom, **indivisible** particle," and in Middle English *individuum* was used in the sense of "individual member of a species" (early 15c.). Cf. Online Etymology (no date; emphasis highlighted in red has been added).

² If a researcher were to find a very strong correlation between the annual number of deaths from eating poison mushrooms and for example gross domestic product, orthodox economics would accept such a correlation, properly constructed, on grounds of its usefulness. Never mind that there is no theoretical reason as to why the two might be linked, the correlation gives macro-economists confidence in predicting a most important economic metric. We might be tempted to accept the correlation as useful, but would find ourselves coming up short as to what death from

only simplifies economic analysis but also enhances economics as an authentic science. Economists can walk away from the reality that human beings are more than individual, rational, volitional, and acquisitive. They are, as well social, emotional, intuitive, spontaneous, imaginative, inventive, entrepreneurial, and most importantly embodied spirits. (Titus and others 2018, p. 1; Waters 1952, p. 75; Danner 2002, p. viii).

REPLACING UTILITARIANISM IS LONG OVERDUE

We propose a different economics that replaces utilitarianism with personalism which derives from and extends the work of William Waters in economics, and rests on the work of others outside economics including R.D. Laing (psychiatry), Walter Ong (human communication), John Paul II and Edith Stein (philosophy and theology), and C.S. Lewis and Gerard Manley Hopkins (literature and personal struggle) We refer to this new economics as personalist economics and the new economic agent as the *person of action*. *Homo economicus* is a passive economic agent who selects from the various options available at the moment the one that offers the promise of maximum personal net advantage. The *person of action* is an active, living, breathing, existential actuality who by acting virtuously in economics is better positioned to achieve his/her final objective in life -- human perfection, or as Miller put it while commenting extensively on Hopkins "...the creation of [one's] own best self." (J. Miller 1955, p 318).

Notwithstanding the vast differences in their academic and personal backgrounds, Laing, Ong, John Paul II, Stein, Lewis, Hopkins, and Waters all espoused personalism, a philosophy that emerged in the 20th century and puts the human person at the center of all human activity. (Ong 1967, p. 14; Young 2011, not paginated). Personalism rejects "individualist, materialistic, reductionist, relativist, determinist, dualist, [and] behaviorist conceptualizations" of human beings. (Titus and others 2018, p. 60) All seven writers were inspired by Christian thinkers or were Christians whose writings were directed unapologetically by faith and reason and who understood that conflicts in life often produce the divided self.¹ For economics, personalism replaces the undivided but incomplete *homo economicus* with the unrepeatable, (re-)unified *person of action*.²

eating poison mushrooms has to do with economic agents carrying out their everyday routines in the marketplace and the workplace.

¹ Cf. <https://vimeo.com/197816202> for a dance rendition of the divided self.

Politicians caught in an improper sexual adventure sometimes fall back on a divided-self argument. "Don't judge me in terms of my private life, look what I have done for you in my public life." Not too long ago a very high-level politician who perjured himself in an incident involving his personal conduct with a subordinate was allowed to continue serving the public on precisely this argument.

² For more on personalism apart from its application in economics, cf. <https://tpf.siu.edu/Account%20of%20Personalism.htm>

Our review of these seven writers necessarily is quite brief because it is intended only for the purpose of establishing that personalism has been espoused by persons of stature outside the field of economics. Waters is included in the seven because his contribution to personalism in economics is groundbreaking.

C.S Lewis (1898-1963).

Pilgrim's Progress, which C.S. Lewis published when he was 34 years old, presents an account of a pilgrim travelling along a road that to the north are found the various objective ways of thinking grounded in reason and to the south the subjective ways based on emotion. Lewis notes that whenever the pilgrim wanders too far away from the roadway, whether to the north or the south, the more extreme those different ways of thinking become. Lewis is describing his own personal struggle to find a purpose in life in which he finds himself divided between these two ways of thinking. As a younger man he tried “the rationalist philosophy of the Enlightenment, romantic art, modern art, Freudianism, asceticism, nihilism, hedonism, classical humanism, and religious liberalism.” None of those ways of thinking resolved his most fundamental and personal conflict until he turned to the Christian faith where he found re-unification for his divided self. (McGrath 2013, pp. 169-174).

Though Lewis had no more than “an affinity with Personalism,” his writings are replete with extended comments on self, other (human), and Other (divine). For example, Lewis asserts that self-centeredness is our natural condition but unlike orthodox economics and *homo economicus* we are called by others to transcend ourselves. It is not the *concept* of other that Lewis is referring to but the very flesh-and-blood *reality* of other. In Lewis’ own words, “... not my idea of God but God ... not my idea of my neighbor but my neighbor.” (Young 2011, not paginated; emphasis added).

Walter J. Ong (1912-2003).

From his writings, it is clear that Walter Ong was a personalist. (Farrell 2000, pp. 102, 103). By digging into his writings, we observe that Ong offers two powerful insights that help improve our understanding as to how we in economics are to represent the economic agent along the lines of personalism. The first relates to the three stages of communication. The second refers to the I-Thou communication.

Of the three stages of human communication,¹ the oral stage is the most intense because communication is face-to-face. Prior to the Industrial Age, work was carried out in small shops and cottages that isolated human beings from one another and for that reason they had to be self-

For more on the mystery of the human person, cf. Crosby 2011.

¹ Cf. Ong 1967 for more on the three stages of human communication.

reliant. Self-awareness was constructed primarily around human individuality. Is it any wonder that that economics, which originated in an age marked by small shops and cottages, represented the economic agent as an isolated and self-reliant individual being?

The script stage is less intense and personal because the parties involved do not have to meet face-to-face. Humans are less isolated in their work, more dependent on others, and no longer self-reliant. Nevertheless, self-awareness remains largely a matter of human individuality. Until the development of the railroad, community was constrained to the distance one could travel in a day by foot, horse, or boat.

In the electronic stage, communication is organized first around the telegraph, then the telephone, radio, and television, and more recently the internet, e-mail, and smart phone. Communication is less intense and personal. The workplace is re-constructed around telecommunication systems and as a result humans are less isolated in their work, and more dependent on others. These developments underscore human sociality and undermine *homo economicus* as an authentic representation of the economic agent in the 21st century.

As to Ong's *second* powerful insight, personal growth occurs when one human being encounters another provided their communicating is dialogue and not *just talk* as represented by a television commercial and a pop-up advertisement. Dialogue "... develops the persons who take part in it, enabling them to realize to a greater extent their own promise and perfection..." dialogue "unites, and [it does] this despite the greatest difference there is, that between your person and mine, between you and me." (quoted in Farrell 2000, pp. 92-93). Most fundamentally dialogue requires commitment, for the Christian a commitment to Christ, for the non-Christian commitment means belief "in" God whether implicit or explicit. (Farrell 2000, p. 92). In brief, this is what Ong means by I-Thou communication: "... the whole of human life is a dialogue with other men and with God." (quoted in Farrell 2000, p. 92).

According to Ong, human persons are divided because they are both inward-driven "self" and outward-driven "other." (Farrell 2000, p. 103). Working mothers, especially professional women, encounter conflict between work and child care. Parents are divided in terms of their own personal desires and the needs of their children. Young married couples are divided between the conflicting expectations and demands of his family and hers. Teens and young adults are at odds as to staying at home or breaking away.¹

¹ Ong's powerful insights allow us to see more clearly that Adam Smith was a precursor of the economic agent as represented by the *person of action*. Taking the "self" from Smith's *Wealth of Nations* and uniting it to the "other" from his *Moral Sentiments* produces a rough sketch of the *person of action* – a more fully human economic agent, a unit of economic analysis far better-suited today than *homo economicus*. By clinging fast to the entirely inward-directed *homo economicus*, orthodox economics teaches in effect that telegraph, telephone, radio, television, internet, e-mail, and the smart phone never happened and Smith *Moral Sentiments* is of no concern.

Strictly speaking, *homo economicus* is not a divided self because there is no “other,” no outward directedness, only “self” and inward directedness. Thus, no possibility for dialogue and no opportunity for personal growth. It is tempting to call attention to the occasional altruism in *homo economicus* as evidence of other directedness but orthodox economics will have nothing to do with such an interpretation. Instead altruism is reduced to enlightened self-interest. In like manner social capital seems to suggest other directedness but in orthodox economics social capital is not what *homo economicus* gives to others but takes from them. Social capital is all about the “what’s-in-it-for-me” self.

William R. Waters (1920-1998).

Along with the other writers who are the focus of our attention, Waters has been an advocate of personalism since his days as a graduate student. Indications of his personalism are scattered throughout and between the lines of his dissertation *Entrepreneurship, Dualism, and Causality: An Appreciation of the Work of Joseph A. Schumpeter* (cf. Waters 1952, pp. 15-16, 62-64, 75, 83, 124-125, 129, 143-144, 172). Most telling are his comments on the personalism of Schumpeter: “... the great man who restored the human person as the dynamic factor in the explanation of economic activity” and his identifying Schumpeter as “... by philosophical preference a true personalist.” (Waters 1952, pp, 14, 125).¹

Years later he commented extensively on “solidarism,” (Waters 1988, pp. 114-117), a philosophy underpinning “the social system of labor” which was strongly linked to the “sacred person.” However, the social-system-of-labor label was considered awkward and that system never became popular in the United States. From the very beginning of the Catholic Economic Association in 1941, solidarism, also known as social Catholicism,² competed with a more nearly orthodox economics based on Christian ethical principles. By 1965 the orthodox perspective became so dominant in the *Review of Social Economy* that interest in social Catholicism was “almost nonexistent.” (Waters 1990, pp. 91-98).

Even so, as editor of the *Review* from 1965 to 1985 Waters admitted to a “not-so-subtle” support for the social Catholicism that had competed unsuccessfully with the orthodox-cum-Christian-ethics perspective under his predecessors, and referred to social Catholicism as personalist economics. (Waters 1990, pp. 98, 100). For that reason, though he uses “solidarist economics” two years earlier in his presidential address to the Association we replace that label with personalist economics and solidarism with personalism.

¹ Cf. O’Boyle 2017 for more on Schumpeter and economic agency.

² For the 19th and early 20th century precursors of social Catholicism, cf. Nitsch 1990, pp. 15-24, 51-70, 72-74).

Waters first identified the four pillars of conventional or classical economics in order to compare them to the hard-core principles of personalist economics. The four pillars of conventional economics are the law of nature, the individual, certainty, and contracts. (Waters 1988, pp. 114-117). The law of nature means, in the eyes of conventional economists, that the economy is self-regulating and the individual is strictly self-interested, rational, and utility maximizing. Certainty indicates that due to the power of rational thought, economists are able to construct models of economic activity that are determinative. Contracts signifies that behaviour in economic affairs is contractual in nature. (Waters 1988, pp. 144-115).

Personalism is a philosophy that is radically opposed to and precedes the philosophical foundations of orthodox economics that grew out of the Enlightenment. Quoting Goetz Briefs Waters asserts that personalism is the ethos “of the previous state of society from which liberals emancipated themselves.” (Waters 1988, pp. 117-118).

The four hard-core principles of personalist economics are institutions, person, uncertainty, and status. Institutions means that decisions are driven not by the law of nature but through the values that culture embeds in its institutions. The person is the economic agent whose decision-making at times is rational and at other times erratic (but not irrational), and driven by various habits and biases. Uncertainty means that decisions made freely are incompatible with the hard-core principle of certainty. Status replaces contracts because the *sacred* dignity of the person, a concept that originates in Christianity, guarantees “certain rights that are more basic than contracts.” (Waters 1988, pp. 118-120).

For the contemporary economist who does not wholeheartedly embrace the orthodox way of thinking, the divided self refers to the need to reconcile the conflict between an orthodox economic agent whose decision-making is strictly rational and one who is driven by his/her creativity, originality, imagination, intuition, inventiveness. More than any other, this difference in thinking about the economic agent accounts for the strong opposition to what *at that time* was the prevailing view in economics. (Waters 1952, p. 64)

Waters offers an extensive review of the opposition to the orthodox way of thinking that emerged at the end of the 19th century in Cambridge, Vienna, and Lausanne and involved for instance Freud, Veblen, Pareto, Berdyaev, and Scheler. (Waters 1952, pp. 64-94). However, Waters does not admit to this conflict because as he states at the time he was preparing his dissertation only a few economists including notably von Mises cling to utilitarianism as “an adequate explanation of real human action.” (Waters 1952, p. 92).

What Waters observed in 1952, it seems fair to say, no longer applies as economics over the next 65 years turned away from history of economic thought and economic history and evolved increasingly as a way of thinking grounded in general equilibrium theory and econometrics that requires a strictly rational, calculating, economic agent who maximizes personal net advantage.

For orthodox economists person is just a synonym for individual and economics has become even more reliant on *homo economicus* .

Self-evidently, the divided self relates to the conflict in everyday economic affairs between instrumental value and sacred dignity. How is an employer to deal with a worker who no longer is needed on the job for which he/she was hired? The instrumental-value position supports the employer's decision to terminate that worker and thereby protect the firm's bottom line. The sacred-dignity view encourages the employer to find other work for that person even when it may reduce the profits of the firm. An employer who is known for respecting the sacred dignity of his/her workers may discover that his/her work force responds by becoming more productive, thereby actually enhancing the firm's profitability.

The same issue can arise when a customer is unable to pay for a good or service that is desperately needed. Faced with that situation, a merchant who sees that consumer in terms of his/her usefulness in contributing to the merchant's profits will feel fully justified in demanding payment in full. If instead that merchant sees that customer as a person with a sacred dignity he/she may provide the good or service at a reduced price or even free of charge. Such a merchant may find his/her reputation (goodwill) enhanced by such generosity, adding to the value of the business.

To our knowledge, neither Lewis nor Waters ever used the expression "divided self." Nonetheless, their writings make clear that Lewis was divided between the logic of reason and the reality of emotion in his personal life as was Waters in his professional life.

"... it is understandable that strong academic opposition arose against the utilitarian maximizer. The opposition was not directed against the ethics, i.e. the utilitarianism as such – rather against the psychology, i.e. the presumption of universal rational activity. It is indeed paradoxical that the marginal utility economists while accepting the passivity of calculated rational action, fully defined man's freedom of will; the extreme anti-rationalism that followed, while stressing the creativity and active quality of human action, denied free will to man. Quite naturally, the study of economics was in greatly influenced by these philosophical changes." (Waters 1952, p. 64).

Both found resolution in Christianity, Lewis in Anglicanism and Waters in Catholicism.

R.D. Laing (1927-1989).

Laing was trained as a physician at Glasgow University where he expressed an interest in phenomenology and existentialism, along with neurology and psychiatry. He identified Joseph Schorstein, a specialist in neurosurgery from Vienna who settled in Glasgow, as his spiritual mentor. Following two-years service in the British Army as a psychiatrist, Laing completed his training in psychiatry and started a hospital-based practice where he began to challenge the

orthodox way of thinking among psychiatrists who organized treatment for their patients around drugs, electroshock, and insulin coma therapy. His way of thinking about treating patients involved listening and talking to them, and treating them with respect. (Collins 2008, p. 185; Ticktin no date, not paginated; Crichton 2007, p. 211). Years later Laing put it quite succinctly: “The way we treat one another is the therapy.” (Laing 1988, video).

This training and experience, in addition to his research in what Laing referred to as “social phenomenology,” led to his *The Divided Self: An Existential Study in Sanity and Madness*, published in 1960, that set forth a new paradigm for psychiatry and the treatment of persons with mental illness. (Ticktin no date, not paginated). The book was a loose blending of existential phenomenology and psychiatric studies that specifically challenged psychiatric orthodoxy which at the time regarded madness and delusion as “unworthy of consideration.” (Paterson 2005, pp. 535-536).

Laing argued that psychosis is the result of tension within that he referred to as the divided self.

... each and every man is at the same time separate from his fellows and related to them. Such separateness and relatedness can exist only between beings who are separate but not isolates. We are not isolates and we are not parts of the same physical body. Here we have the paradox, the potentially tragic paradox, that our relatedness to others is an essential aspect of our *being*, as is our separateness, but any particular person is not a necessary part of our being. (Laing 1965, p. 26; emphasis in the original).

For Laing schizophrenia is the result of disturbances within the family.

The “self” of the child [with a schizoid personality] cuts itself off from other people and starts to relate only to itself so that it can maintain its identity and protect itself from external danger. The self comes to hate the world but also feels guilty because it thinks it does not deserve to be alive. The self may then attempt to destroy itself – or may split and then relate only to its false self (the self that complies emptily with the world). In psychosis the self can disintegrate into several parts or subsystems, which persecute what is left of the real self. In the end the self may no longer exist at all, but only what one patient poetically described as “the ghost of the weed garden.” (Crichton 2007, p. 211).

Laird, according to Gavin Miller, was greatly influenced by the personalist philosophy of the Scottish intellectual tradition. Though controversial, *The Divided Self* had a significant impact on the culture of the 1960s and 1970s. (Carthy 2008, p.237; Crichton 2007, p. 211).

Miller asserts that *The Divided Self* was informed by “Christian thinkers on scriptural interpretation” and traces Laing’s understanding and thinking about psychiatry to mystical and corporate Christian theology. Combining mystical theology with psychoanalytic theory allows the recovery of the real self. Corporate theology is a remedy for the social exclusion of the mentally ill. (G. Miller 2009, p. 1; G. Miller 2012, p. 135).

The schizophrenic is desperate, is simply without hope. I have never known a schizophrenic who could say he was loved, as a man, by God the Father or by the Mother

of God, or by another man. He either *is* God, or the Devil, or in hell, estranged from God. When someone say he is an unreal man or that he is dead, in all seriousness, expressing in radical terms the stark truth of his existence as he experiences it, that is – insanity. (Laing 1965, p. 38; emphasis in the original).

Gerard Manley Hopkins (1844-1889).

For us, Hopkins the poet is a very opaque human being in part because we have always struggled to unravel the poet’s meaning, any poet, and for that reason we rely on others to help us understand what he is revealing about his self and identity. More importantly in this matter Ong, who greatly admired Hopkins’ work,¹ asserts that

The “I” that I say is as completely different from any other self in my own culture as it is from any other self in any other culture, real or imaginable. I am simply not you, no matter who or how close you are. (Ong 1981, pp. 10-11).

In this regard and using Ong’s own words, no one can hope to really know the “unduplicability and interior inaccessibility” of Hopkins the man. (Ong 1967, p. 105).

Nevertheless, Milward (2002, not paginated) provides the following details about Hopkins.

- He was born into an Anglican family and became a Catholic as a student at Oxford.
- He was an Englishman who, as a Jesuit, was unhappy with his “exile” in Ireland .
- Both his personality and poetry were powerfully influenced by his confrontation with Self and Other.

Farrell (2000, pp. 179, 184, 181) tells us the following about Hopkins.

- Like Ong, he was a Jesuit priest and a personalist.
- Unlike some of his contemporaries he was not taken up with the faith-reason issue.

J. Miller (1955, pp, 304-305, 316, 296) provides these insights.

- Hopkins’ “grasp of the external world ... is as much emotional as intellectual.”
- For Hopkins the central moment of history is Christ’s death on the cross.
- Hopkins is both over-joyed and terrified by “... a self [that] is an absolute which stands to the absolute of God as the infinitesimal to the infinite.”

¹ Cf., for example, Farrell 2000, pp. 178-184.

Quoting Hopkins directly, Miller identifies the compelling question as “from what then do I with all my being and above all that taste of self, that selfbeing, come?” “What relation do I or should I have to this Being who is so infinitely my superior and so ‘dangerous to me?’” (J. Miller 1955, p. 295).

For Hopkins these are terrifying and isolating questions. His self is formed not through interaction with other human beings but with non-human nature. However, Hopkins acknowledges that the instability of nature cannot help him establish a permanent identity. Then and only then does he begin to understand that he had to lose himself in Christ in order to find himself, that his very existence depends on becoming Christ.

Becoming Christ means transubstantiation into Christ in which man does not surrender his human selfhood. Transubstantiation is reached only by say YES to God’s grace. For Hopkins, this grace does not come from God in eternity “... but only in history through Jesus Christ, who was both and is both God and man ...” Accepting that grace is all that is left of authentic human free will. This transformation makes for “only one self out of an infinity of possible selves.” (J. Miller 1955, pp. 297-298, 306, 314-318; Ong 1967, p. 122).¹

As implausible as it may sound, *homo economicus* is only one self out of an infinity of possible selves. But that self is not wholly human. Rather, a false self.

Edith Stein (1891-1942).

Stein was born in Wroclaw Poland in 1891 and died (executed) 51 years later in Auschwitz. Edith was raised in an Orthodox Jewish family but renounced her faith in 1904 and became an atheist. She converted to Catholicism in 1922 and in 1934 entered the Carmelite convent in Cologne, taking the name Teresa Benedicta of the Cross. She was canonized by John Paul II in 1998.² (Encyclopaedia 2018, not paginated).

As a student Stein focused primarily on the interiority and exteriority of the human being in order to deepen her understanding of the unrepeatable nature of that human being. (Bello 2003, abstract). In 1916 she completed her doctorate in philosophy at the University of Freiburg under the supervision of Edmund Husserl and published her dissertation – *On the Problem of Empathy* -- in 1917. (Encyclopaedia 2018, not paginated; Svenaeus 2018, p. 741).

Empathy, according to Stein, is one’s own experience of the experience of another human being. In personal terms, with empathy my own experience is the other person that I am holding within myself. Empathy takes one into the “realm of intersubjectivity.” (Moran c.2015, p. 6). For Stein

¹ For more on Hopkins the poet and priest, cf. Mariani 2008 and Mariani 1970.

² For his homily on the occasion of her canonization, cf. John Paul 1998a.

empathy is strictly positive. In other words, there is no negative dimension to empathy; no repulsive response to the other person. (McClellan 2017, p. 25). Further, and most important, empathy is a “way of *feeling* oneself into the experiences of the other person.” (Svenaesus 2017, p 742; emphasis in the original).

Empathy, to Stein, is a three-stage process that begins when the empathizer becomes aware of the experience of another person, then follows through with that experience, and ends when the empathizer develops a greater feeling-based understanding of the experience of that person. Stein distinguishes between sensual empathy and emotional empathy. Sensual empathy is a bodily process that takes place in the first stage and may end there if the would-be empathizer backs away. Emotional empathy happens when the empathizer enters the second stage. Here emotion is twofold: the emotion of the empathizer who is responding to the feeling of the other person. Empathy may lead to sympathy or some other way of expressing concern for the other person. (Svenaesus, pp. 742, 759).¹

It is not the intellect that prompts acts of empathy. Emphatic acts are not correlates of ideas, they are feelings that proceed from the nature of humans as bodily creatures. (Haney and Valiquette 2002, p. 466).²

Empathy forms the foundation of Stein’s coherent theology of the human person. Human beings become fully human persons by choosing to act freely in union with God. That union is achieved through sanctifying grace. Accepting God’s love is not enough. Rather, it is necessary to actively participate with God in the salvation of the world by becoming Christ-like and taking on the burdens and sufferings of others. (McClellan 2017, pp. 12-13). Thus do we find in Stein’s theology a convergence with Hopkins.³

Stein and John Paul II are alike in that both approached the question of the human person via the intersection of theology and philosophy. Stein is regarded as one of the most important

¹ For more on Stein’s theory of empathy see the full article by Svenaesus 2018. For more on Stein’s entire body of work cf. *Listening to Edith Stein* 2018.

² For more from Stein on empathy and personalism, cf. Haney and Valiquette 2002.

³ We were struck by Haney’s comment regarding Stein’s views on male and female in her article on phenomenological feminism in John Paul II and Edith Stein because it uses the scissors’ analogy that Alfred Marshall employed to answer the question Is it supply or demand that determines market price?

The unity of male and female can make them a useful pair, but not a pair on the order of a pair of socks. Together they can be more like the blades of a scissors, and who can say that one blade is more important? (Haney 2018, chapter 15).

Cf. Baseheart 1989 for more from Stein on women.

philosophers of the twentieth century. (Lebech no date, pp. 10,13). Haney refers to her as the “mother of personalism.”¹

All that aside, there is no evidence in his *The Acting Person*, published in Polish in 1969, that John Paul (Karol Wojtyla) was aware of Stein’s writings notably those on empathy.²

John Paul II (1920-2005).

It is fitting to follow our brief review of Edith Stein and conclude our comments on the seven Christian personalists with our remarks on John Paul II. Both Stein and John Paul were Polish. John Paul was studying to become a priest in Krakow at the very time that Stein was martyred nearby in Auschwitz as a Catholic Jew. He was a great admirer of Stein’s work, mentioning her in his 1998 encyclical *Fides et Ratio* one month after canonizing her as a saint of the Catholic Church. If Stein properly is called the “mother of personalism,” John Paul can be referred to as the “father of modern personalism,” at least in Catholic circles.

John Paul’s initial extended commentary on personalism appears in his doctoral dissertation *The Acting Person* which was translated into English and published in 1979. In the introduction, John Paul acknowledges that Max Scheler was most influential in the formation of his ideas about the human person and that his approach is grounded in the unity of that person which is manifested in the human act. (John Paul 1979, pp. viii).

John Paul provides a simple but essential insight to assist the reader when he asserts that it is “fulfillment in an action” that is all important in addressing the principal problems taken up in *The Acting Person*. Fulfillment means to bring oneself to the fullness of his/her being through acting, thus assuring that he/she is “somebody and not merely something.” The unity of the person is more than corporeal. Indeed, it is most significantly spiritual and is known to us intuitively in his/her “spiritual nature and spiritual life.” (John Paul 1979, pp. 149-151, 185).

Further on, John Paul states that the human body is the means by which a human being is able to express him/herself as a person, and that through action reveals “simultaneously the deepest sense of the integrity of [man/woman] as a person.” It is fundamental, he asserts, that the person is not just a human body but a spiritual soul as well which “appears to be the ultimate principle of this integrity.” It is acting with others or as John Paul puts it “acting together” that allows the human being to fulfill himself and for that reason the community must be sensitive to the role that cooperation and participation play in the self-realization of the human person. (John Paul 1979, pp. 205, 271).

¹ Haney quoted in Doyno 2018, not paginated.

² Cf. John Paul 1979, pp. 358-367.

Both individualism and “objective totalism,” by which he means the all-powerful state, impose limits on the participation necessary for the human being to achieve his/her full potential.

Individualism sees in the individual the supreme and fundamental good, to which all interests of the community or the society have to be subordinated, while objective totalism relies on the opposite principle and unconditionally subordinates the individual to the community or the society. (John Paul 1979, p. 273).

By denying his/her social nature, individualism effectively limits acting together and thereby interferes with the good of others and the common good. By denying his/her individual nature, objective totalism sees the good of the individual as a barrier to the common good and therefore the individual good must be limited. Both limits must be removed so that the human person is free to act and thereby able to achieve fulfillment. (John Paul 1979, pp. 272-275).

John Paul examines human emotion at length, including sorrow and joy, anger and tenderness, love and hatred. Nowhere, however, do we find any reference in *The Acting Person* to Stein or empathy. He comments on reason and emotion, subordinating the latter to the former, and adds that the truth about good and evil provides guidance in choice and decision-making. (John Paul 1979, pp. 238-253).

So far as the reference to truth is concerned, the integrating process of developing and improving the psyche gradually produces the result that the will – guided by the light of reason – learns how by spontaneous reference to emotion, by a spontaneous move of attraction or repulsion to choose and to adopt to the real good; it also learns to reject the bad. (John Paul 1979, p. 253).

In this sphere the integration of the acting person is a task that lasts until the end of a man’s life. (John Paul 1979, p. 253).

Though they express themselves differently, John Paul and C.S. Lewis are alike in that Lewis calls attention to the personal need for re-unification of a self that is divided due to an excess of emotion or reason whereas John Paul asserts that the integration of the acting person depends on finding the best ways to relieve the tension between spontaneous emotivity and self-determination. (John Paul 1979, pp. 252-253).

Sin is cause of the dividedness found in the human person because sin is the body’s rebellion against the spirit. Unity or healing comes through the Holy Spirit who reunites the human person to the sacrificial love of Christ. (Ten Eych and Borrás 2014, pp 22 and 30).

In *Fides et Ratio* John Paul rejects the argument that truth as derived from evidence always is superior to truth based on belief on grounds that belief “is often humanly richer than mere evidence” because it requires entrusting one’s self to an “intimate and enduring” relationship with others. Human perfection, he insists, comes not through the evidence or knowledge acquired through reason but through the “dynamic relationship of faithful self-giving to others.” (John Paul 1998b, §32).

John Paul’s personalism is plainly evident in his many public documents as Holy Father including his encyclical letters.¹ For example, by insisting on the *primacy* of the sacred dignity² of the human person in economic affairs, by putting *being more* ahead of *having more*, by proclaiming that human beings are more important than capital, by condemning the consumerism of western economies, by affirming that the subjective dimension of work is more important than the objective dimension, by revealing that work is an extension of the original Act of Creation. (O’Boyle 2005, pp. 520-540).

THE CENTRAL TENETS OF A PERSONALIST ECONOMY

A personalist economy is not a command economy where decision-making is located in the state and is justified by the philosophy of collectivism or to use John Paul’s terminology “objective totalitarian”. Neither is it a *laissez-faire system* in which decision-making is located in the individual and is justified by the philosophy of individualism.

A personalist economy is a market-based system where decision-making is located at different times in the state, the individual, or in the private group or intermediate body between the individual and the state. It is justified in terms of the philosophy of personalism. The essentials of a personalist economy can be expressed in terms of 20 tenets, the first of which is the most important.

1. *The human person is the basic unit of economic decision-making and economic analysis.*

The *person* of a personalist economy is a living, breathing, existential actuality who actively engages in economic affairs and is best represented by Schumpeter’s entrepreneur.

In sharp contrast, mainstream economics rests solidly on the premise of the individual 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

¹ Notably, *Laborem Exercens*, *Sollicitudo Rei Socialis*, and *Centesimus Annus*.

² For more on the value of the human person, John Paul (1998b, §60) recommends Chapter One of the Church Constitution *Gaudium et Spes*.

his/her own self-interest by means of self-regulating impersonal forces of the market or simply *the invisible hand*.

The distinction between individual and person is directly traced to the advancement of human communication from the script stage of the classical economists to the electronic stage of contemporary economics that has profoundly changed human awareness of others and of self. Human beings are not the *never*-changing, static, and predictable individuals of mainstream economics, no different today than they were in an age of drawn-out 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 instant communication. As the basic unit of economic affairs, personalist economics sees the person as an individual being and a social being and at once both matter and spirit. At times, humans act according to the premises of mainstream 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 human beings acting together and, following the principle of subsidiarity, through private organizations before turning to government for help.

The passive nature of *homo economicus* means that his development cannot change anymore than a machine can decide to change. Acquiring human capital or social capital does not alter his development because both are viewed not as an integral part of his nature but as possessions and possessing a thing is not the same as developing more fully as a human being.

The dynamic nature of the *person of action* means that his development unfolds over time as he/she acts in a virtuous or vicious manner. The *person of action* does not possess a virtue or vice; she becomes a more virtuous or vicious human being, thereby enhancing or diminishing herself as a person. In personalist economics maximizing personal net advantage is not the final objective, human perfection is. As fundamentally different as they were in their economics, on the matter of human perfection as the final objective of the economy both Dempsey and Divine agreed. (Dempsey 1958, p, 57; Divine c.1960, chapter 33, p. 4).

2. ***Human beings are sacred with rights originating in their very nature.*** According to mainstream economics, human worth most fundamentally is determined contractually as for example in the wage contract. Voluntary exchange reinforced contractually is at the very core of a contemporary neo-classical economics which is returning to an economy that is free from government intervention and regulation (often referred to as a *laissez-faire economy*) as the ideal economic order. Personalist economics insists instead that humans are sacred and therefore have a status in economic affairs wherein their inalienable rights are more fundamental than contracts. They are ends in themselves and never to be seen merely as inputs to be valued instrumentally. Following John Paul II, human persons are made in the image and likeness of God and therefore are nearly divine.

3. **Human beings are both want-satisfying and need-fulfilling.** In their effort to make economics value-free, mainstream economists argue that all consumer behavior is want-satisfying. They do this knowing that if they admit that consumer behavior is also need-fulfilling economics becomes value-laden because need is a normative concept that is defined differently by the persons who use it. For that reason in mainstream principles texts, poverty (by definition, a normative concept) is addressed separately from consumption as if the two were unrelated. Personalist economics recognizes that consumers are both need-fulfilling and want-satisfying because good economic analysis rests firmly on the foundation of what is real and true and not on what is convenient and contrived.

4. **Meeting the needs of the human body is an intermediate objective of an economic system.** Mainstream economists construct economics around things and thus the efficient utilization of economic resources is the primary criterion by which the performance of an economic system is judged. In personalist economics human beings matter more than things and for that reason meeting the needs of the human body is only an intermediate criterion by which an economy is to be assessed. In this regard, personalist economics affirms the preferential option for the poor: those who are neediest are to be served first because even the lowliest among us are unrepeatable and very nearly divine.

The ultimate objective of an economic system is human perfection which in economic affairs is achieved by maximizing integral human development. Maximizing personalist capital by acting virtuously rather than viciously (as does, for example, the landlord who allows a poor widow who has charge of her grandchildren to remain in her apartment without charging rent rather than evicting her) contributes to the maximization of integral human development.

Personalist economics perceives consumption, work, and rest (we regard rest as a more authentic representation of this activity than leisure)¹ more broadly than mainstream economics. Goods and services are consumed to meet not just the needs and wants of the human body but inevitably certain needs and wants of the human spirit. Work is for the dual purpose of (1) earning the income necessary to acquire the needed and desired consumer goods and services, and (2) becoming more fully human by meeting the need to belong and the need to develop and utilize creative skills and talents. Contrary to mainstream economics rest is not what one does when not working but how one becomes more fully the human person he/she was meant to be. As with work, rest is seen in a communal and an individualistic context.

In personalist economics, *having* matters less than *being*. The things one owns are less important than integral human development. In the end, all three principal economic activities --

¹ Mainstream economics defines leisure in *negative* terms: time spent not working. Personalist economics, on the other hand, defines leisure in *positive* terms: time spent away from work that contributes to human material need or more generally integral human development. Sleeping or napping, for instance, fishing, hunting, having lunch with a friend principally to enjoy one another's companionship, vacating with the family, and even daydreaming. For those reasons we replace leisure with rest.

consumption, work, and rest -- provide opportunities to acquire the virtues that contribute to personalist capital or the vices that diminish personalist capital.

5. ***The person of action replaces homo economicus.*** By effectively denying that humans are embedded in families, communities, neighborhoods, companies, and civic organizations mainstream economics has constructed the concept of *homo economicus* as the essence of economic agency that is a distortion of human nature. Personalist economics argues forcefully that humans are a union of individuality and sociality, sometimes 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 be taken to finally create a unified body of economic theory.

6. ***Economics is a value-laden discipline that struggles to sort out the uncertainty in economic affairs.*** To mainstream economists, human reason unlocks the mysteries of the economic order that are expressed with certainty in determinate models, giving their economics the aura of an authentic positive science like physics. In personalist economics, the principle of certainty is not accepted *carte blanche*. Some indeterminateness is inevitable because human beings are not entirely knowable and their behavior is not always predictable. Further, human beings alone are moral agents because humans alone have the intelligence and free will to make ethical choices. Economics therefore is a normative discipline, one that is value-laden as opposed to value-free. The challenge to the working economist in this regard is to know the difference between the facts discovered through systematic inquiry and the values that one attaches to those facts.

7. ***Decision-making centers on markets and institutions.*** In mainstream thinking, the economy is self-regulating wherein any intervention on the part of the government is regarded as a departure from the efficiency of the market system. Personalist economics accepts the market system subject to the constraint that at times it is necessary to intervene in the market through public regulatory bodies such as the Securities and Exchange Commission and the Federal Trade Commission or private organizations such as producer and consumer cooperatives in order to assure that the powerful do not devour the weak and the good of the community is not routinely sacrificed to the good of the members taken individually.

8. ***Justice and Christian charity are necessary to check abuses that derive from excessive gain-seeking behavior.*** In a market economy, transactions are driven by gain-seeking behavior. Without the prospect of some gain, an economic agent simply is not motivated to complete a transaction. However, at times agents are exploited, deceived, mistaken and consequently are deprived of the gain that is their due. The virtues of justice and Christian charity are twin bulwarks that help protect humans from the abuses that originate in the excessive gain-seeking

behavior of others. The three principles of economic justice – commutative justice, distributive justice, and contributive justice -- specify the duties that apply to buyers and sellers in relating to one another, to superiors in relating to their subordinates, and to a person in relating to any group to which he/she belongs. These duties, if faithfully executed, protect human wellbeing by curbing the destructive human attraction to ill-gotten gains.

With Christian charity, human beings are seen as children of God the Father, made in His image and likeness, as brothers and sisters of Jesus Christ whose incarnation as a human being and whose death ransomed them from sin and reconciled them to the Father and whose sacrifice forever more established each one as precious beyond measure. With Christian charity, every human being belongs to God because every human being is created by God to live forever. For Christians the greatest commandment is "to love one another, especially those who despise you, as I have loved you."

The secular virtue of generosity (or caring) is quite different. With generosity, human beings are seen as living, breathing, existential actualities, as ends in themselves more so than means, as persons with certain inalienable rights that must not be violated, as equals. As to the question to whom does a human being belong?, with generosity, he/she is perceived as belonging to no one but self for as long as life lasts.

Christian charity goes beyond the passive Kantian imperative to not view humans as mere instrumentalities. Every follower of Christ is required to actively affirm all human beings as persons. Christian charity, along with justice, eliminates the ill-will, disorder, and dishonesty that otherwise is common to a marketplace and workplace, replacing them with goodwill, solidarity, and authentic bargains. Christian charity has no value when it is hoarded. It comes alive and takes on value only when it is given away, and uniquely is never depleted by use. With the possible exception of distributive justice, neither justice (rendering to another human being that which is owed) nor Christian charity are virtues that are included in the mainstream economics way of thinking.

9. ***Social justice requires the individual to do all that is necessary for the common good.*** Practicing social justice means practicing all three types of justice relevant to economic affairs: commutative justice, distributive justice, and contributive justice. All three are necessary for the common good because all three foster the trust required for human beings to carrying out their everyday economic activities in common. It is unfortunate that some would reduce social justice to contributive justice alone.

10. ***Three principles organize economic affairs: competition, cooperation, and intervention.*** The first two activate economic affairs on the basis of two human dispositions. Competition is based on the human disposition to undertake certain activities alone for the reward to be gotten from completing those activities successfully. Cooperation derives from the human disposition to undertake certain tasks by acting together because they cannot be done effectively or at all by

persons working alone. The decision to use competition organizes economic affairs around the Many (individuals). The decision to use cooperation organizes economic affairs on the basis of the One (group). Thus, competition manifests human individuality while cooperation expresses human sociality. Intervention operates in the limiting mode and often involves government action to curb certain destructive human activities energized by competition or cooperation. To protect human wellbeing, such intervention is to be grounded in the virtues of justice and Christian charity. Even when it self-evidently characterizes the relationship between producer and supplier, cooperation is largely ignored by mainstream economics as an organizing principle because it is taken *ipso facto* as collusive behavior.

11. **Three social values underlie the three organizing principles.** Each one of the three organizing principles rests on a different social value. In the absence of these values in society as a whole, the principles cannot be used effectively to organize economic affairs or used at all. Competition depends on the social value of individual freedom. If persons are not truly free to act they cannot compete. Cooperation rests on the social value of teamwork, community, solidarity. Without that value being widely shared across society, they are unable to act together. Intervention rests on the social value of equality in the sense that it is necessary for collective action to stop the powerful from subordinating and exploiting the weak. A *laissez-faire* economic order backed by neo-classical economics is based on the social value of freedom *from* government intervention and regulation. In personalist economics, freedom also means freedom *for* the purpose of *acting* as a responsible human person.

12. **Dynamic disequilibrium rather than static equilibrium is the order of the day.** Mainstream economics represents both microeconomic and macroeconomic affairs in terms of a static equilibrium of supply and demand wherein the self-regulating forces of markets bring the system into balance by the systematic clearing away of any and all surpluses and shortages. This view of economic affairs has been characterized as mechanical. Personalist economics, on the other hand, represents economic affairs as organic wherein the economy is driven dynamically toward disequilibrium by innovational change (creative destruction) that depends critically on the support of credit-creating financial institutions. The difference is between the centripetal-like impersonal forces of the market bringing the system to rest and the centrifugal-like human energy of the entrepreneur initiating change and triggering unrest in the system.

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 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*.

13. *Some limits are present in economic affairs; others must be imposed because human beings are materialized spirits.* Though Danner uses “embodied spirit,” his formulation and “materialized spirit” are essentially the same. (Danner 2002, p. viii).

Mainstream economics separates body and spirit and centers entirely on human materiality as if to say that the *house* which provides shelter matters but not the *home* where family members develop and mature as human beings. Personalist economics argues that it is necessary to address both matter and spirit. Indeed, both are relevant: the house as shelter and the home as a place for human development.

Because human beings are matter, they are able to work, need food, drink, shelter, health care, and other needs related to special circumstances such as wheelchairs for those who are paralyzed, and require rest. Thus, economics is organized around three central activities: work, consumption, and rest. However, too much of any one of the three, or too little, threatens human development, and points to the need for limits.

Human materiality imposes certain limits regarding consumption and work. Obesity and anorexia are just two manifestations of consuming too much or too little. Slothfulness and overwork are conditions indicating that a person is working too little or too much, adversely impacting the human body. When it comes to rest, the party animal (too much) and the workaholic (too little) point to the need for limits lest human development is undermined.

There is another limit, known as the budget constraint, that applies especially to consumption. In a market economy the constraint originates in the decisions made by individuals based principally on their incomes and savings. In a command economy it originates to a large extent in the decisions of the central planning authority as to what goods are produced, how much are to be produced, and at what prices.

Human beings, more fundamentally, are spirits who yearn for truth, goodness, and beauty and fulfill those needs by teaching and learning, practicing the virtues and avoiding the vices, and seeking out the beauty rendered by human hands and ever-present in nature. All three are necessary for human development but, as with human materiality, too much or too little threatens development and calls for limits.

Too little or too much regarding truth (knowledge) are manifested, for instance, in ignorance and elitism. Too much beauty occurs when the worship of the One True God is replaced by the worship of physical beauty. “You shall have no other gods before me.” Too little happens when the second-rate takes the place of the stimulating. In economic affairs, too little goodness is manifested in greed, envy, and selfishness. Too much goodness, which is induced by the conviction that more always is better, takes the form of excessive gift-giving, undue praise for minor achievements, and unwarranted subordination to the wants and desires of others. The extremes of too much and too little are harmful to one’s own integral human development and the development of others.

The budget constraint applies as well to the needs of the human spirit. In a market economy teaching and learning, taking in the wonders of nature and human artistic talent, and practicing goodness in everyday economic activities typically demand expenditures for transportation, meals, lodging, and the needs of others. In a command economy central planning decisions largely determine if and under what conditions the needs of the human spirit are addressed.

The practical virtue of moderation, along with commutative, distributive, and contributive justice, provides useful and effective limits on human material needs and the needs of the human spirit. Their faithful practice contributes powerfully to the realization of the full potential of every human being.

14. ***No less than his Wealth of Nations, Adam Smith's Moral Sentiments should inform our re-thinking of economic affairs.*** Indeed, there are compelling reasons to include both masterpieces in a reconstruction of economics around the *person of action* as the basic unit of economic analysis and personalism as its philosophical foundations, thereby making economics more relevant to contemporary economic affairs. *Moral Sentiments* and *Wealth of Nations* are complementary works that should be read and interpreted together to fully appreciate Smith's enormous contribution to our ability to describe and understand contemporary economic affairs more accurately. Had he lived in the electronic age, Smith probably would have seen more clearly the complementarity in his own work, and would have shared that more profound vision with his followers.

15. ***The evolutionary model is superior to the cyclic model.*** Mainstream economics is constructed on a cyclic model that applies circular descriptions and explanations to economic events. Among the many examples consider these three: (1) the use of the circular flow diagram to represent the fundamentals of macroeconomic affairs; (2) the business cycle as a representation of macroeconomic affairs unfolding over time, repeating a pattern of expansion, contraction, peak, and trough; (3) the natural-rate hypothesis which claims that unemployment invariably returns to its normal or natural rate regardless of the rate of inflation.

In the cyclic model events are construed as identical and inevitable, and therefore predictable. With the cyclic model reality is closed in and brought under control. Though assertive, thinking remains in a primitive mode thereby leading to the widespread use of econometrics in mainstream economic analysis. (Ong 1967, pp. pp. 87, 73, 95) Using cyclic reasoning, and given the data required to operationalize their econometric models, mainstream economists are comfortable in asserting that changes in economic affairs can be predicted. What they do not fully appreciate is that one other requirement must be firmly in place: specifically and notwithstanding any changes taking place in economic affairs over time, *homo economicus* is an *utterly rational, never-changing human individual*. Without this rationality and constancy about human individuals as economic agents, and the automaticity that is characteristic of market economies, the cyclic model disintegrates for lack of predictability.

There are numerous examples of evolutionary thinking outside mainstream economics. Marx, for instance, was a leading advocate of the evolutionary model. So too were Veblen, Commons, Mitchell, and Ayres. Deriving its inspiration from Schumpeter, the *Journal of Evolutionary Economics* also presents economic affairs in terms of an evolutionary process. Evolutionary economics replaces the maximization and equilibrium assumptions of mainstream economics with “uncertainty and imperfect information, routines, heuristic search processes and optimizing behavior, and nonequilibria”. (Blauwhof 1994, pp. 153-154). Evolutionary economists have been applying the concepts of path-dependency, non-linearity, and self-organization from chaos theory to the problems of innovation and technological change.

Daly argued that matter-energy is *degraded* through the economic process (production and consumption) in the same way that matter-energy is *degraded* through the metabolic process (anabolism and catabolism). In both the biological order and the economic order the purpose is the same: the maintenance and enjoyment of life. Daly examines the life process, which he regards as the ultimate subject matter of economics and biology, under two aspects: steady-state and evolutionary. (Daly 1968, pp. 392-394).

Daly’s thinking is linear. He visualizes the flow of matter-energy in economic affairs as “one-way, non-circular, and irreversible.” (Daly 1968, p. 395). Several years later Daly employed linear thinking again to give expression to a steady-state economy based on the flow of matter-energy. (Daly 1974, pp. 15-21).

Boulding argued that Smith, Malthus, and Marshall employed the evolutionary model and that it was Walras and his followers who by grounding economics in mathematics subsequently steered it in the direction of the cyclic model. Economic science, in other words, was first a biological science before it was fashioned into a physical science. (Boulding 1981, p. 17). With some reservation, Boulding added Schumpeter to this list of evolutionary thinkers especially as regards economic development. (Boulding 1981, pp. 85-86). With even greater reservation, Witt and others cited Schumpeter’s contributions regarding innovation, the entrepreneur, and economic development as examples of rudimentary evolutionary thinking. (Witt and others 1992, p. 4f).

Ong beckons us to set aside cyclic thinking for evolutionary thinking because “one can make use of the circle model only as a result of a careful selection of details and the calculated elimination of others”. (Ong 1967, p. 89). Among the various examples of “careful selection” and “calculated elimination” are the following: (1) imputing values for unobserved or unobservable variables; (2) omitting regressors and (3) using budget constraints that ignore kinks, discontinuities, gaps, and nonconvexities. (Berndt 1991, pp. 614-649).

Cyclical thinking casts aside “the utterly unrepeatable and unique human person.” (Ong 1967, p. 78). Thus, according to Ong, there is no way to posit a *never-changing homo economicus* without essentially casting aside “the central corporate discovery of all mankind” – the evolutionary process. At the very heart of economic affairs is found the economic agent who is not cyclic but

evolutionary, in a Darwinian sense adapting to the economic environment, and in a personalist sense changing by acting virtuously or viciously as an economic agent.

16. *In the language familiar to economists, the person of action maximizes personalist capital -- the practical virtues of justice, courage, moderation, and prudence.* Mainstream economics regards *homo economicus* as subject to change in that the economic agent is capable of acquiring or losing the human capital which is embedded in the agent's very nature. Even so, this change is superficial because it does not change the four fundamental characteristics of *homo economicus*: individuality, rationality, volitionality, and acquisitiveness.

Mainstream economics acknowledges that at times *homo economicus* acts altruistically, in accordance with the needs and desires of others, and reconciles this behavior with the self-centeredness of *homo economicus* by labeling it "enlightened self-interest." Even so, *homo economicus* essentially is **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 physical science.

The *person of action*, on the other hand, 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* engaged 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 situated, to *how* the economic agent conducts economic affairs either by embracing virtue and avoiding vice or by computing costs and benefits. The *person of action* connects economic agency to work, consumption, and rest that change the economic agent who in acting virtuously or viciously accumulates or depletes personalist capital, and thereby is more effective and more highly valued as an agent or less effective and less highly valued. The *person of action* is **ever**-changing.

In total disregard for the wisdom of the ages regarding moderation and human development mainstream economics asserts that above all else *homo economicus* maximizes net personal advantage in terms of utility and profit and that the economy functions best when it achieves Pareto optimality. Maximizing utility and profit is based on the proposition that the good invariably consists in *having* more. Without fear of compromising human development on the altar of that flawed proposition, personalist economics claims that most fundamentally the economy functions best when the *person of action* maximizes personalist capital thereby enhancing his/her own integral human development and rendering him/herself more effective and more highly valued as an economic agent. Maximizing personalist capital rests on the proposition that the good always inheres in *being* more.

17. *Following Nobel Laureate Amartya Sen's capabilities-set argument, personalist economics hold fast to the proposition that the economic agent, the person of action, strengthens his/her capabilities set by acting virtuously in economic affairs and weakens that set by acting*

viciously. Acting virtuously contributes to personalist capital just as acting viciously diminishes it. Further, strengthening everyone's capabilities set enhances integral human development just as weakening that set impairs it. Personalist economics not only adds an important human behavioral element -- personalist capital -- to Sen's capabilities set but also links that improved set to integral human development and asserts that the ultimate purpose of the economy is maximizing integral human development that is achievable by maximizing that capabilities set.

18. ***Personalist economics understands and applies opportunity cost in economic affairs much differently than mainstream economics.*** In the economic decision-making process, mainstream economics draws attention to the cost of what an economic agent cannot do or cannot have whenever that person 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 opportunity cost is grounded in the premise that what is foregone is available and desired.

Advocates for including caring somehow would add this secular virtue to the mainstream way of thinking about the economic agent and economic affairs. Their efforts fall short because (1) the exchange that is triggered by caring involves need fulfillment not want satisfaction, and (2) the economic gain applies only to the person in need. 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. In sharp contrast, the person with resources who sneers at and 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 not interacting for the purpose of *mutual* gain. For sure, the service or material thing freely offered and graciously received has economic value. However, for the persons who receive those gifts nothing is foregone. At the same time, the person prompted by caring or Christian charity appears to be giving up something of value without getting anything of value in return. But there is a real return to the firm that actively engages in caring or Christian charity in that the firm adds to or acquires goodwill that is accounted for on the balance sheet of that firm when it is sold.

Caring and Christian charity alter the basic requirement for economic exchange to take place. For the self-interested *homo economicus* of mainstream economics, a comparison is made as to whether what is gotten in the exchange is more highly valued than what is given up. In contrast, the person in need who accepts what has been offered by a generous or loving person gives up nothing of economic value. For the *person of action* who is prompted by generosity or love nothing of tangible value is gotten in the gift-giving process. Rather, integral human development is enhanced.

19. ***Local economic development requires persons of action, homo economicus will not do because he/she is much too passive.*** Local development is promoted by two strategies:

recruiting a few large established enterprises to locate in the target area or supporting many small start-up firms. An alliance of local ministers can impact local development by acting together, pooling their individual checking accounts, and offering that pool of resources to any local bank that is willing to make loans to start-ups in the target area that need credit in order to begin operations. Any business failure associated with this kind of program does not impose a financial burden on the alliance members because they are protected by FDIC deposit insurance up to \$250,000. The burden is split between the failed business owners who must liquidate their assets in order to pay off their loans or by the bank in the form of loan loss whenever the liquidated assets are insufficient to pay off the loans entirely.

20. *A personalist economy is based on the market mechanism, private enterprise, the common good, economic freedom, subsidiarity, solidarity, worker participation in enterprise decision-making, the universal destination of the world's goods, and the legitimacy of profit, and personalist capital.* A personalist economy represents a viable option to both capitalism and socialism because it is organized around private groups positioned between the individual person and the more powerful state, groups that emerge due to the inability of the individual person to adequately address specific economic problems. These private intermediary groups, which help reconcile individual good and the common good, are the *distinguishing* characteristic of a personalist economy.

By using non-collusive cooperation to work out solutions to problems, intermediate groups that operate in a personalist economy offer promise for slowing the growth of big government thereby helping preserve the free exercise of economic initiative. The most important characteristic of these private groups is a separate administrative organization that subordinates the principle of competition to the principle of cooperation in a dynamic decision-making process that is positive-sum in that these groups seek to achieve gains for all of the parties involved whether they are directly represented in the organization or not. Arising from the social nature of human beings who are encountering the same day-to-day economic difficulties, these intermediate bodies are as diverse as the individual nature of those human members and the specific economic problems they hope to resolve.

HOMO ECONOMICUS versus PERSON OF ACTION

Homo economicus is a concept, a way of representing the economic agent who is entirely predictable. A decision-making contrivance that functions rationally in all economic matters so as to maximize net personal advantage. *Homo economicus* is a convenience, an assumption that does not reflect reality, a modern scientific tool of the type accepted across the sciences and adopted because it simplifies economic analysis.

Homo economicus is not a living, breathing, existential actuality, is not **somebody**. *Homo economicus* is entirely devoid of creativity, originality, imagination, intuition, inventiveness, and

unable to experience any emotion. No sorrow or joy, no anger or tenderness, no hatred or love. No empathy. A fabrication of enlightened thinking.

The prominent orthodox economist Alan Blinder characterized *homo economicus* as a rational, self-interested calculating *machine*. (Blinder 2000, pp. 18, 24; emphasis added). Whether or not, this depiction is widely shared by economists who espouse the orthodox way of thinking. Notice that *homo economicus* is one part human (rational and self-interested) and one part machine (not active but passive). Not a divided self in any of the ways set forth in the preceding because a divided self is a broken human being. Rather, *homo economicus* is a cybernetic organism or cyborg whose feedback mechanism has been stripped of every emotion along with imagination, creativity, originality, and intuition.

Homo economicus relies entirely on intellect and will to calculate costs and benefits in order to maximize personal net advantage in every decision-making circumstance. *Homo economicus* is unable to add to the available alternatives from which to select, and for that reason decision-making is essentially passive. The fundamental worth of others is determined instrumentally.

The *person of action*, on the other hand, is fully human with the emotions, intellect, and will necessary for self-determination. Decision-making is active because the *person of action* has the creativity, imagination, and intuition to broaden the range of alternatives from which he/she chooses. As noted above, it was Schumpeter who more than 75 years ago restored the human *person* as the active element in economic affairs (Waters 1952, p. 14; emphasis added). Even so, Schumpeter was able to gain only very limited acceptance of his active economic agent as a replacement for the passive *homo economicus*.

At times the *person of action* is divided, with the emotional side urging one thing while the rational side prompts another, with the inward-directed self pointing in one direction at the same time the outward-directed self points in another. The *person of action* must reconcile these divisions in order to recover as a unified person. Christian personalism informs us that reunification is achieved through self-sacrifice. The scriptures teach that “greater love has no one than this: to lay down one’s life for one’s friends.” This teaching often is seen at work with loving parents and grandparents, with firefighters, with men and women in the active-duty military, with Good Samaritans, and to a lesser extent with living organ donors, physicians and attorneys whose practice includes pro bono work, and financial advisers who are true fiduciaries. To the *person of action* others have a sacred dignity that surpasses their instrumental value.

The *person of action* is no abstraction, no contrivance, no cyborg. He/she is a real human being, a flawed **somebody** who longs for a purpose in life. For the *person of action*, that purpose resides in the pursuit of human perfection.¹ For personalist economics human perfection means

maximum human material well-being which in economic affairs is achieved not by maximizing personal net advantage but by accruing personalist capital through the practice of virtues such as generosity, sympathy, and benevolence and the rejection of vices such as stinginess, callousness, and cruelty.

Most fundamentally, *homo economicus* is one part human, one part machine. A cyborg. The *person of action* is somebody, made in the image and likeness of God. Nearly divine.



¹ Consider how professionals routinely pursue human perfection in terms of truth, goodness, beauty. To cite a few: musicians, athletes, artists, authors, physicians, architects, philanthropists, scientists, poets, designers, and playwrights.

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