

Homo Oeconomicus and Homo Politicus

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Abstract

Mainstream Economics began considering human behaviour during the 17th century with the work of Thomas Hobbes. Its present assumption about behaviour is mainly that of *homo oeconomicus*: Human beings act according to their self-interest in a rational manner, hence they are utility maximisers.

This element examines the model of homo oeconomicus, analysing its accomplishments and shortcomings. Criticism from different disciplines such as Ecological Economics maintains that this is a one-sided view of human behaviour. A fundamental deficit of this tenet is that nature, justice and time do not receive the attention they deserve. We develop a further concept of humankind by drawing on political philosophy: *homo politicus*. Homo politicus is characterised by an interest in justice, common welfare and the sustainability of the natural basis of life. Homo politicus does not replace homo oeconomicus but rather complements him since both concepts contain essential dimensions of human behaviour. This twofold approach allows a better explanation of human behaviour as observed in reality and leads to better predictions.

Our practical example examines the passage of legislation on a waste management system in Germany during the 1980s and 1990s. The example reveals that officials were not acting exclusively as homo oeconomicus, but also as homo politicus. Indeed, these officials pursued long-term goals of justice, sustainability and the protection of the common good. It is generally recognised that the new waste management system was a breakthrough in German environmental policy and has since been adapted by other countries due to its success.

Related concepts: SUSTAINABILITY & JUSTICE; POWER OF JUDGEMENT; RESPONSIBILITY; INDIVIDUAL, COMMUNITY & ENTIRETY, BASICS OF TIME

1. History

While the homo oeconomicus is the producer, the consumer, the employer, the employee, the creditor or the debtor, the homo politicus is the politician, the voter, the member of parties and associations or participant in public debates.

These observations are reflected in the field of Political Philosophy. Thomas Hobbes (1588 – 1679) made the phenomenon of pursuing one's own personal advantage the basis of his philosophical anthropology, as Jeremy Bentham (1742 – 1832) and John Stuart Mill (1806 – 1873) made it the foundation of philosophical utilitarianism. It is worth mentioning that Hobbes developed his approach in a polemical contrast to Aristotle's view of man as *zoon politicon*, as a political being, which was prevalent in Political Philosophy until the Middle Ages.

Traditional Economics contributed to the emergence of homo economics as a conception of humans over the course of the 18th and 19th centuries. Many great economists participated in this endeavour, in particular Adam Smith, Jeremy Bentham and John Stuart Mill who was the first to give this concept its name. During the 20th century, several economists, and Gary S. Becker (1976) in particular, tried to establish the model of homo oeconomicus, even as an assumption for universal behaviour.

However, all these attempts have met with critique from various other disciplines and within the economic profession itself. Over the last decades, many studies have been carried out by psychologist, political scientists and economists to delineate the limits of the concept of homo oeconomicus and to modify it or even substitute it by other conceptions of humans. Thus, representatives of a new branch of economics, Behavioural Economics, have questioned the traditional homo oeconomicus model since the actual behaviour of economic agents is found in experimental studies to be far removed from the rational self-orientated one of the homo oeconomicus. Nevertheless, this concept still dominates in economics and, to some extent, in other fields of social sciences.

In contrast, representatives of Ecological Economics hold that questions of sustainability can only successfully be examined if the concept of homo oeconomicus is supplemented by other concepts of humankind, such as the homo politicus. In contrast to the homo oeconomicus, the homo politicus is interested in the common good and therefore in sustainability. The empirical relevance of the homo politicus was found in studies concerning the behaviour of administrators in environmental ministries and agencies. It

was shown that their personal ambitions and interests, although certainly present, were not the only motives for their engagement.

Homo oeconomicus and homo politicus gain their plausibility from the circumstance that they integrate our everyday life experience. It is an elementary fact that human beings strive as homines oeconomici for their own advantage in a rational way and do not care for others. Similarly we observe that human beings as homines politici care for justice and the general welfare of others. As economic actors and as political actors, human beings move in different areas, according to different principles.

2. Theory

The focus of this representation is on two conceptions of humans, the homo oeconomicus and the homo politicus, i.e. the economic human and the political human. We represent achievements and the critique of the concept of the homo oeconomicus in general and by Ecological Economics in particular. Then the concept of homo politicus is developed.

2.1 The approach of Mainstream Economics: the homo oeconomicus

Assumptions of Homo Oeconomicus

The concept of the homo oeconomicus is perhaps the most central assumption of economics because economic behaviour is the central pillar of economic theory. It is generally assumed that all human beings behave according to the model of the homo oeconomicus, i.e. they maximise their own utility. It is presupposed that she is 1) well informed about herself and the world. Thus she knows her income, all prices, all possible actions available to her and, in particular, the structure of her wants, technically speaking, her preferences. The criterion for her economic choice is the optimal fulfilment of her wants given the restrictions just mentioned.

2) Her wants, i.e. her preferences, are not in any way restricted (Arrow 1951/1963: 24-25). However, without further characteristics, it would not be possible to forecast her behaviour. For this reason, it is further generally assumed in economics that all consumers act

according to two additional assumptions. 3) The first and most important one is non-satiation, i.e. she always wants to have more of at least one good, be it, e.g. gold or time. 4) Second, it is taken for granted that she is concerned solely with her own well-being; this implies that envy and pity are foreign to her. Both assumptions, non-satiation and independence of preferences, are crucial for the mathematical calculation of the decisions of the homo oeconomicus and for the central results of welfare economics. The reason why independence of preferences and thus envy etc. are excluded is that this would complicate the economic theory such that central results of it could not be derived. The standard models and well-known theorems of welfare economics are based on the homo oeconomicus model, for only if the economic agents behave as utility maximisers can the welfare optima be achieved (see e.g. Debreu, 1959, Mas-Collell et al. 1995). These results are the theoretical basis for Mainstream Economics.

Achievements of Mainstream Economics

It is a considerable achievement of Mainstream Economics that it has incorporated in its analysis the egoism of human beings, for the latter can often be observed empirically. The assumption that individuals preferentially follow their own interests helps to supply significant and meaningful explanations for economic processes which are even helpful for certain political environmental recommendations, such as charges for water, certificates for greenhouse gases etc. Expressed in positive terms, one may say, economists have confidence that individuals have sufficient understanding and judgement to take care of their own interests, and in this way they contribute to the overall wellbeing of the whole population more than some well-meaning dictator or regulator could do.

2.2 Critique of Homo Oeconomicus

Critique from Philosophy

We note that the attitude of non-satiation of the homo oeconomicus shows features of avarice, which is viewed by Plato, Aristotle and the authors of the New Testament as a vice. The homo oeconomicus virtually provokes critique from noneconomic sides. It is criticised that ethical considerations do not play any role in economic behaviour, even though the latter matters in reality.

Critique from Behavioural Economists

Recent empirical research shows that in many cases real human behaviour systematically deviates from prognoses based on the homo oeconomicus concept. As shown by Green and Shapiro (1994), the prognoses concerning political processes often diverge from reality, i.e. the predicted suboptimal results do not occur, evidently because political actors have other motives than the utility-maximising behaviour with respect to individual preferences. In addition, empirical evidence from Behavioural Economics, whose findings are based on experiments, has brought up many similar results and limitations of the traditional rational utility maximiser (Gintis, 2000).

Critique from Public Choice theorists

Perhaps, the most fundamental critique of homo oeconomicus comes from inside Mainstream Economics itself from members of Public Choice, a branch of Economics which was established in the second half of the 20th century (see e.g. Mueller 1995). In some sense Public Choice is part of the tradition of Political Economy; it “combines the breadth of vision which characterised the classical political economy of the nineteenth century with the analytical advances of twentieth century social science” (see aims of the Journal ‘New Political Economy’). Public Choice theorists discovered a central conceptual inconsistency of Mainstream Economics. In Mainstream Economics, to realise economic policies it has to be assumed that

1. there exist impartial observers, scientists and advisers not interested in their own advantage, who measure the costs and benefits of appropriate policy action, in particular damage to the environment caused by production activity and the welfare gained by appropriate measures,
2. that there are benevolent politicians who implement these proposals without caring about their own interests.

To carry out environmental policies based on Mainstream Economics, therefore, implies that there exist impartial and benevolent human beings, observers, scientists, advisers and politicians, who behave quite in contrast to the behaviour of the self-interested homo oeconomicus. Public Choice theorists discovered that this contradiction and that these two assumptions are very much in contrast to the economic conception of humans, the homo oeconomicus, who by definition – is self-orientated. Public Choice as a radical democratic

approach, therefore, argues – very much in contrast to other critics – that *all* actors should be conceived as homo oeconomicus, i.e., observers, scientists, advisers and politicians, too. This implies that an approach has to be developed which assumes that all human beings per se are homines oeconomici and not only economic actors alone. (Buchanan and Tullock 1962). Thus Public Choice theorists are even more radical with their conception of humans than Mainstream Economics. Thus their critique of the homo oeconomicus model is very different from the one presented by the other social scientists mentioned in the previous section above and the one of Ecological Economists to be explained below.

Perhaps because of this radicalisation of their view of their conception of humans, Public Choice theorists initiated a completely new and very astonishing development in the middle of the seventies of the previous century. Leading Public Choice members (Buchanan 1975, Bernholz 1978) showed that this approach leads to the endangerment of the long-term interests of a society due to short-term partial interests (Buchanan 1975, Bernholz, 1978, Mueller, 1995). Even the sustainment of a given democratic constitution can be endangered. This is very much in contrast to Public Choice's view of radical democracy. We note that the crucial condition is the time frame: Homines Oeconomici have rather short-term time frames compared to the long-term time frame which is necessary for achieving the maintenance of a given democratic constitution.

At first sight it may come as a surprise to the reader that this result has relevance for the conceptual possibility of achieving the sustainability of natural living conditions. How can that be? The reason is the following: The endurance of natural living conditions cannot be preserved if human beings care only for their short-term interests. The theoretical outcome of Public Choice is an important explanation as to why so many people have become rather sceptical about the possibility of achieving sustainability at all (Faber et al. 1997).

This scepticism is very much in contrast to Ecological Economics since its normative task requires an explanation of how and under which conditions human beings will further sustainability. Nevertheless, this result supports in some sense the critique of the Ecological Economist who maintains that the homo oeconomicus is a too narrow conception of humans. They insist that the normative task of Ecological Economics cannot be based solely on the homo oeconomicus concept, implying that people behave only according to short-term interests.

Critique from Ecological Economists

As mentioned above, authors of Ecological Economics (Söderbaum, 1999: 164; cf. Nyborg, 2000: 305; Siebenhüner 2000: 17; Faber, Petersen, Schiller 2002) reject the claim that one can explain all human behaviour using the homo oeconomicus since the homo oeconomicus is foremost a consumer maximising utility or even an egoist who is solely concerned with his own well-being, pursuing only 'short-sighted individual interests'. Even if homo oeconomicus is not necessarily an egoist, there is no reason at all to suppose that she has an interest in occurrences taking place far beyond the end of her lifetime. However, this would be necessary to achieve sustainable development (Faber et al., 1997: 464, 476-477). We will come back to the role of time below.

What conclusions have been drawn from the limitations of the model of homo oeconomicus in the literature? As Faber et al. (2002: 324-325) have noted, the political scientists Green and Shapiro (1994: 26, 193) argue for the restriction of the application of the homo oeconomicus. That is, arguments of utility maximisation are of importance for all decisions of political actors, even though they are neither always decisive nor the only ones. If homo oeconomicus is perceived of as such a restricted model, one must be able to determine what other factors than various defections of rational behaviour systematically influence the decisions and actions of human beings. Such factors systematically influencing decisions are analysed and examined in the designs of 'homo politicus' by Nyborg (2000), 'homo sustinens' by Siebenhüner (2000), and of 'political economic person' by Söderbaum (1999). An analysis and critical appraisal of these attempts is given in Faber et al. (2002: 325-327).

2.3 Homo politicus

As mentioned above, Ecological Economists have suggested additional conceptions of humans such as the homo sustinens and homo ecologicus (Söderbaum, 1999: 164; cf. Nyborg, 2000: 305; Siebenhüner 2000: 17; Faber, Petersen, Schiller 2002). From our point of view it is expedient to introduce the notion of homo politicus as a new and additional conception of the human being besides the homo oeconomicus. We believe that both conceptions of humans, the homo oeconomicus and the homo politicus are two dimensions of human beings.

Here we intend to confine ourselves to the concept of homo politicus as developed by Faber, Manstetten and Petersen et al. (1997). The homo politicus has a phenomenological root in everyday life. With regard to human beings, we note that they pursue by no means exclusively their own interests. Apart from pursuing their own interests, many try to develop a notion of what is good for the community in which they live and engage, a notion of what they conceive as the common good for society [see Concept INDIVIDUAL, COMMUNITY & ENTIRETY]. An essential aspect of the common good is to preserve the natural conditions of life, i.e. sustainability. This engagement, if made publicly, turns a person into a homo politicus. The latter can be characterized by four characteristics:

1. The homo politicus strives towards justice, just institutions and participation in the community.
2. Her engagement in politics is not rooted in unselfish altruism, but also not in egoistic maximising of utility. Her political engagement rather expresses an original interest in society, which for human beings seems as important as the self-centred interest broached by economists. This implies that she is willing and has the courage to carry out the political action just recognised, even if it holds risks and disadvantages for herself.
3. She is willing to dispute and quarrel over the question of what is just in a concrete situation, and she is willing to try to persuade others.
4. But she is also able to be persuaded by a better argument from others.

The latter two qualifications are part of her power of judgement, to which we turn below. The question whether the homo politicus can be observed empirically will be examined and illustrated in Section 3 below.

Let us now consider these four conditions in detail (see for the following Petersen et. alt. 2000: 141-143). (1) The homo politicus strives towards justice [SUSTAINABILITY & JUSTICE]. She can understand a decision as being just if it is approved by all participants and all affected by the decision for *good reasons*. However, the notion of justice is not a scientifically operational one, for what is a *good reason* cannot be determined scientifically. We, therefore, have to look for solutions which are (i) factually appropriate and (ii) find long-term consensus amongst all participants.

Turning to condition (2), we note that in pursuing the common good, the homo politicus will not give up all her own interests, but she will eventually not give them priority. This in turn will lead her, for example, to prefer a just long-term solution over to her short-term interests.

Arriving at such a consensus is a very difficult task. The problems involved are articulated in conditions (3) and (4). In order to be successful, the homo politicus requires a certain faculty which has been denoted *power of judgement* [POWER OF JUDGEMENT] by Immanuel Kant who wanted to differentiate this faculty from the discursive reasoning of mind. What is the difference between the power of judgement and the brain? In contrast to the steps of the brain, the judgements of the power of judgement are not necessarily logically consistent, repeatable in every instance or necessary (Kant 1960: 368). The judgements of the power of judgement do not fulfil these conditions since they have an irrevocable element of freedom and spontaneity.

It follows that in contrast to the behaviour of the homo oeconomicus, which is calculable and under given restrictions completely predictable, the acting of the homo politicus is never completely determined by a given context. This insight corresponds to our everyday understanding of politics. We consider politics as the 'art of the realm of the possible' (Otto von Bismarck) in which there exists the freedom to create and to shape political acting. Both the power of judgement and the acting of the homo politicus to which it leads contain, therefore, an element of unpredictability [IGNORANCE].

We have emphasised that the human being as homo politicus has the ability and the potential to create novelty and initiate unpredictable developments. This circumstance implies certain dangers which have to be clearly recognised. In spite of the homo politicus' orientation concerning the common good and welfare, this does not necessarily imply that these developments will turn out to be factually good or desirable. For instance, we do not think of totalitarian leaders like Hitler or Stalin since their politics cannot at all be affiliated with any idea of common welfare or justice (see (1)). However, the possible complex of problems of the homo politicus can well be illustrated by a figure like Maximilian Robespierre. He was beyond a doubt an extraordinary political talent with great power of judgement. Robespierre employed solely the word and did not rely on any potential of power to determine the course of the French Revolution for one year, and he led it into a reign of terror.

Finally we note that we are quite aware that the concept of the homo politicus is foreign to the vast majority of economists (see e.g. Bernholz 1998). However, this attitude is very much in contrast to the perspective of many political scientists, sociologists psychologists, and political philosophers since essential characteristics of the homo politicus have been treated at length in political philosophy. Thinkers like Aristotle, Montesquieu, Kant, Hegel

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3. Practice

3.1 Empirical relevance of the homo politicus

Of course, one may doubt whether the aspect of homo politicus is strong enough to solve grave and difficult environmental problems. This doubt was our motive to undertake empirical studies to determine whether the homo politicus has empirical relevance or not. We have examined this question in several studies (e.g. Petersen, Faber, 2000, Petersen, Faber, 2005). We have concentrated our focus on administrators in general and ministerial ones in particular for two reasons: first, because according to Mayntz (1985) ministerial management is no longer just an implementation body, but has become a “planning ministerial administration” whose members actively shape environmental policies and not seldom develop their own, decisive initiatives. Second, we focus on ministerial administrators because they have shown “that ministry officials exhibit a marked environmental engagement, a high degree of knowledge on the subject, as well as political competence (Petersen and Faber, 2000: 31-38). In contrast to economic actors, government administrators have pursued long-term environmental goals in the areas of

solid waste and sewage under very difficult conditions which existed because of a great divergence of interests. They succeeded in achieving important steps towards sustainable waste and sewage management (Petersen et al. 2000: 145-148). Specifically, they were successful in avoiding the predicted breakdown of the waste management system (Töpfer, 1988, cf. Michaelis, 1991: 1). Since they were able to assess correctly the interests and the willingness of industry and commerce to cooperate, they established a legal framework resulting in the development of a waste management system during the last decade. This has been a major change in environmental policy, which has even been called revolutionary (SRU, 1998: 174).

In pursuing the goals of justice, the common good, and sustainability [SUSTAINABILITY & JUSTICE], a significant part of the ministry officials interviewed were prepared to accept personal disadvantages regarding their career paths. Hence, personal ambitions of the actors, although certainly existent, are not the only motives for their engagement [RESPONSIBILITY]. In our case study we have found actions of homo politicus according to the four aspects mentioned above: strong orientation towards the common good, willingness to argue, openness for other arguments and suitability as well as consistency of the steps taken with respect to these goals (Faber et al.: 2002: 331). All these findings, therefore, show the empirical relevance of the homo politicus.

3.2 The example of waste management: comparing the potential of the homo oeconomicus and the homo politicus

We want to illustrate the role of ministry officials as homines politici, mentioned above, in detail by illustrating their role within the area of waste management which played a major role in environmental policy in the Federal Republic of Germany during the eighties of the previous century and in China starting around 2000; in both countries we worked as environmental consultants for several years.

During the nineteen-seventies, the yearly amount of waste increased rapidly in the Federal Republic of Germany. This development can be well described with the model of homo oeconomicus (see for the following Petersen et. al. 1999) since the economic agents had no incentive to reduce their waste as the waste fees were so low. During the following decade, due to the growing amounts of waste, an awareness of the problem emerged in the public. The reduction of waste was viewed increasingly as an urgent task and was

articulated as such by politicians, in public media in general and in nongovernment organisations in particular. It is interesting to note that this was not only done by citizens who were negatively influenced, but also by those who were not directly affected. The politicians' and citizens' reactions illustrate the acting of the homo politicus, for they recognised that the growing amount of waste was endangering the common welfare, and they also introduced the – at that time – new idea of utilisation and reduction of waste.

The public attention had the effect that streetscapes slowly started to change at the end of the seventies: More and more containers for glass and paper appeared, and the collection quotas continually rose, which proved that the consumer's behaviour changed. However, they were not acting as *homines oeconomici* but rather as *homines politici*, since they had no monetary incentive to separate waste and therefore no monetary incentive to increase their effort in disposing of waste.

In the eighties, politics became more and more involved in shaping waste management, enforcing much stricter and more encompassing measures. At this stage at the latest, one actor became the decisive one, an actor who is not given the attention she deserves and who is even often overlooked in public debate; this is the environmental administrator, in particular the ministerial one. At first glance, it appears that these officials have only to carry out the policies given to them by their superiors. However, as has been shown in empirical studies (e.g. Jänicke 1986, von Lersner 1991), the ministerial administration has great competence and power in environmental policy.

All of these qualities are those characteristics of the homo politicus which were outlined in the previous section. From 1986 to 1994 these ministerial administrators had a central role in formulating four laws and regulations, among them the important Waste Law (1986) as well as the Recycling Management and Waste Law (1994). They also were of paramount importance in getting these laws through the legislation process. Not few of them were willing to sacrifice personal advantage in favour for the common good.

How essential waste has been for the greening of German environmental policies is perhaps best illustrated by the fact that waste separation has developed to one of the most important characteristics of Germans.

3.3 Conclusions

We have (i) invented the homo politicus and (ii) designed it in such a manner that it can complement the homo oeconomicus.

In reality, human beings are neither solely homines oeconomici nor exclusively homines politici. Hence, these two concepts do not characterise types of humans, but dimensions of them. These dimensions are unequally developed in each individual. Further, it has to be noted that monetary incentives which appeal to the self-interest are an instrument of politics; decisive elements of political acting cannot be traced back to selfishness. The actual dimensions of political acting are those in which the self-interest is transcended. Thus, for example, one cannot explain the coming into existence of the green movement or its development without the motivation of the homo politicus. Hence, we conclude the homo politicus is not the ideal of a new human, but a concept which captures the factual acting of human beings and will lead to more effective and just policies.

4. Literature

The content of MINE originates from scientific work published in books and peer-reviewed journals. Quotes are indicated by a special typographic style.

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