



***A History of Homo Economicus:
The Nature of the Moral in Economic Theory***
By David Wilson and William Dixon

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The discipline of economics today has come to a head in many ways. After the end of the Cold War, Marxism subsided, capitalism became supreme, and now the overwhelming teaching in economic theory has become some branch of neoliberal theory. Neoliberal economic theory - game theory, econometrics, cost-benefit analysis - based around the concept of an economic agent whose moral compass is self-interested optimal utility. In theory, if the self-interest of each agent is left to its own devices this will maximize the benefit of the whole.

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An issue today is that many believe the benefit of the whole does not seem to be the case, as economic theory predicts. There continues to be greater wealth inequality and concentration, rampant unemployment, overpopulation, climate change, environmental degradation, among other issues. Why this is the case is controversial, even though, modern neoliberal economic theory is congruous with these trends, along with “globalization.”² In history, political actors generally controlled economic actors, but in recent years things seem to be running the other way around. While this may be the case, it appears that the modern ethic in economic theory has the same roots as political theory. And although modern theory seems to deduce political economic activity to individual units, it is a false idea to believe that these individual units aren’t perpetually in relationship to a greater whole that has moral implications.

David Wilson and William Dixon’s book *A History of Homo Economicus: The Nature of the Moral in Economic Theory* provides an admirable and instructive guide of how the concept of a self-interested economic agent came to be dominant in economic theory. History seems to show the economic agent was fully enveloped by evolving political philosophy and its moral code. Originally, the economic agent was subordinate and a part of a grander political idea but later became separate from this idea.

The book begins with a brief analysis of Xenophon’s work *Oeconomicus*, one of the earliest works coining a definition of economics, but the definition is limited to man and his management of the household. Although Xenophon’s writing introduces a concept of economic man, Plato’s *Republic* seems to become much more influential in the course of economic theory and its history. In the *Republic* Plato introduces a concept of a political economy where individuals are parts of a grand hierarchical order that can move towards a Platonic “ideal” society if each individual performs their “true” function. The philosopher-kings, the carpenters, the soldiers, the slaves, and so on.... have a place that can align with this Platonic enlightened society. Plato’s concept of a political economy is similar to Adam Smith’s idea of the “invisible hand”. Smith is widely considered the father of modern economics.

Wilson and Dixon point to this correspondence of Plato’s ideal society and Smith’s economic state shaped by the invisible hand. Smith believed that if each economic agent acted through self-interest it would be as if an “invisible hand”

² Globalization many times seems to refer to citizen constrictions, but quasi-economic liberalization; e.g. free flow of capital, but not free flow of labor.

guided society in the optimal direction. Society, to Plato, moves towards the “ideal” – the true, the good, and the beautiful – political order if each individual plays his innate role, whether it is to be a soldier, a philosopher-king, a slave, and so on. Plato’s “ideal” becomes Smith’s “invisible hand.” While a separate “economy” really doesn’t exist in Platonic philosophy, his thought can be seen in economics today – *a la* “end of history” capitalism.³

After the Greeks, Thomas Hobbes became influential in the discipline of economics by introducing his concept of the social contract and man’s innate self-interest. His work *Leviathan* establishes the idea that individuals are suspicious and self-interested in the most primitive aspects of our being. Our “state of nature” according to Hobbes is a place that is “nasty, brutish, and short” because we are essentially killing each other off out of suspicion and constant threat. Anarchy is a terrifying state to Hobbes. To curb our most primitive instincts we establish a social contract (*i.e.* government) to establish rules, order and regulation, so we can live in a society that is much better than our primitive chaotic “state of nature.” The social contract, *i.e.* Leviathan/government, is a bit like the “invisible hand” in that it effectively becomes a third person guiding society – each individual collects and creates the “third person” whole. Why Hobbes is important in our modern day concept of the economic agent is partly due to his dominant influence on liberalism and to his strong emphasis on self-interest in political theory. Hobbesian moral code can be seen as game theory analysis of political thought as opposed to economic thought.

Adam Smith came shortly after Hobbes. Smith appears to have contradictory views on how human beings relate to each other. In a *The Theory of Moral Sentiments* he expresses the view that human beings are ultimately sympathetic towards each other. In *The Wealth of Nations* he seems to say we are self-interested. The ambiguity of Smith’s ethics weakens his potential influence on the role of morals in modern day economics. As Hobbes’s view on self-interest was already more dominant Smith’s self-interest perspective was emphasized while his sympathetic perspective waned.

The conclusion to Wilson and Dixon’s analysis is that Hobbes’s moral view is implicitly present in game theory, econometrics, and the other analytics that are heavily extant in neoliberal economic theory. However, the *History of*

³ Analogous to Francis Fukuyama’s “End of History” concept where the battle of ideologies – absolutism, fascism, communism, etc.... - reaches its end in the universalization of Western liberal democracy. Western liberal democracy is loosely the modern form of a Platonic Republic.

Homo Economicus reminds us that Hobbesian social contract and Leviathan, as with Plato's "ideal" Republic, and Smith's "invisible hand," cannot be merely viewed from the perspective of the individual unit. There is a "third" person, a grand other that is persistently present as the higher moral order that guides society. It is a false idea to believe the individual is guided only by self-interest because even the Hobbesian perspective is deeply moral. Hobbes looks at individual actors in relationship to the social contract or Leviathan, the larger social whole.

Thus, because economic theory's analytics is based on individual self-interest, it is blinkered. The problem is the theory does not understand the greater whole to which each individual unit relates. The relationship between the individual and the greater whole has moral implications. Wilson and Dixon prompt us to rediscover this moral dimension that needs to be integrated into, and not dismissed from contemporary economic theory.

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