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***Homo economicus* versus ζῷον πολιτικόν: the Return of the Macedonian**

**Abstract:** The aim of this conceptual paper is to show that a management founded on the concept of *homo economicus*, as has been the case since the 19<sup>th</sup> century, has led today to an impasse. Such a management has caused great damage to the environment without ensuring the wellbeing of all populations. It is then high time for this concept to be discarded if we want economic activities to be sustainable. The paper advocates a re-discovery of the concept of the *zoon politikon* of Aristotle to re-orient management and economics in general toward the goal of the preservation of the natural environment and the wellbeing of human populations. The paper aims at showing that the philosophy developed by Aristotle can found a renewed approach to management. A first part is devoted to the analysis of the *homo economicus* and its consequences and a second part is devoted to the analysis of the *zoon politikon* and how it can inspire and guide management today to meet the present and future challenges.

**Keywords:** *homo economicus*, *zoon politikon*, A. Smith, J.S. Mill, Aristotle, ‘wellbeing company’

**Introduction:**

Since the 19<sup>th</sup> century, economics and management have been based and developed on the concept of the *homo economicus*, hypothesising that the behaviour and decisions of economic actors are motivated by a rational treatment of information in the decision-making process. It is assumed that if organizations and individuals, pursue their own interests, the sum of all the individual interests will equate the general or collective interest. For organizations, their own interests have been encapsulated in the phrase ‘*maximization of profit*’, and for individuals in the phrase ‘*maximization of utility*’. Although, almost from the beginning, the concept of *homo economicus* has been criticized and challenged, it has nevertheless remained until today a dominant driving force in the organization and analysis of economies and in the management of economic organizations.

In the recent years, the challenging of this concept has gathered strength in view of the evolution of the economic environment in which it has operated.

The issue of sustainability which has come to the forefront of economic and management research and practices, due to the negative externalities which have resulted from the tenets of the *homo economicus*, and the correlated notion of corporate social responsibility advocate a reconsideration of the goals of an economy and a re-founding of the theory of the firm.

To do so, we need to turn back to the Greek philosophers who lay the foundations of politics (i.e. the goals and organization of the city), the most prominent of whom is Aristotle with the concept of ζῷον πολιτικόν (*zoon politikon*). For Aristotle, it is natural for men to live in society where they can accomplish themselves by living in a community with their kins. This

community is the city (πόλις) whose *raison d'être* and goal is the well-being of its members, their happiness and the common interest. The city should be governed by the φρόνησις (wisdom). By contrast to the *homo economicus* it can be said that the goal of the city is the *maximization of well-being* as well for economic organizations as for individuals. The economics of the city, originally founded on the management of the 'house' (Οικονομικά), is one of the ways to achieve the goals of the city.

Therefore the principles on which the city and its members as *political animals* rely can be used for re-engineering management, in a broad sense, away from the *homo economicus*, to design a system where the sustainability of economic activities, with the goal of the maximization of well-being, could be ensured.

In this conceptual paper, we will first examine principles of the *homo economicus* and the effects that their application has had on the environment in its broadest sense and social life. Then we will examine Aristotle's concept of the *zoon politikon* and contrast it in its consequences with the *homo economicus*, and see how the principles of the *zoon politikon* can be a sound base to design a management aiming at sustainability, the preservation of the natural environment and the well-being of people. To conclude the question will be raised of the possibility of reconciling the *homo economicus* with the *zoon politikon*.

### **Part 1: The concept of *homo economicus* and its impact on the environment.**

The concept of *homo economicus* emerged as a basis for organizing economic life with Adam Smith in his extensive study entitled *An Inquiry into the Nature and Causes of the Wealth of Nations* published in 1776.

Originally, Adam Smith was not an absolute fan of the *homo economicus*. In his *Theory of Moral Sentiments* published seventeen years before *The Wealth of Nations* (1759), he acknowledges that men are not purely egoistic beings only thinking about their own interests and finding their 'wellbeing' or 'happiness' in accomplishing them. He writes that "How selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it except the pleasure of seeing it." Morality is based on 'sympathy' in social relationships.

In the *Wealth of Nations*, he seems to have completely changed tack and, in a way, bets on self-interest as a more effective and efficient way of organizing economic life. He states this in the famous sentence: "It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest". But the next sentence is often forgotten. He writes that 'we address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages'. So, there is an implied distinction between 'humanity' and 'self-love', and consequently between human behaviour in the realm of social relationships and the realm of economic relationships.

Smith's standing in the *Theory of Moral Sentiments* and his standing in *The Wealth of Nations* have classically been opposed. However, there is no conclusive evidence that Smith saw a contradiction between them. First, throughout his life he continued working on the question of moral sentiments, as he did, in parallel, with *The Wealth of Nations*. Second, he writes himself that there is convergence between personal advantages and the advantage of society: "Every individual is continually exerting himself to find out the most advantageous employment for whatever capital he can command. It is his own advantage, indeed, and not that of society which he has in view. But the study of his own advantage naturally, or rather **necessarily**, leads to prefer that employment which is "**most advantageous to the society**" (we underline) (*Wealth*

of Nations, Book IV, Chapter II). Moreover, he believed that *The Theory of Moral Sentiments* was his most important and influential work.

In any case, it must not be forgotten that ‘sympathy’ structures social relationships and that ‘self-interest’ structures economic relationships, two different things. It must be not be forgotten either that self-interest is not something illimited. It is restrained by a number of factors. Competition is not an all-war between economic agents, hence for example Smith’s opposition to cartels and monopolies.

The concept of *homo economicus* was established by John Stuart Mill (1836, 1848, 1863). He stated that man is ‘a being who desires to possess wealth, and who is capable of judging the comparative efficacy of means for obtaining that end’. The ‘comparative efficacy’ implying a rational approach. He developed the theory of utilitarianism in the wake of Jeremy Bentham (1789). The goal of utilitarianism is to obtain happiness: ‘The utilitarian doctrine is that happiness is desirable, and the only thing desirable, as an end; all other things being only desirable as means to that end’ (1863). So, men’s actions are driven by their ‘utility’. Hence, the ‘utility’ must be maximized (Faber, M., Frick, M., Zahrnt, D. 2019). The primary goal of the *homo economicus* is to maximize utility as a consumer and to maximize profit as a producer. This entails ‘flawless rationality, perfect information, self-interest and preference consistency’ (Chen J., 2021) which have been since then the foundations of *homo economicus*. This maximization of utility has been mathematically formalized by the indifference curve (Pareto W. 1919).

The concept of *homo economicus* was promptly challenged on various grounds.

Economic anthropologists (e.g. Mauss M., 1925; Polanyi K. 1944) have shown that in ancient traditional societies economic transactions are not based on self-interest but on reciprocity, which is at the heart of the potlatch and one of the origins of barter.

Economists like Herbert Simon refuted the perfect rationality of agents, arguing that rationality was bounded in decision-making (1982).

Behavioural psychologists, and economists, (Tversky A. and Kahneman D., 2000) challenged the assumption that men act rationally in their economic decisions.

Nowadays the main challenge to the behaviour of *homo economicus* comes from the negative externalities caused by such behaviour for the natural environment (pollution, waste, climate change, bio-diversity) and the social environment (health, inequality in treatment, income, wealth, leading to climatic migrations, xenophobia and racism). These negative externalities are ignored by *homo economicus* and not taken into account in the decision-making process, something that a rational being should integrate into his decisions! In the classic evaluation of companies’ performance, the latter being equated with economic (i.e. financial) performance, the accounting and financial techniques used do not take into account the cost of environmental and social implications of companies’ decisions. When appraising the profitability of making and marketing a new product, there are no parameters considered about the pollution that this product will cause to the environment and the harmful consequences for the wellbeing of populations, so that a product can be ‘demonstrated’ to be (financially) profitable but in fact be hugely unprofitable if environmental and social implications were taken into account. Interestingly, when reading companies’ Annual Reports, environmental and social issues are usually in a section, when there is a specific one, entitled ‘Extra-financial performance’ (see Total Energies 2020), but there is no or hardly any translation in terms of costs, so that it does not affect financial performance directly.

Although they have always existed, these implications remained minimal until the industrial revolution of the 19<sup>th</sup> century.

In a non-surprising way, the negative environmental implications and social effects have increased in parallel with the development of economies. An emblematic example is that of CO<sub>2</sub> emissions. Their amount follows the increase in world GDP, and continues to do so, though

at a somewhat lower rate, in spite of the efforts made by a number of countries, making the pledges of the successive COPs unrealistic (Baccarani C., Brunetti F., Martin J.; Martin J., Baccarani C., Brunetti F. 2021). This is not surprising in the sense that the development of economies from the time of the Industrial Revolution has been founded on the concept of *homo economicus*.

If the *homo economicus* has undoubtedly contributed to economic growth and an improvement of living conditions for a great number of people, we are now past a turning point. *Homo economicus* is severely jeopardizing economic growth and destroying the natural environment and the social fabric.

It is then high time the economic and management paradigm founded on *homo economicus* were changed.

To do so, we can look back on Aristotle and the concept of ζῷον πολιτικόν (*zoon politicon*).

## **Part 2: The concept of ζῷον πολιτικόν and the welfare of society**

Aristotle is famous for his phrase defining man as a ζῷον πολιτικόν (*zoon politicon*, i.e. political animal - *Politika*). Philosophers have always discussed the question of the origins of ‘society’. Why and how men have assembled and created society? Aristotle says that nature does not do anything in vain. The πόλις (*polis* – city) derives from the requirements of human nature. It is not the result of a convention or chance. There is a continuum between the ‘natural man’ and the ‘social man’. Man is destined to live in society, that is why he is a political animal (*politikon* is the adjective derived from *polis*). Aristotle’s view is in opposition to that of the Sophists who argued that the *polis* was the result of a convention, hence the concept of ‘social contract’ that was to know a long, unfinished, history. In Antiquity, Epicurus followed the Sophists, but Marcus Aurelius followed Aristotle, as did in medieval times most philosophers and theologians, notably Augustine (*The City of God*). In the 17<sup>th</sup> century Spinoza (*Ethics*) followed Aristotle, but Hobbes (*De Cive, Leviathan*) challenged Aristotle and supported the ‘social contract’ on the ground that the ‘natural man’ was unfit to live in society, hence his famous sentence “*homo homini lupus*”. Locke refuses the *homo lupus*, but supports the social contract whose aim is to ‘stabilize’ the state of nature (*Treatises of Government*). Rousseau was in a way in-between. He argued that men were naturally ‘good’ (*Discours sur l'origine et les fondements de l'inégalité parmi les hommes* and *Du contrat social*) but that they had to surrender their freedom, through the social contract for the good of society. Marx is in line with Aristotle (*Zur Kritik der Politischen Ökonomie*).

There is also a continuum leading to the *polis*. The first cell is the family, then families gather in ‘villages’, then the villages become a city. The *polis* is a ‘community’ or ‘partnership’ (*κοινωνία, koinonia*).

The foundation of the city is ethical. The city is founded on virtue (*ἀρετή*). There are four principal virtues: courage (*ἀνδρεία*), temperance (*σωφροσύνη*), justice (*δικαιοσύνη*) and wisdom (*φρόνησις*). The last two are the most important. Men and the city must follow the ‘golden mean’ (equilibrium between two extremes) and exercise ‘restraint’ (acting without excess) (*τὸ μέτριον ἄριστον καὶ τὸ μέσον*). Justice is the foundation of the Rule of Law which guarantees concord in the city. Wisdom (we use here the common translation of *φρόνησις* which can be ambiguous as ‘wisdom’ is also the common translation of *σοφία* (*sophia*), we could suppress the ambiguity by calling *phronesis* ‘practical wisdom’ and *Sophia* ‘transcendental wisdom’ or render *phronesis* as sagacity) is the capacity to discuss what is good and useful for man, that is what permits to live well. *Phronesis* is neither a science nor a technique. In a nutshell, Aristotle defines it in this way; it is a true state, accompanied with reason, leading to action when good and bad things for men are at stake (*Nicomachean Ethics*). On this ethical

basis, the ultimate purpose of the city is the city's community happiness (πόλιν μακαρίαν), so that people can live well (εὖ ζῆν).

Consequently, the laws organizing the city's social life must 'root perfection in the soul of men' and foster the virtues of temperance, justice and wisdom. Happiness cannot be dissociated from ethics.

Then comes into play economics. The economy is not an end in itself, it is a means for attaining wellbeing. Economics for Aristotle and the Greeks in general starts with the family cell. This is explicit in the word itself, Οἰκονομικά (oikonomika) means the management of the household. Hence, management precedes economics (as understood in modern times) both logically and historically.

The purpose of economics is not to produce indefinitely, first because resources are limited and second because the aim of production and the wealth created must be sufficient to live well. Aristotle rejects the accumulation of wealth for its own sake (*Oikonomika*). We see here one application of restraint.

A key issue for Aristotle about wealth is its distribution. He is not in favour of an egalitarianism as citizens are not equal. He advocates a distribution of wealth according to merit. But he affirms that no citizen can be deprived of means of subsistence. Making money with money is not his cup of tea. Money was invented to facilitate the exchange of goods between men, not to speculate as we would commonly say today.

Above all, Aristotle is firmly opposed to a 'financial economy' that he calls χρηματιστική (chrematistics), which is an artificial economy disconnected from the 'real economy', as we would say today, where profit is the only goal.

If we look at Aristotle's philosophy about politics, society and economics through the lens of what is happening today, we realize that twenty-five centuries later it still holds and can be used as inspiration for finding solutions to the lethal challenges the world is facing. If the concept of *homo economicus* has now dominated economic and management principles for nearly three centuries, the concept of ζῶν πολιτικόν could and should stage a comeback to inspire and orient economics and management in the 21<sup>st</sup> century and after. It is time we celebrated the return of the Macedonian.

The management, and consequently economic, concept translating the *zoon politikon* today can be found in the 'wellbeing company'.

The 'wellbeing company' can be characterized in the following way. The company or enterprise must have the wellbeing of all its stakeholders as its objective. The stakeholders include internal ones (employees) and external ones (customers and suppliers) as well as the (natural) environment and society as a whole. It is not centred on its self-interest but open to the outside. It offers products and services which are the outcomes of sustainable choices with a long-term horizon. Profit is not the end but the result of its actions for the good of society. The maximization of utility and profit of the *homo economicus* gives way to the maximization of wellbeing of the *zoon politikon*.

In the present economic and management situation where the production processes both in industry and services have already created irreversible harmful consequences and are leading to the destruction of the environment as confirmed by the latest IPCC Report (2023), it is more than urgent to change paradigms if we want to keep planet Earth livable for human beings.

It is obvious that the concept of 'wellbeing company' can be strongly supported by Aristotle's philosophy of society, politics and economics.

We find in the concept of 'wellbeing company' and sustainable development globally or Corporate Social Responsibility more particularly (see: Fauzan, Dianawati, Suryaningtyas 2014) the seeds planted by Aristotle.

The purpose of the ‘wellbeing company’ and consequently of society as a whole is the same as Aristotle’s end of a political community or polis founded on *koinonia*. The ‘wellbeing company’ is founded on an ethical basis, contrary to the *homo economicus* (cf. Milton Friedman: ‘The social responsibility of businesses is to increase profits, or D. Cohen - 2012: ‘The ethical man leaves the room when *homo economicus* enters’. The preservation of the environment and living conditions of human beings depend on Aristotle’s ‘restraint’. What political authorities, economic actors and every citizen should do to save planet Earth and themselves (cf. the successive IPCC reports) is in line with Aristotle’s *phronesis*. The ways and means of the ‘wellbeing company’, Corporate Social Responsibility and globally sustainable development are the same as what Aristotle professed.

### **Conclusion:**

It would be very daring to proclaim the sudden death of the *homo economicus*, when we look at what is – or is not – happening, though, one way or another, it will happen in the long term, as the paradigm he symbolizes is no longer tenable in front of the challenges the world is facing now. Aristotle’s philosophy around the concept of *zoon politikon* can be the starting point for a renewed paradigm where the ends of social life (which naturally, in Aristotle’s sense, includes economics and management) would be those stated by the Macedonian philosopher.

We may even wonder if it might be possible to reconcile *homo economicus* and *zoon politikon* by creating a neo-homo who would think and act rationally. After all Aristotle’s *zoon politikon* is rational. He is moved by the λόγος (logos), which is what makes him different from the ordinary *zoon*. But the ends of this rationality would have as objectives those of the *zoon politikon*.

*Tomorrow never knows*  
(George Harrison, 1966)

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