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FACULTY OF SOCIAL SCINECES  
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MASTER'S THESIS

Homo economicus and Nature of human beings

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Supervisor: MSc. Tomas Janotik  
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Charles University Prague  
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## **Topic Overview**

With the development of modern economy as a science, Homo economicus placed himself/herself into one of the most discussed phenomenon. He/she has been the subject of many theories, which were not always heading to the same direction. Many approaches were used in order to describe Homo economicus, including purely economic ones, ones that included the influence of society and all its laws, etc. Until today it is not quite clear what is the exact nature of this perfect economic being, how does the human nature influence him/her, in what manner is rationality and self interest implemented in a life of Homo economicus and how he/she differ from the other humans.

On the other hand, human nature is another intriguing question. The root for its explanations goes back to the development of human conscience. First drawings on the walls of the caves, first written works known to us and all the knowledge since that time until now is used to get the clearer picture of what our nature really is. Further, the importance of this question is therefore of huge importance, because it brings humanity closer and its of great significance for describing humans, their actions, needs, social behavior, inter-human relations etc.

The author's aim is to connect Homo economicus with human nature in order to better describe his/her intensions and acts. This thesis will seek an answer which should locate the place of Homo economicus within the society and therefore within the nature of human beings. It will be questioned whether we can separate him/her from the society, how does the moral codex influence decision making, what is the purpose of bettering the life conditions etc.

## **Thesis Objectives**

The goal of the thesis is to connect and deepen the link between Homo economicus and nature of human beings. Individual actions, described as rational and narrowly self interested will be explained through some of the influential economic theory as well as from the angle of human nature. It will pursue the way of how individual affects the society and vice versa – how the group shapes individual he/she belongs to. The thesis will aim to put the accent to the process of decision making and how the whole process is influenced by the set of rules that are inevitably connected with human nature in general.

The thesis will separately describe individual in given economic situation and individual actions shaped by the human nature. Furthermore, this work will try to describe the dependence of society on prosperity of individuals in a way of individual progress and how it influence the well being of the group. On the other hand, the enormous influence of the collective on individual will also be described through economic theory as well as through social norms set by society.

Importantly, author will not be in situation to explain the mentioned phenomenon from the economy and human nature theory as a whole due to insufficient space. Only part of the theories will be applied, but it should provide the basic notion of the selected problem.

## **Subject Significance**

Homo economicus, as a part of economic theory, came across the divided opinions that considered his/her ethics, freedom of act and even existence of such a phenomenon. Depending on so many factors that could differ from state to state, from one system to another, Homo economicus was described in many ways and it still remains the unanswered question. On the other hand, human nature, even older problem, intrigued the attention of many theoreticians who tried to explain it in a best possible way.

The main significance of this subject lays in a connection of these two phenomenon. Namely, describing Homo economicus only from the economic point of view meets the problem of getting the subjective, economic picture. Namely, there are many other factors that influence his/her decision process and explaining the nature of humans could deepen them. Thus, explaining Homo economicus is of great importance for getting the clearer picture of human nature, since Homo economicus is part of the collective as a whole. This connection between Homo economicus and nature of human beings could bring us closer to the describing every individual in the given situation and may have impact on evaluation of many hidden factors that an individual in the group follows, his/her passions for achieving the goal and in the end, which is one of the author's goals, will prove that one, representing Homo economicus can not survive without the society because of the norms formed in him/her by the group.

# Master Thesis Proposal

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## Proposed Topic:

Homo Economicus and Nature of Human Beings

## Topic Characteristics:

This thesis will focus on similarities and differences in behaviour of Homo Economicus in every-day life and nature of human beings. Despite the main urge of rational selfishness that drives Homo Economicus, can anything else be attached to his acts and acting? Is he/she Homo sapiens and further, can Homo Economicus represent a human being or it's just a theorem, only a part of what human being is? Thus, topic will be viewed from approaches that go beyond only economical statements. The influence of different spheres of thoughts such as existential philosophy, psychology, religion, social Darwinism etc, must be included in order to provide the most acceptable answers on mentioned questions. Hence, I will use the essence of these thoughts in addition to economical beliefs and try to place Homo Economicus in society joining him human nature. The starting point of this thesis will be ancient Greece and the approach of its philosophers and politicians, and it will be developed through modern economists' views (starting with Adam Smith), as well as the most influential people from the field of philosophy, transcendentalism, psychology etc...

## Hypotheses:

1. Hypothesis 1: Rational selfishness is the core of human behavior.
2. Hypothesis 2: Human nature is shaped by society.
3. Hypothesis 3: Homo Economicus is the creation of capitalism.
4. Hypothesis 4: Homo economicus is the alter-ego of Homo sapiens.
5. Hypothesis 5: Homo economicus is "society – free"
6. Hypothesis 6: Homo economicus is lonely without human nature.

**Methodology:**

This study will provide a wide range of theories and numerous empirical researches. Since the main point of this work is to explain the role of Homo economicus in society as well as the role of human nature (if any) in homo economicus I will start with explaining the main urge which is inextricably linked to both Homo Economicus and Homo sapiens. Further, I will consider many other approaches as mentioned before, in order to explain, in the best possible way the nature of Homo economicus and Homo sapiens. Thus, this will help me in defining the importance of Homo economicus for a society and vice versa – the importance of the influence of the society on Homo economicus.

**Outline:**

1. Human nature in Homo Economicus
  - 1.1. Religion of Homo Economicus
  - 1.2 What human nature permits Homo Economicus to be?
  - 1.3 What it means to be human for Homo Economicus?
2. Homo Economicus in Human nature
  - 2.1 Rational selfishness
  - 2.2 Importance of emotions and other aspects of Homo sapiens related to Homo economicus
  - 2.3 Homo Economicus shapes the society
3. Homo Economicus' utility function
  - 3.1 Rational in Homo Economicus
  - 3.2 Irrational in Homo Economicus
  - 3.3 Experimental Procedures and Hypotheses

Core Bibliography:

1. Economics of Good and Evil: The Quest for Economic Meaning from Gilgamesh to Wall Street” by Tomas Sedlacek;
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3. Mill, John Stuart. "On the Definition of Political Economy, and on the Method of Investigation Proper to It," London and Westminster Review, October 1836.
4. Smith, Adam. “On the Division of Labor,” The Wealth of Nations, Books I-III. New York: Penguin Classics, 1986
5. Fukuyama, Francis, “The origins of Political Order”, Farrar, Straus & Giroux
6. Strauss, Leo (1953), Natural Right and History, University of Chicago Press
7. Aristotle, Metaphysics
8. Edmund O. Wilson, On Human Nature, Harvard University Press, 2004.

## **DECLARATION**

I hereby declare that this thesis is my own work, based on the sources and literature listed in the appended bibliography. This thesis as submitted is 94 695 keystrokes long including spaces. i.e. 53 manuscript pages.

Luka Djikanovic,

In Prague, January 2013

Signature

## **Acknowledgements**

I would like to use this opportunity and say few words of gratitude to the people who supported, helped and believed in me and therefore made a great contribution in writing this thesis.

Special thanks to my advisor MSc. Tomas Janotik for expert assistance, guidance and patience from the beginning until the very end.

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## **Abstract**

This thesis examines the basic attitude of individual (presented as Homo economicus) on the market, as well as the part of the group that he/she lives in. First part deals with economic phenomenon, where Homo economicus is placed on the market and his role is described through some examples of transactions and certain processes on microeconomics and macroeconomics level.

The other part deals with human nature, which is connected with Homo economicus. The aim of this chapter is to prove that there is some part of human nature that exist in all of us and thus in Homo economicus as well. Some of the main passions and urges are described and attached to individual, deepening the general picture of Homo economicus. This part of the thesis gives a different approach to Homo economicus' nature, based on a more social structure where one is placed in a society, which is presented through individual's interaction with others, as well as through the need of accomplishing himself/herself as a human being in the society.

Lastly, the aim is to show that Homo economicus is inevitably connected to human nature. In order to achieve the ambition, he/she needs society, needs the others, and from that need a qualitative jump can occur because one is pushing the society forward. The importance of society in development of one is also described with all the restrictions and freedoms (from law legislature to moral codex) that a group can produce.

## 1. Introduction

First attempts to put together a complex puzzle of human nature begun together with human conscience and it have not finished yet. By the year 1970 when Edward O. Wilson published his book “On Human Nature” there was two conceptions of the human condition that dominated in Western thought. The Theologians and all but most liberal adherents of the Abrahamic religions dominated first side. They believed that human beings represent dark angels kept in animal bodies who wait for the eternal life and redemption. Furthermore, our nature, as they claim, is a mixture of good and evil inclinations that we all have to sort out. On the other side stood the group of intellectuals who doubted that human nature, as it is, exists at all. They believed that our brain is a blank state, similar to an engine that uses few elementary passions as its fuel. As we live, our mind is being created from individual experience and learning. Some basic notions of human kind, such as culture, were believed to be, as Wilson pointed out “a cumulative learned response to environment and historical contingency”(Wilson, 2004). Meanwhile, an alternative was rising up through the idea of evolution. It stated that our mind as well as the brain are completely biological in origin and have been completely structured through the process of evolution. However, none of these theories could solve the riddle called the human nature. They give some predictions but the question is still unanswered.

Thinking in a purely philosophical context, human nature could be avoided, but when we include the whole life of individuals today and huge net of economically driven connections we can't do much without explaining the human nature. Speaking of economically driven world, it seems that there is no so many clear links that are trying to put together economy and human nature, or to explain human nature through economy. In fact, the most important connection is Homo

economicus. But, how can we describe Homo economicus and depict his actions? Taking Robinson Crusoe as an example of perfect Homo economicus can be valuable in explaining the urge of the economists, but it is a double-edged sword because of the different environment we live in. Namely, after a shipwreck, Crusoe was living on a desert island managing all the resources he had in order to survive. He lived there with no friends until he rescued Friday from the cannibals. Describing Robinson Crusoe as a Homo economicus shows the core of this economical phenomenon. He had to survive and because of that he started to think in the most efficient way. However, he lived alone on the island and that's the fact that is producing another issue. We are all aware that human beings are living in a society. Further, we all interact with each other every day, seeking interest, friendship etc. Because of that the whole ideology of Homo economicus has to be slightly different than the Crusoe's one. Society plays a very important role and it's inseparable with both Homo economicus and human nature. By the social contract theory, humans should be explained as rational, self-interested and autonomous. As individuals, everyone is trying to achieve the most for himself/herself. In that sense, we are all selfish, self-interested and autonomous. On the other hand, if we include the whole society, things are slightly different. Even though we act as individuals in the world, and we are all struggling to make bigger contributions, involving family, friendships, marriage and other social connections have a lot of impact on our decisions. In "The Theory of Moral Sentiments" Adam Smith wrote: "No matter how selfish you think man is, it's obvious that there are some principles in his nature that give him an interest in the welfare of others, and make their happiness necessary to him, even if he gets nothing from it but the pleasure of seeing it." (Smith, 2010) Smith explains this as our involvement in "pity or compassion...for the misery of others". In fact, that's how beggars earn for living. They need money to survive and the only thing they can do (because they don't have a

job) is to beg other people for some coins. Actually, they earn money on other people's compassion. On the other hand, giving or not giving money to the poor people includes another conflict. That's the conflict of different approaches of human nature described above. "Beggars should be entirely abolished! Truly, it is annoying to give to them and annoying not to give to them."(Nietzsche, 2007) Being selfish, rational and autonomous we wouldn't give money and that side of our personality will be satisfied. On the other side, religion teaches us to be mutually dependent and fundamentally social and therefore we might feel that not giving the money is wrong from the moral side of our personality. This can be explained through historical importance of religion and its teachings as well as through development of modern economic thoughts and political systems. Religion has its roots deep in every being. Almost from our birth, at least from the point when we acknowledge the world around us, we became aware of the God and all his power. That reflection is strong when you are child, especially because it is usually a knowledge given by family which, as a young individual you don't question. In that time we all start to build moral codes, which will always remain in us. As the time is passing and the young individual becomes older and mentally stronger, the questions start to rise, but even with a different approach, there are still a lot of principles from that time remaining in each individual.

Thus, another connection could be made. So far it is concluded that society has great impact on life and decision making of Homo economicus. But, if we take historical approach of this phenomenon, Homo economicus could have much greater role in human nature and in the end in creation of society. Namely, phylogenetic<sup>1</sup> forces can be taken as historical paradigm of social organization, while the conception of history is taken as ontogenetic<sup>2</sup> forces. Furthermore,

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<sup>1</sup> Ontogeny - the development of a sense of individual (Nielsen, 2011)

<sup>2</sup> Phylogeny – the development of socio-economic institutions which individuals inhabit (Nielsen, 2011)

individuals, through their life, understand the socio-economic organization they live in, which is not only the process of individual's development but social and in the end development of community. Logically, humans carry human nature in themselves, but it doesn't mean that it is a monotonous process, which has the same pattern for every individual. Contrary, we are all aware of the fact that every single human being has its differences, and this individual variation is the basis of natural selection. It spurs evolution, making the strongest links most valuable. While individuals vary, the social aspect of our life in which we live and make for living is intruded by the socio-economic compound of different temperament. These social and individual forces are intertwined and they are developing parallel to co-evolution. Socio-economic circumstances affect human action that can differ from particular behaving in organized society. This can be interesting from the point of view where individual or group of individuals push the limits and change the socio-economic structure of the whole society.

Industrial era and industrialized civilization were completely put into the hands of economy, in all the glory of its simplicity: starting with the individual's daily transactions to the overall achievement of the state. Therefore, in the new circumstances of constant progress, struggling and competitiveness, Homo economicus has become central figure of the civilization, and it permeates the (new) socio-economic pressure, which molds individuals and their life. Furthermore, if we explain human nature as a function of the *longue durée*<sup>3</sup> that reflects the integrated history of the process within which it takes shape. Individual's development (ontogeny) and the development of socio-economic institutions which enclose human behavior (phylogeny) are nothing but the individual and circumstances he/she caused. The connection

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<sup>3</sup> *Longue durée* is the expression coined by the French Annales School of history, which gives the priority to the long-term historical structures over events.

between individual and society, or the importance of the individual is now clearer. Namely, individual pursues better condition for him/her and in this attempt he confronts socio-economic environment, which fights back, because of the already imposed way of life. Thus, changes that are brought are, in fact fruits of individual, growing in socio-economic soil. In his inaugural address, President Kennedy said, “Ask not what your country can do for you – ask what you can do for your country”. If we transfer this to a more broad level than every individual can move the achievement of the whole society and in the same time, he/she creates the more advanced place to live in.

The main goal of describing Homo economicus is actually an attempt to find out the general model of individual behavior. In that sense, humans behave in a manner of selecting the rational choice among many or few alternatives.<sup>4</sup> Therefore, individual is central point. On the other hand “it is presupposed that human beings are in a situation of scarcity so that they cannot satisfy all their needs together, at least not simultaneously” (Kirchgässner, 2008). How, then, individuals react in certain circumstances and why they behave in a way they do in a decision making situations are the questions of social science including economics.

Human beings are described as rational, but what that truly means? How can individual actions be perceived as rational within the framework of society and economic model of behavior? Furthermore, another periphrasis is showing humans as self-oriented beings, meaning that we are all driven by self-interest, but, what is our motivation to do so and how far we can go following that route if we carry in mind the ubiquitous human nature and society we live in?

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<sup>4</sup> Gebhard Kirchgässner in his book *Homo Oeconomicus* described Homo economicus as “REMM”: Resourceful, Evaluating, Maximizing Man.

## **2. Socio – economic framework**

In the following chapter, an individual representing Homo Economicus, will be placed in the socio - economic frame. It will examine the behavior of an economically oriented person in environment that tends to shape most of the actions. How than should an individual behave in order to fulfill the notion of Homo Economicus? Is it, on the other hand, possible to be the individual in society?

### **2.1. Living in the group**

There are several phenomena that surround individuals. Living in one country and following the rules set up in the system makes it difficult to distinct Homo Economicus from one who is carrying a big burden of social norms. Therefore, rules are restrictions, or limit of our preferences. The individual will have to make actions that satisfy mentioned rules. In order to meet his/her needs, individual will have to seek the best possible solution within the system's network. For this, he/she would need society, because of information, which is necessary to obtain. Basically, it is not possible for one person to gather all knowledge, because different pieces of it are hidden all over the market and gathering it exceeds human's abilities. As Hayek stated: "The peculiar character of the problem of a rational economic order is determined precisely by the fact that the knowledge of the circumstances of which we must make use never exists in concentrated or integrated form but solely as the dispersed bits of incomplete and frequently contradictory knowledge which all the separate individuals possess. The economic problem of society is thus not merely a problem of how to allocate "given" resources—if "given"

is taken to mean given to a single mind which deliberately solves the problem set by these "data." It is rather a problem of how to secure the best use of resources known to any of the members of society, for ends whose relative importance only these individuals know. Or, to put it briefly, it is a problem of the utilization of knowledge, which is not given to anyone in its totality (Hayek, 1958).” It is visible from the quotation that society and individuals are inextricably connected. Further, individual doesn't need the society only for the knowledge and information, but also for the rules that makes the fair game. However, there must be certain balance of power, because even though individual needs society, he/she mustn't let the society rule over and endanger the main principles of individuality. Homo Economicus in society needs others and in that need is the notion of “socio” in Homo Economicus.

Imagine a situation where person A wants to buy some fruits. He/she has three coins in pocket and when the seller asks for the decision he/she is driven by his/her preferences. Since person A like strawberries the most, naturally, A will first ask for it. However, price of strawberries is four coins, and person A has to make a rational action and choose different kind of fruit because he/she doesn't have enough money. So, even though we are guided by our preferences, we cannot fulfill them all because of another factor: restrictions. Therefore, individual's decisions are described by two factors: preferences and restrictions. In a situation of decision-making restrictions limit the freedom of decisions. In a given situation, person A didn't achieve utility maximization because market price of strawberries was higher than A could pay. On the other hand, as Kirchgässner explained, “the objective (purpose) is as a rule only an (also value-loaded)

instrument in order to achieve a superior objective. Lastly, there is only one single purpose left, which in itself is no longer a means, namely the purpose of utility maximization, which is striven for by the choice among the available alternatives. All other aims, like profit maximization of entrepreneurs or vote maximization by politicians, are only (value loaded) means when referred to this purpose” (Kirchgässner, 2008). So, the main goal of Homo economicus, and so to say all the people, is to achieve utility maximization. However, influence of society, globalization, capitalism, etc, shaped the utility function in an (un)natural direction. In part IV, chapter 1, Smith writes about the paradox of pursuing the money as a final destination and achievement. This will be more described in the next chapters. Thus, profit maximization, or so to say, maximization of monetary income is not the final thing that Homo economicus is trying to achieve. He/she will also measure the utility from various alternatives, and furthermore will take care of how this profit is achieved. Homo economicus will in that notion, unconsciously or consciously, supported by all the qualities carved by the human nature, choose the best alternative which is not only financially motivated.

Two important issues influence individual’s decision: the freedom of his/her decision and the rationality of adopted decision. The leeway of a decision means that one person is acting precisely to his/her own preferences. Here are excluded the preferences of other people, but it doesn’t mean that he/she completely avoids the interest of the others in his preferences. His/her preferences are, more or less, influenced by the people and society he/she lives in because individual is not living in isolation. More to say, choice or desire to live in democratic society can be described as a preference.

On the other hand, freedom of action is inextricably connected with self-interest, human nature and others that surround us. Wilson in *On Human Nature* wrote: “Each person is molded by an interaction of his environment, especially his cultural environment, with the genes that affect social behavior (Wilson, 2004).” One can act according to self-interest only but will it bring the utility maximization? The “feedback” we receive from society is also very important. Therefore, one will usually avoid the action that is proclaimed wrong by the set of unwritten rules brought by the society he/she lives in, even though that action might bring highest satisfaction. For example, if the person A has decided to steal the strawberries, he/she will be marked as a thief in the eyes of the others, and wouldn't feel desirable in the society. In a manner of speaking, while reading the A's issue with strawberries, it was normal to assume that he/she will choose the option to buy different fruit. Hardly that anybody's first assumption will be stealing. As Smith pointed out: “Being an object of hatred and indignation gives more pain than all the evil that a brave man can fear from his enemies, so also for a person with fine and sensitive feelings, the awareness that he is loved brings a satisfaction that does more for his happiness than any practical advantage he can expect to derive from being loved (Smith, 2008).” In that case, leeway of one's action can never be 100% free from external influences.

The other issue mentioned in the text above is the rationality of the decision. This is often misunderstood and that misunderstanding gives a distorted picture of Homo economicus. Namely, as Homo economicus is usually described as a perfectly rational being, it does not mean that he/she walks the world with full knowledge of all alternatives and by calculating every detail of all possibilities he/she is able to bring the *perfect* decision. Contrary, rationality of the decision means that individual is making the moves according to his/ her very own intentions with the limited knowledge of his/her alternatives and consequences. Further, individual in that

case has clear idea in mind of what should be done and how it should be done, but the final result cannot be known in advance. Similar decision could be found in John Watkins' explanation: "An individual is placed in a certain objective problem-situation. He has certain aims (wants, preferences) or perhaps a single aim, and he makes a factual appraisal (which may be a misappraisal) of his problem-situation. The rationality principle says that he will act in a way that is *appropriate* to his aim(s) and situational appraisal (Watkins, 1952)." It shouldn't be neglected that individual's decision are made without being fully informed, but Homo economicus will search for additional pieces of information in order to make his/her moves *more rational*. Since gathering pieces of information takes time, he/she has to act according the time pressure in order to move in the most efficient way. How does than, rational individual react to such a changes, where it must be measured if another piece of information brings more profit than a time invested in searching for it? Thus, how this rational individuality is connected with the whole society? Gebhard Kirchgässner points out: "A rational individual reacts to such a change *systematically*, i.e. neither by chance nor randomly, but also not in a strongly traditional manner by keeping strictly to given rules independent of the concrete situation. Therefore, providing incentives can systematically influence his behavior, which in most cases result from changes of the individual's action leeway (his restrictions). Thus, in this concept, the philosophically meaningful and often discussed distinction between human behavior and human action disappears: Behavior of individuals is explained by assuming that they act rationally (Kirchgässner, 2008)." He (Kirchgässner) than links his approach with part of Max Weber's passage about social behavior: "It will be called human behavior only insofar as the person or persons involved engage in some subjectively meaningful action. Such behavior may be mental or external; it may consist in action or omission to act. The term *social behavior* will be reserved

for an activity whose intent is related by the individuals involved to the conduct of the others and is oriented accordingly (Gray, 1996).” Thus, the individual is set within the framework of the economic model of behavior, and he/she must adapt to changes in environmental conditions in the “systematic” manner, so their preferences could be achieved. Indeed, according to changes in some environmental conditions, individual or individuals tend to act in a systematic way. There are many examples of this theory. When in 2000’s privatization took place in Montenegro big part of population was skeptical. Government gave vouchers to all mature citizens and some proportion of it finished in trash just because of disbelief. Soon after it, when globalization knocked on the door, the price of the shares started to grow rapidly. People changed their opinion and got involved in this, for many, mysterious phenomenon. There were cases when individuals sold their houses or took a loan from the bank just to put money in stock exchange. And it worked perfectly for some time. Some got rich over the night since the price of some shares doubled or tripled in short time distance. However, what people didn’t know was the fact that the whole thing is not working this way. You cannot expect to have such a growth for long time, and when everything settled, losses started to come. Shares, which had high value, or how government explained, much higher than market value should be, start dropping as fast as they were rising. In this case we can see how individuals are led by external factors, or predictions without deeper knowledge. But who can blame people for getting involved in whole process? Isn’t that something that everybody would do after seeing how big profit could be achieved over the night? What is more interesting is the fact that individual’s action and gain motivated others to seek the same. And that’s how individual’s motivation can be accelerated: by some macro-variable changes and others who benefited for getting involved in the market.

The force of restrictions is strong. It was already mentioned that it influences all the preferences, but explaining the restrictions in full meaning might be difficult to achieve. Here is not only problem with plenty of restrictions written in the law books, but also with moral caudexes, principles rooted in “appropriate” behavior etc. Even our rationality is guided by set of rules and therefore we are all framed by the society we live in. As Erving Goffman pointed out in *Symbols of Class Status*: “The terms status, position, and role have been used interchangeably to refer to the set of rights and obligations which governs the behavior of persons acting in a given social capacity (Goffman, 1951).”

In general, the rights and obligations of a status are fixed through time by means of external sanctions enforced by law, public opinion, and threat of socio-economic loss, and by internalized sanctions of the kind that are built into a conception of self and give rise to guilt, remorse and shame.

A status may be ranked on a scale of prestige, according to the amount of social life. An individual may be rated on a scale of esteem, depending on how closely his performance approaches the ideal established for that particular status. Co-operative activity based on a differentiation and integration of statuses is a universal characteristic of social life. This kind of harmony requires that the occupant of each status act toward others in a manner, which conveys the impression that his conception of himself and of them is the same as their conception of themselves and him. A working consensus of this sort therefore requires adequate communication about conceptions of status.

The rights and obligations of a status are frequently ill adapted to the requirements of ordinary communication. Specialized means of displaying one’s position frequently develop. Such sign-

vehicles have been called status symbols. They are the cues, which select for a person the status that is to be imputed to him and the way in which others are to treat him (Goffman, 1951).” Therefore, Homo Economicus will have to obey the rules, and structure himself/herself in the society. By doing this, he/she communicate with a lot of different phenomena which make him/her closer to the community. This tends to influence every decision and therefore, Homo Economicus cannot exist as economical being only. Term Homo Socioeconomicus might be better description of mentioned rational and “self-oriented” human.

## **2.2 Pursuit of information**

Microeconomic theory takes individual in a typical economic life and appoints his/her role as economic agent who is either consumer or producer. Further, main concerns are households, which are consumption theory, firms (production theory) and market equilibrium. Households tend to achieve utility maximization, and it spends its given income on the goods whose prices are set and couldn't be influenced. In this *perfect* condition, microeconomic theory claims that utility function can be achieved. However, this leads to some predictions already mentioned in the text above. Household which is described in this example must be fully informed about preferences and restrictions, and therefore about prices and qualities of all the goods as well. Nevertheless, the household decides what kind of good are to be consumed, how much time should be spent on work and leisure, how much income is involved in savings and consuming etc.

On the other hand, entrepreneur tends to maximize his/her profit, and therefore, the theory of the firm is dealing with the behavior of individuals who have their own business. Entrepreneur in this case must know all the factors (similar to households). He/she uses technology and takes the best from it in production, and is fully informed about the demand for the products by the households as well as from other firms that are using it as inputs. Thus, the manager of the private firm is able to maximize profit, which is often pointed out as a utility maximization.

Market equilibrium became one of the most intriguing questions. It focuses on both household and entrepreneurs actions in order to explain its non-intending social implications. The question that is of great importance for these theories is how the interaction occurs, usually under full competitive market and situation where all the pieces of information are known. The other problem with equilibrium is to prove its existence and to deal with its stability.

“Every man lives by exchanging (Smith, 1993)”. Those were the words of Adam Smith which best describe the situation which every individual face on the market. Agents interact between each other in order to improve the position where they were before the interaction. Therefore, this voluntary exchange is productive, since the agents are motivated to exchange and spur the better economic condition. Equilibrium is reached after all exchanges are finished, which means that one individual cannot find another for exchange because every being is satisfied with the conditions on the market and all transactions are happening under full competition. Pareto-efficiency is reached and we enter the perfect economic condition: “Nobody can improve his situation by any additional activity without someone else resulting in a worse position.” In microeconomics, however, the assumption of full competition was left behind after considering

different options: monopolies and monopolistic competition, oligopolies, etc. In the same notion, the state of full information was recently left by considering the role of incomplete information. On the other hand, Homo economicus, in microeconomics, was almost always described as a fully informed person who finishes his/her transaction with minimal or no costs and who exactly knows all the alternatives and always finds the best out of all solutions. It might seem reasonable when put in theory, but in real life this human being is impossible to find. There are many obstacles in finding the ultimate or perfect information. Even though we assume that it is possible to gather all the pieces, one is also limited with time and therefore he/she won't be able to act in a most efficient way if the time for reaction passes. Let's put Homo economicus in stock exchange. He/she has to decide which shares or portfolio will bring the most profit. Because it takes time to collect all the pieces of information he/she might face another problem. This problem is linked with stability of information. In real life information is also changing and it depends of external factors. If a company, whose shares Homo economicus wants to invest in, makes a decision to sell or purchase new land for factory, or make any other move, this can affect the prices and change the information needed to provide the best solution for individual in the market. As it seems, Homo economicus will soon become modern Sisyphus who is rolling the information up and down the hill. The difference between modern and traditional microeconomic theory is actually in taking the limited information more seriously, as well as in explaining that information is distributed unequally. The problem with information soon became special field of interest for numerous theoreticians. In 1970 George Akerlof, in his famous "market for lemons", wrote about the asymmetric information problem: "After owning a specific car, however, for a length of time, the car owner can form a good idea of the quality of this machine; i.e., the owner assigns a new probability to the event that his car is a lemon. This

estimate is more accurate than the original estimate. An asymmetry in available information has developed: for the sellers now have more knowledge about the quality of a car than the buyers. But good cars and bad cars must still sell at the same price- since it is impossible for a buyer to tell the difference between a good car and a bad car. It is apparent that a used car cannot have the same valuation as a new car - if it did have the same valuation, it would clearly be advantageous to trade a lemon at the price of new car, and buy another new car, at a higher probability of being good and a lower probability of being bad. Thus the owner of a good machine must be locked in. Not only is true that he cannot receive the true value of his car, but he cannot even obtain the expected value of a new car (Akerlof, 1970).” As it could be seen from the part of Akerlof’s text, exchange partners don’t have the same information, and therefore a fair exchange doesn’t exist. Another problem, which occurs, is a reputation problem. If a private person sells the cars, he/she won’t put too much effort in building the reputation since that’s the only car he/she is selling. Contrary, authorized car dealer would have to establish a positive reputation in order to attract more customers. So, there are, let’s say, two markets: one where private persons are selling their cars and another where car trader is involved in selling. Usually, dealers sell more expensive cars because they spent more time in gathering the information about the car and they guarantee for their products. Then, how is it possible that people are willing to buy more expensive second-hand cars? The explanation is simple; people are giving more money for more pieces of information provided by the dealer. There is less possibility that the car sold by authorized personnel will be “lemon”.

Another problem connected with incomplete or asymmetric information is the moral hazard problem. It does not deal with traditional values but with changes that occur in the behavior of individuals after taking out the insurance for example. Insurance simply shapes economic

incentives of every individual and therefore it influences the behavior. It is not, off course, only the case with insurance. If a state has strong social welfare system, such as Belgium, this problem can be easily visible. Unemployed individual receives a monthly installment sum of around 600 euro's. If that person lives in, let's say, Montenegro, this payment will absolutely influence his life as a worker, or a person who seeks job. Average wage in Montenegro is less than the money he/she receives and, in the same time, he/she is not willing to work for less. Thus, moral hazard sometimes encourages people to take more passive approach to economic life and actions. In case with insured car, the owner will have smaller incentives to avoid accidents than the owner of uninsured car. However, there is the other side of the coin. Without insurance there is a greater risk of failure. Further, people will be prepared to take the action only if the chances of success are very good. With insurance, the risk is smaller and there is greater possibility that individual will get involved in economic activities even if they carry more risk. So, moral hazard, or let's say insurance is, in this case, the accelerator of economic activities because you cannot win if you do not play.

In relatively modern microeconomics, there has been a further development of utility function of the individuals. Homo economicus is not only financially motivated, but he/she can also have preferences for any good or qualities. Firm theory brought the assumption that profit maximization is not always one and only objective that firm is trying to achieve. Kirchgässner stressed out two major objections to mentioned assumption: "On the one hand, Oliver E. Williamson showed that firms are social structures within which the acting individuals stand for quite different interests. Even if all persons concerned were only financially motivated, this would not imply that they would have to support the maximizing of reported profit. If, for example, managers' salaries do not depend on the profitability of the firm but also contain other

components, a rise in the income of these managers might be in contradiction to the increase of the profit. Second, managers usually do not pursue just monetary interests, but they are also interested in other “goods” such as a decision leeway as large as possible or agreeable working conditions (Kirchgässner, 2008).” Non-financial motives play part in a much broader sense than just in the theory of the firm. According to the theory of consumer behavior, consumers do not only seek for goods on the market, but also services that are linked with certain qualities of the demanded goods. We all have demands for energy, but almost none have demand for heating oil as such product; one will demand it only for heating the house! In a variety of products, they also differ through the services they can provide, but also through some other factors such as the comfort, social prestige etc. Two products can physically show same characteristics, but may be different in an aesthetic quality. Utility function is therefore derived from wide aspects of socio-economic influences, which are, as it seems, very important in selecting or preferring one good to another. This is very explicit when it comes to the cars. The essence of every car is that it is only a transport vehicle, which helps you to get from point A to the point B. Today, however, there are so many different cars which include a lot of other preferences and off course, every type of car has its own value based on the mentioned preferences. Therefore, the essence is somehow lost, because we don’t select the car only to transport us. It is already rooted in the human nature that car brings prestige and its sometimes the only thing buyer has in mind.

As we saw from the text above, every individual tends to satisfy his/her needs, which would accomplish his/her utility function. This utility is therefore, derived from the needs and in order to meet the expectations, one would have to infiltrate into the society, in the market and to make connections with others. This is necessary because an individual doesn’t have enough pieces of information to make the best possible moves. Therefore, a certain lack of knowledge is the

possible link that ties individual for society. On the other hand, information has become one of the most important parts of *utility*, or even, utility itself. Namely, “*utility* is a metaphysical concept of impregnable circularity; Utility is the quality in commodities that makes individuals want to buy them, and the fact that individuals want to buy commodities shows that they have *utility* (Robinson, 1963).” Thus, information is commodity, and people’s need for it shows that it brings *utility*.

The outbreak of the technology progress has put the information market in a completely different level. We are today surrounded by the information, and exactly information is the strongest connection between individual and community. The complexity of information is forcing individual to interact, and by doing so he is dependent of society. If the goal of Homo Economicus is to achieve the goal in most efficient way, he/she will definitely seek as much pieces of information as possible in order to make safer move. As our preferences are limited by the restrictions, we use information to make easier way in reaching the *utility* point. It is one inseparable circle: society set the rules that influence our preferences, but the whole society is sharing knowledge and individuals use it to make more efficient decisions within the restrictions. It is inseparable just like Homo Economicus is inseparable with his/her society.

### **2.3 Firmness of the group**

While microeconomics deals with individuals and behavior of private households and firms, macroeconomics is trying to describe the aggregates, such as consumption, investments, savings,

or, better to say, it deals with total amount of all individual economic acts. Macroeconomics is also much more reliable for political decisions especially its relevant variables like the unemployment rate, inflation rate and gross domestic product. Basically macroeconomics has the big importance for analyzing the behavior of individuals. This becomes clearer if we examine the individual's way of acting in the macroeconomics' models.

Most of the macroeconomics' theoreticians have been dealing with three markets that make connections in the system as a whole: market of the goods, the money market and market of labor. Individuals operate in the macro system and therefore, macroeconomic variables, which are the subject of analysis of economic theory, may influence some decisions at micro-level. The change in inflation rate can produce a different picture regarding worker's behavior on the market of labor or the change of aggregate unemployment rate can signal the workers that the opportunities on the market are changed. However, until 40 years ago, most of the economists believed that microeconomic decisions don't have reliable connection with macroeconomic. Furthermore, they believed that if you examine typical macroeconomic relations (for example the relation between consumption and income, or between the quantity of money and the price level etc.) the microeconomic influence is minor or even hardly detected. One of the most experienced examples in such relations is Phillips-curve. In 1958 Phillips used his curve to prove a relation between the unemployment rate and a real wage. The modified curve is consisted of a long-term trade-off between inflation and unemployment. Based on the Phillips' model, it was believed that the increase of the inflation rate could permanently solve the unemployment problem where increasing inflation will reduce the overall unemployment rate. This theoretical model may be based on some true facts and relations but usually practical and theoretical differs. First attempt to put this model into the practice showed that one state couldn't solve the

unemployment problem that easy. Further, in 1970's Robinson claimed that Phillips-curve has failed. Such theories could prove a good model for prediction, but simulating it with different economic policies and putting it into practice may not lead to the best possible result. Namely, the described connections could simply disappear. If one state wants to implement this statistically correct policy it can prove useful that increasing the inflation rate may benefit and reduce the unemployment in the short run. But what happens in the long run? Thus, Robinson deepens her thoughts and claimed that prices will go on rising but together with unemployment. This is exactly what happens on the market. In long run inflation will increase while the unemployment will reach previous level or even be higher than before. Today it is made clear that it is not possible to make unemployment problem everlasting by increasing the inflation rate. Even if it seems as a solution it is only possible in the short run, but it cannot be a long-term solution, as it seems that this relation vanishes and it's not valid. Maybe the main reason for the failure of the Phillips' relations is the fact that such model relies on the money illusion that economic agents get. However, since the rationality of individuals was described above, it won't take much time since the "fraud" is realized. Increasing the inflation rate cuts the real wages of the workers, which further has impact on increasing the demand in labor market. As soon as the economic agents find out that their money power is weaker than before they will try to negotiate the new terms through for example labor or trade unions. Important thing to notice is the inflation rate which stays on a higher level despite the changes brought by the negotiations. This policy, therefore, can be successful in the long run only if the agents are "fooled" permanently. This is impossible to put in practice, because the smaller or bigger part of Homo economicus lies in everyone and every individual is affected by the rational behavior which means that macroeconomic decisions influence and are being influenced by the individuals.

Further, the theory of rational expectations is occupied with the opinion that individuals, or let's say economic agents, gather and utilize all the available information and also learn from their expectation mistakes when producing new expectations. The implication of this theory points out that the overall expectations of economic agents are more or less correct and therefore they cannot be deceived. That is the reason why Phillips-curve cannot stand in the long run.

The starting point of critics of the theory of rational expectations is information or individual's capacity to utilize all the pieces of information. All the refutations, however, do not provide reason that is strong enough to reject the whole theory. The attempts of rejection are usually made within the pattern of macroeconomic model. As we could see in the text above, one theory can be reasonable and valid on the paper, but if that model is tested in the real life and rejected by the power of the individuals in the market it means something. Short-run victory of one model is just a time until rationality of agents comes to the surface. Moreover, it means that economic agents are always in process of learning and because of that they gather more information. The core of the most of the models is the assumption, brought either explicitly or implicitly, that economic agents could be systematically deceived. It is rather this or just the naively neglecting the theory of rational expectations. Because of that, it could be said that every economic policy will be proved wrong in the long run if the success of the model is primarily based on fooling the individuals on the market. It won't last long until they realize the government's intention and reformulate their behavior, which will make all the measures ineffective.

So, we discussed the individuals' impact on formulating the right policy. If an economic success is based on deception it can harm the long run possibilities in a different manner than the one described above. Namely, if a policy is brought as a surprise it can also damage the reputation of

the authorities who bring the economic policy. If government wants to fight the inflation with more restrictive monetary policy, it could be useful to make it as announcement so the private agents on the market can adopt different plans. The requirement for this achievement is the trust of economic agent that central bank's announcement is not another fraud of the policy makers. If the central bank has, one way or another, failed to earn trust of the people, such announcement won't be taken that friendly or serious, and trade unions will not have motivation to be moderate in their wage claims. Consequences could be different, but on one hand, in example above, it will take longer until the desired inflation rate reach its level and the costs of implementing this policy could increase due to higher unemployment or loss of output. Since Phillips – curve emerged as a macroeconomic mainstream; it was believed that unemployment won't be an economic problem anymore. Almost every of the big macroeconomic models were based on Phillips' predictions and the relations he described. They believed that economic authorities could, by using the instruments, utilize the long-term connection between inflation and unemployment. However, when in 1973/74 oil prices have risen, the measures taken according to the model could not solve the rapid boost of unemployment. Again, the background of the failure lies in the economic model of behavior. The economic agents form their expectations rationally and that's not the question anymore. That is the exact location of wrong step of previous macroeconomic theoreticians who believed that these considerations were not important for successful model and in the same time they claimed that they are even empirically rejected.

Preferences and restrictions that influence the behavior of individual are connected with the macroeconomic models. Actually, the nous product of mentioned preferences and restrictions are the coefficients of the economic policy, which is trying to be implemented because it is changing the economic environment of the individuals in the long term. Therefore, a change brought by

any model in practice is manifested through new restrictions that can cause the different relations to economic parameters. However, these changes can go anyway and that makes hard calculations for any model. It depends a lot of the behavior of the economic agents. Further, it means that restrictions and preferences should be taken more serious not only in the microeconomic level, but in the macro – level as well. Macroeconomic models could derive the microeconomic analysis on individual’s behavior shaped by the restrictions and preferences and make it the starting point when creating the macroeconomic policy. Modern macroeconomics has applied this approach since 1970’ and yet, there is another problem. Namely, when introducing the micro – basis into the macroeconomic policy, a “representative individual” is usually taken as a referent body. There are many questions that cannot be solved with this approach. First, there are different groups among the individuals within the aggregate as a whole and one representative body simply cannot cover them. If, for example, a macroeconomic model for solving the problem of the “Pay-as-you-go” pension system is adopted, it is necessary to differentiate the two groups: pensioners, who are not working, but receiving pensions and the group of working people who finance pensioners with their wages.

As it could be seen, Homo Economicus doesn’t have the power to change the things on his own. He/she needs crowd in order to change things in his/her favor. This seems to be a certain phenomenon that can be seen in modern life, where the people’s voice has influence in decision making. As Gustav Le Bon pointed: “The age we are about to enter will in truth be the era of crowds... It is this voice that dictates their conduct to rulers, whose endeavor is to take note of its utterances. The destinies of nations are elaborated at present in the heart of the masses, and no longer in the councils of princes. The entry of the popular classes into political life – that is to say, in reality, their progressive transformation into governing classes – is one of the most

striking characteristics of our age of transition. The introduction of universal suffrage, which exercised for a long time but of little influence, is not, as might be thought, the distinguishing feature of this transference of political power (Le Bon, 2007). “ Therefore, individual is nothing without collective. The character of a collective as a whole has a strong force, not only in setting the framework, but setting the rules as well. These rules operate in a different ways. The laws of one society make it clear of what is legal and what is not. But, there is a nature law, a law that is not written but certainly exists. It is formed deeply in the roots of society, and individual is (almost) obliged to follow it.

### **3. Individual and society: The origin of passions**

Every single human is driven by certain passions that we all commonly share. Of course, the way they show up differs from one person to another, but it is a certainty that they exist. These passions are not all selfish and self oriented. On the other hand, one of the psychological explanations of humans, as already mentioned in the text above, is that we are selfish beings. This is, however, not questioned and we can see the truth of this statement in everyday life. Other set of passions show contrary. They show that individual tends to feel the affiliation to another man/woman or group. Further, if we put these two things together, it seems that explaining Homo Economicus is much more complex thing. It also depends of the perception of

the term Homo Economicus. Being selfish doesn't mean negation of the others. The question that rises is whether one needs the others. If that is the case, than, why he/she needs them? What are the benefits of belonging to a society?

On the other hand, describing Homo economicus from economic angle is incomplete. He/she is human as the first word clearly says. Knowing that all humans exist as a collective race (without questioning the freedom to be individual, but within the society) opens a new field for discussion. Interactions between people in the same group, behaving of one in the group etc. are just few occasions of everyday life. All the interactions are primary driven by set of passions and emotions attached to the nature of humans. Therefore, Homo economicus is first social and than economical being. The urge to accomplish a benefit from any decision doesn't have to be economical. Actually, it is created much earlier and it goes together with the ambition we all tend to have. But, where does the ambition coming from? How it becomes part of us? What are the mentioned passions that drive one in his life quest? How is individual dependent of society? How this, on the other hand, influence his decisions to act as individual in the society framework? What is rooted in Homo economicus as part of humans and how he/she "have to" react in certain situation in order to be accepted by the final judge – society?

### **3.1. Individual and unsocial passions**

In his book "The theory of moral sentiments" Adam Smith points out that feeling of hatred and resentment, with their full meaning and in all the varieties, represent the unsocial passions. Further, he explains: "With all such passions our sympathy is divided between the person who

feels them and the person who is the object of them. The interests of these two are directly opposite. What our sympathy with the person who feels the passion would prompt us to wish for is something that our fellow feeling with the other person would lead us to fear. Because they are both human we are concerned for both, and our fear for what one may suffer damps our resentment for what the other has suffered. So our sympathy with the man who has received the provocation has to fall short of the passion that naturally animates him, not only for the general reason that all sympathetic passions are inferior to the original ones, but also for the special reason that in this case we also have an opposite sympathy towards someone else. That is why resentment, more than almost any other passion, can't become graceful and agreeable unless it is humbled and brought down below the pitch to which it would naturally rise (Smith, 2008).” It is in our human nature to feel a strong sense towards the injuries that are done to the others. This is the basic passion with which one identifies. In Montenegro, for example, one doctor was accused for being a pedophile. He was in sort of a relationship with young girl who was twelve. The whole nation stood up against him and he was imprisoned in the end. On the other hand, one of the world's classics, the novel “Lolita” from Nabokov, tells pretty much the same story but from a different angle. In it, we feel sorrow and disgrace of the main character who was manipulated by twelve years old girl. At some moments, while her carelessness is grading, we want to see her suffering and wish better conditions for him. Further more, we don't get the whole situation in our mind, but only the feelings we identify with. Thus, this trait should definitely be attached to Homo economicus as well. He/she would feel the emotions evoked by some situation where at least two other people are involved. He/she will as well put himself/herself in the skin of sufferer rather than the one who is punishing, and would feel certain fear and will encourage the defense of the weaker. This is important from the view of Homo economicus, because it is a part of

his/her character. These unsocial passions, as Smith calls them, awake the other set of feelings, which tie up one to the group or society because the group is the final judge. Smith continues: “Those passions are useful to the individual, because they make it dangerous to insult or injure him; they are useful to the public as guardians of justice and of the equality of its administration; and yet they have in themselves something disagreeable that makes it natural for us to dislike seeing them in other people (Smith, 2008).” Crucial importance of it is that Homo economicus must play by the rules of society and in order to achieve the goals he/she should follow the moral pattern previously set up. If contrary, he/she could establish a negative connotation, which will be sentenced by the society.

The other thing, which tends to be very important, is the acceptance of one in the society. Every object, passion or anything else is seen as agreeable or disagreeable by its, “immediate effect”. This effect is nothing but the feeling that is caused by the interaction with the society. If we take the example of, let's say, undertaker and the architect, it would be clearer. The job of the undertaker is to arrange funerals. It is very responsible job and the person who is doing it will always be needed by the society. However, the immediate effect that it causes is disagreeable. This is the case because the undertaker's job can produce negative feelings because of the general imagination of death and loss of beloved. So, the undertaker will always have a disagreeable work even if more dedicated to the needs of society than the architect. On the other hand, architect designs monuments that visually benefit the society and evoke certain emotions as well. However, its remote effects could often be damaging for the public if we consider the promotion of luxury, spending etc... Some of the designed projects are funded by state, which means that all the citizens are paying for them, but the difference in emotions they tend to evoke, make the architecture, as a profession, mostly as agreeable immediate effect.

The same is with resentment and hatred feelings. Namely, the reactions to this set of emotions exist in Homo economicus, and it is important to explain the reaction they provoke in order to describe part of the nature of rational decisions. Namely, the immediate effects of hatred and resentment are, almost always, disagreeable to that point that even if the sufferer is absolutely linked with them, there is still something about it that gives rise to negative feelings such as disgust, contempt, etc. “That’s why these are the only passions that we aren’t inclined to sympathize with until we learn about the cause that arouses them (Smith, 2008).” These unsocial passions must be revealed in order to get a bigger picture of functioning within the society. With no doubts, group of people living under the same borders forms a certain society. Individual is growing in it, but has to be aware of the psychology of the masses and their life. The way they form the judgment actually has a pattern that is formed by the action-reaction principle. If, for example, the other insults one, people around would expect him/her to stand for himself/herself and strike back. However, this is a two bladed sword, because the reaction of the first to the action of the one who did the insult is measured by the mentioned pattern. Further, by not defending himself/herself, the same person produces negative connotations and it is often seen as a rejection of compassion for a person that cannot defend himself/herself. Contrary, if the one who needs to answer the provocation do it in a way that he/she shows anger that goes beyond the strength of the insult, it can be regarded as, not only as a wrongly placed insult to the one who started it, but also as a rudeness to the whole company, or group.

On the other hand, is it possible for this set of passions to be understood and completely agreeable? If is already concluded that we have to have certain reaction to the provocation in order to avoid exposing ourselves to constant insults. However, some of the smaller offences, as we all know from everyday life, are better to be avoided than responded with fury. It is of great

importance not to fall into a disfavor of resentment and always be careful with the way we express this passion. One of the best advices in solving this riddle, where a lot of factors are to be included and where the disagreeable passion such as resentment could be turned into agreeable is by including the opposite one, which Smith calls magnanimity. In order to deepen this theory he wrote: “ The only motive that can ennoble the expressions of this disagreeable passion is magnanimity, i.e. a concern to maintain our own rank and dignity in society. This motive must characterize our whole style and deportment. These must be plain, open, and direct; determined but not domineering, and elevated without insolence; not only free from petulance and low abusiveness, but generous, fair-minded, and full of all proper regard even for the person who has offended us. In short, it must appear from our whole manner—without our laboriously making a special point of it—that our passion hasn’t extinguished our humaneness, and that if we answer the call to get revenge we do so with reluctance, from necessity, and in consequence of great and repeated provocations. When resentment is guarded and qualified in this manner it can even count as generous (Smith, 2008).”

Thus, this constant indirect confrontation resulted by the unsocial passions can be controlled only if it is understood. In order to do so, one must follow the path through the hidden net of society. He/she, representing Homo Economicus, must read this signs which will guide him/her to the achievements of the goals. The goals could be achieved in a different way as well, but that road is much harder to follow, and the question is whether the option of rejection the society can produce the ultimate satisfaction of reaching the goals. If we put Homo Economicus on the market, like in the previous chapter, the story is pretty much the same. One who seeks the perfect information depends of the others, and understanding human nature is a helpful way to get better piece of info. Therefore, one needs the society just like the ambition needs fulfillment. Hence, to

fulfill the ambition, the same one should learn to read the postulates of human nature, which are inextricably linked with the whole life of the group he/she belongs to.

### **3.2 Individual and social passions**

The other set of passions that exist in human nature, which are quite opposite to the mentioned ones are the passions that are almost always agreeable and tend to evoke fellow feelings. “Generosity, humaneness, kindness, compassion, mutual friendship and esteem (Smith, 2008)” produce positive effects when expressed in someone’s behavior, even when one person is not directly connected with the person who expresses them. It is similar to the nus product of seeing a smiling baby face, helping the weaker etc. The spectator, who sees these passions denominated to the one person would feel sympathy for both: the one who feels them and the one who is the object of them. Therefore, we all, even as beholders must found these feelings agreeable and often feel at least part of satisfaction that is brought in mutual interaction between people.

On the other hand, person who feels the pleasure in spreading the strife among people he/she knows could turn the expression of love into the unpleasant and unsocial feeling of hatred, already explained in the text above. He/she destroys, in a way, the feeling of friendship from which people tend to draw the tender, love, support, etc. Every single feels this harmony based on the interrelation between humans, without the exception because “The sentiment of love is in itself agreeable to the person who feels it. It soothes and calms his breast, and seems. . . .to promote the healthy state of his constitution; and it is made still more delightful by his awareness of the gratitude and satisfaction that his love must arouse in the person who is the object of it.

Their mutual regard makes them happy with one another, and this mutual regard, added to sympathy, makes them agreeable to everyone else (Smith, 2008).”

The agreeable passions exercised in any way are never seen with an aversion. Even if they are expressed with exaggerated feelings that could harm the person towards whom they are directed, it seems that humans find the emotional way to support it. There is similar effect in Pudovkin’s movie “Mother” from the year 1926. In one of the scenes, naive mother, who is worried about her rebellious son, decides to tell the police officer where the weapon is hidden. She is driven by protection of the son, and believes that the police will set him free if she tells them everything. Off course, this was not the case and the son is soon after it imprisoned. However, we can claim that the reaction of the mother was naïve and stupid in a way, but no one of the spectator could accuse her for having such a strong feelings toward son. Furthermore, we would rather feel sorry for her misfortune, and never attack the extravagance of her attachment.

This part of the chapter has described what Smith called the social passions. Thus, it is helpful in putting together the puzzle of humans and Homo Economicus as part of them as well. Quite opposite to the unsocial passions, these ones show one’s dedication to the group, the dedication of man/woman to be part of something bigger. It is also the first sign of implication that one directly and indirectly seeks the society in order to achieve himself/herself as individual. Whatever is accomplished is nothing without the reflection of the society upon what is done. Every act is seen, not only by its final meaning, but also by the way it is done and casualties it brought. Therefore, the act can bring the highest benefits to one, but it should follow the path of all the rules, described above, in order to be socially accepted. One has to know the group he/she is living with, and his/her actions must be subordinated to the pattern that is, again, consisted of

mentioned rules which, in the end, form the picture, or the reflection of the individual in collective.

### **3.3. Individual and selfish passions**

These two set of passions described in the text above are extreme ways, or absolutely opposite feelings that exist in humans. There is, however, a middle way, another set placed between them: “it’s a kind of passion that is never as graceful as the social passions sometimes are, or as odious as the unsocial passions sometimes are. This third set of passions consists of grief and joy that people have on account of their own private good or bad fortune. Even when excessive, these passions are never as disagreeable as excessive resentment, because no opposing sympathy can ever make us want to oppose them, and even when they are most suitable to their objects, these passions are never as agreeable as impartial humanity and just benevolence, because no double sympathy can ever make us want to support them (Smith, 2008).”

It is rooted in human nature to feel grief and joy and to sympathize with joys and sorrows. On the other hand, we all tend to feel certain compassion towards other people’s joy and sorrow. It is, however, different feeling in sharing the joy of the others and the sorrow of other people. As Smith points out, “we are generally most disposed to sympathize with small joys and great sorrows (Smith, 2008).”

When, in 2006, Montenegro got independence, a new economic transition started. Our coast was found very interesting by some, mainly Russian investors, and soon they have come and purchased some part of Montenegro’s land. The price of one square meter was at one moment

very high, and few people got rich over night, just by selling some of almost forgotten piece of soil that they inherited. At that time, I was working in a hotel, during the summer as a liftboy. One of the receptionists was an average, not so ambitious man. One day, he managed to sell part of his estate and become richer for couple millions. It didn't take him long to propose some terms to the hotel's managers, which brought him to the new position: he has become reception manager, which meant that he become superior than all his previous colleagues. The reason why and how he got there is not of great importance for explaining the selfish passion. It is much more important and interesting to follow the story of feelings of his fellow friends. Namely, all the congratulations of his friends from the work were painted by envy and it was easy to conclude that they are not perfectly sincere. The whole process of his progress was disagreeable to us, who were working with him, that the feeling of envy outweighed the sentiment of sympathizing with his joy. This was clear even to him, so he tried to blend into the company in the same way he used to do it. He was dressing as usual, never talked about his great fortune in front of the others unless he was asked to do so, and he started to behave with more tender to his friends. In order to be accepted again in the old company where he belonged, this behavior was the only acceptable because "we look to him to have more sympathy with our envy and aversion to his happiness than we have sympathy with his happiness (Smith, 2008)!" This, however, couldn't last forever since he was becoming aware of the new power he got. Soon after he practiced, for a while, his new position, his colleagues have become his old colleagues who were ready to be left behind except few of them who became his dependents. Therefore, he tried to find new friends who were ranked as he was. This was another disappointment because they also didn't show much respect toward him; because of the way he got the position. He found himself in the middle of disrespect because "the pride of his new acquaintances is as much offended at

finding him their equal as the pride of his old ones had been offended by his becoming their superior; and he'll have to put up the most obstinate and persevering ·show of· modesty to atone for either offence. He generally grows weary too soon, and is provoked by the sullen and suspicious pride of his old friends to treat them with neglect, by the saucy contempt of his new acquaintances to treat them with petulance, until eventually he forms a habit of insolence, and isn't respected by anyone (Smith, 2008).” It seemed that the sudden fortune contributed so much in a negative way to his happiness. After few months of psychological torture he decided to quite the job and even move from the little town he was living in for the whole life.

This passion, described as a middle way, is a double bladed sword. From one point, it pushes individual to follow the path he/she has chosen, but it can harm the same path if it is practiced to extreme. Selfish passion will drive one to accomplish the goal, but the method is important as well. A certain structure of ranking the individuals within the society should not be harmed. At the same time, the best way of progress in this structure is a way of deserving that progress. Deserving it by ones' accomplishments. “The happiest man is one who advances more gradually to greatness, whose every step upwards is widely predicted before he reaches it, so that when his success comes it can't arouse extravagant joy in himself, and can't reasonably create jealousy in those he overtakes or envy in those he leaves behind (Smith, 2008).”

### **3.4. Individual and ambition**

Since some of the most general passions that drive humans are described in the text above, it would be of essential meaning to understand and explain the force that is pushing every

individual to aspire the ambition, to achieve higher rank in society and to be accepted and approved by the same environment. Homo economicus, as a rational and narrowly self – interested human, is trying to maximize his/her utility. But what is the urge to maximize the utility, to better personal living condition, or in short, to improve in the society? What is actually the reason for ambition to exist? Why is wealth and power so attractive to human kind?

“It is because mankind is disposed to sympathize more entirely with our joy than with our sorrow that we parade our riches and conceal our poverty. Nothing is so humiliating as having to expose our distress to the public view, and to feel that although our situation is there for everyone to see, no one feels for us a half of what we feel. *Indeed, this concern for the sentiments of everyone else is the main reason why we pursue riches and avoid poverty* (Smith, 2008).” Therefore, the entire struggle for a bit more and better is nothing but a struggle of individual for his/her reflection in the mirror of society. Thus, it is rooted in our nature to walk together with the herd we belong to as well as to be accepted in the same society. This reflection that one is trying to reach creates the path and drives him/her leaving the opportunity of being accepted and approved by the same kind. Further, it is not a question of surviving but the way of living. Most of the people would be able to earn just as much money they need for food, clothing and place to live in. However, the thing of importance is what kind of food one is eating, what kind of clothes he/she is wearing and in what place he/she lives in. Even the poorest laborer will give up on part of personal budget on conveniences that are mostly luxuries. Why than individuals are seeking more and more? Do they believe that the poorest laborer has less happiness in his life because his food is simple and clothes are old? Do they imagine they have better dreams under the protection of monumental walls of their rooms? It often happens just contrary. Therefore, improving one’s status in the society brings the advantages that are not directly connected with the purpose of the

thing that is representing the advantage. “The only advantages we can aim to derive from it” as Smith writes, “are being noticed, attended to, regarded with sympathy, acceptance, and approval. It is the vanity—not the ease or the pleasure—that draws us. But vanity is always based on our thinking we are the object of attention and approval (Smith, 2008).” Namely, all the wealth that is gloried by the rich man/woman brings more attention to him/her as individual and therefore the mankind will follow with all the agreeable emotions that the advantage of his/her situation brings. The poor man, on the other hand, does not have these advantages. He/she is ashamed, because the poverty places him/her “out of everyone’s sight or if people do take any notice of him it’s with almost no fellow-feeling for the misery and distress that he suffers. He is humiliated on both accounts (Smith, 2008).” This humiliation comes through the rejection of one from the society. The one is not literally rejected from the society, but is placed in the lower rank which makes his fulfillment less important than of those who got the wealth and power. “Mankind’s disposition to go along with all the passions of the rich and the powerful is the basis for the ordering of society into different ranks (Smith, 2008).” This pursue of the higher rank is therefore conditioned to admiration of the advantages that one has already achieved and that is why he/she attracts and deserves more attention in human kind. Than, the reflection one is trying to achieve is actually one’s reflection of the reflection of the other who already achieved higher rank. By the time the goal is set, the force of ambition is ready to become the powerful but dangerous weapon.

“Once the passion of ambition has taken possession of the breast, it won’t allow any rival or any successor. To those who have been accustomed to having or even hoping for public admiration, all other pleasures sicken and die. Some fallen statesmen have tried to become happier by working to overcome their ambition, and to despise the honors that they could no longer have;

but how few have been able to succeed! Most of them have spent their time in listless and insipid laziness, angry at the thought of their own insignificance, unable to take an interest in the occupations of private life, enjoying nothing but talk about their former greatness, satisfied in no activity except pointless attempts to recover that. Are you sincerely determined never to barter your liberty for the lordly servitude of a court, but to live free, fearless, and independent? Here is one way to keep to that virtuous resolution, and it may be the only one: *Never enter the place from which so few have been able to return, never come within the circle of ambition, and never compare yourself with those masters of the earth who have already occupied the attention of half of mankind before you* (Smith, 2008).” As it can be seen, to possess such a strong passion or to be possessed by it, often bring more trouble than the satisfaction. However, this perception of the origin of ambition connects individual even more to society and shows how tight we are connected with the others. One needs others in order to fulfill his ambition. The eternal fight for superiority can be seen as a fight of ambitions, of will to accomplish it. The same is with Homo economicus. Namely, being rational and self interested on the market, possessing a lot of pieces of information and knowledge etc. can bring many benefits but in the end it will all be the same, following the rule of ambition, shaped by society.

It is well structured in our nature to feel the difference between our rank and ranking of the other. This difference creates the ambition that will lead one to his reaction. The other set of passions will definitely influence the ambition that is trying to be achieved, but the way it will be influenced is individual. All the passions have different mark on different individuals. The way we all react is as we are consuming different amount of each passion. On the other hand, ones’ freedom in the group, ones’ individuality, depends of the way one is taken by the passions and the strength of his/her ambition. It doesn’t mean that ambition goes contrary with the passions. It

is the product of the passions that occupy us, and itself can become a very strong emotion. So strong that one can get lost in it and dedicate the whole life in achieving it.

#### **4. Conclusion**

Following individual in the society can be analyzed from his individual contribution to his/her life and from the point where he/she is a part of society, followed by all the rules described in the text above. However, the exact border cannot be set, as well as the fact that one doesn't influence the other. Only by living in a certain environment one is affected by the group life and this life shows the direction for individual development. "If it were possible for a human creature to grow to adulthood without any communication with other humans, he couldn't have thoughts about his own character, about the propriety or demerit of his own sentiments and conduct, about the beauty or ugliness of his own mind, any more than he could think about the beauty or ugliness of his own face. These are all things that he can't easily see and naturally doesn't look at, and he isn't equipped with any mirror that can present them to his view. But now bring him into society, and he immediately has the mirror that he lacked before. It is placed in the faces and behavior of those he lives with, which always signal when those people enter into his sentiments and when they disapprove of them; and that is what gives him his first view of the propriety and impropriety of his own passions, the beauty and ugliness of his own mind (Smith, 2008)." Therefore, there is a mirror for every individual, which is represented by the reflection of the others. It guides one through life, establishing the principles of behavior in the way of developing. On the other hand, organized society will provide just law, which will protect individual from being unjustly harmed. Further, by forming a law of society, one knows the rules

within and gets legal framework of his/her acts. The other importance of collective is pursuing of happiness, or achievement of one in the group. We are all bounded together and individual needs society in order to be approved by it. The feeling of approval runs through every one and is of great importance for understanding why do one seek better conditions. It moves the whole human kind forward. The order, previously set by society, shapes individuals acting, directs his/her passions, points the ambitions etc. Without it, one will be lost and demotivated to contribute as much as he/she would in the group. In addition to this, Smith continues: “To be likeable and to be praiseworthy—i.e. to deserve love and to deserve reward—are the great characters of virtue; and to be odious and punishable are the great characters of vice. But all these characters immediately bring in the sentiments of others. Virtue is said to be likeable or praiseworthy not because it is an object of its own love or gratitude but because it arouses those sentiments in other men. The inward tranquility and self-satisfaction that naturally accompany virtue are caused by the awareness of being an object of such favorable regards, just as the inner torment that naturally accompanies vice results from the suspicion that one is viewed with disfavor. What can be a greater happiness than to be beloved, and to know that we deserve to be beloved? What can be a greater misery than to be hated, and to know that we deserve to be hated (Smith, 2008)?”

On the other hand, the group is also dependent of individual, because the force of individualism can reshape the rules, deepen it and modify so it brings certain benefits to society. Homo economicus, as a rational and narrowly selfish individual will try to find on the market all the products and services that can better his/her condition. On this way, one can contribute to the whole without even thinking of it. It is hard to believe that Bill Gates has invented Microsoft because he was thinking of all the other people who are using his products today. However,

through his personal achievement, the whole human kind has made progress. Furthermore, one uses all the knowledge he/she got in order to get to the goal, but individual knowledge is just a contribution to the knowledge as a whole – knowledge of society. “This is the constitutional limitation of man’s knowledge and interests, the fact that he cannot know more than a tiny part of the whole of the society and that therefore all that can enter into his motives are the immediate effects which his action will have in the spheres he knows... Whether he is completely selfish or the most perfect altruist, the human needs for which he can effectively care are an almost negligible fraction of the needs of all members of society (Hayek, 1958).” The important role of individual can shine only if society allows it. The group conditions the freedom of one’s action, but the progress of the group is directly influenced by the freedom of individual. As Hayek continues: “ He should be free to make full use of his knowledge and skill; he must be allowed to be guided by his concern for the particular things of which he knows and he cares, if he is to make as great a contribution to the common purposes of society as he is capable of making (Hayek, 1958).”

As it was already mentioned, the utility maximization of one is limited by restrictions. It was based mostly on government restrictions that directly influence our decisions. On the other side, there are natural restrictions that consider our moral caudexes, ethics etc. They are rooted in human nature and therefore every individual carries it (more or less) in himself/herself. If one doesn’t have money, what is stopping him/her from asking the other for it? What stops the other of giving the amount of money the one need? Even if you have more than you need, you usually cannot see it, while the race for collecting even more is always in progress. It seems that we have made the unstoppable chase for material. Just take a look at the clothing nowadays. There are boutiques everywhere and a lot of companies producing and selling pieces of clothes. The

essence of clothing is to make people warm, to help them survive. But, is it like that today? The clothes are representing much more and it has different meaning than it used to be. Almost everyone needs more clothes, from time to time, new clothes, clothes that follows today's fashion... We also invented such a thing as fashion to give the clothes new meaning. However, our reflection in the society mirror starts with a physical look and therefore it is important to be firstly dressed properly. It is a need of one to be different but still belong to the group with following the trends. It is the individualism in the collective. One professor from Podgorica claimed that it is important to always be well dressed because you never know who is looking at you. On the other hand, writer and Nobel price winner from Serbia, Ivo Andric, had all suits the same so he wouldn't spend time on thinking what to wear. He was described as a weird man by the society, while my professor, as it seems, had the point. It is, again, the psychology of the masses, whose rules one should follow in order to have stable connection with the society. No matter if the rules are written or not, they certainly exist. However, it is not clear whether Homo economicus is purely materialistic being. The question is whether one can be purely materialistic being as well. There are different opinions on whether the materialistic aspect prevails or not. For example, J.S. Mill in his definition of political economy said: "The science which traces the laws of such phenomena of society as arise from the combined operations of mankind for the production of wealth, in so far as those phenomena are not modified by the pursuit of any other object (Mill, 2004)". On the other hand G.C. Homans writes: "... The trouble with him was not that he was economic, that he used his resources to some advantage, but that he was antisocial and materialistic, interested only in money and material goods, and ready to sacrifice even his old mother to get them. What were wrong with him were his values: he was only allowed a limited range of values; but the new economic man is not so limited. He may have any values

whatever, from altruism to hedonism, but so long as he does not utterly squander his resources in achieving these values, his behavior is still economic...In fact, the new economic man is plain man (Skaperdas, 2003).” In a similar way Stergios Skaperdas wrote: “The homo economicus of traditional economics is far from being completely self-interested, rational, or as individualistic as he is purported to be; he will haggle to death over price but will not take what he wants by force. Implicitly, he is assumed to behave ruthlessly within a well defined bubble of sainthood (Skaperdas, 2003).”

Therefore, the framework is already set. It is consisted of many legislations provided by government and as much, if not more, norms that exist in society. Homo economicus will tend to fulfill his role of narrowly selfish and rational being who is seeking for the best options on the market, but it has to be within mentioned framework. It is possible to fight it, to go against the norms for example, because nobody will punish you for doing some minor amoral things, but general condemnation will exist. It also depends of the society one is living in. There are more liberal or conservative groups, but in both cases the negative feeling toward the amoral act will be shown. But what does it mean if we describe Homo economicus as a rational and selfish being? How is this description perceived? To say that one is selfish, it means to follow his/her way, but still, there are negative connotations to it. As Hayek stated:” It was almost inevitable that the classical writers in explaining their contention should use language, which was bound to be misunderstood, and that they thus earned the reputation of having extolled selfishness. We rapidly discover the reason when we try to restate the correct argument in simple language. If we put it concisely by saying that people are and ought to be exclusively guided by their personal needs or selfish interests, while what we mean is that they ought to be allowed to strive for whatever they think desirable (Hayek, 1958).” In the same notion, when describing Homo

economicus, we assume that he/she exactly knows what is best for him/her. It is because Homo economicus is following his interests, and therefore he/she acts rational and selfish. However, knowing that Homo economicus is still just a human, the other discussion can take place. Continuing with Hayek: “ Another misleading phrase, used to stress an important point, is the famous presumption that each man knows his interests best. In this form the contention is neither plausible nor necessary for the individualist’s conclusions. The true basis of his argument is that nobody can know who knows best and that the only way by which we can find out is through a social process in which everybody is allowed to try and see what he can do. The fundamental assumption, here as elsewhere, is the unlimited variety of human gifts and skills and the consequent ignorance of any single individual of most of what is known to all the other members of society taken together. Or, to put this fundamental contention differently, human Reason, with a capital R, does not exist in the singular, as given or available to any particular person, as the rationalist approach seems to assume, but must be conceived as an interpersonal process in which anyone’s contribution is tested and corrected by others. This argument does not assume that all man are equal in their natural endowments and capacities but only that no man is qualified to pass final judgment on the capacities which another possesses or is to be allowed to exercise (Hayek, 1958).” Furthermore, we come again to the society as a final judge. The group is actually what shapes individual, it gives enough space for individual freedom, but the rationality is a product of society, and therefore individual can be seen as a “product” of society as well.

The other side of the coin is the difference between human nature and the essence of Homo economicus. The main question is whether there is difference and how it is possible to make a line, to draw a border between nature of human beings and Homo economicus. In his work on

Homo economicus and human nature, J.N. Nielsen gives two ways of approaching this question. He writes: “A strong formulation of homo economicus would be the claim that human nature is simply identical with homo economicus. To say that human nature is nothing but those properties ascribed to homo economicus — a self-interested maximizer of surplus value — is clearly a form of economic reductionism. A weak formulation of homo economicus would be the claim that human nature is sometimes identical with homo economicus (Nielsen, 2011).” There are several weak spots in this formulation. First, what does it mean to have a strong or weak formulation of Homo economicus? The other doubtful part is the separation of human nature and Homo economicus. I would disagree that human nature could be described through Homo economicus, because with no doubt he/she is a part of all human beings. Therefore, human nature must exist in Homo economicus and can be regarded in a wider sense. It has a wider aspect of values, which includes in itself the nature of Homo economicus as well. This wider aspect is consisted of all the threats that every individual has. All the described passions, tendency to achieve the ambition etc. are the core of human nature. The development of this threats through life of individual makes the differences among people and bring Homo economicus to life. It is also dependent of the political scene one is living in, progress of the group, norms of the society etc... There are many factors that make condition for the rise of Homo economicus, but it belongs to human nature in the first place. All the surrounding factors will influence the progress of certain passion for example, but it will also create the vision one is aiming to reach. It was already explained in the text above that individual glory the riches and the power, but running away from poverty which is seen almost as a damnation. In that system formed together with society and the individual within, one is struggling to improve his/her position in the group. This division of ranking, which Smith attached to the origin of ambition,

may cause the turning point in describing Homo economicus. Namely, the process that Homo economicus was found in, described in the first chapter, is nothing but this need of one to accomplish the ambition and achieve higher standard of living. Precipitous race for better piece of information, the best possible use of all the elements that could be found on the market, rational and selfish decisions, which will make benefits for individual, are just some of the phenomena that Homo economicus is trying to achieve. But all of it could be reduced to the level of Human nature, including all the passions, ambition etc. Furthermore, Homo economicus can absolutely be described through human nature, because he/she has some rooted urge, passion, needs... Therefore, what we call the nature of Homo economicus could be found in every human, which means that every human has connection with Homo economicus as well. It is impossible to separate Homo economicus from humanity, just as its impossible to separate every man from Homo economicus. All humans belong to this primordial nature and further development of it, which is largely individual, makes the differences. The rules and all the restriction limit our freedoms of action in a way, but it gives us other advantages, like the same starting point for individuals, which give them the ability to work within the same framework, which is further the assumption of identical rules we all have to obey in one group. This, however, doesn't mean that one society produces the same individuals. Than, it would be absurd to talk about individuals, but it gives the chance for one to differ from another and it fights for the same rules. This situation where one wants to be different create different ambitions and one strive for the chance to prove himself/herself. At this point the individuality starts to play its role.

Thus, Homo economicus is a product of society, like everyone else and it is impossible to describe him/her from the position where the collective doesn't play any role at all, or from the angle where society is not important. If Homo economicus is part of society, and the assumption

that he/she is created by it, doesn't it mean that Homo economicus exist in every single man, in a different form?

Thus, individual must belong to the group on one way or another. The group protects him/her and makes a framework inside which, one can act. It is consisted of many norms, rules, restrictions, etc. But humans created all of it and as such it seems acceptable to follow. Off course, one can reject all the rules, but he/she by rejecting it will try to fit into other group that has a bit different framework. Therefore, individual will always seek for a society to be identified with. It is not only the matter of written rules, since there are many unwritten postulates that lead the individual on his/her way. On the other side, individual is necessary for the life of society. The strength of one represents the strength of collective. One will seek his/her path through society and better his/her conditions, but by doing so, he/she will bring contribution to bettering conditions of society. It is the society that gives freedom, but individual bring progress. This connection is inevitable and it would be insufficient to explain the notion of Homo economicus without implementing the society. It would be maybe more appropriate to talk about Homo economicus as of collective body, a collective behavior which is similar to Homo economicus, and differs from group to group, from one society to the other.

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