

**Abstract of the doctoral dissertation:**

**“The evolution of the concept of economic man in the works of Ludwig von Mises”**

As Witold Kwaśnicki (1952-2022) – a great promoter of Austrian economy and liberal thought in Poland – wrote “a rational man knows best what is best for him, he can make mistakes in his behavior, but thanks to them he learns and can make better decisions”, adding that “appealing to the common sense and rationality of a free man ensures a permanent balance of social systems” (Kwaśnicki, 2013, p. 29). An economist who undoubtedly understood this fact in the course of his scientific work and postulated such an approach to the analysis of human activities was Ludwig von Mises (1881–1973). Since the dawn of time, this free and rational man has been the beginning and end of all activities in the economy, as well as the foundation of the functioning of the economic system. The research issues discussed in the dissertation concern the evolution of Mises’s thoughts in the field of his concept of the economic man and the explanation of not only economic but also social phenomena.

The discussion on the role of man in the economy was started and introduced to the theory of economics by representatives of the classical school. The foundations of the *homo oeconomicus* model were outlined by Adam Smith in “The Wealth of Nations” (1776/2007). He believed that in the economic activities undertaken, the subject focuses on improving its existence, not forgetting the moral aspects, which the author emphasized in the earlier “The Theory Of Moral Sentiments” (1759/1989). However, the concept of *homo oeconomicus* was not defined by Smith, but by John Stuart Mill, who drew attention to the individual’s striving to satisfy his own needs and the need to achieve the highest possible level of happiness in life. Mill defined the concept of *homo oeconomicus* through the prism of the political economy (Mill, 1836/2008, p. 41), which “deals with man only as a being that follows wealth, and which has the ability to assess the effectiveness of the compared measures aimed at achieving this goal. It makes predictions about only those social phenomena that occur as a consequence of the pursuit of wealth. It completely abstracts from any human emotions or motives”.

Classical economists have defined an economic entity as one that has the characteristics of rationality, volition and intentionality (Szarzec, 2005). A rational economic entity is characterized by certain features. Firstly, it pursues the economic goal that it sets itself,

which is usually the satisfaction of material needs. Second, he has knowledge of the means and conditions under which he must make decisions. Third, when taking action, it selects measures that are appropriate to the situation. For considerations on the rationality of action, it is important to refer to the distinction proposed by Oskar Lange (1975), who defined factual and methodological rationality. Factual rationality: “occurs when the choice of means corresponds to the real, objectively existing situation, i.e. to the facts, laws and relations that actually exist. The factual rationality of an action is therefore synonymous with its effectiveness” (Lange, 1975, p. 375). On the other hand, methodological rationality “means that the action is rational from the point of view of the knowledge possessed by the acting man, i.e. that the logical inference deciding about the choice of means is correct, within the scope of the possessed knowledge, ignoring the issue of whether this knowledge is consistent with the objective state of affairs” (Lange, 1975, p. 375). In this understanding, the rational subject acts in accordance with methodological rationality.

The concept of economic man was developed by representatives of the mainstream economy. A very important modification was made in the second half of the 19th century by neoclassical economists, who clarified the concept of the economic goal and the way of making decisions by the economic entity (Scheuer, 2014, p. 117). In their opinion, the consumer’s goal is to maximize utility with limited access to the goods owned, and the producer’s goal is to maximize profit while minimizing inputs. The findings of the neoclassical school concerning the *homo oeconomicus* model were verified by John M. Keynes. He drew attention to the problems related to decision-making by entities, pointing to limitations in the scope of their knowledge, accuracy of predictions or “the state of confidence in the economy” (Keynes, 1936/1956, p. 190). The *homo oeconomicus* model was also at the center of interest of representatives of monetarism and the new classical economy. Representatives of both schools pointed to the issue of incomplete knowledge of the subject and economic expectations formulated by subjects (M. I R. Friedman, 1994; Muth, 1961; Lucas, 1972; Sargent, 1973). The hypothesis of adaptive and rational expectations was introduced to the micro– and macroeconomic analyzes.

Institutionalism was one of the first trends in economic theory whose authors questioned the assumptions of the *homo oeconomicus* model. Thorstein Veblen, Wesley Mitchell and John R. Commons were the forerunners of the integration of social sciences and economic processes. The scientific activity of institutionalists focused not only on exploring the

behavior of individuals, but also on explaining why an economic man makes certain decisions. Representatives of behavioral economics played a very important role in the discussions on the *homo oeconomicus* model. They focused on questioning the full rationality of the activities of individuals. Daniel Kahneman and Amos Tversky (1979) analyzed the behavior of subjects under conditions of uncertainty and limited knowledge. Identification of the attitudes of individuals is possible, among others, thanks to sociological observation and analysis of statistical data. The research conducted by Herbert A. Simon (1990), who introduced the concept of bounded rationality into the theory of economics, was also very important from the point of view of the school.

As can be seen, the *homo oeconomicus* model has evolved along with the development of the economy, and the issue of human rationality and its role in the economy is the subject of research by many scientists, including the classic work of Tadeusz Kotarbiński entitled "Traktat o dobrej robocie" of 1955 (2019) and others (Filek, 2002; Fleming, 2017; Klimczak, 2000; Łukaszewicz, 2001; Pinker, 2021; V. Smith, 2013; Sedlacek and Orrell, 2012; Stępień and Szarzec, 2007; Wiśniewski, 1996). Researchers continue to ask themselves how the economic man behaves, what are his features and what drives him, as well as what consequences his attitude has for the perception and effects of economic processes. However, the conducted research is limited mainly to the analysis of works in the field of mainstream economics (Dzionek-Kozłowska, 2016; 2017; 2018; Klimczak, 2007; Szarzec, 2005; Wilson and Dixon, 2012).

The author who had a great influence on the development of the concept of the economic man was Mises. The importance of human activity in understanding economic processes was one of the fundamental elements of Mises's research throughout his scientific life. The author initially wrote in the spirit of the works of the founders of the Austrian school – Carl Menger (1840–1921), Eugen von Böhm-Bawerk (1851–1914) and Friedrich von Wieser (1851–1926), in order to later develop the theory of the Austrian school on his own. In research on the concept of economic man, his book "Human Action", published for the first time in 1949 under the title "Human Action", is of particular importance. In his *opus magnum*, the author analyzes the economic reality, especially taking into account the role of man in the process of creating this reality. He emphasizes that man is by nature a being who constantly strives to improve his economic situation.

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Mises's concept of the acting man was commented on in both Polish and foreign literature (Córdoba, 2017; De Soto, 2010; Gasparski, 2013; Grzesiuk, 2014; Lange, 1975; Kwaśnicki, 2019; Rothbard, 2009; 2009a; Slenzok, 2014). Murray N. Rothbard (1926–1995) referred to Mises's concept in *Man, Economy and State*, published in 1962. He based his analysis of human action on his teacher's theory. The author who criticized Mises was Lange. He believed that Mises was wrong in claiming that any aim-oriented human action was rational (Lange, 1975, p. 374). It should be emphasized that no researcher has so far referred to aspects related to the evolution of the concept of the economic man in Mises's work. The discussion about the author's works was most often undertaken in the context of considerations on the functioning of economic systems – capitalism and socialism (Machaj, 2013; 2014; 2018; Szarzec, 2013). Therefore, research on the evolution of the concept of the economic man in Mises's work can be regarded as an attempt to fill a research gap.

The concept of economic man is the basis within the meaning of market mechanisms. In Mises's work, the aspect of human action was a central component of economic analysis. He was one of the first authors to notice the limitations and imperfections of the neoclassical model of *homo oeconomicus*. The author proposed his own, original concept, which contributed to the separation of the Austrian school from the mainstream economics. The dissimilarity of Mises's theory was noticed already in 1941 by Friedrich August von Hayek (1889–1992), who wrote that the author's research goes in a direction “unrelated to other representatives of the school, and the development of his theory is decidedly individual”. He emphasizes how important Mises's concept is to economic theory and

proves that going beyond the mainstream can be an impulse for other authors, thus contributing to the development of a specific direction in economics.

This dissertation is a work on the history of economic thought. The research problem is to answer the question of how the concept of economic man evolved in Mises's works. More specifically, what elements are characteristic of the concept of the economic man in Mises's early works and in his later works. The main aim of the work is to present the evolution of the economic man concept in Mises's work and to present how it influenced the development of contemporary Austrian economics. In order to achieve the assumed main goal, four specific goals were formulated. The first is the presentation of the main theses of Austrian economics introduced by its forerunners. The second is the reconstruction and interpretation of the neoclassical *homo oeconomicus* model in Mises's early work. The third detailed objective concerns the presentation of the meaning of economic human freedom in particular socio-economic systems in terms of Mises. The last of these is the presentation of the assumptions about the concept of "real" man in Mises's late works and the determination of its influence on the development of Austrian economics.

In the research there is confirmed a thesis, that the concept of economic man in the works of Ludwig von Mises has evolved from the neoclassical approach of the *homo oeconomicus* model to the model of "real" man. The evolution of the concept is understood in the work as "the process (...) of transition to more complex forms" (Słownik języka polskiego, PWN 2021).

The analysis carried out in the dissertation is consistent with the eclectic and pluralistic approach to the interpretation of economic thought cited by Roger Backhouse (1995), who claims that the analysis of the history of economic thought is a complex process, therefore it is necessary to use various methods. The first is to analyze previous findings on economic theory and compare them with modern achievements, which allows us to state progress in science. The second is to focus on the historical aspects of the development of certain theories. The use of both approaches allows us to see not only what conclusions were reached by the creators at certain times, but also how their beliefs changed and what influenced it.

The research was based on a critical analysis of source materials. Qualitative methods were used in the work. The doctoral dissertation was based on the Polish, English and

German bibliographic resources. It includes compact studies, publications and scientific articles. The analysis is based on all the most important publications by Ludwig von Mises concerning various areas of his research activity. The first significant work of the author used in the work is "Theory of Money and Credit" (1912). In it, he presented the foundations of the Austrian Theory of Business Cycle, which was also the basis of his model of the economic man. The work also uses such works as "Socialism" (1922), in which the author carries out a detailed analysis of the functioning of the socialist economy, and one of his most famous essays undermining the possibility of the functioning of the socialist system, "Economic Calculation in the Socialist Commonwealth" from 1920. The most important of the books used in the work is "Human Action", one of the most significant works of all the author's publications. Of great importance in understanding the background of the evolution of Mises's views are his "Memoirs", published posthumously in 1978. In addition, the works of the precursors of the Austrian school were used, including: "Principles of Economics" (1871) by C. Menger, "Capital and Interest" (1884) and "The Positive Theory of Capital" (1889) by E. von Böhm-Bawerk, as well as "Natural Value" (1889) and "Social Economics" (1914) by F. von Wieser and works by representatives of modern Austrian economics.

The starting point for the analysis was the reconstruction of the basic elements of the concept of an economic man presented by three precursors of the Austrian school – Menger, Böhm-Bawerk and Wieser. It was they who at the end of the 19th century defined the research program of the Austrian school, which covers such issues as: the concept of an economic man, uncertainty, time and money. At the center of their analyzes was the manager who plays the role of a producer or a consumer. According to them, this person has a specific goal and takes appropriate actions to achieve this goal. He also has some knowledge, but it is incomplete. As emphasized in the work, drawing attention in the analyzes of the Austrians to the incomplete knowledge of economic entities became a feature distinguishing this school from the then neoclassical economics. Its characteristic features are also emphasizing the importance of time and uncertainty in human activities. Austrian economists treat time as a natural phenomenon that must be included in all analyzes of human activity. The same is true of uncertainty, which is closely related to the phenomenon of time and accompanies any action directed towards the future. As established in the paper, the above issues raised by the precursors of the Austrian School

were further developed by its later representatives, including Mises. Thanks to this, it marked its distinctiveness from other schools of economics.

Mises became a very important continuator of the ideas of Menger, Böhm-Bawerk, and Wieser. As shown in this dissertation, in his early works he adopted the assumptions made by the precursors regarding time, uncertainty and money, making only slight modifications. The dissertation reconstructs the economic man concept in Mises's early works and compares it with the neoclassical *homo oeconomicus* model presented in the works of the precursors of the Austrian school. An important element of Mises's analysis was also the incomplete knowledge of the economic man. It has been shown to be in line with the assumptions of the neoclassical *homo oeconomicus* model. This issue was discussed in detail during the presentation of the Austrian Theory of Business Cycle, according to which a man, wishing to maximize profits from economic activity, with incomplete knowledge, commits certain economic errors, and these lead to economic fluctuations.

Mises did not stop with his initial findings on the concept of the economic man, and developed them systematically over the years and the successive works he created. In the 1920s, his research concerned the analysis of the functioning of two socio-economic systems, i.e. capitalism and socialism, and the issue of individual freedom in each of them. The paper presents Mises's findings regarding the operation of capitalism and the negative impact of state economic interventions on the decisions of entities. The assumptions about the functioning of socialism and the limited freedom of the individual in this system, which in Mises's opinion are the worst possible socio-economic system, were also analyzed. The paper shows that, according to Mises, human freedom is a fundamental condition for his effective operation in the economic sphere, which he constantly emphasizes in his works. The smaller its scope and the greater the state's interference in the economy (both in capitalism and socialism), the more negative consequences for society are felt, and thus the less satisfaction of its needs.

As shown in the dissertation, the findings on the functioning of socio-economic systems and the theory of money and credit presented by the author became the basis for Mises's development of a complete theory of human action. The dissertation presents what new themes and problems appeared in the author's works from the beginning of the 1930s. By working on issues related to praxeology, human rationality, epistemology, catalactics and value judgments, Mises systematically developed his concept, the culmination of which was

in 1949 publication of his *opus magnum* “Human Action”. It was there that he presented his concept of “real” man, which is to explain all human activities, not only decisions made in the sphere of the economy. As in Mises’s early writings, “real” man has a goal, and he takes appropriate, rational action to achieve it. At the same time, it uses its resources and knowledge, which is incomplete. In addition, each action takes place at a given time and is associated with the phenomenon of uncertainty. Mises adds that when a person acts, he uses “his own tools,” that is, his mind and its logical structure. This allows him to achieve his goal in the best possible way. Mises further notes that human actions are determined by the extent of his knowledge and previous experience. Additionally, he emphasizes that the “real” man is limited in his actions by external factors, which are nature and society.

It was found in the work that it was society that became an important element of the concept of a “real” man. Mises shows that every action of man takes place in society, so each time he must take social considerations into account when making decisions about future actions. Each person is a member of a community and his life is guided by certain beliefs and ideologies. As shown, Mises’s inclusion of social issues brought his concept closer to reality and no longer focused solely on economic issues. In *Human Action* and the subsequent works of Mises, the analysis of human activities encompassed all aspects of human life, thereby making man in this author’s work actually more “real.”

It was also found that Mises’s research on socioeconomic systems did not end with the works of the late 1920s. He continued them in “*Human Action*”, but this time the author focused on issues related to the action of “real human”. “In these systems. Mises emphasized the importance of man’s access to knowledge and information for the effectiveness of his actions. The author maintains his position that the only system that provides the greatest scope of human freedom is capitalism, noting at the same time that man has the easiest access to knowledge in it. On the other hand, under socialism human freedom is limited, and his access to information is very difficult, which means that his actions are burdened with a greater risk of making a mistake. It also has a negative impact on the effectiveness of human activities. However, the paper emphasizes that no matter what system a “real” man functions in, his every action is rational, because he acts on the basis of his best knowledge available to him.

The paper also identifies the impact on Mises’s followers in the Austrian school of his findings regarding the concept of “real” man. Mises was found to have exhausted the

discussion on the subject because his concept was accepted by all later representatives of the Austrian School, and further analysis of human performance was a reconstruction of Mises's findings rather than the formation of novel theories. Thus, the concept of "real" man had a fundamental influence on the perception of issues related to human activity by the followers of Austrian thought.

Referring to the findings of the analysis, the thesis put forward in the paper that the concept of economic man in Mises's works evolved from the neoclassical approach of the *homo oeconomicus* model to the concept of a "real" man has been confirmed. This concept underwent further modifications as Mises added new elements to finally form in his *opus magnum*, "Human Action." Not without significance for this evolution was the emergence of new threads in the methods of its analysis, as well as the way he perceives changes taking place in the field of economics. Events in his professional and private life also left a clear mark. The analysis carried out in this work can become the basis for further research on human performance and for comparing Mises's findings with other schools of heterodox and mainstream economics.