Introduction

*Human Nature and Organization Theory* examines accusations that organizational economics promotes an empirically incorrect and morally questionable image of human nature. The book is grounded in a pluralistic understanding of scientific research. It attests to the relevance and usefulness of different research programs in the social sciences but questions, on methodological grounds, that social sciences were pitted against each other when it comes to the portrayal of human nature.

Conventional wisdom is that economics is an amoral and dehumanized science because, so it is claimed, of an empirically incorrect and morally questionable image of human nature. Similar accusations have been leveled against organizational economics, which the book focuses on. Accusations are brought forward on psychological, sociological and moral–behavioral grounds, early on by the human relations school and behavioral economics and more recently by post-modern organization theory, critical management theory, feminine theory or anti-organization theory. The target is ‘economic man’: the ‘rational’, self-interested maximizer of own gain (homo economicus). The book suggests that for assessing the question of human nature in organization theory (and possibly in social science research in general) issues of method and approach have to be clarified first. Here, significant differences can be expected among organizational economics, organization psychology and organization sociology. Such clarifications appear promising for constructively informing a debate of the image of human nature in organization research, moving it beyond uncritical common sense argumentation and conventional wisdom. Key questions addressed in the book are:

- Does organizational economics theorize about human nature and aim at intervention with the ‘human condition’ in order to solve organizational problems?
- In what respects does organizational economics methodically and theoretically abstract from human nature?
- How far does organizational economics portray human nature when it invokes the model of economic man?
- How far is criticism of the model of economic man as an unrealistic and morally questionable image of human nature justified?
• Should the image of human nature of organizational economics be assessed in a different way than critiquing the model of economic man in behavioral terms?

• In examining theoretical and practical outcomes, can a morally favorable image of human nature be suggested for organizational economics, possibly even rivaling the ones of other social sciences?

The book contends that (organizational) economics applies the model of economic man as a matter of method, but not as an empirical, positive or normative statement about human nature. As later chapters detail, the model of economic man may merely be part of economics’ ‘mind apparatus’, as Keynes hinted, or a ‘heuristic apparatus’ in the more technical language of Lakatos’ and Popper’s philosophy of science (for literature references, see Chapters 1 and 2). In terms of a simple analogy, the methodical purpose and role of the model of economic man in economics can be compared to the instrumental role of the ‘unrealistic’ crash dummy in the ‘dismal’ accident simulation setting of the car crash test.

The book argues that economics’ image of human nature is better deduced from the theoretical and practical outcomes of economic analysis than from the model of economic man as such. Specifically, it has to be examined how and with what success organizational economics, equipped with the analytical tool ‘economic man’, theoretically analyzes organizational behavior as capital contribution–distribution interactions that are governed by incentive structures. The key thesis here is that the model of economic man enables the generation of socially desirable outcomes, even so when pluralistic interaction contexts are encountered.

The book develops its arguments and theses by focusing on three organization theories that set the agenda for much organizational research in the 20th century: the theories of Frederick W. Taylor, Herbert A. Simon and Oliver E. Williamson. These theories were chosen because of (i) their high originality; (ii) their emergence in different periods of the same socio-economic environment (here, the USA), which is important for assessing the timeliness of organization structures in relation to environmental change; (iii) their authors’ apparent interest in analyzing economic aspects of institutional organization; and (iv) their authors’ calls that human nature should be portrayed in empirically ‘correct’, behavioral terms. The latter point is challenged by the key thesis of this book – that the portrayal of human nature in empirical–behavioral and moral–behavioral terms reflects a methodological self-misunderstanding in organizational economics. The book argues that an attempted holistic, behavioral portrayal of human nature undermines the conceptual consistency and, more importantly, the practical effectiveness of organizational economics. The book develops this argument by reconstructing and
critiquing the organization theories of Taylor, Simon and Williamson in non-behavioral, institutional economic terms. For the purpose of this reconstruction, methodical, heuristic concepts of economics were distinguished from theoretical–(practical) ones. On a notational note: In this book, the notions of the ‘theoretical–practical’ or ‘theoretical–(practical)’ are used to refer to an explicit or implicit design orientation of positive, theoretical analysis, that is an orientation towards practical intervention and social engineering. Chapters 1, 2 and 8 have more details on this issue. The book proceeds as follows.

Chapter 1 distinguishes research heuristics from theoretical–(practical) concepts of organization research. It spells out that research problems of behavioral organization research and organizational economics and their respective strategies for theory-building and practical intervention fundamentally differ. The rationale of an economic reconstruction and critique of the image of human nature of organization theory is outlined.

Chapter 2 details methodical and theoretical–(practical) concepts of organizational economics, connecting to institutional economics and constitutional economics. The chapter specifies that organizational economics conceptualizes organizational behavior as interactions over capital utilization and organization structures as incentive structures. It suggests that the model of economic man and the idea of the dilemma structure are research heuristics that methodically instruct organizational economics.

Chapter 3 discusses heuristic and theoretical–(practical) concepts of behavioral organization research. It argues that in a heuristic perspective, behavioral organization theory is as little concerned with the ‘correct’, holistic empirical–behavioral or moral–behavioral portrayal of human nature as economics. In addition, it argues that only in theoretical and practical perspectives, behavioral sciences can – selectively – aim at human nature. The practical effectiveness of behavioral intervention is questioned, especially for ‘modern’, pluralistic interactions’ contexts.

Chapter 4 traces key elements of the institutional economic approach in Taylor’s, Simon’s and Williamson’s organization theories. It examines whether and, if so, why they heuristically grounded the theoretical analysis of and practical intervention with incentive structures in the idea of dilemmatic social conflict, as, for example, illustrated by the prisoner’s dilemma. Their suggestions on how to resolve conflict are analyzed.

Chapter 5 critiques the relevance of a behavioral approach to skills management, as favored, in different degrees, by Taylor, Simon and Williamson. The chapter proposes that organizational economics analyzes skills management as a capital utilization problem that is handled through incentives management.

Chapter 6 details that Taylor, Simon and Williamson applied the model of economic man but that its heuristic nature and purpose was not fully understood. In different degrees, they misinterpreted the model of economic man in
empirical–behavioral and moral–behavioral terms. The chapter outlines conceptual and methodical inconsistencies and practical intervention problems that resulted.

Chapter 7 relates differences among Taylor’s, Simon’s and Williamson’s organization theories to economic change in the US firm’s environment in the 20th century. Key ideas of an institutional economic, historic approach to organizational change and environmental change are outlined. Changes in environmental, ‘external’ incentive structures and capital contingencies are related to the way Taylor, Simon and Williamson analyzed and modeled ‘internal’ incentive structures and capital utilization in the firm. The chapter questions that conceptual differences among their organization theories reflect a behavioral discovery process regarding ‘true’ human nature.

Chapter 8 rejects the suggestion that organizational economics entertains an immoral image of human nature. It stresses that moral qualities of economics’ image of human nature should not be deduced from research heuristics such as the model of ‘economic man’ but from theoretical and practical outcomes that are generated by applying research heuristics. If this is taken into account, a morally favorable image of human nature can be proposed for organizational economics.