

From the Physiocrats to the Behaviorists: Transformations of Utilitarian Philosophy in Economic Thought Across the Ages

من الفيزيوقراطيين إلى السلوكيين: تحولات الفلسفة النفعية في الفكر الاقتصادي عبر العصور

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• Abstract:

This study seeks to trace the fundamental transformations in the concept of «utility» within economic thought, beginning with the material principles of the Physiocracy and extending to the psychological approaches of contemporary Behavioral Economics. Adopting a historical-analytical methodology, the paper explores how major historical events reshaped the «utilitarian contract» between the individual and the state, with particular emphasis on the dialectical tension between moral philosophy and mathematical modeling.

The study argues that economic thought has never been isolated from its historical context; rather, it has consistently evolved in response to transformations in social and political structures. While the Physiocrats and classical economists conceived utility as an objective material value linked to production and exchange, the marginalist school redefined it as a subjective phenomenon. This evolution culminated in the behavioral revolution, which deconstructed the assumption of the fully rational individual in favor of a more realistic model acknowledging the limits of human cognition. The paper concludes that understanding the historical development of economic theories is an epistemological necessity for assessing the effectiveness of contemporary policies. It emphasizes that restoring the philosophical and historical dimensions of economic analysis is the only viable path toward bridging the gap between abstract theory and actual human behavior in an era marked by recurrent global crises.

Keywords

History of Economic Thought; Utilitarian Philosophy; Physiocracy; Behavioral Economics; Bounded Rationality; Historical Context of Theories.

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الملخص: تسعى هذه الدراسة إلى تتبع التحولات الجوهرية في مفهوم «المنفعة» ضمن الفكر الاقتصادي، بدءًا من المبادئ المادية للفيزيوقراطية وصولًا إلى المناهج النفسية للاقتصاد السلوكي المعاصر. وباتباع منهجية تاريخية تحليلية، تستكشف هذه الورقة البحثية كيف أعادت أحداث تاريخية كبرى تشكيل «العقد النفعي» بين الفرد والدولة، مع التركيز بشكل خاص على التوتر الجدلي بين الفلسفة الأخلاقية والنمذجة الرياضية.

وتجادل الدراسة بأن الفكر الاقتصادي لم يكن يومًا بمعزل عن سياقه التاريخي؛ بل تطور باستمرار استجابةً للتحولات في البنى الاجتماعية والسياسية. فبينما تصور الفيزيوقراطيون والاقتصاديون الكلاسيكيون المنفعة كقيمة مادية موضوعية مرتبطة بالإنتاج والتبادل، أعادت المدرسة الحديثة تعريفها كظاهرة ذاتية. وقد بلغ هذا التطور ذروته في الثورة السلوكية، التي فككت افتراض الفرد العقلاني تمامًا لصالح نموذج أكثر واقعية يُقر بحدود الإدراك البشري.

تخلص هذه الورقة البحثية إلى أن فهم التطور التاريخي للنظريات الاقتصادية ضرورة معرفية لتقييم فعالية السياسات المعاصرة. وتؤكد أن استعادة الأبعاد الفلسفية والتاريخية للتحليل الاقتصادي هي السبيل الوحيد الممكن لسد الفجوة بين النظرية المجردة والسلوك البشري الفعلي في عصر يتسم بأزمات عالمية متكررة.

• Introduction

The relationship between economic thought and its historical context is one of organic interdependence. Economic theory cannot be adequately understood in isolation from the philosophical and social environment that nurtured its emergence. From the rise of Physiocracy in the eighteenth century to the contemporary expansion of Behavioral Economics, the concept of «utility» has remained the central driving force—and the critical testing ground—of transformations in economic reasoning.

The enduring debate over human nature—whether the individual is a rational agent seeking to maximize material self-interest or a boundedly rational actor influenced by psychological biases—has never been a purely theoretical exercise. Rather, it reflects profound historical transformations that have reshaped the roles of both the individual and the state within the productive system.

The central problem addressed in this study lies in examining the epistemological gap created by the mathematical abstraction of classical economic theory, and how the neglect of historical and behavioral dimensions contributed to shortcomings in predicting financial crises and social volatility. While the Physiocrats advanced a «physicalist» vision of the economy grounded in natural laws, behavioral economists restored attention to human nature in all its complexity, thereby dismantling the long-dominant construct of Homo economicus.

The significance of this study stems from its attempt to revive an interdisciplinary approach to scientific inquiry by systematically linking historical narrative with philosophical-economic analysis. Accordingly, the paper seeks to answer a fundamental question: How did utilitarian philosophy respond

to major historical transformations? And how has behavioral economics contributed to bridging the divide between abstract theory and lived reality?

Addressing these questions requires a deep engagement with the cumulative intellectual legacy of economic schools of thought, accompanied by a critical examination of their philosophical foundations, ultimately aiming to anticipate the future trajectory of economic thought in a world characterized by pervasive uncertainty.

1. Theoretical Framework & Literature Review

The body of literature that has sought to bridge the gap between history and economic theory can be broadly divided into two principal currents: the first adopts the «cliometric» approach (Cliometrics), while the second is rooted in institutional political economy.

The foundational epistemological reference in this regard remains *History of Economic Analysis* (1954) by Joseph Schumpeter. Schumpeter established the necessity of integrating history, statistics, and theory into a unified analytical framework. He argued that the fundamental flaw in economic analysis often stems from ignorance of historical conditions. Nevertheless, his work has been criticized for remaining largely confined to descriptive narrative, without proposing a formal quantitative model capable of linking philosophical fluctuations in utilitarianism to structural transformations in societies .¹

In a related vein, Mark Blaug, in his seminal work *Economic Theory in Retrospect* (1997), offered a critical examination of the evolution of economic doctrines from Adam Smith to the modern era. While Blaug demonstrated remarkable skill in tracing the internal logical coherence of theoretical developments, his study has been criticized for its pronounced emphasis on the «internalist» approach to theory at the expense of the «externalist» perspective. In other words, insufficient weight was given to the manner in which major historical crises compelled economists to reformulate the concept of utility ².

Among contemporary attempts to connect historical analysis with behavioral economics, the contribution of Robert J. Shiller stands out, particularly in *Narrative Economics* (2019). Shiller advances a groundbreaking thesis: that widely circulating historical narratives—stories that «go viral»—serve as powerful drivers of economic behavior. Despite the originality and contemporary relevance of this argument, it faces academic criticism due to the inherent difficulty of quantifying the impact of such narratives, rendering the approach closer to socio-historical inquiry than to rigorous formal economic modeling ³.

2. The Material Roots of Utility: From the Physiocracy of Land to the Classicism of Industry

2.1. The Physiocratic Foundation: Utility as a Natural Law (Eighteenth-Century France)

¹ Joseph A. Schumpeter, *History of Economic Analysis*, ed. Elizabeth Boody Schumpeter (New York: Oxford University Press, 1954), 12–15.

² Mark Blaug, *Economic Theory in Retrospect*, 5th ed. (Cambridge: Cambridge University Press, 1997), 34–40.

³ Robert J. Shiller, *Narrative Economics: How Stories Go Viral and Drive Major Economic Events* (Princeton: Princeton University Press, 2019), 71.

The «Physiocrats» in France, led by François Quesnay, emerged within a historical context marked by the gradual decay of the feudal order and the early consolidation of agrarian capitalism. For them, «utility» was not an abstract or psychological construct; rather, it was concretely embodied in the *produit net* (net product) generated exclusively by land.

Their doctrine was grounded in the belief that economic life operated according to immutable natural laws, analogous to the laws governing biological systems. This intellectual posture reflected the broader Enlightenment aspiration to uncover universal principles underlying both nature and society. In his seminal *Tableau Économique* (1758), Quesnay represented the economy as a circular, almost organic flow of wealth among social classes. Utility, in this schema, was inseparable from «use value» tied to subsistence, fertility, and natural reproduction.⁴

Historical linkage. Physiocratic thought was profoundly influenced by the French agricultural transformation of the eighteenth century, during which land was perceived as the sole source of surplus. Industry and commerce were deemed «sterile» sectors—not because they lacked importance, but because they merely transformed existing matter rather than creating new material substance. In this sense, utility retained a strictly material ontology: it was measurable in physical output and grounded in the productive capacity of soil.

This conceptualization also mirrored the political economy of its time. The landed aristocracy, whose power derived from agricultural rents, sought intellectual legitimation against the rising commercial bourgeoisie. Thus, the physiocratic theory of utility functioned simultaneously as economic analysis and as an ideological defense of agrarian primacy.

Scholars such as Ronald L. Meek have emphasized that physiocracy should not be reduced to a naïve glorification of agriculture; rather, it represented one of the earliest systematic attempts to model the economy as an interconnected whole governed by structural regularities⁵

2.2. The Classical Transformation: From the Physics of Land to the Dynamics of Labor (England)

With the shift of economic gravity to England and the rise of the Industrial Revolution, the conceptual architecture of utility underwent a decisive transformation. In *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776), Adam Smith reformulated the foundations of economic value.

Although Smith famously distinguished between «value in use» and «value in exchange» (the well-known water–diamond paradox), he progressively linked utility to the processes of capital accumulation and the division of labor. Wealth was no longer anchored in the fertility of land alone but in the productive organization of human effort. Utility thus migrated from a static, land-based surplus to a dynamic, socially mediated process embedded in market exchange and specialization.

⁴ François Quesnay, *Tableau Économique*, ed. and trans. Marguerite Kuczynski and Ronald L. Meek (London: Macmillan, 1972 [1758]), 12–18.

⁵ Ronald L. Meek, *The Economics of Physiocracy: Essays and Translations* (Cambridge, MA: Harvard University Press, 1962), 215.

Dialectical analysis. This evolution found further expression—and critique—in the work of David Ricardo. In *On the Principles of Political Economy and Taxation* (1817), Ricardo shifted analytical emphasis from utility as a subjective sensation to cost of production, particularly labor time. Utility ceased to function as the explanatory core of value and was instead relegated to a necessary but analytically secondary condition.⁶

Ricardo's theoretical repositioning cannot be detached from its historical milieu. The early nineteenth century in Britain was marked by intense conflict between landowners (the aristocracy) and industrial capitalists (the bourgeoisie), particularly over the Corn Laws. By grounding value in labor rather than land rent, Ricardo provided intellectual support for industrial capitalism against landed privilege. Utility became «purely material» once again—but now quantified in labor hours rather than agricultural surplus.

In this transition, the psychological dimension of human motivation receded into the background. The individual was abstracted into a functional unit within a broader structural process of accumulation and distribution. What emerged was a theory oriented toward structural growth and class distribution rather than subjective satisfaction.

Concluding Enrichment

The passage from physiocracy to classical political economy thus marks a profound epistemological shift: from a biologically inspired model of natural surplus to a mechanistic-industrial model centered on labor and production costs. In both cases, utility remained materially grounded, yet its source migrated—from land to labor, from agrarian fertility to industrial productivity.

This materialist lineage would later be challenged by the marginalist revolution, which reintroduced subjectivity and individual perception into value theory. However, the physiocratic and classical foundations reveal that the earliest formulations of utility were deeply intertwined with structural transformations—agricultural modernization, industrialization, and class struggle—demonstrating once again that economic theory evolves in continuous dialogue with historical reality.

3. Abstraction and Mathematics: The «Marginal Revolution» and the Neutralization of Historical Context

3.1. The Subjective Turn: Utility as a Psychological Sensation

The 1870s witnessed a profound epistemological shift in economic thought known as the *Marginalist Revolution*. This transformation relocated the center of gravity in economic analysis from «material costs of production» to «subjective utility.» The movement was led independently yet almost simultaneously by three key figures: William Stanley Jevons in England, Carl Menger in Austria, and Léon Walras in Switzerland.⁷

In *The Theory of Political Economy* (1871), Jevons explicitly argued that economics should be treated as a «calculus of pleasure and pain.» By introducing differential equations to measure marginal increments of satisfaction, he replaced the material laws of classical political economy

⁶ David Ricardo, *On the Principles of Political Economy and Taxation*, in *The Works and Correspondence of David Ricardo*, vol. 1, ed. Piero Sraffa (Cambridge: Cambridge University Press, 1951 [1817]), 11–15.

⁷ W. Stanley Jevons, *The Theory of Political Economy* (London: Macmillan and Co., 1871), 12–14.

with a psychological metric grounded in diminishing marginal utility [1]. Utility was no longer embedded in land, labor, or production structures; it became an internal, measurable intensity of feeling.

In parallel, Menger's *Principles of Economics* (1871) established the foundations of the Austrian School by emphasizing the hierarchical ordering of human needs. For Menger, value does not reside objectively in goods but arises from the individual's subjective evaluation of their capacity to satisfy wants.⁸ This marked a decisive individualist turn: economic analysis was now grounded in methodological individualism, where collective phenomena were reducible to individual choices and preferences.

Together, these contributions signaled a radical redefinition of utility—from a socially and materially anchored concept to a psychological phenomenon rooted in human consciousness. The economy was reconceptualized as an aggregation of subjective valuations rather than as a structural process of production and distribution.

3.2. Social Physics: The Exclusion of History in Favor of the Mathematical Model

The marginalist phase was characterized by a deliberate attempt to emulate the natural sciences—particularly classical mechanics. The ambition was not merely methodological rigor but scientific legitimacy: economics sought to become a formal, exact science governed by universal laws.

In *Elements of Pure Economics* (1874), Walras advanced the theory of general equilibrium, conceptualizing the economy as a closed system in which individuals function like atoms in a mechanical structure, interacting through prices until equilibrium is achieved⁹. In this «social physics,» markets automatically coordinate decentralized decisions through price adjustments, producing a self-regulating order.

Dialectical analysis of the absence of history. This intense mathematization produced two decisive consequences:

a. The Exclusion of Time

Economic models during the Marginalist Revolution and subsequent neoclassical tradition became fundamentally static, operating in a historical vacuum. The formalism of equilibrium analysis implicitly assumed that economic laws were universal, invariant, and timeless—analogueous to Newtonian laws of physics. In this abstraction, historical contingencies, institutional evolution, path dependence, and socio-political contexts were largely ignored. Such models prioritized mathematical symmetry, internal consistency, and tractability over the messy reality of human societies, thereby detaching theoretical predictions from the temporal and contextual forces that shape real economic outcomes.

b. The Rationalization of Behavior

⁸ Carl Menger, *Principles of Economics*, trans. James Dingwall and Bert F. Hoselitz (Auburn, AL: Ludwig von Mises Institute, 2007 [1871]), 115–121.

⁹ Léon Walras, *Elements of Pure Economics: Or the Theory of Social Wealth*, trans. William Jaffé (Homewood, IL: Richard D. Irwin, 1954 [1874]), 40–45.

Concomitantly, the human agent was reduced to the archetypal *Homo economicus*: a perfectly rational, fully informed, and computationally omnipotent decision-maker. This formal representation systematically excluded social norms, cultural traditions, power hierarchies, institutional constraints, and collective behaviors—factors central to historical and sociological inquiry. By abstracting away these dimensions, early neoclassical and marginalist models constructed a streamlined but unrealistic vision of economic behavior, one that prioritized mathematical elegance over empirical fidelity. The result was a conceptual model that, while internally coherent, risked misrepresenting the complex interplay between human psychology, social structures, and historical forces.

This separation between formal theory and historical reality became a focal point of criticism, most notably from the German Historical School during the famous *Methodenstreit* (debate over method). The critics argued that economic laws could not be divorced from cultural and institutional contexts, and that the universalizing ambitions of marginalism risked transforming economics into an abstract geometry detached from lived social processes.

The historian of economic thought Philip Mirowski later offered a penetrating critique of this scientific aspiration. In *More Heat than Light* (1989), Mirowski demonstrated how neoclassical economics borrowed not only mathematical techniques from nineteenth-century physics but also its metaphysical commitments—particularly the conservation principles and equilibrium logic of classical thermodynamics.¹⁰ According to this critique, economics did not merely imitate physics methodologically; it internalized its ontological framework, thereby reinforcing the abstraction and depoliticization of economic analysis.

Concluding Enrichment

The marginal revolution thus achieved two simultaneous objectives: it restored subjectivity to value theory while paradoxically eliminating historical subjectivity from economic modeling. Utility became psychological, yet the analytical framework became increasingly mechanical.

This dual movement—psychologization of value combined with formal mathematization—paved the way for the dominance of neoclassical economics throughout the twentieth century. However, it also planted the seeds of future critique. By excluding institutions, culture, and bounded cognition, marginalism generated a theoretical edifice of remarkable internal elegance but limited empirical resilience.

The eventual rise of behavioral economics can therefore be interpreted as a delayed response to this abstraction—a return of the human agent, not as a perfect calculator, but as a historically situated and cognitively constrained decision-maker operating within complex institutional environments.

4. The Return to the Human: Behavioral Economics as a Revival of Moral Philosophy

4.1. Shattering the Idol of the «Rational Man»: The Contributions of Kahneman and Thaler

¹⁰ Philip Mirowski, *More Heat than Light: Economics as Social Physics, Physics as Nature's Economics* (Cambridge: Cambridge University Press, 1989), 193.

The contours of a return to the human agent began to crystallize with the systematic questioning of the assumption of perfect rationality. In their seminal 1979 article on Prospect Theory, Daniel Kahneman and Amos Tversky provided experimental evidence demonstrating that individuals do not maximize expected utility through detached probabilistic calculations. Instead, their decisions are shaped by *loss aversion*, framing effects, and a range of systematic cognitive biases.¹¹

This marked a decisive rupture with the neoclassical model of Homo economicus. Human agents were shown to evaluate outcomes relative to reference points rather than absolute wealth levels, to overweight small probabilities, and to exhibit asymmetric sensitivity to gains and losses. Rationality, once conceived as complete and computationally flawless, was redefined as bounded, context-dependent, and psychologically mediated.

The consolidation of this intellectual movement was further advanced by Richard H. Thaler in *Misbehaving: The Making of Behavioral Economics* (2015). Thaler famously distinguished between the abstract «Econ» and the real-world «Human,» arguing that actual decision-makers are subject to mental accounting, present bias, fairness concerns, and limited self-control.¹²

Through the concept of the «nudge,» Thaler demonstrated that the historical, institutional, and social context surrounding a choice architecture significantly shapes outcomes. Utility, therefore, is not merely a function of material payoff; it is co-determined by framing, norms, and environmental cues. Public policy, under this perspective, becomes less about coercive regulation and more about subtle structuring of choices in ways that align with human cognitive tendencies.

4.2. Dialectical Linkage: From Thaler's «Nudge» to Smith's Moral Sentiments

This study advances a critical thesis: despite its modern experimental tools and statistical sophistication, behavioral economics represents an epistemological return to the moral philosophy of Adam Smith.

While later classical and neoclassical traditions privileged *An Inquiry into the Nature and Causes of the Wealth of Nations* over Smith's earlier work, a careful reading of *The Theory of Moral Sentiments* (1759) reveals that Smith had already articulated a framework centered on sympathy, moral judgment, and the «impartial spectator».¹³ Economic conduct, in Smith's original vision, was inseparable from psychological motives, social recognition, and ethical self-evaluation.

Contemporary behavioral economics revisits these same themes under the rubric of «social preferences,» fairness norms, reciprocity, and identity-based motivations. Indeed, scholars such as Colin F. Camerer and George Loewenstein have explicitly argued that Smith can be read as a proto-

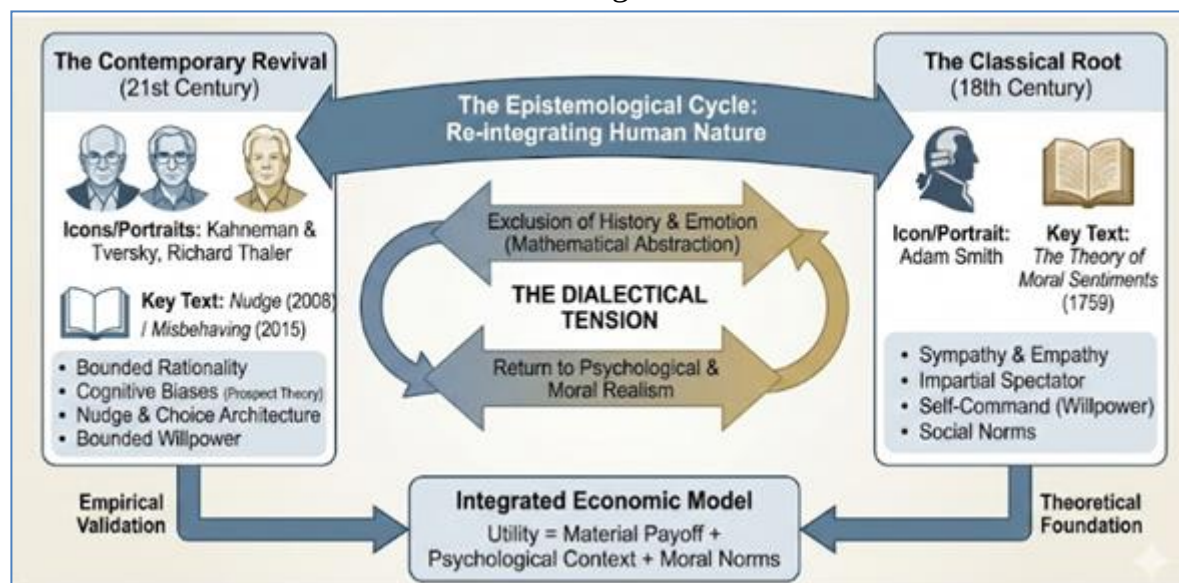
¹¹ Daniel Kahneman and Amos Tversky, «Prospect Theory: An Analysis of Decision under Risk,» *Econometrica* 47, no. 2 (March 1979): 263–292.

¹² Richard H. Thaler, *Misbehaving: The Making of Behavioral Economics* (New York: W. W. Norton & Company, 2015), 4–10.

¹³ Adam Smith, *The Theory of Moral Sentiments*, ed. Knud Haakonssen (Cambridge: Cambridge University Press, 2002 [1759]), 13–16.

behavioral economist, anticipating modern findings regarding emotion, empathy, and bounded rationality.¹⁴

Figure 1: The Epistemological Return to Human Nature: From Smith's Sentiments to Thaler's Nudge.



Source: Prepared by the authors

Analytical Synthesis

The intellectual trajectory from the «material utility» of the Physiocrats, to the labor-centered value theory of classical economics, to the mathematical abstraction of marginalism, and finally to the behavioral re-humanization of economics, reveals a circular movement rather than a linear progression. After two centuries of increasing formalization and detachment from historical contingency, economics has re-encountered its anthropological foundations.

Behavioral economics thus restores the human agent as a historically situated, socially embedded, and cognitively limited being. In doing so, it implicitly revalidates the role of moral philosophy and historical inquiry in economic analysis. The concept of utility, once treated as a measurable physical surplus, then as a subjective calculus, now emerges as a multidimensional construct shaped by emotion, culture, and institutional context.

This return to the human does not signify a rejection of mathematical modeling but rather its recalibration. It suggests that the future of economic thought lies not in further abstraction, but in an integrated framework capable of reconciling formal rigor with psychological realism and historical depth.

5. Analysis and Discussion: The Dialectic of History and Model — Toward a Comprehensive Economic Vision

Building upon the preceding historical and theoretical exposition, it becomes evident that the trajectory of economic thought toward increasing mathematical abstraction has not been without cost. This section examines how the progressive detachment of formal models from historical

¹⁴ Nava Ashraf, Colin F. Camerer, and George Loewenstein, «Adam Smith, Behavioral Economist,» *Journal of Economic Perspectives* 19, no. 3 (2005): 131–145.

consciousness generated both epistemological and practical gaps—gaps that became starkly visible during contemporary crises.

5.1. The Price of Excluding History: The 2008 Crisis as a Failure of «Mathematical Rationality»

The 2008 subprime mortgage crisis was not merely a technical malfunction within financial markets; it constituted what may be described as an epistemological failure of the equilibrium-based models that had dominated economic analysis since the marginalist revolution. The widespread reliance on the Efficient Market Hypothesis and the presumption of rational, utility-maximizing investors fostered a misplaced confidence in self-correcting mechanisms.

As Robert J. Shiller argued in *Irrational Exuberance*, speculative bubbles are fueled not solely by objective fundamentals but by contagious narratives and collective psychological dynamics.¹⁵ The mathematical models underpinning risk management and asset pricing systematically ignored the «animal spirits» previously emphasized by John Maynard Keynes—a concept rooted in the historical psychology of mass optimism and panic.

By abstracting from historical memory, mainstream models treated crises as statistically improbable deviations rather than recurring structural phenomena. Yet historical research—most notably by Carmen Reinhart and Kenneth Rogoff in *This Time Is Different*—demonstrated empirically that financial collapses exhibit strikingly repetitive patterns across centuries [3]. The failure to integrate such historical regularities rendered the dominant model effectively «blind» to behavioral volatility and systemic fragility.

In this sense, the crisis exposed the limitations of a paradigm that privileged formal coherence over historical depth. Rational expectations and general equilibrium frameworks, while internally elegant, lacked the epistemic flexibility necessary to account for narrative contagion, herd behavior, and institutional inertia.

5.2. Behavioral Economics as a Tool for Restoring the Model's «Historical Memory»

The added value of behavioral economics lies not only in enhancing predictive accuracy but in reintroducing temporality into economic reasoning. By incorporating concepts such as confirmation bias, overconfidence, and herd behavior, behavioral analysis acknowledges that economic actors are historically situated beings whose decisions are shaped by accumulated experiences and collective narratives.

Moreover, the shift from teleological utility (which assumes that individuals invariably pursue optimal outcomes through the shortest rational path) to procedural utility represents a conceptual breakthrough. As Bruno S. Frey and Alois Stutzer argue, individuals derive satisfaction not only from outcomes but from the fairness, transparency, and participatory quality of decision-making processes.¹⁶ Utility thus becomes temporally embedded: the path taken, with all its psychological and experiential dimensions, shapes the economic value attributed to results.

¹⁵ Robert J. Shiller, *Irrational Exuberance*, 3rd ed. (Princeton: Princeton University Press, 2015), 223–225.

¹⁶ Bruno S. Frey and Alois Stutzer, «Beyond Outcomes: Measuring Procedural Utility,» *Oxford Economic Papers* 57, no. 1 (2005): 90–111.

Through this lens, recurring financial bubbles and crashes are no longer anomalies; they are manifestations of deeply rooted cognitive and social mechanisms that persist across historical epochs. Behavioral economics thereby functions as a corrective mechanism—repairing the historical amnesia of purely formal models by reintroducing the dimension of lived experience.

5.3. Toward a New Epistemological Synthesis

The solution, however, does not lie in replacing mathematics with history, nor in abandoning formal modeling altogether. Rather, it requires the construction of what may be termed a *historical-behavioral political economy*. Such a synthesis would integrate:

- The moral and social insights of Adam Smith,
- The experimental rigor of Daniel Kahneman,
- And the contextual-historical sensitivity exemplified by financial historians such as Reinhart and Rogoff.

This integrated framework would be particularly suited to addressing conditions of Knightian uncertainty—situations in which probabilities themselves are indeterminate and cannot be reduced to calculable risk. In such contexts, policy design must acknowledge bounded rationality, institutional path dependence, and the narrative forces shaping expectations.

Ultimately, the dialectic between history and model suggests that economic science advances not through abstraction alone but through reflexive dialogue with its own historical foundations. The future of economic thought, therefore, depends on reconciling formal precision with anthropological realism and historical continuity. Only through such synthesis can economic policy attain the resilience required to confront the uncertainties of an increasingly complex global order.¹⁷

6. Conclusion and Findings

Through its historical and analytical examination of the trajectories of economic thought, this study concludes that the concept of «utility» has never been merely a mathematical unit of measurement. Rather, it has functioned as a philosophical vessel reflecting the aspirations, tensions, and failures of each historical epoch. The transition from the materialism of the Physiocrats, to the abstraction of the marginalists, and finally to the behavioral re-humanization of contemporary economics represents a complete epistemological cycle—one that ultimately restores the human being as a historically situated agent at the center of analysis.

The evolution of utility thus reveals not a linear accumulation of technical refinements, but a dialectical movement between structure and agency, abstraction and experience, model and memory.

I. Key Findings

1. The Causal Link between Crises and Theory

The study demonstrates that major redefinitions of utility were not autonomous intellectual developments but historically conditioned responses to structural pressures such as the Industrial

¹⁷ Carmen M. Reinhart and Kenneth S. Rogoff, *This Time Is Different: Eight Centuries of Financial Folly* (Princeton: Princeton University Press, 2009), xxxv–xxxviii.

Revolution, the Great Depression, and the 2008 financial crisis. This finding challenges the notion of economics as a self-contained discipline evolving independently of socio-political upheavals. Instead, economic theory emerges as historically reactive and contextually embedded.

2. The Sin of Excessive Abstraction

The marginalist emphasis on formal modeling and mathematical equilibrium contributed to the construction of Homo economicus—an analytically elegant but empirically detached representation of human behavior. By excluding institutional, cultural, and historical dimensions, this abstraction weakened the discipline's capacity to anticipate financial instability and social disruption. The resulting predictive shortcomings underscore the epistemological cost of prioritizing internal coherence over historical realism.

3. Behavioral Economics as Epistemological Restoration

The research further concludes that Behavioral Economics is not merely a new subfield but a philosophical restoration of the moral foundations articulated by Adam Smith ¹⁸in *The Theory of Moral Sentiments*. By incorporating bounded rationality, social preferences, and cognitive biases into experimentally grounded frameworks, behavioral economics has helped bridge the long-standing divide between abstract theory and historical human behavior. It represents not a rejection of formalism, but its recalibration toward anthropological realism.

II. Policy Implications

In light of these findings, the study advances several recommendations for policymakers and academic institutions:

• Redesigning Economic Models

Macroeconomic forecasting frameworks should integrate behavioral variables and historical narratives rather than relying exclusively on equilibrium assumptions or the Efficient Market Hypothesis. Embedding cognitive biases, institutional memory, and narrative contagion into models would enhance their robustness under conditions of uncertainty.

• Reforming Academic Curricula

A structural dialogue between departments of history and economics is urgently needed. The adoption of interdisciplinary courses in «Historical-Behavioral Political Economy» would equip emerging scholars with a deeper understanding of the human dynamics underlying quantitative data. Reviving the integrative spirit exemplified by Joseph Schumpeter in *History of Economic Analysis* may serve as a model for such reform.¹⁹

• Choice Architecture and Public Policy

¹⁸ Smith, Adam. *The Theory of Moral Sentiments*. Edited by Knud Haakonssen. Cambridge: Cambridge University Press, 2002 [1759].

¹⁹ Schumpeter, Joseph A. *History of Economic Analysis*. New York: Oxford University Press, 1954.

Governments are encouraged to adopt behaviorally informed «nudge» strategies, as articulated by Richard H. Thaler in *Misbehaving: The Making of Behavioral Economics*. However, such interventions must remain sensitive to each society's historical and cultural inheritance. Policies concerning savings, public health, and environmental sustainability are more effective when designed in alignment with collective memory and social norms.²⁰

Final Reflection

The journey of utility—from agricultural surplus to mathematical function to behavioral construct—reveals that economics advances not through abstraction alone, nor through historical narration in isolation, but through their synthesis. The future of economic science lies in forging a historically conscious, behaviorally informed, and methodologically rigorous political economy capable of confronting the uncertainties of an increasingly complex global landscape.

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