

Original Article

Human Nature is the Generalized Rational Basis of Public Administration and Public Policies: Reflection on Rational Hypothesis and Extended Knowledge

¹OU Chun-zhi, ²JIA Kang

¹Research Fellow at China Academy of New Supply-side Economics, PhD of Public Administration at Renmin University of China, Postdoctoral Fellow at the Research Institute for Fiscal Science, the Ministry of Finance, P.R.China, once worked in the Development Research Center of the State Council.

²President of China Academy of New Supply-side Economics, President of the Research Institute for Fiscal Science, the Ministry of Finance, P.R.China. From 2006 to 2015, in the field of philosophy and social sciences in China.

Received Date: 14 October 2023 Revised Date: 24 October 2023 Accepted Date: 26 October 2023 Published Date: 31 October 2023

Abstract: *The traditional public policy analysis is based on rational propositions. However, rationality is not the assumption of all human behaviors, there are still a lot of human behaviors, which cannot be explained by rationality, and rationality, bounded rationality, and irrationality are not as distinct as we often regarded. Even different people have different definitions about rationality. It is better to say that human behavior is based on human nature, rather than rationality or bounded rationality. Rationality is an important feature of human nature, and the relationship between rationality and humanity is just like the relationship between particularity and generality, only human nature can be used to systematically and comprehensively explain human behaviors more closely. Therefore, the formulation of public policies should be based on human nature, to form the generalized rationality with the characteristics of containment and better guide human individual behaviors to the track of public interests. When personal interests are integrated with public interests, the public policies can be urged to realize maximized public interests as far as possible. The generalized rationality of public policy based on human nature shall be supported by the inclusiveness, guidance and dynamic optimization mechanism of its relevant institutional arrangements.*

Keywords: *Public Policy; Human Nature; Bounded Rationality; Generalized Rationality; Public Interests.*

I. THE PROPOSAL OF THE PROBLEM

As we all know, the assumption of rational economic man is the basic logical starting point of the economic theories, and the collective rationality or public rationality has become the corresponding proposition of public administration or public policy theories. The rationality can be called one of the most important theoretical pillars of the economics and the foundation for formulating and implementing public policies. Looking back upon the earlier ideological source, Thomas Hobbes described in *Leviathan* that in order to maintain the order and peace in the community, the human beings were forced to gather together to yield to a single sovereign entity, which made many human natures repressed and distorted. John Locke's *Two Treatises of Government*, which aimed to justify the Glorious Revolution in England in 1688, caused a sensation when it published, in which he argued that human beings were unable to maintain peaceful order under natural law, and that they had to enter into a contract with a sovereign state to enter into a community and form a civil society. It is not difficult to see that the original, self-interested, individual and universal human nature has been added to the constraints of the rational form of the state, government and community in the cognitive framework of Thomas Hobbes and John Locke. Although rational hypothesis is widely applied in economic theories, it is not originated from economics. As early as in the age of enlighten thought, it appeared in the discussions of the prophets about the natural and social man. From *The Ten Commandments* of the Jewish prophet Moses to the assumption of psychoanalysis founder Sigmund Freud about the psychology of sexuality, and then to the Maslow's *Hierarchy of Needs Theory*, the father of humanistic psychology, there are all prints of the assumptions about rationality.

The pioneer of public administration, Goodnow, put forward the dichotomy between politics and administration, arguing that politics was the expression of the people's will and the administration is the implementation of the people's will, and that the government's decision on what to do or what not to do were all issues in the field of public policies. With regard to the relationship between human beings and policy, there is both interaction and shaping, and the continuous improvement of policy is its correction of negative effects in practice, and also the result of human interaction in the exercise of public power.



For the thought on the rationality of human being, the scholars have never stopped their exploration, and interdisciplinary perspectives make the explanation closer to practice. Weisskopf first introduced psychology into the study on economics, and pointed out the impact of psychological expectations on consumer behavior. Kahneman and Tversky pointed out that human behaviors are not only driven by economic interests, but also influenced by various psychological factors, such as prejudice, instinct, discrimination and jealousy to different degrees, and based on this, they proposed a economic decision-making behavior model of limited rationality - expectancy theory, which explains the deviation of human behavioral choices from rationality under uncertain conditions. Rabin integrated psychology and other social disciplines into the analysis on economic theory, and modified the basic assumptions of human behavior, such as rationality, self-interest, utility maximization, and complete information, and so on. Pinheiro-Alves went beyond neoclassical theory and argued that the higher the uncertainty faced by decision makers, the more they would deviate from rationality. Bleichrodt and Wakker's regret theory is an alternative theory of rational choice under uncertainty. Linde and Vis revealed how people irrationally deviate from utility-maximizing behavioral choices.

From the above studies, it can be found that rationality can influence human behavior, but rationality is only an ideal model. It is difficult for human beings to be more comprehensively rational, and they tend to deviate from rationality in real life. Rationality is both limited and progressive, and the rationality shown by human beings in different situations may be different. Thinking about human behavior from the perspective of rationality, it is obviously necessary to formulate public policies accordingly, but it is also bound to have its limitations. It may even lead to deviation from the effectiveness of policy implementation and its public value orientation. This paper tries to understand human behavior from a broader perspective of human nature. It illustrates through theoretical analysis and practical cases that only a more inclusive and guiding public policy based on human nature and guiding individual self-interest can be better implemented and more conducive to the ultimate realization of the public interest. The inclusiveness and guidance of public policy based on human nature and relying on relevant institutional arrangements can be called generalized rationality in line with the inherent and essential requirements of human civilization.

II. REFLECTION ON THE CLASSICAL RATIONAL HYPOTHESIS AND THE USE OF MATHEMATICAL TOOLS

Concerning the human economic rationality motivated by profit-driven behavior, Adam Smith described it in *The Wealth of Nations* very eloquently, "Man's reliance on the help of others does not depend on the favor of others, but on the self-interest of others, and if we can make him know that it is more advantageous to himself to do things for others, it is much easier to get that person's help. We do not have to arouse his altruism, but only his self-interest." Subsequently, John Stuart Mill, in his *Essays on Some Unsettled Questions of Political Economy*, first introduced the assumption of economic man more explicitly. It should be recognized that in most cases, the predictions based on the rational economic man assumption can conform to or lead the practice, or that even if the initial practical behavior of human beings is not able to conform to the theoretical predictions, in the vast majority of cases, their behavior will eventually approach the predictions of the rational economic man assumption over time. In general, the classic assumption of rational economic man seems to be universally true, but in fact, such assumption implies and contains the extreme certainty that human beings are perfectly rational, know their preferences and their ordering of preference strengths, and have unlimited and rapid computational power, even in the face of complex mathematical statistics and probability distribution calculations, they can compute the results as quickly and accurately as a microprocessor. It is because of the extreme nature of such an assumption that modern economics, which uses mathematics as a derivation tool, can derive strong results. However, how well the theoretical results explain and guide practice is often another debatable problem. In the face of the rich practice, it is regrettable that theory is often limited and can even be embarrassing. Such embarrassment, although not generalized and less probable, often also has a great impact on human society.

It is well known that mathematics is an extremely rigorous tool for computational derivation. It is worthy of praise to prove the economics theories with mathematical models. Mathematics, a powerful analytical tool, can be extended to the decision-making process of public administration and public policy. However, too much reliance on the mathematical tools may lead to the rigidity of the economics. While economics is useful, it is not a panacea for explaining human behavior. Due to the "king" status of economics in the field of social sciences, economics has "colonized" other social sciences everywhere, often forming such a stereotype that a certain theory, as long as it applies to economics, is also applicable to other social sciences, but it is not. But actually, it is not. Leaving the rich social theory and relying only on the rational economic man assumption can not explain all human behaviors, especially some "abnormal behaviors" that cannot be explained by the mainstream economic theories.

In practice, even though some human behavioral choices have been adjusted, learned or developed after that, they have still deviated from the mathematical derivation under the rational hypothesis. What is the reason that theory cannot explain practice? The problem originates from the limitations of the rational hypothesis. The hypothesis has a premise that it is possible to derive the key elements of conclusions with mathematical tools, which is based on the fact that human behavior is

understood from the perspective of different disciplines. But whether itself is tenable is the key that we often neglect or ignore when we prove or deduce economic theories with mathematical tools. A little bit of difference in the premise often leads to a great difference in the deduced results. This makes us face great challenges when explaining the research results with mathematical tools.

The formulation of hypothesis and the derivation of logic are regarded as the core of syllogism in the philosophy of the ancient Greeks. Scientific empirical evidence is the core of the philosophical thought of David Hume, the pioneer of the Scottish Enlightenment, and the empiricism of the British philosopher Francis Bacon. The repeated induction of theories in practice is an important step in philosophical research, which, of course, inevitably makes use of mathematical tools. Astronomy in ancient Greece originated from mathematics rather than physics. Copernicus's heliocentric theory based on mathematical calculations challenged the scholasticism originating from Christian theology, ultimately loosening magisterium's control over kingship. The overturn of human cognition on astronomy shook the firm belief of Christians to a certain extent and broke up the sacred and inviolable status of the magisterium. The freedom of thought brought scientific and technological advances, embraced the upcoming industrial revolution and promoted the advancement of history. Mathematics has always been important, but even so, in terms of daily practice, it is merely a tool for calculation, derivation and proof. In the field of economics, where there are many variables and multiple interactions intricately woven together, when we use mathematics as a research tool, we need to remind ourselves that under the limitations of the conclusions deduced from mathematical methods under the assumption of extreme rationality, as well as the limitations of the public policies designed accordingly, they are worthy of attention and reflection of the academic circle.

III. REFLECTION ON THE RATIONAL UNDERSTANDING OF HUMAN BEING

The scholars' reflection and questioning of rationality will naturally lead to the understanding of irrationality or bounded rationality. As rationality is inevitably constrained by various conditions, coupled with the great difference in individual preferences and intensity of preferences, rationality is often only an ideal. For example, James M. Buchanan and Gordon Tullock analyzed the impact of individual preferences on political behavior and also, for the first time, included the intensity of preferences into the political model for discussion in order to argue that not only individual preferences can affect their behavior, but also the intensity of preferences is an important parameter that cannot be ignored for individual choices of the behaviors. Nash pointed out the intrinsic connection between economic equilibrium and game equilibrium, which laid the cornerstone of modern non-cooperative game theory. The subsequent game theory research is largely along this main line. Inspired by Chester Barnard's discourse on authority, Simon established a formal theory of management, arguing that constrained by limited cognition, it was difficult for the individual to achieve true and thorough rationality, and it was impossible or incapable of pursuing the maximization of everything, which is Simon's most famous theory of bounded rationality. After that, Lindblom took a step forward based on Simon's theory of bounded rationality and developed progressive rationality. He pointed out that the formulation, modification, and implementation of relevant decisions depended on incremental reforms. Progress resulted from a constant struggle through chaos and disorder, and it would not happen overnight.

However, rationality is not as simple as being bounded and incremental, and like the legendary phoenix, it cannot be reborn simply through nirvana from mathematical decision-making models. Rationality is not only constant but also more likely to be opposite in real life due to different opinions. For example, what A considers "irrational" may be precisely what B considers "rational" after careful consideration, and this "rationality", though considered "rational" by B, may not be the same thing as the ideal "rationality" considered by A as a premise. It is well known that the individual is the best judge of his own welfare. As it says in the Western proverb that "One man's meat is another man's poison.", so does it say in the Eastern proverb. However, this "rationality" will not always be that "rationality" all the time.

In addition, human beings are emotional creatures, and their emotions are delicate, complex and volatile. Even if, in some things, people can break free from the constraints of limited cognition and be close to complete rationality, it is impossible for them to do all behaviors in all situations in line with economic rationality. Gulick thought that human beings would sacrifice for love, fight for their interests, compete for honor, and sacrifice for the ideal belief. How can the rational behavior of human beings deduced by mathematical tools explain rational economic man's "irrational behavior" beyond rationality? Obviously, the explanation of the rationality hypothesis here cannot hide its embarrassment. It is not difficult to see that although rationality is a more important part of the spectrum of human nature, it is by no means all.

In practice, the boundaries between the concepts of rationality, bounded rationality, and irrationality are vague, not as clear-cut as we take for granted, and sometimes even difficult to distinguish, and different criteria often lead to different conclusions. The difference in understanding rationality is rough as follows: it is often difficult for an individual to understand the behavior of people with different cultural backgrounds, and it is even more difficult to identify the rationality contained therein. For example, men in the ancient African primitive tribes prayed for rain by blowing conch horns and pouring water, which we moderners consider extremely ridiculous and particularly irrational. However, we must admit that their behavior of

blowing trumpets and pouring water to pray for rain is based on self-perceived rationality in the same way as modern people's behavior of sowing silver iodide in the air to make rain with scientific knowledge. On the question of praying for rain, the difference between primitive people and modern people lies only in the difference in their cognition of the mechanism of rain formation, so it is unlikely that the reasoning of primitive people will lead to the effective result of action. However, based on primitive man's initial understanding of rain, their thinking about the behavior of praying for rain should be of the same rational orientation as that of their civilized counterparts in later times.

Gordon Tullock divides the motives for human behavior into two categories: instrumental motives and fundamental motives. Instrumental behavior refers to actions taken for some unspoken motive by which the actor expects to change a situation in relation to his or her own fundamental will. It is easy to see that the behavior motivated by using instrumental factors is rational. The reason why outsiders view the rational behavior of insiders as irrational is no more than a simple misalignment or difference between the fundamental goals of the two. Most of the time, human behavior is rational when the outside world does not distort it, but his rationality may be in the "primary stage of rationality", like the primitive people blowing trumpets and pouring water to pray for rain, which is bounded rationality. Therefore, we cannot say that they are completely irrational just because they are at a lower level of rationality.

This is exactly the interpretation of Nash and Simon on rationality. The primitive people had the appeal for praying for rain but constrained by their cognition, they blew horns and splashed water to pray for rain. With the gradual improvement of human cognitive ability and the continuous accumulation of knowledge, modern people have the knowledge and skills of artificial rain. Praying for rain is not only an individual welfare but also the common interests shared by the group. The individual obtains the authority status of the group through the labor of seeking common interests within the group. Therefore, the primitive people's irrational behavior of praying for the rain is based on rationality; though constrained by limited cognition, their motive is rational. We cannot but admit that, as outsiders, we are often limited by our personal methodology and cannot clearly identify the rationality and the degree of rationality of human behavior, and cannot effectively distinguish whether the behavior is rational, bounded rational or irrational, and cannot even reach a consensus in this regard. Although rationality is a universal attribute of human beings in situations of interest, it is not common to all behaviors, and the resulting need to perceive its characteristics is often difficult to distinguish. Using rationality as a dimension for judging human behavior is too narrow to truly understand all human behaviors. Therefore, in a situation where rationality cannot be used to explain human behavior, we need to expand the cognitive field to use human nature to explain human behavior. Rationality is to human nature as what particularity is to generality. The deepening of our understanding of rationality necessitates a richer analysis and understanding of the more intuitive human nature.

IV. UNDERSTANDING THE HUMAN BEHAVIOR FROM THE PERSPECTIVE OF HUMAN NATURE

The challenge of public administration and public policy lies in the fact that it faces extremely complex people, and it is difficult to use the existing theories to explain all human behaviors appropriately. Since rationality is only a part of human nature, rationality is often unreliable. Many of the so-called rational behavior with complicated limitations precisely originate from the human's own perceptual understanding of the external world. It is better to admit that the behaviors of human beings, in the absence of external distortion, are often the first or main stress response based on human nature, as we usually see that sometimes they are rational, and sometimes they are not so rational. The identification and delineation of human rationality by scholars is of far less significance than the respect, cognition and understanding based on human nature.

It is also true of human civilization, which, like rationality, also affects the behavioral choices of human beings, all of which pose challenges to the practices of public administration and public policies to a certain extent. Despite the superficial differences between Eastern and Western civilizations, which make it very easy to distinguish the specific manifestations of Eastern and Western civilizations, in terms of deep structure and essence, eastern and Western civilizations based on human nature are undoubtedly similar. They can learn from and integrate with each other. For example, the modern civil service examination system originated in Britain and is based on the ancient Chinese imperial examination system. For example, what we often say, "Money makes demon call." is similar to the old Chinese saying "Money talks." and "There are a thousand Hamlets in a thousand people's eyes." is similar to Chinese old saying "The moon shines on the river where water flows." The same is true of gender relations. Many clergymen in the West, who devote themselves to religious endeavors, are required by doctrine to be single and are not allowed to be close to the opposite sex. It is this kind of repression of human nature that those who are sitting in the daytime chanting sermons of the clergy secretly enjoy the sexy bodies of the angels, the Virgin and the Madonna on the mural in the dark night with candles. The Decameron is all about these, corresponding to the instinct desires of men and women in the Eastern culture. Despite the similarity between Eastern and Western civilization and human nature, there are still differences. Confucius and Immanuel Kant both said, "Do not do unto others what you would not want done unto you.", but the premise of Confucius is "benevolence, righteousness, courtesy, wisdom and faith". Suppose the other party does not speak of "benevolence, righteousness, courtesy, wisdom and faith". In that case, the treatment of the other party is that

"those who walk in the way have replaced those who deviate therefrom"; there is still a little bit of difference from Kant's moral law, and should not be ignored. It can be seen again how important the conceptual formulation of the premises and their implicit assumptions are to the conclusion. Therefore, the practice of public administration and public policies should always pay attention to minimizing the limitations and extremes of these concepts and assumptions and focusing on the related richer and differentiated contents.

In addition, human beings have the nature to identify with moral justice. The values of ethics, morality and ideal belief can indeed influence many non-economic behaviors, such as religious, familial, and political behaviors. The rational self-interest hypothesis can be said to be a deep truth about human nature, but it cannot be a universally applied truth. Moreover, the hypothesis of rational self-interest points out that ethics and ideal beliefs can indeed provide an explanation for non-self-interested behaviors of human beings deviating from their generally understood rational behaviors due to adhering to morality and dedication to ideals or even provide a theoretical explanation for the brave and sacrificial behaviors, such as "dying for a just cause, "giving up one's life for righteousness", and "committing suicide for their wrongdoing", and so on.

We also know that the unconscious morality of human beings is difficult to maintain. When they see that their peers fail to do their duty in cooperation but are not punished for it or even profit more, then the unconscious moral motives of individuals can be easily destroyed and collapsed. In many situations, it is difficult for humans to eliminate their doubts about the failure of others to take their responsibilities seriously. Even if the motives and performance of human beings to others can be forced to be recognized, it is not a mature and complete solution. In most cases, good deeds are motivated by motives, and the moral component they contain cannot be recognized easily. Even though morality can influence human behavior, motivation seems more crucial.

In his book *Motivation and Personality*, Abraham Maslow, the pioneer of humanistic psychology, categorized human needs from low to high as physiological needs, safety needs, love and belonging needs, respect needs, and self-fulfilment needs. The most basic consequence of any need being satisfied is that once that need is quelled, the next higher need appears immediately. Both higher and lower human needs are based on basic and innate nature; they do not go against human nature, and they are part of it. The need for love and belonging, the need for respect, the need for self-fulfilment, and the cause and potential of these good deeds become the foundation for the guidance of public administration and public policies.

V. HUMAN NATURE IS THE GENERALIZED RATIONAL FOUNDATION FOR PUBLIC ADMINISTRATION AND PUBLIC POLICIES.

The essence of social behavior is that human beings have goals. Human beings, in some situations, are not entirely rational economic men driven by personal interests. In addition to personal interests, they may be driven by the "public good" and have the public rationality of searching for public interests and collective honor, which is also one of the basic factors for formulating public administration and public policies. When switching between various scenarios, human beings will likely switch their moral and psychological gears together. The motives of human behaviors, whether for the interests of himself or others, or whether he is a rational economic man or a living Lei Feng who tends to "benefit others", should be included in the rational foundation for the formulation of public administration and public policies. We can design a public policy to guide their selfishness and to motivate their goodness so that personal interests and public interests can be bridged to make public administration an art of a higher level.

Generally speaking, western culture is grounded in Judeo-Christian theology, especially American culture, which is more dominated by a Puritan and pragmatic spirit. This spirit emphasizes work, effort, struggle, calmness and conscientiousness, especially a sense of mission. Mark Elliott Zuckerberg, founder of the Facebook website, announced on the very day of the birth of his eldest daughter that he would donate his 99% share of Facebook shares. We would thus take it for granted that donating shares is a good deed for Zuckerberg. It is worth noting that Zuckerberg is not the first person to donate his personal wealth to charity. Previously, Microsoft founder Bill Gates did something similar. So, what is the motivation for Zuckerberg to do charity? In fact, it is difficult for us to infer Zuckerbergs' true motives based solely on the fact that they donated their wealth to charitable organizations to set up foundations. Subsequently, there was information disclosed that Zuckerberg hoped that Facebook employees could work for the charitable foundation; that is, Zuckerberg hoped that the foundation could be under his control or part of the control. Since then, it can also be seen that it was not so simple that he set up a charitable foundation purely for charity. French economist Thomas Piketty pointed out in *Capital in the Twenty-First Century* that the rich are moving with the times to build newer and more complex systems to hide or transfer their wealth. The forms of wealth capital, such as foundations and trusts, etc., can be used not only to avoid taxes but also to limit the free use of the assets by descendants to avoid behaviors such as losing money or squandering. Nowadays, it is often difficult to distinguish whether a foundation is a purely charitable foundation or a private family foundation. Foundations set up by wealthy and powerful families usually have the dual goals of charity and passing on wealth. Moreover, even if the family assets are placed in a foundation with charitable objectives, the family can ensure that it has effective control over the assets by carefully

designing the relevant systems. So, when we give credit to Gates and Zuckerberg for their good deeds, do not forget to give credit to America's public administrators and public policymakers. Undoubtedly, it is the policy incentives and constraints in the rules of public foundations, estate tax, and the personal income tax they have developed that are conducive to guiding the philanthropic behavior of the rich and powerful so that the rich and powerful can realize the public interests incidental to their private interests. Family foundations not only prevent future generations from quickly losing the family fortune but also help them avoid taxes in a reasonable and compliant manner and enable philanthropy to benefit more people, as well as leave the good name of the family and the representative of the person for generations. Perhaps there are also some other benefits we do not know yet. We do not need to speculate on the motives of Gates and Zuckerberg's donation. Based on a more comprehensive and thorough grasp of human nature, identifying the complex motives of individuals should not be the focus.

In such cases, egoism can be for the realization of self-interest, and altruism can also be for the realization of self-interest. Altruism is very often for the sake of higher-level self-interest. Therefore, we cannot deny that altruism and self-interest can coexist and that altruism does not prevent the realization of self-interest, which often depends on how public policy is set. If we simply assume that only egoism is for self-interest and that the public interests cannot promote individual self-interest, then this is clearly a mechanistic mistake.

In fact, the philanthropic behavior of Gates and Zuckerberg can also be understood as a game between individuals and public administration and public policies. The inherent requirements of public administration and public policies are to include the differential preferences of members of society to the maximum, to coordinate the behavior of members of society, and to reduce the comprehensive social costs of realizing public interests, thus maximizing the public interests. Although the game analysis method applies to limited situations and cannot help to explain all situations of human behavioral choices, in terms of wealth inheritance and management, the decision makers generally, after repeated consideration, will not be too much mixed with emotional behavior that is not in line with the interests of the demand and will be very rational to make decisions. The game equilibrium point is that decision-makers can compete for their interests. It may not be the optimum of their utility but must be the best under various constraints; that is, the game equilibrium is necessarily based on the maximization of the self-interests of the decision-makers. Decision makers may not intend to achieve the public interest. However, under the constraints and incentives of public policies, they must think about the impact of public policies on themselves, that is, the amount they can make for the public interests and the corresponding amount of self-interest. In order to maximize self-interest, they must also consider the public interests at the same time. It can also be understood that in this way, the decision-makers, under the premise of fully considering the relevant interests constrained by various public policies, try to maximize their private interests within the possible scope. In essence, this self-interest process is to realize the macro public interests by taking the micro self-interest as a starting point.

In the charitable donations of Gates and Zuckerberg, we do see the role of public policy and its related institutional arrangements that are based on human nature and respect for human nature and are more in line with the public value and self-interest orientation, which fully demonstrates the great wisdom of public administration. The United States has a variety of systems, rules, policies, culture, and ethical factors to motivate and guide the rich to maximize self-interests while achieving the public interests incidentally. This should be one of the important inspirations of Gates and Zuckerberg's competition for charity for us. We should not take it for granted to come to such a rash conclusion according to the philanthropic behavior of Gates and Zuckerberg: American tycoons are more charitable than those in other countries. In fact, the philanthropic motives of the rich are extremely complex and diverse, and their philanthropic behavior is guided by public policy. Superficially, it may seem that morality and self-interest are opposites, but they are not. Morality depends not only on the requirements to do one's duty or obligation to others but also involves the belief that all participants benefit equally from common rules. It is not only necessary to screen the boundaries of self-interest and their formation mechanisms in the concept of morality, so it is for related analysis. Under the guidance of public policy in institutional environments such as the inheritance tax, the wealthy in the United States are happy to donate their wealth to set up family foundations, which is a successful interface and integration of morality and public policy, individual interests and the public interest, and a wonderful case of public administration and public policy guiding individual interests to the orbit of the public interests through "incentive compatibility". The root of this success of the public policy is based on the knowledge of human nature and the respect for and compliance with human nature in order to guide the behavior of certain specific groups.

Another example is the current reform of State Owned Enterprises (SOEs) in China, which has shifted from "management of assets" to "management of capital", among which "equity incentives", "backbone shareholding", "employee shareholding", etc., are all respect for human nature and also the specific performance in line with human nature, that is, actively playing the subjective and active role of the people. To activate the "capital", the first thing to do is to motivate the "people". This makes it have a generalized rationality, as mentioned previously.

VI. THE FORMULATION OF PUBLIC POLICY BASED ON HUMAN NATURE: RELYING ON THE INCLUSIVENESS, GUIDANCE AND DYNAMIC OPTIMIZATION OF THE INSTITUTIONAL ARRANGEMENTS

In the real world, human behavioral choices are extremely complex. A large number of human-bounded rational behaviors are formed under specific social conditions. Suppose public policymakers can build a relevant system to guide human behavioral choices through incentives to move the game equilibrium point according to the time and place. In that case, the natural instincts and nature of human beings can be corrected or rectified in the dynamic optimization of public policy. If a more appropriate choice of game strategy is accepted in comparison, then the substitution and dependence on the moral constraints of the individual would be less. It should be emphasized that we can treat legal constraints as a substitute for moral constraints, but it can also be understood that if the decision maker can quickly find an equilibrium in favor of its own long-term development in the process of the game, then there is no doubt that the reliance on legal constraints will be reduced, that is, replace or partially replace the role that the law once played with the guidance of comprehensive public policy.

A) For a Reasonable and Effective Institutional Environment Relies on a Particular Public Policy to be Inclusive and Leadership.

From the rationality of the institutional arrangements, guiding the individual interest-driven behaviors to comply with the will to maximize the public interests should pay attention to the institutional arrangements of relevant public policy for the respect, understanding, inclusiveness and guidance for human nature. The contradiction between public and individual interests is inevitable but can be reconciled. People are familiar with the case of "cutting the cake". For the "equalized policy" in fair distribution, the most effective system with the lowest management cost is to stipulate that the person cutting the cake is the last person to take the cake.

Another example to achieve 100% safety of military parachutes, the military picks up the product randomly. It makes the person in charge of the supply jump, which can appropriately solve the problems. The public policy relying on the rule of law protects private property rights and maintains fair competition, reflecting inclusiveness. Thus, the behaviors of the people, whether instinctively or thoughtfully produced, are attributed to the results of "rejuvenation" by market resource allocation. Similarly, public policy relies on the rule of law tax or fine the enterprises for the pollution caused by their production and operation, which reflects the guidance. Thus, the choice orientation of the people, whether formed by impulsive character or calm character, reduces the sewage behavior and benefits the public with the internalization of external costs. Therefore, we should understand and adapt to the human nature of selfishness and emotional changes and guide human behavior with an inclusive public policy so that under public policy guidance, the behaviors of the people who have selfishness and emotional changes move towards the public interests. This requires that in the interactive game of public policies, the decision makers choose between various alternative strategies and may likely and will accept those who appear to be contrary to people's self-interest orientation, which is not because people accept the public interest as their own self-interest in some unrealistic and emotional way. For them, the realization of accepting strategies that are detrimental to them may only be superficial and temporary, but ultimately it will be due to the inclusiveness and guidance of the system that makes them make trade-offs and actually agree that the realization of long-term public interest is consistent with the realization of individual long-term self-interest, to inhibit short-term behaviors.

B) For the Guidance of Human Self-Interest, There Should be Dynamic Optimization.

Self-interest is an important aspect of human nature, and the significance of studying human nature lies in motivating and guiding human behavior. Studying how human beings pursue self-interest is an important part of public policy research. Suppose the pursuit of self-interest is human nature. In that case, the design and construction of public policy need to have checks and balances to incentivize and guide the behavior of individuals pursuing self-interest in line with the public interest so that individual interests and public interests are integrated with each other. However, if we are only satisfied with the theoretical rational economic man, we find and ignore the diverse problems in practice and emphasize the cognition of the profit-seeking motivation and behavior of the rational economic man. We may ignore the hierarchy and diversity of this human behavior. For example, for the same incentive and constraint of material interests, in the stage of economic underdevelopment, "human beings die in pursuit of wealth, and birds die in pursuit of food" is often expressed as an iron law of human nature. At this time, if we focus on imposing equalized constraints, it will lead to widespread poverty and hypocrisy, and we need the incentive of "allowing some people to get rich first", coupled with the constraints of strict punishment for lawless thieves and robbers. In the stage of economic development, "When the granaries are full, the people follow appropriate rules of conduct, and when there is enough to eat and wear, the people know honor and shame." has become the new orientation of human nature, and it is more necessary to use the "rule of virtue" as an incentive for redistribution policy means to promote commonwealth, the rule of law and democracy, and the combination of heteronomy and self-discipline to move towards the "republic". At this point, the essentials of the latter aspect should become the focus of optimization in a new phase. In the current modernization process of the national governance system and governance capacity in China, if certain public policies

have not yet given full play to their positive and active role in the public sphere, we should pay attention to keeping pace with the times, combining the favorable opportunities of economic and social transformation, and seeking to amend and upgrade the relevant systems and policies. The broad rational basis of public administration and public policy based on human nature and the dynamic optimization accordingly pursued have become major propositions in the practice of linking theory with practice in relation to public administration and public policy.

C) Public Policy should be Prudent and Inclusive of the Impulsiveness and Aggressiveness Prevalent in Human Nature.

In the trial-and-error innovation activities in the economic field, public policy should take a prudent and inclusive attitude towards the impulsiveness and aggressiveness prevalent in human nature. There is certainly a self-interested preference for calculation, which is intuitively rational, but there is also a risk-taking preference for innovation and exploration, which is intuitively irrational and even resembles that of a gambler and can easily be called irrational. This latter type of preference, however, is worthy of prudence and inclusion in the economic innovation activities and related economic policies in the era of new technological revolution. For example, the innovation of enterprises such as WeChat, Alipay, Meituan, Didi, and Pinduoduo, etc., at the beginning of the exploration, trial and error stage, is characterized by the decision-makers of private enterprises, who make a huge investment and conduct the innovation in Internet successively. There are many such decision-makers, but only a few succeed. The actual result of this innovation process makes the companies, such as Ali and Tencent, stand out in China's competition market, which not only succeed but also join the global cooperation and competition based on China's scenarios. The other unsuccessful companies are responsible for their own profits or losses and bear the investment cost. In this process, the test for public policy is that, in the face of the risk of a huge investment and the uncertainty it brings, whether it can prudently and inclusively "standardize in development" to provide flexible room for trial and error, to closely follow up and observe the possible forms of risks, and to have a plan to deal with them without rushing into action. China's public policy on BAT (the e-commerce triumvirate) over a number of years has included the success of such prudence and inclusiveness, and theoretical analysis should point to the basis of its generalized rationality. This is precisely the respect and inclusiveness for the innovative genes and risk-taking preferences in human nature, which is the innovation and breakthrough for Chinese public administration in the Internet era.

VII. CONCLUSION

Public administration and public policy need to pursue and possess rationality. However, previously, the generally understood rational basis refers to the consideration between the individual utility of "rational economic man" and public constraints, both obtained by precise mathematical calculation, which should actually be regarded as narrow rationality. Integrating the ambiguity of rationality, bounded rationality and irrationality and restoring them into rich human nature in the real world should be an important research direction in linking theory with practice and a generalized rational basis for the optimization of public administration and public policy. In this aspect, based on the reflection on human behaviors from the perspective of human nature and the emphasis on the generalized rational basis for understanding public administration and public policy, the paper proposes to provide an error and trial room for the innovative genes and risk-taking preferences in the field of economics based on institutional inclusiveness and guidance and grasp its dynamic optimization at different phases. It seeks a basic understanding of more appropriate public policies.

Throughout the ancient and modern historical experience at home and abroad, all the public policies that do not respect and comply with human nature have the problems of being narrow, being difficult to land, take root, blossom and bear fruit, and being unable to play a positive role in the practice of public administration. For example, for the recently exposed unfinished building event of Evergrande, it is reported that 1.62 million buyers of the houses have to continue to pay the mortgage under the premise of hopelessly moving in. It is the uncomfortable results of the existing pre-sale system of commercial properties, which is not in place to restrain the greed and selfishness of the developers, and also a failure in the formulation of public policy and public administration. The specific corresponding solutions need to analyze a set of relevant complex factors. But from the perspective of outsiders, as far as the principle is concerned, if the design of public policies and the establishment of the relevant system can be based on human nature and start from respect for human nature, fully pay attention to the innovation of the system and the supply of effective policies, consider the public interests based on human nature, learn from the lessons and experience seriously, motivate and guide the individuals to realize the goals of public interests while pursuing private interests or maximizing personal utility, and do not lose time to better combine the material incentives with moral education and fully combine the rule of law with the rule of morality when having certain development basis, then our society as a whole will form a good social state of harmony, sharing and stability. In this process, the gap between the rich and the poor is also expected to be suppressed and narrowed by the dynamically optimized redistribution mechanism.

Public administration and the formulation of public policy should respect and follow human nature, but it is not easy to do. China's reform has reached a deep-water zone, which requires us to "take on tough problems, navigate potential dangers,

break the shackles of stale thinking and tear down barriers erected by vested interests". The failure or inefficiency of certain public policies in the past often stems from the fact that their design and related institutional arrangements have neglected or even ignored human nature and have not included the interests of individuals or groups through a mechanism that seeks to maximize the number of common denominators (which usually requires the use of the possibly full and most precise economic means as a policy tool). How to guide these individual demands, incorporate them into the inclusive development of society as a whole, and give full play to their positive effects is one of the key elements of China's current reform in "overcoming the difficulties". Therefore, only through the modern national governance formed by the reform and optimization of public policies and relevant institutional arrangements can social justice and the well-being of the people be dynamically and appropriately achieved in operation.

VIII. REFERENCE

- [1] Thomas Hobbes. *Leviathan* [M]. Translated by Li Sifu. Beijing: The Commercial Press, 1985: 97.
- [2] John Locke. *The Second Treatise of Government* [M]. Translated by Feng Jungong. Beijing: Guangming Daily Publishing House, 2009:159.
- [3] [US] F.J. Goodnow, *Politics and Administration* [M]. Translated by Wang Yuan, Beijing: Huaxia Publishing House, 1987: 14.
- [4] Weisskopf R. B. W. A.. *Psychological Analysis of Economic Behavior* by George Katona [J]. *Journal of Political Economy*, 1952, 60(2): 165-166.
- [5] Kahneman D., Tversky K. A., *Prospect Theory: An Analysis of Decision under Risk* [J]. *Econometrica*, 1979, 47(2): 263-291.
- [6] Rabin M., *Incorporating Fairness into Game Theory and Economics* [J]. *The American Economic Review*, 1993, 83(5): 1281-1302.
- [7] Pinheiro-Alves R., *Behavioural Influences in Portuguese Foreign Direct Investment* [J]. *Journal of Socio-Economics*, 2011, 40(4): 394-403.
- [8] Bleichrodt H., Wakker P. P., *Regret Theory: A Bold Alternative to the Alternatives* [J]. *Economic Journal*, 2015, 125(583): 493-532.
- [9] Linde J., Vis B.. *Do Politicians Take Risks Like the Rest of Us? An Experimental Test of Prospect Theory under MPs* [J]. *Political Psychology*, 2016, 38(1): 780-783.
- [10] Adam Smith. *An Inquiry into the Nature and Causes of the Wealth of Nations* [M]. Translated by Guo Dali and Wang Yanan. Beijing: The Commercial Press, 1998: 13.
- [11] John Stuart Mill, *Essays on Some Unsettled Questions of Political Economy* [M]. Translated by Zhang Han. Beijing: The Commercial Press, 2012.
- [12] *The Spring and Autumn Period, Confucius, Explanation to the Book of Rites*.
- [13] Bertrand Russell. *The History of Western Philosophy (Volume I)*. Translated by Ma Yuande. Beijing: The Commercial Press, 2015: 287-300.
- [14] Bertrand Russell. *The History of Western Philosophy (Volume II)*. Translated by Ma Yuande. Beijing: The Commercial Press, 2015: 46-65.
- [15] [US] James M. Buchanan, Gordon Tullock. *The Calculus of Consent: Logical Foundations of Constitutional Democracy* [M]. Translated by Chen Guangjin. Beijing: China Social Sciences Press, 2000.
- [16] Nash J., *Non-Cooperative Games* [J]. *Annals of Mathematics (Second Series)*, 1951, 54(2): 286-295.
- [17] Simon H. A.. *A Behavioral Model of Rational Choice* [J]. *The Quarterly Journal of Economics*, 1955, 69(1): 99-118.
- [18] Lindblom C. E.. "Bargaining Power" in *Price and Wage Determination* [J]. *The Quarterly Journal of Economics*, 1948, 62(3): 396-417.
- [19] Gulick L. H.. *Reflections on Public Administration, Past and Present* [J]. *Public Administration Review*, 1990, 50(6): 599.
- [20] [US] Gordon Tullock. *The Politics of Bureaucracy* [M]. Burke, Translated by Zheng Jingsheng. Beijing: The Commercial Press, 2010: 31-32.
- [21] *Ming Dynasty, Feng Menglong, Instructive Stories to Enlighten the World*.
- [22] *Song Dynasty, Jiatai Enlighten Record*.
- [23] *The Book of Rites · Volume Li Yun*.
- [24] *The Spring and Autumn Period, Confucius, etc., The Analects of Confucius · Yan Yuan. Xihan Dynasty, Dong Zhongshu, Spring and Autumn Studies*.
- [25] *The Spring and Autumn Period, Confucius, etc., The Analects of Confucius · Duke Ling of Wei*.
- [26] *The Period of Warring States, Mencius, The Works of Mencius: Gaozi I*.
- [27] *Ming Dynasty, Shen Defu, The Book of Anecdotes · Karma · Unjust Results*.
- [28] [US] Abraham Maslow. *Motivation and Personality (The Third Edition)* [M]. Translated by Xu Jinsheng. Beijing: China Renmin University Press, 2009: 71.
- [29] Simon H. A. A. *Models of Man, Social and Rational: Mathematical Essays on Rational Human Behavior in a Social Setting* [J]. *Journal of Philosophy*, 1962, 59(7): 177-182.
- [30] [US] Abraham Maslow. *Motivation and Personality (The Third Edition)* [M]. Translated by Xu Jinsheng. Beijing: China Renmin University Press, 2009: 79.
- [31] [France] Thomas Piketty. *Capital in the Twenty-First Century* [M]. Translated by Ba Shusong, Chen Jian, etc.. Beijing: CITIC Press Group, 2014: 467.
- [32] Ou Chunzhi. *Analysis on Mechanism and Countermeasure of Rent-seeking Behaviours in China's Tax Administration* [J]. *Journal of Beijing Technology and Business University (Social Sciences)*, 2017, (2): 74-81.
- [33] Ou Chunzhi. *The Guidance of Public Interests to Individual Interests under New Institutional Supply – Based on Tax Collection and Payment Game* [J]. *Taxation Research*, 2016, (12): 80-86.
- [34] Zhang Kangzhi. *Re-examining the Rationality under Highly Complex Conditions* [J]. *Journal of Northwest University (Philosophy and Social Sciences Edition)*, 2016, (3): 50-60.
- [35] Ou Chunzhi, Jia Kang. *The Cognitive Framework about the Abolition and Existence of the Administrative Examination and Approval in the Perspective of Public Interest* [J]. *Journal of Hebei University of Economics and Business*, 2017, (4): 25-32.
- [36] *Ming Dynasty. Anonymous, Chinese Wisdom and Philosophy Through the Ages*.
- [37] *The Spring and Autumn Period, Guan Zhong, The Works of Guanzi*.