The economics of nice folks

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A basic tenet of economics is that people always behave selfishly, or as the 18th century philosopher economist David Hume put it, "every man ought to be supposed to be a knave."

But what if some people aren't always knaves?

Sam Bowles argues in *Science* June 20 that economics will get it wrong then, sometimes badly so. He points to new experimental evidence that people do often act against their own personal self-interest in favor of the common good, and they do so in predictable, understandable ways. Poorly-designed economic institutions fail to take advantage of intrinsic moral behavior and often undermine it. .

Take this example: Six day care centers imposed a fine on parents who picked their children up late. The effect? Tardiness doubled, and it stayed high even when the fine was removed. Parents, it seems, stopped seeing lateness as an imposition on teachers, and instead saw it as something that could be purchased with no moral failing.

Another example is a study this year which showed that women donated blood less frequently when they were paid for it than when it was an act of charity.

These examples show that economists ignore human altruism at their peril. Standard economic theory assumes that incentives that appeal to self-interest won't affect any natural altruism that may exist, but that assumption is clearly wrong. Bowles discusses the research to date that helps to explain when and why that assumption breaks down.

As the world becomes more interconnected and the resulting challenges to humanity increase, learning to harness these altruistic impulses becomes even more important, Bowles says. So the economists' "holy grail," to learn to design institutions and policies to direct the selfish impulses of individuals to public ends, "will be necessary but insufficient," Bowles says. "The moral nature of humans must also be recognized, cultivated, and empowered."

Source: Santa Fe Institute

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