

Comment: Xavier Giné

Morality: Evolutionary Foundations and Policy Implications

Positive economic theories typically model agents interacting in markets as self-interested individuals. This chapter summarizes the work of the authors in Alger and Weibull (2013, 2016), which questions this assumption by investigating the preferences that humans would exhibit if these preferences were transmitted from generation to generation.

In the case of interactions between two agents, the utility function of humans would be a linear combination of the material payoff of a *Homo oeconomicus* (or self-interested individual) and that of a *Homo kantiensis* (an individual who “does the right thing” by assuming the other agent will behave as he or she does). Facing a set of choices similar to that of the other agent, in practice, *Homo kantiensis* does not solve the Nash equilibrium but rather chooses the payoff with highest value from the diagonal of the matrix of the game. Remarkably, these preferences called *Homo moralis* preferences are the only ones that are evolutionarily stable when the matching protocol among agents is exogenous.

But where does the weight that defines the linear combination between the two payoff functions come from? Alger and Weibull (2013) argue that the weight, or the “degree of morality,” is related to the probability that individuals are matched with others of same type relative to the probability that they are matched with others of a different type. The model thus predicts that individuals will not behave as self-interested agents as long as this probability is positive and that everyone in a society will share same preferences (with the same degree of morality).

Taking Predictions to Data

The first prediction is consistent with experimental evidence showing robust deviations in behavior from the assumption of *Homo oeconomicus* agents. It is unclear, however, whether these deviations reflect universal social preferences or whether instead social preferences are shaped by the economic, social, and cultural environment. Henrich et al. (2004) set out to distinguish between these two hypotheses by conducting a large cross-cultural study of behavior using several standard experimental games in fifteen small-scale societies, ranging from foraging to sedentary agricultural societies.

The results confirm that there are violations of *Homo oeconomicus*, as individuals seem to care about fairness and reciprocity. In addition, there is dispersion across and within societies (of roughly equal magnitude) in the degree to which the assumption of *Homo oeconomicus* is violated. The dispersion across societies can be explained by the *Homo moralis* preferences if we assume that different societies exhibit different degrees of morality. But the dispersion within societies cannot be explained, because all individuals of a society share the same preferences.

Henrich et al. (2004) also suggest that prosocial behavior is correlated with market integration. *Homo moralis* preferences, however, are correlated with the degree of morality. It is unclear whether market integration is positively or negatively correlated with the degree of morality. One argument suggests they are negatively correlated: market integration may increase the probability of matching with individuals of another type, thus decreasing the degree of morality.

The findings from Henrich et al. (2004) should perhaps be taken with caution, as the relationship between market integration and values in the cross-section may suffer from endogeneity, because institutions and values may coevolve. For example, Alesina and Fuchs-Schündeln (2007) compare the attitudes toward redistribution of East and West Germans after the reunification. They find that communism instilled in people the view that the state was essential for their well-being. This suggests that institutions and political regimes can shape preferences, and therefore the degree of morality may change even if the matching protocol did not.

Falk and Szech (2013) run an experiment in which individuals choose between keeping money or saving a mouse. Decisions are made individually

(involving the simple choice of getting money or saving the mouse) or through a market mechanism involving many buyers and sellers. Sellers are endowed with the mice and buyers with money. The mouse was killed if a trade occurred, the seller kept the sale price, and the buyer the endowment minus the sale price. If no trade occurred, the mouse survived, and earnings for both players were zero. The authors find that the willingness to keep the money (and thus to kill the mouse) is higher when decisions are made through a market with many buyers and sellers compared to when the market only has one buyer and seller. Put differently, Falk and Szech (2013) suggest that market interaction may be negatively correlated with the degree of morality.

Role of Institutions and Incentives

Contracts, subsidies, taxes, and other public policy issues are designed to induce self-interested individuals to act in the common interest. David Hume, the Scottish philosopher and economist (and friend of Adam Smith), said it best when arguing that public policy should be designed for “knaves” motivated by the private interest.¹ As Bowles (2008) puts it, the invisible hand needs a helping hand.

In this chapter, *Homo moralis* individuals are not knaves. But could institutions designed for knaves end up turning individuals into knaves? In other words, when individuals are not knaves, can incentives backfire? There is certainly a literature suggesting that this is the case. One example is the well-known study of six day-care centers in Haifa by Gneezy and Rustichini (2000). The day-care centers decided to impose a fine on parents who were late picking up their kids at the end of the day. Parents reacted to the fine by doubling the fraction of time they arrived late. More importantly, once the fine was removed, parents continued to be late when picking up the kids. In another example, Giné, Mansuri, and Sreshtra (2018) study the impacts of a monetary incentive given to the staff of a microfinance institution if

1. The quote is “in contriving any system of government [...] every man ought to be supposed a knave, and to have no other end, in all his actions, than private interest. By this interest we must govern him, and, by means of it, make him, notwithstanding his insatiable avarice and ambition, co-operate to public good.” (David Hume 1777), <http://oll.libertyfund.org/titles/hume-essays-moral-political-literary-lf-ed>.

they achieved certain “social” goals related to the empowerment and well-being of their clients. For staff who worked in teams, such incentives led to a worsening of social outcomes.

The critical assumption when designing incentive schemes is that although other-regarding motives may be present, they are not affected by the schemes individuals face. This “separability” assumption fails in both examples above, as they underscore the fact that monetary incentives may diminish the intrinsic motivation of individuals to comply with social norms (Bowles 2008; Bowles and Hwang 2008).

The preferences of *Homo moralis* individuals discussed in this chapter maintain the separability assumption and therefore predict that policies designed for self-interested individuals will not backfire when applied to *Homo moralis*. But one cannot help but wonder whether the degree of regulation should be different across societies with different degrees of morality. Indeed, although regulation may be essential in a society of *Homo oeconomicus*, it may not be needed in a society of *Homo kantiansis*. This observation points to another hypothesis that could be tested in future empirical research.

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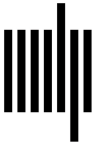
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