

**ISEE 2012: ECOLOGICAL ECONOMICS AND RIO +20:
CONTRIBUTIONS AND CHALLENGES FOR A GREEN ECONOMY**

Conference Theme: 4) Methodological Challenges

- *Behavioural economics and economic behaviour: beyond homo economicus?*

**SOCIAL GOALS AND ETHICS: BEYOND SELF-INTEREST
ABSTRACT**

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The disagreement with the behavioral model of individual as an agent based only in instrumental reasoning, with one objective – maximization of utility – and one motivation, self – interest, has been rise up from different perspectives of economic science.

As Hollis (1992) had remarked, the standard theory of rational behavior “posit a ‘rational individual’ far removed from human flesh and blood. This *Homo economicus* is a mere embodiment of ordered preferences, organized information and accurate calculation. He has no essential relationship with others, no social or historical location and, unless one counts the maximization of utility, no particular goals which mark him as human”. Standard model of rational individual cannot explain behaviors like reciprocity, cooperation, altruism or sympathy.

Vernon Smith (2002: 8) has proposed another view of individual rationality: That embodies both constructivist and ecological rationality. The first one refers to the standard model which requires, justifies and promotes selfish behavior and leads to rational predictive models of decision based on certain regularities in human behavior that generates an instrumental conception of rationality. The second one “emerges out of cultural and biological evolutionary processes: home grown principles of action, norms, traditions, and ‘morality’ ... uses reason– rational reconstruction–to examine the behavior of individuals based on their experience and folk knowledge, who are ‘naïve’

in their ability to apply constructivist tools to the decisions they make; to understand the emergent order in human cultures; to discover the possible intelligence embodied in the rules, norms and institutions of our cultural and biological heritage that are created from human interactions but not by deliberate human design.”

This conception of individual rationality resumes the test results in experimental economics that shows a mix behavior and the advances in theoretical research. Smith (2002, 2008) has pointed out that constructivist rationality and ecological rationality exists simultaneously, both orders are distinguishing characteristics of what we are as “social creatures”, and both are relevant for the new directions for economic theory and experimental-empirical programs.

This new directions have at least two major consequences: 1) a methodological challenge, and 2) a normative challenge. First, the association of ecological reasoning to the evolutionary processes of rules, norms, and institutional formation implies to give up the assumption of individual rationality as the most fundamental assumption of economics. Sugden (2001: 113) refers to this as “a huge step to take. That biology should be taken as the natural science on which to model economics is itself a major break with tradition. From the neoclassical revolution onwards, theoretical economics have taken *physics*, with its aim to explaining everything in terms of a few simple mathematical principles, as their inspiration. Biology is a much messier discipline; it deals with evolutionary processes that are path-dependent, subject to historical contingencies, and in many respects inherently unpredictable”. Sugden is skeptical about this major challenge to economics because up to now the superstructure of economic science is untouched in evolutionary game theory applied to economics.

In experimental economics, Ostrom (2000) identified two types of “using-norms” players, besides the rational egoist: Conditional cooperators and willing punishers. The first ones are individuals who are willing to initiate cooperative action when they estimate other will reciprocate and to repeat these actions as long a sufficient proportion of the others involved reciprocate. A willing punisher is a player who is willing, if given an opportunity, to punish presumed free riders through verbal rebukes or to use costly material payoffs when available. They also may become willing rewarders of those who have contributed more than the minimal level. Together, they create a most robust opening for collective action and a mechanism for helping it grow.

In normative terms, to posit the individual in a social context in which the norms are imbued implies to advance beyond the individualistic ethics and also “the ethics between (and only) similar individuals”. The eco-ethics, associated to ethic rationality, depends on the recognition of the community as the conjunction based on fellow feelings of the group, and required of thrust, respect, and tolerance. So, economics could move on from the postmodernism paradigm to the compromise with human and natural diversity. Both challenges will be explored in terms of construction of social goals and ethics related to sustainable development.