

Proposal - The Selfishness Axiom in Economics: Are The Criticisms Valid?

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1 Introduction

In 1881, F. Y. Edgeworth, a founder of neoclassical economics, wrote that "*the first principle of Economics is that every agent is actuated only by self-interest.*". Ever since then this idea, what's been termed as "*the selfishness axiom*", has played a large role in economic thinking, most notably employed in the invisible-hand metaphor proposed by Adam Smith.

Recently, in response to the 2008 economic crisis, Economics as a field of study has been the subject of a broad array of criticisms on the basis that its reliance on unrealistic assumptions about human behavior, of which the selfishness axiom is part of, negate most of the field's efforts and conclusions.

The thesis here proposed purports to review the evidence from several kinds of experimental games to ascertain whether the assumption that agents have self-regarding preferences, i.e., that agents derive utility solely from their own pecuniary or non-pecuniary payoffs, is consistent with the available evidence or whether the criticisms of the selfishness axiom are correct and economic modellers must take into account the other-regarding preferences of agents.

To do this I will introduce and review the experimental evidence available for the following games: the ultimatum and dictator games, the trust and gift exchange games, and the public goods game with and without punishments. It will be shown that the experimental evidence rejects the notion that agents have purely self-regarding preferences.

As a last task I will address the issue of *external validity* of the available evidence as well as possible biases to show that these results amount to more than an artifact that arises from the usage of college individuals in sterile computer experiments. In fact, the cross-cultural validity of these results, which has been ascertained from experiments such as those by [Henrich et al., 2001], is what makes these results so exciting for determining the underpinnings of human behavior that go beyond the simple, outdated, idea that "*every [person] is actuated only by self-interest.*" that Edgeworth proposed.

The main bibliography, in terms of predicted importance, is as follows:

- Dhami, S. (2016). *The Foundations of Behavioral Economic Analysis*. Oxford University Press.
- Bowles, S., Gintis, H. (2011). *A cooperative species: Human reciprocity and its evolution*. Princeton University Press.

References

[Henrich et al., 2001] Henrich, J., Boyd, R., Bowles, S., Camerer, C., Fehr, E., Gintis, H., and McElreath, R. (2001). In search of homo economicus: behavioral experiments in 15 small-scale societies. *The American Economic Review*, 91(2):73–78.