

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.*" and ever since this idea, what's been called "*the selfishness axiom*", has played a large role in economic thinking, most famously employed the invisible-hand of Adam Smith. However, 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 examine the experimental evidence of individual economic behavior to ascertain whether it can be assumed that agents have, by and large, self-regarding preferences, i.e., they derive utility solely from their own pecuniary or non-pecuniary payoffs, or whether the criticisms of the selfishness axiom are correct and economic modellers must take into account the other-regarding preferences of agents.

To achieve this I will review the experimental evidence on other-regarding preferences using a range of experimental games. These games include the ultimatum and dictator games, the trust and gift exchange games, and the public goods game with and without punishments. Afterward I will address the question of whether lab evidence is representative of real-world behavior so that an answer to the question of whether agents behave or not by employing total, or near to it, self-regarding preferences and, by extension, whether criticisms of the selfishness axiom are indeed correct.

The main bibliography used, 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.

- Binmore, K. (2008). *Rational decisions*. Princeton University Press.
- Hausman, D. M. (2011). *Preference, value, choice, and welfare*. Cambridge University Press.