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The choice behavior of Homo sapiens

Over the last few decades, there has been increasing recognition of the fact that human beings’ choices and behavior are not well-described by the Homo economicus model. The findings of behavioral economics have been a major force driving this development. However, there is much less consensus about the attributes of Homo sapiens. Some economists define Homo sapiens mainly as “not Homo economicus,” by showing that people are less knowledgeable and more emotional and have wider interests than the Homo economicus account would suggest. Others provide vague characterizations of Homo sapiens.

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1 I am indebted to Erin Syring for research assistance on this article.
4 “A research program emerges that is very much committed to the ‘hunt for anomalies’ of homo oeconomicus. […] The research conducted in the two fields [behavioral economics and neuroeconomics] does not address the question of the cognitive and behavioral dispositions.” Kurt Dopfer, “The economic agent as rule maker and rule user: Homo Sapiens Oeconomicus,” Journal of Evolutionary Economics 14(2), 187.
5 “Economic man is not without his critics, especially when empirical observations of human behavior seem to contradict the predictions (Beckert 1996; Mueller 2004). Some argue that the concept of economic man is too narrow, as self-interest is not the only motivation and people are often driven by social norms as well (DAhrendorf 1968). Others claim that the ability to learn quickly is suspect, as people often repeat the same mistakes. Simon (1957, 1972, 1976) pointed out that human beings’ rationalities are bounded. Seeing man as omniscient is unrealistic and cannot credibly explain real phenomena. In addition, Kahneman and Tversky (1979) found that behaviors are not always consistent with rational economic theory. […] In addition, other issues such as moral codes (Sen 1982), social interdependence (Frank 1985), social relations (Granovetter 1985), institutions (Bowles 1998), and emotion (Haidt 2003) are seen to be associated with human behavior.” Irene C. L. Ng and Lu-Ming Tseng, “Learning to be Sociable: The Evolution of Homo Economicus,” American Journal of Economics and Sociology 67(2), 269, 270. Ernst Fehr and Herbert Gintis, “Human Motivation and Social Cooperation: Experimental and Analytical Foundations,” Annual Review of Sociology 33(2007).
6 Dopfer points out that Homo sapiens has been richly explored in evolutionary biology, anthropology, and other sciences and has there been determined, “above all, to be an animal who uses and makes tools.” Based on these
This article seeks not to criticize the *Homo economicus* account, but to point to a few but key attributes of *Homo sapiens*. It suggests that *Homo sapiens* should be understood, in addition to possessing the attributes already cited, as human beings subject to continuous conflict between moral commitments and the pursuit of pleasure—as well as conflict between their commitment to the common good, the well-being of others, other normative values, and self-interest. Moreover, these irresolvable cardinal tensions deeply influence not only a person’s social behavior but also his or her economic (and non-economic) choices.

Human nature as essentially conflicted

The very simple statement, “I would like to go and see a movie, but I ought to visit my sick friend,” captures the essence of the *Homo sapiens’* condition. Humans face numerous situations in which the pleasure principle (or the pursuit of self-interest) is incompatible with...
their normative commitments such that the satisfaction of the latter entails a measure of sacrifice, pain, or loss—or where satisfying the former precludes them from living up to their normative commitments. In addition, it should be noted that their normative commitments are *qualitatively different* from other factors that motivate behavior.

Distinctions between different kinds of observations and more general classifications are not made in heaven; they are drawn in accordance with what scholars seek to study, which variables they presume will be important, and the moral or intellectual points they seek to examine. True, it is easier to find empirical markers for some distinctions than for others; however, by and large scholars can either establish or collapse categories as needed for analysis. Hence, one must ask what is lost versus gained when one treats all behavior and all choices as motivated by the pursuit of a single goal. While one gains the ability to find a common denominator when such a goal can be identified, one finds that one cannot combine behavior that lives up to one’s normative commitments and pleasure-seeking behavior in any meaningful way any more than one can combine music notes and calories. Above all, in collapsing this essential distinction, one loses a major moral and intellectual distinction between actions that are clearly as different as abusing is from serving, as taking is from giving, as neglect is from caring.

The term “normative” is here used instead of “moral” because reference is made to the values held by members of different societies, cultures, and subcultures without the author or the readers having to consider such values the “right” ones. Note that the existence of “normative” commitments are sufficient to differentiate Home Sapiens from *Homo economicus* even if such commitments are not necessarily what we (or most people) would consider “moral.” To give an example, religious extremists have values that affect their behavior, although many other people would not consider their behavior to be moral conduct.
One should not confuse normative commitments with short term pleasure less self-interest. It is true that not all pleasurable choices confer pleasure immediately; for instance, people who set aside some portions of their paycheck to a retirement account give up short term pleasure, but they are still out to enhance their pleasure. This is contrasted with sacrificing pleasure in both the short and long run in order to do what one considers good—a choice which entails a motivation and a sensibility that both introspection and social science data—-we shall see shortly-- show is very distinct from seeking and gaining pleasure.

The deep connection between normative commitment and sacrifice deserves much more attention than it has received. Normative commitments that involve sacrifice of one’s own interests and pleasures include giving up one’s life for a cause, fasting, refraining from having sex, and making major donations out of a sense of moral obligation. (Kant famously held that moral actions are only moral if they are done for their own sake rather than to achieve some instrumental gain or because of an ulterior motive, and that morality involves duty and sacrifice.) Although there are some instances in which self-interest and normative commitments align, most of the time the latter more often conflicts with that which most individuals find pleasurable. (It is as if there is an economy of normativity. Why squander normative capital on behavior people will exhibit anyway due to their quest for pleasure? ) There is hence an unavoidable tug-of-war between these two kinds of motivation.

Those who adhere to the rationalistic paradigm, the one that treats people as Homo economicus, assume that humans have only one kind of motivation: the quest for pleasure. [[JS:

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The rationalists famously reach this conclusion by suggesting that upholding one’s normative commitments *per se* confers happiness, material benefits or least some intangible benefit on the individual, or that deviating from normative commitments incurs costs—thus reducing normative commitments to pleasurable ones. As Robert Goodin put it, advocates of *Homo economicus* proceed largely in one of two ways: “One reduces morality to enlightened self-interest, denying that morality has any special place in the decision calculus. Another, while acknowledging that people do internalize moral principles *per se*, enters them into utility functions as just another consumption good.” Thus, the person who cons people into buying unnecessary insurance or mortgages that will lead to the loss of their homes, and the person who seeks to stop those who con people by quitting her lucrative job to work at a social action group, are both viewed as doing so because they find the endeavors personally enriching or pleasurable. If the rationalists cannot discover the material benefits a person accrues from pursuing normative commitments, that person is said to earn “psychic income” in the form of reputation or prestige. If such “psychic income” is not apparent, the person is said to be alleviating internalized guilt from his action, thus satisfying his desire for a pleasurable state of mind and emotions. Often these statements are not based on evidence. If a lawyer takes a large cut in salary in order to serve as a judge, it is assumed that his psychic income “must be” equal to or

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9 “The economic agent is assumed to be law-abiding but not ‘fair’[.] It is often viewed as an embarrassment to the basic theory that people vote, do not always free ride, and commonly allocate resources equitably to others and to themselves when they are free to do otherwise.” Daniel Kahneman, Jack L. Knetsch, and Richard Thaler, “Fairness and the Assumptions of Economics,” *Journal of Business* 59(4), 285, 286.
12 “Transgressing an internalized norm triggers painful emotions. Material payoffs being constant, therefore, one strictly prefers to comply with an internalized norm than not to.” Raúl López-Pérez, “Guilt and shame: an axiomatic analysis,” *Theory and Decision* 69(4), 576.
greater than the amount of the lost salary because—as the rationalists argue—otherwise why would he become a judge? However, this type of estimate is seemingly non-falsifiable. As Michael Taylor writes, the concept of psychic income is a “[piece] of tautology-inducing ad hocery”\textsuperscript{13} that allows the rationalist to deny that any proposed counterexample to the \textit{Homo economicus} thesis is, in fact, a counterexample. Any apparent normative motivation can be explained away by positing an associated psychic reward whose existence is inferred from the assumption that normative motivation is insufficient for generating action.

I should note that that the rejection of this thesis is still very current. For example, the following exchange took place on August 9, 2013 (at Columbia University)—between Peter Singer and the author:\textsuperscript{[}fn quoted with permission[}

\begin{quote}
Q: Could you think of any term for people who do things, not to seek pleasure, but in order to live up to a moral commitment -- and make a sacrifice which is hardly pleasurable?

A: Normally, one would say that such people are simply living ethically. But because you mention the idea that they are making a sacrifice, I would add that it may not really be a sacrifice, and we can also see them as acting in accordance with their enlightened self-interest. This does not make their actions any less ethical,

Q: This is when a save-now for spend-more-later, sacrifice now for more pleasure; but when one fasts on Yom Kippur, there is no such "later."

A: The "later" may be a sense of satisfaction for having lived up to one's commitment.

One can illuminate the deep difference between behavior driven by normative commitments and pleasure-seeking via two major methods: introspection and studying the relevant social science data.

**Introspection.** One can readily discern the difference between the psychic state engendered by an enjoyable event—such as a gourmet meal or a great roll in the hay—and the sense one has after having discharged a demanding duty or abided by one’s normative commitments, such as a completing a long fast or spending a night with a very sick friend in the hospital. That the English language has no term for the latter of these psychic states and that the tendency is to speak about them as a form of satisfaction reflects and contributes to the reductionism discussed previously. Lacking a better term, I shall refer to the sense of having lived up to one’s normative commitments as “affirmation.”

I deliberately write about normative commitments, not obligations. Obligations imply an externally-imposed commitment which contains normative claims, such as the statement: “You are expected to donate blood.” Normative commitments, by contrast, refer to those actions a person internally believes that they ought to observe, such as the statement: “I ought to make a blood donation.” That is, *Homo sapiens* are much more akin to the Freudian person or the one posited by the three Abrahamic religions than it is to the Enlightenment rationalist one. *Homo sapiens*, though, is not completely like the popular version of Freud—in which there is tension between “natural” urges (the *id*) and the socially-imported center of obligations (the *super ego*). In the *Homo sapiens* model, a major role is played by the self (the *ego*), which has worked out a zone of *autonomous* normative commitments (albeit ones that may have been in large part shaped or affected by social inputs during their development years and beyond). Thus, *Homo sapiens* is not free of not-fully-socialized and debased urges, nor is it free from a layer of social

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A note on a possibly-confusing point: the sense of having failed to affirm one’s normative obligations is qualitatively different than guilt, which is associated with a particular segment of psychological research. Affirmation is not a feeling or a sensation; when you hold that you are normatively obligated to do something but you do not do so, you have a sense that you have not fulfilled your obligations. This sense of having failed is not necessarily associated with any particular “feeling,” in the psychological sense of the word, and is its own distinct form of motivation.
obligation. However, *Homo sapiens* has a core of preferences and normative commitments that the person has evolved as his or her own.

Normative failures—the opposite of affirmation—occur when a person does not live up to her normative commitments, whatever their source. Normative failure should not be equated or even associated with any particular psychological mechanism; it may engender guilt, shame, a sense of loss of control, or some other similar intra- and interpersonal processes. However, it is possible to study the nature of the sense of failure involved independent of the question of either how it came about—socialization? biological inclinations?—or its psychological corollaries, just as one can examine love without equating it with the feeling infants developed from their relationship with nurturing agents such as their mother or father.

Elizabeth Anderson is one of the scholars who has recognized this point and that not all decisions are reducible to a simple rational analysis employing “prevailing theories of value [in which] people realize their good in having their wants satisfied. […] The prevailing theories of value and rationality suppose that when people value or care about something, they are engaging only one basic attitude or response—desire, perhaps, or pleasure—which can vary quantitatively but not qualitatively. [However,] if different spheres of social life, such as the market, the family, and the state, are structured by norms that express *fundamentally different ways of valuing people and things*, then there can be some ways we ought to value people and things that can’t be expressed through market norms.”15

**Data.** Considerable social scientific data reflect both the fact that people make great sacrifices in order to engage in affirmative behavior, which cannot be explained by the pleasure principle, and that affirmation is basically different from satisfaction.

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A very telling example is the conduct of spouses of those afflicted with Alzheimer’s or Parkinson’s disease. It seems that most of these spouses stay with their partners for years, either until the partners pass away or until they can no longer be cared for at home; only a few institutionalize their partners early, and there are very few cases of spouses abandoning their partners entirely.\footnote{This observation is based on a poll I conducted with five MDs—one in Boston, one in Washington, DC, two in Phoenix, and one in LA. For details of this poll, please contact the author.} It is well-established that these patients gradually and inexorably deteriorate—none recover, although some may experience periods of remission. The supportive behavior exhibited by spouses thus cannot be explained by economists’ notions of assumed reciprocity because their partners will never compensate them for the years of demanding, stressful, and even risky service.\footnote{S. H. Croog, J. A. Burleson, A. Sudilovsky, and R. M. Baume, “Spouse caregivers of Alzheimer patients: problem responses to caregiver burden,” \textit{Aging & Mental Health} 10(2), 88.} The notion that the giving partner will be rewarded by reputational gains or by psychic income disregards the magnitude of the sacrifice: it is on the face of it much too high to be compensated for in this way. Informal interviews by the author with the giving partners show a sense of normative commitment is the mainstay of this form of affirmative behavior.

A few other illustrative findings follow:

- Rationalists have long been troubled by the fact that people vote. They find this behavior inexplicable because people cannot “rationally” expect to receive anything in return for their efforts. People cannot expect that their vote will make their preferred candidate win, given that elections are often won by millions or at least many thousands of votes; thus, people can “free ride” on the votes of others.\footnote{Anthony Downs, \textit{An Economic Theory of Democracy}. New York: Harper and Row, 1957. Also: William H. Riker and Peter C. Ordeshook, “A Theory of the Calculus of Voting,” \textit{American Political Science Review} 62, no. 1 (1968): 25-42.} At the same time, voting has costs: the time spent standing in line, for example, may force voters to miss work or leisure time.
Rationalist economics tried to explain voting by suggesting that people think that the vote is very close and hence vote\(^\text{19}\)—but it turns out that many millions of people vote even when they do not believe that the election is a “close” one. (One further notes that if people honestly believed that their individual vote would be the deciding factor in an election, this would hardly be an indication of rational thinking!) It turns out, as multiple studies have shown, that the strongest predictor of whether someone will vote is the strength of their sense of civic duty.\(^\text{20}\) Indeed, meta-analysis has found that rational self-interest has almost no effect on the likelihood that a person would vote, particularly relative to ideology and political sentiment.\(^\text{21}\) According to another study, whether or not an election was expected to be close accounted for less than 10% of variation in voter turnout while the extent to which voters believed themselves to have some sort of “civic duty” accounted for upwards of 30%-40%.\(^\text{22}\) That is, voting is an affirmative behavior. This is not to suggest that the costs of voting do not affect turnout; long lines and poor weather have an effect on voting rates. However, the main driver of voting behavior is the normative sense of civic duty, a normative commitment—a key trait of the *Homo sapiens*.

\(^{19}\) Ibid.


“Past research shows that many people vote to conform with the social norm that voting is a civic duty.” Stephen Coleman, *Political Analysis* 12(1), 76.


• People attribute unrelated organ donations to a sense of having religious or moral
obligations to assist others. This may well be true even for donations to family
members, but the phenomenon is particularly apparent when donations are given to a
stranger, given the pain and risks the donor incurs. Such sensitivity motivates *Homo sapiens* but not *Homo economicus*.

• A meta-analysis of 67 studies of the variables affecting consumer recycling behavior
found that “internal facilitators” such as moral commitments and level of knowledge
about recycling were the strongest predictor of actual recycling. Intrinsic incentives such
as “satisfaction” with avoiding waste, helping the community and the nation, and “feeling
good about doing good for community and environment” were also all strongly correlated
with recycling behavior. More specifically, the meta-analysis found that moral
commitment to recycling had a correlation coefficient of 0.425, while the correlation
coefficient on deriving *satisfaction* from recycling was only 0.370.

• Gerald Marwell has found that, under many conditions—even those in which there is no
clearly “rational” reason to contribute—people do not “free ride” when offered the choice
to contribute to public goods. Actually, they pay about half as much on their own as they
would if they were obliged to pay their fair share, suggesting that people typically choose
to cooperate with the other members of their community perhaps out of a sense of

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23 Mihaela Frunza, Sandu Frunza, Catalin Vasile Bobb, and Ovidiu Grad, “Altruistic Living Unrelated Organ
Donation at the Crossroads of Ethics and Religion: A Case Study,” *Journal for the Study of Religions and Ideologies*
9(27), 3-5.

24 Jacob Hornik and Joseph Cherian, “Determinants of recycling behavior: A synthesis of research results,” *Journal
of Socio-Economics* 24(1), 105-107.

25 Jacob Hornik and Joseph Cherian, “Determinants of recycling behavior: A synthesis of research results,” *Journal
of Socio-Economics* 24(1).

26 Jacob Hornik and Joseph Cherian, “Determinants of recycling behavior: A synthesis of research results,” *Journal
of Socio-Economics* 24(1).

normative commitment. This internalized normative behavior (standing in tension with self-interest) is a key attribute of *Homo sapiens*.

**Implications for economic behavior**

One may suggest, based upon the observation that humans are motivated in part by normative commitments, that people behave like *Homo economicus* in matters concerning production, trade, and consumption—and like *Homo sapiens* in other social realms, such as the family and the community. In fact, data cited below show that people are conflicted in all spheres of behavior, although there are differences among various spheres in the extent to which this conflict can be explained as driven by pleasure compared to normative commitments. What I therefore suggest is needed is to *reverse* the rationalistic economic thesis that all behavior can be modeled using the *Homo economicus* ideal type, and to hold that *Homo sapiens*—the conflicted human—instead describes behavior in all realms.

The social sciences are still studied in traditional silos or disciplines such as psychology, economics, sociology, and so forth. However, these sciences can also be divided into two paradigms or “languages” that employ fundamentally different terms—and, above all, distinct philosophical methodologies and normative assumptions. The first of these two paradigms is the “rationalistic” one, characterized by its acceptance of the *Homo economicus* model of human behavior, and includes most economics, important segments of political science (e.g. public choice and legal scholarship (law and economics), and, to a lesser extent, segments of all the remaining social sciences. The second paradigm, which remains unnamed, is characterized by a rejection of the *Homo economicus* model of human choice, and is much less cohesive. Social

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28 “Indeed, I have come to the conclusion that the economic approach is a comprehensive one that is applicable to all human behavior, be it behavior involving money prices or imputed shadow prices, large or minor decisions, emotional or mechanical ends, rich or poor persons, adults or children, brilliant or stupid persons, patients or therapists, businessmen or politicians, teachers or students.” Gary Becker, cited in Richard B. McKenzie, “The Non-Rational Domain and the Limits of Economic Analysis: I. Introduction,” *Southern Economic Journal.*
scientists may thus find themselves more closely aligned, philosophically and methodologically, with others outside of their immediate discipline. That is, rationalistic economists have much more in common with public choice political scientists and with law and economics legal scholars than with other non-rationalistic economists. Likewise, the economists who draw on models other than Homo economicus—sometimes called socio-economists, social economists, or humanist economists—have more in common with political scientists and legal scholars who similarly reject the Homo economicus model than with members of their respective disciplines who accept it. For these social scientists the approach here followed is most suitable as it shows that economic behavior is carried out by Homo sapiens—that is, it too and not only non-economic behavior is carried out by people who are torn between their normative commitments and seeking pleasure.

The article provided earlier a few illustrative findings about the role of normative commitments—and hence affirmative behavior—in general social matters. A few examples from the economic realm, here follow:

- In ultimatum experiments, one player is instructed to divide a sum of money between himself and another player; the second player then either accepts or rejects this offer, with the players receiving the allocated money or nothing, respectively. Game theoretic economic models suggest that the first player should offer a pittance to the second player, and that the second player should accept that pittance because it is better than nothing. However, experiments have shown again and again that the first player is often “quite generous” to the second.29 On average, the first player offers between 30 and 40 percent

of the total sum. Even when the second player has no opportunity to reject the offer—that is, player two cannot “punish” player one by rejecting an unfair offer, sometimes called a dictatorship game—76% of participants divided the money equally “even under conditions of complete anonymity with no possibility of retaliation.”

- The expected penalty for tax evasion is small because the legal consequences and the probability of detection are small. In societies in which most taxes due are paid, this is largely achieved when people hold that the taxes levied are used for legitimate purposes, believe that their money is not being spent “wastefully,” and, have recently been reminded that they have moral obligations as citizens. The most consistent predictor of tax compliance in a study of Australia, Singapore, and the United States was taxpayer’s own moral beliefs about compliance, and the second most influential factor was “societal views of proper behavior.”

- A cross-country analysis of tax compliance that controlled for country-level factors found that non-economic factors, such as the degree to which people felt a sense of moral obligation to pay their taxes, proved influential, even after controlling for other variables. In other words, tax compliance is determined to a significant extent by a host of normative considerations—not by the “costs” of being caught at tax fraud or the “benefits” of succeeding.

Max Weber famously showed that the “Protestant work ethic,” rooted in the relationship between hard work and saving emphasized by Protestant theology, was critical to the development of capitalism in northwestern Europe.\textsuperscript{35} That Catholicism placed stronger emphasis on other values has been said by some to explain to a great extent why Southern Europe and Latin America developed more slowly than did the United States and largely-Protestant portions of Europe.\textsuperscript{36} (This hypothesis has been the subject of considerable controversy.\textsuperscript{37} However, few appear to contest the idea that values might influence economic behavior and outcomes.)

Whether people save or not is deeply affected by their view of debt. For instance in the United States traditionally being in debt—which of course is negative saving—was considered a form of sin. Even as generations grew somewhat less religious, this sense stayed as a major part of the normative culture. However, when credit cards were introduced people found that they will able to incur debt—without recognizing it as such. After that, debt ballooned. Note that even after the introduction of credit cards, public leaders who rail against the US deficit and debt have strong normative appeal.


\textsuperscript{36} “Weber’s own disclaimer in the concluding paragraph of \textit{The Protestant Ethic and the Spirit of Capitalism}—“but it is, of course, not my aim to substitute for a one-sided materialistic an equally one-sided spiritualistic causal interpretation of culture and history”—has been largely forgotten by his followers, or has gone unobserved in their practice, as they spin psychological threads and weave institutional fabrics in an attempt to obscure the structure and development of the underlying worldwide economic system of capitalism. The essence of their arguments has been graphically summarized by cartoonists, who, sharing the scholars’ ideological convictions, though not their scientific pretensions, depict a lazy Mexican taking a long siesta in the tropical sun while leaning against the (Catholic) church wall. That is “underdevelopment,” if only he had the Puritan spirit, his country would be developed like theirs, so runs the argument.” Andre Gunder Frank, “Development and Underdevelopment in the New World: Smith and Marx vs. the Weberians,” \textit{Theory and Society} 2(4), 434.


Three additional observations

Affirmative behavior should not be equated with altruism. Much discussion of moral conduct and the debate between champions and detractors of *Homo economicus* concerns the question of whether or not truly altruistic behavior—defined as behavior motivated by the benefit of another, in contrast with egoistic behavior which is undertaken to benefit the actor—exists. The rationalists labor to show that behavior that seems altruistic is, upon closer examination, actually egoistic; some conclude that altruistic behavior does not exist at all, while others suggest that it is rare. This conclusion is reached by treating the variable at hand as a dichotomous one: if behavior is not purely altruistic, then it is thought to be egoistic. Actually, the difference is in the ratio. Affirmative behavior, because it tends to entail significant sacrifices of personal pleasure, tends to be at least partially other-directed, but it need not be purely altruistic to qualify as affirmative. One can often discharge one’s normative commitment through behavior that is largely altruistic even if such behavior engenders some modicum of satisfaction. This should be contrasted with behavior that is largely pleasure-seeking but also generates some benefits to others or is in line with the actor’s normative beliefs. Donating segments of one’s liver is largely driven by a commitment to do good or to help a family member, even if one might gain some “kudos” in the process. Likewise, going on a cruise in the Caribbean during the winter is pleasure-seeking behavior even if it results in increased income for those who sell trinkets at various shops in developing nations.

Second, the social sciences have devoted much effort to determining the factors that affect which motivating force prevails under what conditions and to learning how to increase—

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through education, socialization, persuasion, and informal social controls—individuals’ tendency to be motivated by their normative commitments. The degree to which the latter is possible determines the extent to which social order can be fostered without resorting to public authorities using coercive means as well as the level of social order that can be obtained and the extent to which it is accepted as legitimate and fair. These key observations about the sources of non-coercive methods of social order through normative means are lost if one assumes, as do the rationalists, that humans are *Homo economicus*.

Finally, the dissection of behavior into that which is largely affirmative and that which is largely pleasure-seeking has major policy implications. To spell these out would take the discussion well beyond the purview of this article. The main point, however, is here briefly stated. If one views human motives as wholly pleasure-seeking and ignores their affirmative side, one misses a major way social policies can be advanced. The rationalist assumption that human beings are *Homo economicus*, motivated only by personal pleasure, leads policymakers, advised by rationalistic economists, to focus on incentives. Believers in affirmative behavior, on the other hand, point to the importance of involving those subject to policy changes in the policymaking process, ensuring that policies are (and are perceived to be) legitimate and appealing to people’s relevant normative commitments.

To illustrate: the United States, drawing on the assumption that the way to change behavior is to provide material incentives (or disincentives) has spent many scores of billions of dollars to motivate people to save more. This has been done through steps such as granting people tax benefits to those put funds aside in long-term savings or retirement accounts.

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However most of the people who put their money in such accounts would have saved anyhow, causing great losses to the Treasury without a corresponding significant increase in the savings rate. In contrast appeal to the public's normative sense that it is wrong to leave future generations with burdens due to 'our' excessive spending works well, some argue all too well.

The normative element of the societal container

*Homo economicus* and his brothers and sisters, who occupy the rationalistic segments of the social sciences, are free-standing individuals. They follow their respective preferences and make up their minds on their own based on information they have acquired and processed. They do not disregard what others consider morally appropriate behavior, but, rather, treat such information about in the same way they would any other information about interacting with the environment and the associated benefits and costs. In other words, they have not internalized any normative commitments, treating normative values as external obligations that inflict costs if not appropriately addressed.

In contrast, *Homo sapiens* are social animals deeply bonded to one another, particularly to members of their respective families and communities. These bonds—and the values these bonds promote—help to shape people’s preferences and affect their behavior in ways that are “below the radar screen” of cognitive screening and evaluation. *Homo sapiens* are, hence, motivated to live up to their normative commitments, but not as a result of a cost benefit analysis, although there are occasions in which they do weigh the sacrifice in pleasure that normative behavior entails in their decision-making.

The fact that human beings are *Homo sapiens* and, hence, socially bonded plays a key role in explaining macro behavior—that is, the dynamics of social groups and society, beyond that of individuals and their aggregations. These groupings have “emergent properties” of their
own—that is, they are greater than the sum of their parts. They are held together not by an
invisible hand whereby each actor works with others because it is in his or her interest to do so
(through a system of division of labor and exchange that renders individual interests inherently
compatible) but by normative commitments to one another, the group, and shared goods such as
the environment and public health.

The importance of the social dimension of human choice behavior is highlighted by the
near-global economic crisis that started in 2008 and cost hundreds of millions of people their
homes, jobs, and life savings. To understand why this development demonstrates the importance
of the social dimension of human choice, it is fruitful to think about capitalism as akin to nuclear
energy. If it is bounded within a well-formed container, capitalism can be a source of great
abundance; if it breaks out, it can wreak havoc. The “container” of capitalism is typically
understood to be made of government regulation, at least by those who consider it the function of
government to limit the market’s predatory and anti-normative elements. Thus, the financial
crisis of 2008 is attributed by many analysts to the deregulation—particularly the repeal of the
1999 Gramm-Leach-Bliley Act—and “triumph of the markets” that preceded the crisis.40 (This

40 Regulatory arbitrage, in the form of the development of complex financial products that lacked regulation and of
exploiting loopholes in existing banking regulations, was one of three main factors (the other two being
macroeconomic global imbalances and microeconomic disequilibria in the housing sector) precipitating the 2008
financial crisis. Maria Grazia Miele and Elisa Sales, “The financial crisis and regulation reform,” Journal of
Banking Regulation 12(4), 277-278.
Investment banking, in particular, was poorly regulated and responsible for most of the financial instability in most
countries involved in the crisis. “Overall, investment banks were largely outside the financial regulatory net and
were able to gear their balance sheets to an extraordinary degree given the inherent risks of investment banking.
When financial conditions suddenly changed—particularly their ready access to funding—the consequence of this
high gearing quickly created individual investment bank ‘name’ risk, which then spread to system instability with a
Australian Economic Review 42(4), 471.
Interestingly, banks came to play more of these capital market roles [e.g. “originating” assets, packaging them into
securities, and trading them] as the constraints of the Depression-era Glass-Steagall Act (which strictly separated
commercial and investment banking) were allowed to lapse by degrees.” The Gramm-Leach-Bliley Act of 1999 was
the final piece of legislation that “essentially completed” deregulation. (Note: This author does not actually suggest
that deregulation alone was responsible for the economic crisis, and notes that bad regulation can cause just as many
problems as its complete absence.) Kevin Mellyn, “Banking, Regulation, and Financial Crises: What Went Wrong
view is not shared by those who hold that government interventions caused the crisis). Actually, an important part of the social container is made not of regulations but of values that contain individuals’ unbounded pursuit of pleasure or self-interest by curbing antisocial transactions. That is, the financial crisis was in part the result of normative failures\textsuperscript{41} that led bankers to retain people to forge thousands of signatures on mortgage applications, Wall Street employees to sell derivatives that were sure to cause major losses to their clients, and financial companies to provide large bonuses to their executives while their employees lost their jobs and pension funds.

Values play two roles in shaping choices and behavior. The first reason values must play a key role is that there is such a high volume of transactions each day in a modern society that public authorities and other enforcement mechanisms cannot supervise most of them. There are literally billions of economic and interpersonal transactions each day. Moreover, even if one had a huge army of inspectors, border agents, accountants and police ensuring the trustworthy nests of these transactions, one would need to ask who would guard the guardians? Hence, for the social order to prevail and for economic behavior to be contained, most people must, at least most of the time, voluntarily limit their own self-seeking behavior—and the only way to inspire such acceptance of limitations on a mass scale is to ground them in normative commitments to values. That is, values outline what behaviors are unacceptable and which are strongly endorsed, and, to the extent that these values are internalized, they then lead to self-regulation. Second, values serve to legitimate state regulation of behavior. Hence the deregulation crisis was preceded by a laissez-faire conservative and libertarian groundswell that undermined both of the

\textsuperscript{41} Others have used the term “moral failure” to describe the process. David Weitzner and James Darroch, “Why moral failures precede financial crises,” \textit{Critical Perspectives on International Business} 5(1, 2), 6-13.
roles played by values. Thus, one predicts that the crisis will not be contained until the normative parts of the “container” are restored.