

[23 Things We're Telling You About Capitalism V](#) [1]

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Our fifth thing is this insistence that free market economists claim that everyone is greedy, therefore untrustworthy. But a market economy wouldn't actually work if this were true. Chang then goes on to point out that there are many more motivations to human action than simple greed: in which statement he is obviously correct. Risking your life to save that of a stranger is clearly not motivated by economic greed.

However, he's rather misrepresenting that free marketeer's insistence upon greed being a motivating force. We do indeed insist that most people are greedy and most people are also lazy. They'd like to have as much as they can (or wish) of whatever it is with the least effort required in getting it. This does not rule out there being other motivating forces of course. But more than that, we're insisting that it is "enlightened self interest". That is, looking at rather more than the immediate future, thinking about reputation in general and so on. All of which is pretty much the standard argument. We'd also try to limit pure self interest to being an *economic* motivation, perhaps not a general one for the entirety of life.

However, there's something that Chang has entirely missed here and that's the implications of the ultimatum game.

Going back to our examples above, if you, as a taxi driver, want to chase and beat up a runaway customer, you may have to risk getting fined for illegal parking or even having your taxi broken into. But what is the chance of you benefiting from an improved standard of behaviour by that passenger, who you may not meet ever again? It would cost you time and energy to spread the good word about that Turkish garage, but why would you do that if you will probably never visit that part of the world again? So, as a self-seeking individual, you wait for someone foolish enough to spend his time and energy in administering private justice to wayward taxi-passengers or honest out-of-the-way garages, rather than paying the costs yourself. However, if everyone were a self-interested individual like you, everyone would do as you do. As a result, no one would reward and punish others for their good and bad behaviour. In other words, those invisible reward/sanction mechanisms that free-market economists say create the optical illusion of morality can exist only because we are not the selfish, amoral agents that these economists say we are.

Which brings us to the ultimatum game. In this, player one is given \$100. Told to split it between herself and player two, she can choose any split she likes. \$99 for her, \$1 for the poor second. Or \$50/\$50, whatever. Player two gets to decide whether the split stands. If it does then the money is divided as was decided upon by player one. If the second player rejects the split then the money is confiscated and no one gets anything.

The results of this rather astonished the people who first performed it. Once the split starts to look "unfair" (roughly, when it passes through \$60/\$40 or so) then player two starts to reject it more often. Being entirely rational one should accept any split at all: better to have \$1 from an unfair split than no dollars from confiscated money. But that's just not what people do. People will harm their own immediate economic interests in order to punish those they see as acting unfairly.

And it is this very ultimatum game that gives us the answer to whether we're all greedy or not. The answer being, yes, we are: for almost no one at all ever offers a \$40/\$60 split or better than that. The player one offers always start at 50/50 and get worse. That is, we're greedy in our own motivations and actions if we can get away with it. However, in observing (or having influence over) the actions of others we seem to turn on that fairness switch.

That is, human interaction seems to have within it, as the very basis of how we interact, a mechanism to curb and revise the inherent greediness of others. That willingness to punish our own economic interest to punish those we think are taking a liberty. Now why would have such a mechanism have arisen if it were not true that people are indeed greedy in their own actions? We don't protect the virginity of our daughters because we think it's unnecessary to do so: we protect the virginity of our daughters precisely because we know there's great interest in relieving them of it. The existence of a powerful social force to punish greed insists that greed is prevalent.

You could indeed say that player two's reaction is altruism. But even if you do want to say that it's still altruism from the second actor, not the first. The reaction clearly exists in the first place in order to curb that greed we all expect from player one,. And that's what brings us back to enlightened self interest. Such social interactions are not one time games. Indeed, the way to play the closely related prisoners' dilemma game is tit for tat. That is, if the game is to be played through many iterations. As most social life actually is. We have in our most basic reactions something that curbs that innate greed. Which is a pretty good indication that that greed really does exist in the first place.

An interesting little aside. The ultimatum game has really only been played with rich world students. There are those who wonder (and I'm one of them) whether the results would be the same in every society. I'm willing to agree with Chang that an entirely selfish society would not work well as a market economy. He is saying that because market economies do work therefore we cannot all be selfish. I'm claiming that we know that there's a very powerful force that curbs that selfishness. But the results of the ultimatum game from other societies would be incredibly interesting.

For there's the possibility that in societies that are not functional market ones then that willingness to punish, at one's own economic cost, might not be there. Which would, of course, be further proof that my contention is correct. It isn't that we're not all greedy: it's that in some societies there is a countervailing force. A countervailing force that must be there for markets to work. Or at least, one that we consistently find is not there where markets do not work very well at present.

The bottom line is that we cannot go around claiming that humans aren't, in their own motivations and actions, inherently greedy when we can observe such a powerful social force to curb the greed in the motivations and actions of others. The results of the ultimatum game prove that force exists: therefore people must be inherently greedy.

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