

PROMOTING ALTRUISM IN HOMO ECONOMICUS: LESSON FROM THE STANDING OVATION MODEL

Adeniyi Jimmy Adedokun

Department of Economics, McPherson University, Seriki Sotayo, Ogun State, Nigeria.

ABSTRACT: This study investigates theoretically how to improve altruism considering the selfish nature and rational consciousness of man (*homo economicus*). Building on the standing ovation model, this study opined that *homo economicus* will only show altruism when it is rational and profitable to do so; that is, when the signal for altruistic behaviour outweighs the threshold. Thus, we conclude that *homo economicus* will continue to show altruism so far signal offsets the threshold for altruism to a point where they are equal.

KEYWORDS: Altruism, Homo Economicus, Standing Ovation Model, Signal, Threshold

JEL classification:D64

INTRODUCTION

Altruism has been defined in various ways by different authors. Generally, it is a selfless concern for the welfare of others. In the works of Sober and Wilson (1998), it implies people or leaders' care about others as an end in itself. Studying such individual selfless behaviour and social institutions like churches, mosques, clubs and charities in mainstream economics is challenging. Many authors have argued that investigating social economic behaviours like altruism within the standard economic framework is a difficult task. In the words of Kanungo and Conger (1993), "Altruism is a word rarely associated with the world of business. After all, the game of business is played in a competitive arena and hence few expect business people to be altruistic. The path to profits, it is widely believed, is not paved with caring concern but with Darwinian cleverness".

The normal economic man also referred to as *homoeconomicus* is defined as a rational and narrowly self-interested actor who has the ability to make judgements toward their subjectively defined ends(Homo Economicus, Wiki 2013) is seen as non-altruism motivated being by nature. However, in reality, pro-social activities like donations and volunteering have really contributed to the development of many individuals and societies. For instance, many of the citizens of developing countries (especially the fragile ones) have tremendously benefited from donations in terms of education, food, and security to mention few. As a result, altruism may be said to be an integral element for human and social development.

Thus, the objective of this study is to identify ways in which altruism can be encouraged and promoted in the society, especially in relation to a typical economic man. Although, the author identifies that few people demonstrate altruism without attaching any importance, but majority in the society has the attributes of the economic man regardless what their background is – religious or not, male or female, young or old; they wants something in return for their benevolence – material or not, physical or spiritual. For instance, in a dialogue between Jesus Christ and his

disciples, the bible recorded the following: “*Then the king will say to those on his right, ‘Come, you who have been blessed by my Father! Inherit the kingdom prepared for you from the foundation of the world, because I was hungry, and you gave me something to eat. I was thirsty, and you gave me something to drink. I was a stranger, and you welcomed me. I was naked, and you clothed me. I was sick, and you took care of me. I was in prison, and you visited me.’ “Then the righteous will say to him, ‘Lord, when did we see you hungry and give you something to eat, or thirsty and give you something to drink? When did we see you as a stranger and welcome you, or see you naked and clothe you? When did we see you sick or in prison, and visit you?’ The king will answer them, ‘I tell all of you with certainty, since you did it for one of the least important of these brothers of mine, you did it for me.’ “Then he will say to those on his left, ‘Get away from me, you who are accursed, into the eternal fire that has been prepared for the devil and his angels! Here’s why: I was hungry, and you gave me nothing to eat. I was thirsty, and you gave me nothing to drink..... “Then they will reply, ‘Lord, when did we see you hungry or thirsty or as a stranger or naked or sick or in prison and didn’t help you?’ Then he will say to them, ‘I tell all of you with certainty, since you didn’t do it for one of the least important of these, you didn’t do it for me.’ These people will go away into eternal punishment, but the righteous will go into eternal life (ISV: Matthew 25: 34 – 45).”*

From the above, it is clear that the followers of Jesus Christ will like to show altruism because a reward awaits them.

To pursue the objective of this study, inferences are drawn from the standing ovation model¹ (SOM) (See Miller J. H. and Page S. E. (2004) and Page S.E. (2013) for details of the model). SOM is a social science model proposed by Miller and Page (2004). This model is further discussed by de Marchi (2005), Miller and Page (2007), and Page (2013). The model illustrates decision making problem where at the end of a cinema performance, audience begins to applaud. As the applause increases, other members of the audience decide to join the standing individuals in their ovation or remain seated. The same thing applies when no one is giving applause, it may not be interesting for only one person to stand up and start clapping.

Adopting the SOM, the basic model in this study assumes an individual who does not give without the possibility of a benefit, be it material or nonmaterial. Thus, everyone is seen as a *homoeconomicus*, who is rational and selfish. This assumption is important as it accounts for the fact that people are profit inclined. Thus, for anyone to show altruism considering what he stands to lose or gain, he wants to be better off after the altruistic behaviour than what he was before his action. For this reason, the model investigated what the threshold for altruism for the individual is, the signal for altruism and when it is rational to demonstrate altruism.

THE MODEL

Naturally, *homoeconomicus* is a rational selfish individual who do not want to lose anything without getting more in return. However, altruism, defined as regards for others, both natural and moral without regard for oneself is strictly an act of selflessness. Given the two definitions

¹ See Miller J. H. and Page S. E. (2004) and Page S.E. (2013) for details of the model.

above, it becomes difficult to model altruism for *homoeconomicus*. Interestingly, these two sides of human behaviour are both integral in human relations.

To crack the confusion above, this study develops a simple model following the standing ovation model to promote altruism among *homoeconomicus*. Assume an individual who is selfish has a threshold, T for being altruistic. The threshold shows that the selfish individual will be altruistic only when certain things have happened that beat his predetermined level to remain non-altruistic. The formation of T is informed by some factors such as predetermined altruistic number of people, N which the *homoeconomicus* has placed as the benchmark for him to be altruistic. If the numbers of people that show altruism in the society are below this benchmark, the selfish individual will not display altruism. Also, the value judgement, V of the selfish individual informs the formation of T . That is, the value he place on the altruistic behaviour – the worth of his sacrifice. For instance, donating blood for some is like giving out their lives while, to some it is not a big deal. The summary of the threshold for an individual is presented in the diagram below.

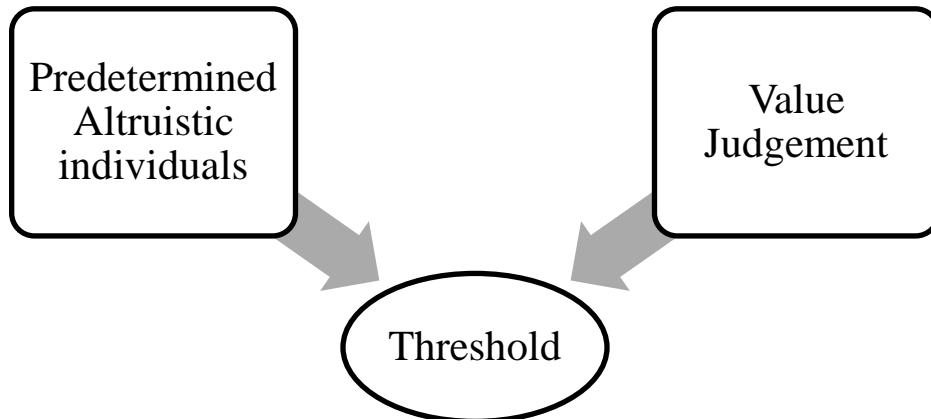


Figure 1: The Elements of Threshold

To have a functional representation of the above, equation 1 is stated below as:

$$T=F(N, V) \quad (1)$$

An important thing to note in equation (1) above is that N and V are both directly related to T . That is, the higher they are, the higher is the level of the threshold. Because we assume a *homoeconomicus* society, the threshold is expected to be high a bit as individuals place much value on altruistic behaviour and wants to see many more people doing selfless things before they do it.

On the other hand, the model is developed further by assuming a signal, S that informs *homoeconomicus* that it is rational to be altruistic. This signal is determined by various factors. One, the number of altruistic individual in the society; according to the literature, this is referred to as “*the peer effect*”, denoted as PE . Where PE is higher than N , it signifies a higher level signal for altruistic behaviour. Basically, PE shows that when many people are behaving altruistic in a particular neighbourhood, an economic man begin to see himself not comfortable being the only one or among the few that are not behaving altruistic. According to Bernheim

(1994), in many situations, people modify their behaviour to match their neighbours, peers, or friends. However, it is important to note that this individual do not act generously in this case but selfishly. This is because, he has attached social recognition or self respect to the act of altruism; it is now profitable and rational for him to pursue these personal gains (for instance, self recognition) than remaining the only one who will not be recognised for selfless attitudes. This stance is supported in the literature that peer effect might exist for many reasons like utility gain as individual match their behaviour to that of close individuals (Durlauf, 1995; Bell, 2002; and Bernheim, 1994). Thus, peer effect can either make altruism a common phenomenon or scarce one in any society.

Two, “*information effect*”, IE, this effect is created when certain set of people show altruism, for instance, religious and other leaders like public and political office holders. These people according to Page (2013) are referred to as *celebrities*. Information effect is very crucial in this study’s analysis because people in more recent times expect their leaders to lead by example, for instance office holders (government or private) and most especially, religious leaders. When these set of people show altruism, it informs the selfish individual that there is need for altruistic behaviour. Because celebrities attract lot of respect from their followers, they are seen as role models.

The third element of signal is *incentive*, I that goes with altruism; this is of two forms. The first is what can be termed as physical incentives like the motivation from the government that goes with the act of altruism. Past theoretical and empirical literature has shown that the effect of incentives on altruism is ambiguous and unsettled. For instance, it is expected that increase in incentives will increase altruistic behaviour. As in Lacetera and Macis (2008), they found that the day-off privilege in Italy made donors who are employees to make, on average, one extra blood donation per year. However, as in Solow 1991, Arrow 1992, if altruistic behaviour does not respond to a new set of incentives, altruism is not expected to change. For example, Benabou and Tirole (2006), developed a theory of pro-social behaviour that combines heterogeneity in individual altruism and greed with concerns for social reputation or self respect. Their model showed that individuals perform altruistic activities to increase social reputation and self-respect. The second form of incentive can be termed as natural or spiritual. There is a general believe that nature has its ways of rewarding good deeds. Also lots of spiritual matters are connected to this. In the name of religion and self conviction, some people have the belief that when they give, more comes in return; popular sayings that people use to support their views are many like “*givers never lack*”, “*give and it shall be given unto you*” and so on. Natural and spiritual incentive awareness is increasing by the day as religious practices and the search for knowledge of God is becoming popular in the society. Thus, as physical incentive and awareness of natural and spiritual incentives increases the higher the signal.

The fourth element of signal is termed variation, V. This is included in this model to capture the error in individual’s measure of the three major elements identified above and to account for other sources of signal like diversity in education, exposure, ethnicity and so on which develop into different life experiences and preferences. The assumption here is that the higher V is, the higher the level of signal – a variation of [-50, +50] will create higher signal than a variation of [-10, +10]. For example, for the former variation, if signal is 60 and threshold is 80, this means

altruism cannot occur ($S < T$) without accounting for variations. But when variations is accounted for, the negative part of the variation $[-50, +50]$ makes signal to go as low as 10 ($60 - 50$) from 60; while, the positive part makes signal to increase to 110 ($60 + 50$). However, for the variation of $[-10, +10]$, given the same threshold and signal level as above, the negative part makes signal to reduce to 50 ($60 - 10$) from 60; while, the positive part makes signal to increase to 70 ($60 + 10$). Comparing these two sets of variations, $[-50, +50]$ makes signal to be greater than threshold, thus, makes altruism rational and profitable. While, $[-10, +10]$ cannot make signal to be greater than threshold, thus makes altruism irrational and not profitable.

Bringing the four elements of signal together into a single diagram, we have the following.

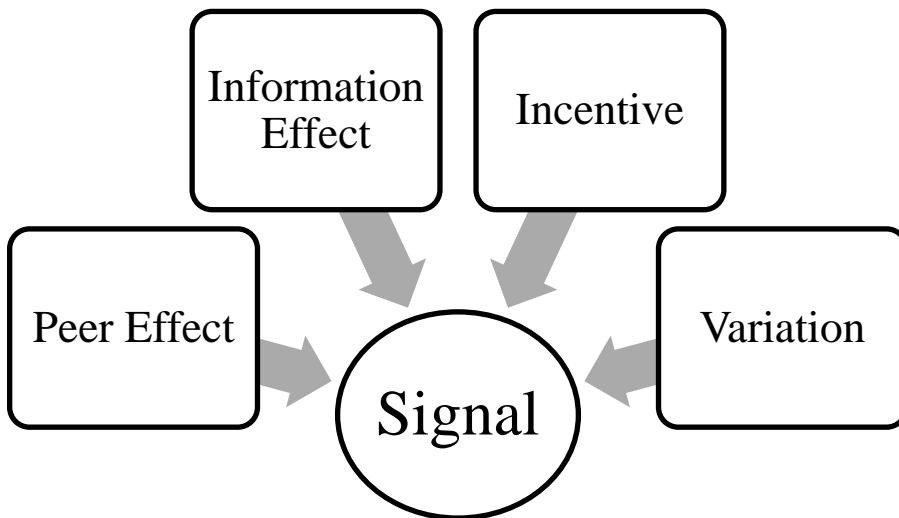


Figure 2: The Elements of Signal

Functional representation of the above is shown in equation 2 below as.

$$S = F(PE, IE, I, V) \quad (2)$$

EQUILIBRIUM POSITION OF THE MODEL

The equilibrium position in the model requires that *homoeconomicus* will continue to show altruism as signal is higher than threshold up to the point where they are equal. Thus, represented below as:

$$S = T \quad (3)$$

Equation 3 above explains the altruistic behaviour of *homoeconomicus* in relation to the interaction between signal and threshold. When the value attached to signal is lower than that of threshold ($S < T$), *homoeconomicus* individual will not be interested in altruism because the transaction offers no gain to the selfish individual. However, he will continue to show altruism as value attached to signal stand above that of the threshold ($S > T$) up to the point where they are equal. From the analysis, it is clear that altruism is inversely related to threshold and directly related to signal. A pertinent point is that the higher the threshold, which implies a more selfish

economic man, the more difficult it becomes for signal to be greater than threshold and vice versa. When this happens (high threshold), individual is more likely not to show altruism unless signal is greater than threshold.

Another important point to note here is that the relationship between threshold and signal many a times could be negative. That is, an individual who has high valuation for the altruistic behaviour in question, and whose needed predetermined altruistic members of the society before showing altruism is very high, will likely have unnecessary resistance to peer effects, information effects and incentives that signal altruism. Thus, the equilibrium position above may not exist for many whose threshold is too high. Nevertheless, this study identifies this case as an extreme one that can only exist among few in the society. On the other hand, there is high tendency for an individual to surrender to peer effects, information effects and incentives if such person has low personal valuation for altruism, and whose needed predetermined members of the society who behave altruistic is low.

POLICY IMPLICATIONS

The recommendations in this study targeted at reducing the threshold and improving the signal for altruism. To do this, concentration is on the various elements of the two major determinants of altruism in the study.

Threshold

Threshold comprises predetermined altruistic individuals and value judgement. To reduce the predetermined altruistic individuals set by the economic man, there is the need for consistent awareness. This awareness can come from various sources like the government, non-governmental, private, religious organizations. The government should encourage altruism by ensuring its entire arms are doing everything possible not to discourage such behaviour among its people. For example, in most developing countries like Nigeria, the police have in many ways discouraged people from being good to their neighbours. Some have been detained unnecessarily or even jailed for helping people who are either seen shot or had accident. This may be due to corruption or unprofessionalism in the police force of such countries. The government, assisted by non-governmental organizations should also be serious at sensitizing people on the importance of altruism in the society. Private organizations should be well directed to be supportive to altruism. In some of the earlier mentioned countries, when wounded people, soaked in blood are taken to the hospital for example, instead of commencing treatment immediately, private hospitals will be asking for things like police reports and deposits (not excluding the public hospitals), this in most cases, results to the death of the rescued one. Such attitudes have discouraged many not to waste their time helping anyone because they know it will not be of any good to both parties. For religious organizations, they have an important role to play in this case too. It is an avenue through which teachings on both the physical, natural and spiritual benefits, so called the *blessings* of altruism can be adequately passed to people. But the case is not so anymore. For instance, may be because of the above mentioned happenings in the society, by trying to protect their congregation, clergies in recent times indirectly preach for less altruistic display for strangers. Thus, from the aforementioned, the onus lies with the government to create an accommodating environment such as workable health insurance scheme and good social

security system for altruistic behaviour to be a popular phenomenon. When this happens, people do not need everybody in the society to behave altruistic before they do.

On the other hand, for value judgement, awareness as mentioned above can be of good help, especially religious one. Religious tenets and teachings across the world placed much emphasis on altruism and the blessings that follows. So, the promotion of religion and the encouragement to belong to one will help individuals in the society to learn how to behave in such a way that will enable him or her benefit the blessings that follow such behaviour. As a result, when people are engrossed in a religion that preaches altruism well, such individual will place less value on his or her contribution seven though it is an important and precious thing to do.

Signal

Signal comprises peer effect, information effect, incentive and variation. To improve the signal for *homoeconomicus* means all effort should be put in place to improve the various elements of signal highlighted above. We recommend in this paper that the society should create an avenue where people that behave altruistic are well celebrated. High rated voluntary donations like kidney should attract national identification. When this is done, more people will like to be identified. As individuals struggle to be identified, more people get into the group of those that show altruism and as the group gets larger, the more the peer effect.

To increase information effect, policies that are targeted to shape the behaviour of celebrities can be of help. When celebrities, especially religious leaders show altruistic, more people want to copy such behaviour. Recently, there is this common saying among Christians that people no more read the bible but read their spiritual leaders. Because they hold these leaders in high esteem, they follow their path of good deeds once they can find someone to lead.

To increase incentives, the government should create and increase physical incentives attached to altruism. Because an average individual displays the characteristics of *homo economicus* most times, when they stand to gain something valuable to them, perhaps they show altruism. Also, the society and spiritual settings should give more time to preaching altruism and the natural and spiritual blessings that follows. Less time should be devoted to preaching that always sensitize and motivate the members of the congregation to acquire wealth. This is common recently as spiritual leaders give much time to financial liberation preaching. This practise directly or indirectly makes people to shy away from altruism and get more conscious of wealth accumulation. In addition to the above, especially in developing countries, governments should develop workable social security systems. The reason for this is that, because every individual in developing countries must struggle for the basic things of life – food, cloth, house and security, they are always conscious of accumulating wealth even to secure generations unborn. To argue this further, when comparing philanthropy's act among the rich of the developed countries and the developing ones, one can begin to appreciate this. Bill Gates and some others from developed countries support health and education on a yearly basis, even in developing countries. While, the wealthy ones from developing countries cannot account for a sizeable proportion of the supports given by the likes of Bill Gates and others, even in their own country where they live and make their money. This is a systemic problem that needs to be addressed by governments of developing countries.

CONCLUSION

This study investigated theoretically how to improve altruism considering the selfish nature and rational consciousness of man (*homoeconomicus*). Building on the standing ovation model, we opined that *homoeconomicus* will only show altruism when it is rational and profitable to do so; that is, when the signal for altruistic behaviour outweighs the threshold. Thus, we conclude that economic man will continue to show altruism so far signal offsets the threshold for altruism to a point where they are equal. Given the above, this study recommends ways through which the government, non-governmental, private and spiritual bodies can be of help in promoting altruism.

REFERENCES

- Arrow, K.J. (1972) Gifts and Exchanges, *Philosophy and Public Affairs*, 1(4): 343-362.
- Bell, A. (2002) Dynamically Interdependent Preferences in a General Equilibrium Environment, *Journal of Economic Behavior and Organization* 47:309-333.
- Benabou, R. and Tirole, J.(2006) Incentives and Prosocial Behavior, *American Economic Review*, 96(5): 1652-1678
- Bernheim, B. D. (1994) A Theory of Conformity," *Journal of Political Economy* 102: 841-877.
- de Marchi, S. (2005), "Computational and Mathematical Modeling in the Social Sciences, *Cambridge University Press*.
- Durlauf, S. (1995) Statistical Mechanics Approaches to Socioeconomic Behavior, Santa Fe Institute working paper 96-08-069.
- Homo Economicus, Wikipedia Article, Modified August 24, 2013, http://en.m.wikipedia.org/wiki/Homo_economicus
- Kanungo, R.N., and Conger, J.A. (1993) Promoting altruism as a corporate goal, *Academy of Management Executive*, 7(3):37- 48.
- Lacetera, N. and Macis, M. (2008) Motivating Altruism: A Field Study, *IZA Discussion Paper* No. 3770, October. Available at SSRN: <http://ssrn.com/abstract=1290039>
- Miller J. H. and Page S. E. (2004) The Standing Ovation Problem, *Complexity* 9(5), pp. 8-16
- _____(2007) Complex Adaptive Systems: An Introduction to Computational Models of Social Life, *Princeton University Press*.
- Page S.E. (2013) Standing Ovation Model, in Model Thinking Course, *Coursera*.
- Solow, R.M. (1971) Blood and Thunder, *Yale Law Journal*, 80(8): 1696-1711.