

## Self-Serving Moral Reasoning

The self-serving individual is a key building block of economic theory. Adam Smith famously remarked that: “It is not from the benevolence of the baker, butcher and the brewer that we expect our dinner, but from their regard for their self-interests.” The baker does not produce bread of good quality at decent prices to be kind, but he knows that if the quality is too low or the price too high he will make a poor living since we will not buy his bread. Similarly, in environmental economics we do not count on the benevolence of consumers or producers to avoid pollution. Rather, since the 1920s, economic theory has argued that environmental taxes should be used in such a way that individual self-interest coincides with the social good.

Neither Smith nor most other economists claim that individuals are selfish in all walks of life, but simply that economic transactions do not rely on their benevolence. The object of study is not the mother who cares for her child, often sacrificing her own good for that of her child. But as she enters the marketplace to buy goods and services for herself and her family, her behavior is explained only with reference to self-interest. Still, in recent decades there has been growing concern that the selfishness assumption may be an obstacle to explaining the economic behavior we observe. Moreover, the scope of economics extends beyond pure market transactions. For example, many people voluntarily provide both time and money to public goods and charities, a fact that is hard to reconcile with pure selfishness. The demand for environmentally friendly products is another example of behavior that seems inconsistent with pure self-interest.

Over time, an increasing volume of experimental evidence conflicts with the view of human beings as self-serving. For a survey, see Camerer (2003). Here I only provide a brief illustration of the type of results common in the literature. For this purpose, consider the ‘dictator game’. In this game, there are two players, a dictator and a recipient. The dictator simply decides how to share an amount of money with the recipient. For a dictator who is maximizing monetary payoff, it is against his self-interest to give anything more than zero to the recipient. But, in the experiments, less than half the subjects allocate nothing to the recipient, with a mean allocation of about 20 percent, depending on the details of the experiment.

But self-interest does not require that preferences be narrowly defined to maximize monetary payoff. A dictator may feel bad about displaying selfish behavior (contributions are somewhat lower when the experimenter

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takes extreme care to protect the participants' anonymity). However, the dictator may also find it worth the money to maintain a self-image as a fair person by splitting the pot.

When we take into account that dictators may be concerned with more than maximizing monetary payoff, it is possible to explain the dictators' behavior. Fehr and Schmidt (1999) and Bolton and Ockenfels (2000) argue that adding preferences for fairness will explain not only the dictator's behavior, but most of the behavior we observe in experimental games. Similarly, Andreoni (1990) explains contributions to public goods such as impure altruism, assuming that people get a 'warm glow' from giving. Thus by giving to charity, people get a 'warm glow' as a private good, well worth paying for. This allows an interpretation of seemingly altruistic behavior as a selfish behavior concerned with deriving monetary payoff as well as a warm glow.

As pointed out in Brekke et al. (2003), behavior consistent with models like Andreoni's 'warm glow' may not be seen as selfish, but may reflect a sincere attempt to do what is morally right. In Brekke et al. (2003), we assume that individuals want to consider themselves morally responsible and as performing a 'morally ideal' action through ethical deliberations. In our model, an individual defines the ideal as the action that has the best consequences for everybody (more precisely, the action maximizes total utility) provided everyone behaved like him or her. Given this ideal, the actual behavior is assumed to be a tradeoff between the demand ensuing from the moral ideal and their self-interest. Thus, the model makes a distinction between striving toward the moral ideal and acting in one's own self-interest. Formally, the model predicts the same kind of behavior as Andreoni (1990), although the predictions are richer as the moral ideal is derived from the model. In extension of the line of reasoning in Brekke et al., the 'warm glow' may just as well be the absence of a cold shiver. (See also Nyborg, this volume.) People want to think of themselves as good and morally responsible and they want to do what is right. They are even willing to sacrifice their self-interest to do so. Yet this also gives them incentives to seek out moral principles that minimize the cost of behaving in a morally responsible manner. When there is ambiguity about what is morally right, individuals may pursue self-serving moral reasoning. Self-serving moral reasoning refers to what happens when they choose the moral ideal that best serves their private interests. Is there any evidence of such self-serving moral reasoning?

In a recent experiment (Krupka and Weber, 2005), participants were asked to play a variety of the dictator game where the dictator has only two choices: Either he proposes an equal split – USD 5 to both – or he takes USD 7 for himself while the total is reduced so the second player gets only USD 1. They label the dictator's two options 'unselfish' and 'selfish'. The game was first played as stated, but in a second round, the dictators got to observe the choices of four players from the first round. Those who observed two or more selfish choices, chose the selfish option themselves more than twice as often as those who observed one or no selfish choices. The player seems to have a tendency to go with the majority, but the group that observed two selfish choices out of four is of particular interest. Observing equal numbers of selfish and unselfish choices offered no information about what the majority chose. It seems as

though some participants wanted to believe that most people are selfish and used this to justify their own selfishness. Only clear evidence of the opposite would change their behavior.

To test the effect of similar tendencies in a real life situation, Brekke, Kipperberg and Nyborg (2006) studied the determinants of voluntary recycling behavior in Norway. In a representative survey, we asked Norwegian households about their behavior with respect to the recycling of glass (excluding components included in deposit/return arrangements). At the same time, we asked about the cost of recycling, the time taken and distance to collection site, as well as whether they considered recycling a personal responsibility, how common they thought recycling is in their peer group and how certain they were about this assessment.

We find that those who believe that recycling is common or very common among their friends and relatives are more likely to recycle glass and also that those who consider recycling a personal responsibility are much more likely to recycle all or most of their glass. The question is then: what determines peoples' perception of responsibility?

The concept of responsibility needs some extra discussion. In a modern complex society, there are so many tasks that should be done that no single individual has the capacity to even recognize all of them. As a consequence, we require a division of labor, i.e. some tasks are my responsibility and others are yours. While some responsibilities are legally defined, many are informally defined through customs and norms. For recycling in a society, it may be the case that households are responsible for sorting their waste, or the central authorities may be responsible for dealing with the relevant environmental issues through regulation or abatement, or the environmental problem caused by a lack of recycling may be defined as being too minor to merit attention, so no one is called upon to do anything about it. Thus an individual needs to see what others are doing to figure out the informal norm. In other words, individuals need to pose the question: "what do people like me do in a situation like this?" Those who think recycling is common among friends and relatives (people like them) will then have to conclude that in this society at this point in time, each household is supposed to contribute to environmental quality through recycling. Consistent with this reasoning, we find that those who think that recycling is common among friends and relatives are much more likely than those who think recycling is uncommon to see recycling as a personal responsibility.

Where there is a tendency toward self-serving moral reasoning, we would further expect that while people want to do good, they would happily endorse information that allows them to be good at the least possible private cost. We asked a follow-up question about their assessment of how common recycling is: How confident are you in this assessment? For any given assessment of what others are doing, we found that the more uncertain people are about others' recycling behavior, the less likely they are to consider recycling a personal responsibility. One possible interpretation to explain this note is that their assessment of what others are doing should imply that recycling is a responsibility, but they are not certain and that gives them an excuse for not accepting that responsibility. For more details, see Brekke et al. (2006).

Admittedly, it would be premature to draw a confident broad conclusion, and while the literature is richer than what is surveyed in this brief

article, much more research is needed. Still, the results do lend support to a view that moral behavior is not just an opportunity to buy a private good that could be labeled a ‘warm glow’. People do make sacrifices to do what they think is right. However, as these are real sacrifices, they may also endorse any ambiguity as it allows them to conclude that they need not make those sacrifices after all.

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