

Overview

Political, intellectual, and academic discourse in the United States has been awash in “political correctness.” It has been both berated and defended, but there has been little attempt to understand it. We do so by looking at a more general process: adopting political positions to enhance one’s reputation. Long before “political correctness” came to American colleges, Reilly, a character in T. S. Eliot’s *Cocktail Party* (1950), observed,

Half the harm that is done in this world
Is due to people who want to feel important.
They don’t mean to do harm—but the harm does not interest them.
Or they do not see it, or they justify it
Because they are involved in the endless struggle
To think well of themselves.

Obviously, Reilly was not too happy with precursors to “correctness.” Our focus, however, is on successful prediction of political behavior. While standard analyses ignore reputation seeking, we argue that it is essential to understanding such behavior.

As we shall argue later, Reilly’s version of reputation seeking is not quite right (but, then again, we cannot speak in blank verse). Much about the behavior Reilly berates is really quite sensible. Why should a person be worried about the consequences of the policies he advocates, when his advocacy has virtually no impact on whether those consequences will be realized? Many other people are also engaged in advocacy, so any one person’s advocacy, or vote, has a miniscule impact on policy.

This is an example of the *free-rider problem*.¹ It creates a fundamental difficulty for economists’ standard analyses of political and charitable behavior, both of which concentrate on the consequences of policies. By and large, public choice economists assume that people maximize their narrow *self-interest*: that is, people advocate policies

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that do the most good for them. But Reilly's people are actually acting more reasonably.

Economists focusing on charity traditionally assume that *altruism* is the reason for charitable contributions. In defining altruism these economists look at the motivation for behavior rather than its results. Altruism is defined as concern for the well-being of others, or in the language of economics, having the utility of others in one's own utility function. We shall use altruism in that sense throughout this book. But it makes sense to leave the charitable giving to others rather than to give oneself if altruism is the sole motivation for charitable giving. Others can improve the lot of the poor as well as I can. If they do so, my desires for the poor to be better off can be satisfied at no cost to me. This free-rider problem is analyzed in detail in chapter 2. So most modern analyses of charity recognize that altruism cannot be the sole motivation for charity (again, examined in chapter 2). Yet people give to charity, just as a majority of eligible voters in most countries trek to the polls in national elections. Again, we argue that such behavior can only be explained by reputation seeking.

It may seem strange that an altruist would leave the charitable giving to others when the altruist has some concern about the welfare of these others too. But actual behavior requires that at most people are limited altruists—that they are more concerned with their own well-being than that of others outside their family. In consequence, they only give to the poor because the *marginal* utility of a dollar to the poor is greater than its marginal utility to them. Given their greater concern with themselves than with others, they would prefer that others with comparable marginal utilities of money do the charitable giving.

While this free-rider problem is extremely serious for both voting and charity, the standard approaches used to explain these phenomena have had some modest empirical successes. At least superficially, narrow self-interest seems to govern some voting decisions. People with higher incomes, for example, are more likely than others to vote for candidates who advocate political positions good for people with higher incomes. Similarly, altruism seems to have something to do with charity. On the whole, charity tends to go to those activities that serve some social purpose: aid to the poor, education, health, and the environment, for example. It is incumbent on any alternative theory of either charity or voting to also predict these results.

On the other hand, the standard approaches also have glaring failures. As shown in chapters 5 and 8 narrow self-interest variables—income and related variables—are not nearly as important in deter-

mining voting behavior as are ethnic and religious variables. Nor does altruism successfully predict the charitable behavior of donors, a question examined in chapter 3. The theory we develop does a much better job on both counts.

The deficiencies of standard economic models in dealing with many social interactions have been the subject of a considerable literature. Surveys of that work are provided by Elster (1998), Fehr and Gächter (2000), Manski (2000), Ostrom (2000), Rabin (1998), and Robson (2001). But as important as they are, these criticisms are insufficient. One cannot predict behavior just by knowing that standard economic models do not always successfully predict behavior. A new theory is required to understand social interactions, or standard theory must be so modified that it works better. The theory we propose is consistent with many of the ideas of the critics of the standard analyses. (Other researchers have expressed similar ideas, but in somewhat less usable form. Our specific debts are indicated in references throughout this book.)

The core of our theorizing rests on two kinds of behavior. A person is interested in his reputation for *trustworthiness*. In consequence, he behaves in such a way as to signal to others that he is trustworthy. A person is also interested in whether she herself thinks she is trustworthy, whether she behaves in accordance with certain internalized social norms because she feels better by so doing. The latter is what is generally labeled *conscience*. As we shall see, the two behaviors have enough in common to generate many similar implications.

This book focuses on three propositions about reputation-seeking behavior. First, charity and voting participation increase a person's reputation for trustworthiness. (In this and the other propositions about reputation, reputation to oneself—a conscience—is always relevant.) Chapters 2–4 develop and test this proposition. Others have also proposed this idea (Posner 2000; Alexander 1987), but our model and tests are somewhat different and more fully developed than theirs. This idea is supported by a growing literature on the importance of investments in reputation—social capital, including participation in community organizations (for example, Glaeser, Laibson, and Sacerdote 2000). There is a lot of evidence that reputation seeking is at least one of the motivations for charity. For example, charities like the American Cancer Society and United Way try whenever possible to use solicitors that know potential donors. We believe that the predictions generated by a model of reputation seeking work more generally because we expect conscience motivated charity to behave quite similarly to

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reputation *signaling*, an idea developed in chapter 2. The success of our tests lends credence to such a belief.

A person is interested not only in another person's general trustworthiness, but in how trustworthy that other person would be for him. The other two propositions about reputation focus on for whom a person is trustworthy. Our second proposition is developed in chapter 5. We maintain that a person signals that he is trustworthy to some group by imitating its members' behavior. In particular, he imitates their political behavior. This *imitation* is why ethnic groups and religious groups play such an important role in political behavior and civil strife. A person by definition belongs to the same ethnic group as his parents. He is also quite likely to belong to the broadly defined religious group of his parents. In the United States the percentage of people who say their religion is the same as their parents is 86 percent among Catholics, 85 percent among liberal Protestants, and 86 percent among conservative Protestants (Lawton and Bures 2001). Our model predicts that lags are an extremely important part of behavior, and the data concur. In consequence, these long-lasting association patterns play a particularly important role in determining political positions. The close correlation between friendship patterns and political positions can be confirmed by a visit to any college campus.

Our third reputation hypothesis requires a much more elaborate rationale than can be provided easily in a paragraph or two. We maintain that by adopting a particular strategy one can signal generalized trustworthiness at the expense of trustworthiness to the group to which one belongs. The strategy is to advocate more expenditures for the poor, for education, for health, and for the environment than one's group advocates. We call this *asymmetric "goodness"* because the opposite behavior, advocating less of these expenditures, does not signal generalized trustworthiness. The most obvious evidence for this phenomenon is attitudes about the environment. Many people who do not intend to use an environmental amenity, such as Glacier National Park, are willing to be taxed for that amenity. Most environmental economists attribute this phenomenon to altruism, an attribution we reject. They believe that such nonusers are concerned with the well-being of the users of the park. At the same time the economists ignore the apparent unconcern of users with the welfare of those who will be taxed for the amenity but have no use for it. This kind of asymmetric behavior is demonstrated over and over again in our data. For example, demonstrations are held in favor of the poor and the environment,

but there are no similar promarket demonstrations, in favor of less government regulation of economic activity.

The obvious explanation for these asymmetries will not work. While there are some *externalities* associated with each of the “good” expenditures, there is no reason to expect public expenditures to fall below the appropriate levels. These externalities to the individual are internalized when governments force everybody to finance an activity. At the level of expenditures produced by a democracy supposedly correcting for the externalities, why is it “good” to advocate more rather than less?

We believe there is a reasonable evolutionary defense for this behavior. To get there, however, requires a kind of analysis increasingly used by psychologists but not frequently employed by economists.

Sociobiology

It is hard to disagree with the basic premise of sociobiology: that there is a higher survival rate for traits and preferences that maximize the probability of their own survival. For example, we prefer to eat bread rather than stones because we would not survive with the opposite preference. This proposition holds for both genetic and cultural transmission of preferences.

The problem with sociobiology lies with putting it to work. First of all, the maximization is constrained rather than unconstrained. There are limits on how man can change given the stuff of which he is made. We are human rather than superhuman. Survival processes produce local maxima rather than a global maximum, so starting points matter (Elster 1984).

Without prior knowledge of the constraints or of the particular local maximum, the predictive power of sociobiology is limited. Elster emphasizes this reason for the predictive difficulties of sociobiology. He believes that at best one can find an evolutionarily stable solution among many such possible solutions. However, if one can find reasonable constraints that yield a variety of testable implications, sociobiology can do more than explain events *a posteriori*. In particular, we defend in chapter 2 the proposition that because of our animal origins individuals are less future oriented than would be required to maximize the survival of their genes. This constraint does lead to behavioral predictions. When for simplicity we write *maximizing survival*, we always mean *maximizing survival with constraints or an evolutionarily stable solution that is a function of those constraints*.

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Second, survival processes take a long time to affect preferences. Preferences appropriate for survival in one period can persist in periods when they are no longer appropriate, and a temporary existence in terms of survival processes can be a long time. Evolutionary psychologists such as Barkow (1992) stress the stage of development relevant for survival processes—the hunter-gatherer stage. Man was in that stage long enough, two million years, for survival to determine behavior, and the post-hunter-gatherer stages have not been long enough to have a substantial survival impact—ten thousand years. We believe that there are enough of the hunter-gatherer preferences surviving to have an important impact on contemporary behavior. Whether that belief is confirmed or not is an empirical question, which we will try to answer the only way such questions can be answered—empirically.

Furthermore, there can be genetic or cultural drift: nonrandom changes in preferences that do not contribute to survival. If their rate of change is slow enough, they, too, will be eliminated by their evolutionary inadequacies, but even more slowly than other processes. While we do not know about nonrandom processes in genetic variation, our data strongly suggests nonrandom cultural changes. In chapters 6 and 8 we maintain that “compassion” has seemed to grow beyond its evolutionary roots. This phenomenon seemingly affects a wide enough variety of behavior, so it is not simply another “just so” story.

Finally, one must face the question of the relative roles of individual and group selection. While the dominant views of sociobiologists emphasize individual over group selection, a growing number of sociobiologists believe that group selection is important. We believe both views are right, though about very different aspects of behavior. We argue in chapter 2 that individual survival determines individual behavior in response to social rules. But the story is quite different when it comes to the social rules themselves. Any *operational social rule* must be structured so that there is on average a net return to individuals within the society to follow those rules. But many alternative social rules can satisfy that requirement. The rules “Thou shalt not kill” and “Murder at will” can both be operational in different societies if in the former case a sufficiently powerful enforcement mechanism is at work.

Of course, it must pay enforcers evolutionarily to enforce these rules. In the absence of a government with police power, there are two operative mechanisms. (1) Those who do not punish are in turn punished. By its logic this requires an infinite extension. Those who do not punish the nonpunishers are punished, and so forth. (2) As we show in

chapter 3, it can be in the self-interest of enforcers not to do certain things with those who break the social rules because the latter are not trustworthy. It is this second mechanism that is particularly important in modern societies.

Which operational social rule will survive? In this case it is group survival rather than individual survival that determines the answer. If an operational rule maximizes group survival, then the society with that rule grows relative to others. Given the enforcement mechanism associated with an operational rule, those who disobey the rule do not increase within the society relative to those who do not. Hence, the society can continue that social rule indefinitely. As that social group grows relative to others, that rule eventually becomes the dominant social rule.

We would, therefore, expect social rules to develop that cause societies to grow, but not to have individual behavior oriented to that goal. Adam Smith's "invisible hand," then, is no evolutionary surprise. Social institutions tend to develop that generate favorable social consequences from individual self-interested behavior, at least in long-run equilibrium.² But individual behavior must be consistent with self-interest *evolutionarily defined*, though not necessarily with self-interest as economists use that term. (We will explore the differences between those two concepts later.) Evolutionary processes will insure that individual altruism—one of the standard explanations for charitable and political behavior—is not very important. But it is easy to see how charity will be given to causes that benefit society even though individual donors are not altruistic. It costs the individual no more to give to "good" causes than others. Hence, the social rule that charity should be focused on "good" causes can be easily enforced and clearly has group survival value.

Besides altruism, the other standard explanation for charity is *warm glow* (Andreoni 1990). This is the idea that people get an unspecified private return from acts that benefit others. Operationally, warm glow often has been defined simply as nonaltruism, so the rejection of altruism necessarily implies that warm glow must be the explanation of a phenomenon incompatible with altruism or narrow self-interest. However, not all versions of warm glow will do. All versions are self-interested behavior as economists define that term, but not all are self-interested behavior in an evolutionary sense. To use warm glow to explain charity requires an explanation of why giving to charity translates into higher survival probabilities for one's genes. None of the warm-glow advocates have asked that question, let alone answered it. We do.

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It must be emphasized, however, that there is nothing automatic about this process of creating social rules that maximize group survival given individuals interested only in individual survival. The social rules are themselves the results of individual decision making. In chapter 6 we show that a very special individual behavior is required to produce mores that maximize group survival.

There is no guarantee that this evolutionary approach to reputation-seeking behavior will work. The best evidence that we have of the usefulness of this survival approach lies in the success of the standard assumptions of economics, for their ultimate rationale does require survival logic.

The Assumptions of Economics

For the most part, economists have employed a pragmatic defense for their underlying assumptions: They work. However, in some cases these assumptions, as usually applied, do not work. Economists have not been very successful in dealing with certain human interactions, a contention defended in detail in the chapters that follow. We shall show how those assumptions and their application can be revised to work and still be consistent with their survival foundations.

The most important assumption of economics is that of self-interest: an individual is interested in maximizing his own well-being and his family's. A behavior that has some features seemingly inconsistent with that assumption is charity, especially anonymous charity. The explanation for why the assumption of self-interest works so frequently is not hard to find: survival. Survival provides the rationale of all of the underlying assumptions of microeconomics. The critical behavioral assumptions economists make in deriving the downward sloping demand curve are that (1) at the margin more is better than less (scarcity), (2) an individual consumes two or more goods (the basis for what economists call the convexity assumption), and (3) price is not an argument in the utility function.

Each specification of preferences makes sense in terms of survival. (1) Over the period when preferences were being formed, survival increased with levels of total consumption. (2) We consume more than one good because that increases our survival chances. (3) Price is *not usually* in the utility function because survival usually depended upon quantities consumed, not prices. (A possible exception was first discovered by Veblen: the status impact of price. Under the appropriate cir-

cumstances, that status effect can be important because survival probabilities can be related to status.)

While the assumption of self-interest does not enter directly into the proof of the downward sloping demand curve, it is crucial in making that proposition operational. Price is defined in terms of the costs to individuals and their families of buying an additional unit of the good. (That insight is behind the inclusion of time costs in the definition of price.) That definition only works if people are self-interested.

Even a more recent addition of fundamental assumptions (Bailey, Olson, and Wonnacott 1980) has its roots in survival: risk aversion. Increases in income yield diminishing marginal survival probabilities. In consequence, a 50 percent chance of a loss of x dollars must be rewarded by a 50 percent chance of a gain of more than x dollars for a person to be willing to undergo the risky strategy. In terms of survival rather than income, however, a person would be risk neutral.

Furthermore, economists find that on the whole those goods that are close substitutes in a survival sense will also be close substitutes in a demand sense. For example, foods that are nutritionally close substitutes tend to be close economic substitutes.

Sociobiology and Reputation Seeking

It appears, then, that sociobiology provides a unifying basis for the assumptions of microeconomics in the usual areas where it has been applied. But that does not exhaust the uses of sociobiology. As detailed in chapter 6, group selection provides the underlying defense for our third proposition about reputation seeking. Individuals signal general trustworthiness at the expense of less trustworthiness to their group by advocating more expenditures for the poor and for education among other causes because that leads to greater group survival—an increase in the long run of the number of people with the preferences that produce those results. (We call this *goodness* signaling.) Social rules that produce a more equal distribution of income lead to more survivors in a society because of the diminishing marginal survival value of income. So too do social rules that generate more child care because individuals tend to underweight, in a survival sense, future generations, a proposition defended at length later. It is no wonder that social rules in hunter-gatherer societies encourage both food sharing and the family, the main institution of child care. At the same time reputation-seeking behavior of individuals does not reduce individual survival given the

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belief of others that such behavior in fact signals greater trustworthiness. We discuss the origins of such beliefs in chapter 6.

In long-run equilibrium, social rules must be able to survive. Such a requirement changes considerably the nature of the social rules we expect. Standard economic analysis would maintain that social rules are the product of summation of individual decisions, with economists divided over whether those decisions are motivated simply by self-interest or by some combination of self-interest and altruism. In our analysis survivable individual decisions are motivated by self-interest. But something else is required to go from these decisions to group survival. That something else is “goodness” signaling: the advocacy of causes that promote group survival. This is a way of getting social rules that maximize group survival out of individual behavior that maximizes individual survival. This “goodness” signaling combines with the standard model in a way described in chapter 6. The behavior predicted is substantially different from the predictions of the standard economic model with or without altruism.