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Book review

What Price the Moral High Ground? Ethical Dilemmas in Competitive Environments, Robert H. Frank. Princeton University Press, Princeton, NJ (2004). xii+203 pp., US\$27.95, ISBN: 0-691-00672-5

This book is part of a growing literature pointing to the need to do economics differently. Frank argues the fundamental disconnect is between the notions of rationality and morality represented in most economic analysis which presumes the moral dimension can be ignored. Even more fundamentally, the book points to a different nature of real human nature than has been built into the structure and approach of self(ish)-interest, rational choice economics. Rather, as argued in this book, “People are driven by a combination of selfish and altruistic motives” (p. 50) with the mixture highly variable across individuals; Frank rejects the “stick figure” (p. 13) Darwinian caricature of humans as either one or the other, but rather sees the potential for a mixture in everyone. Also, it is through the self-sacrifice characteristic of altruistic acts that the moral dimension emerges and conditions the pursuit of self-interest. As Frank sees it, morality is about “the subordination of one’s own narrow interests to the interests of a broader community” (p. 46), which is also rational, so morality and rationality are compatible (p. 51).

One of the most notable features of this book is the wide array of empirical evidence provided. Regarding the willingness to self-sacrifice, Frank cites the wage premium needed in order to take on morally suspect actions (e.g. testifying that second-hand smoke is safe) and the wage sacrifice generally found in doing the right thing (e.g. bringing forward the substantive scientific knowledge that second-hand smoke is not safe). People also sacrifice wages, salaries in order to achieve other group oriented and shared goals, i.e. wage and salary differences within most organizations, including academic departments, are not as great as differences in productivity and the self-interest model would suggest. Frank does not seem to recognize, however, that self-sacrifice goes both ways: Pursuing only self-interest involves self-sacrifice in the domain of shared other-interest, e.g. the profit maximizing corporate executive missing out on many family events, such that self-sacrifice is inherent in economic choice no matter the orientation in interests being pursued. Frank is on-target, however, in arguing for the need to bring self-sacrifice into the economic model.

Frank cites a number of prisoner’s dilemma experiments; generally, well over one-half the participants are found to cooperate while the self-interest model predicts that no one would rationally do so (p. 33). Perhaps most significantly, cooperation (another self-sacrificing behavior) can actually be enhanced, especially from personal interaction among the participants (p. 34). Frank also notes some gender differences, with females on average cooperating more and males defecting more, although this is likely a continuous mixture with considerable overlap. It is also shown how it is not impossible for most to identify cooperators, which suggests it could be in our very evolutionary character to be able to do so. The fittest group would be one with a certain necessary proportion of cooperators, who manage to survive among the defectors due to others being able to identify them, at least part of the time. This also presumes an ability to identify the defectors, the same individual perhaps being both at different points in time and situation.

Frank works at persuading the reader to consider instead an “adaptive rationality” representing a kind of morality-conditioned self-interest. In fact, morality is an essential feature of rationality (p. 57). The intellectual source for the self-interest model remains to this day Jeremy Bentham’s argument that there was no difference in the tastes for “poetry or pushpins.” Modern economics is based in the intuition of this 19th century philosopher rather than in empirical science. Frank is trying hard in this book to point instead to the empirical science. There may be something substantively different about poetry and pushpins, making them not subject to a simple trade-off along an indifference curve.

41 Frank's adaptive rationality adopts the Darwinian focus on reproductive success and survival; the motive, or
42 goal, is "included only if it helps in acquiring and holding resources" (p. 51) for both the individual and the
43 group. In some sense, then, we could assess the pursuit of poetry and all the other things related more to the
44 group on these terms, and move away from thinking in terms of simple trade-offs with the self-interest in push
45 pins. By recognizing commitments and loyalties to others and to causes, adaptive rationality allows arriving at a
46 different point than would the singular pursuit of self-interest. This also makes economics very much an empir-
47 ical science, in that economic prediction must now be based on how individuals are mixing self-interest and
48 altruism.

49 Frank has written about commitment before, in other books and papers. He refines the idea in this book, linking
50 commitment to cooperation, and pointing out how this cooperation is costly, and properly called unselfish (and, thus,
51 involving self-sacrifice). Also, to call commitment and the cooperation arising from it another taste and preference
52 serving the self-interest "simply invites confusion (p. 68)." In fact, to do so, means this kind of behavior is only
53 about "prudence" i.e. expecting full reciprocation of the cooperative act, rather than true "social responsibility" which
54 involves sacrifice (p. 59). Frank cites case after case where a true expression of this kind of responsibility does in fact
55 pay in a competitive environment.

56 Experimental evidence also continues to mount against the free rider hypothesis, as argued in the book. Some do
57 always free ride (and it is likely everyone does once in awhile), perhaps as few as 10-20%, so the standard economic
58 model is accurate a small part of the time. The reality, though, is that most will not always free ride, and in fact many
59 will self-sacrifice to punish those that do so.

60 The book has an especially intriguing section on charitable contributions. After pointing out that real economic
61 actors do vote in elections; do recycle; do leave tips even in places they will never frequent again; and do not necessarily
62 always pour unwanted pesticides down the drain, Frank also cites evidence that anonymous donations to charities are
63 common. His contention is: the "narrow rational actor model provides a poor basis for thinking about the behavior of
64 charitable organizations, and people who support them" (p. 110), seeing instead the regular appeal to and expression of
65 both self-interest and altruistic motives at the same time. In this case, the "central role of the cause itself" (p. 121) cannot
66 be emphasized enough: In effect, people need to feel part of something, just as much as they need to be autonomous
67 and separate from it, the latter being an expression of self-interest.

68 The role of a social norm is also discussed in reducing the negative influences of positional arms races, e.g. in
69 becoming the best athlete, in cases of conspicuous consumption, advertising wars, cram courses for SATs, and the
70 classic military arms race. Going beyond James Coleman's connectedness made possible only with reciprocal exchange
71 of favors, Frank highlights the adherence to social norms even when there is self-sacrifice. The inculcated "duties of
72 citizenship" condition real self-interest. Perhaps most importantly to the main theme of this book, this leads to everyone
73 doing better economically (p. 144).

74 Several studies, and Frank has been a main contributor, have documented how economic training can actu-
75 ally shift one's orientation toward the self-interest and away from altruistic acts, leading to economists for a very
76 long time now having a "bad odor amongst real people" (p. 154, with Frank borrowing from Robert Solow who
77 drew this quote from an 1879 essay written by an individual named Walker). The problem continues. Economics
78 trained participants in free rider experiments tend to confirm free riding. Economists tend to contribute less money
79 to causes. As Solow had noted, economists tend to ignore the customs and beliefs of real people (Frank, p. 154).
80 Yet, Frank sees hope, through the "growing insurgency" emphasizing non-egoistic motives, which could eventually
81 overcome the odor. Also, even most economists vote, suggesting they do not fully practice their own model for
82 living.

83 Frank finishes the book with the warning that while appealing to the altruistic interest inherent in everyone can
84 help in conditioning economic behaviors, sanctions also need to be in place. While there remains the real possibility
85 for "spontaneous, self-sustaining moral behavior" (p. 186), one needs to also put in place the background controls in
86 case something goes awry. This is all about making the invisible hand more visible and, by so doing, take away some
87 of its (presumed) power. When the self-discipline to condition one's own interests with a bit of self-sacrifice fails,
88 introducing outside norms may be quite appropriate.

89 Overall, the book has much to commend it. It is a good introduction to this relatively new empirical literature for
90 those not at all familiar with it. For those who are, it gives several new insights. I thoroughly enjoyed the book, and
91 believe that others will too. (For a more detailed review, especially the important role of self-sacrifice in both domains,
see <http://agecon.unl.edu/lynne/metarevi.htm>).

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