



Socialized view of man vs. rational choice theory: What does smith's sympathy have to say?



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ABSTRACT

To explain the anomaly of cooperation in finitely repeated games, some economists advance a socialized view of man as an antidote to rational choice theory. This paper confronts these economists insofar as they trace the socialized view to Smith's theory of sympathy in *The Theory of Moral Sentiments* (TMS). TMS rather advances a view that anticipates rational choice theory. These economists misinterpret TMS because they fail to realize that Smith's sympathy actually involves two functions of sympathy: one that determines the optimal decision and another that determines the command of that decision. The dual function of sympathy parallels the two senses of rational choice: rationality as making the optimal decision and rationality as commanding that decision. Thus Smith's sympathy does not support the socialized view of man.

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1. A world of anomalies

Smith and Wilson (2014) urge their fellow economists to study seriously Adam Smith's first book, *The Theory of Moral Sentiments* (TMS). They argue that TMS contains the material needed to explain anomalies uncovered by experimental and behavioral economics in scenarios such as the one-shot prisoners' dilemma, the ultimatum game, and the trust game. These anomalies consist of behavior such as cooperation and retaliation, when rational choice theory predicts the contrary.

To explain the anomalies, Vernon Smith and Bart Wilson maintain that agents desire to "go along" with the preferences and norms of their respective social groups. That is, the social group can socialize a person by constructing his or her values and preferences. They argue that Adam Smith's Impartial Spectator, described in TMS, provides a view contrary to rational choice theory, a view that explains the mechanism behind the socialization of man:

The Impartial Spectator [of Adam Smith] constitutes an internalization of what is approved or not approved by others. We are encouraged to take actions that others can go along with, and deterred from actions that they cannot and find objectionable (Smith and Wilson, 2014, p. 7; see also Smith, 1998).

Many have invoked TMS to elucidate the socialized view of man. Heilbroner (1982) has argued that TMS advances a socialized view of man. More recently, behavioral economists have appealed to TMS for the same reason (see Meardon and

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Ortmann, 1996; Sally, 2000, 2001; Gintis et al., 2005; Ashraf et al., 2005, pp. 4–7; Paganelli, 2011). Even a political scientist, Golemboski (2015), argues that Sen (2002, 2009) should not rely on TMS to substantiate his cosmopolitan view of man. For Golemboski, TMS advocates a socialized view of man, which by definition entails that a person is the product of his or her own particular culture and national culture and, hence, a person cannot develop the trans-national and trans-cultural conscience that is the core of cosmopolitanism.²

This paper pursues a simple question: Does Smith's concept of sympathy support the socialized view of man? For the advocates of the socialized view of man, Smith's sympathy provides the mechanism for how an individual internalizes already exogenous social norms. In particular, advocates stress the function of Smith's sympathy as a criterion of judgment through what Smith calls the "approbation" of the "impartial spectator": The Impartial Spectator supposedly embodies the already existing exogenous social norms of society, and a person's main motivation is to get the approbation of the Impartial Spectator. This supposition guarantees the internalization of social norms: the individual's motives, desires, or preferences are ultimately determined by existing social norms.

This paper concurs that Smith's sympathy entails that people desire favorable judgment by the Impartial Spectator. However, it disputes the idea that the judgment of the Impartial Spectator encapsulates the supposedly exogenous social norm; this is an element foreign to Smith's sympathy. Rather, for Smith, the Impartial Spectator is ultimately one's internal voice, reflecting and calming the agent to not over-react to incentives. At this level of abstraction, Smith never supposes an already existing society or exogenous norms to which one's internal voice pays any attention. If anything, social norms are endogenous in TMS, they are the *externalization* of the internal voice, simply expressing the decisions of the individual in the form of heuristics or habits. That is, when people seek the approbation of the Impartial Spectator, they are, in the final analysis, obeying their own optimal decision concerning their own preferences.

This paper shows that the approbation function of sympathy, named the "sympathy-as-command" function, is merely about executing or commanding what the individual, independently and prior to social norms, has already decided to be the best decision. To read Smith in this manner, one must recognize another important function of sympathy in TMS: sympathy acts as the basis of the set of preferences that motivate a person to undertake altruistic or, more importantly, self-interested decisions. The decision function of sympathy, named the "sympathy-as-decision" function, instructs us on what is the efficient option when deliberating on how to allocate resources between the self and others.

This paper identifies the dual function of sympathy and shows how the conflation of these functions is the basis of the Smith/Wilson/Heilbroner thesis, viz., the socialized view of man. By suppressing or ignoring the sympathy-as-decision function, advocates of the socialized view of man suppose that the sympathy-as-command function is also about the *determination* of individual preferences and, consequently, the decisions a person makes. To wit, this paper finds that the dual function of sympathy opens the road for a contrary view of man, viz., rational choice theory, which parallels two senses of rational choice. These two senses become clear once we reject the Weak Axiom of Revealed Preference.

Section 2 elucidates the limits of the socialized view of man. Section 3 reviews the Smith scholarship with regard to the proposed dual-function interpretation of Smith's sympathy. Section 4 focuses on Smith's text with regard to sympathy-as-decision, while Section 5 focuses on Smith's text with regard to sympathy-as-command. Section 6 articulates two axes of rational choice. In light of the two axes of rational choice, Section 7 re-examines Smith's sympathy-as-decision, while Section 8 re-examines Smith's sympathy-as-command. Section 9 concludes.

2. The socialized view vs. the Smithian view

2.1. How to explain social norms?

Vernon Smith, Bart Wilson, and Robert Heilbroner place an enormous weight on the sympathy-as-command function, while effectively ignoring the sympathy-as-decision function. This misplaced weight has two profound implications. It implies, first, that the dictates of the Impartial Spectator are the primitive or primordial point from which to explain human action. Second, it implies that the Impartial Spectator's directives encapsulate the preferences of one's social group. For Smith, Wilson, and Heilbroner, an individual's social group first determines the social norms, then the Impartial Spectator expresses the norms, and finally the individual internalizes those norms since he or she seeks the approval of the Impartial Spectator.

To be clear, all theoretical orientations recognize the reality of social norms. What is at stake is how to explain them. Some theories explain them as the outcome of rational choice. The focus here is on theories that are alternative to rational choice, in particular, the socialized view of man, which holds that society at large and in particular one's comparison group shape the social norms to which an individual adheres.

The socialized view of man has a long and entrenched history in the "structural-functionalist" approach of classical sociology (Parsons, 1951; Bottomore, 1975). This approach does not change in its essential features at the hand of advocates of "symbolic interactionism" (e.g., Blumer, 1969; Reynolds and Herman-Kinney, 2003), who try to show how, at the micro level, social norms become internalized and hence shape the decisions of individuals (see Khalil, 1990). There are also

² As Raphael (2007) argues, one of Smith's main concerns is to develop an endogenous theory of conscience that is based on sympathy. Smith may or may not have succeeded. But this paper does not deal with the success or failure of Smith's theory with regard to conscience.

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