

Economics and Sociological Foundations of Prosocial Behavior: A Theoretical Survey

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ABSTRACT: Economic incentives and social norms known as social preferences are likely to have important effects on shaping of prosocial behaviors of individuals. In this paper, we attempt to bring together social norms and economic incentives on an equal footing in a model of individual choice concerning prosocial behavior. We present a comprehensive overview of economics and sociological theories that address the motives of individual's prosocial behavior.

KEYWORDS: *Incentives, Social Norms, Prosocial Behavior, Economic Sociology* JEL Classification: A13, D64, D91, Z13

I. INTRODUCTION

Understanding what motivates individuals to contribute to prosocial activities emerges as a topic of increasing interest in economics as well as sociology and even psychology. The rational choice school of sociologists recognizes the joint influence of social norms and economic incentives (Lindbeck and al., 1999). Economists focus on economic incentives and sociologists emphasize social norms. This paper attempts to bring together social norms and economic incentives on an equal footing in a model of individual choice concerning prosocial behavior. Benabou and Tirole (2016) provide the very basis of individual's prosocial behavior in the growing literature on motivated beliefs and social norms.

Prosocial activities include such actions as donating money for a cause or an organization, volunteering for a party during election times, voting, cleaning beaches, donating blood, etc., (Lacetera and Macis, 2010).

Benabou and Tirole (Op. cit) emphasize that beliefs and social norms fulfill important sociological, psychological and economical functional needs of the individual. Relevant examples include confidence in one's abilities, moral self-esteem, hope and anxiety reduction, social identity, political ideology, religious faith, etc. They present a set of theoretical, empirical and experimental works to show how contemporary economics studies and treats individual and collective beliefs and social norms for better understanding behavioral economics. They model microeconomics reasoning processes based on individual motivations and knowledge and highlight macroeconomic consequences on organizations, companies, markets, social order, political economy, etc. Understanding individual beliefs provides useful insights into rationality, subjectivity and psychological motivations, while collective beliefs deal with market, organization and political ideology. Laws and norms are used to explain incentives, morality and social sanctions while political economy addresses religion and innovation.

Many authors including economic Nobel Prizes have shed light on these matters by providing excellent works specifically relating to this field of study¹. Several other authors have dealt with various themes closely related to the topic of economic incentives and social norms and their effects on the change in human behavior. We can group a non-exhaustive selection of works from the most recent to the oldest. These include works on "tipping point" spatial segregation with Thomas Schelling; cognitive dissonance, social norms and identity of Georges Akerlof and William Dickens; discrimination, altruism, habit or addiction with Gary Baker; paradoxical attitudes towards uncertainty defended by Maurice Allais; discrimination, self-fulfilling prophecies, social choice with Kenneth Arrow; logical and non-logical actions, the mass of elites defined by Vilfredo Pareto; the theory of moral feelings supported by Adam Smith, etc.

¹ R. Thaler (2017, rationality and social preferences), R. Shiller (2013, Behavioural Finance), D. Kahneman and V. Smith (2002, cognitive bias, heuristic decisions, behavioural economics), H. Simon (1978, limited cognitive rationality)

This article wishes an in-depth understanding of the foundations of individual's prosocial behavior and requires a search for economic and sociological answers. This study combines economic theories and sociologic approach of prosocial behavior. We present a comprehensive overview of economics and sociological theories of prosocial behavior.

The article is organized as follows. Section 2 presents the economic foundations of theories that explain the motives of individual's prosocial behavior. Section 3 proposes the very bases of sociological approach of individual's prosocial behavior and section 4 concludes.

II. ECONOMIC FOUNDATIONS OF PROSOCIAL BEHAVIOR

2.1. A rational reasoning of the cost and price of behaving prosocially

From an economic point of view, the more expensive proocial behavior is, the less it should be undertaken. The rational reasoning based on the relative effect of behaving prosocially indicates that prosocial behavior will increase when monetary (or material) incentives are provided. According to Meier (2006, pp.18-24), *"When people react systematically to changes in the cost of prosocial behavior, this opens up the opportunity to subsidize prosocial behavior in order to increase it. This mechanism is often implemented by allowing deductions from taxable income after doing social-based activities. Such monetary [material] incentives to increase prosocial behavior can, of course, be implemented in all areas where prosocial behavior is involved: volunteering, giving support to elders, charitable giving, citizenship behavior etc."*

Individuals might simply not find it worthwhile to engage in prosocial activities if the benefits fall short of the opportunity costs. If this is the case, then material incentives (composed of material cash-incentives also called explicit economic incentives, and material non-cash incentives) might be effective in increasing the number and frequency of prosocial acts.

A solid theoretical and empirical basis attest the presumption that people react to the price of behaving prosocial. Such effect of a price reduction on prosocial behavior is better understood with the monetary giving (Andreoni, 2006; Konow, 2010). Two results are worth mentioning, concerning 1-the estimated price elasticities of behaving prosocial, and 2-the substitutes or complement characteristics of behaving prosocial.

Some findings indicate a positive impact of material non-cash incentives. Lacetera and Macis (2010) find that blood donors are attracted by the possibility of participating in a given lottery. These authors find that the legislative provision that guarantees a paid day off work to Italian blood donors does lead to an increase in donation frequency.

However, other types of extrinsic incentives could increase the motivations to perform prosocial activities in an equally way with "material" forms of payment. Frey (1997) argue that, unlike explicit payments, symbolic awards create a special relationship between the awarding and awarded parties, and increase the self-esteem, "warm glow", social status, and social recognition of the receiver; in contrast, rewards with an immediate monetary value can instead send a "bad signal" (to society and to one's own self) about the real motives behind the performance of a given activity. That was the early point of view of Benabou and Tirole (2006). If this is true, then symbolic awards could emerge as both effective and efficient means to encourage prosocial behavior.

2.2. On the counterproductive effect of material incentives on prosocial behavior

A large common idea is that, explicit economic incentives designed to increase contributions to public goods and to promote other prosocial behavior sometimes are counterproductive or less effective than would be predicted among entirely self-interested individuals. This may occur when incentives adversely affect individuals' altruism, ethical norms and intrinsic motives, (Bowles and Polanía-Reyes 2012).

Benabou and Tirole (2006) enlightened this issue in their study of *incentives and prosocial behavior* and provided convincing answers which defined extrinsic incentives given by the society and the intrinsic incentives providing from personal motivation. They develop a theory of prosocial behavior that combines heterogeneity in individual altruism and greed with concerns for social reputation or self-respect. They argue that rewards or punishments create doubt about the true motive for which good deeds are performed, and this "overjustification effect" can induce a partial or even net crowding out of prosocial behavior by extrinsic incentives.

In fact, some empirical and theoretical contributions suggest that depending on what motivates individuals to contribute to prosocial causes, certain types of material incentives might backfire. Some findings indicate the negative impact of material cash-incentives. Ryan and Deci (2000) found that providing pecuniary rewards for the performance of activities that are originally motivated by intrinsic reasons leads to a reduction in the performance of those activities. Similar findings are those of Frey and Oberholzer-Gee (1997), Gneezy and Rustichini (2000), Mellstrom and Johannesson (2008), and Ariely and al. (2009).

Incentives may sometimes decrease intrinsic motivation to undertake the prosocial behavior, because of a motivational crowding-out effect. Frey (1997) and Frey and Jegen (2001) reveals that, in several situations, a motivational crowding-out effect plays against the relative price effect. Thereafter, Bénabou and Tirole (2003; 2006) argue that incentives may undermine or even crowd out an intrinsic motivation to behave prosocially. Thus, in line with the work of Benabou and Tirole, the motivational crowding-out effect is of considerable importance for prosocial behavior in economy, in sociology and psychology. In economics, the studies that explicitly test the crowding-out effect cover a wide range of activities involving prosocial behavior.

Other results indicate that, the motivational crowding-out effect was known long before economists started to understand the *overjustification effect*, previously known as the “hidden costs of reward” (Lepper and Greene 2016). In psychology, a large number of experimental studies has led to the finding that (external) incentives have detrimental effects on intrinsic motivation (Deci, Koestner, and Ryan 2001).

III. SOCIOLOGICAL BASES OF INDIVIDUAL'S PROSOCIAL BEHAVIOR

From a sociologic point of view, people care about the well-being of others. According to Meier (2006, pp.4-18), the most relevant sociological theories that better understand individual's prosocial behavior are: the outcome-based prosocial preferences, the reciprocity and conditional cooperation, the self-identity and the institutional environment.

3.1. The outcome-based prosocial preferences and reciprocity

The outcome-based prosocial preference gives prominent formulations of prosocial preferences, in which, the utility of others can either:

- influence one's utility directly (that's the purpose of pure altruism theories: Becker, 1974),
- influence one's utility partly, because helping others produces a “warm glow” (that regards impure altruism theories: Andreoni, 2006),
- Or have an effect on one's utility that depends on the difference between one's own and another's well-being (that concerns the theories of inequality aversion: Fehr and Schmidt, 1999).

In the theories of reciprocity and conditional cooperation, people are also concerned about the intentions that lead other people to their choices. Conditional cooperation supposes that individuals act in a prosocial manner in response to the friendly behavior of others and in a hostile way in response to unfriendly behavior (Falk and Fischbacher 2006; Dufwenberg and Kirchsteiger 2004).

3.2. Self-identity and institution

In the theories of self-identity, people not only care about their reputation with others but also want to have a good self-image. They therefore undertake activities in order to self-signal their good traits. Recently, economists have recognized the importance of self-identity for human behavior (Akerlof and Kranton 2000). Bodner and Prelec (2003) and Bénabou and Tirole (2006) present two relevant models in which self-identity is a crucial point of explaining prosocial behavior. These models differ from outcome-based models in the sense that people do not necessarily care about the outcome of a prosocial behavior *per se* but instead, care about how their behavior affects their self-identity. Whether prosocial behavior actually produces a good self-image, thus depends on at least two factors: first, what is considered to be good action, and second, in what circumstances a prosocial action is a valuable signal of one's good traits. That why, the social norm is of high importance in defining what constitutes a good action. So, managing self-identity therefore often means conforming to the social norm in one's reference group,

Finally, the institutional environment in which people decide to contribute to public goods is crucial for prosocial behavior, (Ostrom, 2000; Sobel 2002). That institutional environment can matter even though the decisions remain the same in terms of material payoffs. Such context-dependent prosocial behavior has been labeled “institutional framing” (Isaac and al., 1991). The influence of the institutional environment on prosocial behavior can be twofold. On the one hand, the context might calibrate the salience of motives like altruism and reciprocity. In a situation in which a mechanism exists to punish free-riders, the norm of reciprocity will be more important than in the absence of this institutional feature. On the other hand, the institutional environment can trigger motives that go beyond altruism and reciprocity, such as self-esteem, reputational concern, etc. Since institutional environment changes the salience of social norm, institutional settings as well as framing effects, can change the focus of what is considered to be fair behavior in a certain situation. The context helps one to evaluate the set of values to use. This is closely related to findings of socioeconomics researches of Boltanski and Thévenot (2006).

IV. CONCLUDING REMARKS

The effect of economic incentives and social norms in shaping of prosocial behaviors of individuals is explained in a sociological approach based on the theory of reciprocity that defines reciprocal behavior as a social preference (Simpson and Willer, 2008).

Although there are several types of social preferences in the literature, Fehr and Fischbacher (2002) provide the most common characteristics of social preferences. Particularly important types of social preferences are the reciprocal fairness (not driven by the expectation of future material benefit), the inequity aversion, *pure* and *impure* altruism; and self-identity preferences. In short, the sociological approach of prosocial behavior focus on three sets of theories addressing non- selfish motives or "other- regarding" behavior, namely: (1) the outcome- based prosocial preferences theories (inequity aversion, *pure* and *impure* altruism) that assume that an individual's utility depends directly on the utility of other people; (2) the theories of reciprocity (or conditional cooperation) that are based on the notion that individuals behave in a friendly manner when they are treated benevolently and, conversely, they act meanly when treated badly; and (3) the approaches stressing the importance of self- identity for prosocial behavior. These theoretical frameworks are relevantly interpreted by Boltanski and Thévenot (2006) for better understand how actors can justify the multiple and potentially contradictory foundations of behaviors.

Boltanski and Thévenot's approach is in line with the self-determination theory of Ryan and Deci (2018). Boltanski and Thévenot have provided foundational work of post-Bourdieu sociology, close to Polanyi. Boltanski and Thévenot examine a wide range of situations where individuals justify their actions. The authors argue that justifications fall into six main logics exemplified by six authors: civic (Rousseau), market (Adam Smith), industrial (Saint-Simon), domestic (Bossuet), inspiration (Augustine), and fame (Hobbes). Since people compete to legitimize the foundation of their behavior, Boltanski and Thévenot show how the reasoning can reflect behavior and they combine the sociological theories of behavior (the outcome-based preferences, the reciprocity and conditional cooperation, the self-identity and the institutional framing) as well as the economic theories of behavior based on the relative cost of action.

Boltanski and Thévenot reveal an underappreciated dimension of social interaction. That dimension is still a way individuals justify their actions regarding to others, instinctively referring to the foundations of behavior. Individuals, however, often misread situations, and many disagreements can be explained by people referring to different foundations. Boltanski and Thévenot distinguish between different types of motivation based on the different reasons or goals that give rise to action.

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