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Business

# More Evidence That Learning Economics Makes You Selfish

The perils of teaching homo-economicus



By Adam Grant

In 1776, Adam Smith famously wrote: “It is not from the benevolence of the butcher, the brewer, or the baker, that we can expect our dinner, but from their regard to their own interest.”

Economists have run with this insight for hundreds of years, and some experts think they’ve run a bit too far. Robert Frank, an economist at Cornell, believes that his profession is squashing cooperation and generosity. And he believes he has the evidence to prove it. Consider these data points:

**Less charitable giving:** In the US, [economics professors gave less money to charity](#) than professors in other fields—including history, philosophy, education, psychology, sociology, anthropology, literature, physics, chemistry, and biology. More than twice as many economics professors gave *zero dollars to charity* than professors from the other fields.

**More deception for personal gain:** Economics students in Germany were [more likely](#) than students from other majors to recommend an overpriced plumber when they were paid to do it.

**Greater acceptance of greed:** Economics majors and students who had taken at least three economics courses were [more likely than their peers](#) to rate greed as “generally good,” “correct,” and “[moral](#).”

**Less concern for fairness:** Students were given \$10 and had to [make a proposal](#) about how to divide the money with a peer. If the peer accepted, they had a deal, but if the peer declined, both sides got nothing. On average, economics students proposed to keep 13% more money for themselves than students from other majors.

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In another experiment, students received money, and could either [keep it or donate it](#) to the common pool, where it would be multiplied and divided equally between all participants. On average, students contributed 49% of their money, but economics students contributed only 20%. When asked what a “fair” contribution was, the non-economists were clear: 100% of them said “half or more” (a full 25% said “all”). The economists struggled with this question. Over a third of them refused to answer it or gave unintelligible responses. The researchers wrote that the “meaning of ‘fairness’... was somewhat alien for this group.”

## Hearts of Darkness

But maybe studying economics doesn’t change people. It could be self-selection: Students who already believe in self-interest are drawn to economics.

There is evidence for selection. In a [study](#) of over 28,000 students in Switzerland, 62% of economics students gave money at least once to help students in need, compared with 69% of non-economics students. These differences were already present before the students took a single economics course: students with lower giving rates were drawn to economics. As freshmen, before their first lectures, 71% of the students who chose economics contributed, compared with 75% of non-economists.

But this doesn’t rule out the possibility that studying economics pushes people further toward the selfish extreme. Along with directly learning about self-

interest in the classroom, because selfish people are attracted to economics, students end up surrounded by people who believe in and act on the principle of self-interest. Extensive research [shows](#) that when people gather in groups, they develop even more extreme beliefs than where they started. Social psychologists call this group polarization. By spending time with like-minded people, economics students may become convinced that selfishness is widespread and rational—or at least that giving is rare and foolish.

To figure out whether economics education can shift people in the selfish direction, we need to track beliefs and behaviors over time—or randomly assign them to economics exposure. Here's what the evidence shows:

### **1. Altruistic Values Drop Among Economics Majors**

At the very beginning of their freshman year, Israeli college students who planned to study economics [rated helpfulness, honesty, loyalty, and responsibility](#) as just as important as students who were studying communications, political science, and sociology. But third-year economics students rated these values as significantly less important than first-year economics students.

### **2. Economics Students Stay Selfish, Even Though Their Peers Become More Cooperative**

When faced with [choices between cooperating and defecting](#), overall, 60% of economics majors defected, compared with only 39% of non-economics majors. For non-economists, 54% of freshmen and sophomores defected, while only 40% of juniors and seniors did. The economists, on the other hand, did not decrease in defection significantly over time. Roughly 70% defected across the board. Non-economists became less selfish as they matured; economists didn't.

### **3. After Taking Economics, Students Become More Selfish and Expect Worse of Others**

Frank and his colleagues [studied](#) college students in astronomy, economic game theory, and economic development classes. Self-interest was a fundamental assumption in the game theory class, but had little role in the economic development class. In all three classes, students answered questions about benefiting from a billing error where they received ten computers but only paid for nine and finding a lost envelope with \$100. They reported how likely they would be to report the billing error and return the envelope, and predicted the odds that other people would do the same.

When the students answered these questions in September at the start of the

semester, the estimates were similar across the three classes. When they answered the questions again in December at the end of the semester, Frank's team tracked how many students decreased their estimates. After taking the game theory course, students came to expect more selfish behavior from others, and they became less willing to report the error and return the envelope themselves.

"The pernicious effects of the self-interest theory have been most disturbing," Frank writes in *Passions Within Reason*. "By encouraging us to expect the worst in others it brings out the worst in us: dreading the role of the chump, we are often loath to heed our nobler instincts."

#### 4. Just Thinking about Economics Can Make Us Less Caring

Exposure to economic words might be enough to inhibit compassion and concern for others, even among experienced executives. In [one experiment](#), Andy Molinsky, Joshua Margolis, and I recruited presidents, CEOs, partners, VPs, directors, and managers who supervised an average of 140 employees. We randomly assigned them to unscramble 30 sentences, with either neutral phrases like [*green tree was a*] or economic words like [*continues economy growing our*].

Then, the executives wrote letters conveying bad news to an employee who was transferred to an undesirable city and disciplining a highly competent employee for being late to meetings because she lacked a car. Independent coders rated their letters for compassion.

Executives who unscrambled sentences with economic words expressed significantly less compassion. There were two factors at play: empathy and unprofessionalism. After thinking about economics, executives felt less empathy—and even when they did empathize, they worried that expressing concern and offering help would be inappropriate.

#### Changing Economics and Business Education

As a business school professor, these effects worry me. Economics is taught widely in business schools, providing a foundation for courses in [management](#), finance, and accounting. Business is now the most [popular undergraduate major](#) in the US, and it's [growing in market share](#). From 1997-1998 to 2007-2008, the number of bachelor's degrees conferred in the US grew by 32 percent. In the same time period, the number of business degrees grew by roughly 45 percent. It's true at the graduate level, too: business degrees are right behind education as the most common graduate degrees conferred in the US.

Business economics may be more devastating than other brands. When comparing students in political economics and business economics, economists [found that](#) “the willingness to contribute decreases dramatically for business

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brains, icy hearts, and shrunken souls.”

If economics can discourage prosocial behavior, what should we do about it? I’m not suggesting that we stop teaching economics. An [understanding](#) of economics has vital importance to individuals and society. Instead, I recommend three steps for reducing the odds that economics will corrupt students:

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1. Require economics majors to take courses in [behavioral economics](#), which considers the role of “[social preferences](#)” like [fairness](#), [altruism](#), [cooperation](#), and even being [rationally altruistic](#).
2. Require economics majors to take breadth courses in social sciences like [biological anthropology](#), [sociology](#), and [psychology](#), which place substantial emphasis on how people are concerned about others, not only themselves.
3. Within economics courses, do a better job defining the principle of self-interest around utility, which involves anything a person values—including helping others. This might mean covering evidence that [natural selection can favor unselfish behavior](#), and that pure selfishness is less common than being “[groupish](#)” (willing to put group interests ahead of their own personal interests) and “[otherish](#)” (often motivated to help others and themselves at the same time).

Until then, we may be dooming students and society to a fate foreshadowed by Nobel Prize-winning economist and philosopher Amartya Sen. Calling economists “rational fools,” Sen observed: “The purely economic man is indeed close to being a social moron.”

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oh isn't it obvious?

we should immediately hook up these poor, faulty *homo economicus* fellows and electroshock them until they fall in line and act like everyone else!

not until they agree that AGW is destroying the planet and that all forms of charitable giving, no matter how bad the outcomes, are not only good but necessary will we let them off.

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