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Homo Reciprocans  
and  
Progressive Businesses  

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Problems

(1) Is economic behavior always self-interested?

(2) How can we enforce virtuous circles in business?
"It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages"

Adam Smith
(1776)
Homo Oeconomicus

Individualistic, self-interested, utility-maximizing being
Ultimatum Bargaining Game
Provision for Public Good
Game
Two persons, repeated game

<table>
<thead>
<tr>
<th></th>
<th>compete</th>
<th>cooperate</th>
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<td>compete</td>
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<tr>
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Homo Reciprocans

A more realistic behavioral model

Samuel Bowles
(Santa Fee Institute)
"A majority of individuals approach strategic interactions with a propensity to cooperate. They respond to the cooperation of others by maintaining or increasing their level of cooperation, and they respond to defection on the part of others by retaliating against the offenders, even at a cost to themselves, and even when they cannot reasonably expect future personal gains from such retaliation" (Bowles et al., 1997)
Virtuous Circle

If we want to get closer to a sustainable world we need to generate virtuous circles where good dispositions, good behaviour and good expectations reinforce one another.
Progressive Business (1)

Local, organic food
Community Supported Agriculture (CSA)
Progressive Business (2)

Slow Food restaurants
Eco-gastronomy
Progressive Business (3)

energy-independent households
Progressive Business (4)

Responsible travel
Eco-tourism
Progressive Business (5)

Ethical fashion
Fields of Progressive Business (6)

Ethical banking

Triodos Bank
Make your money make a difference
Progressive Business (7)

FAIRTRADE

Guarantees a better deal for Third World Producers

fair trade
Summary

(1) Human behavior is basically reciprocal. For good actions people can expect rewarding responses. For bad actions they can expect retaliating responses.

(2) Progressive businesses base their functioning on virtuous circles where good disposition, good behavior and good expectation reinforce one another.
Reading