Ranking Multidimensional Alternatives and Uncertain Prospects

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Abstract

Although evidence accrues in biology, anthropology and experimental economics that homo sapiens is a cooperative species, the reigning assumption in economic theory is that individuals optimize in an autarkic manner (as in Nash and Walrasian equilibrium). I here postulate a cooperative kind of optimizing behavior, called Kantian. It is shown that in simple economic models, when there are negative externalities (such as congestion effects from use of a commonly owned resource) or positive externalities (such as a social ethos reflected in individuals preferences), Kantian equilibria dominate Nash-Walras equilibria in terms of efficiency. While economists schooled in Nash equilibrium may view the Kantian behavior as utopian, there is some perhaps much – evidence that it exists. If cultures evolve through group selection, the hypothesis that Kantian behavior is more prevalent than we may think is supported by the efficiency results here demonstrated.

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