CHAPTER

7

The Evolution of Rational and Irrational Economic Behavior: Evidence and Insight from a Non-human Primate Species

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OUTLINE

INTRODUCTION

Modern economics as it is currently practiced is an exercise in applying three basic principles to nearly all settings. First, it entails positing agents with simple, stable preferences. Workers are assumed to maximize earnings net their disutility of labor, consumers are assumed to maximize a stable utility function given their budgets, and family members are assumed to bargain with each other given their competing goals. Second, people are endowed with effortlessly rational, error-free cognition. This assumption may entail agents simply understanding their own preferences, or it may ask that they solve arbitrarily complex signal-extraction problems. Finally, modern economics assumes that people interact with each other in ways that are relatively frictionless and thus yield equilibrium behavior. That is, people are assumed to maximize their own interests given the behavior of others, equalizing their personal returns across activities.