

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

Laurie R. Santos and M. Keith Chen

OUTLINE

Introduction	81	Do Capuchins Obey Price Theory as Humans Do?	88
Neoclassical Approaches to Non-standard Behavior	82	Do Capuchins Display the Same Biases as Humans?	88
Price-Theoretic Treatments	82	Are Capuchins Reference Dependent and	
Axiomatic Approaches	83	Loss Averse?	88
Behavioral Economics Approaches	84	Framing and Risk: Do Capuchins Exhibit a	
		Reflection Effect?	89
The Role of Non-human Primate Studies in		Do Capuchins Exhibit an Endowment Effect?	90
Modern Economics	84	What Comparative Work Means for Traditional	
Primate Evolution	101	Economics and Neuroeconomics	90
Revealing Capuchin Preferences: The Token		Acknowledgements	91
Trading Methodology	87	References	92

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.

