ABSTRACT

This essay aims to propose some hypotheses on economic and social behavior in a health crisis situation. These hypotheses are pertinent to the study of public policy formulation. The health crisis treated is that caused by covid-19. The narrated story takes place in Spain, in particular in Madrid. The method used is that of subjective oral history in the form of a script or partial application of storytelling. The analytical framework used is microeconomic models that deal with the tragedy of the commons, expanded economic behavior with altruism or limited self-interest. The summarized conclusions are the suggestions of hypotheses to be tested by experimental, statistical or ethnographic empirical methods.

KEYWORDS: Covid-19, ethics, coevolution, moral sentiments, public policies.

PALAVRAS-CHAVE: Covid-19, ética, coevolução, sentimentos morais, políticas públicas.

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RESUMO
Este ensaio tem como objetivo propor algumas hipóteses de estudo sobre o comportamento econômico e social em uma situação de crise sanitária. Estas hipóteses são pertinentes ao estudo de formulação de políticas públicas. A crise sanitária tratada é a causada pelo Covid-19. A história narrada passa-se na Espanha, em particular em Madri. O método usado é o relato oral subjetivo na forma de roteiro ou da aplicação parcial do storytelling. O referencial analítico usado consta de modelos microeconômicos que lidam com tragédia dos comuns, comportamento econômico ampliado para altruísmo ou autointeresse limitado. As conclusões sumarizadas são as sugestões de hipóteses a serem testadas por métodos empíricos experimentais, estatísticos ou etnográficos.

PALAVRAS-CHAVE: Covid-19, ética, coevolução, sentimentos morais, políticas públicas.

INTRODUCTION
This short paper is an essay. Its goal is to raise some hypotheses and suggest three basic research lines that can be subdivided into several others. These research lines pertain to public policy and business administration.

Through a narrative based on a short account, the essay presents real problems related to the COVID-19 pandemic in Madrid, Spain, and approaches a particular part of the microeconomic literature that works with a rational action model beyond the Rational Economic “Man”.

The methodology is, therefore, partially based on storytelling. This approach is aimed at raising problems and issues inductively.

The conclusions, which are the research suggestions, are investigations on cooperation, empathy and inequality through quantitative methods and comparisons between countries; investigation on students' empathy and training in different undergraduate programs both in the early and final stages of their programs; and the evaluation of ethics teaching in business schools.

METHODOLOGY
This essay has a peculiar characteristic. Starting from the narrative of a story based on an individual experience, that of the author, questions related to public policies are raised regarding both its positive and normative aspects. Thus, the method used here, even if in a limited way – because no interlocution is involved, only narration – is storytelling. This analytical framework can be used, through induction, to explore hypotheses to be scientifically studied (statistically, through quantification, case study, experiment or eth-
nographic immersions), especially when we deal with objects of great complexity, i.e., objects involving a wide interaction of causation variables simultaneously and over time (Jones & Crow, 2017 e Suzuki, Feliú-Mójer, Hasson, Yehuda, & Zarate, 2018).

The narrative presented here reveals the author’s experience in Spain, more specifically in Madrid, during the beginning of the COVID-19 pandemic in 2020. He starts from his personal experience and builds on the literature specific to the essay’s central subject to raise study hypotheses particularly concerning the Brazilian case. It is worth noting, however, that the hypotheses to be raised can apply to any country, community or society.

These hypotheses concern the study of the role of altruism, morally limited self-interest, in economic and social conduct, whether in crisis contexts or not. During the narrative, references to the economic literature are presented on topics related to empathy, cooperation and moral feelings.

On the other hand, this essay has characteristics of an oral account, which brings it closer to the methodology of sources used in oral history. The problem is that, in oral history, there is a separation between the person rendering the account of events and the person who listens; here, a monologue is developed. However, even with this limitation, this type of approach can be considered valid in the search for inductive evidence.

Nevertheless, accounts from oral history studies can be an input for developing analytical hypotheses that can be empirically tested (Nyhan & Flinn, 2016). In short, they are food for thought even when they feature literary characteristics. A reference here is Alexievich (2017, 2019), whose accounts can raise study hypotheses not only in history, but in humanities in general, and behavioral science in particular.

The narrative herein is also aimed at raising hypotheses to be empirically studied. There is an anecdote describing the method used here. A German philosopher will lock himself in his study to wonder what the world is like, what a street market is like, a pharmacy, a public office, the street; an Anglo-Saxon philosopher will go out in the street, he will visit the free market (and do some shopping) and see how the practical, empirical world manifests itself.

David Hume and Adam Smith collected inductive evidence ‘from the street’ first, then raised hypotheses and formulated theories (an interesting reference to understand the method and the reciprocal education of both Scotsmen is Rasmussen, 2017). My walking and narrating in this essay will go in that direction.

It is worth making a brief and final observation concerning method and style: in some parts of the account, the first-person singular is used, which is not always desirable for academic texts. However, there is a peculiarity here in that the case was structured from a personal narrative. Therefore, throughout the presentation, the text will deliberately oscillate between first-person singular narration and dissertative discourse.

THE STORY

I left São Paulo in early March towards Ma-
dr. Until then, my knowledge of the epidemic came from newspapers and social media. I did not have a clear idea of what was really happening, though I knew the severity of the problem due to what was happening mainly in China and Italy. Upon arriving at the airport, I intuitively began to notice the first signs of what was to come. People with masks, many of them inadequate, as we know. In general, except for special masks, these ordinary masks are dangerous as they will get damp and facilitate infection, experts say. In addition, those who should preferentially use them are people who suspect they have a cold or infection, as well as healthcare professionals who are in contact with many people.

However, something I had felt before began to manifest. On September 11, 2001, 7:30 am, I was in New York and heading to a breakfast at a restaurant at the top floor of one of the WTC towers. I need not say what happened. Obviously, the subway did not stop at the station, and I ended up in Brooklyn, across the river. When I left the subway and looked up at the blue sky, I noticed a huge trail of smoke. Something was going on.

The last time I went to New Orleans, I left the day before the authorities closed everything down on account of Katrina. I also had that feeling of something in the air. Yes, lightning can strike twice, three or several times in the same place. In this case, me.

Today, the literature about how we reason to interpret events in everyday life is vast. We tend to work with established models, making simple correlations between variables. Even due to evolutionary reasons, some argue, this is rational (Kahneman, 2013). However, when our comfort zone is broken, these models we use to organize events and establish causalities cease to work. In the established literature, it is also argued that we tend to be Bayesian (Pearl & Mackenzie, 2018), i.e., when an event repeats, we always think it will repeat in the future, which is also reasonable from the viewpoint of our evolution. It turns out that both induction and correlation have their limits, both for producing scientific knowledge, which should found, for example, public policy making, and for solving problems in the face of adversity.

The study of causality processes is particularly complex in social sciences as in epidemics, in which there are several causal factors simultaneously at work with time lag. And these factors can be biological and social. For this reason, clear and objective communication on the part of public policy makers, including politicians, is apparently important to minimize herd behavior, which translates into buying masks that will be in short supply for healthcare professionals, and stocking alcohol gel, regardless of whether it may cause short-term supply deficiency, or disregarding isolation recommended by epidemiological literature and experience.

On the other hand, the very nature of an event like an epidemic, in this case a rampant pandemic, apparently creates in people the feeling that many had, according to some historians, right after the assassination of Archduke Ferdinand, that the war would come swiftly to an end.

When I arrived in Madrid, my feeling of what was happening was also somewhat ambiguous. In the first week of March, life went on
normally: people going to bars, gyms and restaurants and walking in the streets. Madrid is a densely populated city, so you always see lots of people in the streets.

However, the change in this scenario was quick. By the end of the week, I could see fewer people in public places, people with masks and, of course, alcohol gel had vanished from drugstores.

The second week of March was the inflection, both from the viewpoint of my perception of what was happening, and from that of authorities’ actions. At the end of that week, emergency, and subsequently, the social isolation policy were declared, with the closure of all retail shops except for those related to food and medicines. And then it started: reality imposed itself.

From the perspective of microeconomic theory and evidence, the phenomenon of shortage of some products during a catastrophic event is well established and documented in the form of examples and cases in introductory textbooks on economics and microeconomics applied to public policy. There is an increased demand due to expected shortage of products, and that increase hits the inelastic stretch of the supply curve. In other words, prices start to rise, and there is no way to supply the market. Eventually, stocks run out. Contrary to common sense, it is not greed that drives the prices up – although middlemen can interfere with the process. At the industry’s end, there are rising marginal costs and, therefore, firms will produce more of the good, e.g., alcohol gel, since its market price outweighs the rising marginal costs. However, contrary to the belief that the market can solve everything, in limit-situations, compensatory public policies should be used, though not for price control, which creates a parallel market and does not solve the problem, but for increasing the product’s supply by mobilizing the private sector and state laboratories. In Spain, this was the strategy initially adopted and it worked. In addition, there is a substitute for alcohol gel, which is cleaning vinegar, different from the vinegar used for seasoning, and whose acetic acid concentration is high.

From March 16th onwards, when I went out alone here in Madrid (you are not allowed to go out unless you are alone) to go to the supermarket and the drugstore, I would walk into several stores looking for alcohol gel. It reappeared, at the same market price – and there was no price control until then. As a teacher and researcher of microeconomics applied to public policy, I already had a practical example to give to my students. But I resisted the temptation and bought just one 500-ml bottle. Could I have bought more? Yes, but I felt morally constrained.

The role of ethics and moral constraint in economic and social conduct has been a subject in economics since Adam Smith’s Theory of Moral Sentiments (1759). The traditional economic literature, particularly in microeconomics, works with the hypothesis of the Rational Economic Man (Homo sapiens, to avoid a reduction to the male gender), which we will henceforth call REM. The REM was initially built by John Stuart Mill and consolidated, with the idea of methodological individualism, by J. A. Schumpeter (Silva, 2002). To this category Schumpeter attributes methodological individualism, a merely instrumental function. Its role is to explain the collective behavior based on the
individual. When this hypothesis does not apply, pragmatically speaking, Schumpeter gives it up. For example, he does so to build his sociological theory of the entrepreneur. The REM is an instrumental hypothesis of an abstract individual to which a behavioral algorithm is added: the agent seeks to maximize profit or utility by using the best possible means. In this respect, traditional economic theory uses instrumental selfishness: the behavior of agents is viewed as something aimed at satisfying strictly individual needs. It is make believe.

Over time, both in microeconomics teaching and in terms of scientific output and dissemination, many economists have promoted an entropy of information with consequences for public policy making. They treated the REM instrumental hypothesis as a description of people’s real behavior, whatever ‘real’ may be, and as a normative requirement. In other words, people must be selfish. Rationality as the consistency between means and ends is now confused with moral selfishness. This type of confusion has long been criticized (Sem, 1977). However, it still persists in textbooks used in economics and related programs, thus promoting even some moral deviations in the training of professionals, who are trained to be selfish and not to have empathy (Rubinstein, 1977, 2006).

It is necessary to discern between an instrumental behavioral hypothesis and a moral precept to be followed, a rule of conduct to be adopted. It is one thing to pretend that agents are always selfish; it is another to say that they ought to be so. Mill sees some realism in supposing that, when it comes to economics, people tend to be more selfish. There is evidence for that (e.g., shortage of alcohol gel). In normal situations, and especially in limit ones to the point of panic, apparently Hobbes’ wolf overcomes Smith’s moral sentiments. However, that does not mean that flesh-and-blood people are always selfish and, much less, that they must be selfish, I repeat (Schefczyk & Peacock, 2010).

In planning quasi markets and contracts — therefore, policies —, economists usually assume the REM because it is more prudent. In general, there is opportunistic behavior. That is the case when, for example, people buy more of a certain product than they need out of panic, because they think others will do the same. This type of action is completely rational in the face of herd movement. That does not mean that it is desirable. On the contrary, that indicates market failure and the need for government intervention.

However, there is a relatively recent literature on evolutionary game theory, economic anthropology and cooperation studies, which overcomes these limitations of conventional theory based on a more realistic and more general model of economic behavior that returns to the fundamentals of Adam Smith’s economics from his Theory of Moral Sentiments.

Part of this literature argues, based on archaeological, experimental and genetic evidence, that humans produce cooperative balance when there are a large number of individuals involved in a strategic interaction (Bowles & Gintis, 2013). Empathetic behavior is not only explained by selfish reasons, as in the prisoner’s dilemma, or only by empathy towards those who are genetically close to us. Yes, we have visceral empathy for family and friends, but we also have some for those
we don't know. Genetic evolution itself has possibly defined our species as unique by inclining us to obey an ethics of common good and collective values.

Unlike other species intrinsically linked to the logic of evolution and the selfish gene – or, to put it differently, to the algorithm of evolution – ours creates values and institutions endogenously. At work, as well as in social life, we punish extreme selfishness, we tend to isolate individuals who only think of themselves, such as sociopaths and psychopaths. But not only in these extreme cases. When we go to a holiday party or a dinner party, and there is someone who always orders the most expensive dish (the bill is divided by the average) or leaves before paying, we view and evaluate them negatively from a moral perspective. There is a coevolution between us and the institutions we create, including informal ones. Adam Smith’s moral values or impartial spectator (Khalil, 2001) can be placed in this category. Some microeconomics manuals already incorporate this idea (Bowles, 2003).

In line with this literature, there are several scholarly papers based on experiments that relate moral feelings and material interests. Cooperation does not derive only from selfish interests, but from bonds of reciprocity. This literature is important in practice, for example, in designing contracts implicit in microcredit policies, in which the imposition of a moral cost, i.e., a reputational one, can be used to minimize default by borrowers. Indeed, moral constraints, which coevolved with our species’ biological evolution, are relevant factors in explaining various economic behaviors and have practical consequences for policy making (Gintis, Bowles, Boyd, & Fehr, 2005). Experiments with children simulating the “ultimatum game” show that, in a game with repetition, they tend to morally value as the best option to share, say, treats, more equitably between them. There is the perception of selfishness conflicting with empathy. In this case, putting oneself in the other’s place (empathy) leads to a more equitable balance. Cooperative balance prevails over competitiveness, or “win-win” over “win a lot and lose a lot”.

Last week, between March 23 and 27, I remembered I use the ultimatum game with my Introduction to Microeconomics in Public Administration students. Nothing could be more superficial. I watch Spanish government press conferences on El País’ YouTube channel every day. Clear, transparent, tough communication, yet always accompanied by a message of empathy for patients, of course, but also for healthcare professionals, factory workers, bus drivers, food deliverers and couriers. That is important, because authorities are making a speech that goes beyond empathy for your grandmother, great aunt, or your grandfather, your children (yes, the virus has no preferences) to value the community, the common good and the other. The REM hypothesis – turned into ideology – of an amoral being that should not be limited by norms, is not viewed in the current literature, as seen earlier, as reasonable. Additionally, in public policy making, according to the REM paradigm, we should only assume individuals to be opportunistic and selfish. However, when this approach becomes an ideology, it produces in people’s practical life a situation in which the common good, the collectivity, is pushed to the background, thus causing ethical deterioration (Bowles, 2016).
Incentives matter to explain much of economic and social actions. We teach that to students, from undergraduate to graduate programs. Especially when we talk about regulation of companies, oligopolies, natural monopolies, competition. However, good citizens can help. Good citizens are individuals with limited self-interest. Again, empirical and experimental evidence provides elements to combine what in common sense we call civism with individual interests.

When we think of situations such as the tragedy of the commons or the prisoner’s dilemma, agents merely guided by selfish motives can even generate a cooperative balance, so we are told by theory and experimental evidence. But the same theory and evidence show us that this balance is unstable. Agents who limit their self-interest can generate more robust cooperative balances by inhibiting, so to speak, dominant strategies that would compel them to competition or to break the cooperative balance.

I arrived in Madrid for the first time, before this time which would be my longest stay for a sabbatical, in early 2019. It was my first time in the city. As I strolled with my wife and a couple from Madrid, I noticed something peculiar: in several buildings recently renovated and painted, as well as in the Almuneda Cathedral, which is opposite the Royal Palace, there are round marks on the walls, like holes partly smoothed by render cement and painted a light shade of gray so as to purposely remain evident. I asked them what those marks were and the answer was surprising: they were bullet marks – yes, bullets from rifles, pistols, machine guns, from the Spanish Civil War. Memory, a sense of collectivity, of collective pain.

I began to think that more egalitarian societies, in which most people, including the economic elite, go to public schools, develop a sense of empathy and the notion of common good and Republic [in the sense of the word’s Latin root, res publica, “public thing”]. I remembered chapter 5 of Raízes do Brasil (Holanda, 2012) about the Cordial Man (CM), a concept so tortured by misinterpretation and information entropy.

The CM may be regarded, from the perspective of economics or from a more general perspective of the theory of rational choice, as an agent that confuses the public and the private, in that in this agent’s behavior, passion invades the sphere of reason. The republic is the locus where everyone should be treated equally, in an abstract, rational way by the State. The sphere of the family, of the home, is that of passion; the street is the sphere of reason.

To close this account, I should say that in this crisis, Brazil, unlike here, lacks a more empathetic, yet republican communication that reinforces the sense of community and common good, something that goes beyond a certain familialism. However, I suspect, in a very unequal society whose cities have an informal apartheid system, there is no empathy from a significant part of the elites towards the majority. But, as I said at the beginning of this essay, what I am writing here is just a narrative, with all its analytical limitations, but with the purpose of raising hypotheses for scientific research based on intuitions from the streets. In the conclusion below, I present research suggestions in this respect and in others.
CONCLUSION

This paper is a short, speculative essay based on a narrative – therefore, on personal perceptions. Thus, it has limitations. However, as said earlier, its goal was also to raise some empirical, therefore, scientific research hypotheses.

Firstly, there are proxy indicators of cooperation in society, such as Trust (https://ourworldindata.org/trust) and the World Bank’s GovData360 (https://govdata360.worldbank.org/indicators/ha5376100?country=BRA&indicator=41334&viz=line_chart&years=2017,2019) which can be used for comparative studies between countries in order to relate economic and social data with variables intended to measure, with all natural limitations, common good, propensity for cooperation and social capital. In particular, I suggest quantitative research relating those indicators to inequality, using Gini or Theil to test the Brazilian antipathy hypothesis raised at the end of the above narrative.

Secondly, I suggest comparative experiments to evaluate empathy between students of Business Administration, Public Administration, Economics, Law, Public Health, Medicine and Social Sciences. We need to assess, for cohorts of students of these fields, how they are in terms of moral values and empathy as they enter their undergraduate programs and as they graduate from them. Psychiatric questionnaires used to assess psychopath behavior can be administered in order to measure empathy and antipathy both at the beginning and the end of these undergraduate programs.

Thirdly, I also suggest evaluating how ethics is being addressed in business programs, since there is something I did not say in the narrative above, but I do now. In Spain, it is unthinkable to see an executive, CEO or businessperson making statements like the ones we hear in Brazil about containing the epidemic. Therefore, there is room for extensive academic research on the ethical education of business students at various levels, as well as of executives and businesspersons. Comparative studies between countries, involving collaboration between universities, can also be considered.

Fourthly, a curricular discussion, and not just a research agenda, is in order. We need to change the way we teach microeconomics in administration and public administration programs. We should probably also work in a simpler way, using real and practical cases, since models are complex, with the expanded coevolution model.

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