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## The Foundations of Human Pro-Social Behaviour: Some Economic Aspects

Elena A. Frolova <sup>a\*</sup>, Veronika A. Malanina <sup>a</sup>

\* Corresponding author: Elena A. Frolova, fea78@mail.ru

<sup>a</sup>Tomsk Polytechnic University, Lenina av, 30, Tomsk, 634050, Russia

### Abstract

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Pro-social behaviour has an economic foundation. Income rate, social discount rates, incentives and welfare motives force agents to act pro-socially. Pro-social behaviour is realized through the institution of social responsibility, which includes non-market coordination mechanism, altruism, social capital and trust. The nature of the institute of social responsibility and its components are described in the first part of the paper. The second part describes the conditions that promote pro-social behaviour and reflect the main features of the institute of social responsibility. In the third part we tested the hypothesis of the second part on the basis of a comparative analysis of pro-social behaviour in Russia and OECD countries. In the fourth part we summed up the conclusions of the study. The study found a direct connection between the pro-social behaviour, the level of trust, volunteer and charitable activities. For empirical testing of theoretical hypotheses we use sociological surveys data of WVS (2010-2014), ESS (2012). In this paper we evaluated the pro-social behaviour in Russia in comparison with OECD countries. We used the following indicators: positive expectations for the future, trust, participation in volunteer activities and charity. We found that pro-social activity is poorly implemented in Russia. The low level of per capita income, low level of interpersonal trust, weak development of volunteer and charitable activities and pessimistic expectations of the future - these are the key factors that reduce pro-social activity in Russia.

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### 1. Introduction

Pro-social behavior at market economy is one of the most theoretically discussing issues. Some mainstream researchers argued that an economic agent behaves himself rationally. Namely, in daily activities, making decisions, and he seeks to maximize his own utility, regardless of the social context. It is well-known principle of methodological individualism. Autonomous economic agents and their activities in the short term became an object of analyses. This is dominant point of view in modern economics.

However there are a lot of studies and empirical results in modern experimental and behavioral economics in the last 10 years. In these studies researchers find stable pro-social preferences of economic



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agents. These studies were carried out on the basis of the game theory and economic psychology. Also sociological and institutional economics researches play a significant role, due to the fact that significant pro-social behavior factors are based on the social norms and institutions.

The influence of social norms on the economic agents behavior is presented in (Fehr, 2004; Ehrlich, 2005; Dufwenberg, 2001; Norms, 2010). The pro-social behavioral models, based on the game theory described in (Binmore, 2010; Bandiera, 2005; Bowles, 2008; Schmidt, 2011; Brandts, 2010; Dreber, 2014; Fehr, 2007; Bohnet, 1999; Brodbeck, 2013). Explanation of pro-social behavior on the basis of altruism and reciprocity is given in (Trivers, 1971; Kolm, 2006; Hwang, 2012; Khalil, 1990; Klavans, 2014; Yao-Hua, 2013; Fehr, 2002, 2003; Oda, 2014; Bruni, 2008; Hodgson, 2013). External factors of pro-social behavior are described in (Rese, 2013; Frey, 2004, 2005; Laerhoven, 2011; Ostrom, 1990; Sigmund, 2010).

Taking into account theoretical hypotheses, advanced by the authors in their works, we will focus our attention on the social norms and economic conditions that promote pro-social behavior. We believe that pro-social behavior, including altruism and reciprocity, and rejection of inequality, are caused by social norms and economic conditions of a particular community. To stimulate pro-social behavior, it is necessary to create the economic order that will define the boundaries of economic agents' behavior, to prevent opportunism, reduce transaction costs and ensure socio-economic efficiency. The institution of social responsibility is the foundation of this economic order. It shapes the behavior of key economic actors: individual, business and government. Institute of social responsibility provides coordination of economic agents' activity and harmonization of their interests, contributes to social and economic efficiency, ensures the wellbeing of human and society.

In the first part of this paper, we describe the nature of institution of social responsibility and its main components. The second part will be devoted to pro-social behavior conditions and reflect the main features of the institute of social responsibility. In the third part we will test the hypothesis of the second part on the basis of comparative pro-social behavior analysis in Russia and OECD countries. The fourth part will summarize the results and make conclusions of the study.

### *1. The nature of social responsibility and its components*

Disproportions in modern economy, global crises and instability are often based on the conflict of interests of economic agents. Desire to maximize the benefits leads to finding ways to rapid achievement of material purposes, often to the detriment of other economic actors' interests. At the same time, key benefits are concentrated in the hands of the most affluent people, while the wealth of unsecured people is constantly decreasing. As a result, the principle of economic rationality leads to increase in social inequalities and increases the gap between private and public welfare. Even Arthur Pigou noted that social wellbeing is not a sum of private wealth because of external effects. Increasing economic and social inequality also mentioned in the works of Torstein Veblen, Karl Marx, Fredrick List and others. Torstein Veblen associated inequality with existing institutions that encourage the accumulation of wealth and conspicuous consumption. Karl Marx believed that inequality caused by class conflicts, based on the mismatch of the productive forces and production capabilities of the society. Fredrick List explained inequality by variety in access to the core production factors caused by national characteristics of economy.

The deepening of socio-economic contradictions and differences in the interests of economic agents after World War II leads to polarization in a global economy in general where the differentiation is increasing not only between subjects and groups (communities), but also between countries. As a result, there is the threat of global economic and social disaster. In these circumstances there is a special interest to study the cooperative behavior which aims to prevent conflict of interests of economic agents. As indicated in empirical studies related to economic sociology and behavioral economics, the principle of individual utility maximization is not universal (Bowles, 2004; North, 2009; Granovetter, 1973). There is a wide range of terms that cause people taking into account primarily interests of other persons in the process of individual decision making – thus, acting pro-socially.

Advantages of pro-social behavior are non-obvious, but very significant:

- 1 The absence of conflict of interest
- 2 A higher level of social welfare
- 3 The growth of social capital and trust
- 4 Reducing uncertainty and damage from the opportunistic behavior

However, there are considerable shortcomings that are associated with missed opportunities: partial loss of income, current consumption reduction and additional costs. Thus, pro-social behavior will be realized if the benefits are greater than the additional costs. It requires a set of institutions of economic order that will provide cooperative economic and social equilibrium.

We think that the foundation of pro-social behavior is the institution of social responsibility, which provides the effects of increasing returns in the market competition and social cooperation. Social responsibility - is an informal institution (the set of rules and regulations), which creates a pro-social economic order, ensures social stability, sustainable development, human and society wellbeing.

Institute of social responsibility includes normative, cognitive and behavioral elements. Normative element specifies the notions of "the proper", creating the norm of social responsibility. Cognitive element ensures awareness of the rule and its internalization, determines the significance of the rule in the decision-making process. Behavioral element creates the templates (routines) of sustainable daily socially responsible behavior during the interaction of different social groups. A combination of these components ensures the institute of social responsibility steadiness to short-term changes, creates a long-term behavioral strategy of economic subjects (individual, business, government).

Social responsibility is an informal institution, because the norm of social responsibility does not have the law status, does not rely on punishment by the government, is supported on the basis of wide practical use of this rule by different social groups and fixed during the process of cultural evolution. Government enforcement of norms is not used and therefore there is no counteraction power of the state.

## *2. Factors and conditions of pro-social behaviour*

Institute of the social responsibility supports the set of socio-economic factors:

1. Non-market coordination based on ethic relations and not mediated by money. Studies show that [7,32] market mechanisms mediated by money, stimulate the selfish behavior aimed at maximizing personal gain. Exchange not related with the financial equivalents contributes pro-social behavior (the reciprocal exchange, exchange of gifts). Reciprocal exchange implies the

expectation of return in the future, as is the exchange of equivalent values, which, however, do not have the exact monetary evaluation. This mechanism is used in volunteer activities, in providing individual mutual assistance. It is commonly used in the activities within families: housekeeping, helping relatives.

2. The economic subject obtains special properties. From the homo economicus, he turns into homo institutions. In his actions, he primarily focused on social norms. Individual by his nature is a social creature; he cannot exist outside the community (including the effect of specialization and division of labor). Also, because of territorial and social characteristics of each individual he is forced to frequently interact with the same people (neighbors, colleagues, friends, staff). The tighter the relationship with the community, the more significant are social norms of the community, the greater is the pro-social behavior.
3. Altruism prevails over egoism. Altruism - an internal motive of the individual activities aimed at the welfare of the people around the individual at the expense of his personal interests. Altruism is different from reciprocal behavior. It does not imply return expectations - mutual exchange. It is based on aspiration to provide assistance without additional conditions. Altruism is closely associated with the individual self-esteem and realizes the need of the individual for self-esteem. "I provided assistance - I'm good." It also promotes an environment of mutual warm glow - to obtain additional benefits from the pro-social behavior from other members of the community (respect, prestige). Charity is based on this mechanism. Also a form of altruism manifestation is the rejection of inequality, when the subject is helping to equalize socio-economic status of other individuals for more equity.
4. Impersonal social relationships. Impersonality. Trust. The interaction of economic agents should comply with universal rules, which do not depend on individual properties of the person and the same for everyone. In terms of D. North this is the order of open access (North, 2009). Impersonal trust expands the boundaries of social networks and contributes to increasing social capital. Particularly important in this context are the relationships that are formed between strangers. These are called weak ties (Granovetter, 1973). They become the "bridge" that provide stable cooperative interaction of various social groups, contribute to widening the sphere of pro-social behavior.
5. The high level of economic development, income, consumption and savings. Pro-social behavior is more typical for the middle class. However, there may be differences depending on the national characteristics of the social structure and institutional system. Relatively high level of income and savings enables greater involvement of social groups in the sponsorship and charity activities. If incomes are much higher than consumption, there is no threat for life and health of the individual due to the scarcity of income. Also, the middle class - are subjects that "have much to lose," so the threat of loss, such as social status by ignoring social norms is estimated as a significant reduction in welfare.
6. Pro-social behavior is extended when subject receives a confirmation of the effectiveness of such activities. Actors who in their daily operations face the manifestations of pro-social behavior are more likely to do likewise. In contrast, pro-social behavior in an environment with

a predominance of selfish motives, leads to deterioration in the situation of an individual who is inclined to pro-social activities.

7. The expectations for the future. Long-term planning horizon of the future contributes to pro-social behavior due to the decreasing of social discount rates (Ostrom, 1990). In contrast, a focus on short-term benefits at the expense of long-term strategy leads to selfish motives enhancement - “Me mortuo terra misceatur igni”. A type of long-term expectations plays an important role. Optimistic expectations reinforce pro-social activity. Pessimistic expectations cause subjects to think about their own welfare at the detriment of social effects.

Parameters of the pro-social behavior described in this part allow to use large-scale social science data for comparative evaluation of pro-social activity level.

### 3. Pro-social behaviour in Russia

Sociological studies of pro-social behavior in Russia systematically conducted only for few last years. Three alternative methods are used: WVS, ESS, Public Opinion Fond (Russia). Data received by these approaches do not fully comparable with each other because of differences in the methodology of the study. But it is possible to find common ground and to test the influence of the factors mentioned above. OECD experts calculate the index of pro-social behavior, which includes evaluating tendency to help strangers, participation in charitable and volunteer activities. “Pro-social behavior averages country responses to three questions about whether the respondent has volunteered time, donated money to a charity and helped a stranger in the last month (Society at a Glance 2011). According to experts, pro-social behavior is directly related to income. The higher the income, the higher the tendency to pro-social behavior.

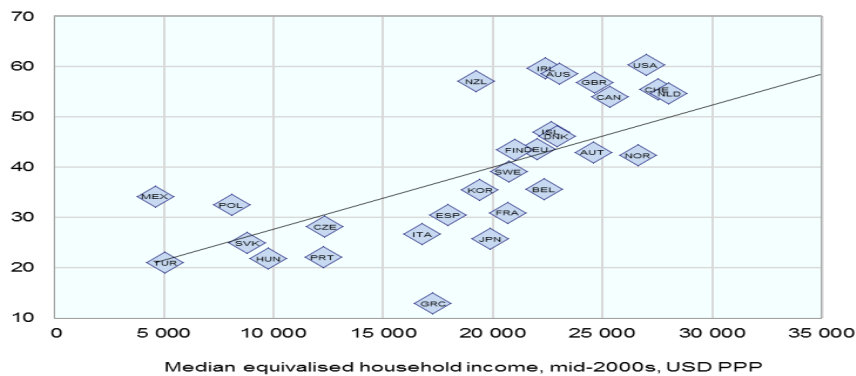


Fig. 1. Pro-social behavior index, 2010, percentages

Overall pro-social behavior index in Russia is just over 20% and in the aggregate rankings Russia has one of the last places among OECD countries and BRIC.

Detailed data on the components of pro-social behavior are presented in the report of the OECD in 2014. One may notice that Russia takes the last place among OECD countries and BRIC in terms of community involvement in charitable activities, indicating the low prevalence of charities and low level of confidence in them.

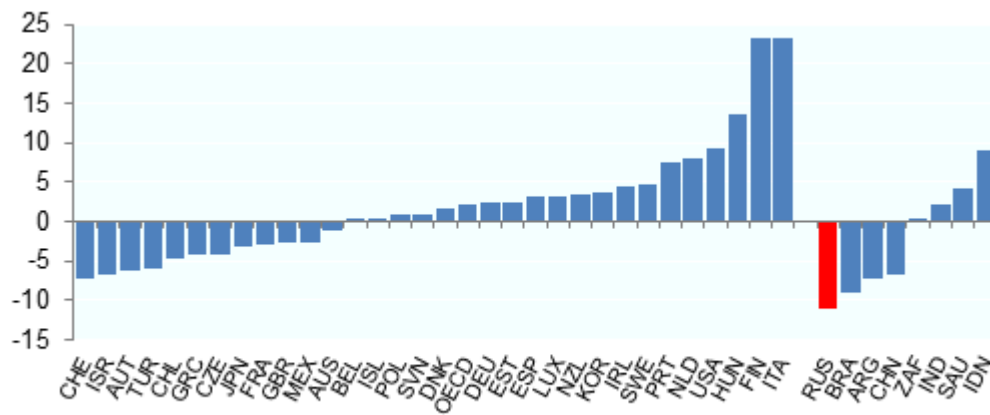


Fig. 2. Percentage points variation in the share of people who reported that they helped a stranger or someone they did not know who needed help between 2007 and 2012 (Society at a Glance 2014)

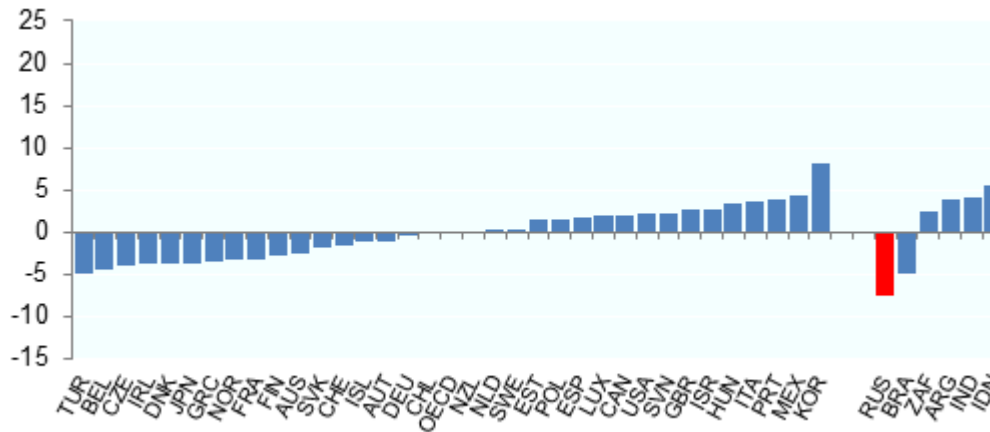


Fig. 3. Percentage points variation in the share of people who reported having given volunteered time to an organization between 2007 and 2012 (Society at a Glance 2014)

However, other parameters that determine the tendency to pro-social behavior, including the structure of the institute of social responsibility are not evaluated. Therefore, in addition to the evaluation of the hypothesis testing of the second section we will use the following indicators: optimism about the future, the level of trust. According to the level of optimism about the future, Russia also occupies rows at the end of the table. Only 60% of the population at Russian Federation believes that their future will improve, while at Germany, for example, this proportion is much higher - 81%. One of the rating leaders in pro-social behavior is UK, where more than 70% of people feel optimistic about the future. Even more discouraging picture emerges when we see the ranking of countries in terms of interpersonal trust. Only 30.4% of the population in Russia believes that most people can be trusted, in the UK 51.7%, in Norway - 70%.

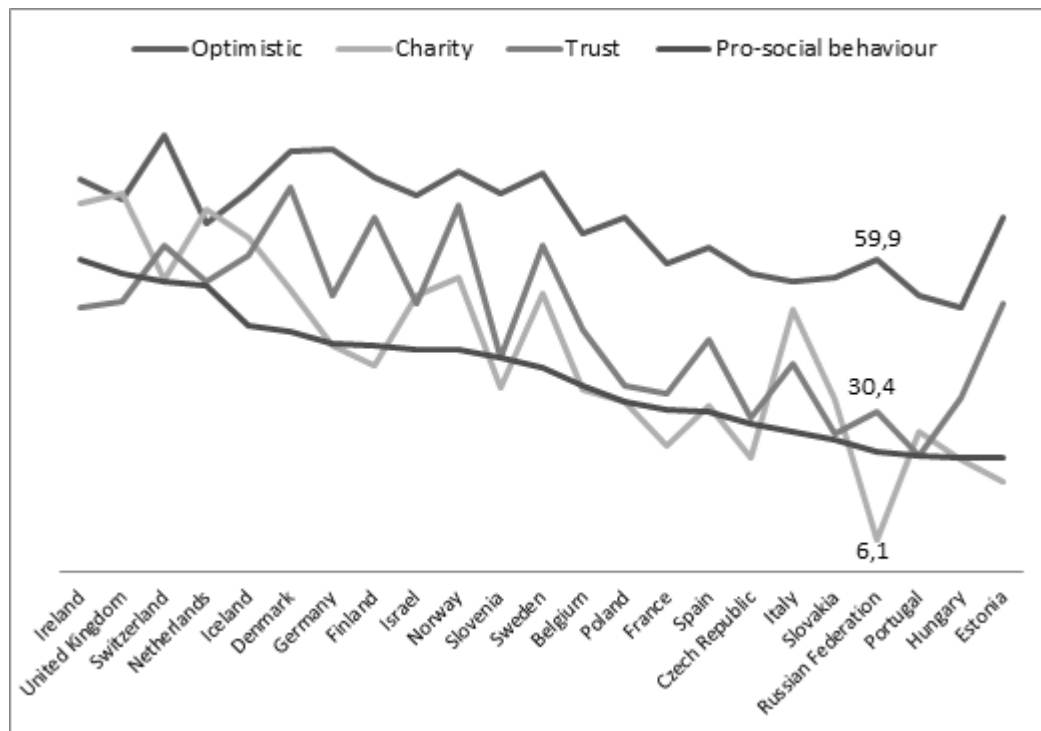


Fig. 4. Pro-social behavior, trust, charity and expectations about the future in OECD and Russia (ESS-2012)

Thus, as a result of the study, we received confirmation of the basic study hypothesis: there is a close interconnection between the basic parameters of pro-social behavior. Decrease in the index of pro-social behavior is accompanied by a general trend of reducing optimism about the future, the decline in the level of trust and community involvement in the activities of charitable organizations. High personal incomes encourage pro-social behavior.

Russia's position in these rankings reflects the low level of realization of pro-social behavior and social responsibility in general that is caused by: low levels of per capita income, low level of interpersonal trust, weak development of volunteer and charitable activities, pessimistic expectations of the future.

Russia needs a system of institutions, which motivates and supports pro-social behavior, including increase in people's well-being and increases the confidence in future, social stability and prosperity.

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