

Human Nature

Morality and social norms are informal rules of law which humans invent to deal with conflicts which do not yet warrant formalization in law. Morality exists for pragmatic reasons, the result of a Folk Theorem.

Humans are entirely self interested. I offer this without proof because it is patently self evident. Charity or selflessness is only the product of fear, guilt, mistaken strategy and superstition. Individually, the human being is interested in one thing and one thing alone and that is to achieve whatever they wish to achieve unimpeded. How do we pass from the self interested individual to a system of social norms or morality that governs collections of individuals? Humans interactive repeatedly, thus engaging in repeated games, and hence any grim trigger strategy will punish deviation to such an extent that cooperative behavior becomes accepted as a social norm or a form of morality.

It is useful to understand behavior with these basic axioms. The analysis can be extended to policy makers, government, individuals, economic agents, crowds and markets. These axioms do not replace the basic motivations of fear and greed. They do, however, animate these motivations.

Prior to the financial crisis of 2008, the world was driven by greed, not fear. The objectives of profit, of gain, dominated the world. Under our assumptions of human behavior, the boundaries of moral and socially accepted behavior, even lawful behavior would be tested by the most ambitious examples of humankind. The types of behavior under greed were concentrated in fraud, the inflation of one's own abilities or achievements in order to obtain acclaim or reward. Some of this fraud has been discovered but it is almost certain that some have escaped detection, at least until another day.

The current climate is characterized by a shrinking economic pie and increasing desperation, resulting in a more contentious atmosphere, protectionism and a latent state of conflict. Fear will drive behavior and test the boundaries of social norms and morality for the foreseeable future. Our analysis of human behavior should be advised by this regime.

- Protectionism and Mercantilism including for example, competitive currency

debasement.

- Martial conflict, over resources and territory for example. As a species we have matured beyond conflict over ideology and other such high principles.
- Fraud to hide weaknesses rather than advertise strengths.
- Risk of expropriation by means direct or indirect, overt or covert, including financial oppression.
- Increased risk of Class Conflict arising from wide and growing disparity of wealth, income, and opportunity.