

Moral Sentiments and Trust in Health Economics: Insights from Vernon L. Smith's Experimental Research

Matteo Maria Cati*

University of Bologna 2 Scaravilli Square 40126 Bologna, Italy

***Corresponding author:** Matteo Maria Cati, University of Bologna 2 Scaravilli Square 40126 Bologna, Italy

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ABSTRACT

"Experimental work, most notably Vernon L. Smith's classic trust games [1], has successfully established the role of social norms, reciprocity, and moral sentiments to explain behavior in humans [2]. These revolutionary findings differ significantly from what the traditional health economics approach takes as given, i.e., that individuals' healthcare decisions are solely based on rational cost-benefit considerations. In this opinion piece, health economics must integrate these behavioral insights to understand better and design healthcare systems that foster trust, ethical conduct, and effective policy implementation. By applying Smith's experimental findings to health economics, we can develop models capable of capturing more accurately real-world healthcare behaviors and improve decision-making frameworks [3].

Keywords: Vernon L. Smith; Trust in Healthcare; Moral Sentiments; Reciprocity; Experimental Economics; Health Policy; Behavioral Health Economics; Health Insurance; Public Health Interventions; Economic Decision-Making

Introduction

Rationality has always been the choice paradigm of the traditional approach to health economics: individuals maximize utility by comparing the costs and benefits of healthcare decisions [4]. However, such a framework seems unable to explain key behaviors such as adherence to medical advice, willingness to pay for health insurance, and participation in public health programs [5]. Recent research in experimental economics, particularly in trust games, demonstrates that moral sentiments, including trust, reciprocity, and fairness, are crucial in explaining decision-making [6]. Vernon L. Smith and Bart J. Wilson's research on The Theory of Moral Sentiments helps us understand how trust and ethical considerations impact economic transactions [2]. I argue here that integrating such knowledge in health economics can enhance healthcare delivery and policy design.

Trust and Reciprocity in Healthcare

Trust is what any healthcare system is built upon, with people placing their health in the hands of physicians and expecting care with integrity and commitment. The literature refers to this as trust,

and policymakers rely on public trust to implement health programs effectively [7]. Experimental trust games reveal that people often reward trustworthy behavior and punish perceived fairness violations, even at a personal cost [8].

- **Doctor-Patient Relationships:** Treatment adherence depends on the patient's trust in their physician, even when financial incentives are absent [9]. The more patients trust their physicians, the more likely they will adhere to treatments. A pure rational model does not consider medical care's deep social inherent contract [10].
- **Health Insurance Participation:** Trust in institutions influences whether individuals enroll in and consistently contribute to health insurance [11]. Skepticism about insurers' motives can lead to adverse selection and lower participation rates [12].
- **Public Health Policies:** Compliance with vaccination campaigns, pandemic responses, and preventive care initiatives depends on whether people perceive policies as fair and morally justified [13].

The Limits of Traditional Economic Models

Neoclassical health economics struggles to explain why individuals engage in costly prosocial behaviors, such as donating blood, adhering to public health guidelines, or paying more for ethical healthcare options [14]. Standard models assume that individuals act purely out of self-interest, but experimental research suggests otherwise [15]:

- People punish those who violate health norms (e.g., refusing to vaccinate) even when doing so is costly [16].
- Altruistic motives often drive medical professionals beyond financial incentives, shaping their ethical conduct [17].
- Social norms influence health behaviors, such as smoking cessation and dietary choices, in ways that purely financial incentives cannot predict [18].

A Call for a New Health Economics Paradigm

“Integrating moral sentiments into health economics does not mean compromising on rigour in analysis. It involves constructing more integrated models that incorporate behavioural knowledge, better capturing the complexity in decision-making in humans [19]. Policymakers should:”

- Design trust-enhancing health policies that acknowledge decision-making’s ethical and social dimensions [20].
- Use behavioral experiments to test interventions before implementation, ensuring they align with public perceptions of fairness [2].
- Incorporate reciprocity and moral considerations into incentive structures for medical professionals and insurers [3].

Integrating Vernon Smith’s experimental findings into health economics can create better, more ethical, and socially responsible healthcare policies. With Vernon’s work, trust and moral sentiments are no longer seen as economic rationality distortions but have become a required aspect in how people navigate healthcare choices in a complex world [6]

Conclusion

The advancement of health economics requires adopting a more comprehensive view of human behavior that integrates trust, reciprocity, and ethical considerations [4]. Utilizing insights from experimental economics enables us to promote a healthcare model that prioritizes inclusivity and patient well-being in healthcare decision-making [5].

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mental economics and trust games have profoundly influenced my understanding of human decision-making, particularly the role of moral sentiments, reciprocity, and social norms in shaping economic behavior. His insights have been instrumental in refining my perspective on the intersection of behavioral economics and health policy, reinforcing the need to integrate these fundamental human elements into economic models. I am truly grateful for his generosity in sharing his thoughts and for the lasting impact of his work on my research.

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Matteo Maria Cati. Biomed J Sci & Tech Res



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