

Introduction to the Economics of Altruism, Giving, and Reciprocity

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First think, then compute
(A teacher of mathematics)

Content

Foreword

I – GENERAL OVERVIEW

1. The economics of moral sentiments
2. Motives for altruism and altruistic giving
3. Structures of altruism
4. Altruism and democracy: Altruistic joint giving and its public implementation
5. Motives and reasons for nonaltruistic giving
6. The structure of nonaltruistic giving
 - 6.1 From motives to forms
 - 6.2 Contradictions and possibilities in the logic of motives
7. The inefficiency of individual giving when joint or public giving is possible: the perplexing joint giving theorem
8. Reciprocities
 - 8.1 An overview
 - 8.2 “Human rocks on which societies are built”
 - 8.3 The special games of reciprocity
9. Importance and scope of giving, altruism, and pro-social conduct
 - 9.1 Overview
 - 9.2 Families
 - 9.3 The political and public sector
 - 9.3.1 Public services and general political motives
 - 9.3.2 Actors of the political and public system
 - 9.4 Giving in philanthropy, solidarity, and charity
 - 9.4.1 Social situation
 - 9.4.2 Motives
 - 9.5 General respect, civility, sociality, and help
 - 9.6 The correction of “failures” of exchanges and organizations
 - 9.7 Associations, clubs, cooperatives
 - 9.8 The workplace and labour relations
 - 9.9 Social giving: relation, symbol, status
 - 9.10 Normative economics and the good society
10. Giving reactions
 - 10.1 About two particular issues that caught the fancy of economists: intertemporal giving and the internalization of the gift externality
 - 10.1.1 Intertemporal giving, both ways: bequest and the retro-gift public debt
 - 10.1.2 Economic internalization of helping externalities
 - 10.2 Interferences with altruistic giving: general view
11. Solving “Adam Smith’s problem”
12. The causes of and reasons for altruism

II – ALTRUISMS AND GIVING

13. Altruisms: types and causes or reasons
 - 13.1 General presentation
 - 13.1.1 Introduction
 - 13.1.2 The twelve basic types of altruism
 - 13.1.3 The objects of reasons for giving and altruisms
 - Gift or receiver’s situation
 - “Paternalism”

- 13.2 Natural or hedonistic altruisms
 - 13.2.1 Emotional contagion
 - 13.2.2 Empathies
 - 13.2.3 Affection and sympathy
 - 13.2.4 Compassion and pity
 - 13.2.5 Relations and nature of hedonistic altruism
- 13.3 Normative altruism
 - 13.3.1 The three types of normative altruism: moral, social and rational
 - 13.3.2 Moral and social normative altruism and giving
 - Nature and distinction
 - Applications
 - Comparisons: natural, normative, moral, social
 - The ambiguous status of social normative motives
 - A society is more altruistic than its members
 - Self-image
 - Moral akrasia
 - 13.3.3 Rational altruism
 - General principle
 - Substitution
 - Putative reciprocities
 - Justice
 - Universalization

14. Altruism and justice; impartial altruism

- 14.1 Altruism and justice
- 14.2 Impartial altruism
- 14.3 History
- 14.4 Altruism and justice: consistency or conflict, force or freedom

15. Giving: an abundance and variety of motives and reasons

- 15.1 An overview
- 15.2 Social effects
 - 15.2.1 Opinion
 - 15.2.2 Situation
 - 15.2.3 Relation
- 15.3 Intrinsically normative (non-altruistic) giving
- 15.4 Self-interested giving
 - 15.4.1 Introduction
 - 15.4.2 Gifts and interests
 - 15.4.3 Giver's benefit from the gift's effect on processes and their outcome
 - The general property
 - The "transfer paradox" through effects on prices, markets, or exchange
 - Redistribution
 - Exploiting the return gift, sequential exchange, reverse reciprocity
 - Reputation, social effects, image, status
- 15.5 Giving in social relations and communities

III – VALUES AND HISTORY

16. The normative economics of altruism and giving

- 16.1 The ethics of economics
- 16.2 The intrinsic value of altruism and giving
- 16.3 Giving as improving fairness in freedom
- 16.4 Altruism, giving, reciprocity, and failures of economic interactions
 - 16.4.1 Causing market failures
 - 16.4.2 Curing market failures
- 16.5 Liberal social contracts and joint giving
 - 16.5.1 Liberal social contracts
 - 16.5.2 Public goods and joint giving
 - 16.5.3 The core with interdependent coalitions
- 16.6 Retrogifts and the process-liberal public debt
- 16.7 Selfish altruism: The situation of the other person may be your own
- 16.8 Distribution as a public good: the distributive surplus

17. Historical landmarks

- 17.1 Economics and altruism
- 17.2 Interdependent utilities and social choice
- 17.3 Altruism and uncertainty
- 17.4 Interdependent utilities and interdependent giving
- 17.5 A notable debate: blood and the efficiency of giving
- 17.6 Volumes in the economics of giving, altruism and reciprocity

**Appendix to Section 7: The joint giving theorem
References and Bibliography**

Foreword

Love, justice, and compassion move people, allocate goods, and structure societies. Families – the institutions for love – form and endow children, thus creating most of accumulation and growth. Exchange and markets rest on the respect of rights and rules, much of which is spontaneous. Compassion alleviates miseries collectively through the support of public aid, and individually through private and organized charity. Voting and political action are importantly motivated by views of the common good, the public interest, and fairness, and they determine the high level of taxes paid. All organizations require some mutual aid and trust among their members. Various associations are created with the main or sole purpose of acting together or enjoying each other. Life in society and its quality require the respect of others and their rights, basic fairness, and readiness to help. The quest for self-interest is often in fact that of means to give to one’s family, secure the respect of others, and sometimes help others or support causes. Without the required concerns for others, self-interested interactions would produce miseries, fail to work through exchange, and degenerate into wars of all against all. If “you cannot make good literature with good sentiments,” as André Gide wrote, you can hardly make good economics with only poor ones. “Man is neither angel nor beast.” Altruism, giving or respecting, and reciprocities – i.e., answering a gift with another gift – are “human rocks on which societies are built.” (M. Mauss).¹ This includes their economy.

This topic would have to become the new frontier of economics, were it not, in fact, its oldest concern and tradition. Economics has always studied altruism and giving, with landmarks in works of Adam Smith, John Stuart Mill, Ysidro Edgeworth, Vilfredo Pareto, Léon Walras, or Philip Wicksteed, for instance. These studies incurred an upsurge in the last third of the 20th century, notably with analyses of “interdependent utilities” motivated by affection, compassion, or a sense of justice, and of reciprocities. Altruism also relates to the field of normative economics and “social choice” since caring about the quality or fairness of society implies caring about other persons. These studies seem to have proved that the general concepts and methods of economic analysis can be very helpful for the study of altruism, giving, and reciprocity, provided that the relevant motives, sentiments, and types of relations are adequately considered.

The present introductory chapter aims at providing the necessary basis for the economic analysis of altruism, giving, and reciprocity. Its core is the second of its three parts, which presents the various types of altruism and of giving, whose specification is necessary

¹ *Essay on the Gift*, 1924.

for understanding the phenomena under consideration. The third part focuses on the normative implications of altruism, giving, and reciprocity, and on historical landmarks of their analysis. The first part presents main issues about the economics of altruism, giving, and reciprocity.

This first part presents, in particular, the social importance and the scope of the various kinds of relations of giving and altruism (Section 9); the various structures of altruistic concerns for others and of their interdependences (Section 3); the motives and structures of non-altruistic giving (Sections 5 and 6); an outline of the question of reciprocities (Section 8); the issue of the efficient crowding out of altruistic joint giving by transfers of public aid (Section 7); the reactions of giving to transfers, and in particular the questions of intergenerational transfers through bequests and the public debt, and of giving induced by redistribution (Section 10); the relation between selfish and altruistic motives and conducts (Section 11); and the origin of altruism (Section 12).

Altruism and giving have many different types which, however, divide into main categories. Altruism is hedonistic (or natural), or normative. Hedonistic or natural altruism includes affective altruism (affection and the milder sympathy), pure hedonistic altruism which is either empathy or emotional contagion, and moral hedonistic altruism which includes compassion and pity. Normative altruism refers to “intuitive” moral values and norms, to non-moral social values and norms, and to rational moral principles (e.g., impartiality and justice, universalization such as Kant's, or putative reciprocity).

All types of altruism can motivate giving and helping. Yet, giving and helping can also result from other motives, which are to obey intrinsic norms or to induce various social effects, or are more purely self-interested. The social effects of giving can consist of judgments or sentiments (praise, esteem, status of virtuousness, gratitude, affection), social situations (giving can result from or create both a higher or lower status), and social relations (peace, goodwill, agreement, friendship, liking, and enjoying the social intercourse). Giving can also favour the self interest of the giver through various effects which can be return-gifts, rewards of various origins, consequences of status, or indirect effects through markets or political or other social processes.

The most important effect of altruism is probably the respect of other persons and their rights and properties, which could not sufficiently and well be secured only by self-defence and the police. This permits peace, social freedom defined by this respect – it is the basic social ethic of our societies –, and the general amenity of society. This respect is in particular a condition of a working market system. Moreover, further norms of conduct and reciprocities provide the spontaneous correction of various market failures and of similar potential deficiencies of organizations (yet, collusions and reciprocities also sometimes create market failures). Families constitute of course a prominent field of display of the sentiments and conducts under consideration. The economic effects of bequests are particularly important. Finally, altruistic care for alleviating misery leads to charity, which is important in some societies, and also to political support of the large fiscal transfers where this motive associates with a sense of justice (and the large number of uncoordinated givers makes public transfers a priori the efficient means).²

² Many questions considered in this introduction have been discussed with Jean Mercier Ythier, sometimes for a long time. Jean also read in detail and commented the text, in proposing many improvements always relevant and often adopted. Remaining imperfections of all kinds can only show

I – GENERAL OVERVIEW

1. The economics of moral sentiments

One of the best known and most often quoted of all texts is the first lines of the first book of the founding father of economics, Adam Smith:

Chap. I

Of Sympathy

How selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it except the pleasure of seeing it. Of this kind is pity or compassion, the emotion which we feel for the misery of others, when we either see it, or are made to conceive it in a very lively manner. That we often derive sorrow from the sorrow of others, is a matter of fact too obvious to require any instances to prove it ; for this sentiment, like all the other original passions of human nature, is by no means confined to the virtuous and humane, though they perhaps may feel it with the most exquisite sensibility. The greatest ruffian, the most hardened violator of the laws of society, is not altogether without it.

(*The Theory of Moral Sentiments*, Part 1, Section 1, Chapter 1).

Smith would probably want his remark to apply even to economists. However, later economists would prefer to express it in a “spirit of geometry” rather than in Smith's “spirit of *finesse*” or subtlety (as Blaise Pascal puts it). They would represent the higher or lower level of happiness of individual i by the value of an ordinal utility function u_i , and write the influence emphasized by Smith as

$$u_i = u_i(u_{-i}, x_i), \quad (1)$$

where $u_{-i} = \{u_j\}_{j \neq i}$ is the set of the levels u_j for all individuals $j \neq i$, and x_i denotes other factors of individual i 's happiness, including her own consumption.³ The universal sentiment described by Smith makes each u_i be an increasing function of each u_j for all $j \neq i$, particularly for low levels of u_j representing individual j 's misery. Smith even says that sufficiently high levels of u_j for $j \neq i$ are “necessary” to individual i , which can probably be translated as necessary for u_i to have a sufficient level. The specific sentiment Smith has in mind does not even allow that some u_i does not depend on some u_j , but the influence may have various magnitudes. Malevolence, malice, *schadenfreude*, envy, and even plain indifference to others' pain or joy, are other topics and are probably suitably considered as pathologies of human sentiments.⁴ However, we should never forget that, as history teaches us, it is also a fact that practically any human being can very easily kill others if he has been sufficiently persuaded that they are different from him and noxious to his society. Man is capable, towards his fellow men, of the

my own limitations. I also want to express my gratitude to all contributors of these volumes, for giving me the exceptional opportunity to read and comment their chapters, and for discussions during the two meetings which prepared this work and a previous research volume on the same topic (*The Economics of Reciprocity, Giving and Altruism*, 2000, London, McMillan, for the International Economic Association).

³ See Kolm 1966a.

⁴ The economics of envy and other comparative social sentiments is presented in Kolm 1995.

deepest love and the most admirable sacrifice, as well as entrenched hatred and the most atrocious cruelty, and anything in between. This volume, fortunately, restricts its concern to altruism and giving – including reciprocity that the social science classically defines as a set of related gifts.

The main importance of altruism, giving, and reciprocity, is that they constitute essential facts of societies, which keep them together, are basic aspects of them, provide some of their main properties, and influence all other aspects. They appear in general sociality and the general respect of people and their rights, in families, in all groups or communities, in works of charity, and in and through political life and public policy. They are importantly and sometimes crucially enlightened by their economic analysis, and they are essential in the working and performance of the economic system. They both permit exchanges and remedy their various failures. Even in keeping to the most superficial aspect – numbers –, private charity transfers some 5% of GNP in the US. However, this joint giving to the poor and needy people is a public good and we will see that efficiency, democracy, consistency, and morals demand, that it be realized by public transfers: this is indeed the case for several times this amount in most countries. Moreover, gifts to children in education and bequest account for about 80% of savings, and hence of investment, capital accumulation, technical progress, and growth.⁵

2. Motives for altruism and altruistic giving

Altruism is the preference for the good of some other people in itself, and it also denotes acting in favour of this good for this motive. It has more causes or reasons than noted in Smith's introduction. Smith notes *compassion* and *pity*. He later mentions a sentiment which is a kind of what we now call – after Max Scheler – *empathy* from imagining oneself in the place of the other person. He also suggests a *contagion of emotions* (Spinoza's *imitatio affectuum*). The term *sympathy* he employs rather means nowadays a weak kind of *affection* or *liking* (although it is etymologically quite close to compassion). The induced emotions are generally of a different nature and lower intensity than those of the observed ones, yet in being similarly agreeable or disagreeable and similarly more or less intense. These effects constitute *hedonistic* (or *natural*) *altruism*. However, if these sentiments make you desire the good of other people because this augments your pleasure or diminishes your displeasure, as Smith has it, this is not a moral reason; in particular this is not a moral motive for helping other people. Yet, there also exist *morals* that makes you desire the good of other people, as some non-moral social norms can also do (the difference between both is in particular revealed by the sentiment induced by failure to abide by the rule: guilt in one case and shame in the other); these two types of motives constitute *normative altruism*. All these sentiments induce you to help the other person or to give something to her when the cost is compensated by the relief, pleasure, or sense of moral or social properness that these sentiments induce in you as a consequence of the resulting relief or pleasure of the beneficiary, or of other improvements in her situation.

However, although empathy, compassion, pity, sympathy, or affection, as causes of altruism and giving, are not moral causes, they nevertheless are commonly considered as moral in themselves. Indeed, morals demand not only that you help others but also, if possible, that you feel the corresponding altruistic sentiment. They demand that you feel compassion or pity and value that you show sincere sympathy. They occasionally demand that you practice

⁵ See Kotlikoff and Summers (1981), and Gale and Scholtz (1994).

empathy. They demand that you both help and like other people in a way and intensity that depends on the proximity and type of your relation, in particular in the family and in communities of various types. In a more demanding version, however, morals demand, on the contrary, that you both treat and like other people equally, that is, that you behave justly towards them. They also sometimes demand that you help and like some others, or all others, “as yourself” (which is again justice), or even more than yourself – as Auguste Comte understood the terms “altruism” and “altruist” when he introduced them. And many groups socially value that you indulge in emotional contagion.

Morals include justice and fairness – although non-moral social rules also include various norms of fairness. Giving and exchange are the two kinds of free transfers, but giving also affects the distribution of wealth, income, or consumption in society. Giving thus elicits judgments of distributive justice, and also the most acute conflicts among them. Giving to your children, notably through bequests and education, results from your affection and your right to freely use your resources, and your parental love, your right, and your support are all praised or approved of by basic social and moral values. Yet, from the point of view of the beneficiaries, these grants are not allocated according to need, merit, or equality. Your children “only took the pain to be born,” as Beaumarchais puts it. This is the main source of inequality, and the paragon of inequality of opportunity. By contrast, giving to the needy people or to the poor satisfies basic needs and tends to reduce inequality thanks to a free choice of the giver.

Any sense of justice or fairness implies caring about the good of other persons, that is, altruism. And any consistent altruism towards several persons in a world of scarcities faces the question of distributive justice. Conversely, a sense of justice necessarily implies altruism, even if you use it to defend your interest. Indeed, justice being impartial by nature and definition, if you claim it for yourself it has to be for some “objective” reason which also applies or could apply to other people (note that if you make up this argument for the sole purpose of defending your interest, that is, you are a *pharisean*, this implies that you believe that it may have an influence, and hence that some other people have the corresponding altruism). This structure is basic for Adam Smith, who emphasizes that impartiality implies altruism – and empathy favours impartiality. He describes our capacity to be impartial by the successful image or concept of the “impartial spectator” that each of us harbours “in her breast.” John Stuart Mill even sees all altruism as the result of impartiality (which, however, he sees as the restricted and problematic form of a utilitarian valuation of the sum of utilities). Yet, you apply your opinions about justice or fairness sometimes in individual giving, but often in attempts to persuade by discussion and to influence public constraints through political participation. Indeed, justice or fairness often implies a constraint on some people and, in a state of law, the public sector has the monopoly of the legitimate constraint on adults (apart from self-defence).

3. Structures of altruism

The set of relations (1) for all i has very important consequences and a few possible variants, which will shortly be considered. Individual i wants to give to individual j in transferring goods from x_i to x_j if this sufficiently increases u_j (plus other indirect effects) for overcompensating, in u_i , the decrease of i 's goods in x_i . The “interdependence of utilities” shows that each individual's “happiness” (or utility level) or consumption, in economic parlance, an “externality” for each other, and a collective concern or “public good” for all others. A priori, this suggests that it should be a concern of the social, collective, political and

public level and sphere of action. There is also mutual concern between individuals (but this is not the standard concept or reciprocity – shortly considered – which relates either the gifts both ways or the functions $u_i(u_j)$ and $u_j(u_i)$, rather than the levels of utility, income or consumption). The set of equations (1) can be solved for the u_i in giving $u_i=v_i(x)$ where $x=\{x_j\}$ is the set of the x_j for all j .⁶ Low levels of altruism (u_i depends little on u_j) induce a unique solution. However, high mutual concerns (dependence between the u_i) can lead to multiple solutions such that some are worse for everyone than others, including among stable states when a dynamics of adjustment is considered – this produces classical situations in groups such as couples or families which are stuck with mutually created misery or are engaged in dynamics of worsening relations (for instance with $u_i(u_j)$ and $u_j(u_i)$ for a couple).⁷

Other reasons for the concern for others sometimes lead to different structures. Moral “paternalistic” conceptions see the good of an individual in something other than her happiness, and conceptions of justice also often consider as relevant other items concerning an individual than her happiness. These reasons make u_i depend directly on individual j ’s consumption or situation, say x_j , and one can have $u_i=u_i(u_{-i}, x)$ where $x=\{x_j\}$ is the set of x_j for all j . This can even become $u_i(x)$ if individual i is no longer directly concerned with others’ “utilities” or happiness u_{-i} . Yet, a sentiment of comparative justice about the distribution of happiness – or of the social value of some eudemonistic aggregate – can make individual i be concerned about the set u of all u_j , including u_i , thus leading to the forms $u_i=u_i(u, x_i)$ or $u_i=u_i(u, x)$.

Finally, what may be relevant, concerning x_i , is some concept of individual welfare of individual i , represented by an index $w_i=w_i(x_i)$ – Pareto’s “ophelimity” –, or the income y_i of individual i with which she freely buys the goods she uses.

Possibly resulting forms are $u_i=u_i(u_{-i}, w_i)$ solved as $u_i=v_i(w)$ where $w=\{w_j\}$ denotes the set of the w_j for all j , or directly $u_i(w)$. These are particular forms.⁸ Yet, the latter is proposed by Vilfredo Pareto in his article of 1913 “*Il Massimo di utilità per una collettività in sociologia*” (also reprinted as a long footnote in his *Treatise of Sociology* and in *Mind and Society*), and Ysidro Edgeworth had considered in *Mathematical Psychics* (1881) the particular case of two individuals and linear utilities, $u_1=w_1+\lambda w_2$ and $u_2=w_2+\mu w_1$.⁹ Both authors note that, with increasing such functions u_i , Pareto efficiency relative to the utilities u_i implies Pareto-efficiency relative to the ophelimities w_i , but there are ophelimity-Pareto-efficient states that are not utility-Pareto-efficient. This is described by Edgeworth as a “shrinking of the contract curve” in the space of the goods in the x_i . Now, competitive markets secure Pareto efficiency with ophelimities only, whereas the ethically meaningful property is Pareto efficiency with utilities. Hence, competitive markets secure this latter property solely with some restriction on the distribution of resources, and they may have to be accompanied by the

⁶ This solution of the set of interdependent utilities is discussed in detail in Kolm 1966a (see also 1984a).

⁷ These multiplicities, dynamics, and stability, are analysed in Kolm 1984a.

⁸ The function $u_i(u_{-i}, x_i)$ can be replaced by $u_i(u_{-i}, w_i)$ when the ordering of instances of x_i by function u_i does not depend on the levels u_j for $j \neq i$. The functions $u_i(x)$ can be replaced by $u_i(w)$ when the ordering of instances of x_j for each j by function u_i depend neither on the x_k for $k \neq j$ nor on i .

⁹ Pareto writes the relation in differential form $du_i = \sum a_{ij} dw_j$. However he notes that the coefficients a_{ij} are not constant and depend on the situation. Moreover, he doubtlessly considered these differential forms as integrable (you cannot “climb up the – smooth – hill of pleasure” along non-integrable paths).

appropriate redistribution.¹⁰ The redistributions that can have this effect can be favoured at unanimity, thanks to altruism. Compassion, pity, or a sense of justice usually make them redistribute towards the poorer and diminish inequality. People could a priori decide this by direct agreement between themselves, but, generally, their number precludes this solution and, therefore, the redistribution has to be made by the public sector (see Sections 4 and 7).

Pareto's altruism with $u_i = u_i(w)$, or more general altruistic forms $u_i = u_i(w_{-i}, x_i)$ where $w_{-i} = \{w_j\}_{j \neq i}$ is the set of the w_j for $j \neq i$, differ from the forms $u_i = u_i(u_{-i}, x_i)$ or $u_i = u_i(u_{-i}, w_i)$ by the assumption that individual i derives no pleasure from the pleasure that other persons derive from the pleasure of other persons, or that she finds this pleasure of hers or of other people to be irrelevant for her choice maximizing u_i . This is at odds with the view of the apostle of the morality of pleasure, Jeremy Bentham, who asserts that the pleasure that others derive from the pleasure of others exists and should be counted. That is, however, for the social ethical purpose of maximizing the utilitarian sum which Bentham thus takes as $\sum u_i$ (whereas most modern utilitarians would prefer the other alternative in using $\sum w_i$). Yet, Pareto also considers a social ethical maximand above individuals' utilities or ophelimities. However, he rejects the sum of utilities because "we can neither compare nor add them, because we ignore the ratio of units in which they are expressed."¹¹ He thus considers more general non-linear "social welfare functions" of the form $W(u)$, thus assuming the moral value of the pleasure that people derive from the welfare of other people, if not from their pleasure (yet, Pareto had used a form $V(w)$ in his *Cours d'Economie Politique* (1897), but this can be reconciled with his later view as being $V(w) = W[u(w)]$).

Largely quoting Pareto, Abram Bergson considers "social welfare functions" in insisting on the fact that they represent the social ethical views of specific individuals, be they "advisors," "officials," or "the economist," and which are, with the previous notations, $V_i(w)$ (1954) or $W_i[u(x)]$ (1966) where i is the index of one such individual (this index is explicit in the first reference and implicit in the second). The first formulation is also formally akin to the Paretian utility of individual i . However, the surest thing about Bergson's maximands is that they intend to describe moral views. Nothing is said about the place of individual i 's particular satisfaction that she derives from her own consumption or from her children's. Nevertheless, these functions are increasing in all their arguments, which implies a type of altruism of individual i . This altruism is of the moral kind, contrary to the altruism described by Adam Smith as deriving from empathy or emotional contagion (that which he calls "sympathy") and is of a "hedonistic" or "natural" kind – yet, Smith also later analyses duty.¹²

Finally, one can consider preferences about income distribution. However, this has to be justified, notably with respect to two essential issues (see Kolm, 1966a). First, the incomes in question should be defined when resource uses are variable and notably in the common case where they include earned incomes and labour can vary. Second, the set of Pareto-efficient income distributions is very large when most altruisms are weak, which is the case in a large society (nations for instance). Hence this concept is of little usefulness in itself for specifying the socially desirable distributions. Therefore, one should consider more finely individuals' preferences about the distributive structure and their possible scope of consensus, and normative solutions for specifying the desired distribution.

¹⁰ See also Kolm (1963), Winter (1969), Collard (1975), Archibald and Donaldson (1977).

¹¹ *Cours d'Economie Politique*, II, p.20. The issue of the strong limitation of the logical possibility of using a utilitarian sum is presented in Kolm 1996, Chapter 14.

¹² All the reasons for being concerned by other persons can be jointly present in Kolm 1966a.

If individual i buys her bundle of consumption goods with income y_i and a given price vector p_i (which may a priori depend on individual i , for instance if one good is leisure bought in working less at a price which is individual i 's wage rate), then relation (1) can be written as $u_i = \tilde{u}_i(u_{-i}, y_i, p_i)$, and if this holds for all i a solution of this system (with the same discussion as above) can be $u_i = v_i(y, p)$, where $y = \{y_j\}$ is the set of the y_j , and p is the set of the price vectors p_i . One may also have directly $u_i = \tilde{u}_i(y, p)$ if individual i considers that individual j is responsible, and hence accountable, for the goods she buys with her income y_i , and is accountable for her tastes which enable her to derive satisfaction from her consumption. Similar final forms can also result from derived $u_i = v_i(w)$ or direct $u_i = u_i(w)$ in writing the indirect (Roy) ophelimity functions $w = \tilde{w}(y_i, p_i)$. In all cases, with constant prices p , one has $u_i = U_i(y)$.

If earned income is included, the income y_i can for instance be that which, associated with a notional given labour, is considered by individual i to be as good as her actual pair of income and labour. It can be, in particular, the "leisurely equivalent income" where the reference given income is zero. Furthermore, in a large society where most of the corresponding altruisms are weak (most willingnesses to pay for others' incomes $(\partial U_i / \partial y_j) / (\partial U_i / \partial y_i)$ are small – although nonnegative), the set of Pareto-efficient distributions y is very large. Hence the interest of this property is quite limited. Therefore, other criteria of the social value of distributions y are necessary. These criteria belong to principles of distributive justice. Hence, the forms $U_i(y)$ led to the theory of the comparison and measures of inequalities based on such distributional preferences, with the presentation of the meaningful properties of redistributions, of their relations, and of people's preferences about them. Another solution resulted from the treatment of the distribution y as a public good for the individuals (see Section 16). The simple fact of functions $U_i(y)$ and of unanimously preferred redistributions was also considered by Hochman and Rodgers (1969) and other studies.¹³

All the specific motives and reasons to be concerned about other people give specific structures to the functions defined above. These structures have often remarkable properties and consequences. Some of these motives and reasons are beyond the scope of the present volume, such as the hostile sentiments of malevolence, malice, spite, and *schadenfreude*, and the comparative sentiments which are negative with envy, jealousy, and sentiments of inferiority or superiority, and more neutral with preference for conforming or on the contrary for distinction for oneself or for other persons, or preference for social uniformity or diversity *per se*.¹⁴ Other social sentiments are on the contrary closely related to the present topic, such as the sense of justice or fairness, whose structure has given rise to a particularly abundant

¹³ Musgrave (1970), Goldfarb (1970), Bergstrom (1970), Olsen (1971), Zeckhauser (1971), Furstenberg and Mueller (1971), Thurow (1971), Mishan (1972), Daly and Giertz (1972), Scott (1972), and others.

¹⁴ The comparative normative principle of "equity" analysed in Kolm 1971a is related to envy and jealousy. Envy, jealousy, and sentiments of superiority and inferiority constitute a basis of the taxation of conspicuous consumption (Kolm 1971b). Yet, the full analysis of the economics of comparative sentiments is presented (about the case of envy) in Kolm 1995. It is in particular shown how individual preferences can be "laundered" or "cleansed" from these sentiments in replacing notionally, in utility functions for instance, the items of other people on which this sentiment bears by the individual's own corresponding item – thus leading to "envy-free preferences or utility functions."

literature.¹⁵ In fact, a basic method in social ethics (called “endogenous social choice”) consists of the determination of the structures of individuals’ preferences about social states that are common to all members of a society.¹⁶ An important point is that individuals’ judgments of various types – such as self-interested preferences and social ethical views – are sometimes independent and disjoint in a structure of multiple selves with various possible types of relations between them, and sometimes incorporated in the same overall evaluation. As an example of the second case, for social ethical judgments that deem individuals to be both responsible for spending their income in free exchange and accountable for their capacities to be satisfied and other needs, the relevant variables are incomes y_i , one can write $U_i(y) = \tilde{U}_i(y_i, y)$ where the second (vector-) argument y is the object of the social ethical evaluation, and \tilde{U}_i as function of this argument y is increasing for expressing benevolence, symmetrical for expressing impartiality, possibly augmented by transfers from rich to poor (i.e. “rectifiant,” hence Schur-concave with the symmetry), varying in specific ways under specific changes of y , and so on. The retained set of properties determines a specific structure for U_i , for use in applications.¹⁷

The above noted interdependences apply to sets of individuals constituting various groups or societies, of all possible type and size, from the dyad (sometimes a couple), small groups (families or others), larger groups (e.g. some organization or category of people), nations (in which a large part of redistributions motivated by overall justice take place), or the whole world. A specific model can describe pure sentiments or mixed ones. In the latter case, the functions incorporate the effect of the synthesis of their various sentiments by the individuals (this can be smooth associations or compromises among desires or duties or the outcome of “a tempest under a skull” as Victor Hugo puts it). The functions can be used for evaluating the state of the society under consideration – possibly for choosing public action about distribution –, or for providing a step in explaining or forecasting the conduct of people, including in interactions, giving, or voting.

However, the models constituted by the noted functions expressing individuals’ concerns about others are limited when taken by themselves, and should be completed or incorporated in other models, in two essential respects concerning evaluation and action, respectively. First, individuals’ evaluation of the distribution (of goods, incomes, welfare, or happiness) often depends on specific facts or acts, and often on the past, and the relevant variables or parameters have then to be introduced or made explicit when a more advanced analysis is sought or required. For instance, an individual may be thought to deserve or merit some good, income, or satisfaction because of specific acts or choices of hers (e.g., labour, effort). Individual needs may be relevant and may have to be more explicit than only incorporated in the structure of utility or welfare functions (e.g., family size, health, age). An individual may be entitled to an income or a good because she has earned it, or because it has been given to her (basic social freedom or process liberalism). An individual's concern about others generally depends on their social relation to her; it is in particular more intense when the “social distance” between them is shorter (e.g., family, extended family, belonging to the same group of various possible kinds, in particular to the same nation).

¹⁵ See Kolm 1966a, Sections 6 and 7, and a general survey in Silber, ed. 2000.

¹⁶ See Kolm 2004.

¹⁷ Studies that use specific structures of functions U_i without justification, hence arbitrary structures, *prima facie* transmit this shortcoming to their conclusions.

The second issue is that individuals act in different contexts, each of which mobilises a particular set of sentiments and motives, with often a dominant (sometimes unique) sentiment. For instance, self-centeredness is dominant in market exchanges (this is Philip Wicksteed's "non-tuism" – see Section 11 below) although fairness, promise-keeping and truth-telling also have important roles in these interactions. Families are the institutions for love and giving, although they display also all other possible kinds of social sentiments. Charity is supposed to be motivated by pity, compassion, and solidarity although we will see that if they were the only motives, private charity should be replaced by public transfers. The variety of motives at work in the political and public sectors include some altruism and sense of justice, notably in militancy and to some degree in voting (see Section 9.3). Solidarity is often particularly important within clubs and associations. Hence, the effects of the various types of sentiments and attitudes towards other people and society are in a large part segmented among various attitudes and types of relations, although in each case other, possibly second-order, sentiments often also play important roles.

This more or less segmented aspect of human life into various activities, and of questioning about the world into diverse issues, gives practical relevance to the question whether an individual is – or is better represented as – a single, integrated self, or several selves, one for each activity or question. Each such self can be considered as endowed with one preference ordering or utility function. Economists tend to have a preference for the single, integrated self, who in particular chooses among different alternatives possibly in choosing or compromising among various interests or values. However, individuals' social ethical values are often considered separately, by a proper ordering of evaluation function. This is probably the meaning of Bergson's social welfare function, and what the field of social choice calls individual values. John Stuart Mill and Léon Walras see the individual as either self-interested or altruistic and moral according to the moments. And various models focus on specific sentiments for analysis or application.

4. Altruism and democracy: Altruistic joint giving and its public implementation

An improvement in individual j 's situation x_j , for instance an increase in her consumption or income, increases u_j or w_j , and hence also altruistic u_i for $i \neq j$, possibly with indirect effects in the first formulation (u_i depending on u_j), and it may also increase u_i directly. This makes individual i give to individual j if this effect overcompensates for her the corresponding loss and the worsening of x_i . However, as Smith emphasises in the second paragraph of the *Theory*, the increase in satisfaction that an individual derives from an improvement in another's situation is generally lower than the increase in satisfaction she would incur if this improvement were in her own situation.¹⁸ Hence, this altruism does not generally lead to gift giving, or it does only when the other is sufficiently miserable – and in a rather small amount – or for the few people particularly close to the giver such as the members of her family. Yet, an individual's happiness (u_j), welfare (w_j), or situation (x_j), and gifts that improve them, are a priori favoured by all other individuals. They are "public goods" for them. Hence, if these others could agree that each gives to individual j , each could find that her own contribution is worth the overall improvement in x_j or u_j . This individual contribution may be small if the individuals are numerous. Actually, individuals are very numerous, and hence only very low degrees of altruism suffice. The set of transfers would then be favoured unanimously.

¹⁸ Smith interestingly explains that individual i tends to consider the function $u_i[u_j(x_j)]$ as $\alpha \cdot u_i(x_j)$ with $\alpha < 1$, in "putting herself in the other's shoes" concerning her situation (rather than also her propensity to enjoy or suffer), and in discounting the intensity of the effect.

The givers can implement this result in making a collective agreement about their gifts. As for any other contract, this agreement would be enforced by the legal system and the public force. However, when they are numerous they cannot, practically, enter into the necessary contact and bargaining. Then, it is a role of the public sector to realize nevertheless this set of transfers unanimously desired. As in the implementation of any contract, each individual is forced to yield her contribution, although she prefers the whole set of transfers to its absence – if the contributions of the other individuals are given, she prefers to yield less or not at all. But since there is no actual contract, this forced contribution appears as a tax. In this choice, the public sector can either try to make out what the collective agreement would have been if it were possible (this is a “liberal social contract”), or introduce other conceptions of distributive justice (since this is another of its functions) (see Section 16).

Hence, such a system of redistributive taxes can be unanimously preferred to its absence. That is, its absence is not Pareto efficient. Now, a democratic political system normally secures Pareto efficiency. For instance, even with the imperfect democracy of our electoral competition, any political program that is not Pareto efficient can be defeated by other possible programs at the unanimity of expressed votes, by the very definition of this property. Hence, a democratic political system will realize the system of redistributive taxes manifesting unanimously desired altruistic joint giving.

The necessary public implementation of joint giving has been noticed for a long time. For instance, “Private charity is insufficient because the benefits from it accrue to people other than those who made the gift... We might all of us be willing to contribute to the relief of poverty, *provided* everyone else did. We might not be willing to contribute the same amount without such assurance...” And this justifies “government action to alleviate poverty.” (Milton Friedman, *Capitalism and Freedom*, 1962). Logic, in fact, goes further than that, as we will shortly see, since it concludes that only government should alleviate poverty in a democratic, efficient, and altruistic society (Section 7).

Hence, when private giving to the poor is observed, either the motives are not altruistic, or the society is not democratic and is inefficient (and the waste concerns aid to the neediest).

None of these alternatives is ruled out, which shows a scope for both political and moral progress. In particular, there are many other possible reasons for giving to people in need than to alleviate poverty and suffering. Some of these motives lead to exactly the same conclusion: efficiency and democracy require public aid (for instance if the giver cares about having the aura of an altruist in her eyes or in the eyes of other people and hence behaves like one, or if she cares specifically about her own contribution – private gift plus redistributive tax – because they constitute her sacrifice for the poor). Yet, other motives permit private giving in democracy but, then, they are often rather immoral and inconsistent.

All these possible motives are, indeed, varied. There can simply be a norm for giving in itself, without specific regard for the beneficiary’s welfare provided the gift goes this way. This norm can be moral, or only social in bowing to public opinion. Giving may even be a tradition or a habit. The individual may care about judgments about herself by other people or by herself. This judgment can build an image of the person. This judgment, however, can focus on various items. The full moral judgment is the praise for being an altruist. Yet, this may not suffice for sufficiently influencing the person’s motive, and thus inducing her to actually become an altruist. Then, the judgment can withdraw to the praise of behaving like an

altruist, which induces the same behaviour and effects as if the person were actually an altruist. The judgment may also focus on more partial items, and then it is rather inconsistent as a moral judgment. In particular, it can appreciate the individual's sacrifice in favour of the poor, that is her full contribution through private giving and taxation – we have seen that this fails to induce giving. But the judgment can also emphasize the responsibility of the giver, and hence only her private gift, except if the tax represents an implicitly desired contribution to the joint giving – and then it again has to be added to the gift. Moreover, people may be motivated by comparisons about the private gifts or the total contributions of themselves and of other people for several possible reasons such as doing one's fair share if others do theirs, keeping up with others, imitation, conforming, distinction, competition in giving or contributing, sentiments of inferiority or superiority, envy, or jealousy. These comparisons can be the direct view of the person or that of others' judgments about which she cares. Finally, genuine altruism can be associated with principles of conduct which avoids the "free riding" of the joint giving which makes taxation the efficient solution. A classical such principle is universalization in the family of Kant's categorical imperative – give in imagining that everybody does like you. Another case is that of altruism motivated by "putative reciprocity", that is the reasoning "I help her because she would have helped me if our situations were permuted."

5. Motives and reasons for nonaltruistic giving

More generally, giving is voluntarily incurring a cost for the good of someone else, but this may only be a means for another end. In particular, one may give for eliciting self-satisfaction, praise, gratitude, esteem, admiration, liking, or love (Adam Smith emphasizes the difference between the moral desire to be praiseworthy and the immoral or at best amoral desire to be praised); for gaining an aura of generosity in one's own eyes and in the eyes of other persons whose judgment one values; hence for acquiring or maintaining such a reputation or status valued in itself or for the various other advantages it may bestow or permit one to obtain. One may give for showing and proving one's friendship, affection, liking or love, which tends to elicit or reinforce the desired friendship, affection, liking or love of the other person in return. I also often give in given circumstances simply because they feel they have to do it, possibly because it is a tradition, in considering more or less the judgment of their conscience or of other persons, but also sometimes by pure habit and inertia.

Yet, one also sometimes gives or helps to obtain tangible advantages by indirect effects through many possible types of social processes including rewards from an organization (possibly a firm) or the family – when the aid is within such a group – or from an institution (possibly an official one); effects of induced redistribution; political (for instance electoral) advantage; indirect market effects (such as through the effects of transfers on terms of trade classically discussed in international trade); and so on. In particular, one may give for eliciting a return-gift in a reciprocity; or for obtaining return-gifts from actors other than the initial receiver in a "reverse reciprocity" which is often presented as vastly overcompensating the cost of the initial gift (by Christianity, René Descartes, and Adam Smith, for instance). In any event, "give and you will be given to" (Luke). One may also give as a return-gift for eliciting a further gift from the initial giver or from someone else; for maintaining a social balance or fairness by comparison with an initial gift; for showing gratitude; or for rewarding generosity or a deserving giver. More generally, one may give to any giver or benefactor, as an incentive to reiterate her action or as a reward for her merit or deservingness; and therefore one may also give knowing that one may be remunerated in this way for these reasons.

Yet, one may also simply give as a piece of information for showing and proving peaceful intentions, or sentiments of friendship, affection, liking, love or gratitude, or a desire to enter in a relation of any kind – and the gift may show and prove the generosity, wealth or ability of a possible partner, or the quality of a supply (sample). The gift can also only be a way of drawing information from the reaction, concerning the receiver's attitude, intention, or means. People thus give to put an end to a dispute, conclude a bargaining, seal an agreement, an alliance, or a union, and establish or maintain good social relations. These gifts can be mere symbols of the intention of the giver or be tangible in proving, by their cost, the sincerity of the giver. The acceptance of the gift means accepting the relationship. Such gifts are often both ways, and then sometimes materially identical. These gifts are varied, from pens and pins to wives and cities, in passing by the mutual gifts of identical rings, drinks, or receptions. People also sometimes give for the mere interest of the relationship in the process of giving and receiving.

A gift can also soften a hostile attitude. Yet, one classically gives both for showing a superiority over the receiver and on the contrary for manifesting one's submission towards her; and for glorifying the receiver or on the contrary for humiliating her (for instance in suggesting that she is unable to take care of her needs or of her family's). Other gifts intend to make the receiver morally indebted towards the giver (for the status in itself or for the possibility of demanding some service in return later on), or they intend on the contrary to redeem and erase a pending moral debt.

One may finally give for doing one's fair share in giving given that other contributors do theirs; for conforming to others' giving in a similar situation of the giver and of the circumstances; for keeping up with other givers; for not being humiliated or ashamed by giving less or not at all; or on the contrary for eliciting the admiration, possibly the envy, or even the shame or humiliation of those who give less or not at all; and for maintaining or conquering a relative status in generosity or wealth, hence possibly in engaging in conspicuous competitive giving (where the gifts are either used as in public fund-raising operations or Papuan pig-feasts, or destroyed as in the potlatch).

Hence, the variety of forms of the giving way of allocating resources is bewildering. Gifts are provided with very different aims, and sometimes strictly opposite ones. They range from the most generous sacrifice to being the instrument of social sentiments and relations among the most odious, in passing by the plain service of the giver's self-interest. They also range from the most spontaneous and even almost unconscious act to resulting from the most elaborate pondering and strategies. They are both the proof of sincerity and the classical vector of hypocrisy and treacherous lies. They are the free single transfers, but are also sometimes insistently demanded by strong social norms. They a priori concern two persons, but they are often imbedded in networks of social relations. They look plainly material, but their real nature is often in fact, rather, affection, demand of affection, gratitude, query, acquiescence, confirmation, promise, vainglory, or spite. The variety of the giving relationship is matched by its pervasiveness and crucial importance in society, as Section 9 will show.

Even the main field of economics, markets and exchange, when carefully analysed, reveals the essential role of motives that are not self-interest, and hence consciously favour other people often as the result of moral or social normative conducts. Indeed, first, many relations of market, exchange, agreement, and cooperation thrive in spite of the presence of classical causes of market failures which should have inhibited them, thanks to the role of

various moral conducts such as honesty, truth telling, promise keeping, fairness, reciprocity, trust and trustworthiness, respect, and benevolence. This permits them to overcome costs and impossibilities in information and communication, exclusion and constraining, bargaining and transaction, and establishing and enforcing contracts, which induce imperfect contracts, incomplete markets, missing agreements, and free-riding public goods (bargaining is often concluded only thanks to a fair compromise, or is replaced by fair arbitration, and you often prefer a fair deal to a good deal; various contributions to public goods and collective action are much higher than pure self-interest leads one to expect; most opportunities to steal and cheat are not seized; and so on). Similar virtues are essential in the life of firms and other organizations, between members and between them and the firm, and they are powerful factors of their efficiency. Second, on the contrary, these behaviours also interfere with the efficient price system; for instance, various issues of fairness in the labour market, among employees or between employees and employer, constitute a main cause of wage rigidities and hence of macroeconomic problems. Other behaviours influenced by norms and status, or seeking status or relative positions, also depart from standard economic models. Third, voluntary altruistic respect of property and rights is a condition *sine qua non* of the very existence and working of markets (self-defence is costly and often impossible, and the police is costly and could not be sufficiently present, informed, and effective).

6. The structure of nonaltruistic giving

6.1 From motives to forms

Nonaltruistic giving is giving for a final reason other than the receiver's good, or not only for this motive. The choice of the gift by the giver can again be described by the maximization of a utility function (or, more generally, by finding the best possible element of a preference ordering), although the interesting part is often the psychological, social or philosophical analysis of the motives and of their properties and relations with other facts.¹⁹ Let u_i denote an ordinal utility level and function of individual i , X_i the initial endowment of goods of individual i , and g_{ij} a gift from individual i to individual j . X_i and g_{ij} are defined as vectors of quantities of goods (or services) in the space of the quantities of goods (they can in particular be one-dimensional, notably measured in money as an income or wealth and an income transfer, but this does not fit for all the cases). After the transfer of the gift g_{ij} , individual i has the allocation $x_i = X_i - g_{ij}$, and individual j has the allocation $x_j = X_j + g_{ij}$. If individual i is concerned about her gift g_{ij} only because she has altruistic sentiments (in addition to self-interest), she chooses g_{ij} that maximizes $u_i(x_i, x_j, \dots) = u_i(X_i - g_{ij}, X_j + g_{ij}, \dots)$ where u_i depends on x_j for the more or less direct or indirect reasons noted in Section 3. If individual i may give to individual j for other reasons, she chooses g_{ij} that maximizes

$$u_i(X_i - g_{ij}, g_{ij}, S_i)$$

where S_i is the set of all relevant variables and parameters other than the first two arguments of the function. If individual i has also some altruistic motives towards individual j , S_i includes $x_j = X_j + g_{ij}$. The various motives for giving g_{ij} are related to various elements of the set S_i .

¹⁹ In particular, norm following can be represented in this way. A practically imposed norm shows by a kinky structure of the preference ordering. Moreover, most norms can be more or less obeyed, and this choice can be represented with the ordering. Social opinion can be an explicit or implicit factor of the ordering. The preference can also bear on the types of social relations and modes of interaction (this is for instance a central feature in the theory of reciprocity).

For instance, if g_{ij} is a return-gift of a reciprocity, S_i includes a gift g_{ji} from individual j to individual i . “Extended reciprocities” make S_i include g_{ki} for some $k \neq i$ or j in the case of a “generalized reciprocity” (you tend to help if you have been helped, even by someone else, which is the classical “helping behaviour” of social psychologists), or g_{jk} for some $k \neq i$ or j in the case of a “reverse reciprocity” (you tend to help meritorious people who help others, a case emphasized by the philosopher René Descartes and by Adam Smith).

The noted motives of comparative fairness in contribution, conforming, or comparative status in generosity and competitive giving, make S_i include g_{kj} (or $g_{k\ell}$ if ℓ is another receiver) for at least one $k \neq i$ or j .

Note that u_i is a priori an increasing function of g_{kj} if individual i has altruistic sentiments towards individual j and hence appreciates higher endowments of individual j $X_j + g_{kj}$ or $X_j + g_{ij} + g_{kj}$, but that u_i tends to be a decreasing function of g_{kj} if individual i is motivated by giving g_{ij} for conformity, comparative status, or competitive giving in comparison with g_{kj} .

In all cases, what may matter are gifts in relation to the wealth of givers or receivers (which can express a relative sacrifice of the giver or a relative contribution to the receiver's wealth), and the formulation allows this in including the relevant wealths in the set S_i .

Individual i is sometimes also motivated by her image as giver, in the eyes of other persons or in her own eyes, and by the associated judgment and status. Adam Smith explains this own evaluation of oneself by empathy of the view of other persons judging oneself (or of the view of the impartial spectator). A priori, one may praise or criticize oneself without this detour. However, we will see that in the present case it practically happens to be necessary – which shows the depth of Smith's insights. At any rate, one can denote as I_k^i the image of individual i in the eyes of individual k , and as $I^i = \{I_k^i\}_k$ the set of the I_k^i for all individuals k . For $k=i$, I_i^i is individual i 's image of herself. Individual i 's images as giver to individual j depend on the gift g_{ij} , $I^i = I^i(g_{ij})$. One particular such image of individual i is that of the receiver j , I_j^i , related to the beneficiary's gratitude (or resentment if she finds that g_{ij} does not match her expectations). A concern of individual i about her relative status as giver can be represented either by the inclusion of g_{kj} (or $g_{k\ell}$) for other individuals k among the factors of the images of herself I^i , or directly by the inclusion of I^k for $k \neq i$ as arguments of individual i 's utility function. This function then is $u_i(X_i - g_{ij}, I^i, S_i)$ or $u_i(X_i - g_{ij}, I, S_i)$ where $I = \{I^i\}$ is the set of the images I^i of all individuals i , and S_i is the set of other relevant arguments (one of them is $x_j = X_j + g_{ij}$ or $X_j + \sum_k g_{kj}$, according to the case, if individual i also has some altruistic sentiment towards individual j).

In some cases, the gift g_{ij} has indirect effects providing an extra allocation $y_k(g_{ij})$ to individual k (which can notably be i or j). These indirect effects can have a number of origins – economic, social of various types, etc. – discussed in forthcoming Section 15.3 (notably concerning $y_i(g_{ij})$). The y_k are again vectors of quantities of goods, possibly reduced to a one-dimensional money or income, and with the possibility of negative coordinates for describing a loss. Then, in the foregoing formula, $X_i - g_{ij}$ has to be replaced by $X_i - g_{ij} + y_i(g_{ij})$ (and $X_j + g_{ij}$ by $X_j + g_{ij} + y_j(g_{ij})$). The various possible origins of the y_k includes the well-studied effects through

markets, rewards of various origins, and so on, but $y_i(g_{ij})$ can also be (or include) a return-gift provided by individual j , $y_i(g_{ij}) = -y_j(g_{ij}) = g_{ji}(g_{ij})$ where the last notation denotes the return gift. In a number of cases, y_i can overcompensate the loss of the gift g_{ij} and thus make giving profitable for the giver from a strictly self-interested point of view.

6.2 Contradiction and possibilities in the logic of motives

However, you cannot give only to be praised or praiseworthy as an altruist, or for a moral action, or in order to have an image or a status as a moral person, because objectives of being praised or being praiseworthy are not moral in themselves, whereas a moral action requires a moral intent, and any altruism requires seeking the good of the receiver in itself. Even simply giving in order to be a moral person – and not only to act like one – may not be possible because this is not a moral objective in itself (you should, also, manage to direct your intention towards a moral aim). Yet, acting with a result that helps someone when this is not the final objective can nevertheless deserve some praise, but with a lower status and intensity. This approval can be stronger if this action is costly to the actor, as with giving. Indeed, even if it is not a voluntary act, a sacrifice that entails benefits for others can elicit positive consideration. Moreover, the nonmoral motive of voluntarily helping someone else may nevertheless be normative, but in following a nonmoral social norm. This is the kind of conduct the breach of which elicits shame rather than guilt. Then, the judgment of other persons is of primary importance (“you should be ashamed of not helping your brother”), although it may sometimes be only imagined (this is the case in Smith's conception of empathizing the imagined judgment of other individuals – or of the impartial spectator – about oneself). Finally, you may try to deceive other people in pretending to have genuinely moral motives, but this is specifically against morals, and it requires again other persons (in a personal, not anonymous, gift, there is at least the receiver, but this is only one person and often of too low a status to be of importance in this role). In all these cases, the contradiction may be softened if genuine moral altruism is one of your motives, along with seeking praiseworthiness, praise, image, or status. However, cognitive dissonance tends to make this coexistence of opposite motives psychologically unstable, and sincere benevolence tends to deteriorate the possibility of efficient joint giving – as we will now see.

7. The inefficiency of individual giving when joint or public giving is possible: the perplexing joint giving theorem

Joint altruism where several individuals want the good of the same individual(s) is notably important for helping the people in need or poor. We have seen in Section 4 that in these cases efficiency requires joint coordinated giving which, when the givers are numerous, is achieved by transfers of the public sector. As we recalled, Milton Friedman has admitted that this is a case where public transfers can be justified. Yet, a simple theorem says, more precisely, that Pareto efficiency precludes the very existence of individually chosen givings, such as private charity, and all the transfers should be through public taxes and subsidies. This also holds when the potential givers are not only altruists in caring for the welfare of the aided people, but care also, or only, about their own total contribution to them (gift and tax) in itself, for any of the motives noted in the previous section, such as seeking praise or praiseworthiness, or image or status in one's eyes or in the judgment of other persons. (This also holds when givers care for all poverty but specialize in the aid of some persons – they “have their poor”). The

Appendix at the end of this Chapter shows this “joint giving theorem,” and its various results which are simply mentioned here.²⁰

This theorem should be compared to facts. Privately decided charitable giving accounts for about 5% of GNP in the USA. It is very much lower in Europe. In both places, public transfers of aid are substantial. They are clearly higher in Europe. We have remarked above that democracy implies Pareto efficiency (Section 4). Hence, the joint giving theorem, by itself, suggests the startling and startling conclusion that – possibly contrary to appearances – Western European societies are less wasteful and more democratic than the US. And the waste is first of all in the aid to the poor and needy.

Fortunately, however, a next section of the theorem has it that an individual privately chosen giving can be consistent with Pareto efficiency (and hence democracy) if this individual cares for her private gift specifically, and not only because it is a part of her contribution (along with her taxes that aid the needy) which she would value in itself or because it helps the needy or both. However, if this person is to be appreciated because of her sacrifice (in favour of the needy), it is her whole sacrifice that counts, her tax plus her individual gift. Then, to single out the private gift is irrational, and the alternative to lack of efficiency and of democracy is irrationality. Moreover, distinguishing one’s own gesture for boosting one’s image in one’s own eyes – Jim Andreoni’s “warm glow” –, or in the eyes of other people – that is, for showing off and vainglory – is hardly moral. This would also hold for distinguishing one’s own total contribution (tax included) from its effect on the overall welfare of the beneficiaries, but private giving may be singled out because one’s taxes are less visible to other people, distributive taxes are most often mixed with general taxes for all purposes, or private responsibility is valued in itself (whereas it is the total contribution that helps the needy). At any rate, high private giving reveals either shameful waste and a lack of democracy, or irrationality and immorality. Moreover, again, this waste is notably in the aid to the poor and needy. And the degree of immorality is suggested by still another result of the joint giving theorem: on average, an extra gift is provided N million times more for the glory of the giver than for the relief of the poor, where N millions is the population of the country. Note also that if these distributive taxes are computed as the amount that the payer would have agreed to pay in an agreement with her co-givers, then the payer is also putatively responsible for its amount, there is no reason to distinguish it from the private individual gift (see Section 16.5), and then the existence of private giving implies waste and absence of democracy.

However, the individuals are sometimes concerned not only about their own specific gifts, but also about those of other people, notably for comparison. They would for instance envy the generosity of people who give more than they do, or feel inferior to them, or on the contrary they would feel superior to those who give less than they do. These are hardly nicer sentiments, and hence it is reassuring that this concern makes no difference for the above results. Yet, there is a difference if such concerns are not about the specific gifts of the individuals but are about their specific contribution (gift plus tax), which is more rational – in so far as envy and sentiments of superiority are rational. Then, indeed, another piece of the joint giving theorem says that an individual can give in efficiency if the envy (or sentiments of inferiority or superiority) towards her are not lower than her altruism, on average.

²⁰ A fuller analysis is provided in Kolm 2005.

Of course, other facts can intervene, three categories of which can be noted here. First, there are other sentiments comparing individuals' contributions or gifts, which have the same effect as those noted but not the same moral implications. Indeed, these comparisons can be motivated by sheer imitation or desire to conform (desire for distinction takes us back to the previous cases), or by the desire to do one's share if other people do theirs. In these cases also, higher contributions or gifts by the others is costly for the person. Second, altruism can be associated with or result from other moral reasons which lead one to give irrespective of others' contributions, such as the noted universalization and putative reciprocities (see Section 13.3.3).²¹ Third, fiscal modes can intervene. Taxes are generally not lump-sum (with the resulting disincentive effects and the waste of the "burden of taxation" which jeopardizes Pareto efficiency). Private donations can be deductible from taxes (the part so recovered can be considered as belonging to the public transfer) or matched by public subsidies. Taxes for aid can be singled out or public aid can be financed out of general taxation. All these issues are the object of specific analyses.

8. Reciprocities

8.1 An overview

A gift or favour motivated by another gift, for instance the return gift of an initial gift, constitutes the very important social relation of *reciprocity*. This is very different from a self-interested exchange where each transfer (or favour) is provided under the condition that the other is provided, and hence is not a gift (in the proper sense of the term).

Reciprocity has three types of motives, which can be mixed. "Balance reciprocity" aims at maintaining a balance between both gifts (sometimes from a sentiment of fairness), or at avoiding moral indebtedness. In "liking reciprocity" the return-gift is provided because the initial receiver likes the initial giver, either because she receives this gift provided with benevolence, or because she is liked by the initial giver (then this is a reciprocity of sentiments). However, the return gift may also aim at inducing a further gift – this is "continuation reciprocity." Yet, this latter motive leads to a sequence of recurring transfers both ways, each of which aims at inducing the continuation of the relation, and which can be self-interested: this *sequential exchange* is in fact a type of exchange rather than reciprocity proper (however, the last transfer cannot be self-interested if it is well foreseen).

Moreover, beyond the basic reciprocity where – letters denoting agents – A gives to B entails B gives to A , one can observe and explain "extended reciprocities" such as "generalized reciprocity" where A gives to B entails B gives to C (as in the classical "helping behaviour" of social psychology), "reverse reciprocity" where A gives to B entails C gives to A (emphasized, as we have recalled, by the philosopher René Descartes and by Adam Smith), "chain reciprocity" where A gives to B who gives to C who gives to D , etc., and "general reciprocity" which is a reciprocity between an agent and society in general or the set of others (perhaps G.H. Mead's "generalized other").

In replacing giving (or favouring) by its opposite, harming, balance reciprocity and continuation reciprocity have counterparts in revenge and in retaliation for deterrence (although deterrence stops the relation rather than extending it). However, liking reciprocities have no such counterparts since you do not tend to hurt someone because you dislike her, or

²¹ And, for a full presentation, Kolm 2005.

even to dislike someone only because she dislikes you. Reciprocity, and revenge and retaliation, are called “reciprocation” – the understanding of the term reciprocity retained here is that which has for long been classical and standard in the social science.

Relationships of reciprocity are pervasive and often essential.

The general spontaneous respect of others and their property that is necessary to the existence of a free and peaceful society (with the aid of self-defence and the police), and in particular to the existence of property rights and of a market, is in fact a reciprocity since people would not so respect others if they were not so respected themselves (this is a general reciprocity).

Families, which have been successively modelled as a *pater familias* (Becker) and as an exchange (Chiappori), are in fact essentially a network of reciprocities – as they are now modelled – with relations of other types being more moments of this complex.²² Between generations, in particular, people give to their children given that their children will give to them and to their own children, and given that they have received gifts from their parents; and they give to their aging parents given that their parents have given to them and to their own parents, and their children will give to them. This builds intergenerational reciprocities which are direct, or generalized and reverse chain reciprocities. Other intergenerational chain reciprocities are found in the general acceptance, in many societies, of pay-as-you-go pension systems (the young, who will be financed by the younger, finance the old who have financed the older), and of the public funding of education (taxpayers, whose education has been financed by the older, finance that of the young who will finance that of the younger) – in both cases, there jointly is a generalized and a reverse reciprocity (and there can also be a direct reciprocity of pension for education).

The presence of reciprocity constitutes both a motivational and relational “failure” of systems of market and of command solely based on self-interest, and the most common cause of spontaneous remedy to the other “failures” of these systems due to difficulties in information, communication, or coercion of all types, as we will see. Reciprocity is also typical of communities of all kinds where they occur both between members and between each member and the community as such or its institutions.

Voluntary contributions to non-excludable public goods are often favoured by the knowledge that the other beneficiaries also contribute and do their fair share (in particular, this often happens for joint giving). Sequential mutual aid or transfers – which can depend, in particular, on the specific needs of the receiver or means of the giver – are often possible only because balance or liking reciprocity motivates the last transfer (and, hence, it also certainly is one of the motives of previous acts). Reciprocity in trust – which is favoured by the fact that trustworthy people tend to be trustful (they tend to judge others from the sample of mankind they know best, themselves) – has been shown to be a strong factor of economic efficiency and productivity at the level of firms or of cultural areas. Bargaining is often concluded and sealed by reciprocal concessions. Reciprocity of mutual help at the workplace is widespread and often necessary for its working and efficiency. Labour relations are conspicuous for occasional conflicts but are more often the seat of reciprocities in goodwill, benevolence, effort, and loyalty. All these relations entail reciprocity equilibria which differ from the competitive market model. For instance, reciprocity among workers checks competition

²² See the chapter by Luc Arondel and André Masson in this volume.

among them and creates downward wage rigidities. However, sociopsychologists have for long analysed the fact that people often want to provide their pay's worth of labour (the experiments of Adam (1963, 1965) and Adam and Rosenbaum (1964) have given rise to much discussion, but there were others before, and there has been numerous others later). This conduct is the logical opposite of tipping: a return gift of labour for pay rather than a return gift of money for good service. This conduct leads to an appearance of involuntary subemployment – this is George Akerlof's (1982) theory of "efficiency wages."

Reciprocity also constitutes an economic system in itself, with various possible scopes and extensions. Motives and relations of reciprocity constitute the ideal of the social movement of cooperatives. Traditional economies are essentially systems of reciprocity, and socially successful development depends largely on keeping and relying upon specific relations and motives of reciprocity. Perceptive analysts of economic systems classically retain the threefold division into market exchange, command, and reciprocity. Actual societies are a mix of all three, in characteristic and varied proportions. Reciprocity has been the central topic and concept of economic anthropology from its inception.

Finally, the political system, and the vast allocation of resources it commands, rests on important aspects of reciprocity. People receive freely the vast amount of benefits provided by public services. They support politicians and vote for large taxes. Statesmen are supposed to act for the good of the people whose reciprocal support rests on liking and gratitude. Yet, this is a smaller part of the story for political men of lower ambition.

8.2 "Human rocks on which societies are built."

The fact, the importance, the nature, and the various types of reciprocity could not have escaped Adam Smith:

"Of all the persons, however, whom nature points out for our peculiar beneficence, there are none to whom it seems more properly directed than to those whose beneficence we have ourselves already experienced. Nature, which formed men for that mutual kindness, so necessary for their happiness, renders every man the peculiar object of kindness, to the persons to whom he himself has been kind. Though their gratitude should not always correspond to his beneficence, yet the sense of his merit, the sympathetic gratitude of the impartial spectator, will always correspond to it."

(*The Theory of Moral Sentiments*, Part VI, Section 2, Chapter 1).

This giving to someone because she has given to you was labelled reciprocity in Smith's time (by Morelly, 1755).²³ This pervasive social conduct²⁴ was claimed to be "one of the human rocks on which societies are built" by Marcel Mauss in his highly influential *Essay on the Gift* of 1924, and it has been since then a central explanatory concept of the social science.²⁵ This pair of favours both ways thoroughly differs from an exchange in the strict and

²³ Smith also occasionally used the term reciprocity. However, whether he uses it in this sense or only for describing self-centered exchange is a classical debate in "smithology" (see, e.g., Danner, 1973). Later proper uses include Proudhon (*Le manuel du spéculateur à la bourse*, 1853/1857) and the anthropologist student of Karl Menger Thurnwald (e.g., *Die Gemeinde der Banaro*, 1924).

²⁴ Conduct is behaviour plus its motives.

²⁵ See Kolm, 1984a.

proper sense – for instance a market exchange – because the two transfers are gifts, they are given, hence, by definition, each results from an act that is free in isolation, whereas the transfers of an exchange are mutually conditional, that is, each has to be performed by external obligation (or promise keeping) when the other is performed.²⁶

Smith sees several motives as explaining reciprocity. Tangible reciprocity is of “beneficence,” but it rests on a reciprocity of kindness. This refers to both the action and the sentiment that motivates it. The reciprocity in sentiment can be described as “I like people who like me.” Smith also notes both the gratitude of the beneficiary of the gift or kindness towards the first giver, and the merit of the latter. He also mentions the “sympathetic gratitude of the impartial spectator;” the reference to the “impartial spectator” suggests a reason of fairness.

This includes most of the motives for genuine reciprocity. They fall into two categories. As we have seen, in *liking reciprocity* the return gift is motivated by liking the initial giver because she provided a benevolent gift, and/or because she likes the initial receiver. The latter reason is *reciprocal liking*, a reciprocity in sentiment based on affection altruism. Smith emphasizes that reciprocal liking is particularly appreciated because “*nothing pleases us more than to observe in other men a fellow-feeling with all the emotions of our own breast.*”²⁷ The initial gift can have the role of revealing the liking or of proving its intensity (even if the initial giver gives in order to be liked as a result of her gift or of her liking, her gift reveals how much she wants to be liked, and *ipso facto* how much she likes, because you want more to be liked by someone the more you like her).²⁸

The second type of genuine reciprocity is *balance reciprocity* where the motive of the return gift is to maintain some social balance with the initial gift, sometimes for a reason of fairness. This motive often includes a desire to avoid moral indebtedness. The desire of balance or the preference for it is quite primitive and basic, although people are more or less sensitive to it, depending on personality, culture, education, and social setting. It is to be compared with revenge and the desire for it, its counterpart in conducts of negative reciprocation. The judgment of other people sometimes matter, but not always and not necessarily. The motive has an aspect of a norm for reciprocating or for avoiding moral indebtedness. It then belongs to normative altruism.²⁹ This also includes the desire of fairness when it is present. This norm can have dimensions of inner demand or obligation, of a nonmoral social norm, and more or less of a moral norm.³⁰ The social aspect is related to the judgment of other people, but this judgment can be imagined or become internalized.

Gratitude towards the giver both elicits or favours liking her, and favours providing a return gift with a sense of balance.

²⁶ Although the definition of reciprocity in the social science is unambiguous, some other discourses have used this vocabulary in all directions. Some have seen exchange in the strict sense (as with market exchange) as a type of reciprocity, while others have called reciprocity a type of exchange. The basic issue is that distinguishing the motivations is essential.

²⁷ *The Theory of Moral Sentiments*, 10.

²⁸ A full analysis of these motives, relations, and sentiments is provided in the chapter on reciprocity in this volume.

²⁹ “The norm of reciprocity” is the title of a renowned study of this topic by Alvin Gouldner (1960).

³⁰ See the distinctions in Section 13.3.

The giver's merit, for her voluntary sacrifice on behalf of the receiver, is a reason for providing her with a corresponding reward. However, this remuneration can be provided by the initial receiver or by someone else (including an institution). Indeed, Adam Smith continues with: "*No benevolent man ever lost altogether the fruits of his benevolence. If he does not always gather them from the persons from whom he ought to have gathered them, he seldom fails to gather them from other people.*" He even specifies, quite optimistically, "*and with a tenfold increase,*" before concluding generally that "*Kindness is the parent of kindness; and if to be beloved by our brethern be the great object of our ambition, the surest way of obtaining it is, by our conduct to show that we really love them.*"

This giving to a giver by agents who are not beneficiaries of the initial gift – the "reverse reciprocity" of the modern theory of reciprocity – had been emphasized, in almost the same terms, by the philosopher René Descartes one century earlier, with the same belief that, in the end, the initial giver will turn out to be better off.³¹ This relates to classical promises of religions, for next lives or for this one (e.g., Luke: "give and you will be given to"). If a giver is aware of this result, she may be tempted to give to obtain this final benefit. In this case, however, the gift would no longer result from liking and be the acting part of kindness.

Yet, among "extended reciprocities," this reverse reciprocity is probably less important than the opposite "generalized reciprocity" by which someone who has been helped tends to help others, even those who have not helped her in the first place. This is the "helping behaviour" of social psychology, one of the most studied and documented of human conducts (these studies were especially motivated by the intense debate following a much publicized crime where none of the numerous onlookers intervened or called for help).³²

An individual also sometimes gives or helps in return to his receiving a gift or help, in order to be given to or helped again, by the initial giver or by another agent, who then would be motivated, at least in part, by the hope to receive again a further return gift or help. This leads to a recurrent sequence of gifts or helpings both ways, which occur by themselves or in answer to the occurrence of some specific need of the receiver or means of the giver. The motivations can be purely self-interested or at least partially so. When they are purely self-interested, the relation is but a *sequential exchange*, where each gives in order that the sequence continues. This relation, however, is better classified as an exchange than as a reciprocity, as far as the crucial issue of motivation is concerned.

8.3 The special games of reciprocity

Consider two individuals i and j engaged in a simple reciprocity where they respectively give g_{ij} and g_{ji} to the other, where these two items denote vectors of quantities of goods or services. Individual i 's utility function is

$$u_i = u_i(X_i - g_{ij} + g_{ji}, g_{ij}, g_{ji}, X_j + g_{ij} - g_{ji}),$$

where X_i and X_j denote respectively individuals' i and j initial endowments of goods or services (they are vectors of their quantities). The first argument manifests individual i 's self interest. The last argument can describe individual i 's altruism towards individual j – then u_i increases with the quantities of goods in this vector –, but it may also not exist (or again it can

³¹ Descartes, *Letter to the Queen Christina of Sweden*, *Works*, IV.

³² The Kitty Genovese case, 1964.

support descriptions of individual i 's envy, sense of inferiority or superiority, desire of distinction or of conformity, and so on). The pair of central arguments, g_{ij} and g_{ji} , can describe preferences about the comparison of both gifts for reasons of balance, fairness, gratitude, resentment (if the gift received is lower than expected), comparative status, or competitive giving. The presence of the second argument g_{ij} in itself can represent individual i 's duty or status-seeking. However, if the reason for the duty or for the status are morals or virtue, it should in fact refer to the receiver's benefit, hence to the last argument $X_j + g_{ij} - g_{ji}$. When g_{ji} is given, the function $g_{ij}(g_{ji})$ denotes the (a) g_{ij} that maximizes u_i . Similar concepts are defined for individual j .

If individual i is the first to give, she (more or less) foresees individual j 's return gift $g_{ji}(g_{ij})$. If she does not question this order of the givings, she chooses the (a) gift g_{ij} that maximizes u_i with $g_{ji} = g_{ji}(g_{ij})$. She is a "Stackelberg leader" in the reciprocity game. She can be said to "exploit" the reciprocal reaction of the other person. In so doing, she is purely self-interested if u_i depends only on its first argument, $u_i = u_i[X_i - g_{ij} + g_{ji}(g_{ij})]$. But she is not in the other cases (in particular, she can be also altruistic). This is a *domination reciprocity*.

However, reciprocity has a flavour of egalitarianism in actions towards the other. Now, there being a first and a second player is a strong inequality, if they act as described above. If the actors extend their reciprocitarian sentiments to the orders of the moves in time, they seek a solution that does not depend on this issue, that is, on who is first or second to give or even whether they give simultaneously. Then, a first giver chooses a gift that could be her return-gift if she were the return-giver receiving the actual return-gift as initial gift. Hence, the chosen gifts satisfy the two relations $g_{ij} = g_{ij}(g_{ji})$ and $g_{ji} = g_{ji}(g_{ij})$. The solution has the *form* of a Cournot-Nash solution, but it has a full and rational explanation which is lacking in other cases of one or two-shot games. It is a moral Cournot-Nash solution realizing the "ordering equity" relative to the order of the moves. The result is an *equilibrium reciprocity*.

The classically known structures of these two solutions show that it seems that other pairs of gifts can make both individuals better off: they seem not to be Pareto efficient (the individuals' indifference loci are not tangent to each other). However, the individuals have to choose these other pairs of gifts. For instance, they would make an agreement in this respect. Or, alternatively, an external benevolent power would impose the solution on them. In both cases, however, the transfers would no longer be gifts in the proper sense of the term. In the case of an agreement, the transfers would be parts of an exchange, since they would be mutually conditional on each other by external obligation or promise-keeping once the agreement is accepted. In the other process, the transfers would be imposed on the agents. In both cases, the related attitudes, meanings, and hence motives, would be different. Hence, the preferences about these transfers, and the structure of the utility functions, would a priori be different. The choice of the agreement or of the imposed transfers would have to be made with these new preferences. And the individuals may not end up happier or more satisfied in the end, even if one can make such comparisons when preferences change. In particular, they may lose intrinsic qualities of the relationship of reciprocity which they may appreciate, such as mutual kindness, consideration or respect; fellow feeling; and not being considered only as a means but also – at least in part – as an end (good reciprocity – there are others – is exchange that places the partner "in the kingdom of ends").³³

³³ A good deal of what goes on in the process of so-called "development" consists of replacing relations of reciprocity by market exchanges, thus changing the society and, in the end, the personality of people, in a way that they generally cannot foresee or even conceive at the onset of the

9. Importance and scope of giving, altruism, and pro-social conducts

9.1 Overview

Altruism, giving, and reciprocity have an overwhelming importance in society, its economy, and the allocation of resources. They permit their existence, performance, and quality in various ways. Not only do they rule the life and the economy of families and the sector of charity, and capital accumulation through gifts to children, but they are a main factor of political life and of the role of the public sector and public finance through the effects of conceptions of justice and of the common good in addition to joint giving; they permit the very existence of a free and peaceful society and of a free market through the respect of others and of their rights and property; they underlie most of the spontaneous and decentralized corrections of the various shortcomings and “failures” of the market and of organizations (including firms); they therefore are an essential factor of economic efficiency, productivity and growth through various ways; they have an important role in labour relations and at the workplace; they are a basic objective of many cooperatives, associations, and clubs; they are crucial in general sociability and hence for the essential amenity of life in society; they constitute a most basic social bond; and they are the most universal criterion for judging the intrinsic quality of social relations and of individuals.

9.2 Families

The allocation of resources should first have people to whom to allocate; and persons also provide the main economic resource, the stock of human capacities. Hence, there should first be procreation, which usually result from love, a particularly strong type of altruistic sentiment and of liking reciprocity.³⁴ Moreover, no society can survive without someone feeding children and taking care of them – gifts which again essentially result from love (and a little from duty). The first social relations and sentiments a human being is aware of and experiences, and the only ones for several years, are kinds of very strong, warm and reciprocal altruism. The first social relations and sentiments mankind has observed and experienced, in the family, the extended family, and small groups, are mostly giving, strong altruism, and reciprocities.

Moreover, people tend to mate with altruists, notably because they are likeable and prone to protect them and their common offspring, which favours the spread of genetic configurations favourable both to altruism and to being attracted by altruists (and hence again to the reproduction of altruists).³⁵ This selection of the “altruistic gene” is complemented by the “selfish gene” which makes you help people who *might* be genetic relatives, and possibly by the selection of cooperative societies among competing groups as conceived by Darwin and Kropotkin.

transformation.

³⁴ Adam Smith, a life-long bachelor, finds this “passion by which nature unites the two sexes” to be “always, in some measure, ridiculous” and holds that this “passion appears to every body, but the man who feels it, entirely disproportionate to the value of its object” (*The Theory of Moral Sentiments*, 39).

³⁵ See Section 12.

Nowadays, “more than one half of the American population depend for their security and material satisfactions not upon the sale of their services but rather upon their relationships to others” (Edmund Phelps, 1975).

Moreover, we have noted the impressive fact that gifts to children through bequests and education produce about 80% of savings and capital accumulation, and hence of investment, technical progress, and per capita economic growth – the rest of growth being due to loving procreation – (Kotlikoff and Summers, 1981, Gale and Scholtz, 1994).

Even economists who scorn altruism and cherish the selfish *homo economicus* live in families where they themselves probably love and give. They can hardly fail to notice the presence of altruistic sentiments and behaviour there – or so it seems. Indeed, a number of economists have emphasized for long the contrast between the motives in the market and in the family. This was implied by Wicksteed’s notion of *non-tuism*, shortly discussed, or in our days by Becker’s “altruism in the family, egoism outside of the family.” Becker (1974) sees indeed the family as dominated by an altruistic distributing *pater familias*. Yet, a number of other economists, on the contrary, push the consistency to the point of seeing even the family as a self-interested exchange, and this model was theoretically developed (Chiappori’s initial work). This acknowledges the effects of interactions and the multipolarity of a family, but with a surprising view of motivations. Then, a new new economics of the family reconciled interactive multipolarity with giving and positive affects in basing a theory of the family on reciprocity (Arrondel and Masson).³⁶ In fact, families display all forms of relations – giving, exchange, and constraint –, but are better seen as a network of reciprocities where relations of other types are in fact moments in this broader framework.

The family manifests in particular all six types of direct and chain intergenerational reciprocities, since one gives to one’s children and to one’s aging parents, given that one’s children will give to oneself and to their children, and one’s parents have given to oneself and to their parents.

However, giving to children is more important than supporting one’s parents in families in developed economies. Indeed, people not only save for their retirement but, in addition, give much to their children in the form of raising, education, gifts and bequests. This voluntary transmission in fact accounts for most of savings and hence of capital formation nowadays (in countries with pay-as-you-go pension systems, this collective scheme makes the young finance the retirees and saving for one’s retirement is still lower).

9.3 The political and public sector

9.3.1 Public services and general political motives

You receive vast amounts of free public services. You benefit from numerous public goods with free access and free of charge. If you are poor, you are granted public subsidies, aids in kind, the assistance of social services, and again free public services and goods; this is by far the largest amount of aid to people in need or poor nowadays (and if you are rich you manage to have your area receive the best public services and your firm receive public subsidies). On the whole, the public sectors give between one third to more than one half of GNP in our time. You freely choose to vote for the very high taxes that finance these services (you may have to

³⁶ See their chapter in this volume.

choose only among high levels, but if sufficiently many of us wanted low levels, some politicians would propose it). What are, however, the motivations? What are, more generally, the motivations of all the actors who can influence the public choice individually or collectively? Are these people egoistic and self-interested, as they often seem, or are they altruistic and aiming at the common good, as they often say? Indeed, a school of scholarship, notably in economics, assumes the first alternative, whereas the actors themselves assert most of the time that their choice is motivated by the defence or promotion of the general good, including the realization of justice in society, or at least that it conforms to this objective.

Before pointing out the main issue, specific to the political/public sector, in this respect, let us notice that the various actors commonly want to help other people in need through public regulation, public action and public finance even if they have to contribute themselves, to some degree, for reasons of compassion, pity, moral duty, solidarity, justice, or fundamental reciprocity (i.e., the reason expressed as: “I help them, given that they would have helped me if our situations were reversed”).³⁷ This is notably related to the situation of joint altruism, joint giving, and its realization by the public sector (see Sections 4 and 7). In particular, taxpayers choose as voters this aspect of the public finance.

Moreover, in most political/public choices of all kinds, a characteristic feature of this sector is that the two types of motives – self-interested and altruistic – can lead to the same choice and cannot be disentangled. The reason is clear and inherent to the nature of this sector. Indeed, many of the issues in question concern general aspects of society (e.g. moral, national, historical, aesthetic, environmental, etc.), and preferences about them express both individual tastes and concern about the common good and about what is good for the other people. Other issues concern more ordinary public goods or regulation, that you generally want both for yourself and for others: the latter aspect is an altruism. Still other issues affect specific personal interests that are best defended in joining with the other persons having similar interests, in political actions of all types (votes, parties, other forms of expression, lobbying, revolution, etc.). Then, you jointly defend your interest and that of the other people in a similar situation. You favour and help them as they favour and help you – this is solidarity. Your interest becomes an “objective” cause, and it should not be too difficult neither to find a conception of justice that shows that the defence or promotion of this interest is right, just, or fair, nor for you to adopt and possibly to believe these arguments.

Indeed, apart from the issues of public aid noted above, people rarely defend views of justice that oppose their own interests. This is puzzling and worrying on the grounds of human rationality, since ethics is supposed to be an exercise in end or value rationality and its conclusion should have no reason to be correlated with the reasoner’s interests. Yet, in ethicizing their interests in this way, people ipso facto transmute them into an altruism towards people having the same interests. However, these moral arguments defending one’s own interests may not be sincere. They may be just “noise” as a school of economists is fond to say. They would be mere *phariseanism* – that is, defending one’s interests with moral arguments in which one does not believe.

However, the existence of phariseanism does not support a conception of man as exclusively self-interested but, on the contrary, it proves it to be false. Why, indeed, would people care to defend their interests with moral arguments? If it is for defending their interests,

³⁷ The term “fundamental” means that the reverse situation is purely notional. For instance, this can be a reason for helping people born with some relative handicap.

this implies that these arguments influence the behaviour of some other people. Hence, these other people are influenced by morals, at a cost for their own self-interest. Since their action serves the people who present the argument, this reaction is a moral altruism. Phariseans believe that the other persons may react in this way from their experience and observations, and possibly also from introspection and a hypothesis of analogy of other persons with oneself (or empathy of these others). Therefore, phariseism, a homage that vice pays to virtue, implies virtue and proves its existence. Even if people present the moral argument in order not to appear purely greedy, this implies that the other persons appreciate the moral reason (this is also inferred as just noted). And even if they entertain a view of the righteousness of their interest in order not to see themselves as purely acquisitive persons, then they themselves attach some value to this moral reason – contrary to the hypothesis.

Hence, the fact that moral arguments are sincere or are not is beyond the point. In any case, their simple use a priori implies that they are influential, or expected to be from experience or introspection, and therefore that some people are influenced by them. These people then are moral altruists if these arguments favour the interests of other people. And even arguments that only aim at softening the image of some people imply this kind of recognition.

In fact, the issue of sincerity is ambiguous. People often present or emphasize arguments in order to counterbalance other arguments presented with opposite conclusions, so as to make a fair judgment possible. In these cases, these people can be sincere and yet present biased arguments – for a justifiable reason. Moreover, when they defend their interest with moral arguments, people are often not clear to themselves whether they really believe the reason they give or not. This does not matter, however: as we have seen, the simple use of moral reasons proves their influence and, a priori, that of moral altruism.

Finally, for example, the fact that freedom of exchange may be more defended by the rich and inequality more criticized by the poor does not imply that only self-interest matters. It implies, on the contrary, that both conceptions of justice can influence actual political choices. This implies in turn that influential actors are to some degree moral altruists motivated by these opposite conceptions of justice. Moreover, in a democracy where the ultimate political power rests in the population – e.g., the electorate –, these moral altruists have to be very numerous. The upshot is well epitomized by Jean-Jacques Rousseau's remark that "morals and politics cannot be separated, and he who wants to study one without the other is bound to misunderstand both."

Indeed, the abundant and pervasive political discourse speaks of nothing else than the good for society and justice – corresponding to the two problems politics has to solve, joint action and sharing. Both topics imply kinds of altruism. This has been noted for the common good. For justice, it results from the property of impartiality inherent to the concept, whatever the specific form it takes. Indeed, this implies that the values defended attach to "objective" characteristics which can be those of various persons (for justice towards individuals). Hence, a position of justice that favours the interests of a person also defends those of others, a priori. Moreover, the simple fact of taking an impartial view of individuals' interests constitutes a general altruism in itself.

Conversely, altruism towards several persons, and in particular the altruism towards all humans emphasized by Adam Smith, implies and requires definitions of the limits between the interests of people when they oppose one another. Yet, setting an arbitrary limit to the

interests of someone would not be altruistic. Hence these borders of interests have to be defined from justified, objective, and impartial reasons, that is, from criteria and principles of justice. Finally, the implementation of justice and of the chosen common good generally requires constraints which, in a state of law, are the prerogative of the public sector.

9.3.2 Actors of the political and public system

The noted close relations between self-interest and aspects of altruism affect all actors of the political and public process. In addition, for each type of actors there are more or less specific relations between their interested and altruistic motives. These actors are of four types: voters; supporters, militants, activists and party members; political personnel; and civil servants.

No voter, party member, militant, activist or supporter has a decisive influence in a large election, and yet they spend time, effort, and money. Hence, they are not motivated by their self-interest. They say that they do this because it serves other people, or also serves them, which is an altruistic motive. Other moral reasons that they may give are specific reasons for moral altruism. And, in fact, their actions serve the other people having the interests they defend or holding the values they promote. They also serve many people in permitting the functioning of a political system if it is better than possible alternatives.

In addition to these actors, the political and public process has two other categories of actors: politicians or statesmen, and civil servants, at all levels. Contrary to the other categories, they are professional (at least for a part of their life). Hence they can have an interest in their own career. This polarizes most of the self-interest that there is in their motivations. Even if they had no other motivations, this one would suffice to transmit and implement the objectives of the voters and supporters of all kinds, notably their altruistic intents of all types. However, as the other actors, they also have other motivations, and they have various effective ways to translate them into acts and facts.

Political men seek fame, power, and income. Yet, most of them also want the good of their society and of their co-citizens and want to do something about it. They see these objectives as much more complementary than opposed, since more power by election or promotion enables them to better serve and promote their view of the good; and seeing the good as congruent with the positions whose defence and implementation will make them elected or re-elected avoids the uneasiness caused by cognitive dissonance. Yet, although political ideals may adjust to political interests, they also often determine the choice of a political career and the basic choices in it. Disentangling these two kinds of motives is therefore not easy or even not possible, even for their holders themselves. Moreover, political men are not only implementers; they also have a major role of influence and in the formation of public opinion. When they are in power, poor information of voters and the distance between elections leaves them a large scope for promoting their own objectives, moral or immoral (Jean-Jacques Rousseau remarked that the English are free only one day every seven years, the election day; and a President in his last term is free from electoral threats).³⁸

Finally, there is, in a number of societies, a special ethic of the civil service (or public service), at work from the bottom to the top of the hierarchy. This is supported to some degree by promotions which favour agents who display such a “spirit of the public service,” thus

³⁸ This view of Jean-Jacques Rousseau is still nowadays commonly proposed by his Swiss compatriots for praising their system of referendums.

providing them with both a reward in self-interest and an enlarged field of public responsibility. This ethos and ethics includes strongly altruistic motivations. The problems that this attitude leads one to pose have been a major impetus for the development of public economics and normative economics.

9.4 Giving in philanthropy, solidarity, and charity

9.4.1 Social situation

Private giving outside of the family has a notable importance. For instance, we noted that it takes up about 5% of GNP in the USA. It displays a large variety of forms: it is to people in need or as support of various specific causes that benefit many people, direct or through various organizations, in money, in kind, or in giving the labour, effort, or body parts of the human person. Private giving has, with both public giving and the market, close relations which are associations, complementarities, substitutions, or competition.

Private giving is tied to public contributions through tax deductions and deductibilities, and joint or matching contributions. Yet, a given support can also often be provided either by private voluntary contributions or by the public sector. Different countries often choose different solutions in this respect, with a global tendency in each country, so that the sharing between private and public aid is very different from one country to the other. As a result, the size of the private philanthropic sector varies widely across countries, as do the size of the public sector in an inverse relation.³⁹ Section 7 has shown how this sharing can depend on the individuals' motives to give and on political efficiency in the different countries. This is notably manifested in the traditions and political and social culture of the country, and hence in its social, political, institutional, and ideological history. For instance, the historically large role of the public sector in Europe jointly results from the ethics (or ideology) of the Welfare State, monarchical traditions (even in Republics), the presence of a professional civil service, and essentially the opportunity provided by the fact that public budgets increased tremendously during the World Wars and could, when military expenditures subsided after the wars, be largely redirected towards social aid – particularly needed at these times –, while the wars had created a sentiment of interclass national solidarity which hardly existed before. Practically, each type of aid tends to occupy fields where the other is absent or insufficient.

Private giving is also sometimes an alternative to relying on the market. For instance, the economic profession was impressed by Richard Titmuss's (1971) findings that the English system of giving blood for transfusion is much superior – notably in terms of the quality of blood – to the American system of buying it, and by Kenneth Arrow's (1974) discussion of this issue and consequently of the role of giving and of moral behaviour in the economy.

9.4.2 Motives

An individual, indeed, cares about another's pain more, and wishes its relief more, the larger the pain, the more she knows it, and generally the more she knows the other person, relates to her, and likes her. This basic and obvious fact can mobilize various types of sentiments. Sentiments of compassion and pity rest on an emotion and are commonly supported by a moral demand. In most cases, their object is the pain of another person. The emotion is then

³⁹ A recent important study by Alesina and Glaeser (2004) compares the modalities of the relief of poverty in the U.S. and in Europe.

influenced by empathy about this pain (with the possible assistance of some emotional contagion). Yet, pity and compassion can also attach to an act or a situation of the other person that are deemed improper and not only to pain. At any rate, pity and compassion require having a priori some emotional distance from the object: the more you a priori like the other person, the more you suffer from her pain, but the less this is due to compassion or pity. The intensity of the sentiment that induces compassion and pity varies like that of the pain that elicits it (*ceteris paribus*) but is usually lower than it. Compassion and pity lead to wishing an alleviation of this pain, notably by the observer, and also by others and hence by joint giving and by public aid, and moral altruism also induces this desire and action. Moral and (other) social altruism also demand both affection and support among members of the same communities, with an intensity parallel to the degree of closeness and proximity. This includes family relationships and other solidarities. Moreover, justice and fairness, which are other aspects of social ethics, can also demand the alleviation of the pain. Their comparative dimension may then also specify who should pay for this relief.

Moreover, all the various noted normative (moral and social) values entail praise or blame of the acts of aid and of the sentiments that induce them, and hence of the persons who give or should give and experience the sentiments, by other people, by the person herself, by society in general, or as abstract intrinsic judgment made up by the person. This often influences helping behaviour, and it occasionally also influences the evaluated sentiments. The judgment of sentiments may foster benevolence, and hence the resulting propensity to give. Caring about the judgment about oneself as actor is not a properly moral motive. However, it can induce giving in cases where actual benevolence does not suffice.

Therefore, the motives of aid to the people in need are compassion or pity, sense of justice or fairness, and other moral or normative altruisms, supported by a sense of community with various possible extensions, plus, possibly, a quest for praise or favourable self-image. These motives are largely different from and incompatible with those of the other main field of giving, the family, because affection has emotional priority over both compassion or pity, and moral or normative altruism. You take care of your children when they need it because you love them, and you neither really pity them nor have to help them because it is your duty. The comparison between these two kinds of altruism is, of course, more complex and subtle. A sense of community favours both sympathy (somehow a mild affection) and compassion. Empathy associates naturally with affection and is, to some degree, an ingredient of compassion. Fairness plays some roles in the family. Yet, the most striking fact of the comparison is the difference and incompatibility, and the responsible sentiment is affection, the feeling that blurs the border between self and other.

Finally, supporting people in need directly or through causes is a priori a case of joint giving with many participants. We have seen in Section 7 that democracy or efficiency, and altruism and a number of other motives, lead to the realization of all this aid through taxation and public aid. Hence, private giving realizes the transfers when the political system is deficient (notably in democracy and efficiency), or when the motives attach to particular variables, such as the giver's private gift or a comparison with the full contribution (tax plus gift) of other people. These particular sentiments can be reinforced by others' judgments, but all these evaluations are not altruistic and have a limited rationality and morality.

9.5 General respect, civility, sociality, and help

The first altruism is restraint from harming. The first gift is restraint from stealing. The first reciprocity is answering respect with respect.

Most of the time, most people neither harm nor steal nor lack respect, and – it seems – nor even intend to.

The general a priori benevolence and altruism towards our fellow humans jointly results from morals and norms, empathy, sympathy in all senses, and a priori affection for what is similar to oneself. This feeling is something very important. Even if it is moderate, each applies it to many people and benefits from this attitude of many people. It makes people a priori respect others and be respected by them. It makes “spontaneous order” a priori differ from the “war of all against all.” It makes normal societies differ from the Hobbesian Iks described by the anthropologist Turnbull. Between two persons, this sentiment establishes a presumption of mutual help if needed, rather than war. It permits peace without a police state, and, hence, a free and peaceful society. It permits rights and property, and hence exchange and markets, with a tolerable level of private defence and public protection. It paves the way to providing help to other people when they need it. In particular and most importantly, much below the level of need that induces assistance by some other person, the large number of a priori benevolent others makes joint giving a requirement of unanimity (a priori implemented by public aid and transfers).

In fact, no society can exist without a large extent of voluntary altruistic respect for others and for their rights and properties. Peace and security can result from restraint or constraint, and the latter can be due to self-defence or to the police force. Relying on self-defence alone amounts to a detestable and untenable “war of all against all.” Relying on the police alone is impossible if there is not one policeman behind each of us, and it makes for an execrable police state. In fact, there would even have to be two policemen behind each policeman for preventing him from self-interestedly using his force. Solely relying on both these solutions is a mixture of two evils and would seriously misallocate resources towards the weapon industry. These effects can be avoided only if voluntary respect solves a notable part of the question, as is the case in normal societies in normal times (although both other means are generally also more or less required for prevention by deterrence).

In particular, this common general respect of other people, their rights, and in particular their properties is indispensable to the normal functioning of an extensive and efficient system of exchange. This basic altruism is a requirement of a working market.

Moreover, this respect, accompanied by politeness, menial help, and larger help when needed, in all or most encounters, provides the social amenity necessary to a normal and sufficiently smooth and even agreeable life in society. The closer the relationship between people, the larger this necessity. This is indispensable to the general quality of life and to the efficiency of activity in society. Altruism is the lubricant of social relations, as necessary to the working of society as oily lubricant is to that of engines.

9.6 The correction of “failures” of exchanges and organizations

The efficiency of markets is fettered by a number of “market failures” including externalities, non-excludable public goods, transaction costs, missing markets, incomplete contracts or impossibilities of establishing or enforcing contracts, and so on. Organizations, notably hierarchical ones, are hampered by difficulties in information, transmitting orders, reporting,

imposing decisions, and so on. All these vices have two basic causes: difficulties, costs, or impossibilities in *information* and in *constraining* people. Impediments in constraining can be remedied by the corresponding voluntary action or restraint of the concerned individuals, and those concerning information can largely be remedied by voluntary transmission of information. When the actor sees these acts as not being the most favourable ones to her interest, they constitute gifts. Concerning information, this leads to truth-telling, sincerity, and voluntary disclosure. Concerning actions, this leads to giving, helping, promise-keeping, trustworthiness, loyalty, abstention from cheating, solidarity in an organization, reciprocal action or contribution, and so on. The motives are often moral. They are also often normative and social of a non-moral kind – like following a social norm whose violation elicits shame rather than guilt which is specific to moral failure. These motives, or at least and particularly the social non-moral ones, can be reinforced by a quest for image or status in the eyes of oneself or of others. In the case of an organization, the motives can be loyalty or devotion to the group or to its direction, sympathy or affection towards the other members, or solidarity towards them. Sympathy, affection and solidarity can also occur in an exchange, especially when it takes place within a community. Finally, these conducts may be reciprocal and motivated by a concept of balance, possibly supported by a sense of fairness – such as helping, contributing to a public good, telling the truth, not cheating, keeping one’s promises, being trustworthy and trusting, and so on, given that other participants do the same. Even if someone so acts in order that the other(s) continue to act in this way in the future, this can work only if the last action has another – not self-interested – motive and hence is a gift, and then this motive doubtlessly also existed before.

In improving social efficiency, these various non-strictly-self-interested conducts and motives often end up favouring the strict self-interests of these actors.⁴⁰ Then, disinterested conduct favours one’s strict interest in the end, as if by a kind of immanent justice. People may be aware of this, but if they conclude that they will act this way for favouring this interest, then this motive induces them to act differently, the magic of normed and moral action is broken, and the underlying inefficiency surfaces. This occurs in a framework of collective action, where each person benefits from this behaviour of a number of other people, and the very original agreement failure prevents that they choose to behave this way in a collective binding agreement. However, these conducts are very often maintained by reciprocities: people behave in the proper way given that others do too.⁴¹ Moreover, the fact that all or many people benefit from these behaviours have often led to their becoming social norms, by a process involving many interacting individual judgments rather than conscious individual decisions. In such situations, furthermore, the individual choice tends to be supported by a “generalization ethics” of the Kantian type.

Market failures are also commonly corrected by public intervention. Yet, this has limits due to difficulties in obtaining the necessary decentralized and local information, costs and impossibilities of constraining, and general problems of the public and political sector caused by issues of motivation in addition to, again, questions of information and of constraining. Hence, the decentralized corrections of all these “failures,” due to different motivations including altruistic and normative ones, are essential factors of economic and social efficiency.

⁴⁰ Self-interest is “strict” when it excludes satisfactions from status, image in the eyes of others or of oneself, and the like.

⁴¹ The chapter on reciprocity in this volume analyses extensively the efficiency effects of reciprocities.

9.7 Associations, clubs, cooperatives

In addition to these altruistic, giving, and reciprocitarian aspects of exchanges and organizations having other objectives, people create a number of social forms where these types of relations purposefully have a particular importance. Setting aside the case of marriage already noted, they are associations, clubs, and various groups. Their aims are varied. Sharing among members and sociality are sometimes the only aims. Yet, these relations are often important although there is another objective. This can be an activity of the members in culture or leisure, mutual help which then becomes more than only mutual insurance in terms of social relations, working for a cause or philanthropy, and so on. Many instances of cooperation share this spirit. Cooperatives have specific aims, but they are often set up with the ideal of maintaining, among their members, positive relations that go beyond mutual self-interest. Cooperative movements emphasize this aspect, which is sometimes lost in the course of time, but also survives in important cases (notably when related to a political cause). The network of associations with altruistic mutual cooperation or help – be they traditional or more recent – which exist in a society, often constitutes a major aspect of this society, usually as a sign and a vector of its quality in essence and achievements.

9.8 The workplace and labour relations

Some economists, who wanted to explain all behaviour by selfishness but lived in a family, adhered to the view that there is “altruism within the family, egoism outside of the family.” The above remarks show how erroneous this simplistic view is. Yet, let us consider the social insertion of the individual which is in a sense the antithesis of the family, the workplace and labour relations where the rule is self-interest served by command and hierarchy. For simplicity, let us forget about family firms and about how many families started at the workplace. The latter fact, however, says something. People spend at work most of their time outside of the family. They find there most of their social relations, and therefore most of their friends. To begin with, the general sociality of respect, menial help, and larger help if necessary, applies there. These relations are particularly important because of the time and fraction of life they occupy. Moreover, this duration, especially when the same people are met, or simply because the relations occur in the same social framework which develops usages and traditions, tends to make this sociality more intense. People working together know each other. Empathy, sympathy, emotional contagion, and reciprocities have a large field of opportunities for developing. The help includes issues relative to the work itself, including in providing information. All relations are reinforced by the fact that they tend to be reciprocal. These non-strictly self-interested conducts lead to the behaviours, noted above, that permit the organization to overcome its inherent “failures” in information and constraining. In addition, co-workers have common interests in working conditions and wages, with regard to the external conditions of the organization – including competition –, or in opposition to other parts of the organization – such as the management. This elicits and reinforces solidarity, while raising the public-good and free-riding problems of joint interest, and their solutions by normed behaviour and altruistic and reciprocitarian sentiments. Reciprocity develops even across hierarchical relations. Even if bonuses are more incentives than gifts, there also is the more surprising but much studied behaviour of working in order to match and deserve the pay received (as noticed above, this was applied by G. Akerlof for explaining involuntary unemployment). In the end, labour relations include strict command, hierarchical constraint, and exploitation, but they by no means reduce to that, and assuming they do prevents understanding and explaining what happens in this essential part of the economy.

9.9 Social giving: relation, symbol, status

Gift giving is a voluntary unconditional act in favour of someone else. In its various forms, it constitutes the positive social relation. Being in general more or less costly for the giver, it is a voluntary sacrifice of the giver in favour of the beneficiary. Hence, it can a priori constitute a strong relation. It is therefore bound and capable to carry meaning about the giver's sentiments and intentions, and to be a particularly meaningful act in a social relationship. Its cost can indicate and measure the intensity of these sentiments and intentions. Yet, even when the cost is low, the act and the gift can keep their meaning and be symbols sending a signal or acting as a reminder of the giver's sentiments or promises or of the relationship. Accepting a gift is also sometimes an option meaning acceptance of the relationship proposed by the gift. The various meanings can be for the giver, the receiver, or other observers of the relation. All these functions of the gift are very different from its direct improvement of the receiver's situation and from any satisfaction derived from creating this improvement. Yet, they manifest other-regarding sentiments, social relations, and social bonds, and are sometimes important in their existence. The instances of this role of the gift are very varied. The gifts can be of all size and value. The symbolic and relational meaning can be essential or minute, and durable or occasional. The relation and the gift can be fortuitous or institutionalized. The setting can be the family, business relations, and all types of social relations. The motivating sentiments and intentions can be those expressed or other ones. They can be benevolent, self-interested, or malevolent.

Gifts can thus show, manifest, express, confirm, and prove by their cost, various sentiments and intentions towards the receiver. They can mean peace, friendliness, acceptance, friendship, liking, or love. Gifts seal, celebrate, or confirm an agreement or an exchange. They show goodwill in a relation. They can manifest consideration and respect. Gifts, indeed, can mean things which are opposite to each other. They can initiate a relationship, maintain it, or put an end to it. They can manifest submission or obedience, as well as superiority or domination shown by generosity. They can express gratitude, pay back a moral debt, or intend to bind the receiver by a moral debt. Giving and receiving, and the relation they constitute or manifest, are thus often related to the social status of the giver or of the receiver, often to a hierarchical status. Various statuses imply obligation to give or to receive or result from such acts. You may give because you have a status, to maintain a status, to acquire a status, or to get rid of a status.

More generally, gift-giving can have many important social roles, functions, and intentions, other than only benefiting the receiver, and this latter effect is sometimes negligible or absent. Giving and accepting provide information about sentiments and intentions, constitute symbols of relations and of promises, and are the occasion of festive encounters, in social situations of various types and of all degrees of importance. People sometimes find it important to transfer to each other identical rings. Others alternately treat each other with identical drinks up to more than they wish or ought. Gifts seal deals and agreements. They are used to confirm hierarchical relations of all types: a domination with a gift to a subordinate, a submission by a gift to a superior, and even an equality in a brotherly gift or reciprocity. As we have seen, gifts can have as their only aim the promotion of the image or status of the giver in the eyes of other people or in her own eyes – although this cannot be the true image of a moral person –, but other gifts are still worse when they aim at morally or socially enslaving the receiver by a moral debt, or at humiliating her in showing that she is not capable to cater for her own need or her family's. Yet, other gift-givings, on the contrary, permit one to redeem a moral debt or to erase or compensate an inferior status. The

Inuit people, who have little else to watch but their relationships and whose wisdom is expressed in sayings, have two of them about giving, both concerning its effect on social relations: the gentle “friends make gifts and gifts make friends” is matched by another view devoid of illusion, “the gift makes the slave as the whip makes the dog”.

Finally, the most important consequence of the attitude and act of giving may be the easiest to forget about precisely because it is ubiquitous and basic. Freely bowing to another person’s will is a kind of gift whose pervasiveness, even in moderate degrees and in reciprocity, constitute the condition of a viable society in a world where scarcities make individuals’ desires oppose one another. Giving, yielding, accepting, acquiescing, or endorsing constitute the essence of the multifarious acts and attitudes that make life in society possible. This often goes with a sense of fairness and, to some degree, of fellow-feeling.

9.10 Normative economics and the good society

Hence, even though giving can be motivated by self-interest, negative sentiments, and vicious intentions, it essentially also has all the noted effects crucial to the quality and even the existence of society, whereas altruism underlies the various social sentiments that are the main source of human satisfaction, and altruistic giving is unanimously considered the most valuable of social relations and the most praiseworthy of social actions. The good society is made of good relations, not only of profitable exchange, and of good persons, not only of sybaritic consumers. One discipline cannot forget this is normative economics.

Normative economics is more traditionally concerned with the quality of society concerning the efficiency (notably Pareto wise) and the fairness and justice of the economic system. As for efficiency, its central topic concerns the “failures” of markets, agreements, and organizations. Hence, the very important effects of giving, altruism, and pro-social and moral conducts, for remedying these failures are a prime concern of these studies – as is, similarly, the responsibility of such conducts in creating these failures.

Giving in all its forms also has important effects on the distribution of resources and hence on its justice or fairness. In helping poorer people, a free act both has this valuable effect and generally diminishes inequality. Yet, the essential giving and support within families is both usually praised and the major source of inequalities in opportunities, non-earned incomes, and earning capacities created by education. Finally, spontaneous respect of people and properties is an essential condition for the protection of social freedom, the fundamental value of our societies.

Normative economics considers social ethical conceptions with the intention that they be applied. This application, however, imply that these conceptions are endorsed by some people who want, approve, or accept their realization. Indeed, a social ethical view, principle, or set of principles is a priori three things: an ethical logic in itself – that normative economics studies – ; a sociological phenomenon of morals and opinion when this view has at least some social importance; and an individual opinion for people who hold this view. Realization – and hence usefulness of the analysis – implies that the last two aspects exist or arrive. If this view takes as end value a concept of what is good for individuals, its endorsement by an individual constitutes an altruism of the latter. Conversely, any altruism towards several persons – and in particular the general a priori altruism – implies a conception of the best sharing between these people, that is, of distributive justice, which is a basic part of a social ethical view.

These close relations between altruism and giving on the one hand and normative economics, social ethics, justice, and fairness on the other hand hold at all social levels, from the overall view of societies with often an implementation by politics and the public sector, to issues of local justice and direct interactions among agents. The latter case occurs in particular in one of the basic types of reciprocity.⁴²

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In the end, “altruism is expressed in varied forms. It may be individual, interpersonal, and unilateral, as within the family. It may also be cooperative and multilateral, being institutionalized in agencies of government, voluntary associations or private philanthropies. If a task of economists is to illuminate the allocation of resources, then the analysis of altruistic resource use is a bridge to be crossed.” (E. Phelps, 1975). This is to say the least. Yet, those among economists who are so fond of quoting Robertson’s proposition that the role of economists is to economize on love – the scarcest resource –, miss a basic point that they could read in an alternative reference, Aristotle. Altruism, like the capacity to love, is a virtue, and this type of resource has the particularity that it is more augmented than eroded by use, that the more you use it, the more you have of it, because it is perfected by training and habit. One economist who emphasized this is Alfred Marshall (1890) who, after noticing that “men are capable of more unselfish service than they generally render”, adds that “the supreme aim of the economist is to discover how this latent asset can be developed more quickly and turned to account more wisely.”⁴³

10. Giving reactions

10.1 About two particular issues that caught the fancy of economists: intertemporal giving and the internalization of the gift externality

10.1.1 Intertemporal giving, both ways: bequest and the retro-gift public debt

Giving can go through time, in both directions. Downstream through bequests, and upstream by the appropriate public debt. Both are essential social and economic issues.

You love your grand-daughter, and your grand-daughter loves you. You want to help her when you will no longer be here, and you do this by bequest. She herself will want to have helped you when you need it. She cannot do it by herself, but the government can do it for her thanks to public expenditures financed by issuing public debt that will be later redeemed thanks to taxes paid by your grand-daughter. Hence, a present government serving the people should foresee and anticipate this desire of your grand-daughter as well as possible, and obey and realize it in this way (this has been called a *retro-gift*).⁴⁴ Although your grand-daughter approves of the whole operation, when the redeeming time comes she generally has to be forced to pay because the helping first part of the operation has already taken place.

Note that your grand-daughter will generally be richer than you are, because of economic growth and technical progress, and of the bequest she received from you.

⁴² The relations between normative economics and altruism and giving will be fully considered in Sections 14.3, 15 and 16.

⁴³ See Stephano Zamagni (1995), Introduction.

⁴⁴ See Kolm 1985 (and also 1996a).

When you suffer from a situation of economic deflation, she wants to help you, thanks to debt-financed public expenditures. You accept her benevolent gift. You have a way to refuse it, which is to augment correspondingly your bequest to her; this cancels out both her sacrifice and the present effect of the public expenditure in increasing your savings and decreasing your consumption. But you a priori accept her benevolent gift. This gift is also, in fact, a return-gift for the gift of bequest she receives from you. In addition, she also provides this gift in her own interest, since maintaining the economic activity also maintains the formation of capital from which she will benefit, and part of your maintained income will be saved and transmitted to her as bequest.

Financing the public expenditure by a tax is forcing you to spend, whereas financing the appropriate expenditure by a public debt is making you benefit from a gift of your descendents which you do not want to refuse and know you should not reject. Hence, the so-called “Ricardian equivalence” between tax and public debt (Robert Barro, 1974) does not hold a priori, as facts show. Its theory thinks about your liking your grand-daughter, but not about your grand-daughter liking you.

In fact, of course, many other things happen. People do not actually consider taxes on their descendents for obvious reasons. They do not know the amount of the public borrowing. At any rate, the global amounts say nothing to them. They do not know if a part will be paid by their own descendents, and which one and when. In fact, the public debt can never be redeemed and grow as the interest it pays (with the proper economic growth). At any rate, public finance is subject to many other effects. The people do not know them, and nobody can foresee the future factors. Public finance other than what they directly see of it is opaque to them. The future at the distance of a generation is very uncertain. Moreover, gifts to descendents are joint gifts with those of other relatives of the beneficiaries. These relatives can be in diverse generations. Some of them are not yet determined (future marriages) and cannot be known. Hence, agreements of joint giving are not possible. In addition, the motives for bequest are often not pure altruism. There is a “warm glow” of bequest leading the giver to value the bequest per se. In fact, a large part of the volume of bequest probably results from uncertainty about the date of death – in this respect, bequest is more accident than gift. Finally, the public policy normally takes people’s reaction into account. And, at any rate, taxation, and notably the large tax on bequests, limits the possible effects on the beneficiaries.

10.1.2 Economic internalization of helping externalities

When an agent helps another at a cost that falls short of the value of the aid, this help can be induced by buying it. However, this is not possible in a number of cases. For instance, the service can be an externality. The relation can also happen between members of a society where such buying does not occur. For instance the two protagonists are members of an organization, for instance a firm, and the aid increases the productivity of the beneficiary. Or they can be members of the same family. In these cases, the buying, through some material incentive, can be performed by a dominating agent, who can, for instance, use for this purpose something withdrawn from the beneficiary or from what she would have received otherwise. This agent can for instance be a government who so internalizes the externality, possibly in taxing the beneficiary. Or it can be the management of the organization (firm) who can remunerate the helper with a bonus financed with the extra gain. Or again this compensation can be performed within a family. The same outcome can result from the authority pursuing its objectives in choosing in particular financial transfers. For instance, the government

maximizes some social welfare function and chooses taxes and subsidies. Or the firm maximizes its profit and chooses the wages of its employees. Or, again, a family head maximizes a function of the utility, consumption, or income of the members of the family and distributes or redistributes among them. This maximization has the noted effect of overcompensating the helper if it follows the rule that an increase in the wealth of the group benefits all its members. Indeed, the helping increases the wealth of the group by assumption, and the maximization with the distribution or redistribution makes the helper better off on the whole (as it makes all other members better off). The principle that an increased wealth benefits everyone has been a national political ideal.⁴⁵ This notion that an increase in any resource should benefit everyone is a classical principle of fairness, called for instance “solidarity” by William Thomson. The condition says also that each individual welfare is a “superior good” for the overall wealth. This is an implicit assumption in Gary Becker’s (1974) conception of intra-family redistribution by a benevolent *pater familias* (the so-called “rotten kid theorem”).

10.2 Interferences with altruistic giving: general view

The cases of the two foregoing paragraphs, and those of the effects of public transfers on private giving discussed in Section 7, are particular cases of the effects on giving of other transfers – or their equivalent – between the giver and the receiver, and, more generally, of the interaction between giving and some interference with the donor, the beneficiary, or both. Various types of phenomena intervene in these situations which, for simplicity, are restricted here to cases of altruistic giving – that is, the donor cares only about the receiver’s situation – (other important cases were also considered in Section 7). The interference is often that of a public policy, but it can notably also be that of any of the other distributing dominant agents considered in the previous section. The gift can notably be aid to poor and needy people in charity, or intrafamily gifts and notably bequest. The interference can affect one of the two parties of the giving or both of them. It can be giving to or taking from the giver or the receiver, or a transfer between them, in both possible directions. The type of interaction between the giver and the interfering agent is a crucial determinant. The general case is that they play a “game” which can be cooperative or non-cooperative. In the latter case, the solution can notably be a Cournot-Nash or a Stackelberg equilibrium, and, in the latter case, either the giver or the interfering agent can be the leader. The interference can also simply be considered as given exogenously, but this is a priori a weak and imperfect model, and there can be a fuller consideration of this agent’s objective.

An exogenous variation of the giver’s means (a decrease can result from a tax) induces her to vary her gift in the same direction and of a lower amount if the receiver’s situation is a normal good for her. An exogenous gift to the beneficiary leads the giver to reduce her gift (in the same condition), and the final result should be the same as if this amount were given to the giver – if she continues to give. However, the situation often turns out to be an agreement between the two givers – with, for instance, a public subsidy (or a tax rebate) for the initial giver.

As a gift can more or less “crowd out” another gift to the same person, it can also deter the beneficiary from helping herself in self-care or effort. The standard solution consists of

⁴⁵ For instance, the French statesman Edgar Faure opposed redistribution of wealth but proposed that everyone benefits from new benefits (a lawyer, he was inspired by the classical form of the marriage contract called “community reduced to acquisitions”).

providing conditional gifts, such as charity to the “deserving poor” rather than also to the “undeserving poor” in 19th century England, the present restriction of unemployment subsidies to people actively seeking a job, or aid tied to own contribution or subsidies to effort. This effect is James Buchanan (1975)’s “Samaritan dilemma.”

The cases of transfers imposed between the donor and the beneficiary has a number of applications. The transfers have been considered as exogenously given. The gift then a priori adjusts so as to exactly compensate the transfer and it erases its effects, if there remains a gift. In this way, lower private charity compensates public transfers. A decrease in bequests erases the effects of government taxes to finance expenditures in favour of future generations. Conversely, an increase in bequests compensates the effects of public expenditures financed by borrowing (Barro, 1974). Similarly, the actions of the dominating agents of Section 10.1.2 amount to transferring from the beneficiary to the giver, but this transfer is explicitly chosen. Actually, of course, the transfers are usually chosen in considering the giver’s reactions and various types of game-theoretic relations can take place, and a number of other aspects are also important in each case (see, e.g., Section 10.1.1).

11. Solving “Adam Smith’s problem”

As Blaise Pascal wrote, “man is neither angel nor beast” (he added “he who wants to play angel plays beast”). Adam Smith seems to have been obsessed by the idea that people serve the interests of other people. However, he relied, for this purpose, on two opposite assumptions about motivations in his two main works. Indeed, the universal altruist of the *Theory of Moral Sentiments* stands in a striking contrast with the selfish exchanger of the *Wealth of Nations*. The vivid description of the former may lead one to think that she is ready to help other people, and yet Smith later says that you would do better to rely on the other person’s egoism (in exchange) to obtain something from her. The possible contradiction was even made a topic of scholarship by German scholars under the name *Das Adam Smith Problem*. It is said that Smith reversed his view about human nature after his visit to France where he met economists. In any event, he certainly read the argument of the *Wealth of Nations* in the *Essays on Moral* of the Jansenist Pierre Nicole, written one century earlier and translated into English by John Locke.⁴⁶ In fact, Smith was probably ready to welcome the reversal of perspectives about motivations. Indeed, the altruist of the *Theory of Moral Sentiments* is only limitedly moral. Much of his altruism is of the hedonistic kind. He largely favours the other person’s pleasure because, by spontaneous empathy and somewhat by spontaneous emotional contagion, it fosters his own pleasure. Kant would sternly deny that this is moral, or even good (however, Smith also introduces both impartiality and duty).

At any rate, Smith praises both the altruistic and the selfish characters because they serve other individuals. For the selfish person, this is in the framework of market exchange. The idea was developed by Pareto into the Pareto efficiency of competitive markets. This, however, is for individuals maximizing their ophelimities w_i rather than their altruistic utilities u_i , whereas the highest utility is what they in fact want. Hence, there is also a *Pareto Problem*. It is striking, in fact, that the economists who analysed the efficiency of selfish exchange the most perceptively are those who also emphasised altruism (Smith, John Stuart Mill,

⁴⁶ This is likely because some passages of the *Wealth of Nations* are very close to passages of *Essays on Moral*, for instance those marveling about the very large number of persons whose work ultimately serve a single one (and of those who ultimately benefit from a person’s work). Smith also read Mandeville and his presentation of the “public virtue of private vices.”

Edgeworth, Léon Walras for solidarity, Pareto). This raises two questions: the relations between altruism and markets, and the motives of individuals.

The most important fact is that there is no contradiction between the altruism and the selfishness of humans, but, on the contrary, essential complementarities in their manifestations and effects, for three reasons:

- 1) Although the market rests on selfish behaviour, some altruism is indispensable to its working, for preventing generalized stealing and cheating that self-defence and the police alone could not check (moreover, who would prevent purely self-interested police and armed forces from robbing at gunpoint?)
- 2) Altruism could jeopardize the efficient working of the price system through lack of competition, price rebates, overpayments or overprovision.⁴⁷ However, most of the altruism that exists in society beyond family circles and can lead to transfers is joint altruism towards people in need or poor. It requires joint giving with many contributors, which cannot occur spontaneously, and has essentially to be performed by the fiscal system if this giving is socially efficient, rational, and moral (see Section 7). Hence it is or should be performed by the public sector, outside of the market. This permits the efficient working of the market not to be jeopardized by intrusive giving.
- 3) Market exchange, giving, and voting for transfers occur in different circumstances, at different times, and among people with different relations —the market, the family, charity, the polity.

Altruistic behaviour in markets that would induce price rebates, overpayments or, for a given payment, providing more goods or labour or accepting less of them, or again abstaining from competing in supplying or demanding items or labour, would destroy the economic efficiency of the price system as informing agents about relative scarcities and desires. However, self-interest alone induces one to take rather than to exchange, when the other person's self-defence and the fear of the police are not sufficient. And, in fact, a minimum of voluntary respect of others' property and of spontaneous honesty is necessary to a normal working of an extensive market system. Hence, exchange, which is neither giving nor stealing, implies and requires an altruism low enough to limit interfering giving and high enough to limit disruptive stealing. Low altruism could lead to some joint giving where contributors share the cost, but free riding checks it (hence an agreement failure can prevent a market failure), and public realization takes *ipso facto* the issue out of the market.

More generally, individuals commonly have different motives depending on whom they relate to and the circumstances and moments. They can be selfish – yet, respectful – in markets, and altruistic in the family, in giving to charity, in approving of joint gifts implemented by public transfers (while preferring not to pay themselves), or in letting their vote about public policy or a constitution be influenced by their sense of justice. Indeed, we have noted that both John Stuart Mill and Léon Walras point out that people can be selfish or concerned about other people or a common good according to their state of mind, the latter case occurring in their moments of calm reflection – although supporting the common good in choosing a constitution, in crucial votes, or in case of collective danger is rather done in collective excitement – (remember that John Stuart Mill calls altruism favouring the highest utilitarian sum of individual utilities). And Pareto distinguishes the sphere of the economy

⁴⁷ See Kolm 1984 and Lawrence Kranich 1988 for a general consideration. A particular instance of this effect is the reciprocitarian labour supply creating apparent subemployment (considered by Akerlof as noted above).

where people seek to maximize their ophelimity w_i from the higher sphere of “sociology” where the concerns are individuals’ utility u_i .

Yet, the most elaborate answer to the challenge posed by “Adam Smith’s problem” came from the most subtle and perceptive of English economists, Philip Wicksteed (1888, 1906, 1933).⁴⁸ In addition to his early contributions to economic choice theory (transitivity and its limits, priorities, revealed preferences, marginal inequalities, bounded rationality, allocation of time, effort and attention, intrafamily economics, group preferences in “communal sense”, etc.), Wicksteed, also a clergyman and a profound commentator of Auguste Comte and Vilfredo Pareto, was particularly interested in altruism. For him, choice theory (refined one) applies to this motive of allocation no less and no more than to others. He is of course well aware of “economic” exchanges by which each participant takes the other as only a means, and yet serves the other’s ends in seeking only her own. He emphasizes, however, that these ends need not be selfish in themselves. They only need to be selfish towards the partner in exchange, not towards the rest of the world. You may want to benefit in order to support your family or give to charity or other causes. For Wicksteed, there exist such *economic relations*, but no *economic man* in the classical sense. “What makes it an economic transaction is that I am not considering you except as a link in the chain, or considering your desires except as the means by which I may gratify those of someone else – not necessarily myself. *The economic relation does not exclude from my mind every one but me, it potentially includes everyone but you*” (emphasis added). Wicksteed labels this attitude *non-tuism*. He also notes that motives depend on the moment, and that business relations, and especially employment relations, are sometimes not purely non-tuistic.

12. The causes of and reasons for altruism

Information about the causes of and reasons for altruism can be useful for two reasons: for foreseeing altruism and its consequences such as respect for other persons or helping them, and for trying to influence altruism – essentially to promote it because of its mostly favourable consequences and intrinsic value. Altruism is the main concern of moral education, and the topic of the penal system can be said to be its absence or misplacement. Hence, the causes of altruism and of its absence have been the object of intense reflection and debate at all times and in all societies (as far as we know). A standard and main issue concerns the relative importance of social influence and education and of the underlying biological material, with a particular place for influence during infancy. This question has taken prominence because the answer is supposed to tell us what can and what cannot be changed and influenced. As far as mere explanation is concerned, however, this question is not correctly posed because culture is not more recent than other aspects of humans and it influences biological selection by mating and survival rates (human “natural” genetic selection, as well as “human nature,” are largely culture). Moreover, the very anatomy of the brain is influenced by culture which acts in creating connections and neurons and not only influx. Neurobiologists have found with relative precision the areas of the brain, neuronic circuits, and hormones “responsible” for social emotions and attachments, but no useful conclusion have been derived yet (such as finding out someone’s anti-social propensity).

The main information about the cause of altruism or lack of it is to be found in studies in psychology, notably the psychology of the child and generic psychology (with the

⁴⁸ An interesting recent presentation of the essence of Wicksteed’s *Common Sense of Political Economy* is proposed by Ian Steedman (1989), Chapter 10.

landmark study of Jean Piaget's *The Birth of the Moral Sentiment in the Child* (1932) and the work of Kohlberg), social psychology, sociology, psychoanalysis (*cum grano salis*), and history and anthropology. These contributions of other disciplines are, of course, beyond our present topic.⁴⁹

Some adepts of the “dismal science”, faced with the sad evidence that human character is not so sad after all, tried to save selfishness in displacing it from *homo economicus* to her genes, and hence became interested in the sociobiological selection of altruism towards kin. Another selectional cause of altruism can be found in group selection – groups of altruistic co-operators outperform others –, which is as old as selection theory since it is Darwin's own theory of competing tribes. Yet, a third mechanism of genetic selection explains altruism much more straightforwardly.

Indeed, you (that is, any animal) have an interest in mating with altruists since they will protect you and your common offspring. This makes the “altruistic gene” (genetic configurations favourable to altruism) spread more than alternatives. Moreover, since your mate's altruism helps you survive more, the character of being attracted by altruists is also selected and spreads, in addition to consciously seeking protection. The altruist protects your common offspring because of his/her altruism and because they are his/her offspring – and you both care for your offspring (would it only be as a result of the selection of altruism towards kin). People who give gifts in courtship may not do it in order to pretend that they are altruists, but this behaviour of theirs may have been selected for this very reason. Of course, altruism also can be a handicap for self-survival, and an equilibrium obtains.

Yet, I do not hope that any biological consideration will provide any conclusion sufficiently specific, subtle, and to the point to be useful for understanding human altruism, given the possibilities of reflective and analytical observation. I regret it, but, for example, the mere variety of types of altruisms pointed out in the next section seems to vindicate this conclusion. However, the biological approach seems to be appreciated by some people, notably in economics, for them to be convinced of the possibility of altruism.

II – ALTRUISMS AND GIVING

13. Altruisms: types and causes or reasons

13.1 General presentation

13.1.1 Introduction

Understanding, explaining, and forecasting altruism, giving, and their consequences requires having a clear view of the nature of these phenomena, each of which has a variety of types and of causes or reasons. This is the objective of the remarks presented in this section.

The very definitions of altruism and of giving are tricky, and can only really be presented after the consideration and analysis of the various cases. For a start, an altruistic view of a person is a view that values positively and for itself what is good for another person or what it deems to be so.⁵⁰ And giving is an unconditional action of a person, purposefully

⁴⁹ For a discussion of this literature, with synthesis and conclusions, see Kolm 1984a.

⁵⁰ This “good” is the happiness, pleasure, satisfaction, or welfare of this other person only as a

favourable in some way to another and costly in some way for the actor. Note that, apart from this cost, the giver may benefit from other effects of her action and give for this reason. The noted persons can be individuals – as it will be the case here – or any other relevant entities. An altruistic view leads its holder to give when this person finds that the valuable consequences according to this view more than compensate the costs for her. An altruist is someone who holds altruistic views, or someone who gives for this reason. Altruism means both the existence of altruistic views and the resulting givings. Altruistic views are of various types distinguished by their causes or reasons. These types can more or less be jointly present. They divide into two categories, *hedonistic* or *natural altruism*, and *normative altruism*. The social psychological phenomena of affection, sympathy, empathy, emotional contagion, fellow feeling, compassion, and pity, make a person feel happy or sad as a consequence of the happiness or pain, or good or bad situation, of another person. They induce “natural” or “hedonistic” altruism. On the other hand, normative altruism is induced by *moral intuition*, non-moral *social* norms, or various applications of *reason* or rationality. Moral intuition and moral reason induce the two kinds of *moral altruism*.

There are, of course, many other reasons to give than altruism. They do not focus on and value the improvement of the beneficiary’s situation *in itself*. The most direct such conduct is following a simple norm of giving with this property. This norm is psychologically of a moral kind without referring to an altruistic intention (for this reason, one can validly deny that this conduct is moral in an ethical sense). This norm of giving is a priori supported by a social view, and by the corresponding opinion of some people (voiced or implicit). More generally, however, judgments about giving elicit a number of motives that induce it. They are made by other people, by some social opinion, and by the actor herself. They lead to seeking praise and approval, absolute or relative status, and a good image, from the judgments of other people but including self-approval and image of oneself in one’s own eyes (that Adam Smith takes to be an empathy of other persons’ views of oneself). Social judgments induce non-moral social norms of the two kinds relevant here: a norm or value for giving per se, and a norm or value for caring about the beneficiary, and hence, possibly, for giving for her sake. Giving because of non-moral social norms is in between giving from an intuitively moral motive and giving because of the judgment of other people or of society, since it is close to the former and yet generally requires the consideration of the judgments of other people (or the imagination of this judgment). Yet, failing to abide by moral values and by non-moral social values elicits respectively guilt and shame, two very different sentiments. We have also seen the central role of giving in a variety of types of social relations. Finally, various social or economic effects of giving can provide strictly self-interested benefits to the giver. This includes effects through markets, return gifts for reasons of balance, fairness, gratitude, or liking, and other social rewards provided either for rewarding merit or for inducing further gifts. However, if these effects are the reason for the giving, a basic intrinsic property of this type of action vanishes.

The present part shows the various types of altruism (Section 13) and of non-altruistic giving (Section 15), with special consideration of the relations between altruism and justice (Section 14). The varieties of altruism and of non-altruistic giving are summarized in tables 1 and 3, respectively. Motives for giving can focus on the beneficiary or on the giver, and the former case can be “paternalistic” or not. Section 13.2 presents the various types of natural or hedonistic altruism, whereas Section 13.3 analyses the three kinds of normative altruism and their relations and effects. Non-altruistic giving can aim at eliciting social effects concerning

particular case. The other cases are what economists call “paternalism.”

judgments, the giver's and the receiver's situation, or social relations (Section 15.2), or at favouring self-interest through various possible ways (Section 15.3) – including indirect economic or social effects, reward, or a return gift.

13.1.2 The twelve basic types of altruism

Table 1 summarizes the structure of altruism and its twelve basic types.

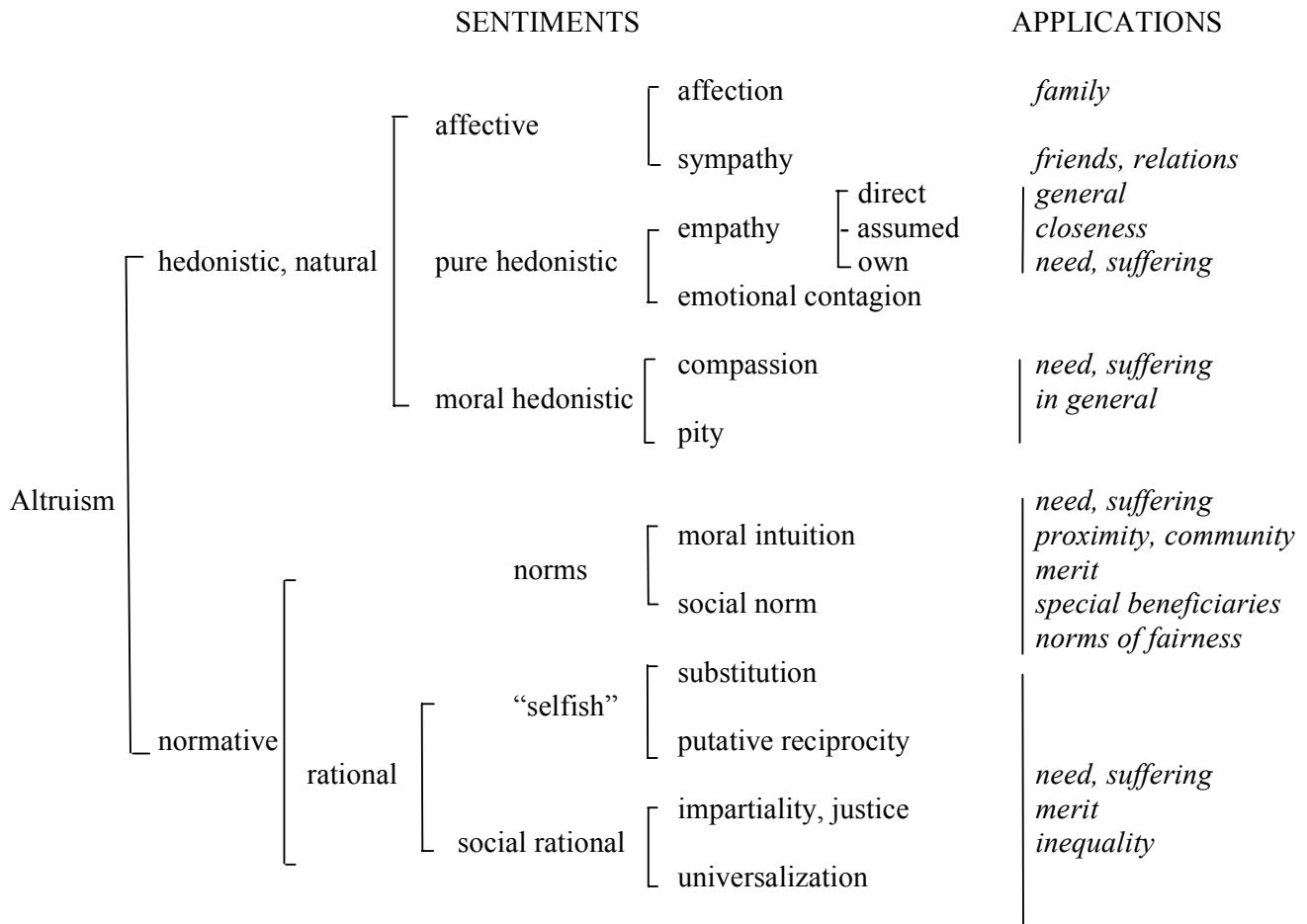


Table 1. Types and structure of altruism

13.1.3 The objects of reasons for giving and altruisms

13.1.3.1 Gift or receiver’s situation

The relevant issue for evaluating a gift can be either the resulting situation of the beneficiary, or the gift in itself. This distinction practically identifies with the two families of reasons for giving: altruism values the situation of the receiver, and various other effects of the gift are generally based on the gift in itself. Norms or values and opinions of all types can attach to these two aspects. From Sections 4 and 7, appreciation of the gift in itself can result from valuing the sacrifice or the responsibility of the giver (the issue of distributive taxes was also discussed there). Some instances may seem to belong to a case but actually belong to the other. For example, if someone makes a conspicuous gift to someone else in order to enhance the receiver’s social status, then this status is the aspect of the receiver’s situation she values.

13.1.3.2 “Paternalism”

In altruism, favouring what is good for the beneficiary of a gift can be either according to the receiver’s judgment, or according to another conception. The former case corresponds to economists’ classical “respect of the preferences” of the receiver. It is then usually taken to mean valuing the receiver’s satisfaction. It is also classically related to the more tangible meaning of valuing the receiver’s happiness, pleasure, or joy, or the relief of her pain, suffering, misery, or dissatisfaction. The other case is usually called “paternalism,” although this term is ambiguous in itself since a benevolent “father” may also value his children’s satisfaction or happiness rather than his own conception of what is good for them if it would lead to another choice. Altruism resulting from empathy or emotional contagion favours the other person’s joy, happiness, pleasure, or lesser pain. Normative altruisms and altruism resulting from affection or compassion can be of both types.

Moreover, the dichotomy between the two cases is not simplistic, notably for reasons concerning aspects of the beneficiary with respect to information, weakness of the will, and multiple self simultaneously or over time. The preferences of a person are not always a unique well defined system. There often are oppositions between her short-term and her long-term interests or desires, her greed and her desire to be a good person or to behave properly, her choice and what she thinks she should choose or what she thinks *ex post* she should have chosen. This raises issues of prudence, moral behaviour, weakness of the will, and regret. An altruist who wants the good of the other person as this person conceives it may therefore have values which oppose some desires, manifestations or expressions of this person. The altruist and the person in question may have different relevant information, and one piece of information, or the other, may be better. A person may even wish to be constrained in her actions in the name of better information, in her short-term pleasure in the name of her long-term interest or prudence, and in her greed in the name of good or proper behaviour. This latter case can be a case of economists’ “paternalism,” but it can also be obedience to one of the person’s desires. An altruistic sailor on Ulysses’ boat should forcefully tie him to the mast in the name of Ulysses’ medium-term interest. The altruistic spanking justified by the dictum *qui bene amat bene castigat* can be both drilling into the father’s ideal (hence so-called “paternalism”), or promotion of the victim’s long-term interest or moral ideal (or future moral ideal).

13.2 Natural or hedonistic altruisms

When you are happier because someone is happier, or because she is in a situation that you think is better for her, then your own eudemonism or hedonism makes you value the pleasure or lesser pain of the other, or the relevant improvement in her situation. This is natural or hedonistic altruism. It has several types of causes (which can be jointly present).

13.2.1 Emotional contagion

Emotional contagion makes you have emotions that you observe in others. This is well known and also present in animal societies (particularly for fear and anger). This constitutes the *imitatio affectuum* (imitation of affects) so central in Spinoza’s *Ethics* and for David Hume. It is also a main factor of crowd psychology (Gustave Le Bon). The induced emotion is generally of lower intensity than the original one (but it is higher in appropriate conditions, and there can be feedbacks and phenomena of resonance).

13.2.2 *Empathies*

You can imagine yourself being in the place of some other person. This thought can be called *substitution*. Yet, you can apply this to various characteristics of this other person. Besides the other person's material, social, or physical situation, you can also imagine endorsing various mental characteristics of hers, such as understanding, intentions, tastes and preferences, or some of them or aspects of them. When this mental operation affects your emotions or feelings in the direction of those of the other person, one speaks of *empathy* (a term due to Max Scheler). However, there are three types of empathy, or three aspects of it. (1) In *direct empathy*, you imagine directly endorsing the other person's emotional state, or state of her feeling, which you infer from her expression (verbal, physical, written, etc.). (2) In *assumed empathy*, you imagine having emotions or feelings that you infer to be those of the other person from what you know about her situation, tastes, sensibility, and so on. (3) In *own empathy*, you imagine what would be your own emotions and feelings if you were in the other person's place for the non-emotional characteristics for which you imagine the substitution. For instance, the empathy described by Adam Smith (without the name) is own empathy. These three types of empathy can be mixed and associated. In particular, you will want a consistency between direct and assumed empathy, that is, between the emotions and feelings that the other person seems to experience and their causes or reasons (including the other person's tastes, sensibility, etc.). Own empathy would amount to assumed empathy if there were full substitution for all characteristics that can affect the considered emotions or feelings (including tastes, sensibility, etc.), but this may not be possible. Direct empathy can easily be associated with emotional contagion.

Then, these imagined emotions and feelings of yours, induced from the other person's emotions or feelings or from their causes, induce in you derived empathy-emotions which differ from the imagined feeling – and a fortiori from the actual ones – in being in the same way agreeable or painful, and with an intensity which varies in the same direction but is generally lower. These empathy-emotions then induce acting, such as giving or helping, if they appear to be worth the cost. We have thus noticed that empathy implies three levels of emotions, feelings or sentiments: the original ones of the other person, those imagined for yourself, and the resulting empathy-emotions. The first and the last are real, whereas the intermediate ones are imagined. Moreover, empathy can be more or less voluntary or involuntary.

13.2.3 *Affection and sympathy*

A priori *affection* towards someone, liking her, directly implies liking what is good for her, and notably her joy or the alleviation of her pain. Affection can be associated with empathy (notably when one knows the liked person well), and with emotional contagion (notably if one is close to her, in frequent contact where she falls under one's attention), but it is a proper cause of altruism by itself. Affective altruism can value the pleasure of the liked person, but it can also wish aspects of the person's situation that one deems to be good for her and that are not the most conducive to her pleasure (a "paternalism" that can even lead to *qui bene amat bene castigat*).

Feeling *sympathy* towards someone a priori entails enjoying her pleasure and feeling sorrow for her grief. The induced sentiments are generally of lower intensity than the original ones. Sympathy is favourable to empathy and emotional contagion, but it is a cause of altruism in itself. Sympathy is relatively close to a mild form of affection, but there may also

be some difference in nature. In particular, sympathy does not entail so close an involvement with the other person's good, and sense of responsibility for it, as affection generally does. As a consequence, sympathy can lead one to value and favour, in addition to the other person's pleasure, her long-term prudential interest, but probably not other aspects of her situation for themselves in a classical "paternalistic" fashion.

Apart from this present-day meaning, the term sympathy has meant different things. Adam Smith uses it to mean empathy and, secondarily, emotional contagion. The etymological sense of sympathy is about the same as compassion, and it applies well to emotional contagion and to empathy.

13.2.4 Compassion and pity

Compassion and *pity* are altruistic sentiments towards people in poor situation. The misery that elicits them can be material, but also purely mental in relation to some expectation or habit. These sentiments need no a priori positive sentiment towards the other, such as affection and sympathy. On the contrary, affection precludes pity in crowding it out, since the pain you feel from the pain of someone you like much or love a priori leaves no room for a sentiment of pity. Less intense liking produces this effect only to some degree. However, notwithstanding the apparent purity of the concepts of compassion and pity, they are in fact cocktails of the other views and feelings. Indeed, they mobilize elements of empathy and of emotional contagion, and they also have a dimension of intuitive moral altruism – or are closely associated with it. They induce sadness from the other person's grief, usually with a much lower intensity (except for saints), and they sometimes are motivated by specific aspects of the other's situation and not only her pain, in a kind of paternalism. Pity can also have an element of condescension.

13.2.5 Relations and nature of hedonistic altruism

The various forms of natural altruism have relations between themselves. They can more or less be jointly present, some favouring others or the converse. Affection and sympathy favour empathy and emotional contagion because of the knowledge of the other person they imply and of the focus of attention on her they induce. Empathy is also favoured by the interest in and curiosity about the other person induced by affection and sympathy. Compassion and pity are restricted to poor situations of the other person, we have seen that they contain some empathy and emotional contagion, but that they rather tend to be excluded or limited by the presence of affection or sympathy which tend to mobilize – in a sense – the sentiment towards the suffering person.

Natural altruism can easily be seen as genuine and proper altruism, but it can also be seen, on the contrary, as an extension of egoism, because it rests on one's pleasure, notably in the case of empathy and emotional contagion, and because it is, in the case of affection and to some extent of sympathy, in essence an extension of the ego to one's family or friends. This reduction of natural altruism to egoism would notably oppose it to moral altruism. Along this line, Kant would doubtlessly classify natural altruism along with other tastes among the individual's "inclinations" which morals should fight (in the name of reason in his view).

13.3 Normative altruisms

13.3.1 The three types of normative altruism: moral, social, and rational

Normative altruism of an individual is her seeing the good of some other people as a value in itself, a final or end value. This view can thus conceive of norms about this good. It can motivate giving or helping in spite of the costs.

Normative altruism divides into three categories, which can be called respectively *intuitively moral*, *social*, and *rational*. Two are moral in nature: the intuitively moral and the rational types. Yet, intuitively moral and social normative altruism refer directly to values or norms, in opposition to rational normative altruism in which some reasoning of a moral and logical nature is basic (although it is sometimes quite short). The names used require a few precisions. The adverb “intuitively” is meant to distinguish “intuitively moral” from “rational moral.” It is chosen because of the very common use of the term “moral intuition” for describing the nature of the values in question (this traditional use extrapolates the normal sense of the term intuition which refers to a kind of cognition about facts, and in this sense it treats values as if they were truths, which they are not). Moreover, these intuitive moral values are doubtlessly no less social in origin than the other values to which we restrict the term “social” for the sake of brevity and convenience, and whose full name should more exactly be “non-moral social.” Yet, these two categories are a priori neatly distinct. A moral value or obligation is felt as intrinsic – even if it applies in specific social contexts –, it can entail a duty, and failing in this respect entails guilt. A (non-moral) social value or norm basically refers to a judgment “of society,” or “of other people,” it says what is proper or correct, or what is to be done, and failing in this respect elicits uneasiness or shame. However, a few remarks are required. A social value or norm may have become internalized, it may have become a personal habit – and this is in fact the most common case, in addition to the social judgment. The judgment of other people or of society may be only imagined. Moral values are also acquired by internalization of judgments “of society” or of others, but they are hypostasiated and acquire an autonomous status. Moreover, moral values are generally also social in the sense that they are praised by “society” or by “other people.” Yet, this is not necessary for them. The criterion is the judgment of your conscience. Indeed, there are cases, often remarkable, of moral values that oppose general opinion. In fact, in all these cases, “society” may be a sub-society whose views may oppose that of other people or societies. These distinctions and relations are summarized as follows:

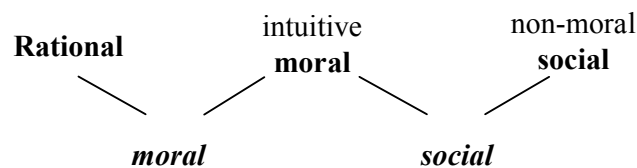


Table 2. Normative altruisms

13.3.2 Moral and social normative altruism

13.3.2.1 Nature and distinction

Giving and helping are *prima facie* the paragon of actions praised by morals. Benevolence as disposition to help, attitudes favourable to other persons, and the corresponding sentiments, are the paragon of moral attitudes or sentiments – where “moral” is taken in its ethical sense. Moral judgments, indeed, bear not only on acts but also on intentions, attitudes, and sentiments. In particular, they do not only praise helping per se in general, but also judge its

motives. They discuss, endorse or criticize various moral norms. In fact, moral judgments hold an action to be moral – and praise it for this – only if its intention is, but they can also approve of some acts that are not properly moral acts in this sense. In giving in order to show off, they approve of giving but regret the motive. And they even condemn the motive when giving aims at humiliating the receiver. Moral judgments even judge the motives of natural and hedonistic altruism, in spite of the fact that they are bare psychological phenomena: these judgements can hold that you ought to love your family or “your neighbour,” that you should not be insensitive to other people’s pain, and that you should practice empathy. They see favourably that you let yourself be emotionally contaminated when the sentiment is love but they condemn it when it is hatred. A particular religious tradition has developed the concept of charity in acts, sentiments, or judgments, towards persons in an unfortunate situation of some kind (other traditions are content with compassion or with general solidarity).

This moral altruism is one kind of normative altruism. Another kind – social altruism – refers to judgments “of society” or “in society” of praise or blame, that are not moral in the strict sense of ethical. They refer to “properness,” to what “is done” or “is not done,” often to custom, tradition, or uses (when not to fashion). A major difference between these two categories of normative judgments is that social normative judgments focus essentially on acts and attitudes, whereas moral judgments evaluate also the inner facts of motives and intentions, which even constitute their most basic reference. This is due to the fact that the judgment of other people is essential or at least important in social normative evaluation: the actor judges herself through the judgment of others, whether it is actual or imagined by her. Hence, essentially visible facts matter, that is, acts and attitudes. Morals, on the other hand, consider more intentions and motives, and even take them as the deepest criterion since they constitute the primary cause with respect to the moral autonomy basically assumed by moral evaluations of conduct.

13.3.2.2 Applications

Normative altruism can be favourable to other people in general, more particularly to people with particular needs or with special social relations to oneself, and it includes opinions about justice or fairness. In pity and compassion, it accompanies the corresponding natural sentiments, sometimes with the addition of some sympathy or emotional contagion; indeed, it generally demands having pity or feeling compassion to begin with.

Essential moral judgments (and possibly social normative ones) favour what is deemed to be good for people in general, especially the relief of their misery or of various aspects of it, and of their pain. When held by an individual, this judgment favours what is good for others in this way, and hence it is an altruism. Such judgments have two types of application. Normative (notably, moral) altruistic judgments constitute one motive for giving, notably for helping people in need. Moreover, a complete general benevolent judgment must also choose when scarcities or other reasons create an opposition among what is deemed to be good for various persons, for instance their interests or well-being. When it is a normative judgment, this implies that this choice belongs to questions of distributive justice or fairness. The solutions refer to issues of impartiality and equality about various possible items, of merit or deservingness, of needs, of various types of rights, and of tradition and custom. The implementation of these principles is sometimes realized by giving, but it is more often achieved by more or less coercive public action. Morals includes principles of justice and fairness, but some rules of fairness belong to (other) social values and norms.

Moreover, social normative and moral judgments also hold that you should particularly give to and help people who are in a particular social relation with you, notably members of your family and of various groups to which you belong. This is often made redundant by affection (you certainly have a duty to take care of your children but you generally do not take care of your children because it is a duty). Yet, these judgments also praise this affection and make it a duty (you should also love your children).

13.3.2.3 Comparisons: natural, normative, moral, social

Normative judgments are of a nature thoroughly different from that of natural altruism, although there are relations between them since the former evaluate not only acts but also sometimes sentiments, including some sentiments that induce natural altruism, namely compassion, pity, affection, and empathy. Normative judgments refer to values which can belong to morals and ethics, or to social norms or customs. In this sense, they are transcendent to their holders who see them as “objective” with respect to the individual chooser and, generally for social norms and sometimes for moral norms, as “external” to themselves – in contrast to the case of tastes –; they constitute Freud’s *superego*. These judgments refer to what is proper, right, intrinsically good, or to what should intrinsically be the case (which becomes a duty when a moral judgment refers to a person’s choice). However, these judgments may be more chosen by their holders than are their ordinary tastes. Yet, this choice usually consists of adopting some position that already exists in the society, held by some smaller or larger part of its members. And the effects of education and other social influences are clear. Normative judgments are *de facto* cultural. Moreover, those considered here are social not only by their nature and their origin, but also by their object.

Moral and social normative judgments thus have important common aspects, but they also have important psychological and social differences. And they can both coincide and support one another, and enter into conflict. The psychological and social differences are of five types.

- 1) Moral values are seen as more “transcendent” than social ones. Social values “transcend” the individual but not society, whereas moral values are felt as “transcending” both.
- 2) Moral values attach more importance to motives of action, whereas social judgments principally consider acts.
- 3) Social normative motives often require the judgment “of society” or of other persons, whereas this is not necessary for properly moral motives. However, this “social judgment” may be “internalized” by the actor, imagined by her, performed by her in a division of personality, or sclerosed into habit or tradition.
- 4) “Properness” essentially refers to social judgments, whereas “duty” refers to moral values.
- 5) Failing to behave (and sometimes think or feel) properly elicits *shame* for social norms and values, whereas failing to behave and feel as required elicits *guilt* for moral norms and values.⁵¹

Of course, moral and social values judge not only one’s own actions and sentiments, but also those of other persons, actions of institutions (in particular those concerned with social aid and issues of justice), and states of society (notably concerning individuals’ situation and fairness). In the case of normative altruism, both the actor and the object of the

⁵¹ See the discussion in the chapter by Jon Elster in this volume.

conduct can be not only individuals but also, by extension, groups of them, institutions, or other social entities (e.g., patriotism, with regard to an object).

13.3.2.4 The ambiguous status of social normative motives

Social normative judgments can lead to giving, but their role with respect to altruism is in fact ambiguous. On the one hand, they are sometimes close to moral judgments, or even confounded with them. On the other hand, respecting a social norm in order that other people have a good opinion of yourself – or that they do not have a bad one – is not a morally motivated act since this objective is not moral. In particular, caring for the good of someone else, and as a consequence helping her or giving to her, with such an objective, is not moral altruism (this is a fortiori the case when the gift or aid in itself aims at eliciting this favourable or not unfavourable opinion). This is not the directly hedonistic or natural altruism described above either. In fact, it is not altruism at all. Two aspects participate to this ambiguous status.

First, although social norms always require that a judgment “by society” is present somewhere, its enactment may more or less put this aspect between parentheses. Following the norm may have become a habit, a mechanistic behaviour. However, if this behaviour is seen by other people, notably if it concerns interpersonal relations, one should consider what would happen if the habit is not followed: would there be some disapproval or blame or not? Social norms can be simply justified by tradition or custom – whereas when a moral norm is justified in this way, this implies a hypostasis of the corresponding social entity. Frequently, also, the individual has “internalized” the social norm. This does not make it a moral norm although moral norms come into people’s mind largely in this way. Such an individual has “society in her head.” If she does not respect the norm, the individual may feel ill at ease, even sometimes embarrassed, and even possibly ashamed, even when nobody else relevant knows it (yet, she does not feel guilty as it would be the case for a moral norm). The individual may also want to be praiseworthy rather than praised, or, if she is praised, she wants to deserve it. This is also common for moral norms. This motive does not seek image or status in the eyes of others. A next step is that the individual values her image of herself in her own view, in itself or by comparison with other people, and she may also value a resulting status (in her view). This involves a dissociation of personality. Adam Smith argues that self judgment is an empathy of the judgment of oneself or of one’s acts by other persons or by an “impartial spectator.” Yet, this is not necessarily the case: taking some distance for evaluating oneself may suffice. Then, the individual may care for the judgment of other people, but only in imagining it. This may be a dim view of the opinion “of society” or of a part of it, or it may refer to the potential judgment of specific other people. Finally, only, the actual judgment of other people may come into play. The point is that there is a large spectrum of cases between what seems to be an own, intrinsic motivation, and the desire to be favourably judged by other people, in avoiding reprobation or blame, eliciting approval or praise, building one’s image in other persons’ eyes, and seeking to maintain or acquire some social status in this way.

The second issue is that there obviously are non-moral social norms, but when the evaluated act is giving, this is an act which is *prima facie* morally praiseworthy in itself, and is a classical result of moral altruism. Hence, the association and confusion of motives occurs easily.

As we have seen in Section 7, a crucial issue is whether a giver cares about the good of the beneficiary – and this is altruism –, or whether she cares about her gift in itself. Both may result from social norms or values. The most standard case is valuing the act, which is

external and visible. Yet, there may also be a social value of caring about what is good for some other people. However, this tends to be confused with the effect of moral education.

13.3.2.5 A society is more altruistic than its members

You approve people who give to others whose good you value (including to yourself), and you may admire moral or empathic altruism in itself. Now, the opinion of others about oneself is one of the main motives for action, and for satisfaction or dissatisfaction, in all societies, and for all types of issues (including concerning one's own consumption and way of life). Hence, giving can be fostered by approval or by trying to avoid disapproval. Added to other motives, this can elicit the act or induce giving more. It can even be the sole motive present for some giving.

Adam Smith emphasizes that the desire to be praised and the desire to be praiseworthy are very different in nature, although they are related and are often jointly present. In particular, seeking approval, or trying to avoid disapproval, are not moral motives in themselves. However, approval or disapproval, and praise or blame, can be made in the name of some moral reason. In this case, acts motivated by them are determined by moral judgments in the end. Moreover, someone who judges others in this way may not give herself, because she finds it too costly or, possibly, because people influenced by these judgments – notably hers – give sufficiently. Then, there may be people who give without moral motives, and people who judge morally without acting morally, in a nice social division of labour where some are “moral” in act and not in mind, and others are moral in judgment but not in action, and yet, collectively, there are both the moral judgments and the corresponding moral acts determined by them (the type of economists who enjoy expressing scepticism or cynicism about human motives would thus like these two kinds of individuals, the hypocritical moralist and the self-centred status seeker, and yet giving ultimately caused by morals can actually occur). Someone may even both give because of the judgment of others and judge others in this way: then, she both “acts morally” and judges morally but she does not act for a moral motive. And this may be the case of everyone in the society, where there then are moral acts and moral judgments that determine them but no moral motive. More generally, however, people would jointly judge their own acts and the acts of others, and be sensitive to the judgments of others (and of themselves) about themselves. Mutual approval can thus be a powerful factor of giving in the society, inducing it or increasing it as a multiplier of individual altruism.

13.3.2.6 Self-image

These praises or blames, when they judge moral acts (or sentiments), have three noteworthy aspects. First, you often judge yourself also in the same way, as if by an external observer, in addition to other sentiments concerning your own acts or sentiments. You “are satisfied when you look at yourself in the mirror,” or you “dare not look at yourself.” You may be under the scrutiny of the “eye of your conscience.” This reinforces the direct moral motive for action. Second, you may be concerned by the hypothetical judgment of the fact by people who do not know it (sometimes more or less particular persons such as a member of your family or your guru, and they can be deceased persons). Imagining such a hypothetical judgment can merely become a way of trying to determine the right action. This judgment can also become depersonalized. It then is only a way of reflecting about the right conduct for choosing it, in looking at it from some distance, so to speak. Third, these judgments “crystallize” into an image of yourself as a more or less well-behaved or virtuous person. Caring about this image

of yours in the eyes of other people is not a moral motive in itself, but caring about this image in your own eyes or as it is built by the depersonalized and abstract judgment can be seen as an aspect of moral reflection.

13.3.2.7 Moral akrasia

An individual may act morally, she may be forced to act morally, and she may also welcome being forced to act morally because she regrets the weakness of her moral will – her moral *akrasia*. In particular, giving is a free act by definition, but an individual may regret her own excessive meanness without being able to overcome it as she would like to. This kind of mental duality and conflict is a common situation, which leads, for instance, to self-commitment for prudence (long term interest) – as with Ulysses and the call of the sirens. The person may then welcome to be forced to do what she thinks she ought to do but cannot do by herself. This can notably be giving to people in need or whom she ought to support. The person then welcomes to be forced to be as generous and good as she thinks she should be. This constraint has to come from the public sector – in a state of law where it has the monopoly of legitimate coercion of adults. And the individual may favour this situation by supporting it on political grounds. Voting in favour of the corresponding laws or taxes is then a form of self-commitment. The government becomes Ulysses' mast against the sirens of selfishness. A similar situation is very common for prudential issues, leading to safety regulation and compulsory insurance or saving. People are “forced to be free” (to do what they really want to), as Rousseau says,⁵² and they may be free to be forced to be free in voting for it.⁵³ This can add to the issue of joint giving for demanding forced distributive transfers for implementing individual freedom.

13.3.3 Rational altruism

13.3.3.1 General principle

One of the three categories of normative altruism is rational altruism. It is moral as is also intuitive moral altruism. It opposes the two other categories, intuitively moral and social normative altruisms, in that its various forms each rest on a reasoning using more or less counterfactuals. The reasoning can go from the simplest one – such as imagining oneself in the situation of someone else – to the most sophisticated theories of justice, fairness, or social ethics (because they have applications in altruistic conducts, and altruism and giving imply issues of justice or fairness). A counterfactual is a situation that does not exist and yet can influence reality because it is imagined by people and, in this way, influences their preferences, attitudes, and possibly choices. For example, a person may imagine being in the situation of another, or that their situations are permuted, or again that she is an “impartial spectator,” or possibly that all the other persons act as she does or follow the rule that guides her. From the reasoning, the person derives a moral obligation, or a reason to follow a course of action, which can lead her to help or give. We will consider three categories of rational altruism describing respectively substitution, permutation, and putative reciprocity for one, impartiality and justice for the other, and universalization (including Kant's categorical imperative) for the third.

⁵² Probably rather about the free riding issue.

⁵³ Moreover, voting is compulsory in some countries, where people are then forced to be free to be free.

The use of reasons and of rationality differs neatly from intuitive moral values and from social norms and values. However, they are in fact used jointly with these other values. On the one hand, these values and their application use, of course, aspects of rationality such as basic requirements of logic, consistency, equal treatment of equals, and so on. On the other hand, the use of reason and of reasonings usually requires at some point the use of a value of another type in order to be complete and applicable. This value determines, for instance, which characteristics of the persons and their situations are considered for substitution, permutation, or equality among individuals, or what are the desired properties of a society where everybody follows the same rule for applying Kant's "categorical imperative." In fact, and more generally, Kant's ultimate general value, considering each person "in the kingdom of ends", or "always treating others also as an end and not only as a means," is a moral altruism presented as being of the "intuitive" kind (although reasoning using impartiality and substitution can help supporting it).

13.3.3.2 Substitution

"Imagine you were in her situation" is commonly proposed for inducing someone to help. This is an exhortation to some kind of empathy with the other person, for inducing the corresponding altruism, possibly with an extension to compassion or pity. Yet, the conceptual experiment of such a substitution can, more generally, provide information about the other person, and this information can be used in various types of moral altruism. This can lead to the application of intuitive moral or social values, or of the adequate principles of justice or fairness (notably concerning impartiality or equality). Imagining oneself in the place of the other person is also sometimes associated with imagining herself in one's place, thus leading to the important reasoning of "putative reciprocity".

13.3.3.3 Putative reciprocities

Indeed, "we should help them because they would help us if this had happened to us" is a remark I heard from an 8-years old French girl after the tsunami in the Indian ocean. This assumption was definitively a counterfactual given the place where she lives (the Alps). This reasoning appears not to be infrequent. The help then is motivated as notionally being a reciprocity. The nature of this reciprocity is a balance reciprocity, with an aspect of fairness, which focuses more on the need of the helped person than on the gift or service provided – a distinction that has crucial consequences in the case of joint giving.⁵⁴ This object of the reciprocity is related to the fact that this view also includes a reciprocity in sentiments: we feel compassion towards them notably because, and all the more that, they would have felt compassion towards us if our situations were reversed.

The putative reciprocity is also sometimes extended: the belief that you would be helped if you needed it may make you more prone to help others, even if they are not those who would help you (a generalized putative reciprocity); and you may be all the more prone to help someone if you know that she would help others if they needed it, even if they are other persons than yourself (a reverse putative reciprocity).

13.3.3.4 Justice

⁵⁴ Balance reciprocity a priori focusses on the gift or help, but it can be the gift given the need of the receiver (or the means of the giver).

Another reasoning invites you to take an objective view. That is, rather than imagining yourself in the place of a person who needs help, you imagine yourself in the place of what classical thought calls the “impartial spectator” (you take what the philosopher Thomas Nagel calls the “view from nowhere”). Then, if you consider what is relevantly good for people, which implies a solution to the question of sharing between them, your view refers to a notion of justice. It may demand that you transfer something from your holdings to some other person, or that you help her. This is a main conception in Adam Smith’s *Theory of Moral Sentiments*. A priori, any conception or principle of justice can lead to the conclusion that you ought to give to someone else or help her.⁵⁵ In particular, the general respect of basic rights (or “social freedom”) induces you to respect the security and the properly acquired property of other people. Such a general principle and its consequence for the overall distribution of resources constitutes the “macrojustice” part of the general realization of justice in society. Social freedom, Pareto efficiency, and the relevant facts, imply that this overall distributive justice demands that you hand out to the other people the excess of your wage for a given labour over the average wage for this labour in society (each individual being endowed with her proper given productivity), or give to each other person the product of a given labour of yours, these notional “distribution labours” depending on the degree in which the society in question constitutes a community.⁵⁶ Other principles and criteria in “microjustice” (and “mesojustice”) can demand gifts and help from you.

Following this aspect of Smith’s thought, John Stuart Mill sees, in the conception of the impartial spectator, the only reason for altruism. However, being also strongly influenced by Jeremy Bentham, he considers more specifically that this impartial spectator is a moral utilitarian maximizing a sum of individual utilities (which cannot be accepted in its classical presentation of a universal principle adding utilities, for reasons that refer to meaning, logic, and also morals with the usual understanding of these utilities).⁵⁷ Yet, one may find interest in the notion of an impartial spectator practicing empathy with every individual at once, and hence aggregating their various interests or values and balancing among them when scarcities or logic require it, within her own psychology, feelings, emotions, and judgments.

There have been attempts to give more precision to the concept of the impartial spectator and to the interindividual synthesizing and aggregating operation it implies. You may for instance imagine that you are in the situation of each individual successively for the same duration, or that you incur the risk of becoming each individual with the same probability – these reasonings are *moral time-sharing* and *moral risk*, respectively.⁵⁸ However, even if you consider that “being” a particular individual implies this fact in all respects (including all aspects of the person, notably her tastes and preferences), the overall view still depends on the observer for two reasons: (1) individuals have various preferences about “being” various persons (people who fancy glory dream that they are Napoleon, while altruistic people wish they were Mother Theresa); (2) people have different risk-aversion or preferences about variability in time (for the theories of moral risk and of moral time-sharing, respectively). These points have been missed by John Harsanyi in his moral-risk theory of the “original position.” That is, because of these two aspects of individual preferences, there is

⁵⁵ The literature about the concepts or principles of justice is very large. General analytical surveys are provided in Kolm 1996a and in Part 5 of Kolm 2004.

⁵⁶ See Kolm 2004. In the first formulation, people less productive than average receive an analogous subsidy.

⁵⁷ See Kolm 1996a, Chapter 14.

⁵⁸ The notions presented in this paragraph are fully developed in Kolm 2004, Chapter 21.

one specific original position for each individual. Then, a consistent solution consists of considering these original positions for each of the actual individuals, and then, similarly, the original positions of these original positions, and so on recursively in a process of infinite regress which is converging.⁵⁹ However, the very reduction of a choice of justice to a self-interested choice in uncertainty is problematic because the individual is responsible for her evaluation of the risks she takes, whereas a choice of justice is accountable towards morals or society.

Another family of classical theories of social ethics or justice consists of the theories of the social contract. A social contract is an imaginary, hypothetical, and putative agreement among people, whose result is taken as the social ethical principle to be implemented. Many instances of applications can be found. In fact, John Rawls (1971) presented his theory of the original position as a theory of the social contract – although he sees people in the original position as having the same preferred choice of principles of justice, and hence their agreement is not one with exchange and compromise. We will also see how a theory of the “liberal social contract” determines the various individual contributions in a joint giving (Section 16.6).

Yet, one of the most important instances of normative putative exchanges nowadays is that of *fundamental insurance*. When people differ by characteristics that are given to them, one can imagine that, at a hypothetical and notional time “before” these characteristics are attributed to them, they agreed about a mutual insurance against the risk of finding oneself with such characteristics of poor quality and their consequences. Then, the implementation of this insurance constitutes transfers which compensate more or less for this poor situation and for the inequality, and it provides a rationale for these compensatory transfers. These characteristics can for instance be earning capacities influenced by natural endowments and by family influence notably on education, or having a natural poor health. The role of individual choices in uncertainty in the putative insurance agreement raises the same problem as that noted earlier. However, if actual individuals unanimously agree with such a theory, this justifies it. Then, those who pay for helping others agree, in the end, with this transfer. A notable example concerns health insurance in Europe. This insurance is public, and a practically unanimous opinion rejects its privatization with the argument: “with private insurance, people who have a higher propensity to be sick will pay higher premia or receive lower coverage for given premia; now it is already bad that they have a poor health, and in addition they would have to pay more, or they would receive less care whereas they need more.” The compensation for given health handicaps comes under the heading of insurance because it is associated with the standard insurance against health risk. In particular, the people with a lower propensity to be sick endorse this reasoning, and therefore their corresponding extra payment is in fact a gift. The amounts of transfers in question are very important.

Fundamental insurance results in joint giving to the people in need, but it avoids the pitfalls of both insurance – the “moral hazard” – and of joint giving – free riding and mutual

⁵⁹ However, the result is no longer a utilitarian-like sum of individual utilities. Now this theory of the impartial spectator of Harsanyi is commonly taken to be the central justification of a utilitarian form (although the added utilities are the risk-relevant von Neumann-Morgenstern ones rather than those that could represent happiness as classical utilitarianism has it). That is, the idea was in fact that Harsanyi had established an impartial spectator who should be utilitarian as assumed by John Stuart Mill, and in this way had vindicated utilitarianism. Hence the foregoing remarks have a major importance in the history of economic and philosophical thought.

crowding out. Moral hazard does not occur because the (notionally) insured fact is in reality a priori given and does not depend of the agent's acts. The difficulty of joint giving does not occur because the relevant variables are the transfers from each giver to each receiver supposedly implementing the insurance contract between them, rather than the receiver's overall welfare (each contract takes account of the simultaneous contracts with other people when they are – notionally – agreed upon). Yet, for issues covering a large population, questions of information and practicality lead to a public implementation.

13.3.3.5 Universalization

The imagined actions can also be those of other people only. For example, people contribute to the support of causes when their own action makes no practical difference because they are small in a large number. When asked why they do it nevertheless, a common answer is “what if nobody contributed?” The same answer is the most common one when people are asked why they care to vote in a large election given that their vote makes no actual difference – a most important issue since without vote, de facto there is no democracy. These conducts obey the moral injunction: “you should act as if everybody acted similarly.” This is individually illogical or irrational if the other people do not act in this way. This conduct becomes rational only if all people follow the moral injunction and this leads them to the same act – then, the assumption becomes true. Hence, this principle has a kind of social rationality. An obvious application is to the voluntary provision of public goods, where this “universalization principle” can check free riding. This applies in particular to joint giving. Another application is the general respect of the rights of other people and general sociality. Of course, Immanuel Kant hypostasiated this common and spontaneous principle into his “categorical imperative”: “act in such a way that you can want the maxim of your action to become a universally followed principle” (it is not the place, here, to discuss the specificities of this formulation).

14. Altruism and justice; impartial altruism

14.1 Altruism and justice

If you come from a family with several children, you probably discovered the pinch of unfairness and the peace of fairness in your mother's benevolence towards you and your siblings. More broadly, parents' altruism providing bequests and education is the main source of inequality in society. It is the very essence of inequality of opportunity. And education is a main factor of earnings. Moreover, the situation of elderly people depends much on the care and support of their children. Therefore, family altruism is an essential cause of injustice as tangible inequality. However, these results are perfectly just from the point of view of another social ethical conception that defends the legitimacy of free transfers and of their consequences, since gifts are such transfers, along with free exchanges. These are the two basic and opposed principles of justice in our societies. Their judgments about family altruism are thoroughly opposed. On the contrary, the other main application of altruism, charity, miraculously reconciles the two enemy conceptions of justice: it alleviates poverty, satisfies basic needs, and diminishes the inequality between the giver and the receiver, and it is a free transfer. The conflicts can be moral and normative: you should help you nephew from normative community altruism, and yet condemn nepotism from impartial universal justice.

The scarcity of desired items – the subject matter of economics – and the resulting opposition of the self-interest of individuals, are the reason for both altruism and giving on the one hand, and questions of distributive justice or fairness on the other. The two issues are

therefore intrinsically interfering and closely related. Your gifts, or their absence, influence the distribution in society and hence its fairness. This also holds for any other influence of your altruism on the distribution (e.g., through public actions, such as in implementing joint giving or resulting from the political process). Distribution is affected by your sharing your gift or your benevolence between two people, or by your giving to some and not to others. The simple fact of your giving affects the distribution between yourself and the beneficiary. Symmetrically, an opinion about justice in society implies a favourable concern about what is good for other people, which is an altruism.

The issue of justice refers to social ethics and therefore belongs to morals, as moral normative altruism does. There are, however, a number of rules of fairness that belong, rather, to social norms, as social normative altruism does. Moreover, emotions are raised both by indignation against injustice and by the causes of hedonistic or natural altruism, and the former can be among the strongest. Finally, empathy, a cause of altruism, and impartiality, a necessary property of principles of justice, have close relations. The psychological conditions of the application of the logical rule of impartiality require at least some capacity for empathy, and empathy is in itself a kind of impartiality or at least a step in this direction.

Altruism and justice or fairness are the two types of non-egoistic and non-instrumental judgments about the allocation of goods in society, the topic of economics (an instrumental judgment can for instance value the distribution for its effect on national output valued for a reason of national power). Each of these judgments can influence this distribution, by gifts for altruism, and, for justice, notably by coercive public actions of transfers or of defence of property. Hence, the judgments of each type judge the effects of the judgments of the other type. Conceptions of justice can blame family gifts because they promote inequality, or accept them as free acts, as we have seen; and they can praise charity because it satisfies needs or reduces inequality, or accept it because it is a free act. Family altruism can judge forced transfers affecting relatives or gifts to them as egoism does, whereas pity can approve of redistributive justice that alleviates misery – whether this is the aim of this policy or whether this only intends to diminish inequality. The means of the implementation of the two types of judgments – altruism and justice – are essentially opposed to each other about the essential issue of freedom, since gifts are free by definition, whereas distributive transfers and the enforcement of rights constitute constraints. However, the relations are more varied even in this respect only, since protecting a right to do something or a right acquired by free exchange or action is also protecting freedom, a sense of justice can motivate some benevolent acts or gifts, altruism can lead to some spontaneous respect of rights, and joint giving often has to take the form of forced transfers.

In spite of their differences and oppositions, altruism and judgments of justice require each other. Indeed, a sense of fairness or justice towards persons implies caring about something which is assumed to be favourable for them (according to some conception), that is, it implies altruism. Note that claiming justice or fairness for oneself is not an exception to this conclusion. Indeed, justice has to be impartial, as we will see, hence it can only be justified by “objective” properties – rather than because you are the beneficiary –, and therefore it applies also to anyone in the same relevant situation (even if, in a given case, you happen to be the only person to which it applies).

Conversely, altruism does not a priori require or imply considerations of fairness or justice, but it is closely associated with them. One type of altruism results from some sense of justice, “impartial altruism” considered in the next section (and, historically, all of justice has

been considered as a moral altruism, as we shall recall). For the rest, altruism per se does not require considerations of justice. In particular, everyone can a priori love everyone and wish her good without limit (except concerning limited cognitive and affective capacities for attention to others or affection). However, when altruism translates into giving, it meets the constraints of the actual allocation. The most common case concerns scarcities when someone wants to give to several others. Yet, there also exists, for instance within families and between friends, cases of excess of generosity where each wants to give to the other more than she receives from her. In the latter case, the solution necessarily belongs to the field of fairness because it resolves an opposition between opposite desires. In the other case of a giver who gives to several people, a priori the choice could be seen as proceeding from ordinary preferences or tastes concerning the set of beneficiaries. However, since the altruistic giver cares about what she deems to be relevantly good for the receivers and there is a conflict in this respect, the choice falls by definition in the domain of distributive justice or fairness. For instance, a mother does not only allocate her love, care, and other means among her children in equating marginal love. She importantly cares about rules of fairness, as is demanded by the children themselves – and would it only be for avoiding jealousy among them.⁶⁰ Generally, when nothing relevant distinguishes beneficiaries, the gift is equally shared, a solution characteristic of the field of justice. In cases where this is not possible or there are strong economies of scale in the benefit, and the situation is not a part of a continuing relationship, the solution consists of using a chance draw with an equal probability that each person wins – again an egalitarian solution. The incorporation of considerations of justice in altruism also occurs naturally, without the pressure of conflicting choices. For instance, it is remarkable that the concept of justice restricting charity to the “deserving poor” occurred notably in Victorian ethics which wanted transfers to the poor as charity from a sentiment of benevolent pity and certainly not for a reason of distributive justice, since desert is a concept of justice. This case is an example of a remarkable asymmetry between the two polar references of justice, namely need, satisfaction, welfare or happiness, on the one hand, and desert or merit, on the other hand: whereas the former can be the objects of both benevolence and criteria of justice, the latter belong essentially to the field of justice.

Since a sense of justice or fairness requires altruism, such views can be seen as constituting one type of altruism, as we have seen. However, let us make it precise that this concerns the most common type of justice or fairness but not the whole field. This is justice and fairness whose end-value is the good of individuals (some conception of it) – indeed, there can also be justice and fairness for other social entities (firms, regions, countries, and so on), and justice can evaluate the situation of individuals or other entities as they relate to other values taken as ends (e.g., national independence or influence). Hence, there is a common ground for altruism and justice or fairness, which constitutes a rather limited part of altruism and most of justice or fairness. This is the field of justice or fairness which is considered henceforth. Moreover, when a concept of justice favours equality between individual items and each solution with equality is dominated by other possible but unequal states where the item is better for all individuals, altruism endorsing such a concept of justice should certainly lead one to choose a second-best egalitarian solution, which is not so dominated but where the inequality is minimal in some sense.

14.2 Impartial altruism

⁶⁰ There is a limit to Victor Hugo’s contention that motherly love is a pure public good (“a mother’s heart is like a bread that a god partakes and multiplies... each has her share and all have the whole”).

The characteristic property of justice is its impartiality among individuals for the chosen characteristics of their situation. These characteristics can be of various types. Someone who gives to several others can thus be impartial among them. But if someone considers justice in a society to which she belongs, she has to make abstraction of her own specific place in the evaluated state. Notably, the judgment should consider her own self-interest and the interests of persons she favours because of their particular relation to her (kin, friends, members of specific groups to which she belongs) or because of characteristics she likes and are irrelevant to the conception of justice in question, as if they were the interests of anybody else. Hence, a main difference between altruism and justice is one of viewpoint: the person caring for others is *ego* in the case of altruism and some imagined external observer in the case of justice. Presenting a judgment of justice implies taking the observer's viewpoint. Hence, people can a priori agree about such a view, whereas self-interest and self-centred favouritism are irremediably opposed in questions of distribution. A judgment of justice is that of an altruistic external observer. In this sense, one can say that *justice is the altruism of society*. The philosopher Thomas Nagel calls this perspective the "view from nowhere." Yet, the classical image is Adam Smith's "impartial spectator." In this respect, justice is opposed to both individual altruism and egoism, since they are views of society by a specific individual, for favouring others in one case and caring for oneself only in the other – malevolence, mischievousness and sadism equally belong to this category. Justice becomes individual altruism solely when specific individuals take this viewpoint in their moral judgments, either in times when they are morally minded, or in association or compromises with a specific valuation of their self-interest, of their favouritism, or of other kinds of altruism. Adam Smith describes this internalization of the point of view of justice as an empathy for the impartial spectator or as "having an impartial spectator in one's breast." However, the property of impartiality does not suffice for determining the judgment. There remains the choice of the relevant individual items, and the structure of the judgment in addition to its impartiality (this shows, notably, when the actual constraints on the distributional choice prevent reaching the relevant equality and forces one to resort to a second-best allocation). That is, there are a priori several possible impartial spectators, and an individual conception of justice chooses a specific one. A spectator is "nowhere" but she still has a specific view.

Denote again as x_i a set of relevant parameters describing the situation of individual i , $x_{-i} = \{x_j\}_{j \neq i}$ the set of x_j for all individuals $j \neq i$, $x = \{x_j\} = (x_i, x_{-i})$ the set of x_j for all individuals, and u_i an ordinal utility function of individual i . If individual i is egoistic, $u_i = u_i(x_i)$. If she is altruistic in the usual sense, $u_i = u_i(x_i, x_{-i})$ where u_i increases when the x_j of some individuals $j \neq i$ improve according to some conception. Note that Auguste Comte, who introduced the terms altruist and altruism, meant by it $u_i(x_{-i})$, that is, the individual's full devotion to others. He forgot that Saint Martin gave only one half of his coat to the poor in the cold, not all of it. This equality results from impartiality. Consider, therefore, an impartial judgment expressing a conception of justice. Choose parameters x_i that permit its representation. These parameters may have to include commodities, individuals' welfare w_i , the larger satisfaction or happiness of the individuals (see the discussion in Section 3, and this u_i may therefore in fact be the v_i of this section), descriptions of needs, freedoms or rights of the individuals, and relations to their previous acts for describing merit or deservingness. As a result, some of the considered utility functions may be, or be in part, classical (Roy) indirect utility functions. Assume that this impartial judgment can compare the states of society and say if one is preferable to the other from its point of view (or if they are equivalent in this respect), in leading to a corresponding ordering of these states representable by an ordinal function $s(x)$. This function can be seen as the "utility function" of the impartial spectator. Impartiality is described by the fact that function $s(x)$ is symmetrical in the relevant parameters of the x_i (i.e., its value does not change

when these sets of relevant parameters are permuted). This moral evaluation or evaluator is better seen as benevolent, that is, the value of s increases when a x_i becomes better according to the retained conception. Orderings of justice are often not representable by such maximand functions because they include priorities. Yet, any such ordering can be approximated as closely as one wants by such a function. Moreover, the approximation is often actually the priority rather than the function, because some degree of compromise is often admitted, even if it is a very limited one.

Then, the choice of justice maximizes $s(x)$ over possible x . For instance, Saint Martin's utility function is $s(x)$, or $u_i[s(x)]$, where x_i is the surface of cloth allocated to individual i . It is not even $u_i[x_i, s(x)]$ where u_i increases with s , probably because he is a saint (or, rather, he was declared one for this reason).⁶¹ More ordinary people can have such utility functions $u_i[(x_i, s(x))]$. This is a particular case of altruism that can be called *impartial altruism*. Adam Smith proposes that individual i "empathizes" the view of the impartial spectator, or that function s is, in some sense, "in the breast" of function u_i . John Stuart Mill thinks that altruism is only impartial altruism (although he also urged Comte to distinguish benevolence from concern for justice). Note that impartial altruism cannot be the Comte altruism noted earlier.

However, there are several possible conceptions of justice. In the foregoing representation, they differ from one another about two aspects: the choice of the relevant parameters in x_i and the structure of function $s(x)$. Individual i can choose one of these conceptions, represented by the particular function $s_i(x)$, and her utility function becomes $u_i[(x_i, s_i(x))]$. Then, individuals can be opposed about the allocation of goods, and about their conceptions of justice.

A classical mistake met in the history of thought is the – implicit – belief that impartiality suffices for determining the principle of justice or fairness. Even Adam Smith seems not to have avoided this pitfall. Yet, it appears most clearly with John Stuart Mill because he added, to the impartial spectator inherited from Adam Smith, Bentham's influence which convinced him that social ethics – of which justice is an aspect – is the utilitarian highest sum of individual utilities. His impartial spectator was therefore a utilitarian, and she chooses $s(x) = \sum w_i$ or $\sum u_i$ (see Section 3). The impartiality is described by Bentham's famous redundant dictum: "each is to count for one and nobody is to count for more than one." Of course, Mill also advocated social freedom – a different conception of justice – and he could not derive it from utilitarianism. If utilities or welfare indexes are so added, then function u_i can have a linear form, say, with w_i for simplicity (see Section 3) and with numbers $\alpha_i > 0$ and $\beta_i > 0$, $u_i = \alpha_i w_i + \beta_i \sum w_j = w_i + \beta_i \sum_{j \neq i} w_j$ if one takes $\alpha_i + \beta_i = 1$. With only two individuals, this is the form used by Edgeworth (1881). Yet, with a larger number of individuals, this differs from a linear form of Pareto's utility $u_i = w_i + \sum_{j \neq i} a_{ij} w_j$ because the a_{ij} can differ for different j . The difference results from the fact that the altruism considered is a form of impartial altruism, which is not a priori Pareto's assumption. For instance, you can particularly favour your kin over other people with Pareto's form but not with the other form. Yet, both types of altruism can jointly coexist with a utility function of the form $u_i = u_i[x_i, x_{-i}, s_i(x)]$.

⁶¹ Did the pope who declared him a saint know the truth, namely that Martin was in fact a Comte altruist – and hence still more a saint – since half his coat is all he could give because officers of the Roman army owned only half of their equipment, the other half belonging to the Emperor? Only this structure of property rights prevented Martin from becoming not only a saint but also a martyr.

However, as we have remarked, both John Stuart Mill and Léon Walras (not a utilitarian) considered that individuals are both egoistic and moral, yet not in the noted synthetic form of a compromise, but in being either one or the other according to the moment. They would be moral in their moments of calm and reflection. This sequencing of individuals' states of mind have doubtlessly some realism, although the adoption of impartial constitutions, or self-sacrifice for saving someone or for a public cause, happen more often in times of collective or individual excitement. Then, people can get out of their everyday self. They can in particular join some non-self-centred "group mind."

14.3 History

The relations between justice and altruism are put to the forefront by a historical transformation of the nature of the concept of justice in Western thought. Justice is for us a property of a state of society, whereas it used to be a property of actions towards others and of their actors, and, in fact, a type of altruism. In Antiquity, for instance in the perceptive analyses of Plato (*The Laws*) and Aristotle (*Nicomachean Ethics* and *Eudemian ethics*), justice is a virtue of persons who practice it. In contrast, but with this history in mind, John Rawls calls justice "the virtue of institutions." The ancient meaning lasted for a long time. For instance, Adam Smith in *The Theory of Moral Sentiments* sees justice as a virtue. It is, for him, motivated by the "impartial spectator" who rests "in the breast" of each of us. This impartiality leads to seeing oneself as any other of one's fellow human beings. This leads one to want the good of other persons as one wants one's own self-interest, and hence, possibly, to act favourably towards others. It thus is an altruism. This is complementary to empathy where you imagine your feelings if you were in the place of the other person. It could indeed result from sufficient empathy practiced equally towards all others. The impartial spectator can also in fact be imagined as a person specialist in the exercise of multi-empathy, that is, of empathizing the feelings of all people simultaneously and with the same care. Then, your empathy of such an imagined external impartial spectator produces your sentiment of impartial altruism. We have seen how John Stuart Mill, influenced by Bentham, gives a utilitarian form to this conception. This impartial altruism can lead one to give. Yet, it does not lead one to give enough according to Auguste Comte who – as we have seen – introduced the term altruism as meaning self-sacrifice giving priority to others, hence as the full opposite of egoism, rather than as only favouring balanced equity (and who, incidentally, happened to be seeking Mill's financial support).⁶²

14.4 Altruism and justice: consistency or conflict, force or freedom

These numerous close relations between altruism and justice on the grounds of logic, psychology and history contrast with the immediate evidence of a strong opposition concerning their realization. Indeed, giving is by definition a free act, whereas conceptions of justice are largely implemented by public coercion (even though some of them inspire some individual private actions). The interest of a person induces her to want more for herself. Her

⁶² A remnant of the ancient meaning of justice is found in Roman languages with the rare use of the name "a just" for denoting a person endowed with this virtue. Note that the above historical remarks have focussed on Western thought. In many other thoughts, the concept of justice as we understand it is altogether inexistent – and yet these people survive. There are, of course, norms of fairness or local justice for sharing chores or crops – say –, and occasional applications of the rationality of equality, but no general conception of the property of justice as we understand it. Social rules can take this place in communitarian ethics. In the very few other systems, the place of the concept of justice is occupied by a virtue in the family of altruism, for instance compassion in Buddhism.

benevolence induces her to be ready to pay something for some other person having something. Her sense of justice can induce her, in addition, to favour transfers from some other person to another one. Hence, both altruism and a sense of justice constitute externalities in preferences, which can induce interferences with other people, but the latter only can a priori imply constraints – including that of simply protecting rights. However, judgments of benevolent justice value the interests of individuals, even of those they want to constrain – for instance, they can recommend a transfer from some person to another while favouring an improvement in the former’s situation if it costs nothing (preferring a lower endowment of a better endowed, without any gain for someone else, because it reduces an unjust inequality, is most often a perversion of the sense of justice: benevolent justice a priori implies a priority of benevolence over equality). These views of justice would not exist without this concern for the interests of individuals, and in particular of others. Hence, these judgments of justice differ from benevolence, altruism and concern for others, *per se*, but they require them for their existence, they rest on them, and they specify them.

Distributive justice, more generally, draws the line between the interests of persons. If necessary, it demands transfers of money or goods, or services, from one to the other. At any rate, it opposes people who want to take more than what it deems to be their share – that is, it defines theft. This a priori requires the coercion of the persons who want more or who want to yield nothing or less than justly demanded. Yet, in a “state of law,” coercion of adults is a monopoly of the public sector. This sector is therefore in charge of this very important part of the implementation of justice. Its actions are determined by the political and institutional setting.

Justice is realized without coercion, hence by voluntary gifts or respect, only when its demand coincides with the free choice of the relevant agents. This happens when the principle of justice endorses the agents’ free choices in question, when agents endorse this principle as a value inspiring their individual conduct, or when a different motive leads nevertheless to an act favoured by the principle.

The former case is that of “process-liberal” justice which values “social freedom.” This ethic states that the agents are fully free, except, necessarily, to violate the freedom of others, that is, to interfere forcefully with them – hence, it amounts to freedom from forceful interference. Exchanges and giving are the two kinds of transfers that respect this rule.

However, these two kinds are also often distinguished by judgments about justice because giving affects the distribution of the value of wealth in society – contrary, a priori, to exchange – and there may be a value of justice other than process-liberalism concerned with this aspect. Then, giving constitutes a private interference with this public issue, as in the cases of intra-family and charity transfers discussed above. The freedom of the giver may oppose the distributive justice of the outcome. However, the coincidence is kept when the gift improves the justice of the resulting distribution as it is conceived. This is frequent when helping the poor and needy, which may both alleviate suffering and reduce inequality. Yet, the levels of transfers chosen by the giver and favoured by the principle of justice may not a priori be the same, and the tax regime of donations is often used to try to make them closer to one another. In particular, both effects of satisfying needs and reducing inequality can motivate both private giving and a public value, but the mix of motives may differ, with a gift motivated mainly by compassion and a public value leaving a larger place for the reduction of inequality.

In other cases, people freely apply rules of fairness that are seen as properly left to their choice and not interfering with overall values of justice. This often occurs when there are mutual gifts or favours, hence with little overall impact on the overall distribution. For instance, the return gifts of balance-reciprocity are often more or less motivated by a consideration of egalitarian fairness. This category also includes rules of fairness adopted to conclude an agreement (for instance an equal split of a difference is the simplest case). People also often choose, accept, or settle for a “fair price” (the history of the concept of the “just price” could be recalled here). They sometimes prefer a fair deal to a good deal.

The distributive effects of public policy result from three issues, each of which has a relation with altruism. (1) The political fight between groups of persons defending their interests and those of the persons they like or think they should support. (2) The implementation of principles of justice, which also results from conflicts between the alternative principles and their supporters. These ethical – or ideological – conflicts parallel those among interests, but they do not coincide with them, because people are not fully phariseans (as proved by the very existence of phariseanism which assumes that moral reasons have an influence), and because the means are very different – they are threats for conflicts of interest and arguments for ethical debates. (3) The implementation of joint giving with the appropriate distribution of the contributions (see Section 7). Joint giving is unanimously desired, by definition, although each individual contribution may have to be imposed, and givers’ interests are opposed in the choice of their contribution (Section 16.6 will take up this question).

In contrast, individuals’ interests are opposed in the application of a distributive policy. Even if the policy focuses on some aid, someone has to pay the tax financing it. This policy may be the political outcome of the conflict of interests. However, it is always presented as the application of reasons concerning justice, and the very insistence on this justification proves that ethical arguments have at least some influence. In fact, people are not uncommonly “of two minds” in admitting that “there is something” in a rule that they oppose on any ground. No one is thoroughly devoid of some “impartial spectator” sleeping “in her breast.” Ideally, politics should be the social process inducing the manifestation of people’s inner “spectator,” the synthesis of interests rather than their conflict. This shows once more the perceptive relevance of Rousseau’s aphorism that “politics and morals cannot be separated, and he who wants to study them separately is bound to misunderstand both.” In fact, this best part of politics commonly comes from a large acceptance of the rule of the political process, a large agreement at the constitutional level. Now each such free acceptance, full or partial, direct or indirect, of a rule, principle, or policy that does not fully coincide with one’s interest implies the corresponding moral altruism.

15. Giving : an abundance and variety of motives and reasons

15.1 An overview

Giving is voluntarily favouring someone else or a public cause at a cost for oneself without requiring a counterpart. It occurs when the giver’s desire for it overcompensates the cost (and when it is accepted, when this is relevant). This desire results from one or several motives among a large number of different possible ones. Any analysis of giving for explaining, forecasting, or evaluating, crucially rests on understanding and distinguishing these motives. Observation shows that the motives for giving are both very numerous and very varied in many respects. A simple taxonomy of types of motives shows at least fifty of them, and this is

not the most detailed distinction, by far. However, they group together in various categories, and, to begin with, into a few broad ones.

The first distinction is probably between *altruistic* giving motivated by altruistic sentiments of the giver and giving from other motives. The twelve broad types of altruistic motives have been presented in Section 13. Each motive leads to giving to or helping particular beneficiaries in particular circumstances.

In *natural or hedonistic altruism*, affection leads to giving in the family. Sympathy elicits giving to friends and acquaintances. Empathy and emotional contagion lead to helping in general, but particularly people in need or pain, and they are favoured by closeness. Compassion and pity focus on need and suffering in general.

Normative altruism has four main dimensions of application: the relief of the *needs and suffering of other persons*, *justice and fairness*, giving to people in *close social proximity* with the giver, and *general benevolence*. In particular, all types of normative altruism can induce helping people in need or who suffer. Moral altruism supports pity and compassion. Intuitively moral and social altruisms lead one to give to people with whom one has particular relations, as in the family or in solidarity between members of the same communities of various types. They also sometimes lead to giving to particular people in the society, distinguished by a special status, in following a tradition. Finally, all types of normative altruism favour certain principles of justice or fairness, which can lead to private giving and to demanding or accepting public actions. For all types, these principles can include various kinds of rewards of merit or desert, and of relief of needs. Rational altruism emphasizes impartiality and equality. The other types can value rules provided by tradition. In the end, moral altruisms can make giving a duty.

The other motives for giving, leading to non-altruistic giving, can be classified into three main categories focussing respectively on the *social effects* of the gift, on *normative non-altruistic giving*, and on *self-interest* more strictly conceived. Social effects can themselves be divided into the three categories of the *opinion* of other people, the resulting *social situation* of the giver and sometimes of the receiver, and questions of *social relations*. Opinion leading to praise or blame can attach to giving from all altruistic motives and can induce the effects on social situations, but it has a particular overlap with social normative altruism which basically implies such judgments by other people. Apart from all these social effects, giving can favour the giver's self-interest in various ways, through indirect effects of various types – either economic through markets or otherwise social (for instance political) –, in inducing a return gift or maintaining a sequential exchange, in inducing a reward, or in inducing or maintaining a social situation or status that provide some tangible advantage. If these benefits are the sole motive, an essential dimension of giving is absent, but these benefits can also be associated with other motives. Finally, giving can be seen as an intrinsic norm (not induced by altruism) inducing a duty or only a habit or a benign tradition.

Table 1 of Section 11, in presenting the various types of altruism, has also presented the various types of altruistic giving. Table 3 completes table 1 in summarizing the types of giving in the two other categories.

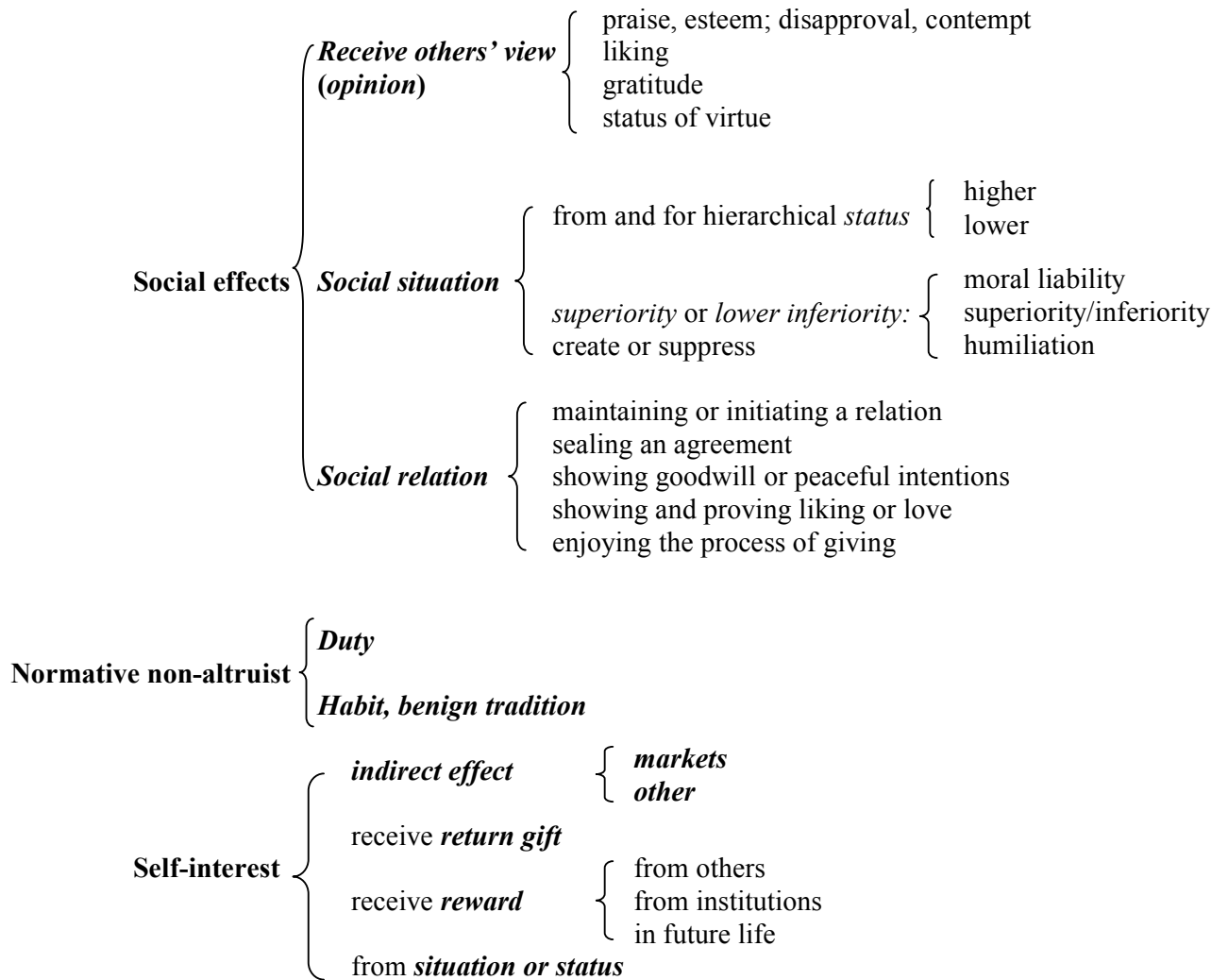


Table 3. Motives for non-altruistic giving

15.2 Social effects

15.2.1 Opinion

The *social effects* of giving that induce it concern *opinion, situation, and relation*.

When you give something to someone, or help her, this has two kinds of effects. You improve the situation of this person, and this is a priori appreciated by her and by people who are altruistic towards her, including possibly yourself (with the effects of possible paternalistic altruism). This is what is described in Section 3. The people who so value the situation of the beneficiary value *ipso facto* indirectly your action because of this effect. However, this action is also bound to raise another judgment and sentiment in them, which is praise, approval, esteem, gratitude in the case of the beneficiary and people who are strongly altruistic towards her, possibly liking, and avoidance of disapproval, blame, criticism, or contempt, when the gift or help was expected. These judgments and sentiments have as object the giver – yourself. They are often appreciated by the giver, and this may be a motive for giving. This motive can be at work even when you are not altruistic towards the beneficiary. It may induce giving by itself or in association with any other motive.

A priori, these judgments and sentiments are attached to the gift in itself and directly, rather than on its effect on the situation of the beneficiary and in addition to this effect, even though it requires the existence of this effect for the beneficiary (or at least the intention of producing this benefit), and even though this evaluation of the gift and the giving is bound to depend on this benefit. Hence, your appreciation of these judgments and sentiments also depends on these items, and so is your resulting incentive to give. We have seen in Section 7 how important this issue is in the widespread case of joint giving. The main reason for this structure of these judgments and sentiments is that they appreciate that you took the decision to give, and hence that you are responsible for the gift or help. This structure also generally results, in addition, from an appreciation of the cost you incur (in considering the items relevant for appreciating this cost). These judgments are something else than a possible appreciation of the fact that you are an altruist towards the beneficiary. They may also depend on other items, such as gifts by other people or other gifts of yours, by comparison, or a social norm.

In fact, the approval, non-disapproval, or esteem may not be those of specific persons, but of a general abstract social opinion that you imagine.

These judgments about the giver by altruists are those that lead to the separation between the act of giving or helping and the altruistic evaluator discussed in Section 13.3.2, with the conclusion that they can make society as a whole more altruistic than its members are. Note that the praise aims at the gift or aid in itself, but that it is motivated by an altruistic concern for the beneficiary's situation.

15.2.2 Situation

These judgments can provide the giver with a social status, and existing statuses may demand giving. You thus may give to acquire or maintain a status. This aspect acquires a particular dimension when the receiver enters into the consideration of statuses and relative status is emphasized. Giving and receiving then are often important with respect to the relative *social*

situations of the giver and of the receiver. However, it is remarkable that such givings may be from the person of higher status to the person of lower status, or the reverse. Giving to a superior can manifest submission or confirm its acceptance. It can also be a reward for benevolence, or in fact a price for protection. Yet, it sometimes also is de facto extortion under threat, disguised in the more amiable relation of giving (and the superior may indeed protect this source of revenue from external threats). However, giving is also often from the superior, as a proof or manifestation of superiority, and its acceptance can be an acknowledgement of this status; it can then be a display of generosity, possibly creating a moral indebtedness, or just in fact a reward for inducing obedience.

In all kinds of encounters, giving can aim at creating a social superiority over the receiver or over other persons, or at erasing or diminishing a similar inferiority. It can create moral indebtedness of the receiver, or, on the contrary, erase or diminish a pending moral debt. Giving also sometimes aims at creating and displaying an advantage in the comparison of the quality of the person: the giver appears as generous and disinterested, while in contrast the receiver appears as self-interested and greedy. As we have noted, the aim can even be to humiliate the receiver (for instance in suggesting that she is incapable of catering for her needs or for those of her family).

All aspects of social situation and status can be judged by the giver, by the receiver, and by other persons, and the giver is often sensitive to the corresponding social opinion.

15.2.3 Relation

Finally, as emphasized earlier (Section 9.9), the very nature of giving as a voluntary sacrifice for the good of the other person gives it a crucial function of information and demonstration, inducing its widespread role for establishing or maintaining a relationship, in showing and proving goodwill, peaceful intentions, liking, or love, in sealing an agreement, and so on. In fact the simple pleasure of the social relation of the process of giving is a motive in a number of cases, and occasionally the only one.

15.3 Intrinsically normative (non-altruistic) giving

People often feel they have to give without much consideration of the situation of the beneficiary. The gift should be useful, but the focus of intention is on the giving rather than on the relief or benefit. This is not altruism since the motive is not an altruistic intention. This motive is in the nature of a mental obligation, with various possible intensities. It can be a duty, or degenerate into a habit or a benign tradition. This motive for giving is normative and deontic, and not consequentialist (as are, for instance, altruism or the desire to have some social effect).⁶³ Hence, as for all motives of this kind, describing it by a utility function is awkward, although possible in describing “the satisfaction of following the norm” or the dissatisfaction of failing to do so – this permits one to take account of the sentiment about more or less following a norm. This motive is not moral in the sense of moral altruism, and yet some other sentiment of moral value, norm, or duty can be attached to an act of giving in itself. The motive may be felt as a social norm or value or not. It can be conceived of as essentially personal. But it can also be seen as a social norm or value, and, then, it can relate to actual or imagined praise. Finally, this motive is not, in itself, being satisfied of oneself,

⁶³ In normative altruism, the altruism is a consequentialist sentiment valuing the good of the other person, but having this sentiment is deontic;

although this sentiment can accompany it. Seeing such an intrinsically normative giving as valued because it would provide a “warm-glow” is drawing it to a consequentialist intention, which is not its intrinsic nature. Yet, one has also to consider what happens when the agent fails to behave as required. Even if there is no “warm-glow” when she obeys the norm, there may come a “cold-glow” of guilt or shame – and possibly reprobation – when she does not.

15.4 Self-interested giving

15.4.1 Introduction

Giving can also favour the strict self-interest of the giver, in various ways. These advantages may induce her to give because they overcompensate the cost of the gift, or they can have this effect in being associated with other motives for giving. A most obvious case is that of giving inducing a return gift in a reciprocity. If receiving this benefit is the only motive, giving is an exploitation of the return gift, and the relation is a “half-reciprocity.” Yet, the return gift may come from a third agent (this is a “reverse reciprocity”). A number of authors have pointed out this tendency to give to people who give, from agents other than the receiver, and they often propose that the giver will be better off in the end (René Descartes and Adam Smith are cases in point). One reason for this gift to the giver is to reward her merit. This reward can be from private agents or from institutions, and one cannot avoid noting here the beliefs in a reward in the next life in various religions. The material benefits can also be attached to, or result from, a status acquired thanks to giving, helpfulness, or generosity. Yet, the giver can also receive benefits irrespective of particular specific motives, as a result of various possible indirect effects. These effects can for instance be of an economic, political, or social nature (or a combination of such effects). The consideration of economic effects of this type have a long and famous history, with the debates about the welfare effects of international transfers (the problem of “German compensations” after the first World War). The conditions of the existence of such effects through changes in prices or otherwise have been the object of intensive studies.

15.4.2 Gifts and interests

Self-interested giving may have to be excluded from *genuine* giving characterized by other motivations. This would in particular imply excluding sequential exchange from reciprocities. Yet this conduct exists, and its motives are often mixed in various ways with other, nonselfish motivations. First of all, reciprocity in general is intrinsically such a mixed mode, and people often derive a purely personal and material benefit from the set of transfers, in addition to the other types of sentiments, emotions, and motivations. But there are also specific forms of selfish givings or selfish reciprocities (possibly more appropriately named pseudo-gifts and pseudo-reciprocities). Yet, the term selfish itself can cover various attitudes. “Strict self-interest” will refer to exclusive attachment, in the actions considered, to one’s own consumption in the most standard sense (“material” self-interest also expresses this idea but is awkward since one may have to include various “intangible” goods or services, and some “intangible” valued effects of consumption or possession). But a number of “social” interests are in fact also “selfish,” such as seeking, as ends in themselves, nonreprobation, approval, fame, reputation, good image, others’ consideration or respect, domination, status, good relations, friendship, and so on. Of course, the meaning of words oppose selfishness to altruism, and hence it would not be serious to suggest that all gifts would be “selfish” because, being free and voluntary by definition, they are desired by their author, or could be *ipso facto* considered as providing her with satisfaction or even pleasure. This holds for normative

altruism – one could speak of the satisfaction of following a norm –, but also for natural or hedonistic altruism although the corresponding giving decidedly makes the giver happier or less unhappy (by the effects of emotional contagion, empathy, affection, or pity). Many reasons can lead to selfish giving of various types, such as the following ones:

- The gift's effect on some social process favours the giver sufficiently to overcompensate the cost of the gift. This process can be economic, political, made of intra-family relations, etc.
- A gift or a reciprocity can show and prove goodwill and hence permit a relation that is beneficial to the giver, such as a concession to conclude a bargaining, a favour to seal an agreement, a service or a gift to induce trust, and so on.
- The gift can have various informational effects favourable to the giver, such as informing the receiver of a giver's offer (as with gifts of samples), signalling some other action of the giver, or eliciting a reaction that usefully informs the giver.
- In particular, a gift may in fact constitute a demand for establishing a relation of various possible types (personal, commercial, political, and so on), and its value, or the sacrifice it entails for the giver, may indicate the intensity of the desire for this relation (as well as the means and the generosity of the partner).
- A strictly self-interested sequence of two-way gifts can constitute a mutually beneficial sequential exchange.
- A giver may self-interestedly exploit the receiver's return-gift reaction (a "half-reciprocity").
- A giver can receive gifts from third parties motivated by a reverse reciprocity, and a classical moral view is that this will overcompensate the cost of the initial gift.
- A gift can elicit a variety of social opinions and sentiments, or of social statuses, that not only can be favoured in themselves by the giver, but may also entail a number of other advantages.
- And so on.

15.4.3 Giver's benefit from the gift's effect on processes and their outcome

15.4.3.1 The general property

A gift a priori influences the processes and interactions in which the giver or the receiver are engaged, and indirectly other processes and interactions, and hence the results of these processes. These effects may be favourable to the giver or unfavourable to the receiver, or both. And it may be that the global, overall effects make gift giving favourable to the giver, and/or unfavourable to the receiver, from the point of view of their own strict self-interest. If the giver gains in the end and is aware of these induced effects and of this consequence, then her strict self-interest induces her to give. By the same token, if the indirect effects lead to an overall decrease of the receiver's welfare, giving is deterred by altruism and induced by malevolence, and the receiver will refuse the gift if she can and if this can prevent the effect

(since simple destruction of goods by the would-be giver may suffice for some types of effects). Various cases will differ by the nature of the mechanism influenced by the gift and influencing the welfare of the people concerned. These mechanisms can involve markets of various types, other interactions, public and political or family redistributions, and so on. A number of discussions that have developed in economics are about instances of this general phenomenon.

15.4.3.2 The “transfer paradox” through effects on prices, markets, or exchange

For example, the gift can affect supplies or demands and hence prices, and this can induce the indirect effect. Since resource owners sometimes benefit from a partial destruction of the resource that boosts its price, they also benefit from giving this amount or its product away to a distant country (as the European Community gave butter to Russia for supporting Western European farmers or the US support their farmers in giving away farm products as foreign aid).

Contrary effects of transfers have gained historical fame in the discussion of the “problem of transfers” in international economics, that is, the effects of international transfers on the terms of trade. The first debate concerned a “tribute” rather than a gift, but the logic is the same. In the debates about the effects of the German war compensations after the first world war, it was argued that the transfers could, by their effects on supplies and demands in international markets, alter the terms of trade so as to diminish the actual amount of wealth transferred. Leontief (1967) then presented a numerical example where this effect is so large that, in the end, the giver is better off and the receiver is worse off. However, this “first Leontief paradox” (as I called it)⁶⁴ is exhibited in a competitive market, and it was then shown that it can only refer to unstable equilibria (Kolm 1969, 1970). Hence, it cannot be observed in real life with competitive markets. And when there is monopolistic exploitation notably by tariffs (which affect prices of internationally traded goods), the welfare of the exploiting nation always varies in the direction of the transfer, while that of the exploited nation can a priori vary either way (same references). However, when this exploitation is only partial, notably because there are other trading countries, then the giver can again benefit on the whole (id.). This was applied to the analysis of foreign aid. Actually, of course, agents may or may not be aware of such perverse effects through market interaction.

These results concerning this “transfer paradox” and its application to selfish giving apply to any markets. With a Walrasian competitive equilibrium, the giver can gain and the receiver can lose, but this applies to unstable equilibria which cannot have an actual existence. This cannot apply to stable and existing equilibria.⁶⁵ With a Cournot monopolistic domination, the paradox cannot happen for the dominant (price setting) agent but it can for the dominated one who, hence, can have a strict self-interest in giving to the dominant agent. Other aspects of the possibility of the transfer paradox for competitive equilibria have been studied by Gale (1974) and Guesnerie and Laffont (1978). Postelwaite (1979) showed that the paradox can occur in any efficient and individually beneficial reallocation scheme, and Sertel (1989, 1990, 1994) exhibited selfish giving in a number of types of interaction.

⁶⁴ The second Leontief paradox (often just called the Leontief paradox) is the finding that the exports of the US were more labor intensive and less capital intensive than their imports.

⁶⁵ The transfer paradox (and selfish giving) for competitive equilibria naturally also applies to a situation of “Lindahl equilibrium” with public goods, as it appears in the diagrams in Kolm 1970 for the simplest case of two persons and two goods. But the receiver can reject the gift, an objection that Sertel (1994) waved in considering three agents and a receiver who also gains.

15.4.3.3 Redistribution

Section 10-2 has discussed situations where an aid or a gift benefits more the receiver than it costs the giver, and yet cannot be bought because it is an externality or because this is not done between these agents who are members of the same organization or family, and where a superior agent (government, firm, family head) realizes transfers that overcompensate the giver, specifically or in general distribution.

15.4.3.4 Exploiting the return gift, sequential exchange, reverse reciprocity

In many instances, indeed, giving can be favourable to the strict self-interest of the giver in a rather direct way by a reaction of some agent. This reaction may be sufficiently large to overcompensate the cost of the gift. Reactions in the family of reciprocity provide a number of instances of this situation.

An agent may give in order to receive a return gift from the receiver, whatever the motive of this reaction. Many instances of this effect can be observed. For example, in a number of cases employees want to match the pay they receive, or an increase in it, by sufficient work and productivity. This is shown by numerous observations in studies of labour relations (reviewed and analysed in Kolm (1990)) and by classical experiments initiated by Adam (1963, 1965) and Adam and Rosenbaum (1964). This leads employers to exploit this return gift in choosing pay. This is the basis of the noted proposal by Akerlof of an explanation of apparently involuntary unemployment.

The aim of the return gift, however, may be to elicit another gift from the initial giver who may then expect a new return gift. The relation then develops into a sequential exchange. Both parties may be strictly self-interested in this process. This is what Peter Hammond (1975) and Mordechai Kurz (1977, 1978) call “altruism.” The motive of the last transfer raises a problem, but sufficient uncertainty about the end of the process or about the other agent suffices to sustain it.⁶⁶

The reward for giving may also be provided by other agents, in a reverse reciprocity. A classical moral assertion is that altruistic giving will be overcompensated by such benefits, leaving the giver with a net advantage in self-interest in the end – the almost identical formulations of this view by René Descartes and Adam Smith have been noted – (if this is true, this may be a pity, because this benefit may undermine the intrinsically praiseworthy altruistic motivation in the long run).

15.4.3.5 Reputation, social effects, image, status

Giving often induces a favourable judgment of the giver by other people, which the giver often appreciates in itself, and which can also lead these people to act in ways that provide self-interested and notably material advantages to the giver. This occurs in many forms. Giving can elicit trust and permit a number of desired or profitable actions or interactions. It can provide a status which may entail many advantages of all kinds. It can elicit gratitude or

⁶⁶ See Basu (1977, 1987), Radner (1980), Smale (1980), Axelrod (1984), Kreps, Milgrom, Roberts and Wilson (1982).

liking from which the giver may derive various side-benefits. Firms give, most often to enhance their public image and have more customers. Politicians give to attract votes.

15.5 Giving in social relations and communities

We have pointed out the essential relational, informational and symbolic role of giving (Section 9.9). Indeed, sacrificing one's interest for the good of someone else – true giving – is a priori a strong social relation. It relates to other social relations and social bonds with influences both ways. Notably, when it results from a relation, it often manifests, actualizes, shows, proves and activates it, and thus makes it exist or last. In particular, giving $x\%$ of one's wealth to someone else can be seen as voluntarily submitting $x\%$ of one's economic self to the disposition of someone else. This is a relation with a priori a strongly integrative nature. In fact, genuine, altruistic giving is closely related to the notion of community, as a privileged relation between members. This is clear for the family and various solidarities, and shown by the fact that the volume of private and public aid or redistribution in larger societies is closely correlated to the prevailing sense of community.

Mankind is no less a set of communities than a collection of individuals, and this structures the relations of altruism and giving. Communities include notably, under mankind as a whole, national, cultural, political, labour, local, and kin communities. Each individual relates to the other members of each of the communities she belongs to, and to the community as a whole or its institutions. These relations include altruisms of various kinds, and more or less gift-giving for various motives. These altruisms and giving are induced by the sentiment of common belonging, but they also intrinsically constitute and maintain the community. In particular, various kinds of gifts, support or aid between members or between members and the group manifest the community, prove its existence and effectiveness, and contribute to the existence and duration of this social structure and its institutions.

The various types of altruisms and of reasons for giving, and of communities, have specific relations. Solidarity denotes the potentially mutual aid characteristic of communities in general. Comparative justice, leading to impartial altruism (see Section 14), is defined among members of some narrower or broader community. Pity, compassion, empathy, and emotional contagion require a minimum sentiment of commonness and similarity with the observed person (being another human person should suffice but unfortunately does not always, and some people extend these feelings to some animals). The general altruism noted by Adam Smith, and the a priori respect and common help noted above, manifest the general community of mankind. Aid within communities is commonly demanded by moral altruism, and still more by nonmoral social norms. The intensity of these sentiments, and hence the importance and frequency of the resulting help and giving, correlate with the intensity of the sense of community. This intensity is due to several factors, including culture, interests, tradition, actual closeness, and size. Fiscally implemented joint giving manifests solidarity in the national community. The closest community takes us back to the family and its mutual love and support. The tighter the community, a priori the more intense the altruisms of various kinds and the larger the resulting giving. However, the nature of these motives changes in the comparison, since the tighter the community, the more affection is likely to play a role, and this sentiment tends to check those of pity and compassion, and to make that of moral duty superfluous.

III – VALUES AND HISTORY

16. The normative economics of altruism and giving

16.1 *The ethics of economics*

Improving society has always been the basic motive of economics, from its beginnings and permanently (even the rather recent economists who did not want to emphasize this aspect practiced it by their injunctions which were more assertive the less they were derived from reflection – and implicit or summary moral positions have little chance to be sound ethics). This concern of economics implies that some people have ethical concerns, which is a priori in contradiction with any hypothesis of purely selfish individuals. However, economics has endorsed various moral values. These values turn out to all have an important relation with issues of altruism and giving. One can begin with efficiency, in the modern form of Pareto efficiency, based on the social value of unanimity. Then come the twin values of freedom and welfare. The basically relevant freedom is *social freedom*, that is, an absence of forceful interference with individuals' actions, including the intended consequences of these actions, by individuals alone, in groups, or in institutions. Individuals' actions are thus only constrained not to forcefully interfere with others' actions. Both free exchange and gift giving are non-forceful interferences,⁶⁷ and a free transfer is either a gift or one part of an exchange or agreement. The ban on forceful interference applies in particular to consequences of previous free acts respecting social freedom, such as rights acquired by free exchange or agreement (or received as gifts). Social freedom is classically presented in various ways, depending on the emphasis put on various aspects, such as the classical basic rights presenting the general principle and main fields of application, "process-freedom" with emphasis on free exchange and markets, or the "negative freedom" of Isaiah Berlin and others (Kant, J.S. Mill, etc.). The moral endorsement of social freedom is "process liberalism."⁶⁸ Historically, most economists have so endorsed social freedom as an end value. Yet, a number of them only see its instrumental value, notably through the economic efficiency of the competitive market for "welfare" – this latter emphasis is rather recent although it follows Adam Smith and Vilfredo Pareto. Social freedom is a balance of rights between private agents, which a priori differs from the balance of force and threats between them. Although maintaining it is the object of law, courts, and public coercion, it is also commonly implemented by voluntary restraint from harming and stealing. Compared with the sole use of force and threat, this respect constitutes an altruistic gift from the agents who would benefit from the confrontation.

Yet, with social freedom, there remains to allocate the given resources. The main ones are human capacities, notably productive capacities which account for most of the value of the economic output.⁶⁹ The value of the disposition of these capacities (i.e., their rent), can be left to their holders or more or less redistributed. Then, equalization with the proper measures leads to an equal sharing of the proceeds of an equal labour of each individual (with different given capacities), or "equal labour income equalization." Each individual keeps the proceeds of the rest of her freely chosen labour. This redistribution also amounts to each individual yielding to each other the proceeds of the same labour. This aspect of balance or fairness of these bilateral transfers may induce their more or less voluntary acceptance, in a kind of pervasive reciprocity.

⁶⁷ Let us discard here the cases where the beneficiary of a gift both wishes to refuse it and cannot refuse it for material or social reasons.

⁶⁸ Called simply liberalism in other European languages and in English before some moment in the early 20th century.

⁶⁹ The questions raised in this paragraph are presented in Kolm 2004.

Social freedom and this distribution implement “macrojustice,” which defines the bulk of the proper distribution. Yet, there remains many other issues of fairness, for which a number of criteria can be applied. The analysis of these criteria developed in economics since the mid-60’s, and it occupies most of the field of normative economics nowadays. Its central concerns are issues of equality and inequality, of various items in various circumstances, and provisioning needs, rewarding merit and desert, and satisfying legitimate rights. Finally, economics has even not forgotten what is obvious to everybody, namely that the good society is made of good people and good social relations,⁷⁰ although the “dismal science” brand of economists are prompt to brandish the *Wealth of Nations*, the possible efficiency of markets, and perhaps Mandeville to argue that “private vices make public virtues” (with relations of exchange).

16.2 The intrinsic value of altruism and giving

In fact, almost all cultures, moral systems, and people see in giving and altruism the paragon of moral conduct and sentiments, a main – often the main – moral value and virtue (especially if one includes helping one’s kin or group). Hence, if economics consistently applies its usual preference for “respecting individuals’ preferences” to all the domain of individuals’ evaluations, it should endorse this intrinsic value of giving and altruism. It should value, as people do, acts and sentiments of compassion, benevolence, solidarity, charity, fraternity, favouring the common good, or fairness, and the quality of good social relations that result from them. In fact, it can hardly avoid directly endorsing this judgment.

16.3 Giving as improving fairness in freedom

Moreover, giving and reciprocity improve allocative fairness in provisioning the needy, attributing to some people what is due to them (according to some criterion), securing fair balance, and diminishing inequality between donor and beneficiary. They do this in respecting social freedom and thanks to it, by decentralized actions without coercion. In particular, giving to alleviate need or poverty constitutes a normative blessing since it has one basic value, liberty, realize a number of others: it alleviates pain, reduces poverty, diminishes inequality between the giver and the receiver and – generally – overall inequality, and it is desired by the two people directly concerned and – generally – by some people while nobody regrets it. Specifically, giving to a poorer individual (without making her richer than the giver) constitutes a “progressive transfer” which unambiguously diminishes the inequality between the incomes or wealths of these two people, and hence also all the measures of overall income or wealth inequality that respect this “transfer principle.”⁷¹ The unanimous (“Pareto”) improvement obtains if everyone either approves of these free act and reduction of pain, poverty, and inequality, or, at least, is indifferent about them. Joint giving that benefits someone poorer than all the givers and in need has the same properties if it results from a free agreement between the givers or if it is realized by a public authority in such a way that everyone prefers the whole set of transfers, and if the beneficiary remains poorer than the givers (concerning inequality, this redistribution amounts to a set of progressive transfers). On

⁷⁰ Kolm 1984a.

⁷¹ That is, measures of inequality that are *rectifiant*. Rectifiante plus symmetry in the considered wealths or incomes – symmetry is justified by the absence of relevance of individual characteristics that differ across the considered individuals – is *isophily*, which mathematically amounts to Schur convexity. See Kolm 1966a, 1966b.

the other hand, the much-praised solidarity or support among members of families or other communities are the main source of inequality of opportunity and oppose ideals of broader impartiality, equality, and justice.

16.4 Altruism, giving, reciprocity, and failures of economic interactions

16.4.1 Causing market failures

Altruism and giving are no less both the worst and the best of things in the second main field of normative economics, the question of the various inefficiencies induced by “market failures.”

Giving violates the mode of behaviour that constitutes competitive markets. Hence, when it intervenes in a framework of exchange, a priori it undermines the efficiency of such markets and of the price system. Important examples are found in collusions that block competition and are sustained by conducts of solidarity, norms of fairness, or promise keeping. These motives can prevent an agent from competitively undercutting a supply price or overbidding in buying, when it would be her self-interest to do it. These agents may finally gain from their collusive behaviour, but the means are often these non-selfish conducts, normative and often achieved in reciprocity with other agents in the similar situations. The resulting price rigidities jeopardize market efficiency. Notably, these conducts in the labour market lead to downward wage rigidities inducing unemployment, and, in this field and others, to behaviours conducive to inflation.

The non-purely-self-interested conduct can also take place between the parties of an exchange. The competitive model and, a priori, the resulting efficiency of the price system, can be upset by altruistic price rebates, overpayments, overprovision, accepting underprovision, or settling for a “just price” or “fair price” that is not the competitive price. Employees providing labour from a sense of reciprocity for the pay they receive apply a conduct analysed for a long time by social psychology (with the landmark analyses and experiments of Adam and others in the early 1960’s), and which is the basis of the noted possible cause of unemployment pointed out by Akerlof.

However, such disruptions of efficiency in markets are more or less qualified by two aspects. First, as Wicksteed emphasized that people are more non-tuistic than egoists as persons (see Section 11), they are also more non-tuistic than altruists in exchanges. That is, they largely keep their altruistic and selfish conducts for different relations. Second, altruists enjoy what is good for the other, notably her welfare or means, and both the donor and the beneficiary may enjoy the relation in itself. These benefits may overcompensate possible costs in economic efficiency in a narrow sense. At any rate, individual preferences are no longer those that produce the selfish behaviour, and this is to be taken into account notably for considering the Pareto-efficiency of the relation (this issue is discussed in Section 8-2 in the case of reciprocity).

16.4.2 Curing market failures

On the other hand, altruism and reciprocity are also essential causes of economic efficiency. A most basic reason rests in the spontaneous respect of people and of their rights and properties. This is an indispensable complement to self-defence and to the role of the police, and society is better and more efficient the larger the importance of this spontaneous respect.

This respect can be extended to that of truth in truth-telling and of one's word in promise-keeping, and no market can function without a large minimum of such normed conducts.

Economists have often been surprised to see working interactions where the model assuming selfish motives predicts complete failure. This occurred for instance, for the reasons noted in Section 9.6, in voluntary contributions to public goods, collective actions, voting, the implementation of incomplete contracts, bypassing missing markets, to which one can add many cases of truth-telling and revelation of private information, promise-keeping, and spontaneous respect of persons, rights, and properties. The main motives responsible for these conducts are moral values and norms. They are generally "intuitively" moral, but rational moral values sometimes have an important influence, notably with universalizations (popular "Kantianism") or putative reciprocities (see Section 13.3.3). Non-moral social values or norms also often play an important role. There also are desires for reputation – possibly for deriving future benefits but often valued in itself –, and for being praised or praiseworthy, and simple self-satisfaction (see Section 13.3.2). Moral and simply social values or norms manifest the corresponding normative altruism. A number of these motives are norms of fairness of various types. Many of these relations are reciprocities, notably balance reciprocities which can have a dimension of fairness, in various types of applications. Indeed, these reciprocities lead the agents to more or less duplicate the result of an exchange without the selfish motivation: one gives not under the condition that the other persons give, but simply given that they also give (yet, we have seen in Section 8 that, in fact, the goods or services transferred are not a priori in the same quantities or proportions as they would have been in the selfish exchange if it had taken place). These behaviours permit the partial or full remedy to the two basic causes of these failures of exchanges or agreements: difficulties, costs, or impossibilities in information or constraining. They lead to giving given that one is given to, or to contributing given that other persons contribute, where these gifts or contributions can be transferring objects, providing services, or revealing information and truth-telling, keeping one's promises, respecting others and their rights and properties, and so on.

16.5 Liberal social contracts and joint giving

16.5.1 Liberal social contracts

Social freedom meets the various classical causes of "market failures" due to difficulties in information, coercion or exclusion, and agreement. Specific conducts that are not purely selfish remedy these problems, but only in part. Adequate coercion is another mode of solution, notably by the public sector. The result should be Pareto efficient given all available means (information, coercion, and so on). Yet, there remains the choice of the distribution among the individuals that results from this action. If the distribution that results from social freedom (with the appropriate distribution of given resources) is morally endorsed, the solution consists of determining the outcome that would result from free action or agreement in the hypothetical case where the cause of the "failure" is absent. Such solutions are "liberal social contracts" (a social contract is, by definition, a theory in social ethics stating that the government should do what would have resulted from a hypothetical free agreement in specified circumstances).⁷² Such an agreement would achieve Pareto efficiency among its

⁷² The putative contract is between the citizens (sometimes their ancestors in some theories), or between them and the government – both contracts are classically seen as jointly present. The particular "liberal social contracts" between citizens are a main topic of Kolm 1985 and also the object of a general presentation in Kolm 1987a and 1987b.

parties in its setting if not reaching it is considered an agreement failure, and hence is assumed away for this hypothetical agreement. Moreover, the resulting distribution is that resulting from social freedom. A liberal social contract can thus be said to protect social freedom from the impediments causing the “failure,” in enforcing what its result would be in their absence. Note that even when an agreement is actually achieved, the enforcement of the contract is secured by public constraint if necessary. More generally, even if a right is actually acquired (possibly by labour, first occupancy, or discovery, and not only exchange or agreement), its protection from the encroachment of other people is secured by public constraint towards others if necessary. Hence, the actual state with “failure” adds the constraints constituted by the cause of this failure (ignorance, non-coercion) to the ideal process-free state; the liberal social contract adds the constraint of its implementation to this actual state; but, to the ideal state without impediment, whose outcome it enforces, it adds no constraint but only the hypothetical character of the agreement.

16.5.2 Public goods and joint giving

A main “market failure” is the case of joint concerns or “public goods” and of voluntary payments for them. In general, purely self-concerned individuals will not pay, or pay sufficiently, in an individual decision. (They will be “free riders” of the contribution of other people if there is any). This “failure” has two causes. The individuals could sign a collective agreement about their contributions. The agreement can then be enforced by the public sector, as any other contract. This agreement can make any beneficiary-contributor better off than its absence. Then, each individual signs the agreement because if she does not sign or if any other person does not sign the other situation prevails, whereas if she signs she is in a better situation if all others also sign. However, if the people concerned are too numerous or dispersed, this voluntary agreement may not occur because of difficulties, costs, or impossibilities of transaction, information, contact, etc. Then, if people can be excluded from the benefit of the good, any agent can produce the good in making them pay for access. In this case, however, this seller will not know well which prices to charge. And exclusion is not possible in a class of cases. In these situations, the hypothetical existence of such an agent is not a possible solution notably because this would not say what to do with the profit (in addition there may be other necessary characteristics of this agent which are undetermined, such as her risk-aversion for choosing in uncertainty when choosing which prices to charge). Hence, the solution is the hypothetical collective agreement of a liberal social contract essentially implemented by the public sector.

Joint giving is, for altruistic givers, a case of a public good which is the receiver’s situation or total receipt. Transfers decided by a collective agreement about joint giving are twice free: as gifts and as objects of a free agreement with co-givers. An altruistic giver benefits simply from knowing the situation of the receiver (yet, hiding information about this situation is not exclusion from this benefit but only introducing uncertainty about it: the altruist does not basically want to know but only that the receiver’s situation improve). There generally are many possible contributors, notably when giving to people in need (the situation is the same if some givers specialize in giving to some needy people, since there should nevertheless be an agreement among all givers when they are also concerned by gifts to other people than “their poor”). Therefore, the solution implementing the distributive ethic of social freedom is the implementation of the liberal social contract assuming the possibility of a direct collective agreement.

16.5.3 The core with interdependent coalitions

There is a set of individuals. Each is free to act, given the possibilities, in the sense of social freedom. The individuals of a group of this set are also free to agree to perform acts which they can do. It is assumed that reaching the agreement and making it binding for the people who agree is possible and costless – this is the hypothesis of the liberal social contract (the obligation to abide by the agreement can be seen as enforcement by the public force as for any lawful contract). Not making an agreement is a priori a particular possible outcome for the group. If the group has to choose between two states that it can realize, such that all members prefer one to the other, then it certainly chooses the former. Let us consider, in addition, the assumption that a group does not realize a state that it can realize if it can also realize another state that all members prefer to the former one. If these two states are the only possible ones, this amounts to the previous remark. But the assumption is something new in the other cases. This assumption can be called one of collective rationality (the history of thought also suggests calling it the Coase hypothesis – rather than “theorem” or conjecture – and it is, in fact, the basic assumption of cooperative game theory). The unanimous preference in question in the group can be with indifference for some members, but not all (this definitional property will not be repeated). A consequence of the assumption is that each group chooses a state that is Pareto efficient among the states that its cooperation can realize (by definition of this property of a state: it is possible and no other possible state is unanimously preferred). A cooperating group is classically called a “coalition.” A consequence of the situation is that the achieved state is such that no coalition can induce another state that is preferred by all its members. This is a theory of the “core,” but we will see that it has to differ from classical such theories. It has in common with other theories of the core that considering the “grand coalition” consisting of all agents in question implies that the achieved state is Pareto efficient. Which of these states prevails results more or less from the consideration of more restricted coalitions. Then, the situation is quite different from that of other notions of the core or related concepts.

Indeed, when a (partial) coalition decides that its members provide contributions different from those of a considered set of contributions, the other individuals concerned by the public good are affected by this choice, their preferences lead them to react in choosing other contributions that are the best for them, and this change influences in turn the members of the considered coalition. This holds whether each individual action is chosen collectively in some coalition or individually (an individual is a particular singleton coalition). That is, the relevant concept of the core is that of the “core with externality” or the “core with interdependent coalitions.”⁷³

In contrast, in the other theories, a coalition takes the actions of other people as either not affecting its members (core for private goods and Foley’s theory of the core for public goods) or as given to them, as not reacting to their choice different from the considered allocation (“strong Nash equilibrium”). In the core for private goods, the members of a coalition allocate their own resources among themselves, and the other individuals are not affected by this operation (they are only by the absence of a larger cooperation). By analogy with the case of private goods, Duncan Foley’s (1970) theory of a core for public goods assumes that the members of a coalition receive no benefit from contributions (gifts for joint giving) from individuals who are not members of this coalition. However, these other individuals could in fact contribute (give) individually or in forming other coalitions. Hence, for a non-excludable public good, this assumption a priori does not hold (this is the case of

⁷³ See Kolm 1987c, d, e, f, g, 1989.

joint giving). If exclusion is possible, it should be explained why agents who are not members of the coalition in question choose to exclude the members of this coalition from the benefits of their contributions; it could be in order to raise the cost of not accepting the considered allocation (contributions); however, these non-members could, or not, benefit from the contributions of this coalition, depending on a decision of the coalition if it can also exclude others from the benefits of its contributions; hence there is an exclusion game which should be explicit. The exclusion is necessarily the case only in particular types of material situations, for instance if a coalition produces one quantity of the public good and there materially cannot be two such quantities (but, then, which coalition produces the good has to be determined), or if the public good is local and a partial coalition has to emigrate; these are the types of situations where Foley's concept applies, and it is not the case of joint giving. In still another theory in the family of the core, that of "strong Nash equilibrium," the individuals outside of the coalition do not react to the coalition acting differently from the considered situation (a proposed set of contributions). However, with non-exclusion, this absence of reaction will not be the case in general. Agents outside the dissenting coalition have an interest to react, they therefore will do it, and the coalition has to take this reaction into account. Moreover, a strong Nash equilibrium is both Pareto efficient (the case of the "grand coalition" noted above) and a Cournot-Nash equilibrium (the case of singleton coalitions). Now, in the standard cases a Cournot-Nash equilibrium is not Pareto efficient and, hence, no strong Nash equilibrium exists. However, the assumption that other people do not react to the choice of a person also holds for ordinary Cournot-Nash equilibria and they are commonly considered, and Pareto efficiency may be desired for its normative value.⁷⁴

Therefore, the obtained state (set of individual contributions or gifts) is such that there is no coalition whose members become all more satisfied in acting differently, and this takes into account that this change will a priori induce changes in the acts (contributions, gifts) of the other persons. In this respect, these other persons can act individually, or cooperate among themselves, or again be partitioned into coalitions with cooperation within each coalition but not across coalitions. A coalition may consist of a single individual, either for the initial, dissenting coalition, or for any induced one. The non-cooperative relations among coalitions may a priori be of any type, such as Cournot-Nash or Stackelberg.

Notable properties of the result are revealed by particular structures that may be the case or be sufficient approximations. With quasilinear utilities, usually only one coalition of a partition of people into non-cooperating coalitions give, and the other individuals and coalitions are free riders (with a Cournot-Nash interaction, this is the coalition that gives the largest amount when it alone gives). The case of a large number of small contributors also shows remarkable properties (and is realistic for aid to people in need).

16.6 Retro-gifts and the process-liberal public debt

In a society where social freedom is fully respected, the only possible justification of a public debt is to realize transfers to earlier generations desired a priori by the payers of the taxes that redeem the debt.⁷⁵ Of course, the public sector determining such a borrowing estimates these

⁷⁴ The only case where Cournot-Nash equilibria have a full justification in one- or two-shot games is a game of reciprocity presented in the chapter on reciprocity.

⁷⁵ However, if market imperfections create involuntary unemployment and cannot be directly corrected, macroeconomic effects of the public debt can justify it by an extended and second-best application of a liberal social contract (see above).

preferences of future generations. These transfers can in particular be gifts to earlier generations. A notable consequence of this optimum public debt policy has been shown in Section 10.

You give to your children and your children give, or will give, to you. You can give to your great-grand children by leaving sufficient capital for them. A priori, however, in our growing economies, they will need help much less than your great-grand mother did (during the great depression). In fact, wise governments of the time provided public aid financed by a public deficit that is now redeemed thanks to the taxes we pay. In addition to contributing to reflate the economy, this achieved exactly what you want: you give to your great-grand mother.

This is a *retro-gift*, which can also benefit someone of the past unrelated to you, notably because of her needs and poverty. Retro-gifts are particular cases of *retro-transfers*, which also include *retro-payments* in which you pay a previous generation for a service it provides to you (for instance, they have planted a forest from which you benefit, and this forest has been financed by public borrowing now reimbursed thanks to your taxes).⁷⁶ A retro-gift can also be a part of an intergenerational reciprocity. The whole operation of a retrogift, and of a retro-payment for a unanimously desired intertemporal exchange, is desired by the corresponding taxpayers. However, at the time of the payment of the tax, the other part has already been performed – it is the subsidy to the earlier generations or the service they provide that will benefit later generations –, and hence taxpayers would a priori prefer not to pay. This is akin to any compulsory implementation of a contract, but more original for gift giving, although this is similar to the case of joint giving implemented by the public sector.

Retro-transfers constitute the only process-liberal justification of the public debt. They remedy the “failure” of free transfers created by the “arrow of time.” Of course, a retro-gift may also be a joint gift, when several persons want to help the same one(s) in previous generations. The givers may be of the same or of different generations. For instance, a person may have several descendents who want to help her.

16.7 Selfish altruism: The situation of the other person may be your own

In collective decisions that will affect an uncertain future, you often care about various individual situations for a purely self-interested motive, because you do not know which of these situations will be your own, into which possible individual situation you will happen to fall. Hence, you may also take care of individual situations which will be those of other persons, and then you are de facto an “altruist,” that is, you are one in your choice if not in your sentiments. A shift in time transferring this view to the later situation transforms this viewpoint into a common reason provided for helping another person in need, that described by the argument that “it could have happened to you.” This notion is the basis of one of the most famous theories of social ethics or justice of recent times, the theory of the “original position” notably proposed by John Rawls and John Harsanyi. Both these authors propose that the moral choice or policy is the one that an individual would have chosen in an “original position” where “it” does not know what “it” will have in all respects in actual life, including “its” own tastes (and, of course, “its” sex). Their two theories differ, but we have noticed above a basic issue that they do not face (Section 13.3.3.4). A choice in the original position is made with preferences which have to have two given features: the preference about risk and

⁷⁶ See Kolm, 1985.

the corresponding risk-aversion, and the preferences about “being” various persons (and in particular having their preferences in actual life). Hence, if actual individuals are imagined back in an original position, they have to keep these two aspects of their preferences for their choice in this position, and hence they generally are not identical and a priori do not make the same choice. Moreover, the individuals can be imagined as keeping still other features of their actual preferences and situation for their imagined hypothetical choice in uncertainty. These are theories of the “partially original position.”⁷⁷

Since the individuals in this hypothetical uncertain situation are not identical, their preferred choices do not a priori present the unanimity that would result from this identity. Then, inspired by the theories of the social contract, one can propose to replace this lacking unanimity of preferences by the unanimity of a free agreement among these different persons (Rawls proposes this reference to the social contract, although he assumes that all persons have the same preferred choice). The advantage of this agreement over an agreement between actual individuals is that these hypothetical individuals are more similar among themselves, and, hence, the scope of a priori possible agreements is more restricted. Therefore, these individuals are assumed to make a unanimous agreement about what should be done when any of the a priori possible situations prevails. Such an a priori possible situation is defined by the fact that the a priori uncertain (in the considered hypothetical situation) aspect of each individual’s preferences and situation receives a specification. Then, the decision of this hypothetical agreement for the case of the actual preferences and situation is applied. Taking a hypothetical agreement as a social ethical norm is by definition a theory of a social contract. The present theory differs from other social contracts by the nature of the state in which the agreement is made (called the “state of nature” in classical contractarian theory). The notionally randomized items, that is, all that the individuals do not keep and hence are uncertain about in this partially original position, can in fact be specific and restricted. The theory then is a theory for compensating inequalities in this respect in actual life. For example, this item may be given productive capacities, depending on genetic endowment and education provided by the family, given health as the propensity (not) to become sick, or any other characteristics of individuals. The agreement then is in fact a mutual insurance against the risk of being poorly endowed in the characteristic, and the actual result consists of compensations from the individuals better endowed to the individuals poorly endowed. This is notably considered for items that are given to the individuals before they could take out an actual insurance, such as given individual characteristics, family influence, education received, and given social advantages or handicaps. This theory then is a “fundamental insurance” defining actual compensatory transfers.

However, this choice wants to be about justice but is determined by what would be the individuals’ selfish conduct in uncertainty and in exchange. This raises a problem because justice and selfish conduct have different rationales. In particular, an individual’s selfish choice in uncertainty has no reason to represent a choice of justice among the various persons that she could be in the different realizations. The relevant justice may focus on aspects of the individuals’ situation different from their utility (relevant for the self-interested choice). Moreover, when they can be compared, the moral inequality aversion tends to exceed individual risk aversion. However, the situation is different if selfish exchange is replaced by benevolent reciprocity. The motive becomes: “I help this person, given that, if our situations were reversed, she would have helped me.” This is the putative reciprocity whose actual importance and consequences have been noted above (Section 13.3.3.3). Reciprocity is based

⁷⁷ See Kolm 1985, 1998a.

on sentiments of balance or fairness or of mutual liking. These seem to be morally acceptable bases of distributive fairness. Moreover, we have also seen that fundamental insurance is the practically unanimously endorsed justification of public health insurance – rather than private one – in many societies, which implies large basically voluntary transfers (beyond actuarial insurance) for helping people with poor given health (Section 13.3.3.4).

16.8 Distribution as a public good: the distributive surplus⁷⁸

If all individuals care about what they have only, any redistribution makes someone worse off, in the absence of particular indirect effects.⁷⁹ When some people care about what some others have, the same property often holds. Yet, if some such concerns for the situation of other people are sufficiently large, there may exist redistributions that nobody regrets and some value. The social states from which such redistributions do not exist present, by definition, Pareto efficient distributions. Pareto efficiency is a property of a social state that is certainly to be valued, because it means that there is no unanimously preferred deviation from it (with the possibility of indifference for some people). However, in a large society where most of the altruism that exists is only moderate, the set of the Pareto efficient distributions is very large. Therefore, this property does not help much in the quest of the Graal of normative economics, the optimum distribution. Something else should be added, and this is the important ingredient.

When some people care about what some others have, the distribution becomes a collective concern, a public good in this sense. Hence, one proposal consists of applying to it the standard principle used for the choice of public goods, in benefit-cost analysis, the criterion of the surplus. This principle, however should be properly applied as follows.⁸⁰ By definition, the surplus of a state B over a state A is the algebraic sum of individuals' money equivalent of having state B rather than state A (the m -surplus), or of individuals' willingness to pay for having state B rather than state A (the p -surplus). The difference between both concepts and measures results from the fact that, for the m -surplus, the individuals are in state A when their money equivalent is notionally given to them for obtaining a state equivalent to state B ; whereas, for the p -surplus, the individuals are in state B when their willingness to pay is taken out from them for obtaining a state equivalent to state A . Then, the surplus principle chooses a possible state A such that no surplus for having any other possible state B rather than state A is positive, both for the m -surplus and for the p -surplus. This condition also amounts to the fact that no surplus for having state A rather than state B is negative, for both the m -surplus and the p -surplus (the condition for one of the two surplus concepts amounts to that for the other in inverting the states).⁸¹

⁷⁸ See Kolm 1966a.

⁷⁹ Notably in an economic surrounding of perfectly competitive markets.

⁸⁰ See Kolm 1966a (see also 2004).

⁸¹ Calling y_i individual i 's wealth, $y = \{y_i\}$, $y_{-i} = \{y_j\}_{j \neq i}$, and $U^i(y)$ individual i 's ordinal utility as a function of the distribution y , the money equivalent and the willingness to pay of individual i for having distribution y' rather than distribution y are respectively $m_i(y', y)$ and $p_i(y', y)$ defined by

$$U^i[y_i + m_i(y', y), y_{-i}] = U^i(y')$$

and

$$U^i(y) = U^i[y_i - p_i(y', y), y'_{-i}].$$

Clearly, $m_i(y, y') = -p_i(y', y)$, and $p_i(y, y') = -m_i(y', y)$. Define as $m(y', y) = \sum m_i(y', y)$ and $p(y', y) = \sum p_i(y', y)$ the m -surplus and the p -surplus, respectively. One has

If all people are purely selfish, this principle specifies no distribution. But if they care about what others have, no matter how little, the principle gives a solution, most of the time a unique one. This holds in particular when people value their own wealth very much more than that of others, say with priority (“lexical egoism”). This results from the basic logic of the surplus method, namely the following. An individual’s self-interested money value of, or willingness to pay for, a dollar for herself is a dollar. Hence, for a redistribution without indirect effects, where the sum of incomes remains the same by definition, the values measuring the self-interests of all individuals cancel out in the sums of the surplus. Therefore, these sums depend only on the individuals’ values of the amounts transferred for other reasons, notably because of their altruisms if they are the social sentiments present (including the resulting conceptions of justice). Indeed, the justification of the described distributive surplus principle is derived from this condition: if you want a distributive criterion that is derived from the opinions of the members of the society about the justice of this distribution and from their altruism only, hence discarding their own self-interest, the solution is the distributive surplus. The basic reason is that cancelling out the self-interested values of a redistribution implies using the algebraic sums of money equivalents or willingnesses to pay. The idea of deriving the solution from the opinions of the members of the society only, called “endogenous social choice”, can be considered as unavoidable, since where else could we find such information for the comprehensive society (and for a smaller society, imposition from outside would be intrusion).

17. Historical landmarks

17.1 Economics and altruism

Almost all major economists in history made important contributions to the analyses of altruism and giving, often in specialized books (Adam Smith, John Stuart Mill, Léon Walras, Vilfredo Pareto, in particular). In recent times, the list of economists’ works on this issue contains several hundred entries. Of course, economists have mainly studied non-altruistic exchange, but the famous *homo economicus* they used for this purpose describes a non-altruistic *relation* and cannot be assumed to represent the full conception of man of these authors. Its self-interestedness describes the *non-tuism* of the relation rather than the egoism of the person, using Philip Wicksteed’s perceptive distinction. Moreover, observation showed that self-interested exchanges or cooperation could not work without important inputs of a different, other-regarding kind, based on morals, respect, and, importantly, reciprocity. Why, indeed, is there exchange rather than theft, why are many promises kept, why do people engage in collective action, why do they sometimes tell the truth, etc.? Only part of these

$$m(y', y) + p(y, y') = m(y, y') + p(y', y) = 0.$$

If P is the set of possible distributions, the chosen distribution is $y \in P$ such that, for all $y' \in P$,

$$m(y', y) \leq 0, m(y, y') \geq 0, p(y', y) \leq 0, p(y, y') \geq 0$$

(these inequalities constitute only two conditions).

When y' is close to y , say $y' = y + dy$, and the U^i are differentiable, these conditions imply $\sum_{i,j} v_j^i \cdot dy_j \leq 0$ where $v_j^i = U_j^i / U_i^i$ and $U_j^i = \partial U^i / \partial y_j$. For a pure redistribution, $\sum y'_i = \sum y_i$ and $\sum dy_i = 0$. Then, since $v_i^i = 1$ for all i , $\sum_{i,j} v_j^i \cdot dy_j = \sum_{i,j \neq i} v_j^i \cdot dy_j = \sum v_i \cdot dy_i$ with $v_i = \sum_{j \neq i} v_j^i$. Hence, the conditions are effective even when the v_j^i for $i \neq j$ are very low (lexical egoism). Various meanings and properties of this solution, second-order conditions, existence, and uniqueness, are discussed in Kolm 1966a.

behaviours can be explained by the fear of punishment or of retaliation. Furthermore, the topic of economics is more broadly defined as the allocation of resources. Then, altruism sprang to the face of anyone who opened the boxes of the other main allocative systems, the family, charity and donations, and the vast redistributive political and public sector with its complex of diverse motivations – from the most cruel to the most altruistic and the whole spectrum in between.

It is an embarrassing situation, for a field of study, when the culminating work happens to be the first one, especially if it is over two centuries old. One strategy is to forget about it – apart from paying lip-service. This has largely been the fate of Adam Smith's *Theory of Moral Sentiments*, certainly one of the major works in thinking about society of all times.⁸² We have seen that much is in this work – including reciprocity, self-image and praise-seeking.

Giving a Benthamite specification to the “impartial spectator” of Hutcheson, Hume and Smith led John Stuart Mill to his utilitarian altruist (in her moments of calm reflection). Since Mill was both reflective and a person living by his ideals, this theory made him a tempting target. This was not bypassed by Auguste Comte who, fond of new terms as he was, concluded that altruists should give money to sociologists – as he called these two categories of people – in a letter to John Stuart Mill where he explained his financial difficulties (1844).⁸³ Mill then had two businessmen friends of his help Comte out. However, when Comte repeated his demand one year later, Mill refused and pointed out that altruism should mean an impartial balance of interest rather than self-sacrifice for the other fellow as Comte understood it. Comte angrily answered that, in any event, businessmen have the duty to support philosophers.⁸⁴

17.2 Interdependent utilities and social choice

From Mill's utilitarian altruism (altruistic because utilitarian), the economic studies divide into two branches. One of them considers individuals who are jointly self-interested and altruistic, with the same utility function. Yet, since these individuals also have a particular interest for themselves, it is natural to consider that the intensity of their altruism can depend on the other persons who can be the objects of this sentiment. For instance, the representation of their preferences should be able to admit that they make their children “count for more than others,” in Bentham's terms. Then, after the formulation of Edgeworth, restricted to only two individuals and additive “welfares” (but with the notice of the “shrinking contract curve” property), this leads to the more complete formulation of Pareto, with individuals' “utilities” which can depend on all individuals' “ophelimities.” The second branch considers separately the individuals' concern for others, in focussing on its moral reason in social ethics. Yet, utilitarianism meets the difficulty of the lack of general meaning of the operation of addition

⁸² It is advised to read *The Theory of Moral Sentiments* in its French translation, because it has three more chapters than the English original. They were added by the French translator, Sophie de Condorcet (Antoine's wife) after Adam Smith's stay in Paris – where he was converted, by their economist friends, to acknowledging the magic of exchange which transmutes the private vice of “selfishness” into the public virtue of apparent “altruism.”

⁸³ Comte may have borrowed the term “altruism” from the poet Andrieux who was his professor at the Ecole Polytechnique.

⁸⁴ This put an end to their interesting correspondence. See Mill's *Unpublished Correspondence* (1828-1871) (1898). Yet, Comte continued to survive thanks to other gifts which became labelled “the positivist subsidy.”

of utility functions which can describe something like individual's "happiness." This led to Bergson's more general "social welfare function" representing an individual's social ethics. However, since this function is no longer the unique utilitarian sum, what should it be for representing what is better for society? These two branches thus led respectively to the two fields of "interdependent utilities" on the one hand and of classical "social choice theory" on the other hand. Finally, endogenous social choice leads to finding solutions to the social ethical problem of the latter field in individual's "embodied" social ethical view described by the former field.⁸⁵

17.3 Altruism and uncertainty

The logical problem in adding individual's utilities can result notably from their ordinal structure. This structure was pointed out simultaneously by Pareto and by the mathematician Henri Poincaré in a famous letter in answer to Léon Walras. This answer adds the further remark: "you consider individuals with perfect foresight and fully egoistic; the second property may be acceptable, but the former one is demanding too much." Poincaré may not have known about Walras's intense concern about positive social sentiments, notably expressed in his lectures and book about workers' cooperatives and associations. Yet, his remark points out the two issues of uncertainty and altruism, which have logical and psychological similarities, and actual and theoretical interactions, and have been considered and analysed by economics in parallel successive steps (with a merging in theories of the original position and fundamental insurance).

Both concerns about uncertainty and altruism consist, for an individual, of being concerned about several individuals, who are oneself in several possible prospects in selfish uncertainty, and also other individuals in altruism. In fact, empathy, one of the main sources of altruism, consists of imagining oneself in the place of someone else, as one imagines oneself in the various prospects when facing an uncertainty that concerns oneself. We have also seen that a main theory in social ethics, the "original position" and "fundamental insurance," consists of building a rational altruism from a notional uncertainty. Moreover, interactions among agents can jointly involve giving and uncertainty, and notably, at the deepest level of interaction, reciprocity and game theory.

The analyses of both domains developed in four parallel steps, concerning views and acts, and single and interacting individuals. Table 4 shows these steps. Individual views are those of uncertain prospects and altruism. They can lead to the individual acts of a choice in uncertainty and of giving. With several interacting individuals, uncertainty leads notably to contingent and insurance markets, while agents' altruism and giving interfere in various notable ways with the choices of similar or different agents. More deeply, the very views of various agents interfere with each other epistemically in games of strategy and as regards motives for giving in reciprocity.

	<i>Uncertainty</i>	<i>Altruism</i>
<i>individual view</i>	<i>uncertain prospects</i>	<i>altruism</i>
<i>individual acts</i>	<i>choice in uncertainty</i>	<i>giving</i>
<i>interdependent acts</i>	<i>contingent and insurance markets</i>	<i>interfering giving</i>
<i>interdependent views</i>	<i>games of strategy</i>	<i>reciprocities</i>

Table 4: Uncertainty and altruism

⁸⁵ See Section 16.9, more fully Kolm 1966a, and more generally Kolm 2004.

17.4 Interdependent utilities and interdependent giving

A main distinction is between concern for the good of other people, that is, altruism, and other concerns about gifts and sentiments. The former phenomenon leads to the question of “interdependent utilities” in a broad sense. Section 3 has recalled the history and the various specific structures of this concept. This concept can explain or justify transfers and notably gifts. The application has been in three fields, corresponding to three types of institutions: the public sector, charity, and the family. The public sector is notably concerned with two consequences of altruism, efficiency and distributive justice. It is ruled by the political system where self-interests and different social ethical views find their equilibrium. This application of interdependent utilities begun in the mid 1960’s. With joint giving, private charity met the problem of public goods analysed notably in the late 1960’s. These gifts interfere with public redistribution, and private charity can only be explained by motives different from the only concern with the beneficiary’s welfare, notably ethical principles (universalization, putative reciprocity, fundamental insurance), or direct concern for the gifts (demonstration effects, “warm glow”). The third application of interdependent utilities is the economics of the family, notably with the analyses of G. Becker (1974), and applications such as Barro’s “Ricardian equivalence” (1974, see Section 10.1.2). However, families manifest many other relations than simple altruism, notably the direct importance of sentiments and diverse reciprocities.

In reciprocity, a gift elicits another gift for a reason of balance, sometimes associated with fairness (which includes merit), or because a benevolent gift elicits liking the giver – in addition to the different phenomenon of sequential exchange. Reciprocity has constituted a central concept in the social science for over eighty years, and a topic of economic analysis for several decades. This was accompanied by applications of the economic theory of reciprocity to a number of issues such as distributive justice, labour relations, the family, intergenerational transfers, intergenerational financing of pensions and education, bargaining and the settlement of conflicts, voluntary contributions to public goods, voluntary restraint in the use of natural resources, non-market economies, and economic development and social change.⁸⁶

17.5 A notable debate: blood and the efficiency of giving

For many epigones of Adam Smith’s second thoughts, market exchange is the best way of transferring things. Later development of economics emphasized notably the virtue of the price system for efficiently carrying the needed information. In some cases, however, one can compare modes of transfers, notably market exchange and giving, as they actually work. For instance, blood for medical purposes is given in a number of countries and bought in others. In 1971, Richard Titmuss compared these two modes, in the cases of the UK and US, respectively. His conclusion is that the giving system of the UK is superior to the buying system of the US in all respects, for the quality of the blood, the situation of the donors, and the general attitude of persons towards others and society. The issue of quality refers in particular to a question of information in which the market is much inferior to giving. The reason is clear: some infections, and notably hepatitis, were undetectable in blood samples.

⁸⁶ See, notably, Mauss (1924), Adam (1963), Kolm (1973, 1984a, 1984b, 1990), Akerlof (1982), Sugden (1984), Swaney (1990), for various lines of study (and the references in the relevant chapters of this volume). The “pseudo-reciprocity” of self-interested sequential exchanges has also been the object of a number of investigations and applications.

The altruistic people who give their blood abstain from giving when they know they have had the disease. The purely self-interested sellers of their blood lack this motive and practice. This is a classical situation of asymmetric information. Titmuss also intrinsically favours the general motive and action that leads to giving, in particular to giving to society or others in general rather than to specific known others, that is, *general giving*.⁸⁷ Moreover, he holds that it is not possible to have both systems in the same place.

This work launched a notable debate. Robert Solow (1971) proposed that its results constitute “a devastating and unanswerable indictment of the American system.” Kenneth Arrow’s (1974) review turned into a much noticed, perceptive and pioneering discussion of the role of altruism and morality for securing economic efficiency in remedying market failures. Notably, altruism and a sense of responsibility prevent exploiting advantages of asymmetric information, all commercial transactions imply an element of trust, and, in general, “ethical behaviour can be regarded as a socially desirable institution which facilitates the achievement of economic efficiency.” Moreover, Arrow notices that people who give are motivated by the result, and also by their gift in itself, and, for joint giving, by some implicit social contract with co-givers (suggested by T. Nagel). However, Arrow suggests that Titmuss’s contention that there cannot be both giving and a market for blood in the same place – and hence that buying blood crowds out the superior giving (in a kind of Gresham’s law) – lacks a theoretical explanation. The analysis of this issue requires that of the various specific motives, but let us only remark here that, if we believe Kant, in acquiring a price blood loses its dignity.

17.6 Volumes in the economics of giving, altruism and reciprocity

Although the analysis of altruism and giving by economists has, as we have seen, a long and glorious history, it became rather rare around the middle of the 20th century. The revival of this field of studies in the last third of the 20th century, notably with the consideration of “interdependent utilities” (see Section 3), was in particular marked by the publication of a few volumes dealing with the economics of altruism, giving, and reciprocity at a general level. Three of them are collective books, with a general presentation or introduction. Two gather papers of conferences; they are edited by E. Phelps (1975) and by L.-A. Gérard-Varet, S.-Ch. Kolm and J. Mercier Ythier (2000). The third volume, edited by S. Zamagni (1995), gathers a number of notable articles about altruism, mostly by economists. Two volumes, by D. Collard (1978) and H. Margolis (1981) present models of microeconomic interactions with altruism, and a number of applications. A different approach, with more philosophical considerations, is followed by I. Steedman (1989). An ambitious movement aimed at studying the “grant economy,” with the humanistic vision of K. Boulding (1973) as programmatic presentation, and collective volumes (edited by Boulding and Pfaff, 1972, and Boulding and Wilson, 1978). “Grants” are taken to mean transfers other than exchanges, including gifts and things taken by force, private or public. The association of giving and taking may raise a difficulty for analysis, but we have seen that the important public transfers can associate both modes. Kolm (1984a) analyses reciprocity and giving, with an interest in the general quality of society. Reciprocity and giving, exchange, and the use of force, are the three modes of social interaction and economic transfers, present in various proportions in all societies, with various performances with respect to efficiency, and very different consequences for the quality of society, of its members, and of relations between them. Social progress largely consists of specific evolutions in this threefold space.

⁸⁷ See Kolm 1984.

Appendix to Section 7: The joint giving theorem

The properties noted in Section 7 are shown here. The notations are as follows. Indices i or j denote the individuals who may contribute. For individual i , consider her free individual gift $g_i \geq 0$, the distributive tax she pays $t_i \geq 0$, her own total contribution $c_i = g_i + t_i$, her initial wealth X_i , and her final wealth $x_i = X_i - c_i$. The total transfer is $c = \sum c_i$. The beneficiary has initial wealth X , final wealth $x = X + c$, and an increasing ordinal utility function $u = u(x)$ with derivative $u' > 0$. Individual i 's utility function u^i increases with x_i , it also increases with x or $u(x)$ if individual i is an altruist, and, for the noted reasons, it may increase with c_i or g_i , and decrease when c_j or g_j increases for some $j \neq i$. Hence, denoting $c_{-i} = \{c_j\}_{j \neq i}$ and $g_{-i} = \{g_j\}_{j \neq i}$ the sets of the c_j and g_j for $j \neq i$ respectively,

$$u^i = u^i(x_i, x, c_i, g_i, c_{-i}, g_{-i})$$

with the respective partial derivatives $u_{x_i}^i > 0$, $u_x^i \geq 0$, $u_{c_i}^i \geq 0$, $u_{g_i}^i \geq 0$, $u_{c_j}^i \leq 0$ and $u_{g_j}^i \leq 0$ for $j \neq i$ (writing a derivative implies the assumption of its existence). Nothing is changed if x is replaced by $u(x)$. The chosen g_i and t_i make c_i a relatively small part of X_i and hence no constraint $x_i \geq 0$ is relevant.

Individual i individually chooses her gift g_i that maximizes u^i (hence, given the other variables g_j for $j \neq i$ and t_j for all j). Therefore, if $g_i > 0$,

$$-u_{x_i}^i + u_x^i + u_{c_i}^i + u_{g_i}^i = 0. \quad (1)$$

Pareto efficiency for this society of potential givers and receivers implies that there exist coefficients $\lambda_i > 0$ such that $U = \sum \lambda_j u^j + u$ is maximal (without loss of generality). Public policy chooses taxes t_i . When it implements a Pareto efficient social state, this choice maximizes such a function U . This implies, for tax t_i ,

$$\lambda_i \cdot (-u_{x_i}^i + u_x^i + u_{c_i}^i) + \sum_{j \neq i} \lambda_j \cdot (u_x^j + u_{c_i}^j) + u' \leq 0, \quad (2)$$

with $= 0$ if $t_i > 0$ and ≤ 0 if $t_i = 0$.

Conditions (1) and (2) entail

$$-\lambda_i u_{g_i}^i + \sum_{j \neq i} \lambda_j \cdot (u_x^j + u_{c_i}^j) + u' \leq 0. \quad (3)$$

Since $u' > 0$, and $u_x^j \geq 0$ and $\lambda_j > 0$ for all j , the condition can hold only if $u_{g_i}^i > 0$ and/or $u_{c_i}^j < 0$ for some j . Therefore, Pareto efficiency implies the following conditions for individual gifts g_i :

- If the individuals are only altruists (no direct effects of the c_i or g_i on utilities), there is no private giving g_i .
- If, in addition, or instead, they may care about their own specific contribution ($u_{c_i}^i \neq 0$), the same result holds.
- If, in addition, or instead, they may care about the specific gifts of other people ($u_{g_j}^i \neq 0$), the same result holds.
- There can be a gift $g_i > 0$ only if individual i cares for her own gift and/or her contribution c_i is envied by some other individuals (or they enjoy feeling that they contribute more).

Moreover, if condition (3) is satisfied thanks to the envy or sentiment of superiority of the other people ($u_{c_i}^j < 0$, and $u_{g_i}^i$ is zero or small), then, the $|u_{c_i}^j|$ should be on average higher than the u_x^j , that is, *individuals should be more envious or domineering than altruists*, on average.

In the other case of satisfaction of the condition, due to $u_{g_i}^i > 0$ with $|u_{c_i}^j|$ low or zero, the condition shows that $u_{g_i}^i$ should be higher than the average u_x^j by an order of magnitude at least equal to that of the population of the fiscal constituency. Hence, in a country with a population of N millions, *an extra gift is valued at least N million times more for the glory of the giver than for the relief of the needy*, on average.

Yet, private giving can be compatible with Pareto efficiency when it is motivated by other, more specific, moral reasons, such as the principle of universalization (e.g., Kant's categorical imperative) or putative reciprocity, noted in Section 13.3.3 (see Kolm 2005).

The welfare $u(x)$ of the aided people is an end-value of society before being a public good for the givers. This shows by the fact that $u(x)$ is a term of the social ethical maximand U . This makes this issue formally different from that of ordinary public goods. Yet, the foregoing analysis translates into that of financing ordinary public goods by voluntary contributions or taxes in writing $u = u' = 0$ in the formulas. Results similar to those obtained above also hold. This can in particular apply to the present issue if the efficiency in question is not that of the whole society but only that of an actual or putative agreement among the givers. One difference is that, with a pure public good or pure altruism – the u^i depend only on x_i and $x -$, condition (3) can be satisfied with $u_x^j = 0$ for all $j \neq i$; but this cannot occur for more than one i , and hence there is at most one individual concerned with x (or altruist) in the society, and hence there is no public good (or joint altruism) – at least at the margin.

The foregoing results are presented for public goods in general in Kolm (1970), and for giving with an analysis of the motivations in Kolm (1984a). A specific concern for one's gift or "writing the gifts in the utility function" was suggested notably by Arrow (1974) and Becker (1974), and also worked out by Steinberg (1987) and Andreoni (1989, 1990).

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