1 Altruism

Jonathan Seglow

The term 'altruism' was coined by Auguste Comte in the 1830s, derived from the Latin 'alteri huic' which literally means 'to this other'. It soon became the centrepiece of an ethics stressing our social duties to other people. The term gained particular currency in the nineteenth century with the decline of traditional societies in which people's duties were based on their rank or station. With the rise of more impersonal industrial societies, the question of what obligations people had to others became an issue. However, the idea of behaviour which puts the interests of others before oneself was discussed by Aristotle, Jesus, Aquinas and many other ethicists before Comte (Scott and Seglow 2007, Ch. 1). Altruism has fallen out of favour among contemporary moral philosophers largely because it has come to be associated with supererogatory (praiseworthy but not required) duties, and these have received relatively little attention compared with stricter obligations – of social justice for example.[1] Altruism remains a concern of evolutionary biologists seeking to explain why humans among other selfish animals promote the interests of others, as well as of social psychologists who similarly explore the nature of altruistic motivation (Monroe 1994; Scott and Seglow 2007, Ch. 3, 4).

Economists have long been interested in altruism (Phelps 1975; Collard 1978; Kolm 1983), though one writer claimed, perhaps unfairly, it's been a 'painful nuisance' for them (Lunati 1997, p. 50). Pareto, Edgeworth, Walras and Smith are among those who investigated altruism. Of them, Smith's treatment is best known. 'It is not from the benevolence of the butcher, the brewer or the baker that we expect our dinner', he famously wrote in *The Wealth of Nations*, 'but from their regard to their own interest' (Smith [1776] 1976, pp. 26–7). Others spoke of 'the Adam Smith problem' (Kolm 1983, p. 22; 2000, p. 16) as which concerned how the self-interested assumptions of *The Wealth of Nations* can be squared with the expansion of our empathetic sentiments, as Smith urged in *The Theory of Moral Sentiments* (1759). Recent work has recontextualized Smith, however, resisting his recruitment as a public choice theorist before his time. According to Muller, Smith believed that commercial society created institutional incentives for people to attain virtues that conduced to both their private and the public good. These included prudence, self-control, deferred gratification, respect for others and sensitivity to others' needs (Muller 1993). The rising level of material comfort in a market society enables the masses to escape their dependence on elites and expand their sympathy and concern for others. Human beings have a natural desire to feel emotionally related to others and to identify with them (Peil 1999, pp. 83–100). Our desire for approval means we measure our behaviour by others' standards, causing us to strive for wealth and power as things generally valued, but at the same time acting as a check on our egoistic tendencies. Altruism, for Smith, is motivated above all by our desire to act in a manner that elicits others' praise (Muller 1993, p. 106) – a point to which we shall return.

Before investigating altruism further, we need some definitions. Assume that individuals are self-interested, an axiom of rational choice. The self-interested individual may, however, be perfectly altruistic or perfectly selfish, or, as is most likely, somewhere between the two. It depends on the source of one's utility. If I *only* gain utility through seeing you succeed in your goals, then I am perfectly altruistic; if conversely my utility is routed only through success in my own goals and preferences, and I am indifferent to yours, then I am selfish. Yet in both cases I am self-interested in the sense that I attend exclusively to my own utility, whatever the source of it is.[2] Most people enjoy utility gains through success in their own endeavours but also partly by enjoying the successes of others, particularly those close to them. A world of perfect altruists is a logical impossibility, since every last person would be exclusively concerned with others' preferences, leaving no preferences of their own. (Two altruists arguing over who should have the last seat on a bus: 'After you', 'No, after you!')

In its assumption that much overtly altruistic behaviour is powered by more self-interested considerations, economics has an affinity with socio-biological accounts of altruism. On the socio-biological account, altruism is a sacrifice of reproductive success ('fitness') on the part of the individual in order that at least some members of the group enjoy a rise in fitness (Simon 1993, p. 158). This is a rational choice if the fitness lost by the altruist is less than that gained by the group. Indeed, at the genetic level it is a self-interested choice insofar as group members share the altruist's genes. It is possible to determine which choices are altruistic, in this technical rendering, and which are on any account selfish. On this basis, Simon (1993) urged a less a priori and more empirically informed economics.

How genuine is altruistic behaviour? Is there a self-interested or other-regarding motive to an individual's benefiting others? As a behavioural science concerned with observable preferences, economics has difficulty distinguishing when A's promotion of B's welfare is actually motivated by A's altruism from when it is a strategic way of advancing A's own self-interest (Elster 2006). Individuals seek to advance others' goals not just because they care about them, but to boost their own reputation, to achieve social approval (one likes to be thought good and indeed needs to be thought so according to Smith), to trigger return goods from a strong reciprocator or to avoid punishment if the other is powerful. However, if self-interestedly motivated altruistic acts can be put to work in an incentive structure geared to the good of all, then it may not matter if they are not genuinely altruistic. In the United States, for example, there is a strong norm of charitable giving amongst some of the population; non-givers may experience some shame if givers are motivated largely by the desire to avoid shame. Many prohibitions, such as norms against littering and other kinds of anti-social behaviour, work in much the same way (Elster 2006, pp. 194–8). On the other hand, an advocate of the self-interested agent, for the sake of consistency, still needs to take account of every source of well-being, and an individual whose altruism is merely behavioural may lose out on sources of well-being that only a genuine motivational altruism can provide. As Frey (1997) points out, behavioural (not genuine) altruists suffer, first, from impaired self-determination, as they are captive to an incentive structure designed by others and do not set their own altruistic ends; second, they do not enjoy the heightened self-esteem that comes from having one's genuine altruism acknowledged by others; and third they are denied the expressive possibility of communicating their genuinely altruistic motives to other people. It is fair to say that economics has been more interested in the effects of altruistic behaviour rather than agents' motives, whatever they are. Frey's work reminds us there may be costs in doing so.

Along similar lines, Andreoni, who has written extensively on philanthropy, fears that economics may be poorly suited to explaining it – a possibility discussed by others too (Andreoni 2006, p. 1205; Sugden 1982). Notwithstanding this, philanthropy is a central area in which economists interested in altruistic behaviour have been able to apply their theories – sometimes altruism and charity are even equated (Khalil 2004). There are also other reasons to examine altruism. In the United States, philanthropic activity amounts to about 5 per cent of gross national product.[3] Older, better-educated citizens tend to give more, and in the United States at least, their preferred recipients have some religious affiliation, amounting to nearly half of all donations. The super-wealthy in the United States are usually very generous, but donate less to religiously associated causes. Charities operate as competitive market agents, employing ever more sophisticated strategies to increase their 'market share'. Individuals' giving preferences tend to be interdependent; one study found that peer group effects are significant insofar as people adjust their giving to what is deemed the socially correct amount (Andreoni and Scholz 1998).

In some cases it is not easy to distinguish philanthropic from more market-motivated behaviour, for example, where individuals who donate blood or organs are rewarded for their gifts through tax breaks, reimbursement for hospitalization and lost time, payments from their insurance company and so on. Notwithstanding this, organ donation (in contrast to standard gifts of time and money) is commonly seen as one of the most praiseworthy philanthropic gestures an individual can make (Hamish 1992). Richard Titmuss's classic account of blood donation places value on donors' trust that their fellow citizens would give the same gift in return should the need arise (Titmuss [1970] 1997). Blood donation helps to bind citizens together as an ethical community in which civic solidarity flourishes (Page 1996, pp. 94–102). Set against this, Kenneth Arrow complained that the prohibition on selling blood curtails liberty, while the marketization of blood alongside a donor system gives individuals a new freedom to sell their blood, while retaining their old freedom to donate it (Arrow 1972; compare Singer 1973). Indeed, a marketized system existing *alongside* a donor system means unpaid donors can more easily demonstrate their altruism and social virtue by opting for the latter (Machan 1997, pp. 252–3).

The problem philanthropy poses for altruism arises from the so-called 'warm glow' effect. Individual givers gain much well-being from the activity of giving itself: experiencing sympathy, doing what is right and receiving gratitude and recognition in return. As charities grow larger, the marginal benefit of each extra donation is reduced, and the warm glow effect tends to crowd out other kinds of motivations. Experimental results confirm the importance of the warm glow. In one game, individuals preferred donating some fraction of 100 units as a public good over withdrawing from the same number of units already publicly committed that fraction they wanted for themselves (Andreoni 1995). Consistent with this, recent work has theorized the notion of personally making a difference (Duncan 2004). If the latter is taken seriously as an effect, and not just as an intention, then donors may cut their contributions (or switch them elsewhere) as their marginal effect declines. Elster (2006, p. 204) suggests that many charitable endeavours are performed for the inner audience. One wants to be able to esteem oneself for a reason; individuals do give considerable amounts even when no one else knows of their philanthropy (Frey and Meier 2004). Whether self-esteem and the warm glow should count in social welfare is a complex question (Andreoni 2006, pp. 1223–30). The same money given may be coercively transferred through the tax system, the standard view being that this crowds out philanthropic transfers (Andreoni and Payne 2003).

The family is another area in which altruistically-minded economists have produced interesting results. In the well-known *Treatise on the Family* Becker argues that altruism is peculiarly common in families, because they tend to be smaller and contain a denser network of interactions than economic enterprises, both of these making other-regarding behaviour easier to perform (Becker 1981, p. 299). Marriage 'markets' tend to match altruistic folk with self-interested spouses who prefer to benefit from their partner's altruism, creating a stable arrangement where both gain in different ways. (Two altruists married to each other would suffer from the 'after you' problem, and two people eager to benefit from others' altruism would enjoy less utility than if they married altruists.) Becker's well-known rotten kid theorem states that if the head of a family is impartially concerned with the good of all of its members, and 'rotten kids' can augment the family's wealth leaving the head with more to disburse, then they will surely do so. This is a further example of simulated altruism (Becker 1974). Stark has conceived of families' willingness to marry out their daughters to wealthy families as a way of buying insurance for themselves in their old age (Stark 1995, pp. 13, 8). Further, while on the face of it, it is more rational for families in developing countries to send sons rather than daughters abroad to lucrative jobs since sons tend to earn more and hence have more income to send back, many families prefer to send daughters because girls tend to remit a higher proportion of their income and thus in many cases will secure a greater income stream for their parents and siblings back home (ibid., pp. 74–7).

If altruistic behaviour, within families, towards charities and elsewhere, augments social welfare then it may not matter if many of its motives are less than pure. However, as Corts (2006) showed, we cannot always assume that altruism does produce aggregate welfare gains. This is chiefly because altruists encounter coordination problems which more self-interested individuals are able to avoid. For example, a husband and wife might each sacrifice something valuable for themselves – time, money, a valuable possession that one might need to sell – in order to buy a present for the other. But if the gift a wife presents to her husband is less than the utility she sacrificed to procure it, and the same holds for her husband's gift to her, the aggregate social welfare outcome is lower than if each had chosen to be selfish.[4] Corts shows that if several players are only partially altruistic, so that each person's utility is a part-function of their own success and a part-function of at least one other person's success, then total social welfare may not be optimized.

Pure selfishness would make the world simpler, if not more pleasant, but the evidence is that individuals rarely behave purely selfishly. A couple of examples from game theory illustrate our tendency towards altruistic behaviour. In the one-shot ultimatum game, the proposer, in possession of 100 units, makes an offer to share a fraction with the respondee which she can either accept or reject. If she rejects it, both get nothing. A crude rational choice model would see the respondee accept offers of just one unit on the grounds that anything is better than nothing. In fact, offers of below 25–30 units tend to be rejected, illustrating a strong norm of fairness; respondees feel insulted if offers fall below what they consider just. The ultimatum game has been tested in the United States, Germany, Russia, Israel, Japan and among remote tribes in Indonesia and across the Pacific Islands with fairly consistent results (Fehr and Schmidt 1999; Carrerer 2003, Ch. 2). Age, ethnicity, gender and other demographic variables also have weak effects.

The proposer's offer may or may not be motivated by fairness. In the knowledge that, were the proposer in the respondee's shoes, the norm of fairness would be important, the proposer may make a relatively generous offer for purely strategic reasons (Elster 2006, p. 189). In the dictator game, by contrast, recipients are powerless; proposers simply choose which offer to make. The first time this was tested, three-quarters of proposers chose to split $20 equally between themselves and the recipient; and only one-quarter elected to keep $18, handing over just $2 (Kahneman et al. 1986). However, in subsequent experiments when dictators could choose precisely what fraction to share, offers were less generous. In one game where dictators disbursed money to actual welfare recipients, those recipients who were seen to have a stronger preferences for working were offered more (Fong 2007).

Two parties each prepared to give to the other often enter mutually *reciprocal* beneficial relationships. Closely related to altruism, reciprocity differs in that it is bi-directional, A gives to B *and* B gives to A. Reciprocity is also distinguished from exchange, which shares its bi-directionality. With exchange, however, exemplified in the economic market, giving is *conditional* on receiving something in return at the same time; with reciprocity there is merely the expectation that this will be forthcoming (Kolm 2006, p. 25). Why should individuals expect this? Individuals may reciprocate because they like the giver, because they self-interestedly want the giving to continue, out of gratitude towards the giver or a desire to retain the 'moral balance' and not be indebted, as well as considerations of fairness. That last motive is useful in explaining schemes of 'generalized reciprocity' when the individual from whom givers enjoy a return may not be the same as the person to whom they gave. Reciprocity usually serves social integration, but generalized reciprocity means a degree of solidarity can be maintained over far larger numbers of people. When practices of reciprocity benefit all, and individuals are prepared to maintain them, the result can be a stable economic society of mutual benefit. Perhaps because of this, reciprocity is endemic to human society. Marcel Mauss's classic of comparative anthropology *The Gift* (1924), argues that, contrary to what anthropologists such as Malinowski believed, human history shows there are no unreciprocated gifts; giving *always* establishes an expectation of return (Mauss [1924] 2002). Mauss's thesis that (reciprocal) gifts in ritualized settings promote social integration provides insights for today's thinking about gift economies (as opposed to market economies). But the claim that there are no free gifts is a radical and hardly plausible one (how could there then be altruism?), and it is certainly not entailed by the truth that reciprocity is endemic.

Strong reciprocity tends to occur when individuals share and cooperate, and in addition are liable to punish, even at some personal cost, free-riders and others who violate cooperative norms (Bowles and Gintis 2004). Strong reciprocity stabilizes other-regarding norms without recourse to hierarchical authority, but unfortunately it cannot always be guaranteed. Some of the most intractable problems in the economics of altruism occur when it is so essential that individuals get their due that practices of reciprocity are institutionalized and backed by coercive sanctions as in the tax-funded welfare state. One could argue, as noted above, that any kind of genuine altruism is crowded out here (Seglow 2002), though Harris (1987) maintains that, though forced to give, taxpayers still have the choice of whether to give *altruistically*. The evidence shows that individuals will accept sanctions on defaults from altruism if those sanctions are perceived as fair (Fehr and Rockenbach 2003). The difficulty then becomes how to harness this sense of fairness to the forced nature of tax-giving, especially given that many citizens believe that welfare subsidizes those who in reality have little claim on our giving (Gilens 1999).

Notes

1. Monroe's (1996) moral-psychological notion of a common humanity is an important exception to this trend.
2. What economics has difficulty explaining is persons who care about others' welfare exclusively *for the sake of the other*, without reference to their own utility at all.
3. In most European states, private philanthropic activity is far less, but public transfers are correspondingly higher.
4. Of course, we would need to factor into this the utility that comes from giving itself.

References

Andreoni, James (1995), 'Cooperation in public goods experiments: kindness or confusion?' *American Economic Review*, **85** (4), 891–904.
Andreoni, James (2006), 'Philanthropy', in Serge-Christophe Kolm and Jean Mercier Ythier (eds), *Handbook of the Economics of Giving, Altruism and Reciprocity*, Vol. 2, Amsterdam: Elsevier, pp. 1201–69.
Andreoni, James and A. Payne (2003), 'Do government grants to private charities crowd out giving or fund-raising?' *American Economic Review*, **93** (3), 792–812.
Andreoni, James and John K. Scholz (1998), 'An econometric analysis of charitable giving with interdependent preferences', *Economic Inquiry*, **36** (3), 410–28.
Arrow, Kenneth (1972), 'Gifts and exchanges', *Philosophy and Public Affairs*, **1** (4), 343–62.
Becker, Gary (1974), 'A theory of social interactions', *Journal of Political Economy*, **82** (6), 1063–93.
Becker, Gary (1981), *A Treatise on the Family*, Cambridge, MA: Harvard University Press.
Bowles Samuel and Herbert Gintis (2004), 'The evolution of strong reciprocity: cooperation in heterogenous populations', *Theoretical Population Biology*, **65** (1), 17–28.
Carrerer, Colin (2003), *Behavioural Game Theory*, Princeton, NJ: Princeton University Press.
Collard, David (1978), *Altruism and the Economy: A Study in Non-Selfish Economics*, Oxford: Martin Robertson.
Corts, Kenneth (2006), 'When altruism lowers total welfare', *Economics and Philosophy*, **22** (1), 1–18.
Duncan, Brian (2004), 'A theory of impact philanthropy', *Journal of Public Economics*, **88** (9–10), 2159–80.
Elster, Jon (2006), 'Altruistic behaviour and altruistic motivations', in Serge-Christophe Kolm and Jean Mercier Ythier (eds), *Handbook of the Economics of Giving, Altruism and Reciprocity*, Vol. 1, Amsterdam: Elsevier, pp. 183–206.
Fehr, Ernst and Bettina Rockenbach (2003), 'Detrimental effects of sanctions on human altruism', *Nature*, 422, 137–40.
Fehr, Ernst and Klaus M. Schmidt (1999), 'A theory of fairness, competition and cooperation', *Quarterly Journal of Economics*, **114** (3), 817–68.
Fong, Christina (2007), 'Evidence from an Experiment on Charity to Welfare Recipients: Reciprocity, Altruism and the Emphatic Responsiveness Hypothesis', *The Economic Journal*, **117** (522), 1008–1024.
Frey, Bruno S. (1997), *Not For The Money: An Economic Theory of Personal Motivation*, Cheltenham, UK and Lyme, US: Edward Elgar.
Frey, Bruno S. and Stephan Meier (2004), 'Pro-social behavior in a natural setting', *Journal of Economic Behavior and* Organization, **54** (1), 65–88.
Gilens, Martin (1999), *Why Americans Hate Welfare*, Chicago, IL: Chicago University Press.
Hamish, Stewart (1992), 'Rationality and the market for blood', *Journal of Economic Behaviour and Organisation*, **19**, 125–43.
Harris, David (1987), *Justifying State Welfare*, Oxford: Basil Blackwell.
Kahneman, Daniel, Jack L. Knetsch and Richard Thaler (1986), 'Fairness as a constraint on profit-seeking: entitlements in the market', *American Economic Review*, **76** (4), 728–41.
Khalil, Elias L. (2004), 'What is altruism?' *Journal of Economic Psychology*, **25** (1), 97–123.
Kolm, Serge-Christophe (1983), 'Altruism and efficiency', *Ethics*, **94** (1), 18–65.
Kolm, Serge-Christophe (2000), 'The theory of reciprocity', in Louis-André Gérard-Varet, Serge-Christophe Kolm and Jean Mercier Ythier (eds), *The Economics of Reciprocity, Giving and Altruism*, Basingstoke: Macmillan, pp. 115–41.
Kolm, Serge-Christophe (2006), 'Introduction to the economics of giving, altruism and reciprocity', in Serge-Christophe Kolm and Jean Mercier Ythier (eds), *Handbook of the Economics of Giving, Altruism and Reciprocity*, Vol. 1, Amsterdam: Elsevier.

Lunati, M. Teresa (1997), *Ethical Issues in Economics: From Altruism to Co-operation to Equity*, Basingstoke: Macmillan.
Machan, Tibor M. (1997), 'Blocked Exchanges Revisited' *Journal of Applied Philosophy*, **14** (1), 249–62.
Mauss, Marcel ([1924] 2002), *The Gift*, ed. Mary Douglas, London: Routledge.
Monroe, Kristen (1994), 'A fat lady in a corset: altruism and social theory', *American Journal of Political Science*, **38** (4), 861–93.
Muller, Jerry Z. (1993), *Adam Smith: In His Time and Ours*, Princeton, NJ: Princeton University Press.
Page, Robert (1996), *Altruism and the British Welfare State*, Aldershot: Avebury.
Peil, Jan (1999), *Adam Smith and Economic Science: A Methodological Reinterpretation*, Cheltenham, UK and Northampton, MA, USA: Edward Elgar.
Phelps, Edmund (ed.) (1975), *Altruism, Morality and Economic Theory*, New York: Russell Sage Foundation.
Scott, Niall and Jonathan Seglow (2007), *Altruism*, Buckingham: Open University Press.
Seglow, Jonathan (2002), 'Altruism and freedom', in Jonathan Seglow (ed.), *The Ethics of Altruism*, special issue of *Critical Review of International Social and Political Philosophy*, **5** (4), 145–63.
Simon, Herbert A. (1993), 'Altruism and economics', *American Economic Review (Papers and Proceedings)*, **83** (2), 156–61.
Singer, Peter (1973), 'Altruism and commerce: a defense of Titmuss against Arrow', *Philosophy and Public Affairs*, **2** (3), 312–20.
Smith, Adam ([1759] 2002), ed. K. Haakonssen, *The Theory of Moral Sentiments*, Cambridge: Cambridge University Press.
Smith, Adam ([1776] 1976), *An Enquiry into the Nature and Causes of the Wealth of Nations*, ed. R.H. Campbell and Andrew S. Skinner, Oxford: Clarendon Press.
Stark, Oded (1995), *Altruism and Beyond*, Cambridge: Cambridge University Press.
Sugden, Robert (1982), 'On the economics of philanthropy', *Economic Journal*, **92**, 341–50.
Titmuss, Richard ([1970] 1997), *The Gift Relationship*, London: LSE Books.

See also the entries on: Economic antropology; Egoism; Fairness; Self-interest; Utilitarianism.