### :UTY

11

Edited by

### SERGE-CHRDSTQPIH1E KOLI

Paris, France

and

## JEAM MERCBE1R YTH1ER University of Metz



H

# HANDBOOK OF THE ECONOMICS OF GIVING, ALTRUISM AND RECIPROCITY

#### **APPLICATIONS**

### **VOLUME 2**

Edited by

#### SERGE-CHRISTOPHE KOLM

Paris, France

and

#### JEAN MERCIER YTHIER

University of Metz



AMSTERDAM • BOSTON • HEIDELBERG • LONDON NEW YORK • OXFORD • PARIS • SAN DIEGO SAN FRANCISCO • SINGAPORE • SYDNEY • TOKYO North-Holland is an imprint of Elsevier



#### CONTENTS OF VOLUME 1

introduction to the Series	VII
Contents of the Handbook	ix
Preface to the Handbook	xiii
Chapter I	
Introduction to the Economics of Giving, Altruism and Reciprocity	
SERGE-CHRTSTOPHE KOLM	1
Abstract	4
Foreword	5
Parti: General overview	7
1. The economics of moral sentiments	7
2. Motives for altruism and altruistic giving	8
3. Structures of altruism	10
4. Altruism and democracy: Altruistic joint giving and its public implementation	16
5. Motives and reasons for nonaltruistic giving	18
6. The structure of nonaltruistic giving	20
6.1. Prom motives to forms	20
6.2. Contradiction and possibilities in (lie logic of motives	22
7. The inefficiency of individual giving when joint or public giving is possible:	
The perplexing joint giving theorem	23
8. Reciprocities	25
8.1. An overview	25
8.2. "Human rocks on which societies arc built"	27
8.3. The special games of reciprocity	30
9. Importance and scope of giving, altruism, and pro-social conducts	32
9.1. Overview	32
9.2. Families	32
9.3. The political and public sector	34
9.4. Giving in philanthropy, solidarity, and charity	37
9.5. Genera! respect, civility, sociality, and help	40
9.6- The correction of "failures" of exchanges and organizations	41
9.7. Associations, clubs, cooperatives	42
9.8. The workplace and labour relations	43
9.9. Social giving: Relation, symbol, status	43
9.10. Normative economics and the good society	45

xvi Contents of Volume 1

10.	Giving reactions	47
	10.1. About two particular issues that caught the fancy of economists: Intertemporal giving and	
	the internalization of the gift externality	47
	10.2, Interferences with altruistic giving: General view	49
11.	Solving "Adam Smith's problem"	50
12.	The causes of and reasons for altruism	52
Part	II: Altruisms and giving	54
13.	Altruisms: Types and causes or reasons	54
	13.1. General presentation	54
	13.2. Natural or hedonistic altruism	57
	13.3. Normative altruisms	60
14.	Altruism and justice; impartial altruism	71
	14.1. Altruism and justice	71
	14.2. Impartial altruism	74
	14.3. History	77
	14.4. Altruism and justice: Consistency or conflict, force or freedom	78
15.	Giving: An abundance and variety of motives and reasons	80
	15.1. An overview	80
	15.2. Social effects	81
	15.3. Intrinsically normative (non-altruistic) giving	84
	15.4. Self-interested giving	84
	15.5. Giving in social relations and communities	89
Par	t III: Values and history	90
16.	The normative economics of altruism and giving	90
	16.1. The ethics of economics	90
	16.2. The intrinsic value of altruism and giving	92
	16.3. Giving as improving fairness in freedom	92
	16.4. Altruism, giving, reciprocity, and failures oI economic interactions	93
	16.5. Liberal social contracts and joint giving	94
	16.6. Retro-gifts and the process-liberal public debt	98
	16.7. Selfish altruism: The situation of the other person may be your own	99
	16.8. Justice from altruism, and distribution as a public good: The distributive or moral surplus	101
17.	Historical landmarks	103
	17.1. Economics and altruism	103
	17.2. Interdependent utilities and social choice	104
	17.3. Altruism and uncertainty	105
	17.4. Interdependent utilities and interdependent giving	100
	17.5. A notable debaie: Blood and the efficiency of giving	107
	17.6. Volumes in the economics of giving, altruism and reciprocity	108
Ap	pendix: The joint giving theorem	108
Ref	ferences	110
Fur	ther reading	114

Contents of Volume I xvii

#### PART 1: FOUNDATIONS

#### 1A: Social view

Chapter 2	
The Empirical Analysis of Transfer Motives	
ERIK SCHOKKAERT	127
Abstract	128
Keywords	128
1. Introduction	129
2. Some basic insights from the psychological literature	130
2.1. A list of motivations	130
(a) self-interest	131
(b) reciprocity	1 3 2
(c) norms and principles ,	133
(d) pure altruism and empathy	1 34
2.2. Some broader questions	135
3. Tastes and motivations: Why are economists interested? Why should they be	133
interested?	137
3.1. The empirical predictions of the pure public goods model	138
3.2. Other consequences for government policy	140
3.3. The analysis of philanthropic markets and non-profit organizations	141
3.4. Rationality and egoism: The homo economicus	142
Charitable giving and volunteering	144
4.1. Giving as a private good: Tax prices and income	144
4.2. Crowding out and the warm-glow of giving	153
4.3. Status of sociological and demographic variables >	157
4.4. Direct evidence on preferences	1 59
5. Interhousehold and intrafamily transfers of money and time	165
5.1. Altruism versus exchange or reciprocity: A sketch	166
5.2. Motives for interhousehold transfers	168
5.3. Gifts: The deadweight loss of Christmas?	17 1
6. Conclusion	174
Acknowledgements	176
References	176
Chapter 3	
Altruistic Behavior and Altruistic Motivations	
JONELSTER	183
Abstract	184
Keywords	184
1. Introduction	185
2. The nature and sources of altruistic motivations	185

xviii Contents of Volume I

3. Can interest mimic altruism?	187
4. Can passion mimic altruism?	192
5. Transmutation of motivations	200
6. Is altruism possible and knowable?	202
References	205
Chapter 4	
The Gift and Reciprocity: Perspectives from Economic Anthropology	207
CHRIS HANN	207
Abstract	208
Keywords	208
1. Introduction	209
2. History and theory	210
2.1. Malinowski and Mauss	210
2.2. PolanyiandSahlins	213
2.3. Recent contributions	214
3. Ethnographic examples	216
3.1. Food sharing	216
3.2. Socialist and postsocialist networking	218
4. Cross-cultural experiments	220
5. Conclusions	221
References	221
IB: Overall views	
Chapter 5	
The Economic Theory of Gift-Giving: Perfect Substitutability of Transfers and	
Redistribution of Wealth	
JEAN MERCIER YTHIER	227
Abstract	228
Keywords	229
1. Introduction	230
2. Gilt-giving in social equilibrium theory: A preliminary overview	232
2.1. Preferences and rights	232
2.2. Four characteristic properties	236
2.3. Theory and facts	241
3. Perfectly substitutable transfers in a pure distributive social system	243
3.1. Pure distributive social system and equilibrium	244
3.2. Diagrammatic representation	247
3.3. Three studies of pure distributive equilibrium	251
3.4. Existence, determinacy	261
4. Perfectly substitutable transfers in a competitive market economy	267
4.1. Interdependent preferences	269
I I	

Contents of Volume I xix

	4.2.	General equilibrium with benevolent gift-giving and competitive market exchange	275
	4.3.	Perfectly substitulable transfers and the transfer problem	282
5.	The e	effectiveness of public redistribution with perfectly substitutable transfers	283
	5.1.	Neutrality in general Pareto social systems	285
	5.2. 1	Neutrality in BBV distributive social systems	288
6.	Effic	ient redistribution with perfectly substitutable transfers	296
	6.1.	General theory	297
	6.2.	Free-riding and population size in BBV distributive social systems	3 I 8
	6.3.	Mechanism design in BBV distributive social systems	328
7.	Impe	erfectly substitutable transfers	329
	7.1.	Logical tests of the perfect substilutability of transfers	329
	7.2.	Empirical tests of the perfect substitutability of transfers	336
8.	Conc	lusion	341
Аpp	endix	A	341
	A.I.	Proofs .	341
	A.2.	Mechanisms for private contributions to public goods	354
Ref	erence	es .	361
Ch	apter	6	
	•	ity: Its Scope, Rationales, and Consequences	
		CHRISTOPHE KOLM	371
Ab	stract		375
Par	t I: F	acts and forms	376
1.	Intro	duction	376
	1.1.	Evidence, scope, and motives of reciprocity	376
	1.2.	Social scope and values of reciprocity	378
	1.3.	Equality and fraternity: The two, three or four types of reciprocity	380
	1.4.	Reciprocity and the general motives for giving	382
	1.5.	Reciprocity and reciprocating good or bad	384
	1.6.	Understanding and explaining reciprocity	385
	1.7.	Organisation	386
2.	The	evidence, scope, and pervasiveness of the reciprocity relationship	387
	2.1.	Society as reciprocity and general respect	387
		Relations of reciprocity	388
	2.3.	Extended reciprocities	389
	2.4.	Reciprocity and exxhange and markets	391
	2.5.	Reciprocity and organizations and labour	392
	2.6.	Established groups, cooperatives, associations	393
	2.7.	Reciprocity and community	393
	2.8.	Public aid	394
	2.9.	Intergenerational reciprocities	395
	2.10.	Evidence and history	395

xx Contents of Volume I

3.	Reciprocity as the quintessential sociality and social bond	397
4.	Definitions, givings and exchanges	398
	4.1. Concepts and distinctions	398
	4.2. Motives for giving, notably in reciprocity	400
	4.3. Sequential exchange	408
5.	Reciprocities: Forms and structures	411
	5.1. Facts and relations	411
	5.2. Reciprocal structures	41 1
	5.3. Larger reciprocities	416
	5.4. Reciprocity as social or economic system	417
	5.5. Reciprocity, revenge, reciprocation	418
	5.6. Reciprocity as giving or as reciprocation	420
Pa	rt II: Motives	421
6.	. Motives: The three worlds of reciprocity	421
	6.1. Three basic reasons .	421
	6.2. An outlook of the general structure	423
	6.3. Comparative, matching, compensatory, or balance reciprocity	424
	6.4. Liking reciprocities	429
	6.5. Continuation reciprocity	439
	6.6. Comparing the three polar motives of reciprocity	441
	6.7. Relational, process, status, or symbolic reciprocities	441
	6.8. Imitation and conforming	442
	6.9. The graph of reciprocity	442
	6.10. The six basic reciprocations	443
	6.11. The motives of extended reciprocations	443
7	. Reciprocity and other social sentiments	444
	7.1. Fairness, equity, justice	444
	7.2. The principle of universalization: the categorical imperative	448
	7.3. Other social sentiments	449
8	Reciprocity in the modes of economic realization	449
Pa	art III: Values and reasons	453
9	. The values of reciprocity	453
	9.1. The issues	453
	9.2. General respect and sociability from reciprocity	453
	9.3. Reciprocal corrections of market failures	45
	9.4. Reciprocity in trust, relational capital, and efficiency	46:
	9.5. The intrinsic values of reciprocity	46
10	). Normative uses of reciprocity	468
	10.1. The values of reciprocity	46
	10.2. Cooperatives	46
	10.3. General rules of society	46
	10.4. Putative reciprocities	47

Contents of Volume 1 xxi

10.5. Macrojustice	470
10.6. The Good Society: The classical scientific directing Utopia	471
11. How and why? Understanding and explaining reciprocity	472
11.1. Understanding	472
11.2. Biology?	475
11.3. Social and cultural evolution	478
Part IV: Formal analysis and interaction	482
12. Formal analysis of reciprocity	482
12.1. Methodology	482
12.2. Comparative, matching, or balance reciprocities	486
12.3. Liking-reciprocity	492
13. Strategic interaction and process preferences: Games of reciprocity and t	heir
consequences	504
13.1. Presentation	504
13.2. General properties about processes .	508
13.3. Solutions of the return-gift and reciprocity games	513
13.4. Comparison of reciprocities with other processes	520
Part V: Reciprocity in economics	521
14. Reciprocity in economics	522
14.1. A short overview and a corrected bias	522
14.2. Completing economics	526
References	529
Further reading	534
IC: Experimental social psychology	
Chapter 7	
The Formation of Social Preferences: Some Lessons from Psychology and Bi	ology
LOUIS LEVY-GARBOUA, CLAUDE MEIDINGER AND BENOIT RAPO	
Abstract	546
Keywords	547
1. Introduction	548
2. The evolutionary emergence of social types	550
2.1. The problem of selection of social behavior in non-cultural species	550
2.2. From animal societies to human societies	555
3. Social learning	561
3.1. Theoretical perspectives	561
3.2. Empirical findings: The role of the family	563
3.3. The role of other socializers	564
3.4. Cross-cultural differences	565
3.5. Conclusion	565
4. Cognitive theories of moral and pro-social development	566
4.1. How children use the rules of a game and how conscious of these rules they are	566

xxii Contents of Volume 1

	4.2. How children form moral judgements	566
	4.3. Other theories of stages	570
	4.4. Cognitive correlates of pro-social development	572
5.	Social cognition	573
	5.1. Perspective-taking, identification with, and projection of self onto others	573
	5.2. Identification with a known other and self-projection onto unknown others	575
	5.3. Social cognition and the stages of pro-social development	578
	5.4. Choosing and valuing an income distribution	579
6.	Social norms and reciprocity	581
	6.1. The fairness heuristic	581
	6.2. Social norms of fairness in proposal-response games	583
	6.3. Some evidence on social norms	585
	6.4. The working of a social norm: I-lomans' "cash posters"	586
7.	In-group favoritism and self-anchored altruism	589
	7.1. Categorization and the preference for similarity	589
	7.2. In-group favoritism and out-group discrimination in minimal groups	591
	7.3. Self-anchored altruism	593
	7.4. Comparing behavior in social dilemmas and in social choices	595
8.	Social drives and emotions	597
	8.1. Social comparison	597
	8.2. Reducing inequity	599
	8.3. Helping others in need: Is Ihe motivation truly altruistic?	600
9.	Some lessons from psychology and biology: A summary	603
Ref	rerences	604
	apter 8	
The	e Economics of Fairness, Reciprocity and Altruism - Experimental Evidence	
	New Theories	
	NST FEHR AND KLAUS M. SCHMIDT	615
	stract	616
	ywords	616
	Introduction and overview	617
2.	Empirical foundations of other-regarding preferences	621
	2.1. Other-regarding behavior in simple experiments	621
	2.2. Other-regarding preferences or irrational behavior	628
	2.3. Neuroeconomic foundations of other-regarding preferences	63 1
3.	Theories of other-regarding preferences	636
	3.1. Social preferences	637
	3.2. Interdependent preferences	644
	3.3. Models of intention based reciprocity	647
	3.4. Axiomatic approaches	652
4.	Discriminating between theories of other-regarding preferences	653
	4.1. Who are the relevant reference actors?	654

Contents of Volume I	xxiii
4.2. Equality versus efficiency	656
4.3. Revenge versus inequity reduction	660
4.4. Does kindness trigger rewards?	662
4.5. Maximin preferences	664
4.6. Preferences for honesty	666
4.7. Summary and outlook	667
5. Economic applications	669
5.1. Cooperation and collective action	669
5.2. Endogenous formation of cooperative institutions	673
5.3. How fairness, reciprocity and competition interact	676
5.4. Fairness and reciprocity as a source of economic incentives	680
6. Conclusions	683
References	684
ID: Human nature	
Chapter 9	
The Economics of Human Relationships	
PIER LUIGI SACCO, PAOLO VANIN AND STEFANO ZAMAGNI	695
Abstract	696
Keywords	696
1. Introduction	697
2. 'Communicative' aspects of reciprocity and altruism and the concept of 'so-	071
cially provided goods'	698
3. The positional side of economic interaction	700
3.1. Positional competition and labor issues	700
<ul><li>3.2. Positional competition and growth</li><li>4. The relational side of economic interaction</li></ul>	702 704
4.1. Relational orientation and labor issues	706
4.2. Relational orientation and economic growth	708
4.3. The case of private growth and social impoverishment	7 1 1
5. Cultural and economic selection: The evolutionary foundations of altruism	
and pro-sociality	717
6. Back to the basics in the economic analysis of human interaction?	723
References	726
Chapter 10	
Human nature and sociality in economics	721
NICHOLAS BARDSLEY AND ROBERT SUGDEN	731
Abstract	732
Keywords	732
1. Hobbes's asocial model of man	736
2. Convention	738

xxiv Contents of Volume I

3. Rousseau and the 'most remarkable change in man'	742
4. Fellow-feeling	745
5. Olher-oriented motivations in modern economics	748
5.1. Rational choice altruism	749
5.2. Warm glow	751
5.3. Inequality aversion	752
5.4. Rabin's theory of reciprocity	754
6. Expressive rationality	756
7. Team reasoning	758
8. Sociality and the 'private language' argument	761
9. Conclusions	764
Acknowledgements	765
References	765
IE: Special topics	
Chapter 11	
Natural Kantian or ZOO ECONOMICUSI Evolutionary theories of selfishness	
and altruism among men and beasts	
THEODORE C. BERGSTROM	771
Abstract	772
Keywords	772
1. Selfishness and group selection	774
2. Games and social interactions	777
2.1. What is the game and who is playing?	777
2.2. Prisoners' dilemma games	778
2.3. Stag hunt games	779
2.4. Evolutionary dynamics and altruism	780
3. Haystack models	781
3.1. Maynard Smith's mice	781
3.2. General haystack models and assortative matching	783
3.3. Cohen and Eshcl's generalized haystack models	784
3.4. The iron rule of selfishness	787
3.5. Haystacks and the iron rule	788
3.6. Migration and stochastic extinction	789
3.7. Relative and absolute payoffs	790
3.8. "Too stringent to be realistic?"	791
4. Assortative matching	794
4.1. Measures of assortativity	794
4.2. Hamilton's kin selection theory	795
4.3. Evolutionary dynamics with assortalive mating	798
4.4. Assortative matching with partner choice	801
4.5. Assortative matching induced by spatial structure	803

Contents of Volume I	XX	V
·		

5. Repeated games and group selection	806
5.1. Group selection from multiple Nash equilibria	806
5.2. How can costly punishment survive?	807
5.3. Evidence from psychology and anthropology	8 I 1
6. Conclusion	813
6.1. Further reading	813
References	814
Chapter 12	
Solidarity Norms and Institutions in Village Societies: Static and Dynamic Con-	
siderations	
JEAN-PHILIPPE PLATTEAU	819
Abstract	820
Keywords	820
1. Introduction	821
2. Other-regarding norms in agrarian societies	823
3. The customary system of land tenure	829
3.1. Land access and guaranteed livelihoods	829
3.2. The commons as embodiment of the community	833
4. Erosion of the social security function of customary land tenure	835
4.1. The transformation of the commons	836
4.2. Individualization of land tenure rights	846
5. Voluntary reciprocal contingent transfers	854
5.1. General considerations	854
5.2. A short survey of the economic theory of informal insurance mechanisms	856
5.3. Empirical evidence	863
6. Conclusion: Institutional change and solidarity mechanisms in village soci-	
eties	874
References	878
Author Index of Volume 1	1-1

I-19

Subject Index of Volume 1