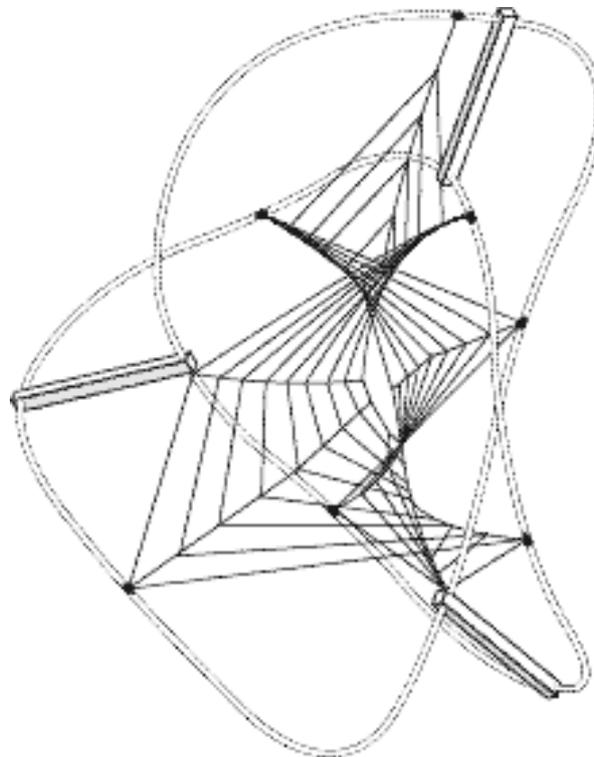


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*From Philanthropy to “Altruism”: Incorporating Unselfish  
Behavior into Economics, 1961-1975*

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# **From Philanthropy to “Altruism”: Incorporating Unselfish Behavior into Economics, 1961-1975**

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## From Philanthropy to “Altruism”: Incorporating Unselfish Behavior into Economics, 1961-75

Throughout the 1960s, reaching a peak in the eventful year 1968, evidence of social crisis continued to mount, putting significant strain on economists' customary reliance on the harmonizing effects of the invisible hand. The unhappy consequences of the significant changes affecting Western societies reminded economists that selfishness and self-reliance alone do not suffice to achieve social cohesion. In the appendix to *The Logic of Collective Action*, Mancur Olson (1971) made it clear that, in economics, such changes could be addressed by focusing on the issue of collective goods and externalities (congestion, pollution, crime, health status, etc.), and observed that their increase could “add to the amount of divisiveness and conflict in society” (173). With his 1965 book, Olson had convincingly argued that the invisible hand of the market had failures that the discipline tended to overlook. His endeavor was indicative of a more general concern for the problem of achieving socially desirable outcomes on the basis of numerous self-interested actions, a concern that encouraged a turn towards the consideration of seemingly unselfish behavior.

That the publication of Gary Becker's “A Theory of Social Interactions” at the end of 1974 is often considered the starting point of the renewed interest in unselfish behavior, more than a convenient historical short cut, is a clear indication that such a behavior had by then been integrated into the utility-maximization framework. The customary emphasis on the foundational nature of Becker's article obliterates some of the significant features of unselfishness research beforehand, especially from the circulation of seminal and largely unknown articles on philanthropy in the early 1960s. Faced with the problem of accounting for seemingly unselfish behavior in a subject that relied primarily on the assumption of self-interested agents, some economists strove to accommodate concern for the welfare of others within the self-interest model, whereas others tried instead to supplement it with an ethically inspired model—two orientations illustrated by Sen's (1973, 1977) distinction between “sympathy” and “commitment.”<sup>i</sup>

Two broad issues informed the economic analysis of unselfishness in the early 1960s. The first concerns what has come to be called the redefinition of the boundaries between economics and the other social sciences (see Swedberg 1991, 23-27). Most economists who took part in the rekindling of interest in unselfishness challenged existing definitions of the “economic” and the “social.” To the extent that unselfish behavior had often been regarded as belonging to the “social” more than the “economic” after World War Two, it is unsurprising that its study mobilized partisans of an all-encompassing economics and those more open to the potential lessons of other social sciences. The second issue has to do with the redefinition of the utility function. The increasing use of utility interdependence in models of unselfish behavior from the 1960s translated itself into the inclusion of arguments related to others in the individual's utility function. This raises the question of the nature of these arguments, with the main distinction being between resources given away for the benefit of others and goods available to them although one can think of

utility functions including both. Here the study of unselfish behavior distinguished two qualitatively different conceptions: what Becker calls the “usual theory of consumer choice” and his “social interactions” approach.<sup>ii</sup>

Now that unselfishness is part and parcel of economics, notably since the inclusion of an “Altruism” heading in the *Journal of Economic Literature* (JEL) Classification System for Journal Articles at the end of 1993, we are in a position to consider how it came to be so between Becker’s (1961), Kenneth Boulding’s (1962) and William Vickrey’s (1962) analyses of philanthropy in the early 1960s and the publication of the first collection of essays devoted to “altruism” (Phelps 1975).<sup>iii</sup> Drawing on archival material and oral history, the present study addresses the following questions: Who were the main instigators of this renewed interest in unselfish behavior? What led them to this topic and what were they trying to achieve? What directions did they and others follow and for what reasons?

## 1. Economists on Philanthropy

In the postwar era, the economists’ model of human behavior was economic man, an agent assumed to act self-interestedly, nay selfishly. Known for economizing on love (Dennis Robertson [1955] 1956), economists were not necessarily equipped to deal with unselfishness. Starting with a study of philanthropy in the American economy, however, a small “invisible college” gradually built up in which a number of economists began to study those very situations where unselfish motives were supposed to predominate.

### 1.1. A Few Lone Voices

Boulding’s (1973) *The Economy of Love and Fear*, Becker’s (1974) “A Theory of Social Interactions” and Edmund Phelps’s (1975) *Altruism, Morality, and Economic Theory* have often been greeted as instrumental in the upswing of interest in unselfishness. More than a decade before these works came out, however, a handful of articles had offered valuable insights into aspects of unselfish behavior (Becker 1961; Boulding 1962; Vickrey 1962). In retrospect, these contributions appeared as the first notable attempts to overcome the limitations imposed by economists’ usual concentration on selfish motives in the analysis of human behavior. Originally, they were not meant as such, however. They all were associated with a study of philanthropy in the American economy, to be conducted in 1959-62, by the National Bureau of Economic Research (NBER) under a grant from the Russell Sage Foundation (RSF).

Since the early 1950s, the tax status of private foundations had come under vigorous attack because of financial abuses and politicized grants, and in the early 1960s “Congressman Wright Patman, a populist from Texas, launched what would become an eight-year inquiry into the grantmaking and management practices of foundations” (Peter Frumkin 1999, 70). It is in this adverse context that, following informal discussions in the late 1950s, Donald Young, the President of the RSF, asked Solomon Fabricant, Director of Research at the NBER, to give thought to the possibilities of fruitful research in the economic aspects of philanthropy. Fabricant solicited suggestions from his colleagues at the NBER and eventually wrote to Young, attaching a

“Memorandum on a Study of the Changing Position of Philanthropy in the Economy,” mainly concerned with improving measurement of philanthropic activities. At the end of November 1958, Fabricant received the response of the RSF, granting the \$170,000 requested and in the next few months he started to organize the study on philanthropy referred to above, obtaining the services of Frank G. Dickinson, a professor of economics at Northern Illinois University, as Director of the project. Ralph Nelson from the NBER staff was associated with the study and an Advisory Committee on Philanthropy was formed with Young and others.<sup>iv</sup>

In October 1959, after Dickinson had moved to New York, William J. Carson, the Executive Director of the NBER, wrote to the members of the Advisory Committee to inform them of its first meeting; he attached a slightly altered and shortened version of the Fabricant Memorandum. Concomitantly, Dickinson produced his own “Notes.” The latter he circulated prior to the meeting and subsequently read before the members of the Advisory Committee, among whom Andrews, who had previously directed the work in the field of philanthropic studies at the RSF. Members of the NBER staff were also there, among whom Becker, Fabricant, Nelson and C. Harry Kahn. In his “Notes,” Dickinson observed that philanthropy had not been in the main stream of economic analysis and attributed part of such an omission to the fact that economists were concerned with “problems of supply and demand, cost and price and, in general, with what we might call the market place.” Accordingly, it was suggested that participants in the meeting write a memorandum “pointing out what appear ... the most significant changes in philanthropy during the last thirty years” and that members of the Advisory Committee “draft a second statement setting forth ... suggestions for conference papers and possible authors.” On the latter issue, suggestions of various sorts led Fabricant to make arrangements with Willard L. Thorp of the Merrill Center for Economics to hold a conference on philanthropy. It was thus decided that a preliminary statement would be sent to five people who were to prepare the papers for the conference, namely, economists Boulding, Eli Ginzberg and Vickrey, University of Wisconsin historian Merle Curti, and Covington Hardee, a lawyer and member of the Advisory Committee.<sup>v</sup>

In the wake of the first meeting of the Advisory Committee, Fabricant produced “An Economist’s View of Philanthropy” and Dickinson wrote a “Report to Staff Conference,” which he later reworked and retitled “The Growth of Private and Public Philanthropy.” These two papers dealt mainly with definitional and empirical aspects of philanthropy: the former pointed to the paucity of statistics, misconceptions about giving, the difficulties to disentangle motives and, more generally, the inadequacy of the conception of economic man; despite its attempt to clarify the concept, the latter did not bring much in the way of building an economic analysis of philanthropy. Appearing in *Philanthropy and Public Policy*, a collection edited by Dickinson after the conference, in 1962, they had benefited from a limited circulation, notably at the NBER, at the end of 1960, where they were meant to provoke reactions. Becker’s “Notes on an Economic Analysis of Philanthropy” was actually one of these.

This obscure paper of April 1961 was, on Becker’s own admission, his first contribution to the theory of unselfishness. Never published, it inspired another

unpublished paper, the 1968 “Interdependent Preferences: Charity, Externalities, and Income Taxation,” on which Becker’s 1974 “A Theory of Social Interactions” was partly based:

My interest in interactions can probably be traced to a study of discrimination and “prejudice” where I analyzed discriminatory behavior by incorporating the race, religion, sex, or other personal characteristics of employees, fellow workers, customers, dealers, neighbors, etc., into utility functions. . . . Subsequently, in order to provide a theoretical framework for a study of philanthropy by the National Bureau of Economic Research, I incorporated the standard of living of “poorer” persons into the utility functions of “richer” ones. (1974, 1065)

Becker thus viewed the study of philanthropy as an extension of his work on discrimination; as such, it was anything but another attempt to apply the maximization framework with utility interdependence to the study of “noneconomic” topics.<sup>vi</sup>

Becker’s “Notes” was not the only outgrowth of the Fabricant and Dickinson project. Sponsored by the NBER and the Merrill Center for Economics, a conference took place in Southampton, Long Island, in June 1961; it was meant to encourage reflection on the following questions:

What is the appropriate “division of labor” among government, the market, and private philanthropy, in meeting human needs most effectively? Have the appropriate lines of division changed; do they continue to change; in what direction should they change? Should government continue to subsidize (or encourage) private philanthropy through the various provisions of the tax system. . . ? Should government expand or contract its direct support, or alter the ways in which it directly supports private philanthropy? What of the respective roles of the federal, state and local governments? Should philanthropy, for purposes of governmental support, be redefined in any way? In what directions should private philanthropy concentrate its efforts, taking account of past and prospective expansion of governmental activities and of market developments. . . ? What media of giving should be favored by private givers?

The effort to defend private philanthropy and the need for better knowledge of its economic role were certainly essential in prompting foundation leaders to approach economists for advice. With Boulding’s exception, the theoretical responses provided in the process were not so much indications of a real interest in the gift economy as circumstantial outcomes of varied research endeavors. That the latter converged on the occasion of a conference on philanthropy did not mean they would coalesce into a unified theory of unselfishness at a later stage.

Vickrey, Becker’s colleague at Columbia at the time, Boulding and James Buchanan attended the conference. As a public finance theorist, Buchanan had familiarity with some of the broad questions raised by the conference and the implications of a change in foundation tax exemptions could easily resonate

with his interest in fiscal theory. Being attached to limited government, moreover, he probably regarded private philanthropic activity as an integral and vital part of American democracy. As to Boulding and Vickrey, they wrote specially for the conference: the former authored “Notes on a Theory of Philanthropy,” which, despite a title reminiscent of Becker’s mimeographed, had been written independently of it; the latter, slightly altering the title of Fabricant’s article, proposed “One’s Economist View of Philanthropy,” thereby suggesting that it was premature to hope for a unified viewpoint on the subject. Together with Becker’s article, these two works represented the most articulate contributions to the nascent economic theory of philanthropy; the other contributions, commissioned by Fabricant for the conference, were less economically oriented but had much informative value.<sup>vii</sup>

Philanthropy was not among Vickrey’s main interests; yet, it was not an established area of economic research and its study could therefore take curious paths. Perhaps the most obvious connection between the questions of the conference and the work of Vickrey was his old and lasting interest in the tax system, which had materialized in a Ph.D. dissertation on progressive taxation in 1948. In view of the preoccupations that motivated the conference, Vickrey reached a rather unsettling conclusion: “The unacknowledged and haphazard array of subsidies that result from present special tax privileges call for replacement with more uniform and explicit arrangements that can be brought into line with desirable public policy” (1962, 56). Some aspects of his (1945) predoctoral work on the foundation of the utilitarian social welfare function also indirectly related to unselfish behavior, in particular, its description of an individual hypothetically choosing between various income distributions without knowing his or her position in the chosen distribution. This formulation described the impersonality of the individual’s judgment concerning social welfare and as such it clearly departed from the customary depiction of economic man as self-interested. One year or so before he presented his paper on philanthropy in Long Island, Vickrey (1960) came back to the issue of impersonality in his “Utility, Strategy, and Social Decision Rules.” There, again, he considered the valuation of various social states by individuals, showing that the significant issue was to determine which role to give to others in the construction of the social welfare function—an issue that could encourage interesting extensions to the analysis of philanthropic activities.

Vickrey approached philanthropy from the perspective of a welfare and public finance economist, that is, with the conviction that “a pure competitive economic system, even if it could be realized, would be far too rigid and heartless to serve as the economic basis for a tolerable society. To be viable at all, such a system must provide at least some softening of the corners and relaxation of the rigid rule of self-interest” (1962, 31). The economic study of philanthropy in society paralleled the effort to establish the place to be given to others in the construction of the individual’s social welfare function. Logically, the discussion of philanthropy again took income distribution as its main illustration. In 1945 and in 1960, Vickrey had addressed the individual’s hypothetical choice of a given economy with a given distribution of income as determined by the condition that, an economy once chosen, the individual has an equal chance of landing in the shoes of each member of society. With the study of philanthropy, the question was less to choose among various hypothetical income

distributions than to determine whether charitable redistributions of income affect the actual income distribution. Vickrey found that “the role of philanthropy in redistribution is relatively slight” (45). His conclusion derived from an analysis of giving, in which an individual, say *A*, is supposed to show either sympathy (“empathy” in Vickrey’s words) or antipathy (“rivalry”) for others depending on whether they are situated right below or just above himself or herself in the scale of income or economic status. By subtracting the negative element of the interaction from its positive element, Vickrey arrived at the “neighborhood effect,” which indicates the degree of satisfaction *A* derives from contributing to the welfare of others variously situated along the scale of income. In closing his analysis of how interdependence prompts charitable giving, Vickrey remarked: “Of course, in addition to distances measured by income or economic status, there will also be distances in terms of age, race, culture, geographic location, and other characteristics to which a similar discussion might apply” (44). While these factors may have been of peripheral significance in Vickrey’s analysis of giving, they were central to Boulding’s.

Boulding came to the analysis of philanthropy from investigating social organizers, namely, threat, exchange and love. Consigning threat to political science and love to sociology, economists usually concentrated on exchange. Boulding, who did not attach much importance to the traditional division of territories in social science, preferred to regard these three aspects of human behavior as many ways of organizing social systems. In the 1940s, while shifting away from being a pure economist, he had good hopes that an integrated social science would help create an integrated society. With the militarization of American society in the 1950s, however, the devout Quaker became increasingly aware of disintegrative forces; accordingly, most of his attention was turned to the question of conflict resolution, as illustrated by his role in the creation of *The Journal of Conflict Resolution* in 1957 and the launching of the Center for Research on Conflict Resolution in 1959. At about the same time, society stabilization, taken as the determination of the right proportions between the threat, exchange and integrative systems became his main concern. Boulding eventually finalized the view of society in terms of the three social organizers in early 1962 after he had written his paper for the philanthropy conference (see Fontaine 2006).

Boulding’s “Notes on a Theory of Philanthropy” was published in the Dickinson volume in 1962. For Boulding, the excessive concentration of economists on exchange explained their neglect of philanthropy. Like Becker and Vickrey, he believed that, assuming positive utility interdependence, utility theory could explain charitable gifts. In other words, it was rational for an individual to use part of his or her income for the benefit of others, the determining factor being the weight he or she attached to their utility in his or her utility function. In a sense, Boulding revived the tradition of Edgeworth’s “coefficients of effective sympathy,” which accounts for interdependence on the basis of a propinquity argument (see Appendix to Boulding 1962 and David Collard 1975). Yet, while depicting “genuine philanthropy,” that is, “gifts for which there is no identifiable *quid pro quo* even in the shape of a personal gratification,” Boulding pointed to the following motivation: “It is this capacity for empathy—for putting oneself in another’s place, for feeling the joys and sorrows of another as one’s own—which is the source of genuine gift. It is because ...

the very realization of our own identity implies in some sense that there is a common identity in humanity, that we are willing to ‘socialize’ our substance and to share with the afflicted” (1962, 61).<sup>viii</sup> It was because people were able to put themselves in each other’s shoes that gifts were given and agents could be said to have interdependent utility functions. Boulding did not capitalize on empathy to provide a truly distinct approach to philanthropy, however. As he subjected the individuals’ sense of community to its size, noting that “the larger the community ...; the more tenuous the sense of identity” (62), he ignored the possibility offered by the imagined change of positions to account for giving to total strangers. Excluding strangers from the ranks of philanthropy’s beneficiaries, the empathy-related view of philanthropy continued to rely on a propinquity argument.

Looking at the three main theoretical incursions into philanthropy in the early 1960s, one sees varied motivations at work. For Becker, the study of philanthropy was but one marginal aspect of a broader endeavor to apply the maximization framework outside economics’ traditional scope. Had he not been associated with the NBER, Becker would have probably not looked into philanthropy. At the time, human capital analysis was more of a top priority to him. In effect, Becker did not come back to philanthropy before the late 1960s. As to Vickrey, his main interest was in public finance and welfare economics, which explained why his contribution to the analysis of philanthropy remained occasional. Had he not been invited to present a paper, it is doubtful he would have considered this topic otherwise than peripherally. Yet, others, showing greater uneasiness over the neoclassical approach to public finance and the social welfare function apparatus, could readily recognize themselves with some of Vickrey’s considerations on unselfishness and explore them further. Finally, Boulding came to philanthropy through his long-standing conviction that economists unduly concentrated on exchange and that reforming the discipline necessitated more attention being given to the study of the “integrative system.” By the late 1950s, with his opening up to a general theory of human behavior, Boulding had a real interest in the theory of the gift and was somewhat aware of the anthropologists’ analysis. With his estrangement from economics amplifying in the 1960s, it is little surprise that he continued to pursue this line of research.<sup>ix</sup>

## 1.2. A Small “Invisible College”

Following the contributions by Becker, Vickrey and Boulding, various research efforts gave the economic study of philanthropy more visibility and some semblance of unity. By the time he attended the NBER conference in June 1961, Buchanan had established himself as one of the leading figures in the discussion over the construction of a theory of public finance and definition of the social welfare function.<sup>x</sup> Of the latter the Chicago-trained economist provided a substantive discussion centered on the logical inconsistency attached to the notion of social rationality. In pursuing the former he insisted on

considering the expenditure and the tax sides of the fiscal process interdependently. This in turn allowed for a clearer understanding of the effects of fiscal systems in terms of income redistribution and accordingly placed the fiscal specialist (provided that he adhered to the “individualistic” theory of the state) in a better position to issue recommendations for policy makers. In early 1960, following a decade of prosperity during which economists had had ample opportunity to demonstrate their expertise in the management of the American economy (see Michael Bernstein, 2001, Ch. 5), Buchanan (1960, 234) published a review article of Richard A. Musgrave’s highly influential *The Theory of Public Finance*—“the first English-language treatise in the field.” In its close attention to the philosophical foundations of the theory of government finance, this review article echoed “The Pure Theory of Government Finance: A Suggested Approach” of 1949. Buchanan concentrated on the book’s first two parts, which dealt with Musgrave’s approach to fiscal theory and addressed questions of interest to the construction of a theory of collective choice. Although he acknowledged the usefulness of Musgrave’s tripartite division of the governmental budget between the allocation branch, the distribution branch and the stabilization branch for the understanding of governmental activities, Buchanan criticized its normative ambitions for implying a confusion between the “organismic” and the “individualistic” approaches to fiscal theory, which he had clearly separated in the late 1940s. At the normative level, then, he suggested “an alternative approach which can incorporate all public activity under only one of these three branches.” This meant that individual evaluations, rather than external norms, had to be taken into account in determining the objectives of the three governmental functions and that “both ‘redistribution’ and ‘stabilization’ can be treated as satisfying ‘social wants’ ” (236). In view of the above, it should be clear why questions raised by the 1961 conference, such as “What is the appropriate ‘division of labor’ among government, the market, and private philanthropy, in meeting human needs most effectively?” stroke a chord with Buchanan.

A couple of years after he attended the philanthropy conference, Buchanan began to work on “What Should Economists Do?”—his Presidential Address to the Southern Economic Association. While preparing for this lecture, he read “Towards a Pure Theory of Threat Systems,” in which Boulding restated the tripartite view of social organizers. Instead of the term “love,” he was now speaking of the “integrative relationship, which involves a ‘meeting of minds’ (that is, a convergence in the images and the utility functions of the parties towards each other)” (1963, 425). Buchanan ([1964] 1979) did not linger over the imagined change of positions which provided a justification for such a convergence and which Kenneth Arrow (1963) was briefly addressing through the misnamed principle of extended sympathy in the recently published (second) edition of *Social Choice and Individual Values*. The reference to Boulding was meant primarily to stress that exchange did not cover the choices associated with situations of pure conflict or integrative systems ([1964] 1979, 28). With Boulding, Buchanan shared dissatisfaction with the narrowness of economics and accordingly he proposed to reconsider its boundaries with politics. While dealing with the free-rider problem, for example, he contemplated solutions ranging from sophisticated exchange arrangements to political arrangements.<sup>xi</sup>

Prior to addressing the Southern Economic Association in November 1963, Buchanan (and Tullock) had had time to consult the manuscript of *The Logic of Collective Action*, to which Olson was putting the finishing touches, after he had received comments from Thomas Schelling, his research advisor at Harvard, and Edward Banfield, the Harvard political scientist. A year and a half later, in mid-1965, the book came out, arousing much interest among economists and political scientists alike. The originality of its purpose notwithstanding, *The Logic* contained a rather traditional message in terms of the analysis of human behavior. As of the Introduction, Olson criticized social scientists for maintaining that groups act in their interests because their members act out of self-interest. Using a *reductio ad absurdum* argument, he wrote: "If the individuals in a group altruistically disregarded their personal welfare, it would not be very likely that collectively they would seek some selfish common or group objective" ([1965] 1971, 1). Olson was aware that groups composed of "altruistic" individuals might act in their common interests, but he regarded this logical possibility as having no practical relevance (2). Mostly interested in finding solutions to the undesirable consequences of *self-interested* behavior in group situations—the fact that self-interested individuals do not necessarily act to achieve their group interest—Olson quickly dismissed *other-interested* behavior as irrelevant to his problem. In so doing, he clearly indicated his intention not to rely on ethical solutions.

An ethics-minded economist, Buchanan found it unreasonable to simply dismiss such solutions and accordingly strove to establish their domain or relevance. When he came back to the free-rider problem in "Ethical Rules, Expected Values, and Large Numbers," published in late 1965, Buchanan introduced group size, an important factor that was missing in his 1964 article and to which Olson (and to a lesser extent Boulding) attributed much significance. Group size determined an individual's choice between two ethical rules—the moral law and the expediency criterion. Briefly, the probabilities assigned to the choice patterns of others—almost none follow moral law as rule; about one-half follow moral law as rule; and almost all follow moral law as rule—were said to vary with group size because in a small group the individual feels that his or her choice of an ethical rule influences others' while it does not in a larger group. From this, Buchanan derived the idea that in general the individual who adopts the moral law in small-group interactions turns into a utility maximizer as soon as group size grows. As a result, although he or she may have interest in seeing a certain social state realized, the individual may still rationally act in a way that makes such an occurrence impossible. This situation, Buchanan described as the "large-group ethical dilemma" and illustrated as follows:

Volunteer fire departments arise in villages, not in metropolitan centers. Crime rates increase consistently with city size. Africans behave differently in tribal culture than in urban-industrialized settings. There is honor among thieves. The Mafia has its own standards. Time-tested honor systems in universities and colleges collapse when enrollments exceed critical size limits. Litter is more likely to be found on main-traveled routes than on residential streets. Even the old adage, "Never trust a stranger," reflects a

recognition of this elemental truth, along with, of course, additional ethical predictions (1965a, 8).<sup>xii</sup>

With the increase in group size attending social change, therefore, more frequent departures from the moral law and increasing adherence to the expediency criterion (associated with utility maximizing behavior) could be expected and with them a proliferation of free-rider situations. Interestingly, the distinction between ethical and utility maximizing behavior coincided with the differentiation between small-group and large-group situations, which in turn helped structure the study of the undesirable consequences of self-interested behavior in a changing society. With the increase in group size, individuals were confronted with a thorny question: “In the large-number group, who is my ‘neighbor’?” The fact that Buchanan replied to this question with another one, “What are the possible means of factoring down complex social interaction systems into small-groups patterns?” (12), was an indication that, with the exception of small-group situations, economists ignored the possibility for individuals to get acquainted with one another’s subjective features through empathetic identification. Yet, it also suggested that for some economists there might be ways out the “large-group ethical dilemma,” which involved the “rule of moral law.”

Even if Buchanan’s treatment of public goods contained implications of other-regardingness, the discussion of philanthropy continued to remain central to the study of unselfish behavior in the mid-1960s. Although his interest in the topic was rather circumstantial in 1961, Becker kept an eye on philanthropy and he had one of his students work on it from the fall of 1964.<sup>xiii</sup> Robert Schwartz, a Research Assistant at the NBER in 1963-64 while Becker was there, was interested in his work on discrimination. Becker convinced him to work on philanthropy, which he saw as an extension of the analysis of discrimination. In the spring of 1966, Schwartz defended his thesis—*Private Philanthropic Contributions: An Economic Analysis* (Conversation with Schwartz, 6 June 2000). There he developed some ideas which Becker had touched upon in his “Notes on an Economic Analysis of Philanthropy,” defining philanthropic contributions as one-way transfers based upon no expectation of any *quid pro quo* and showing that private philanthropy was consistent with utility maximization. With one of his students working on philanthropy, Becker had greater motivation to explore further this research area especially as he was himself considering housework as a consumption activity in his new theory of the allocation of time. By March 1968, Becker had written “Interdependent Preferences: Charity, Externalities, and Income Taxation.” This mimeograph remained in draft form for some five years.

At about the same time he wrote “Interdependent Preferences,” Becker read Harold Hochman and James Rodgers’ “Pareto Optimal Distribution” for the *American Economic Review* (AER). The authors were at the University of Virginia when they jointly wrote their first draft in the fall of 1967. The idea of the article germinated while Hochman was preparing a course of public finance on the logic of progressive taxation and income redistribution at a time when Johnson’s Great Society programs in general and the war on poverty in particular had already achieved some success but not necessarily much effect in terms of income redistribution. Discussing with his students Musgrave’s

“three-part budget,” the question arose of whether some transfers that seemed to belong to the distribution branch could actually be moved in the allocation branch because they benefited both the giver and the recipient. Hochman and Rodgers, one of his students, eventually developed the idea into an article, which they submitted to the AER in early 1968, after having it read by Buchanan (Hochman to Fontaine, 10 April and 30 May 2000; Rodgers to Fontaine, 10 April 2000).

The thesis of the article was straightforward, “Pareto optimality, contrary to the orthodox approach to public finance, is not only consistent with but requires redistribution” (Hochman and Rodgers 1969, 543); it undoubtedly accounted for its significant impact in the profession. The authors maintained that redistribution could be justified without a social welfare function provided that utility interdependence was taken into account in formulating social policy. Just as the collective provision of public goods could be shown to be necessary for the attainment of Pareto optimality so could fiscal redistribution in the context of utility interdependence. On practical grounds, Hochman and Rodgers provided an interesting justification, which was reminiscent of Buchanan’s view of social change in American society:

In rural areas, communities are smaller and social pressure to interact is consequently greater. Payment of income in kind is likely to be more common, and simple bilateral or multilateral transfers through private charity are more likely to be feasible, reducing dependence on the fiscal process as a redistributive mechanism. In urban areas social conditions may not fit this model as well. Urban poverty, moreover, is readily apparent to more individuals with relatively high incomes, and general interdependence among individuals in different income groups is by virtue of proximity even more pronounced. Fiscal machinery is more likely to enjoy a clear advantage as the mechanism of redistribution, because the social group is large and private arrangements that can overcome ‘free rider’ behavior to the degree required are more difficult to devise (1969, 554).

“Pareto Optimal Distribution” appeared in September 1969, following almost a decade of social disruption and a year of economic hardship in the U.S. With a presidency that hoped to limit government intervention in economic activity and a profession that had developed reservations about interventionist fiscal policy, the authors’ advocacy of progressive taxation could easily provoke reactions and so it did in the following years. Perhaps the most outstanding feature of the article, however, was its justification of the positive effects of redistribution on the basis of utility interdependence. Not only did Hochman and Rodgers provide a detailed examination of patterns of utility interdependence, but they also pointed to the beneficial effects to be expected from its better understanding in terms of policy making.

Boulding likewise recognized the significance of utility interdependence in economics but placed emphasis on the study of “one-way transfers.” Since the mid-1960s, he had been engaged in a study of the integrative system under a grant from the National Science Foundation, analyzing questions of status, identity, community, etc. In September 1967 he received another grant from the

Ford Foundation to work on what he called the “grants economy”—one-way transfers. Following his relocation to the University of Colorado at Boulder (CU), work on the grants economy started and by February 1968, Martin Pfaff, the other main investigator of the project, produced *The Grants Economy: Unilateral Transfers in the U.S. and Global Economies*, a research report with an introduction by Boulding. Subsequently, Boulding made arrangement to have an informal session on the grants economy at the meetings of the International Economic Association in Montréal in September 1968. After the meetings, Janos Horvath, who had written his dissertation on “A Comparative Appraisal of Economic Aid” at Columbia, wrote to Boulding and Pfaff: “the more immediate challenge still is . . . to pull together somehow the relevant building blocs scattered in the literature (Boulding, Schelling, [Anatol] Rapoport, [Albert] Hirschman, Banfield, and others).” In addition, he suggested “the formation of an Institute for the Study of Grant Economics which would coordinate and promote work in this field.” Some three months later, Boulding, Pfaff and Horvath formed the Association for the Study of Grants Economy (ASGE) at the Annual Meeting of the American Economic Association (AEA) in Chicago.<sup>xiv</sup>

One could hardly think of a better occasion to launch the ASGE, especially since Boulding was President of the AEA that year. In effect, the presidency proved a liability. In August, during the Democratic Party Convention, local police had shown no restraint in quelling the agitation occasioned by hundreds of antiwar demonstrators. Many AEA members, shocked by police violence, had urged Boulding to move the meeting away from Chicago. In September, the fervent antiwar activist had nonetheless decided otherwise. In a letter to the partisans of relocation, he played the role of devil’s advocate: the “problem . . . is in the nature of the moral production functions—that is, what inputs produce what outputs? We all want to see a massive change in human behavior and institutions, away from violence, cruelty, malevolence and injustice towards a more gentle, benevolent, and just world. This is the output we want, but if we are honest as social scientists we must admit that there is much that we do not know about the inputs that are most likely to produce this result.”<sup>xv</sup>

By December 1968, Boulding had stopped supporting the Democratic Party though he had no sympathy for Nixon. His AEA presidential address, “Economics as a Moral Science,” betrayed some of his own and economics’ tensions. Building on his 1963 article, he came back to the three social organizers, namely the threat system, the exchange system and the integrative system:

“Economics clearly occupies the middle one of these three. It edges over towards the integrative system insofar as it has some jurisdiction over the study of the system of one-way transfers of exchangeables, which I have called the ‘grants economy,’ for the grant, or one-way transfer, is a rough measure of an integrative relationship. On the other side, economics edges towards an area between the threat system and the exchange system which might be described as the study of strategy or bargaining ” (1969a, 4).

Boulding concentrated on grants as expressions of the integrative relationship, though he was aware they could be associated with threat. While he criticized welfare economics for its reliance on selfishness and its subsequent neglect of

sympathy (and envy), Boulding made it clear that integrative forces went together with disintegrative ones: “We may feel indifferent towards those whom we do not know, with whom we have no relationships of any kind, but towards those with whom we have relationships, even the frigid relationship of exchange, we are apt to be either benevolent or malevolent. We either rejoice when they rejoice, or we rejoice when they mourn” (6). With social divisiveness at its height, Boulding had a good reason to remind his readers of the role of community in developing interdependence and prompting unselfish behavior, be it sympathetic or antipathetic. Subsequently, he contrasted two sets of common values guiding human behavior: the “economic ethic” and “heroic ethic.” Whereas the former type of decision making centers on cost-benefit analysis, understood as including the costs and benefits attached to the benevolence and malevolence of individuals toward each other, the latter emphasized the sense of identity of the individual more than the effects attached to his or her action.

As he became president of the AEA, Boulding had already turned into a general social scientist. This uncomfortable position, together with his unpopular decision, probably reinforced his sense of estrangement and explained the ambiguous conclusion of his presidential address:

In this year of crisis I have also learned something about myself—that it is easier to make heroic decisions as a member of the [executive] committee than it is as a sole decision-maker and that heroism is much less appropriate in political than it is in personal decisions. The lessons of this year, therefore, are that the study of economics does not produce clods, even if perhaps the American Economic Association does not produce undue heroics. So we can hope at least that economics is one of the inputs that helps to make us human. If so, the benefits of this strange activity will be well worth its undoubted cost, even if in our heroic mood we dare not calculate them” (12).

One does not know if Buchanan, then a member of the AEA executive committee—split evenly on the question of moving the meeting—agreed with Boulding. Yet in the latter’s distinction between the economic ethic and the heroic ethic, he could easily recognize his own between the expediency criterion and the moral law. Since August 1968, following his resignation from the University of Virginia where he found himself in increasing disagreement with the administration, Buchanan had been at UCLA. At the economics department there, he joined Armen Alchian and William Allen (1964), who had included the idea that philanthropic behavior was consistent with standard economic theory in a textbook as of 1964. Jack Hirshleifer was there, too. The author of “Disaster Behavior: Altruism or Alliance?”—originally an internal document prepared for the RAND Corporation in 1967—had already written “Disaster and Recovery: An Historical Survey” for RAND in 1963. Although he denied any influence from an organized military research program, Hirshleifer (1963 [1987]) noted the connections between disaster research and the most outstanding threat of the age—nuclear war. In the second half of the 1960s, he was not alone in exploring the economic aspects of disaster. His 1967 article was actually a reaction to a paper by Howard Kunreuther and Douglas Dacy who, analyzing the consequences of the 1964 Alaska earthquake, argued that

unexpected market behavior could be explained on the basis of a flourishing of community feeling. Using an Olson-like argument, Hirshleifer (1967 [1987]) argued that benevolent behavior in disaster situations had less to do with community feeling than with the individuals' self-interest in maintaining the alliance represented by society. Whatever the disagreements over the motivations of seemingly unselfish behavior, there was a shared interest in describing and predicting human behavior in post-disaster situations. Such an interest did not necessarily result from military preoccupations, but it certainly resonated with the increasing anxiety over nuclear destruction from the late 1950s.<sup>xvi</sup> In any case, for many economists at UCLA, the analysis of unselfish behavior was not an end in itself. Accordingly, although Hirshleifer and Alchian and Allen (who were also connected with Rand) were not denying the importance of "altruistic" and philanthropic activities in society, they reached the conclusion that its treatment did not require a fundamental reconsideration of the behavioral assumptions of economic theory.

Buchanan had a more sophisticated view of unselfish behavior. After a year in California, he went to the Virginia Polytechnic Institute and State University in Blacksburg, joining Tullock who had been there for a year, following his resignation from the University of Virginia, where no attempt was made to retain him, and a year's stay at Rice. In November 1969, however, Buchanan returned to UCLA to present a paper that was based on conversations with Alchian. In the interim, Buchanan had read Alchian and Allen's second edition of *University Economics*—the textbook referred to above. In his presentation, later published as "Professor Alchian on Economic Method," Buchanan ([1969] 1979) considered the implications of Alchian and Allen's admission that an individual's utility function can include many noneconomic arguments, among which love and the welfare of others, as long as they qualify as "goods." Although he regarded the sophistication of the utility function as a valuable development in the context of an expanding economic science, Buchanan likewise wondered whether limits could be imposed on the list of arguments susceptible to being considered for possible inclusion.<sup>xvii</sup> What made the explanation of "noneconomic" behavior possible was precisely its reduction to some economic dimension, namely, the logic of narrow self-interest. "This suggests," Buchanan wrote, "that we are unable, as economic theorists, to develop hypotheses that will allow us to distinguish by behavioral observation between those persons who act according to their own narrow self-interest and those that behave in accordance with the ethical principles laid down by Kant" (70). In other words, although enriched utility functions said something about the outcome of human behavior, they said little about the variety of its motivations. Accordingly, Buchanan advised economists, who were prompt to include "noneconomic" arguments into the utility function, to be especially cautious when using economic theory for predictive purposes. To illustrate his argument, Buchanan mentioned what he called "the economics of charity or income redistribution," a direct reference to the work by Virginia economists.<sup>xviii</sup>

With respect to the study of seemingly unselfish behavior, Buchanan, Tullock and other economists from Virginia had much in common with Boulding.<sup>xix</sup> In December 1969, several joint sessions were organized by the ASGE and the Public Choice Society at the Annual Meeting of the AEA in New York City and at that of the AAAS in Boston. At one meeting, Olson provided friendly, though

incisive, comments on Boulding's analysis of the "grants economy." In particular, he argued that most of the transfers classified as grants by Boulding could better be described as expenditures on public goods. Given Olson's outlook, this amounted to dissociating the study of the "grants economy" from the reformulation of economics' behavioral assumptions. After the two meetings, Boulding wrote to Musgrave: "We had good meetings both in Boston at the AAAS and in New York. Mancur Olsen [*sic*] and I had an excellent little debate which I think clarified a number of issues. It is rather rare for this to happen at meetings, as you know."<sup>xx</sup>

Throughout the 1960s, the study of unselfish behavior remained the preserve of "a small 'invisible college'," with researchers working from different perspectives and in various directions. In the early 1970s, there was no such a thing as an economics of unselfishness yet, but after the article by Hochman and Rodgers (1969) in the AER pointed to the significance of utility interdependence, especially in terms of policymaking, an increasing number of economists took interest. Together with the continuing attention to philanthropy, as exemplified by the publication of Dickinson's (1970) *The Changing Position of Philanthropy in the American Economy*, a long-delayed product of the NBER eponymous study, and Schwartz's (1970) "Personal Philanthropic Contributions" in the fall of 1970, the reactions provoked by Hochman and Rodgers's article, in particular Musgrave's (1970), were clear indications that the study of unselfish behavior had now acquired more visibility in the profession.<sup>xxi</sup> So, in late 1970, Musgrave was probably not surprised to receive two manuscripts, "Avarice, Altruism, and Second Party Preferences" and "Interdependent Utilities and Pareto Optimality," by R. Haney Scott and Lawrence Schall respectively, for possible publication in *The Quarterly Journal of Economics* (QJE). Scott applied indifference curve analysis to the study of unselfish behavior. In the process, he justified interdependence by the closeness of agents and, drawing on Boulding, noted that empathy played an important role in activating charity. Upon completing his draft, he asked Schall for advice and the latter, after complying, developed an article of his own on the same subject. After consulting referees, Musgrave accepted the two articles for publication in February 1971. Later, probably because he thought of them as valuable contributions to the ongoing debate on utility interdependence, income redistribution and Pareto optimality, he resolved to place the two articles into the lead position in the February 1972 issue of the QJE (Schall to Fontaine, 10 April 2000; Scott to Fontaine, 2 May 2000).<sup>xxii</sup>

## 2. Towards an Economics of Unselfishness

Motivated by adverse circumstances, the 1962 conference was meant to correct the lack of knowledge about the economic aspects of philanthropy. It was hoped that information would thereby be gleaned that would help appreciate the role of private philanthropy in society. Ten years later, another conference was organized, this time with the objective of laying the first stone of a theory of "altruism." Like its predecessor, this conference took place in a difficult political environment, with the passage of the Tax Reform Act of 1969 deepening the sense of uncertainty of foundations leaders and encouraging

them to defend philanthropy from any further threat. Yet, unlike its predecessor, it did not deal with an instance of seemingly unselfish behavior, but with “altruistic” behavior in general. Accordingly, the conference encouraged the emergence of an economics of unselfishness, with the “invisible college” gradually taking shape and its debates undergoing polarization.<sup>xxiii</sup>

## 2.1. The March 1972 Conference

In October 1971, a few weeks after he joined the Economics Department at Columbia, Phelps sent a 4-page grant proposal to Orville Brim, Jr., then President of the RSF, to ask his support for the organization of a conference on the “theory of altruism” to be held in New York City in March 1972. Phelps’s justifications for the significance of this gathering are worth mentioning. First, citing the examples of crime and war, Phelps regarded the “economics of altruism” as another effort in the extension of the domain of economics. It clearly was though significant variations appeared among the “imperialistic” outlooks of such researchers as Becker, Boulding and Buchanan. Second, echoing the pessimism of a number of books published in the late 1960s and early 1970s, Phelps mentioned the “growing disenchantment with classical liberalism among economists as well as other social and political observers.” Following almost a decade of Democratic rule, the election of Richard Nixon in November 1968 might have raised expectations of lesser government intervention and greater reliance on the invisible hand of the market, but with the intensification of economic problems and persistence of social crisis in the late 1960, Nixon’s advocacy of a self-running country created growing skepticism. And Nixon himself ended up taking liberty with his own pronouncements. By the early 1970, therefore, only but a few economists showed unconditional adherence to the implications of classical liberalism. Finally, Phelps observed that the “theory of altruism” would be stimulated by the new developments affecting the treatment of markets in economic theory. In particular, he suggested that with the relaxation of the assumption of perfect information—an allusion to George Akerlof’s (1970) recently published “The Market for ‘Lemons’ ”—economists might be tempted to give more importance to unselfishness as a solution to opportunistic behavior. From the foregoing he concluded: “the time has arrived for a theory of altruism, and for a conference to give the theory a send off.”<sup>xxiv</sup>

After pondering on the theoretical timeliness of the conference, Phelps needed to consider possible participants. He had already contacted Arrow, Paul Samuelson and Vickrey, who all agreed to present a paper. Doubtless, these economists had already demonstrated their involvement in themes of related interest and the current preoccupations of the first two gave further evidence of their interest in the conference topic. Arrow (1972) was writing a review of Richard Titmuss’s (1970) *The Gift Relationship: From Human Blood to Social Policy*—one of the most significant contributions to the theory of unselfishness among noneconomists in the 1970s. He had first proposed to write a paper on “Unrequited Transfers as a Basis of the Price System,” but having not finished it by the time of the conference, he eventually substituted the piece on Titmuss’s book for it. A brief, yet laudatory, note on this “remarkable, too-little known

book” had come out in *Newsweek* on 13 September 1971. Its author, Samuelson (1971) had probably discussed the book with his already longstanding colleague at MIT, Robert Solow (1971), who had himself published a long review of it in the *Yale Law Journal* in July 1971. Vickrey was not invited because of his earlier work on philanthropy, of which Phelps was unaware; yet, a senior member of the economics department at Columbia, Vickrey found it probably opportune to encourage an initiative which promoted a topic he had already explored some ten years ago (Phelps to Fontaine, 3 May 2000).<sup>xxv</sup>

Interestingly, Phelps’s original plan was to have the role of paper-givers assigned to economists and to ask other social scientists to provide comments. Phelps was “aware, as are other economists, that the subject of altruism is not new to social and political theorists” and he wanted “to ensure exposure to the contributions made in those fields.” It is debatable whether noneconomists were more advanced in the way of building a theory of unselfishness, but it seemed reasonable to anticipate more interest from those who gave less weight to the self-interest assumption in their theories of human behavior. Phelps’s proposal mentioned the following potential participants: “Among economists: Kenneth Boulding, Thomas Schelling, Gary Becker, James Mirrlees, Peter Hammond, Sydney Winter, Armen Alchian, Duncan Foley, Scott Boorman. Among noneconomists, John Rawls, Tom Nagel, Marshall Cohen, Erving Goffman, Edward Banfield, Bernhard Lieverman, Sidney Morgenbesser.” This list would probably surprise the present-day economist versed in unselfish behavior, but, to the historian of economics, this varied assemblage is nothing but an indication that what the economics profession has come to call “altruism” was in the early 1970s a heterogeneous body of knowledge comprised of disparate analyses of human behavior.<sup>xxvi</sup>

On the side of economists, researchers such as Buchanan and Sen were not cited but later attended the conference; others, like Boulding and Schelling, were mentioned but not invited. Among noneconomists, the name of Rawls, who had been associated with various debates on economic and philosophical issues throughout the 1960s and whose *A Theory of Justice* had come out in early 1971, comes as no surprise. And so does that of Nagel, who had written his dissertation at Harvard under the supervision of Rawls in 1963, and whose book, *The Possibility of Altruism*, had been published in 1970. Cohen, too, had some interest in the topic. As editor of the newly created *Philosophy and Public Affairs*, he had asked Arrow to write the review of Titmuss’s *The Gift Relationship*. Phelps had equally good reasons to mention political scientist Banfield. The author of *The Moral Basis of a Backward Society* had long been concerned with the role of moral values in economic performance and the distinction between family relationships and impersonal relationships. Some of the insights of his 1958 book were developed in *The Unheavenly City*, a controversial essay published in 1970, in which the problems of the American society came under scrutiny. As commentators, Phelps asked a professor of law, Guido Calabresi, and philosophers Edward McClennen, Morgenbesser and Nagel, to whom he added two economists, Karl Shell, Phelps’s former colleague at the University of Pennsylvania, and Sen whose interest in ethics was by then manifest.

Among the researchers mentioned above most moved in the same circles, investigated similar topics, read each other’s books and shared common

preoccupations. The vicissitudes of academic life notwithstanding, it is hardly surprising therefore that Phelps would think of these social scientists as possible participants to the New York conference. That the latter dealt with “altruism,” the definition of which was unclear even to Phelps himself, speaks volume, however, about the perceived significance of seemingly unselfish behavior in social science at a time when “the amount of divisiveness and conflict in society”—to use Olson’s words—occasioned some worry.<sup>xxvii</sup>

After reviewing Phelps’s proposal on 11 November 1971, the Board of Trustees gave its approval for the funding of the conference. Eventually, it was held the next March at the RSF. Following the conference, Phelps applied himself to the publication of its proceedings. After a cursory reading in October 1973, the American sociologist David Sills concluded that “the contributors are good and the topic hot” and gave his approval. By the end of that year, Phelps had a complete volume.<sup>xxviii</sup>

## 2.2. Meanwhile ...

After the March 1972 conference, Pfaff who, together with Boulding, was responsible for the edition of the series on grants economics for Wadsworth, wrote to the RSF to request that they send a copy of the program and of the papers presented, and pass on his letter to Phelps. In the letter, Pfaff recalled that “in the last four years or so [that is, since the creation of the ASGE] Kenneth Boulding and I have been studying, together with a growing band of associates, the nature of non-market transfer motivated by various admixtures of altruism and selfishness.”<sup>xxix</sup> Boulding, Horvath, Pfaff and his wife were actively working at the production and diffusion of ideas associated with the grants economy, organizing sessions at the AEA and AAAS, encouraging various people to work in that direction, themselves writing numerous introductory and explanatory articles, putting together collection of essays on the grants economy and exploring all possible variations on the theme. Boulding, in particular, was most active. At the time, he was working on *The Economy of Love and Fear*, an application of his view of society as comprised of three social organizers to the study of grants. Criticizing the study of the exchange system for itself, Boulding noted that grants occurred both in integrative and threat systems and accordingly argued that there were “two kinds of grants: one, gifts, arising out of ‘love’; and the other, tribute, arising out of ‘fear’ ” (1973, vi). A better understanding of the gift economy required redrawing borders between economics on the one hand and sociology and political science on the other; consequently, its study did not mean so much applying existing economic tools to “noneconomic” behavior” as using sociological and political insights into a reconstructed economics—integration of the social sciences rather than their unification around the self-interest motivation.

Boulding was not alone in taking note of the limitations of the self-interest model, but others were more specific in their call for reconsidering the economic theory of human behavior. One year after he participated in the “altruism” conference, Sen delivered his LSE inaugural lecture, “Behaviour and the Concept of Preference.” There he investigated the revealed preference

approach and offered valuable insights into the relationships between choices and individual preferences:

The behaviour of human beings may involve a great deal more than maximizing gains in terms of one's preferences and the complex interrelationships in a society may generate mores and rules of behaviour that will drive a wedge between behaviour and welfare. People's behaviour may still correspond to some consistent *as if* preference but a numerical representation of the *as if* preference cannot be interpreted as individual welfare.... The rigid correspondence between choice, preference and welfare assumed in traditional economic theory makes the analysis simpler but also rules out important avenues of social and economic change. (1973, 253-54)

Contemplating the case where "there are strong environmental reasons for using glass bottles for distributing soft drinks" (254), Sen showed that the same choice (use and reuse of glass bottles) could correspond to four distinct cases in terms of the agent's underlying preferences. The first three cases represented the preferences of a selfish, sympathetic and socially conscious individual, respectively; accordingly, they were consistent with utility theory, especially since economists were now using sophisticated utility functions. The fourth case, which Sen (1977) later associated with the notion of "commitment," was of a different sort, however: "The person can do the 'wrong' thing on the sly without being noticed and he feels that if he did that he personally would be better off (even after taking note of whatever weight he might wish to put on the welfare of others), but he feels that he would be acting socially irresponsibly if he did proceed to do it, and therefore does not do so" (1973, 255). Moral considerations could therefore influence individual choice in such a way as to undermine the correspondence between choice and preference on the one hand and preference and welfare on the other. Not only did individual preferences prove a poor determinant of choice, but they did not necessarily bring about an improvement in the individual's level of welfare. In Sen's words, "the type of behaviour in question drives a wedge between choice and welfare" (259). The maximization framework with utility interdependence told some truth about seemingly unselfish behavior, not the only truth. Sen, but also Boulding and Buchanan, each in his own way, acknowledged the need for the self-interest model to be supplemented with an ethically inspired model.

In the early 1970s, many students of unselfishness recognized the possibility of ethical motivations, but not all of them found ethics especially illuminating. At about the same time Sen's LSE lecture was published in August 1973, Arthur Seldon, from the Institute of Economic Affairs (IEA), the London-based think-tank, was completing the preface to *The Economics of Charity: Essays on the Comparative Economics and Ethics of Giving and Selling, with Applications to Blood*, a belated reaction to Titmuss's *The Gift Relationship*. In his preface, Seldon, who had spent some time at LSE in the late 1930s at a time when Lionel Robbins's view of the necessary dissociation of economics and ethics was becoming something of a reference, linked up the debate about the ethical dimension of human behavior with the development of the economics of unselfishness. Yet, he hastened to add that "although it is difficult to separate

the economics of giving from the ethics in some of the discussion, it is of central importance for economists” (1973, vi). In the theoretical part of the book, Seldon gathered contributions by some of the main protagonists of the economics of unselfishness. The collection of essays, which appeared at the end of March 1974, endorsed a quasi-Robbinsian view of the relationships between economics and ethics and applied it to the analysis of giving. Unlike Sen (Boulding and Buchanan), the main contributors to the collection were doubtful about the possibility of learning something significant economically from an ethical approach to unselfish behavior; they preferred instead to explore the potentialities of utility theory. Anthony Culyer, in particular, associated free gift-giving with “generosity”—understood as the outcome of an informed economic choice—and contrasted it with “altruism”—taken as concern for others’ welfare. His approach, he claimed, explained how to influence behavior by acting on the private costs and benefits paid and received by individuals.<sup>xxx</sup>

The part taken by Virginia economists in the study of unselfish behavior in general and philanthropy in particular was significant enough to arouse the interest of outsiders. Thus, a couple of months after the appearance of *The Economics of Charity*, “Achieving the Just Polity,” by Dennis Mueller (1974), came out in the *Papers and Proceedings* of the AER, after a session with Rawls, Mueller, Buchanan and Winston Bush had been organized on “Concepts of Distributional Equity” at the AEA annual meeting in December 1973. Written at the Center for Public Choice at Virginia Polytechnic Institute and State University, Mueller’s article had benefited from discussion with some of the Center’s members, most notably Buchanan and Tullock. What made it most interesting in the context of the emerging theory of unselfishness was not merely its hot topic—theories of justice. On the latter, the contribution by Rawls (1974)—a highly respected student of ethical issues—could appeal more to an economic audience which had yet to digest the idea of the original position. Likewise, Buchanan and Bush’s (1974) contribution was probably more informative with regard to the theme of the session. The interest of Mueller’s article lay in its emphasis on one foundation of the theories of justice, “the prescription that one put one’s self in the other fellow’s shoes” (1974, 147). Boulding had flirted with the idea as early as 1961 and so Harsanyi (1955) had before him. Yet, it was to Mueller’s credit to integrate the insights of welfare economics and public finance theory to show the potential explanatory power of empathy.

Mueller (1973) was familiar with the welfare economics literature in which the imagined change of positions had long played a significant role (see Fontaine 2001) and so he was with public finance which he had studied at Princeton while Musgrave was there (Mueller 1993, xiv). The publication of Rawls’s *A Theory of Justice*, with its idea of the original position, no doubt encouraged Mueller’s giving more attention to the empathy notion in the context of the collective provision of public goods. Typically, Mueller subjected the effectiveness of empathy to the individual’s knowledge about another, thus linking up the feasibility of the change of positions with group size. He did contemplate the theoretical possibility of empathy with outsiders but remained most skeptical about its practicality. And when he eventually conceded that the costs of knowing the preferences of others could be reduced with the spread of Western technology and culture, he stressed the dangers of an extended

empathy. More generally, he pointed to “one disturbing paradox. The developments—technological change, specialization, mobility, increasing education, urbanization—that produce the universal values that must underlie a just society are the same developments sociologists and psychologists list as causes of the identity crisis and anomie that supposedly characterize man in modern society” (Mueller 1974, 152).

Some fifteen years after the first studies on philanthropy, economists were undoubtedly showing greater interest in what was then often called “altruism,” but a unified theory was still lacking. The plurality of viewpoints reflected the varied motivations of researchers, some of them continuing to address the policy implications of philanthropy, others striving to renew the understanding of small-group interactions and still others discussing either the moral dimension of economic behavior or the economic dimension of moral behavior. In all these endeavors, however, there surfaced a preoccupation with the presumably positive collective consequences of unselfish behavior. In the literature studying it, there emerged dividing lines between the advocates of homo economicus and the supporters of homo ethicus, and between those who thought unselfish transfers across individuals made redistributive policies ineffective and their detractors. Those dividing lines began to consolidate in the mid-1970s with the publication of Becker’s “A Theory of Social Interactions” and Phelps’s *Altruism, Morality, and Economic Theory*.

### 3. The Economics of Unselfishness in the Mid-1970s

By the mid-1970s, Becker, Boulding, Buchanan, Vickrey and the main protagonists of the emerging theory of unselfishness had succeeded in incorporating it into the utility-maximization framework, but it was not in the main stream of economic analysis however.<sup>xxxi</sup> Their emphasis on the influence of others’ welfare on individual behavior and their interest in the use of microeconomic tools for the study of “noneconomic” phenomena did not arouse much enthusiasm in the profession. In the mid-1970s, however, a few contributions helped give the study of unselfish behavior more visibility within economics.

Not so long after Mueller’s article appeared in the AER, a note by Hochman and Rodgers (1974) came out in the September issue of the same journal, following various reactions to their “Pareto Optimal Redistribution.” There they responded to a critique by E. J. Mishan (1972) to the effect that the derivation of distributional propositions from allocative efficiency considerations was a rather uncertain enterprise, the shortcomings of which ranged from lack of operational value to undue reliance on utility interdependence and insufficient attention to ethics. In answering Mishan’s criticisms, Hochman and Rodgers reaffirmed their belief that “some redistribution might make everyone better off” and pointed to “utility interdependence as a rationale for income transfers” (1974, 752, 756). In trying to vindicate their position, they reiterated the significance of “psychic,” as opposed to “tangible,” externalities for the study of income transfers and exemplified their approach by referring to Becker’s (1969) still unpublished “A Theory of Social Interactions,” Schwartz’s (1970) JPE article on personal

philanthropic contributions and a work of theirs (1973) in which they submitted the assumption of utility interdependence to empirical test.<sup>xxxii</sup>

Some two months after the publication of the Hochman and Rodgers note, there appeared in the JPE Becker's (1974) "A Theory of Social Interactions." Originally titled "Interdependent Preferences: Charity, Externalities and Income Taxation," this article was renamed, in September 1969, after Becker had read Hochman and Rodgers's article for the AER—a change that betrayed Becker's intention to broaden his frame of analysis from the issue of charity to the treatment of unselfish behavior in general. By the time he submitted his paper to the JPE in April 1974, following the submission of his colleague Robert Barro's "Are Government Bonds Net Wealth?" to the same journal, Becker had made substantial revisions. In the process, he had had ample opportunity to explore some of the ramifications of utility interdependence in various contexts and to realize the growing significance of unselfishness in economic analysis (Becker to Fontaine, 3 June 2000). Becker's and Barro's articles appeared in the same issue at the end of the year. Barro was familiar with Becker's work and although there is no reason to believe that his analysis of government budget deficits was a simple application of Becker's "rotten kid" statement, it seems reasonable to assume at least some cross-fertilization, especially since the Becker manuscript had spent some six years in his files and Barro had commented on it. Becker also knew Barro's article, a draft of which had been presented, in 1973, in the "Money and Banking" workshop run by Milton Friedman in Chicago. That Becker and Barro discussed unselfish behavior is evidenced by the fact that the latter's wife suggested the phrase "rotten son" to the former who later turned it into "rotten kid" in his eponymous "theorem" (Barro to Fontaine, 3 April 2001).<sup>xxxiii</sup>

In his article, Becker recalled the central role of social interactions in other social sciences and cited in passing Durkheim, Simmel, Weber and a few others. While sociologists stressed the role of social norms in regulating gift-giving, Becker thought of it as a problem of individual rationality and accordingly made gift-giving where expectation of reciprocation had no place compatible with utility maximization. Unlike what he called the "usual theory of consumer choice," which places in the utility function of the giver his own consumption together with the amount of his charitable giving ( $U_i = U_i(x_i, h)$ ), Becker proposed a "social interactions" approach, which replaces the amount of charitable giving,  $h$ , with the beneficiaries' consumption, as financed by their income and the amount of charitable giving they receive

$$(U_i = U_i \left[ x_i, x_j \left( = \frac{I_j + h}{p_j} \right) \right]).$$

In the context of the family, Becker reached the conclusion "that if a [benevolent] head exists, others members also are motivated to maximize family income and consumption, even if their welfare depends on their own consumption alone. This is the 'rotten kid' theorem" (1974, 1080). Against the background of the family breakup, Becker showed that the conditions for family cohesion were not so demanding as to require that all family members have sympathetic preferences or so unrealistic as to imply that all family members are selfish. Regarding the recipients of the head's generosity, he endorsed Friedman's (1953) influential argument and made it clear that only *as if*

“altruism” was involved. Yet, Becker left no doubt as to the “altruistic” preferences of the head: his transfers were said to result from sympathy and the latter was explained by the fact that “the marriage market is more likely to pair a person with someone he cares about than with an otherwise similar person that he does not care about” (1974, 1074, n). This justification made sense, but the failures of marriage in American society could put considerable strain on a theory that justified the lack of opportunistic behavior in a family by its head’s sympathetic preferences and the latter by the power of marriage to bring together people who cared for each other.

Assuming continuity between family and society, Becker extended his results to the “synthetic ‘family’ ” consisting of a charitable person and all recipients of his or her charity, and to a number of other multiperson interactions. Here again, the same result obtained: due to offsetting changes in transfers from the sympathetic benefactor, a redistribution of income among “members” did not change the welfare of any of them. This result appeared as a response to the idea that opportunistic tendencies may surface in groups characterized by the interactions of self-interested individuals; as such it echoed the question that had inspired unselfishness research at its outset, “How to achieve socially desirable outcomes on the basis of numerous self-interested actions?” Becker and a few others’ answer in the mid-1970s was to point to the sympathetic preferences of certain individuals in society. To many this answer will seem ad hoc today, but, at a time when much was said about the unresponsiveness of people to each other’s lot, it was counter-intuitive. Its political implications were however straightforward: due to offsetting private transfers, one could hardly count on social and economic policies to change the distribution of resources (see Barro 1974).

Retrospectively, it may be argued that “A Theory of Social Interactions” played a significant role in the history of unselfishness research. It should be remembered however that its main objective was to analyze the economic implications of interactions within various groups.<sup>xxxiv</sup> Phelps’s *Altruism, Morality, and Economic Theory*, by contrast, was meant as a contribution to the “theory of altruism;” as such it aimed at understanding a variety of behaviors, the motivations of which were seemingly unselfish. The collection appeared in 1975 with essays by Arrow, William J. Baumol, Bruce R. Bolnick, Buchanan, Hammond, M. A. Pauwels, Phelps, McKean, Vickrey and Burton A. Weisbrod, and comments by Calabresi, McClennen, Nagel, Sen and Shell.<sup>xxxv</sup> While Becker had provided a coherent framework centered on maximization with utility interdependence to analyze social interactions, the various essays in Phelps’s collection illustrated the complexity of “altruism” as soon as one did not restrict oneself to the self-interest model.

Analyzing “altruism” in general, contributors were confronted with a great variety of behaviors and motivations; accordingly, they strove to classify them so as to identify their similarities and differences. When Arrow discussed Titmuss’s analysis of blood giving and its motives, for instance, he introduced a valuable distinction between benefiting from the satisfactions obtained by others, benefiting from one’s contributions to these satisfactions and the idea that “each performs duties for the other in a way calculated to enhance the satisfaction of all” (1975, 17), but he refrained from providing an economic translation of Titmuss’s reference to a sense of obligation to strangers. Arrow

acknowledged the possibility that individuals may act according to a categorical imperative, but noted: "I should add that, like many economists, I do not want to rely too heavily on substituting ethics for self-interest" (22). Others in the volume were probably more willing to take note of ethical motivations if only because they could thereby justify opposition to governmental regulation in various areas. McKean, once a colleague of Buchanan at the University of Virginia, emphasized the importance of ethical rules but did not necessarily link them with "altruism", which he even equated with "non-rule-oriented unselfishness" (1975, 36). While he seemed reasonably confident about the influence of a number of factors for the creation and survival of ethical codes, McKean confessed to knowing little about "altruism" besides its definition in terms of utility interdependence or enlightened self-interest and the leverage on behavior it suggested. In his well-known "The Samaritan's Dilemma," Buchanan (1975) lent himself to the study of what he saw as a social disease of Western societies. A longtime advocate of the significance of ethical rules in economic life, Buchanan showed that the expectation of other-oriented behavior could lead the potential beneficiary to behave opportunistically, creating a form of exploitation at the social level. What made his approach especially interesting is that it associated the undesirable consequences of a variety of "altruistic" behaviors with the prevalence of the expediency criterion in society and recommended therefore commitment à la Schelling as a solution to the "Samaritan's Dilemma." In other words, after making the Samaritan's behavior an expression of utility maximization with utility interdependence, Buchanan argued that the fact that "acting parties behave in ways different from those indicated by direct and apparent self-interest" (80) might remedy the unfavorable outcomes occasioned by the "Samaritan's dilemma." At the same time, he observed that with the increase in group size in modern societies and the individuals' loss of power to influence each others' behavior, adherence to preselected rules could not but diminish.<sup>xxxvi</sup>

With the two papers, by Phelps and by Hammond, the difficulties in finding a place to "altruism" in economic theory were still palpable and with them the temptation to simply make ethical considerations a part of the self-interest model. Phelps considered intergenerational transfers, with the amount of the bequest depending on how its consumption will be distributed over future generations. He found that "some restrictive convention, or the existence of a prevailing 'ethic' " (1975, 8) helped determine the game-equilibrium growth path. Hammond, on the other hand, examined the possibility that seemingly unselfish behavior, notably charity, can arise from egoism and found that hypothesis confirmed to some extent.

Finally, the last three essays in the volume came back to the issue of philanthropy, which had partly motivated the study of seemingly unselfish behavior in the early 1960s. Once again, Vickrey issued reservations about the tax system relating to private philanthropy. Weisbrod's paper likewise addressed some of the questions raised in the philanthropy conference of June 1961, notably that of "the appropriate 'division of labor' among government, the market, and private philanthropy, in meeting human needs most effectively" (see *infra*, 9-10). In his effort "Toward a Theory of the Voluntary Non-Profit Sector in a Three-Sector Economy," he stressed the necessary role of that sector as supplement to the provision of public goods by government. The last

paper in the volume drew on social psychology to build a “behavioral” theory of philanthropic behavior. Of particular interest for our purpose is Bolnick’s acknowledgement that a number of writers had “rendered such behavior susceptible to the traditional tools of economic analysis” and his concomitant remark that “a more fundamental issue is uncovered: What types of motivation underlie philanthropic activity?” (1975, 197). Interestingly, Bolnick pointed to the difference between trying to understand seemingly unselfish behavior and studying the consequences of the inclusion of utility interdependence in the maximization framework in terms of equilibrium conditions. The latter approach, he saw as “unsatisfying as a behavioral theory” (198) and accordingly argued that social rewards and psychological consistency had to be taken into account not only for small groups but also for larger ones. In the process, Bolnick inevitably mentioned the justification in terms of empathetic identification, as suggested by Boulding (1962) and Vickrey (1962), but expressed his uneasiness with the limitation of the notion to close-knit groups. Here Bolnick stumbled against the usual separation of home and market in economic theory.<sup>xxxvii</sup> Still he concluded: “An individual may be motivated not only by the direct social pressures . . . but also by identification with certain persons or groups, whether or not these relationships involve direct contact” (213).

Despite serious efforts to go beyond the self-interest model, *Altruism, Morality, and Economic Theory* failed to determine with clarity the characteristics of a “commitment model.” The fact that ethical considerations had to be taken into account in the analysis of seemingly unselfish behavior did not seem to imply that the self-interest model failed on most accounts or that another model could claim greater explanatory power. It is understandable therefore that in his Introduction to the volume, Phelps asked: “Can altruistic behavior be fit into some version of the economist’s beloved model of utility maximization subject to constraints? Or must that model be importantly modified and hooked up to some complementary body of analysis to yield a satisfactory product?” (1975, 2).<sup>xxxviii</sup> Which direction unselfishness theory would take was still unclear in 1975, but the issue would soon be clarified as a result of the proliferation of unselfishness studies, some resorting to the utility-maximization framework, some doing without it.

#### 4. Conclusion

When addressing economists about the place of “altruism” in their subject, a typical reaction is: “Oh well, utility interdependence has long been around.” And so it has since Edgeworth ([1881] 1967, 53n) offered its first modern formulation in the late nineteenth century. Asked about the reintroduction of “altruism” into contemporary economics, however, the same researchers would probably point to “A Theory of Social Interactions.” As we have seen, Becker’s article was a belated sequel to a work written in the early 1960s at a time when a handful of economists took the occasion of a NBER study to articulate their views on philanthropy. That we should emphasize 1961 rather than 1974 (or 1975) as the reference year for the renewed interest in unselfishness is of no minor consequence for its historical study. It helps shift emphasis away from the two well-known results of the JPE article, namely the invariance proposition and the

“ ‘rotten kid’ theorem,” to the sheer diversity of unselfishness research in the preceding period. On this view, “A Theory of Social Interactions” represented but one of the two orientations characterizing the study of seemingly unselfish behavior in the mid 1970s, though the one that later came to be looked upon as mainstream “altruism” research.

In their multiplicity, the efforts to account for unselfish behavior accompanied the destabilization of economists by the failures of the invisible hand in western societies. Yet, in the 1960s only a few economists—mainly those interested in reconsidering the content of the utility function and in investigating topics at the intersection of economics and other social sciences—took seemingly unselfish behavior seriously. Later, especially after the publication of Becker’s article and Phelps’s collection of essays, an increasing number of economists came to the analysis of unselfish behavior. Often unaware of the various motivations and characteristics of unselfishness research before 1975 but glad to be able to use the theoretical framework systematized by Becker and others, most of them immersed themselves in “altruism” research without the feelings of apprehension of their predecessors, positing the essentially economic character of unselfish behavior. The fact that after 1975 the utility maximization assumption often guided the study of unselfish behavior is then no surprise. For those aware of the context of prior developments, however, this turn shows that the price paid by the discipline to incorporate unselfish behavior was a minimization of its ethical dimension.

## Notes

i. Reference to “unselfishness” implies that we are not merely interested in what most present-day economists call “altruism”—that is, positive utility interdependence—and which Amartya Sen (1966), in the tradition of Edgeworth, aptly described as “sympathy” or concern for the welfare of others, but in the various representations of seemingly unselfish behavior in economics. Our account does however include “sympathy” in “unselfishness” and therefore departs from Sen (1973, 1977) who, in his anxiety to show that “commitment” is not just another word for describing situations of utility interdependence, observed that “behavior based on sympathy is in an important sense egoistic” (1977, 326), that is, benefits to the sympathizer. It could equally be argued that it is in an important sense altruistic, that is, is motivated by the welfare of another.

ii. By the early 1980, Howard Margolis remarked: “Almost all the models of altruism in the economic literature are goods models” (1982, 22).

iii. Becker (1961), Boulding (1962), Vickrey (1962) and Phelps (1975) are not referenced in Susan Rose-Ackerman’s (1996) article on altruism and nonprofits in the JEL, whereas Becker’s article of 1974 is.

iv. Fabricant to Young, 14 April 1958; Young to Fabricant, 21 May 1958; Fabricant to Young, 6 October 1958; Fabricant, “Memorandum on a Study of the Changing Position of Philanthropy in the Economy,” 6 Oct. 1958, p. 4; Young to Fabricant, 25 November 1958; Fabricant to Young, 16 March 1959; and Carson to Young, 7 October 1959, folder 516, box 59, Studies in Philanthropy, Russell Sage Foundation Archives, Rockefeller Archive Center, North Tarrytown, New York (hereafter designated

RSFARAC). Stanton Wheeler (1994, 98) noted that philanthropy “became one of the areas of program commitment for the Russel Sage Foundation during the 1950s. Indeed, in the eyes of one observer, the three major reference groups for Dr. Young during his tenure as president were sociologists, philanthropists, and people in medicine. Thus, throughout Young’s regime there were studies of philanthropy, including [F. Emerson] Andrews’ own *Philanthropic Giving* (1950), *Corporation Giving* (1952), *Attitudes Towards Giving* (1953), *Philanthropic Foundations* (1956), and *Legal Instruments of Foundations* (1958).” Philip Mirowski and Esther-Mirjam Sent (2005) note that with the government crackdown on private foundations and the increasing impact of the federal government on higher education and science, most foundations had to revise their ambitions concerning the management of science.

v. Carson to Members of the Advisory Committee on Philanthropy Study, 23 Oct. 1959; Dickinson, “Notes for Meeting on November 9, 1959 of Advisory Committee on Philanthropy Study,” pp. 1-2 and 5-6 respectively; Dickinson, “The Changing Position of Philanthropy in the American Economy,” 20 May 1960; Fabricant to Arthur F. Burns and alii, 8 Dec. 1960, folder 516, box 59, Studies in Philanthropy, RSFARAC. The exchanges between Fabricant and Boulding make it clear that with regard to the economists’ contributions the main objective of the conference was to have theoretical papers dealing with the policy issues bearing on philanthropy. In a letter to Boulding, Dickinson noted that the “problem of working philanthropy into utility theory is an interesting challenge:” see Fabricant to Boulding; 7 Dec. 1960, Boulding to Fabricant, 11 Dec. 1960; Fabricant to Boulding, 20 Dec. 1960; and Dickinson to Boulding, 5 June 1961, Box 24, Folder “Conference on Philanthropy,” Kenneth Boulding Papers, Bentley Historical Library, University of Michigan (hereafter designated KEBUM Papers). Curti’s (1957) “The History of American Philanthropy as a Field of Research,” published in the *American Historical Review*, is regarded as “the first announcement to the historical profession of the importance of research in foundation philanthropy” (Barry Karl 1999, 288; see also Lucy Bernholz 1999, 359-360).

vi. While a positive correlation between *A*’s utility level and *B*’s consumption level can be taken to indicate *A*’s philanthropic behavior, a negative correlation may indicate *A*’s discrimination against *B*. In terms of utility interdependence, philanthropy and discrimination are but the two sides of the same coin.

vii. Dickinson, “Preliminary Statement Regarding Philanthropy Conference, June 1961,” 8 Dec. 1960, folder 516, box 59. After the conference, Young and Fabricant conferred on the opportunity to put together the papers. Young opposed the idea because he considered that the material proposed for the collection was “quite uneven.” Fabricant decided to go ahead all the same (Fabricant to Young, 29 Jan. 1962; Young to Fabricant, 6 Feb. 1962; Fabricant to Young, 27 Feb. 1962, folder 517, box 60, Studies in Philanthropy, RSFARAC).

viii. Vickrey, too, used the term “empathy” but in the sense of concern for the welfare of others. Before Boulding used the imagined change of positions in the analysis of philanthropy, others economists, such as Vickrey (1945, 1960) and Harsanyi (1955), had used it in welfare economics (see Fontaine [2001]). Yet, interestingly, neither Vickrey nor Harsanyi nor the many other welfare economists who used the empathy notion in the context of utility interpersonal comparisons, explored its virtues for the study of unselfish behavior.

ix. On the debates that were relevant to Boulding’s analysis of the gift, especially the

controversy between the “substantivists” and the “formalists,” see Mirowski (1994).

x. From the late 1940 to the late 1950s, Buchanan (1949, 1954a, 1954b) had demonstrated a clear understanding of the central issues of the public finance and welfare economic literatures. For an examination of his contribution to “public choice theory” and issues of related interest see Steven G. Medema (2000) and Sonja Amadae (2003, especially Ch. 3). Amadae notes the significance of Kenneth Arrow’s 1951 *Social Choice and Individual Values* in prompting Buchanan to write the two essays of 1954.

xi. *The Calculus of Consent* by Buchanan and Tullock (1962), his colleague at the University of Virginia from 1958, had just come out. Following its publication, the two authors organized a meeting in Charlottesville in October 1963 to which they invited several scholars who were working at the intersection of economics and politics, notably Olson, Downs, John Rawls and Roland McKean. This meeting later gave rise to the Public Choice Society and the journal *Public Choice* (see Buchanan 1995). For a detailed account of the professionalization of public choice analysis see Medema (2000).

xii. As suggested by Buchanan himself, his analysis in terms of groups may also have been influenced by James Q. Wilson and Banfield’s (1964) important article, “Public-Regardingness as a Value Premise in Voting Behavior.” It is interesting to note that in the latter self-interest, narrowly conceived, is equated with maximization of one’s family income. For another example of his interest in group size in the mid-1960s, see Buchanan’s (1965b) theory of clubs.

xiii. At almost the same time, Michael Taussig, an economics graduate student at MIT started to work on philanthropy at the suggestion of Daniel Holland who had just received a large body of tax data and who enlisted a few students to make use of it. Funnily enough, it is this gift that arose interest in philanthropy at MIT, for otherwise the determinants of philanthropic behavior did not seem to attract much attention there. Taussig (1965) submitted his Ph.D. thesis, *The charitable contributions deduction in the federal personal income tax*, in August 1965, with E. Cary Brown and Holland as first and second readers, and Charles Kindelberger completing the committee (Taussig to Fontaine, 2 June 2000).

xiv. In the late 1960s, Boulding’s published work imperfectly reflected his interest in one-way transfers. To what has already been mentioned, however, should be added Boulding (1967a, 1967b). Horvath to Boulding and Pfaff, 24 Sept. 1968, Folder “Correspondence with Janos Horvath,” box 153, Kenneth Boulding Papers, University of Colorado at Boulder Libraries, Boulder, Colorado (hereafter designated BPUCB). In the fall of 1969, the creation of the ASGE was publicized in *Public Choice*, edited by Tullock, an emanation of *Papers on Non-Market Decision Making* created in 1966.

xv. Boulding, “A special letter from the President of the American Economic Association to those members who have urged us to move the December 1968 meeting away from Chicago,” 28 Sept. 1968, Folder “Historical Note from the President, 1968,” box 17, BPUCB.

xvi. From the mid-1960s the economics of disaster really took off, focusing on the effects of disaster on unselfish behavior. The connections with conflict analysis were strong, as most works on disaster were conducted either at RAND or the Institute for Defense Analyses, Arlington, Virginia (see Louis De Alessi 1967, 1968; Hirshleifer 1967; Kunreuther 1967; Dacy and Kunreuther 1969; and Christopher Douthy 1972). On

the various explanations of postdisaster cooperation see Alessi (1975).

xvii. At the time, Tullock (1972) was finishing up “Economic Imperialism: The Tendency of Economics to Take over Everything,” which he presented at the Annual Meeting of the American Association for the Advancement of Science (AAAS) in December 1969 and was later included in *Theory of Public Choice* edited by Buchanan and Robert Tollison. Regarding Buchanan’s and Tullock’s issues with the University of Virginia see discussion in Medema (2007).

xviii. A couple of months earlier, the article by Hochman and Rodgers, “Pareto Optimal Distribution,” had come out in the AER. Likewise, David Johnson and Thomas Ireland, who had written their doctoral dissertations—*The Fundamental Economics of the Charity Market* and *Charity Budgeting* under the supervision of Tullock and Buchanan, respectively—were already working on *The Economics of Charity* published under the auspices of the Center for Study of Public Choice in 1970, with a foreword by Tullock (1971), who was then writing the draft of “The Charity of the Uncharitable.”

xix. In the wake of the creation of the ASGE, Boulding (1969b) stressed the intersection set between grants economy and public choice in a short article which Tullock, the editor of *Public Choice*, included in one of its the first issues. To Pfaff, Boulding wrote: “The more I think about it, the more I wonder whether we should not simply amalgamate the incipient Association for the Study of the Grants Economy with the Public Choice Society, as this is an on-going concern and our interests have such a large area of overlap. Perhaps the non-intersecting parts of the sets could easily be taken care of. The one thing that worries me is that the Public Choice Society does not have a very international outlook, which I think is really needed; on the other hand, I suppose it might be pushed in that direction and I am sure that Tullock would not be averse to this” (Boulding to Pfaff, 3 March 1969, Folder “Correspondence with Martin Pfaff,” box 153, BPUCB).

xx. Boulding responded orally to Olson’s critique and two months later he developed his rejoinder in “The Network of Interdependence,” delivered at the meetings of the Public Choice Society in Chicago, which Boulding sent to Buchanan, Olson, Vincent Ostrom and Tullock prior to the conference. Boulding to Musgrave, 8 Jan. 1970, box 78, folder “MURAKAMI NUNLIST,” BPUCB.

xxi. Musgrave’s reaction was but one among many that mostly appeared in the AER in the early 1970s. The impact of the article by Hochman and Rodgers is less perceptible now that the use of utility interdependence has deserted the analysis of income distribution in society to the study of transfers within families and groups.

xxii. In support of their idea that government intervention might be necessary to achieve a Pareto optimum, both Scott (1972, 18) and Schall (1972, 24) closed their article with a reference to the AER article by Hochman and Rodgers. Scott’s article was one of the first economics articles to use the term “altruism” in its title. After 1972, the term acquired wider currency in economics.

xxiii. Although the conference on “altruism” may have benefited from the recognized significance of philanthropy studies at RSF—philanthropy was one the “eight major areas of foundation activity” during Brim’s presidency (Wheeler 1994, 109)—there is no reason to think that it was seen as a direct contribution to that research area.

xxiv. Phelps to Brim, 19 Oct. 1971, folder 493, box 57, Studies in Philanthropy, RSFARAC.

xxv. To this day, Arrow has not put this project of article on paper, but when asked what he meant by it, he explains: “it is an old idea of mine,” which has something to do with his interest in “the judicial system, trust, and the like” as they “are essential to the very logic of an economic system” (Arrow to Fontaine, 31 May 2000). This idea was somewhat developed in the Fels lectures for 1970-71, in particular, Chapter 1 entitled “Rationality: Individual and Social,” in which Arrow (1974, 24) stressed the importance of “social feelings, trust, and empathy.” For a detailed account of the reception of *The Gift Relationship* in economics see Fontaine (2002).

xxvi. Phelps to Brim, 19 Oct. 1971, folder 493, box 57, Studies in Philanthropy, RSFARAC. The contributions of social psychologists in the late 1960s showed, however, that interest in seemingly unselfish behavior (helping) could be positively correlated with the significance of the selfishness assumption in a subject. Phelps to Brim, 19 Oct. 1971, folder 493, box 57, Studies in Philanthropy, RSFARAC.

xxvii. A political philosopher, Rawls had nonetheless a good understanding of economic theory and his discussion with economists largely preceded the “altruism” conference. The seminar he organized with Arrow and Sen at Harvard in 1968 is testimony to Rawls’s engagement with rational choice theory (see Amadae 2003, 258-73).

xxviii. Brim to Phelps, 1 Dec. 1971. After the Board at the RSF considered the Phelps proposal, a trustee perceptively observed: “The word ‘altruism’ is not too well chosen.... For example, I do not regard a butcher who refrains from short-weighting a ‘benevolent’ butcher. Imperfect information is not limited to areas of discrimination, unsafe factories, gouging, and Smithian short-weighting butchers. We need not rely on the opposite of altruism in order to develop a theory of altruism” (William Greenough to Brim, 19 Nov. 1971, folder 493, box 57, Studies in Philanthropy, RSFARAC). Sills to Hugh Cline [the new President of the RSF], 31 Oct. 1973, folder 493, box 57, Studies in Philanthropy, RSFARAC.

xxix. Pfaff to Sheldon, 31 Jul. 1972, folder 493, box 57, Studies in Philanthropy, RSFARAC.

xxx. Among the contributors, Alchian adapted an extract from *Exchange and Production*—which he had co-authored with Allen—in which they showed that philanthropy was consistent with utility maximization; Tullock (1971) had “The Charity of the Uncharitable” of December 1971 reprinted for the occasion; Culyer (1971), who had already made a significant contribution to the economics of giving in the context of the analysis of medical care and who had been in close contact with economists from the University of Virginia through the IEA, produced an original piece, “*Quids Without Quos—A Praxeological Approach.*” Finally, Ireland and Johnson each made a contribution to the volume: the former by adapting an article of his published in the Fall 1969 issue of *Public Choice*; the latter by drawing on his dissertation to write on the theory and practice of the charity market. For a detailed account of the book and its origins see Fontaine (2002, 425-9).

xxxi. There were, of course, the attempts to expand the equilibrium notion to cases with utility interdependence. These works, however, dealt with the implications of utility interdependence for the Pareto optimality of competitive equilibrium, not with the analysis of unselfish behavior per se. A telling illustration is Geoffrey Brennan (1973) who showed that the question of Pareto desirable redistribution can be considered by examining the implications of envy and malice, rather than generosity.

xxxii. Hochman and Rodgers's article stemmed from a suggestion by Henry Aaron. Dismissing the reservations raised by the attempts of Tullock and others in that direction, let alone their own misgivings, Hochman and Rodgers decided to use charitable contributions as a proxy and eventually produced "Utility Interdependence and Income Transfers through Charity" (Hochman to Fontaine, 16 June 2000).

xxxiii. Barro to Becker, 19 April 1974 (in possession of Becker). Barro explained: "Once this connection became clear [to me], George Stigler—then my co-editor of the *Journal of Political Economy*—proposed that Gary's paper on social interactions appear together with mine in the November/December issue of the journal" (1998, 47-48).

xxxiv. Interestingly, Stefano Zamagni's (1995) anthology, *The Economics of Altruism*, includes "Altruism, Egoism, and Genetic Fitness: Economics and Sociobiology" (Becker 1976) and "Altruism in the Family and Selfishness in the Market Place" (1981), but leaves aside "A Theory of Social Interactions."

xxxv. Baumol's contribution, which had already been published elsewhere, was a late addition to the volume and Pauwels's, a simple mathematical note on Phelps's own contribution.

xxxvi. Rapoport (1960, 60-47) studied parasitism in relation to co-operation in the context of a production and exchange model with and without utility interdependence. He wrote that "[t]he only 'ethics' which leads to the attainment of maximum joint utility in the model of society we have considered is the 'egalitarian ethic,' in which the concern for self and for other are of equal weight" (73). Interestingly, he added that although there is no parasitism with two isolated agents whose individual utility functions valorize only the arguments related to the other, the social outcome associated with that situation remains nonetheless unfavorable.

xxxvii. A remarkable illustration of such a separation can be found in Becker's (1981) "Altruism in the Family and Selfishness in the Market Place" (1981) and, more generally, in most contemporary work on "altruism" (see, for instance, Oded Stark's (1995) *Altruism and Beyond: An Economic Analysis of Transfers and Exchanges within Families and Groups*).

xxxviii. Jean-Jacques Laffont's (1975) attempt to sketch a Kantian economics stands as an interesting illustration of the tensions associated with the representations of seemingly unselfish behavior in the discipline in the mid-1970s. Interestingly, Laffont saw the homo economicus paradigm as assuming selfish, not self-interested, agents and accordingly contrasted this characterization with a kind of "Kantian" behavior.

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