Government as a super Becker-altruist: A comment*

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In a recent note in this journal, Bruce Bolnick (1979: 499) argued that ‘... government can be more than a mere substitute for private altruism. It can serve as a super Becker-altruist, overcoming many of the limitations of private transfers...’ The crux of his argument (1979: 503) was the assertion that ‘... if a government having the power to tax and transfer established a well-defined homothetic utility function $U^*(X_h, X_i, X_j, ...)$, Becker’s argument would become globally relevant.’ I present here two reasons that suggest skepticism for Professor Bolnick’s conclusion.

1. Concerning political consistency

Writers on economic altruism, or reciprocal altruism as it is called in biology (Trivers, 1971; Becker, 1976, 1977; Hirshleifer, 1977; Tullock, 1977), have stressed the need for individuals to be associated in close, long-term arrangements. Selfish individuals have to be confident of the intentions (i.e., utility functions) of potential altruists and selfish individuals have to be confident that the association will last long enough for the altruist to, in fact, reciprocate. These conditions are necessary in order to police free riders. It is difficult to imagine a political system that would generate the consistency of government action required for reciprocal altruism.

2. Concerning governmental efficiency

There is an aspect of Becker’s original analysis that tends to gloss over an important element of the altruistic process. Becker (1974, 1976) treated income both as an exogenously determined constraint and as an endogenously determined choice variable. While this procedure did not prevent...

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Becker from demonstrating fundamental principles of altruism, the procedure did sow some confusion that I believe has surfaced in Bolnick's paper.

Some simple modifications to Becker's model will serve to illustrate the point. Let $I_h$ and $I_i$ be exogenously determined resource endowments of the altruist and egoist respectively. They use the resource to produce a single commodity where $X_h$ is the amount produced by the altruist and $X_i$ is the amount produced by the egoist. Unlike Becker, assume that (1) $I_h$ and $I_i$ cannot be changed by actions of either party and (2) the resource cost of producing commodities is different for the different individuals. Let $p_h$ be the constant per-unit cost facing the altruist and $p_i$ be the constant per-unit cost facing the egoist. This production approach, which follows from Hirshleifer (1977), seems to facilitate the presentation and does not detract from the argument.

Let $T$ be the amount of resources transferred from the egoist to the altruist and let $H$ be the amount of commodities transferred from the altruist to the egoist (negative values would indicate transfers in the opposite direction). Assume that transfers of resources or commodities could be accomplished with zero transaction costs. Then the social endowment of resources, $S_o$, is represented by (1) and the individual production constraints by (2) and (3). Substitution yields the social production constraint in (4):

$$S_o = I_i + I_h = (I_i - T) + (I_h + T)$$

$$I_i - T \geq p_i X_i$$

$$I_h + T \geq p_h X_h$$

$$S_o \geq p_i X_i + p_h X_h$$

The altruist has a utility function

$$U_h = U_h(X_h - H, X_i + H)$$

where $\frac{\partial U_h}{\partial (X_h - H)}$ and $\frac{\partial U_h}{\partial (X_i + H)}$ are both positive.

I will use the term 'efficiency' with respect to the relative costs of production. The altruist will be said to be more efficient than the egoist if the ratio of $p_i$ to $p_h$ is greater than one and less efficient than the egoist if the ratio is less than one.

The first class of cases of altruism, those illustrated in Figure 1, occur when the altruist is less efficient in production than the egoist. If altruism occurs, in these cases, it is always to the advantage of the altruist to transfer resources and not commodities to the egoist. Whether or not altruism will occur depends upon the nature of the altruist's utility function, the distribution of