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## Critical Commentary

# What is altruism? ☆

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### Abstract

The paper defines altruism as charity. The second section of the paper criticizes three rationalistic (what is called “interactional”) theories of altruism, viz., the egoistic, egocentric, and altercentric perspectives. The third section criticizes three normative (what is named “self-actional”) theories of altruism, viz., the Kantian, the socialization argument, and “warm glow” story. The fourth section elaborates on three implications of altruism qua charity. First, while altruism differs from self-interest, it is still within the domain of rational theory. Second, altruism should not be confused with parental care or, what is the same thing, philanthropy. Third, altruism should be distinguished from honesty.

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## 1. Introduction

On August 5, 1991, an Amish family of 10 members was traveling on a horse-drawn buggy on a north-central Ohio road. A pickup truck, driven by an intoxicated driver, slammed into the back of the buggy, killing six of the 10 instantly. The rest – all children aged, 5, 4, 2, and 1 – were left parentless. The Amish family did not carry insurance, and they do not believe in lawsuits. A local bank in Mansfield, Ohio, set up an account on their behalf that was announced in the *Mansfield News Journal*, the local newspaper. The newspaper reported that as of October 23, 1991, the account received many donations, totaling \$141,000.

The act of charity by anonymous donors can, but with some difficulty, find an accommodation in the *Homo economicus* house of neoclassical economists. The difficulty originates from the fact that the tools of neoclassical economics have not been originally developed to account for anonymous donation. This failing can be overlooked if it is not for the fact that anonymous donation is not a rare event. The donation of blood, for instance, is a common practice in many parts of the world – despite the fact that the donation receives little public fanfare and little pecuniary reward. Interestingly, some authors have shown theoretically (e.g., Stewart, 1992) and empirically (Titmuss, 1970) that the supply of blood would decline if it were sold via the market. The phenomenon of altruism is generally a considerable component of any society. The phenomenon started to attract the attention of neoclassical economists only recently (e.g., Becker, 1991; Bergstrom, 1996). Altruism can be witnessed at small-scale “gift” sharing in small villages in the developing world to institutionalized charity organizations, associated with community groups, in modern societies.

The paper does not provide a theory of altruism. It only exposes the failings of existing theories, heightened by the view of altruism qua charity – as illustrated in the Amish case. The paper reviews the limitations of existing theories given some of the ramifications, discussed in the paper, of the view of altruism qua charity:

1. Insofar as charity is motivated by the concern over the welfare of the recipient, the benefactor should end up with a lower pecuniary benefit.
2. On the other hand, if the donor is solely motivated by the concern for the welfare of the other, how to distinguish charity from sentimental foolishness? A relatively poor person who gives most of his income to charity would be judged as a sentimental fool. That is, one needs a rational choice model to analyze altruism. So, contrary to some positions (e.g., Helms & Keilany, 1991), altruism does not pose a serious anomaly to the neoclassical approach.
3. If altruism is about charity, altruism cannot be the defining element of the parent–child transfer of wealth. Otherwise, it would be more efficient – as measured by the amount of welfare per dollar – to support the homeless instead of raising children.
4. One should not model altruism as about honesty (the origin of justice). When one pays his debts or discloses the defects of his products, one is not necessarily acting out of altruism qua charity. Any behavior stemming from the concern over fair-

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