Reciprocity and the Welfare State

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A man ought to be a friend to his friend and repay gift with gift. People should meet smiles with smiles and lies with treachery.

The Edda, a 13th century collection of Norse epic verse.

1 Introduction

The modern welfare state is one of the more remarkable human achievements. In the advanced economies, a substantial fraction of total income is regularly transferred from the better off to the less well off, and the governments which preside over these transfers are regularly reelected by publics that strongly endorse redistributive ethics. While the extent of the effect of redistributive programs on the eventual distribution of living standards is difficult to determine (because the counterfactual state is unobserved), there can be little doubt that the considerable support for the modern welfare state even among the well-to-do constitutes the most significant case in human history of a substantially voluntary egalitarian redistribution of income among total strangers.1

We think that economists have for the most part misunderstood this phenomenon due to their endorsement of an empirically implausible theory of selfish human

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1Particular advanced nations differ considerably in the types of programs, their degree of effective egalitarianism, and the extent of their popular support. Explaining these differences has been a major research challenge to social scientists over the past four decades (Wilensky and Lebeau 1958, Esping-Anderson 1990, Huber, Ragin and J.Stephens 1993, Boix 1998). By contrast we are concerned here with a different question, namely what accounts for the phenomenon common to all these countries, namely substantial egalitarian redistribution under democratically elected states.
motivation often summarized by the term *Homo economicus*. Understanding why citizens regularly vote for parties endorsing redistributive policies (or vote at all, for that matter), we will show, would be better served by a reconsideration of the behavioral assumptions of economics. By contrast to the conventional economic explanation, we will show that people support the welfare state because it conforms to deeply held norms of reciprocity and conditional obligations to others.

The most widely accepted model of demand for redistribution in economics is the *median voter model*, the gist of which is that each self-interested voter desires a personal wealth-maximizing level of redistribution, so that the redistribution implemented by a government elected under a majority rule system is that preferred by the median voter. Because the distribution of income is generally skewed to the right (there is a small but significant number of very rich individuals), the median voter is poorer than the mean voter and will therefore demand a positive level of taxes and redistribution. One important implication of this model is that demand for redistribution decreases with personal income (Roberts 1977). Indeed, empirical studies find that personal income usually has a significant effect on support for or opposition to redistribution. However, the magnitude of this effect is relatively small compared with other measures discussed below, and its significance level is not consistently high.

Thus a person’s income is a surprisingly poor predictor of support for and opposition to redistribution (Gilens 1999, Fong forthcoming): large fractions of the poor oppose income redistribution and large fractions of the rich support it. Among respondents of a nationally representative American survey (Gallup Organization 1998) who have annual household incomes of at least $150,000 and expect their lives to improve in the next five years 24 percent respond that the government should “redistribute wealth by heavy taxes on the rich,” and 67 percent respond that the “government in Washington DC should make every possible effort to improve the social and economic position of the poor.” Equally striking is the fact that among those with annual family incomes of less than $10,000 who did not expect to be better off in five years, 32 percent report that the government should not redistribute wealth by heavy taxes on the rich, and 23 percent say that the poor should help themselves rather than having the government “make every possible effort to improve the...position of the poor.”

Why is this the case? Self-interest is an important human motive, and income does explain some of the variance in redistributive attitudes. However, in the countries for which we have relevant data, other motives appear to be at work. Abundant evidence from across the social sciences—much of it focusing on the United States

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The numbers of observations for these questions were 78 and 79 for the poor group and 294 and 281, respectively, for the rich group. Gilens (1999) makes similar observations using earlier data.
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with similar findings in smaller quantities from other countries around the world—
has shown that when people blame the poor for their poverty, they support less
redistribution than when they believe that the poor are poor through no fault of their
own. That is, generosity toward the poor is conditional on the belief that the poor
are worthy. (Williamson 1974, Heclo 1986, Kluegel and Smith 1986, Hochschild
1972 sample of white women in Boston the perceived work ethic of the poor was
a far better predictor of support for aid to the poor than one’s family income, reli-
gion, education, and a host of other demographic and social background variables
(Williamson 1974). Indeed in predicting support for such aid, the addition of a sin-
gle variable measuring beliefs about work motivation tripled the explanatory power
made possible using all of the above background variables.

Many researchers have interpreted the effect of beliefs about the worthiness of
the poor on redistributive attitudes as reflecting the principle of equity, which holds
that individuals deserve social payments that are proportional to their contributions
to society (Walster, Walster and Berscheid 1978, Deutsch 1985, Kluegel and Smith
1986, Miller 1999). The findings reported below are consistent with this interpre-
tation and we submit that reciprocity may be a basic human motive that in modern
market economies is expressed in the form recognized as the principle of equity.

In Table 1 we show that in twelve European countries, people who say that
poverty is the results of the laziness of the poor support less government redistri-
bution and are less concerned about unemployment, poverty, and inequality than
people who do not. Our international data are from a Eurobarometer survey con-
ducted in 1989 (Reif and Melich 1993). The survey is designed to be nationally
representative of the population aged fifteen and over in the twelve European Union
countries of that time. The data set has 11,819 respondents. Of these, we use
the 8239 respondents who answered all of the questions included in our analysis.
Our dependent variable is the sum of responses to four questions that ask about
the importance of fighting unemployment (1) and poverty (2), the importance
of reducing differences between regions within the country by helping regions that
are less developed or in difficulties (3), and whether the public authorities in the

3 Standard median voter models of both altruistic and purely self-interested demand for public
redistribution are easily extended to accommodate this finding. See, for instance, Luttmer (1998). A
second argument for extending models of simple altruism, from the literature on charitable giving, is
that they fail empirical tests of Ricardian equivalence. That is, if altruism is simply an argument in
the donor’s utility function for the incomes of the recipients or the total contribution to a public good,
then government transfers should completely crowd out private giving to the poor. Sugden (1985)
provides evidence that this is not the case. Andreoni (1989) provides a model of warm-glow altruism
in which individuals also care about the size of their contribution to recipients or a public good.

4 The twelve countries are Belgium, Denmark, Germany, Greece, Spain, France, Ireland, Italy,
Luxembourg, Netherlands, Portugal, and the United Kingdom.
country do all that they should for poor people (4). The measure increases in concern about poverty, unemployment, and inequality and the belief that the public authorities “do enough for poor people.” For simplicity, we refer to this composite measure as “concern about poverty.” Our independent variable of primary interest is the belief that poverty is caused by laziness rather than being caused by bad luck, injustice, or no reason at all, or that poverty is inevitable. The other variables included in the regression are income quartiles, sex, whether or not the respondent is a manager, age and age squared. Note that item (4) in our dependent variable is explicitly country specific. Cross country comparisons of a question like this are of little value because people in a country with a generous redistribution system may care very much about poverty but believe that their own government is doing a good job of addressing. The other three items used to construct our dependent measure are subject to the same concern, albeit to a lesser extent. In addition, there are an untold number of differences between countries that would bias our results if not addressed. Therefore, we use a common technique called country fixed effects regression, which controls for factors—including aggregate macroeconomic variables—that differ across countries but are the same for all individuals within a country.

The results, presented in Table 1, show that when people say that poverty is caused by laziness, they are less concerned about poverty than the rest of the respondents by nearly half a standard deviation. In contrast, income has a very modest effect. The differences in concern about poverty between the richest and poorest quartiles is less than a quarter as great as the difference between those who think that poverty is due to laziness and those who do not. Sex and occupation have significant effects on concern about poverty with women being more concerned than

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5The exact wording of this questions is: “Why, in your opinion, are there people who live in need? Here are four opinions, which is the closest to yours? 1. Because they have been unlucky; 2. Because of laziness and lack of willpower; 3. Because there is much injustice in our society; 4. It is an inevitable part of modern progress; 5. None of these <reasons>.” Our dummy variable is one for respondents who answered “Because of laziness and lack of willpower,” and zero for respondents who gave one of the other four responses.

6These results are quite robust and do not depend on the particular sample and specification that we present. We have tried various combinations of the four questions used in our dependent variable in a number of specifications. In every case, the size of the effect of moving up to the next income quartile is an order of magnitude smaller than the size of the effect of believing that the poverty exists because the poor are lazy. When the question about whether or not the public authorities are doing enough for the poor was omitted from our composite measure of concern about poverty, the effect of income was not even significant, regardless of whether other demographic variables were included in the regression, while the effect of beliefs that the poor are lazy remained large and highly significant. The other demographic variables did not have consistent effects; whether or not their effects are significant depends on how the dependent variable is measured. However, the effects of sex and occupation (being a manager versus not) are usually significant and in the expected direction.
men and managers being less concerned than non-managers.

2 Homo Reciprocans

We do not doubt that selfish motives often underpin apparently generous actions. Indeed the economists’ explanation of the welfare state is an example of the theory of reciprocal altruism initiated by Trivers (1971) and shown to have wide application to many realms of social behavior. Rather, we suggest that they are incomplete, since they fail to give an adequate account either of the reasons for sharing one’s income with strangers, or for the resistance that the imposition of such sharing often evokes. In short neither support for the welfare state nor opposition to it can be adequately understood in terms of self-regarding preferences defined over outcomes.

Understanding egalitarian politics today thus requires a reconsideration of Homo economicus, the unremittingly selfish prototype whose asocial propensities have provided the starting point for deliberations on constitutions and policies from Thomas Hobbes to the current U. S. debate on welfare reform. We do not wish to replace the textbook Homo, however, with a cardboard-cutout altruist, an equally one-dimensional actor unconditionally willing to make personally costly contributions to others. While the motives of Homo altruisticans are much admired by many advocates of the welfare state, we doubt that unconditional altruism explains its success any more adequately than does self-interest. Nor, as we shall see, does an absence of altruism explain the current malaise with redistributive policies in the
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U. S. and elsewhere. What we term strong reciprocity, along with basic needs generosity, not unconditional altruism, better explains the motivations that account for the political success of the welfare state. By strong reciprocity we mean a propensity to cooperate and share with others similarly disposed, even at personal cost, and a willingness to punish those who violate cooperative and other social norms, even when punishing is personally costly. We call a person acting this way Homo reciprocans. Homo reciprocans cares about the well-being of others and about the processes determining outcomes—whether they are fair, for example, or violate a social norm. He differs in this from the self-regarding and outcome-oriented Homo economicus. He differs from Homo altruisticans in that his generosity is conditional on the behaviors of proposed recipients, whether it be hard work or conforming to societal norms concerning drug use or marriage.

Homo reciprocans is not committed to the abstract goal of equal outcomes, but rather to a rough balancing out of burdens and rewards. In earlier times—when, for example, an individual’s conventional claim on material resources was conditioned by noble birth or divine origin—what counted as “balancing out” might entail highly unequal comfort and wealth. But, as we will see, in the absence of specific counter-claims, modern forms of reciprocity often take equal division as a reference point.

The strong reciprocity of Homo reciprocans goes considerably beyond those cooperative behaviors that can be fully accounted for in terms of the self-regarding, outcome oriented motives that are the defining characteristics of Homo economicus. We call these self-interested forms of cooperation ‘weak reciprocity.’ Examples include market exchange and cooperation enforced by tit-for-tat behavior—what biologists call ‘reciprocal altruism.’ Such actions are costly to the giver but in fact are self-interested because they involve future repayment. By contrast, strong reciprocity, like the biologists’ concept of altruism, imposes costs on Homo reciprocans without prospect of repayment. Yet unlike the vernacular usage of altruism, it is neither unconditional nor necessarily motivated by good will towards the recipient.

As we will see, all three of our Homo—economicus, reciprocans, and altruisticans—appear to be represented in most groups of any size. For this reason, egalitarian policy-making, no less than the grand projects of constitutional designing, risks irrelevance if it ignores the irreducible heterogeneity of human motivations. The problem of institutional design is not, as the classical economists thought, that uniformly selfish individuals be induced to interact in ways producing desirable aggregate outcomes, but rather that a mix of motives—selfish, reciprocal, and altruistic—interact in ways that prevent the selfish from exploiting the generous and hence unraveling cooperation when it is beneficial.

Students of cultural and biological evolution have long wondered how individually costly but socially beneficial traits, such as altruism, might evolve in competi-
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...tion with genetically and economically rewarded selfish traits. Like altruism toward strangers, which reduces the fitness of the altruist and hence should be eliminated by Darwinian competition, strong reciprocity thus represents an evolutionary puzzle, one that we will seek to unravel. But first we will show that *Homo reciprocans* is indeed among the *dramatis personae* in today’s political arena, and most likely has been for the last hundred thousand years.

### 3 The Origins of Reciprocity

Both historical and contemporary experimental evidence support our claim that support for egalitarian programs is often based on commitment to strong reciprocity, as has been outlined by Ernst Fehr in Chapter ? of this volume. Consider first the historical evidence. In his *Injustice: The Social Bases of Obedience and Revolt*, Barrington Moore, Jr. (1978) sought to discern if there might be common motivational bases—"general conceptions of unfair and unjust behavior" (21)—for the moral outrage fueling struggles for justice that have recurred throughout human history. “There are grounds,” he concludes from his wide-ranging investigation,

> for suspecting that the welter of moral codes may conceal a certain unity of original form...a general ground plan, a conception of what social relationships ought to be. It is a conception that by no means excludes hierarchy and authority, where exceptional qualities and defects can be the source of enormous admiration and awe. At the same time, it is one where services and favors, trust and affection, in the course of mutual exchanges, are ideally expected to find some rough balancing out. (4-5,509)

Moore termed the general ground plan he uncovered “the concept of reciprocity—or better, mutual obligation, a term that does not imply equality of burdens or obligations…” (506) In like manner James Scott (1976) analyzed agrarian revolts, identifying violations of the “norm of reciprocity” as one the essential triggers of insurrectionary motivations. We do not think that Scott’s or Moore’s assessments are idiosyncratic.

One is tempted to consider strong reciprocity a late arrival in social evolution, possibly one whose provenance is to be found in Enlightenment individualism, or later in the era of liberal democratic or socialist societies—a set of beliefs whose reproduction is secured by the deliberate inculcation of modern concepts of distributive justice through schooling and other intentional means. However, this account does not square with overwhelming evidence of the distant etiology of strong reciprocity.
Christopher Boehm, a primatologist at the University of Southern California, concluded on the basis of an encyclopedic survey that (1993):226

…with the advent of anatomically modern humans who continued to live in small groups and had not yet domesticated plants and animals, it is very likely that all human societies practiced egalitarian behavior and that most of the time they did so very successfully. One main conclusion, then, is that intentional leveling linked to an egalitarian ethos is an immediate and probably an extremely widespread cause of human societies’ failing to develop authoritative or coercive leadership.

Anthropologist Bruce Knauft of Emory University (1991):393,395 adds:

In all ethnographically known simple societies, cooperative sharing of provisions is extended to mates, offspring, and many others within the band. …Archeological evidence suggests that widespread networks facilitating diffuse access to and transfer of resources and information have been pronounced at least since the Upper Paleolithic…The strong internalization of a sharing ethic is in many respects the *sine qua non* of culture in these societies.

Far from a mere moment in the history of anatomically modern humans, the period described by Knauft and Boehm spans something like 90,000 years before the present to the advent and spread of agriculture 11,000 years ago, or perhaps ninety percent of the time we have existed on the planet.

One group of contemporary foragers, the Aché of Eastern Paraguay, have been particularly closely studied, and the amounts and nutritional values of food acquired and consumed by members of the group measured (Kaplan, Hill, Hawkes and Hurtado 1984). Sharing is so widespread, the researchers found, that on average three quarters of what anyone eats was acquired by someone outside the consumer’s nuclear family, and even more remarkable, in the case of meat and honey, the main goods foraged by men:

- women, children and adult siblings of the acquirer receive no more…from their husbands, fathers and brothers respectively than would be expected by chance, and men eat from their own kills a good deal *less* than would be expected by chance.

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The Aché are probably unusually egalitarian, and there is some evidence that hunting prowess is rewarded, if not with more food, then with enhanced social esteem and increased mating success. Nevertheless it is typical in foraging societies that families with less successful hunters, and indeed those unable to hunt, are nonetheless adequately provisioned by the group.

The resulting egalitarian distribution of resources is not the unintended byproduct of an ecological or other constraint; rather it is deliberately sought. Using data from forty-eight simple societies, Boehm (1993):239 concluded that

…these societies may be considered to be intentional communities, groups of people that make up their minds about the amount of hierarchy they wish to live with and then see to it that the program is followed. (239)

He found evidence that the following constrained potentially arrogant members of the group: public opinion, criticism and ridicule, disobedience, ostracism and assassination. It seems likely then, that most of human history has been characterized by what James Woodburn (1982):431 calls “politically assertive egalitarianism.”

The modern welfare state is thus but an example of a ubiquitous social form. Sharing institutions, from families to extended gift giving, to barn raisings and tithing, to egalitarian division rules for the catch of the hunt, have cropped up in human history with such regularity and under such diverse circumstances that one is tempted to place them among Talcott Parsons’ (1964) evolutionary universals: social institutions that confer such extensive benefits upon their users that they regularly reappear in course of history in otherwise diverse societies.

Karl Polanyi’s (1957) account of the reaction to the human costs of Nineteenth Century laissez-faire capitalism and the eventual emergence of modern protections of the weak from the predations of the strong and the vicissitudes of the market, as well as the sharing of the national product, records just one of thousands of cases of the independent emergence of institutions of this type. The evolutionary viability of sharing institutions and of the motivations that support them counsels against those who have written off egalitarianism as an idea whose time has come and gone.8

Our suggestion that these distantly originating behaviors may be important influences on contemporary behavior is not an ethical endorsement of them or the societies from which they originated—indeed some of the baser human motives, such as the desire for revenge, are examples of strong reciprocity. Rather it is a hypothesis that if true has significant bearing on present day egalitarianism, because

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8 On the structural basis of pro-social norms in a game-theoretic framework, see Bowles and Gintis (1998b). On the relationship of market institutions to the development of culture, see Bowles (1998). On the evolution of strong reciprocity, see Bowles and Gintis (1998a). This and other papers can be downloaded from the web site www-unix.oit.umass.edu/~gintis.
it can help us understand the pattern of public approval and disapproval of welfare state initiatives. Is it true?

The experimental evidence, casual observation of everyday life, ethnographic and paleoanthropological accounts of hunter-gatherer foraging bands from the late paleolithic to the present and historical narratives of collective struggles have combined to convince us that strong reciprocity is a powerful and ubiquitous motive. But we hesitate to revise *Homo economicus* by elevating the individually costly sharing and punishment of norm violators characteristic of *Homo reciprocans* to a privileged place in the repertoire of human behaviors until we have addressed the evolutionary puzzle posed above. In short we are more prone to believe and to generalize from the experimental and historical evidence we have introduced if we can explain how strong reciprocity motives might have evolved despite the costs these motives seemingly impose on those bearing them.

Strong reciprocity supports the adherence to norms within groups and some of these norms—requiring work towards common ends, sharing, and monogamy for example—are beneficial to most group members (Bowles and Gintis 1998a). Where reciprocity motives embrace the individually costly enforcement of these group-beneficial norms, strong reciprocity may evolve because *Homo reciprocans* will be disproportionately likely to be in groups that have effective norm adherence, and hence to enjoy the group benefits of these norms. By contrast, where reciprocity motivates the individually costly enforcement of norms that on average confer little benefit on group members, or inflict group costs, of course reciprocity is unlikely to evolve.

Strong reciprocity thus allows groups to engage in common practices without the resort to costly and often ineffective hierarchical authority, and thereby vastly increases the repertoire of social experiments capable of diffusing through cultural and genetic competition. The relevant traits may be transmitted genetically and proliferate under the influence of natural selection, or they may be transmitted culturally through learning from elders and age mates and proliferate because successful groups tend to absorb failing groups, or to be emulated by them. We think it likely that both genetic and cultural transmission is involved. The 50-100,000 years in which anatomically modern humans lived primarily in foraging bands constitutes a sufficiently long time period, and a favorable social and physical ecology, for the evolution of the combination of norm enforcement and sharing that we term strong reciprocity.
4 Experimental Evidence

An impressive body of experimental evidence, much of it deployed in the first instance in hopes of validating the model of the selfish purveyor of market rationality, *Homo economicus*, in fact has served to undermine this model. In its place this body of evidence suggests a new persona. A convenient starting point in tracing the birth of *Homo reciprocans* is a tournament involving differing strategies of the play in the prisoner’s dilemma game undertaken two decades ago by Robert Axelrod at the University of Michigan.9 The prisoner’s dilemma requires each of two players to choose simultaneously one of two actions, ‘cooperate’ or ‘defect.’ The payoffs are such that both players do better by cooperating than by defecting, but whatever one player does, the other player does better by defecting (for example, the payoff to mutual cooperation is 10 for each, the payoff to mutual defecting is 5 for each, but the payoff to defecting when the other player cooperates is 15 for the defector and 0 for the cooperator). The iterated prisoner’s dilemma is simply repeated play of the well known game with “winners” being those with high cumulative scores over however many rounds are played.

Axelrod asked a number of game theorists, economists, political scientists, sociologists, and psychologists to submit computer programs giving complete strategies for playing the game, successive rounds of which were repeated with the same partner. Each program was pitted against every other program, as well as itself and a program that randomly chose to cooperate and defect. Surprisingly, the winner among the fourteen strategies submitted was the simplest, called ‘tit-for-tat’ (submitted by game theorist Anatol Rapoport). Tit-for-tat cooperates on the first round, and then does whatever its partner did on the previous round.

Following up on this result, Axelrod held a second tournament in which a larger number of participants, including the original contributors, were told of the success of tit-for-tat and asked to submit another program for playing the iterated prisoner’s dilemma. Knowing that tit-for-tat was the strategy to beat did not help the players: once again Rapoport submitted tit-for-tat, and once again, it won.

Speculating on the strong showing of tit-for-tat, Axelrod noted that this strategy for cooperation has three attributes that are essential for successful cooperation. The first is that tit-for-tat is nice: it begins by cooperating, and it is never the first to defect. Second, tit-for-tat is punishing: it retaliates relentlessly against defection. Finally, tit-for-tat is forgiving: as soon as a defecting partner returns to cooperating, tit-for-tat returns to cooperating.

*Homo economicus* would readily embrace tit-for-tat, of course, at least if there were enough other tit-for-tatters around and there were a reasonable chance that one

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9See Axelrod and Hamilton (1981) and Axelrod (1984) for details and theoretical development.
would interact repeatedly with the same person. Under these conditions tit-for-tat will be the self-interested strategy to follow, and thus is an example of reciprocal altruism rather than strong reciprocity. But for reasons that will become clear immediately, we think that the ubiquity of tit-for-tat sentiments among people (rather than computer programs) is more aptly explained by strong reciprocity motives that violate the tenets of economic man.

There have been many experiments with human subjects providing overwhelming evidence against *Homo economicus*. If Axelrod’s tournaments showed that nice guys finish first, the experiments reveal that there are lots of nice guys, even among the economics majors who show up for experimental games.

The simplest, but still quite revealing, laboratory experiment is the ‘dictator game,’ in which one of two players, the ‘proposer,’ is given a sum of money (typically $10), is asked to choose any part of the sum to give to the second player (the two players are mutually anonymous), and is permitted to keep the rest. *Homo economicus* gives nothing in this situation, whereas in actual experimental situations, a majority of proposers give positive amounts, typically ranging from 20% to 60% of the total (Forsythe, Horowitz, Savin and Sefton 1994).\(^{10}\)

The commonly observed rejection of substantial positive offers in what are called ultimatum games is our second piece of experimental evidence. Experimental protocols differ, but the general structure of the ultimatum game is simple. Subjects are paired, one is the responder, the other the proposer. The proposer is provisionally awarded an amount (‘the pie’—typically $10) to be divided between proposer and responder. The proposer offers a certain portion of the pie to the responder. If the responder accepts, the responder gets the proposed portion, and the proposer keeps the rest. If the responder rejects the offer both get nothing.\(^ {11}\) In experiments conducted in the United States, Slovakia, Japan, Israel, Slovenia, Germany, Russia, and Indonesia the vast majority of proposers offer between 40% and 50% of the pie, and offers lower than 30% of the pie are often rejected (Fehr and Schmidt 1999). These results have occurred in experiments with stakes as high as three months’ earnings (Cameron 1995).

When asked why they offer more than one cent, proposers commonly say that they are afraid that respondents will consider low offers unfair and reject them as a way to punish proposer’s unwillingness to share. When respondents reject offers,\(^ {10}\) As in other experimental situations, a significant minority (between 25% and 42% in the Forsythe et al. experiments) behave self-interestedly and give nothing. Moreover, in a double-anonymous study (Hoffman, McCabe, Shachat and Smith 1994b), where not even the experimenter knows the behavior of the proposer, the fraction of proposers who gave nothing increased to two-thirds. This accords with our notion that strong reciprocity is a conditional behavior, in this case weakening in the face of high levels of social anonymity.

they give virtually the same reasons for their actions. The proposers’ actions might be explained by prudent self-interest but the respondents’ cannot. Because these behaviors occur in single-shot interactions and on the last round of multi-round interactions, they cannot be accounted for by the responder’s attempt to modify subsequent behavior of the proposer. Punishment *per se* is the most likely motive. As evidence for this interpretation, we note that the rejection of positive offers is substantially less when the game is altered so that rejection does not punish the proposer (Abbink, Bolton, Sadrieh and Tang 1996). Moreover the fact that offers generated by a computer rather than another person are significantly less likely to be rejected suggests that those rejecting low offers at a cost to themselves are reacting to violations of fairness norms rather than simply rejecting disadvantageous offers (Blount 1995).

Punishment is triggered by responders’ beliefs about the *intentions* of the proposer. This is shown clearly in an ultimatum game experiment in which the proposer has only two choices: either offer two (and hence keep eight) or make an alternative offer that varies across treatments in a way that allows the experimenters to test the effects of reciprocity and inequity aversion on rejection rates (Falk, Fehr and Fischbacher 2001). The alternative offers in one treatment is five for the proposer and five for the responder (5/5), another is eight for the proposer and two for the responder (8/2), a third is 2 for the proposer and 8 the responder (2/8), and finally, 10 for the proposer and 0 for the responder (10/0). Using the 5/5 alternative, the rejection rate of the 8/2 offer is 44.4%, significantly higher than the rejection rates in each of the other three treatments. The most plausible interpretation of these results is that choosing a low offer when a fair one was possible suggests selfish intentions on the part of the proposer, which the responder often chooses to punish by rejecting the offer.\(^{12}\)

Attribution theory in psychology (Weiner 1995) supports this interpretation, identifying a series of psychological steps leading from the occurrence of an event to agent A assigning a degree of responsibility to agent B for the event, and finally to an action by agent A in response to the event. Specifically, the following judgments generally occur: (a) the event was caused by agent B; (b) agent B was in full control. Agent A will then be less likely to hold Agent B responsible if he believes there are mitigating circumstances. Finally, agent A will increase the degree responsibility if he believes the event was caused intentionally by agent B. Weiner (1995) suggests that when an event harmful to agent B occurs, agent A goes through the above reasoning, enlists such emotions as anger and sympathy, and helps agent B to the

\(^{12}\)This experiment also found that 9\% of 8/2 offers were rejected when the alternative offer was 10/0, indicating that some responders reject unequal outcomes at personal cost, even when the proposer is in no sense responsible for the unequal situation.
extent that agent B has a low degree of responsibility for the harmful event.

In a similar vein, Skitla and Tetlock (1992, 1993) investigated the determinants of hypothetical allocations of public aid to various types of recipients, varying the amount of aid available for redistribution. The three scenarios they investigated were the allocations of costly drugs to AIDS patients, the allocation of organs to patients needing transplants, and the allocation of public housing. When the amount of aid available was insufficient to satisfy the needs of all recipients, both liberals and conservatives give less to recipients who had more personal control over their needy situation. With sufficient aid available for all, however, “liberal” respondents tend to give aid to all recipients, while “conservative” respondents frequently withheld aid from recipients who had personal control over their situation. Conservatives also held much less sympathy and much more anger towards recipients who had personal control over their situation, suggesting that withholding aid was a punitive act.

Others have shown in laboratory experiments that people are more generous to worthy recipients and bargaining partners. For example, Eckel and Grossman (1996) found that subjects who were given a sum of money and asked to give any amount of it to a pre-determined recipient (the so-called Dictator Game) gave roughly three times as much when the recipient was the American Red Cross than when it was an anonymous subject. Others found that winners of trivia contests and games receive more in subsequent bargaining over the division of a sum of money (Hoffman, McCabe and Smith 1994a). See also Bolton and Zwick (1995) and Suleiman (1996). Thus the ultimatum game experiments provide evidence for our view that strong reciprocity is a common motivation.

Additional evidence for strong reciprocity comes from what are called n-player public goods experiments. The following is a common variant. Ten players are given $1 in each of ten rounds. On each round, each player can contribute any portion of the $1 (anonymously) to a ‘common pool.’ The experimenter divides the amount in the common pool by two, and gives each player that much money. If all ten players are cooperative, on each round each puts $1 in the pool, the experimenter divides the $10 in the pool by two, and gives each player $5. After ten rounds of this, each subject has $50. By being selfish, however, each player can do better as long as the others are cooperating. By keeping the $1, the player ends up with “his” $10, plus receives $45 as his share of the pool, for a total of $55. If all behave this way, however, each receives only $10. Thus this is an ‘iterated prisoner’s dilemma’ in which self-regarding players contribute nothing.

In fact, however, only a small fraction of players contribute nothing to the common pool. Rather, in the early stages of the game, people generally contribute half their money to the pool. In the later stages of the game, contributions decay until at the end, they are contributing very little. Proponents of the Homo economicus
model initially suggested that the reason for decay of public contribution is that participants really do not understand the game at first, and as they begin to learn it, they begin to realize the superiority of the free-riding strategy. However, there is considerable evidence that this interpretation is incorrect. For instance, Andreoni (1988) finds that when the whole process is repeated with the same subjects, the initial levels of cooperation are restored, but once again cooperation decays as the game progresses.

Andreoni (1995) suggests a *Homo reciprocans*-based explanation for the decay of cooperation: public-spirited contributors want to retaliate against free-riders and the only way available to them in the game is by not contributing themselves. Indeed, if players are permitted to retaliate directly against non-contributors, but at a cost to themselves, they do so (Fehr and Gächter 2000). In this situation, contributions rise in subsequent rounds to near the maximal level. Moreover punishment levels are undiminished in the final rounds, suggesting that disciplining norm violators is an end in itself and hence will be exhibited even when there is no prospect of modifying the subsequent behavior of the shirker or potential future shirkers.

Such experiments show that agents are willing to incur a cost to punish those whom they perceive to have treated them, or a group to which they belong, badly. Also in everyday life, we see people consumed with the desire for revenge against those who have harmed them or their families, even where no material gain can be expected (Nisbett and Cohen 1996, Boehm 1984).

An extensive body of research in social psychology provides additional evidence for the existence of strong reciprocity behaviors. This research also shows that whether and to what extent behavior is motivated by strong reciprocity depends closely on the social context of action, including such factors as the nature of the relationship and the social distance between actors. This research finds, for instance, that people prefer that redistribution satisfy the principle of equity, which holds that what people receive from a system should be proportional to the contributions they make to it. In reviewing this literature, however, Skitka and Tetlock (1992) and Miller (1992) note that there are in fact three principles of justice—need, equity, and equality—and the one that is activated in a particular case on social context. Indeed, laboratory experiments concerning reciprocity consistently show that behavior is affected by the (experimentally variable) social relationship among players.

For example, in groups where payoffs do not allow, or do not require, cooperation among subjects, subjects usually prefer to divide resources according to the principle of equity: rewards should be in proportion to contributions. However,
in groups where cooperation increases payoffs, and if individual contributions do not depend on a choice of effort level, subjects generally prefer equal divisions of resources regardless of the actual inputs of individual group members. If individual contributions depend on effort, however, then once again subjects prefer payments based on individual contribution. Miller (1992) interprets this result as showing that solidaristic group members wish to punish free-riders by reducing their payments.

In early research on what is known as inequality aversion, Loewenstein, Thompson and Bazerman (1989) also found that distributional preferences are sensitive to social context. They asked subjects to imagine themselves in various hypothetical situations. In one, the subject and another college student share the gains and losses from a jointly produced product. In another, the subject and a neighbor the split the profit from selling a vacant lot between their homes. In a third, the subject is a customer dividing the proceeds from an expired rebate, or the cost of repairs, with a salesperson. They found, first, that subjects care about relative payoffs even more than they care about their absolute payoffs. Second, controlling for the subjects’ own payoffs, earning less than the other person in the situation had a strong negative effect on utility in all situations and relationship types. However, the effect on utility of earning more than the other person (referred to as advantageous inequality) depended on the relationship and the situation. Subjects disliked advantageous inequality if the relationship was friendly. However, if the relationship was unfriendly, advantageous inequality had little effect on their satisfaction level. Interestingly, they found that subjects preferred advantageous inequality in the customer/salesperson scenario, but disliked it in the other two scenarios (producing a product and splitting the proceeds from an empty lot).

Communication among participants prior to the game, or experimental conditions that reduce the subjective ‘social distance’ among participants, lead to higher and more sustained levels of generosity and cooperation. For example, fraternity brothers at University of California, Los Angeles were asked to rank outcomes in a prisoner’s dilemma situation given that they were interacting with a fellow fraternity brother, a member of another (unnamed) fraternity, a non-fraternity student at University of California, Los Angeles, a student from the nearby rival University of Southern California and an officer from the University of California, Los Angeles Police Department. They showed a strong preference for mutual cooperation over defection against one’s partner when playing with fraternity brothers, with the rankings reversing with increasing social distance—they were as willing to exploit the University of Southern California students as the University of California, Los Angeles police! (Kollock 1997).

14 For the communication result, see Isaac and Walker (1988), and for the social distance result, see Kollock (1997) and Hoffman, McCabe and Smith (1996).
These results suggest that cooperating and punishing behavior are very sensitive to the situation framing the interaction, and hence to the institutional structure of the social interactions typical for the individuals.

When members of the food-sharing Aché in Paraguay played the ultimatum game (the stakes were a day’s wages) the mean offer exceeded half the total and none of the subjects offered less than forty percent. The Lamalera whale hunters in Indonesia, who meticulously divide their catch among members of the community (many of whom did not participate in the particular hunt) also offered an average of more than half the total when playing the ultimatum game. People’s behavior in experimental settings thus tend to reflect the types of social interactions that are common in their everyday life.

5 Survey Evidence

These results support our interpretation of attitudinal survey results described above. People are generous to recipients of government transfers when these recipients are perceived to have no control over and presumably no responsibility for their condition. Our interpretation of this is that because of strong reciprocity, people wish to help those who intend to contribute to society but for reasons beyond their own control cannot. People wish to punish, or withhold assistance to, those who are able but unwilling to work hard. However, there are several alternative explanations of the effect of beliefs about the worthiness of the poor that are consistent with pure self-interest. In this section, we test these alternative explanations and find that self-interest alone cannot explain the relationship between beliefs about the worthiness of the poor and support for redistribution. These results are based on Fong (forthcoming).

We use the 1998 Gallup Poll Social Audit Survey, “Haves and Have-Not: Perceptions of Fairness and Opportunity,” a randomly selected national sample of 5001 respondents. There are 3626 individuals who report being in the labor force. In each test, we use the set of all individuals in the labor force who responded to all of the questions used in the regression, unless noted otherwise.\textsuperscript{15}

The Gallup Poll Social Audit has a large sample size for a large number of questions on inequality and distribution relative to other commonly used surveys. The sample size permits running regressions with full controls on narrow segments of the sample, namely, high income and low income sub-samples. There is a large

\textsuperscript{15}We drop non-responses and “don’t know” responses. Another option would be to include “don’t know” as a valid response. However, how and why people develop well-defined preferences and beliefs is beyond the scope of this chapter. We focus on why people oppose or support income redistribution given that their beliefs and preferences are well defined.
number of self-interest measures that include not only the usual objective socioeco-
nomic variables, but also subjective measures of economic well-being which may
widen the net intended to capture self-interest.

The dependent variable is a summative scale of five questions on whether or not
inequality should be reduced, either by the government, by heavy taxation of the
rich, or in general. Questions about the fairness of the distribution of income and
wealth that do not specifically ask about reducing inequality or helping the poor
are available but not used in order to reduce the chances of measuring unrelated
concepts.

To construct our dependent measure, we added the responses to the five ques-
tions below, signing the responses so that the measure increases in support for
redistribution.

1. People feel differently about how far a government should go. Here is a phrase
which some people believe in and some don’t. Do you think our government
should or should not redistribute wealth by heavy taxes on the rich? (response
categories: should, should not)

2. Some people feel that the government in Washington, DC should make every
possible effort to improve the social and economic position of the poor. Others
feel that the government should not make any special effort to help the poor,
because they should help themselves. How do you feel about this? (response
categories: government should help the poor, the poor should help themselves)

3. Which one of the following groups do you think has the greatest responsibility
for helping the poor: churches, private charities, the government, the families
and relatives of poor people, the poor themselves, or someone else? (response
categories: groups other than the poor, the poor themselves)

4. Do you feel that the distribution of money and wealth in this country today
is fair, or do you feel that the money and wealth in this country should be
more evenly distributed among a larger percentage of the people? (response
categories: distribution is fair, should be more evenly distributed)

5. Do you think that the fact that some people in the United States are rich and oth-
ers are poor (1) represents a problem that needs to be fixed or (2) Is an acceptable
part of our economic system? (response categories: problem, acceptable)

Two sets of measures of the causes of income are used in this study. The first contains
two questions concerning the importance of effort and luck in causing wealth and
poverty, and one question on whether or not there is plenty of opportunity to work
hard and get ahead in America today. The second set is a series of questions about
Reciprocity and the Welfare State

Figure 2: Determinants of the Support for Redistribution

Note: Regressions are ordinary least squares. Equations include seven occupation dummies, and a dummy for household size greater than four. Omitted categories for causes of poverty and wealth are “lack of effort” and “strong effort,” respectively. Omitted category for “Worries about bills” is “All of the time.” We use OLS instead of ordered probit for ease of interpretation and presentation. For ordered probit results, see Fong (forthcoming). All coefficients are significant at the 1% level, and $R^2 = .307$. The number of observations is 2701.

the importance of various factors, including race and sex, for getting ahead in life (See Appendix A for wording of the questions).

Self-interest is measured by income and other variables likely to predict future income and hence likely to predict future reliance on social insurance or redistribution programs. Among these are race, sex, income, education, marital status, age, employment status, occupation, and household size. In addition to these, we use subjective measures of economic well-being, namely the frequency with which respondents worry about meeting family expenses, and a measure of expected future upward mobility.\footnote{There are several additional questions that might capture self-interest that are excluded from the model presented here. Before excluding them, we tested formally for their joint significance. Using a likelihood ratio test, we failed to reject the hypothesis that the coefficients of these variables are all zero (at the 10 percent significance level) in an ordered probit regression like that presented in Figure 2 below. This test may be interpreted as a test for missing variables. After dropping these variables from the analysis, the sample size increases by over 400 observations.}

In column 1 of Table 2 we present results from the ordinary least squares re-
gression that predicts support for redistribution using two sets of variables: beliefs about the causes of wealth and poverty and the measures of self-interest. To facilitate interpreting the coefficients, we have standardized the dependent variable to have a zero mean a standard deviation of one. The interpretation is as follows: those who believe that both luck and effort play a role in causing poverty are .189 of a standard deviation higher in their support for redistribution than people who said that lack of effort alone causes poverty. Those who say that bad luck alone causes poverty score 0.478 of a standard deviation higher than those who think lack of effort alone causes poverty on the support for redistribution scale. Those who think that good luck alone causes wealth scored .327 of a standard deviation higher on the support for redistribution scale than those who thought lack of effort alone causes poverty, and people who respond that there is plenty of opportunity in the United States to get ahead scored .371 of a standard deviation lower in support for redistribution than people who do not think there is plenty of opportunity. In contrast, a standard deviation increase in income results in only a .027 standard deviation decrease in support for redistribution. All of the significant self-interest correlates do have effects in the expected direction, however, and the effects of being white and being male are quite large. Those who almost never worry about bills are significantly less supportive of redistribution than those who worry all of the time. The self-interest variables are jointly significant at the one percent level. If we take the view that all of the socioeconomic variables together capture self-interest, then the effect of self-interest appears considerably larger than if we simply consider the size of the coefficient on income. Using ordered probit to estimate this same equation, one of us (Fong, forthcoming) has estimated the sizes of the effects of the independent variables on the probabilities of scoring in each of the six categories of the support for redistribution scale. She found that the effects of being in the lowest socio-economic category as opposed to the highest socio-economic category are similar in size to the effects of believing that luck alone causes wealth and poverty as opposed to believing that effort alone causes wealth and poverty.

Including proxies for other redistributive motives had little effect on our key results, suggesting that they are not simply justifications for redistributive attitudes that might be held for other reasons. To show this, we use political party identification as a proxy for non-reciprocity motives for opposing or supporting redistribution, including ethical and political positions concerning the appropriate size of government. Indeed, as seen in Figure 2, party identification has a large and highly significant effect on support for redistribution in this sample, with both Democrats and Independents showing more support for redistribution than Republicans. However, including party identification in our regressions had very little effect on the size and significance of the effects of beliefs about the causes of poverty and wealth, and about whether there is “plenty of opportunity to get ahead” in the United States.
People who believe that poverty is caused by bad luck or circumstances beyond individual control may be those who have low-mean, high-variance incomes. Such individuals may have higher expectations of needing government assistance in the future, and therefore demand more redistribution purely out of self-interest. For similar reasons, those who believe that the poor are lazy may simply be people who have higher-mean, lower-variance incomes and therefore less self-interest in redistribution. If this is true, then the effect of these beliefs on redistributive policy preferences may have nothing to do with the psychology of holding the poor accountable and blaming them for their outcomes. It would simply be the case that beliefs about the causes of income are correlated with a person’s financial position which in turn determines his or her demand for redistribution.

If the beliefs about the causes of poverty and wealth operate through self-interest to determine redistributive preferences, then they should have no effect among people on the extreme high and low ends of the distribution of income. Those who do not expect to benefit should demand no redistribution at all, regardless of their beliefs about the causes of income, while those who definitely expect to benefit should register the highest degree of support for redistribution regardless of their beliefs about the causes of income. Put differently, in a sample in which measures of self-interest are statistically insignificant in predicting support for redistribution, do beliefs about the causes of poverty have a significant effect on their redistributive preferences? To test whether this is the case, we use sub-samples of (1) individuals with incomes over $75,000 per year who expect to be upwardly mobile in the next five years, and who worry about bills less often than “all of the time”; (2) individuals with incomes under $10,000 per year; and (3) individuals with incomes under $30,000 per year who do not expect to be upwardly mobile and who worry about bills more often than “almost never.”

In all of these sub-samples, a quite inclusive set of measures capturing self-interest is jointly insignificant. That is, we cannot reject the hypothesis that every single socioeconomic variable has a coefficient of zero. Yet, the beliefs about roles of luck, effort, and opportunity in generating life outcomes were jointly significant for both sub-samples, and in most cases were individually significant in the expected directions as well.17

In another test of self-interest, we use questions on the respondents’ views on the importance of various factors, including a person’s race and sex, to getting ahead in life. If people think that a person’s race and sex are important to getting ahead in life, then effects of these beliefs on self-interested demand for redistribution should operate in opposite directions for those who expect to benefit and those who expect

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17 Space limitations prevent us from presenting these results here. However, the finding using ordered probit are presented in Fong (forthcoming).
Reciprocity and the Welfare State

Figure 3: Testing the Interaction Effects Between Race and Sex, and Beliefs that Race and Sex are Important in Getting Ahead in Life.

Notes: Results are from ordinary least squares regression. Dependent variable: support for redistribution. Independent variable includes all of the objective and subjective socio-economic variables included in the specifications of Figure 2, as well as interaction terms for whites (men) who say a person’s race (sex) is important to getting ahead in life. ***Significant at the 1% level. **Significant at the 5% level. R² = .246. The number of observations was 3743.

to lose from racial or gender discrimination. 18 That is, whites who think race is important in getting ahead will expect to be economically advantaged and this would be likely to support redistribution than whites who think that race does not matter. Similar reasoning holds for men who think a persons’s sex is important to getting ahead in life.

Figure 3 presents an ordinary least squares regression of support for redistribution on the importance of various determinants of success, controlling for the full set of self-interest measures. 19 Beliefs that willingness to take risks and hard work are important to getting ahead have significant negative effects on support for redistribution. Beliefs that getting ahead in life and success are caused by inherited money, dishonesty, good luck, and one’s parents or connections, had significant positive effects on support for redistribution. “Talent,” which is not shown in Figure 3, was

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18 We assume that people agree on which group benefits and which loses when they believe that a person’s race or sex is important to getting ahead.

19 See Fong (forthcoming) for ordered probit results.
insignificant, a finding that is consistent with previous research.

Unreported coefficients in this same regression show that whites who think a person’s race is important to getting ahead are significantly more supportive of redistribution. Analogously, men who think a person’s sex is important to getting ahead are significantly more supportive of redistribution. This is inconsistent with self-interest, because such men, and whites, would expect to benefit from discrimination and hence be more opposed to redistribution.

Concerns about the incentive effects of taxation are a final mechanism through which self-interest might cause beliefs that the poor are lazy and the rich industrious to decrease demand for redistribution. When earned income is more sensitive to work effort, taxation will cause greater effort disincentives and reduce aggregate income. That is, tax costs may be increasing in the income elasticity with respect to effort. If so, then beliefs about the roles of effort, luck, and opportunity in generating income may affect the level of self-interested support for redistribution (Piketty 1995). This type of incentive concern need not apply only to redistribution. Tax cost concerns can reduce demand for any tax-funded expenditure, including expenditures such as national defense (Atkinson 1999). According to this tax-cost hypothesis, if beliefs that income is caused by factors under individual control decrease demand for redistribution, then they should decrease demand for other kinds of tax funded expenditures, including defense spending, as well. The data suitable for investigating this hypothesis strongly suggest that the tax cost concerns play little role in determining demand for public expenditures. To investigate the question of whether or not tax cost concerns can explain the effect of beliefs about the causes of income on demand for public expenditures, we use the 1990 General Social Survey. We estimate ordered probit regressions predicting support for spending on welfare, national defense, halting the rising crime rate, and dealing with drug addiction, respectively.20 The independent variables are beliefs that the poor are poor because of lack of effort, and five demographic variables (income, education, race, sex, and age). As we have seen, the belief that the lack of effort is very important and the belief that lack of effort is somewhat important in causing poverty relative to the belief that lack of effort is not important both have negative effects on support for redistribution (significant at the 1 percent level). However, these same beliefs have no effect on support for spending on crime or drug addiction, and they have a significant positive effect on support for spending on defense. If these beliefs simply measure tax cost concerns, then their effect on support for all of these expenditure items should have been negative.

These results lend strong support to previously made hypotheses about well known patterns in survey data. Heclo (1986) reports that 81 percent of survey

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20 The sample size in these regressions ranges from 584 to 594.
respondents favor public funding for child care if the mother is a widow who is trying to support three children while only 15% favor public such funding when the mother has never married and is not interested in working. Heclo also reports on an experimental survey in which the wording of a question about support for public redistribution was altered so that some subjects were asked about spending on “welfare” while others were asked about spending on “assistance for the poor,” or “caring for the poor.” Also, 41% of respondents stated that there is too much spending on welfare and 25% stated that there is too little. By contrast, only 11% and 7% of the respondents said that there is too much spending on assistance for and caring for the poor, respectively, and 64% and 69% said that there is too little spending on assistance for and caring for the poor, respectively. In a similar vein, Page and Shapiro (1992) report that support for social security spending has been very high and stable over time, while support for spending on welfare has been consistently low. The interpretation commonly given for findings such as these is that people are less generous to recipients whom they think are not working when they could and should be, or who are otherwise considered to be in questionable moral standing (Heclo 1986, Gilens 1999). We have shown that these finding cannot be explained away by a fuller and more rigorous account of self-interest.

6 Homo Reciprocans and the Welfare State: Unhappy Marriage?

The following five generalizations sum up the relevance of our analysis to the problem of designing and sustaining programs to promote economic security and eliminate poverty. First, people exhibit significant levels of generosity, even towards strangers. For example, in survey data even the very rich voice substantial support for redistribution to the poor, and in dictator games, most people give positive amounts—typically ranging from 20% to 60%—to their anonymous recipients. Second, beliefs about the causes of high and low incomes matter. For example, survey data clearly show that beliefs that the poor are lazy and the rich industrious are strongly associated with greater opposition to redistribution. In experiments, proposers share less of the pie if they gained the right to be proposer by winning a trivia contest. The interpretation of this result is that when people feel entitled to a sum (which they apparently do quite naturally) they are less willing to share it. Third, people contribute to public goods and cooperate to collective endeavors, and consider it unfair to free-ride on the contributions and efforts of others. Fourth, people punish free riders at substantial costs to themselves, even when they cannot reasonably expect future personal gain therefrom.

It would not be difficult to design a system of income security and economic
opportunity that would tap rather than offend the motivations expressed in these first four generalizations. Such a system would be generous towards the poor, rewarding those who perform socially valued work and who seek to improve their chances of engaging in such work, as well as to those who are poor through accidents not of their own making, such as illness and job displacement.

The fifth, however, is more troublesome: reciprocity is context-dependent. Each of these aspects of reciprocity is more salient, the less is the perceived social distance among the participants. This last generalization may help explain why inequalities are so readily sustained even among apparently generous publics. Economic inequality—particularly when overlaid with racial, ethnic, language, and other differences—increases the social distance that then undermines the motivational basis for reaching out to those in need. The unusually low levels of public support for the U.S. welfare state may reflect these social distance effects. Thus economic inequality may be self-sustaining because it frays the bonds of reciprocity and generosity among people.

While strong reciprocity may support egalitarianism, it may also help explain the rising tide of opposition to welfare state policies in some of the advanced market economies in the past decades. Specifically, in light of the experimental regularities outlined above, we suspect the following to be true as well: egalitarian policies that reward people independent of whether and how much they contribute to society are considered unfair and are not supported, even if the intended recipients are otherwise worthy of support, and even if the incidence of non-contribution in the target population is rather low. This would explain the opposition to many welfare measures for the poor, particularly since such measures are thought to have promoted various social pathologies. At the same time it explains the continuing support for social security and medicare in the United States, since the public perception is that the recipients are ‘deserving’ and the policies do not support what are considered anti-social behaviors. The public goods experiments are also consistent with the notion that tax resistance by the nonwealthy may stem from their perception that the well-to-do are not paying their fair share.

A striking fact about the decline in the support for the former Aid to Families with Dependent Children, Food Stamps, and other means-tested social support programs in the United States, however, is that overwhelming majorities oppose the status quo, whatever their income, race, or personal history with such programs. This pattern of public sentiment, we think, can be accounted for in terms of the principle of strong reciprocity.

We rely mainly on two studies. The first (Farkas and Robinson 1996) analyzes data collected in late 1995 by Public Agenda, a nonprofit, nonpartisan research organization. The authors conducted eight focus groups around the country, then did a national survey, involving half-hour interviews, of 1000 randomly selected
Americans, plus a national oversample of 200 African-Americans. The second, political scientist Martin Gilens’ *Why Americans Hate Welfare*, is an analysis and review of several polls executed during the 1990’s and earlier by various news organizations.21

In the Public Agenda survey 63% of respondents thought the welfare system should be eliminated or “fundamentally overhauled” while another 34% thought it should be “adjusted somewhat.” Only 3% approved of the system as is (p. 9). Even among respondents from households receiving welfare only 9% expressed basic approval of the system, while 42% wanted a fundamental overhaul and an additional 46% wanted some adjustments.

The cost of welfare programs cannot explain this opposition. While people generally overstate the share of the Federal budget devoted to welfare (p. 9), this cannot account for the observed opposition.22 Farkas and Robinson note that

By more than four to one (65% to 14%), Americans say the most upsetting thing about welfare is that “it encourages people to adopt the wrong lifestyle and values,” not that “it costs to much tax money.”…Of nine possible reforms presented to respondents—ranging from requiring job training to paying surprise visits to make sure recipients deserve benefits—reducing benefits ranked last in popularity (Table 4).

The cost, apparently, is not the problem. In focus groups:

Participants invariably dismissed arguments about the limited financial costs of welfare in almost derisive terms as irrelevant and beside the point. (p. 9,10).

Nor can the perception of fraud account for this opposition. It is true that 64% of respondents (and 66% of respondents on welfare) believe welfare fraud is a serious problem. However most do not consider it more serious than in other government programs, and only 35% of survey respondents would be more “comfortable with welfare” if fraud were eliminated (p. 11,12).

In commenting on this fact Martin Gilens (1999):1,2 observes that “Politics is often viewed, by élites at least, as a process centered on the question ‘who gets what.’ For ordinary Americans, however, politics is more often about ‘who deserves what’ and the welfare state is no exception.” In the Public Agenda study,

21 A third study by Weaver, Shapiro and Jacobs (1995), drawing in addition on NORC and General Social Survey data, comes to broadly similar conclusions.

22 As a general rule non-experts vastly overstate the share of the tax revenues devoted to things of which they disapprove, whether it be foreign aid, welfare, aids research, or military expenditure—the opposition is generally the cause of the exaggeration, not vice-versa.
respondents overwhelming consider welfare to be unfair to working people and addictive to recipients. By a more than five to one margin (69% to 13%, and 64% to 11% for people receiving welfare), respondents say that recipients abuse the system—for instance by not looking for work—rather than actually cheating the system—e.g., by collecting multiple benefits (p. 12). Moreover, 68% object (59% of welfare recipients) that welfare is “passed on from generation to generation, creating a permanent underclass” In the same vein, 70% (71% of welfare recipients) say welfare makes it “financially better for people to stay on welfare than to get a job,” 57% (62% of welfare recipients) think welfare encourages “people to be lazy” and 60% (64% of welfare recipients) say the welfare system “encourages people to have kids out of wedlock” (p. 14,15)

But this is beside the point. Whether or not, for example, welfare causes out of wedlock births, for example, or fosters an unwillingness to work, citizens object that the system provides financial support for those who undertake these socially disapproved behaviors. Their desire is to bear witness against the behavior and to disassociate themselves from it, whether or not their actions can change it.

This interpretation is supported by a careful study by Luttmer (1998), who matched U. S. General Social Survey (GSS) data with census tract information on the number and characteristics of the GSS subjects’ neighbors who were on welfare. He found that the number of people in the surrounding area who were receiving public assistance predicted opposition to welfare spending if those on welfare were predominantly not working (or working very little) and if many of those on welfare were unmarried mothers and the subject voiced disapproval of premarital sexual relations. The relevant fact for our interpretation is that opposition was conditioned on the nonworking and unmarried mother status of the recipients and the moral beliefs of the subjects.

This then is the moral opposition to welfare in the U. S. Many of the objections to the system, and many of the ethical judgments of the poor are based on misconceptions, a lack of compassion, and prejudice, often fanned by political entrepreneurs of the right. Racial stereotyping and welfare bashing are closely associated. The public agenda survey shows that whites are much more likely than African Americans to attribute negative attributes to welfare recipients, and much more likely to blame an individual’s poverty on lack of effort. But even here reciprocity motives are evident. The survey data show, writes Gilens, that

For most white Americans, race-based opposition to welfare is not fed by ill-will toward blacks, nor is it based on whites’ desire to maintain their economic advantages over African Americans. Instead race-based opposition to welfare stems from the specific perception that, as a group, African Americans are not committed to the work ethic.
Taking account of the fact that many Americans see the current welfare system as a violation of deeply held reciprocity norms does not oblige us to either agree or disagree with these views. Still less does it require that policy makers adopt punitive measures and stingy budgets for the poor. Indeed the public strongly supports income support measures when asked in ways that make clear the deserving nature of the poor: a 1995 NYT/CBS poll, for instance, found that twice as many agreed as disagreed that “it is the responsibility of the government to take care of people who can’t take care of themselves.”

Surveys support what we have termed ‘basic needs generosity,’ a virtually unconditional willingness to share with others to assure them of some minimal standard, especially, as the survey data show, when this is implemented through provision of food, basic medical care, housing, and other essential goods. The interplay of basic needs generosity and strong reciprocity, we think, accounts for the salient facts about public opinion concerning welfare.

7 Conclusion

Like Petr Kropotkin (1989[1903]) almost a century ago, we find compelling evidence—both evolutionary and contemporary—for the force of human behavioral predispositions to act both generously and reciprocally rather than self-interestedly in many social situations. While many economists have failed to appreciate the practical importance of these predispositions in policy matters, their salience was not missed by the conservative economist and philosopher Frederick Hayek (1978):18,20

…wanting to do good to known people will not achieve the most for the community, but only the observation of its abstract and seemingly purposeless rules….the long submerged innate instincts have again surged to the top. [The] demand for a just distribution…is thus strictly an atavism, based on primordial emotions. And it is these widely prevalent feelings to which prophets, (and) moral philosophers…appeal by their plans for the deliberate creation of a new type of society.

If we are right, economists have misunderstood both the support for the welfare state and the revolt against welfare (where it has occurred), attributing the latter to selfishness by the electorate rather than the failure of many programs to tap powerful commitments to fairness and generosity and the fact that some programs appear to violate deeply held reciprocity norms. Egalitarians have been successful in appealing to the more elevated human motives precisely when they have shown that dominant institutions violate norms of reciprocity, and may be replaced by institutions more consistent with these norms.
To mobilize rather than offend reciprocal values, policies should recognize that there is substantial support for generosity towards the less well off as long as they have provided or tried to provide a *quid pro quo* and are in good standing. The task of politically viable egalitarian policy design might thus begin by identifying those behaviors that entitle an individual to reciprocation. Among these in the U.S. today would be saving when one’s income allows and working hard and taking risks in productive endeavors and in schooling. Persistent poverty is often the result of low returns to these socially admired behaviors: low wages for hard work, a low rate of return on savings, costly access to credit for those wishing to engage in uncertain entrepreneurial activities, and educational environments so adverse as to frustrate even the most diligent student. Policies designed to raise the returns to these activities when undertaken by the less well off would garner widespread support. A second principle of reciprocity-based policy design should be to insure individuals against the vagaries of bad luck without insuring them against the poverty which results from their actions, particularly when these actions violate widely held social norms against such things as illicit drug use or child bearing in the absence of reasonable guarantees of adequate parenting.

Many traditional projects of egalitarians, such as land reform and employee ownership of their workplaces are strongly consistent with reciprocity norms, as they make people the owners not only of the fruits of their labors, but more broadly of the consequences of their actions. The same may be said of more conventional initiatives such as improved educational opportunity and policies to support home ownership—there is good evidence, for example, that home ownership promotes active participation in local politics and a willingness to discipline personally those engaging in antisocial behaviors in the neighborhood (Sampson, Raudenbush and Earls 1997). An expansion of subsidies designed to promote employment and increase earnings among the poor would tap powerful reciprocity motives, as has been suggested by Edmund Phelps (1997). Similarly, social insurance programs might be reformulated along lines suggested by John Roemer (1993) to protect individuals from risks over which they have no control, while not indemnifying people against the results of their own choices, other than providing a minimal floor to living standards. In this manner, for example, families could be protected against regional fluctuations in home values—the main form of wealth for most people—as Robert Shiller (1993) has shown. Other forms of insurance could partially protect workers from shifts in demand for their services induced by global economic changes.

An egalitarian society can be built on the basis of these and other policies consistent with strong reciprocity, along with a guarantee of an acceptable minimal living standard consistent with the widely documented motives of basic needs generosity. But if we are correct, economic analysis will be an inadequate guide to policy making in the area unless it revises its foundational assumptions concerning
human motivation.

8 Appendix A

Plenty of Opportunity in the US: Some people say that there’s not much opportunity in America today – that the average person doesn’t have much chance to really get ahead. Others say there’s plenty of opportunity and anyone who works hard can go as far as they want. Which one comes closer to the way you feel about this? (1) Not much opportunity (2) Plenty of opportunity

Causes of poverty: Just in your opinion, which is more often to blame if a person is poor—lack of effort on his or her part, or circumstances beyond his or her control? 1) Lack of effort (2) Both (3) Luck or circumstances beyond his/her control.

Causes of wealth: Just in your opinion, which is more often to blame if a person is rich—strong effort on his or her part, or circumstances beyond his or her control? (1) Strong effort (2) Both (3) Luck or circumstances beyond his/her control.

Determinants of Success: I am going to read several reasons why some people get ahead and succeed in life and others do not. Using a one-to-five scale, where “1” means not at all important and “5” means extremely important, please tell me how important it is as a reason for a person’s success. You can choose any number from one to five.
A: How important is willingness to take risks
B: How important is money inherited from families
C: How important is hard work and initiative
D: How important is ability or talent that a person is born with
E: How important is dishonesty and willingness to take what they can get
F: How important is good luck, being in the right place at the right time
G: How important is parents and the family environment they grow up in
H: How important is physical appearance and good looks
I: How important is [sic] connections and knowing the right people
J: How important is being a member of a particular race or ethnic group
K: How important is getting the right education or training
L: How important is a person’s gender, that is whether they are male or female.
References


Reciprocity and the Welfare State


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Kropotkin, Petr, Mutual Aid: A Factor in Evolution (New York: Black Rose Books, 1989[1903]).


Strong reciprocity and the welfare state. Abstract We explore the contribution of reciprocity and other non selfish motives to the political viability of the modern welfare state. In the advanced economies, a substantial fraction of total income is regularly transferred from the better off to the less well off, with the approval of the electorate. The Welfare State in Post-Industrial Society. p. 161. CrossRef. Google Scholar. The analytic framework used here to study welfare state change builds upon the distinction of two fundamentally opposed logics of social exchange: the logic of reciprocity and of solidarity. The approach enables to assess the complexity and ambivalence of policy change in advanced welfare states. Using recent social policy reform in Germany as an illustration of the analytical capacity of our approach, it is shown that change can be detected in two different dimensions. One type of change is in the overall mix between reciprocity-based insurance and solidarity-based assistance programmes which Part 2: The Welfare State Chapter 6: Social services and the welfare state The nature of a social service The welfare state Welfare states The state and welfare The social division of welfare Chapter 7: Democracy Democracy and self-determination Democracy and welfare Chapter 8: Power Marxist analyses Social class and social welfare. Robson, writing about the 'welfare state', emphasises that 'welfare is of unlimited scope'. (1976, p.174) But in practice, the concept is rather more limited than a general concern with 'well-being' would suggest.