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### **Book Review — Published Version**

Book Review: Comment on a Review of Oded Stark's "Altruism and Beyond, An Economic Analysis of Transfers and Exchanges within Families and Groups" (Cambridge, New York, and Melbourne: Cambridge University Press, 1995)

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## Book Review

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Comment on a Review of Oded Stark's *Altruism and Beyond, An Economic Analysis of Transfers and Exchanges within Families and Groups* (Cambridge, New York, and Melbourne: Cambridge University Press, 1995)

There is something truly splendid about the production of a new book: as when having a child, labour is followed by birth with the child subsequently developing a life of its own. You can put into the child much, even very much, of yourself but thereafter you ought to let the child face the harsh world and not rush with assistance at every threat. That is, unless you profoundly feel that there has been a gross unfairness, in which case your urge to step in is virtually uncontrollable.

In his recent review of *Altruism and Beyond, An Economic Analysis of Transfers and Exchanges within Families and Groups*, B.K. Kapur (1997) attributes to me assertions I did not make. In addition, he laces his review with perplexing perspectives. It is the purpose of this comment to set the record straight.

The key propositions of the opening chapter of *Altruism and Beyond* are that mutual altruism between agents intersected with extreme unequal divisions of the consumption good leads to automatic, mutually agreeable (negotiation-free or conflict-free) transfers between the agents, and that the conflict range<sup>1</sup> declines with an increase in the intensity of altruism of an agent toward his counterpart. I contrast this state of affairs with an anonymous market. There, agents have no altruistic inclinations toward each other and the entire range is a conflict range. This difference confers an advantage to an altruistically-based transfer regime and could explain the non-evolution of markets: 'The edge that existing nonmarket institutional arrangements have over market structures inhibits the evolution of markets and, if markets are created, works against the inclination to transact in them' (p. 15). In the last part of the opening chapter of *Altruism and Beyond* the following question is posed: 'Even though a rise in the intensity of [agent *i*'s] altruism entails larger transfers [of the consumption good] to [agent *j*], how would the *utilities* of [agent *i* and agent *j*] be affected by such a rise?' (p. 22). I demonstrate that

it is *possible* that both agents may be worse off. In the Conclusions section of the chapter I state: 'We have examined altruistically-motivated consumption transfers as part of an effort to account for nonmarket transfers. We have seen that altruistic linkages lead to autonomous, negotiation-free transfers, and that such transfers respond positively to stronger altruism. The demonstration that altruism reduces transaction costs may be seen as a rationale for the persistence of nonmarket transfers. But we have also seen that given our quite natural assumptions concerning the altruism parameters, mutual altruism does not necessarily result in group (social) harmony, even though its rise narrows the conflict range. In spite of enhanced transfers prompted by such a rise, both parties may end up worse off. (O. Henry provides a moving illustration of such an outcome in his story 'Gift of the Magi'.) These results help explain why in some social environments a shift toward market-oriented transfers and exchanges may be quicker than in others, as the disadvantages (decline in utility) associated with intragroup altruistic linkages outweigh the advantages' (pp. 24–25).

What did Kapur make of this line of argument? Apparently, he has turned the chapter completely on its head, stating: 'Stark argues that disagreements [over the desired transfer from agent  $i$  to agent  $j$ ] provide a rationale for the emergence of markets.' From the chapter and the above delineation of it, the appropriate statement should have been: 'Stark argues that agreements [over the desired transfer . . .] provide a rationale for the nonevolution of markets.'

To this misrepresentation Kapur adds several untenable assertions. In Chapter 2 I not only painstakingly present testable implications, I also outline empirical procedures capable of distinguishing between the new model developed in the chapter and the received models. Yet Kapur writes: 'It would be empirically difficult to disentangle the effects [Stark] identifies from other forces that might simultaneously be at work.' How does Kapur know? Did he attempt to carry out a test? With regard to yet another model, that of Chapter 4, Kapur writes: 'The validity and strength of this argument are empirical issues, and I for one certainly have my doubts.' What is the basis of these doubts? An empirical investigation? A long scholarly experience in studying the incidence of and the motives for migrants' remittances? In concluding his review Kapur states that '[Stark's] underlying position is that seeming displays of altruism are either actually motivated by self-interest, or are the outcome of genetic or cultural "programming" of individuals.' In which book is this position to be found? In *Altruism and Beyond* I emphasize that the motives for non-market transfers are many, that 'the book studies both altruistic and nonaltruistic motives for transfer behavior' (opening page), and that 'as a collection these lectures, as life itself, feature both a concern for others and a selfish calculus' (p. 5).

The readership of *The Journal of International Trade and Economic Development*, on whose editorial board I proudly serve, should be, and usually is, pampered with thoughtful reviews of pathbreaking books. Kapur's

review of *Altruism and Beyond* may not have served well the journal's readers.

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## NOTE

- 1 The conflict range consists of the consumption ratios, out of all feasible consumption ratios, that are subject to disagreement.

## REFERENCE

- Kapur, B.K. (1997) Review of Oded Stark, *Altruism and Beyond: An Economic Analysis of Transfers and Exchanges within Families and Groups* (Cambridge: Cambridge University Press, 1995). *The Journal of International Trade & Economic Development* 6, 113–16.