

Cambridge University Press

0521474191 - Altruism and Beyond: An Economic Analysis of Transfers and Exchanges within Families and Groups - Oded Stark

Frontmatter

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This book employs economic methodology to study the motives for and the repercussions of transfers and exchanges within families, between generations, and within groups. The book shows how the allocative behavior and wellbeing of one family member depend on his altruistic link with another family member, how the timing of the intergenerational transfer of the family productive asset affects the recipient's incentive to engage in human capital formation, and how transfers from an adult to his parents impinge on future transfers to him from his own children. In addition, the book shows that under asymmetric information high-skill migrant workers make transfers to low-skill would-be migrants in order to lure them to stay put, and that under incomplete information a group-specific informational edge – lower recognition costs – results in a superior exchange outcome. Finally, altruism, which in the beginning of the book is assumed, is explained: the transmission to or probable acquisition by children of parental traits and the exchange between siblings are shown to result in a stable equilibrium wherein no agent behaves nonaltruistically.

The book studies both altruistic and nonaltruistic motives for transfer behavior. In addition, it traces some of the market repercussions of intrafamilial, intergenerational, and intragroup transfers and exchanges.

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## Critical acclaim for *Altruism and Beyond*

“The prevalence and importance of altruistic transfers in human affairs is a constant reproach to the economists’ standard postulate of strict self-interest. In this short book Oded Stark shows how self-interested and altruistic behaviors are often subtly intertwined. As just one example, why do parents press their children for grandchildren? Because, he suggests, grandchildren motivate the middle generation to care for their elders – since doing so is likely to elicit parallel behavior in turn from their own children! Stark’s volume deepens our understanding of the sources and consequences of altruistic behavior both within families and within ethnic groups.”

Jack Hirshleifer, University of California, Los Angeles

“Oded Stark has been at the forefront of research designed to comprehend issues at the interface of economics and sociology. In this book Stark brings his remarkable insights into the behavior of migrants to understand the motives that underlie the behavior of economic agents when such agents are viewed as members of a family or of a larger group. ... [T]his book is a nice mix of theory and empirics. The book is full of all kinds of interesting research ideas. ... [I]t is one of those books which actually sets you thinking about your own life, particularly your interactions with your parents and your children.”

Kyklos

“Oded Stark’s book is a very stimulating one; it will undoubtedly inspire numerous future contributions in various fields.”

*European Journal of Political Economy*

“Sparkling ... insightful ... a pleasure to read.”

*Population Studies*

“[A] stimulating book. ... Stark is to be commended for pushing the theoretical ... frontiers of economic methodology into new and innovative directions.”

*Population and Development Review*

“I would strongly recommend to read this book.”

*De Economist*

“No doubt most economists will cheerfully (and sometimes correctly) continue to ignore altruism. For those who cannot, altruism will remain a tricky subject. This book, however, should make them a little less puzzled by the selfless behaviour of so many non-economists.”

*The Economist*

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## OSCAR MORGENSTERN MEMORIAL LECTURES

Oscar Morgenstern (1902–1977), a Professor of Economics at Princeton University and prior to that at the University of Vienna, is well known for having had an enquiring mind that was seldom satisfied with prevailing answers to the main intellectual questions of the day. In spite of his considerable enthusiasm for mathematics, it was his view that the social sciences, and economics in particular, require a mathematical structure which is different from that developed for physics and the natural sciences. His own contributions, notably and notwithstanding the *Theory of Games and Economic Behaviour* co-authored with John von Neumann, should not be interpreted to imply that his view was that game theory alone is rich enough in its understanding and description of human behavior to provide adequate models of individual agents.

Oscar Morgenstern played an instrumental role in the establishment of the Institute for Advanced Studies in Vienna. The mission of the Institute was to revive advanced research and teaching in Austria, especially through the development of new formal methods and models appropriate for social science enquiry. The Oscar Morgenstern Memorial Lectures, which are sponsored by the Institute and delivered there annually, represent a fitting scholarly tribute to his memory.

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## *Preface*

Reading Oscar Morgenstern's fascinating work on what constitutes proper economic research persuades me that he would have approved of the theme and approach of this book: economic methodology (seasoned with a little mathematics) applied to a study of the motives that underlie the behavior of agents as family members and as members of distinct groups.

Lectures published in this book not only address transfers but also, to a great extent, emanate from transfers. To begin with, all six lectures-turned-into-chapters benefited considerably from searching questions raised by colleagues and students who attended the lectures in Vienna. Chapter 1 owes much to the comments and suggestions of Kenneth J. Arrow, Gary S. Becker, Theodore C. Bergstrom, and Paul A. Samuelson. Chapter 2 is fully due to collaboration with Oded Galor. Chapter 3 is fully due to collaboration with Donald Cox, enriched by Richard Arnott, Gary S. Becker, Theodore C. Bergstrom, and Zvi Griliches. Chapter 4 owes a debt of gratitude to Donald Cox for his invaluable input. Chapter 5 is freer from ambiguity as a result of advice offered by Robert J. Aumann and Ian Molcho. Collaboration with Theodore C. Bergstrom gave rise to chapter 6, the refinement of which is due to comments by Carl Bergstrom, Gary S. Becker, Jack Hirsleifer, and Andreu Mas-Collel.

The conversion of lecture notes into a published volume



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can be – but was not – a joyless undertaking, because of the encouragement and support I received from Bernhard Felderer, the advice and help I received from Christian Helmenstein, and the dedicated and skillful assistance of Isabella Andrej, and Elinor Berg. I am indebted to the World Bank's Policy Research Department and Research Committee, Bank Austria, and Tel-Aviv University for financial support. But the greatest debt of all is to my wife Shua Amorai Stark and my children Eran and Alit, who in their very special way prompted and inspired me to ponder and reflect on intrafamilial and intergenerational transfers and exchanges.

Quite obviously, I will be very pleased if all those whom I have mentioned will accept this book in exchange for their stimulation, collaboration, and support, and as a token of my gratitude.