The Samaritan's Dilemma and the Welfare State*

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The parable of the Good Samaritan in the biblical story is well known. In traveling from Jerusalem to Jericho, the Samaritan carne across and assisted a man who had been robbed and beaten by thieves and "left half dead". Under the circumstances of this event, the Samaritan is properly lauded for his exemplary conduct. However, as Nobel Laureate economist James Buchanan demonstrates, a dilemma frequently arises when a modern-day Samaritan's actions are generalized as a rule of conduct for individuals attempting to assist people in need.[1] What should a Samaritan do, for example, if the assistance rendered serves to increase the need for further help?

Most people have personally experienced the Samaritan's dilemma when confronted with winos and other street people "in need." On the one hand, there is a desire to help the less fortunate, some of whom cannot help themselves. On the other hand, there is the recognition that a handout may be harmful to the long-run interests of the recipient. It is shown below why this dilemma is likely to be resolved in a way that is socially more damaging when assistance is provided from the public till. Relatively little attention has been given to the inherent problems of the political process in effectively coping with this pervasive problem.

The Samaritan's Dilemma and Personal Choice

In a broad sense, a Samaritan can be viewed as anyone trying to help people in need. No dilemma arises for the Samaritan as long as the condition of being in need is beyond the victim's control. However, a recipient through foresight and effort generally can influence the likelihood of the ensuing condition that evokes offers of aid. Therefore, a dilemma arises for the Samaritan who attempts to do good, as suggested above, if the donor's action leads to an increase in the amount of need.[2] Moreover, this dilemma arises in personal choice situations in many different contexts when we as individuals try to extend assistance to other people.

The Samaritan's dilemma commonly is encountered in the home. Consider the discipline and rearing of children. Who can deny that the parent who succumbs to pressure from a pleading child to make a purchase while shopping has increased the likelihood that the child will exhibit similar behavior in the future? What should the benevolent parent do in such situations where short-run assistance is likely to create long-run problems? Similarly, should an individual permit a neighbor readily to borrow groceries or tools if this is likely to encourage the neighbor to be in chronic need of assistance?

In the academic area, Buchanan cites the example of the teacher returning exams. Increasing the grade of a single complaining student, one form of giving aid, is the easy thing to do in the short run. However, helping that student makes for long-run problems by increasing the number of student complaints.

The Samaritan's dilemma is inherent in private charity too. A dilemma arises generally because there is a positive relationship between the amount of work a person will do and the financial rewards received from work. Stated differently, there is a trade-off for the aid recipient between work (or income) and leisure.

Consider what happens when a Samaritan tries to assist someone less fortunate, with the more help extended the lower the income of the one in need. If the recipient realizes that the amount of assistance varies inversely with the amount of income earned, he has an incentive to reduce work and income earned. In this situation, the granting of financial aid exacerbates the condition that brings forth the assistance. The only way to avoid the socially undesirable outcome of reduced work by the needy is to withhold the aid. Hence, the Samaritan's dilemma.

In short, the Samaritan's dilemma for us as individuals in this and other situations arises whenever the extension of aid increases the number of situations requiring aid. Thus, the Samaritan's dilemma is a pervasive problem as people respond individually to those in "need".

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1. James M. Buchanan, "The Samaritan's Dilema", in Edmund Phelps, ed., **Altruism, Morality, and Economic Theory** (New York: Rusell Sage, 1975), pp. 71-85.

2. A number of the examples used are taken from Richard E. Wagner. **To Promote the General Welfare: Market Processes vs. Political Tranfers** (San Francisco: Pacific Research Instituto for Public Policy, 1989).

Although this dilemma cannot be avoided, we as individuals have an incentive to take a long-run rather than a short-run perspective in dealing with these situations. In the case of private charity where the aid comes from the Samaritan’s pocket, the individual donor has an incentive to monitor the effect of the aid on the recipient’s conduct to prevent the recipient from taking advantage of the donor’s benevolence. For example, few people today give unsupervised handouts to “street people”.

The Samaritan’s Dilemma and the Public Till

It is much more diff ¡cu It to cope with the Samaritan’s dilemma when low-income problems are addressed through the political process. Moreover, this dilemma is endemic in government programs to assist the poor. Henry Hazlitt, for example, describes two lessons that can be drawn from the effects of the dole in ancient Rome: “The first... is that once the dole or similar relief programs are introduced, they seem almost inevitably... to get out of hand. The second lesson is that once this happens, the poor become more numerous and worse off than they were before, not only because they have lost self-reliance, but because the sources of wealth and production on which they depended for either doles or jobs are diminished or destroyed”.[3]

While the biblical Good Samaritan is properly lauded for his exemplary conduct, a dilemma frequently arises when a modern-day Samaritan’s actions are generalized as a rule of conduct.

In short, in collectively assisting those less fortunate through the government dole, the number of the poor increased because work incentives were adversely affected.

The Samaritan’s dilemma is no less important in government welfare programs today. Consider the food stamp program. The willingness of the state (the Samaritan) to offer food stamps will increase the perceived need for food aid. Moreover, the social problem created by state aid is made worse in this situation because both the recipient and the donor - including those enacting the legislation as well as those administering the program- have an incentive to overstate the need.

First, consider how a state-financed welfare program weakens the incentives by the donor (the state) to deal with the Samaritan’s dilemma. A government program inevitably creates a political constituency that benefits from expansion of the

3. Henry Hazlitt, “Poor Relief in Ancient Romo", **The Freeman**, April 1971, p. 219.

program. The food stamp program, for example, provides an important source of political support to Congressmen having large constituencies of low-income people. Moreover, a bureaucrat's salary, perquisites, and patronage tend to increase as the bureau's budget increases. Therefore, government officials administering the food stamp program have a vested interest in expanding the scope of the program. Thus, it isn't surprising that the U.S. government has sponsored mass mailings and door-to-door recruiting campaigns to increase the number of people who will accept food stamps.[4] In reality, the Samaritan's dilemma for taxpayers funding government transfers is of relatively little concern to those administering welfare programs.

Second, recipients of food stamps (and other welfare programs having a means test) have an incentive to under-report income. Moreover, information problems associated with administering a means test are formidable in the case of low-income workers having income that isn't reported for tax purposes. Thus, it is not surprising that implementation problems constantly plague the food stamp and other government transfer programs.

The problem the Samaritan faces in providing assistance is known in the insurance field as moral hazard. A moral hazard problem arises whenever an individual's behavior is affected because he is protected from the consequences of his actions. Thus, moral hazard means that insurance makes it more likely that the event insured against will happen and that a loss will be incurred. The Samaritan's dilemma is a moral hazard problem. The fact that the Samaritan offers aid will almost certainly affect the recipient's behavior and increase the "need" for aid.

In subsidized credit programs in agriculture, for example, easy credit is extended to farmers who "need a lower interest rate". Government officials here too have an incentive to find needy borrowers, and borrowers have an incentive to overstate their need to obtain the easy credit. Thus, government-run or -supervised credit agencies substitute political judgment for the discipline of the market. Cheap credit extended by the Farm Credit System and the Farmers Home Administration during the inflationary period of the late 1970s was partly responsible for the dramatic increase in farm bankruptcies and financial stress of agriculture during the mid-1980s.

A similar problem exists in government assistance to promote economic development in less developed countries. Economist P.T. Bauer has shown that government programs to promote economic development instead are likely to retard the political and economic changes necessary to promote economic growth.[5]

Economic assistance to the Soviet Unión is an excellent current example of the Samaritan's dilemma in government aid programs. In late 1990, the news was rife with reports about food shortages and impending famine in the U.S.S.R. In response, the Bush Administration announced that the United States would extend some $1 billion of economic aid in the form of guaranteed commercial credits for Soviet purchases of U.S. grains, poultry, pork, and other farm products. However, many economic and political analysts, including proponents of economic freedom within the Soviet Unión, argued that such aid is a temporary palliative that in the absence of meaningful political and economic reforms is likely to impede rather than promote economic growth.

Will It Hurt or Help?

The Good Samaritan's conduct in the biblical parable is worthy of emulation because the situation encountered presumably was beyond the victim's control. However, in many contemporary situations, the aspiring Samaritan is confronted with a dilemma in dealing with people in need. There frequently is a downside to a Good Samaritan's actions-and not just because the ostensible victim may, as sometimes occurs today, turn the tables and rob and beat the Samaritan!

In determining whether aid of any given type is socially beneficial, we must consider whether it is likely to significantly increase the number and worsen the condition of victims needing aid. The donor is faced with a dilemma whenever the granting of assistance promotes the conditions that evoke such aid.

In private charity, for example, the dilemma for the benefactor is present as long as the recipient's work effort falls as income rises. If aid increases as the recipient earns less income, he has an incentive to reduce earnings to obtain larger gifts. The donor faces a chronic dilemma in attempting to abolish poverty because it is likely that some hunger and homelessness must be allowed for to avoid unduly promoting the conditions that elicit aid.

However, the individual donor who bears the cost of his own benevolence has an incentive to prevent those in need from taking advantage of his willingness to help.

4. James Bovard, "Feeding Everybody: How Federal Food Programs Grew and Grew", **Policy Review**, Fall 1983, pp. 42-51.

5. P.T. Bauer, **Dissent on Development**, revised edition (Cambridge, Mass.: Harvard University Press, 1976).

Moreover, in the world of private charity, there is no particular individual or agency who bears final responsibility for letting someone go hungry if he refuses to work in the hope of getting a larger donation. This strengthens the attitude of individual responsibility and the credibility of insisting on self-help as a requirement for aid.[6]

The Samaritan's dilemma poses a more formidable social problem in the welfare state. Democratic governments are much less likely than private individuals to deal effectively with the dilemma when the government acts as a "safety net" or "charity of last resort". In this case, individuals whose earnings are just above the government's safety net have a strong incentive to quit working and take advantage of transfer programs. And, as shown above, there is a short-run bias on the part of those who legislate and administer welfare programs. When contrasted with private donors, government employees have an incentive to be less concerned with the long-run effects of aid on a recipient's behavior.

There is no way to avoid the Samaritan's dilemma in coping with people in need-whether the issue is homelessness, medical care, subsidized credit, or foreign aid. An offer of aid generally will bring about some worsening of the conditions that evoked the initial offer of assistance. However, the above analysis suggests that publicly funded aid is less effective than private charity in coping whit this dilemma for two reasons. First, when compared with private donors, the welfare bureaucracy is likely to be less concerned about the societal dilemma inherent in assisting needy people because government employees benefit personally as the magnitude of the aid increases. Second, no one spends other people's money as carefully as he spends his own.

6. Wagner, **op. cit**., p.173.