

Gifts

Science Fiction and Gift Economies

A decade or so ago I was on a panel at a science fiction convention. The title was "Economics, SF's Weak Spot: So many SF worlds, only two main economic systems. What else might we come up with as theories of value and exchange?"

The two systems referred to were presumably capitalism and socialism, but within those classifications there is quite a wide range of possibilities. The Yugoslav system, for example, while nominally socialist looked rather more like a market economy in which the firms were worker co-ops. The market socialism proposed by Abba Lerner and Oskar Lange in the course of the calculation controversy of the early 20th century was a system in which the means of production belonged to the state but the state instructed the managers to play the game of pretending to be profit maximizing capitalists in order to take advantage of the decentralized control mechanism of the market. The anarcho-capitalist system I sketched in my [first book](#) was a market system, but not what most supporters of capitalism imagine capitalism to be, since traditional government functions such as defining and enforcing law were entirely private. It has occasionally showed up in other people's science fiction.¹

Suppose, however, we lump all of those variants into two categories. Are there other alternatives, real or fictional, worth including in speculative fiction? What are they?

There is one that appears in a variety of contexts in the modern world, including sf conventions. I was on three panels at that one as well as teaching a class on how to make hardened leather armor. My efforts were not entirely unrewarded; I got a free convention registration and access to the green room, the lounge that SF conventions traditionally provide for their panelists and speakers, which includes a certain amount of free food and, more important, a chance to interact with some of the more interesting people present. But I get the same reward whether I am on one panel or six, whether I am the organizers' favorite panelist or deemed barely worth inviting. And I did not know in advance exactly what I would be getting, since the terms are determined by custom not contract. I was participating in a gift economy: I do something for you, you reciprocate by doing something for me.

Most summers my family spends two weeks at the Pennsic War, the largest event put on by the Society for Creative Anachronism, a historical recreation organization in which we are long term participants. Over the course of that week I teach ten to fifteen classes on topics relevant to the hobby. As a university professor, teaching was how I made my living, but it would never occur to me to charge for these ones or to the people running the Pennsic University to offer to pay me. I do not even charge for handouts, which under the rules I am entitled to do. Their cost is not very large and it feels more appropriate to give them away, to include them within the (medieval) virtue of generosity.

During the same period of time I spend five or six nights, from dark to about midnight, running a bardic circle designed to create the illusion of a group of medieval people sitting around a campfire entertaining each other. Hosting it involves being prepared to present period, at least period feeling,

¹ Most notably in "[The Ungoverned](#)" by Verner Vinge, which credits my *Machinery of Freedom* for the fictional society.

poems and stories to fill as much of the time as is not filled by other performers, maintaining conversation that supports the illusion, offering around period drinks and nibbles, being a host.

If you present a piece that really impresses me, both as a good story and a good job of maintaining the illusion, you will leave with a silver arm ring of my construction. The silver is real; the construction of new rings to replace the ones I have given away the previous year is one of the projects I engage in earlier in the summer. They are modeled on the arm rings given away by Norse rulers to reward entertainers. Ideally I would like to average one a night, but I have never been that lucky.



This again is a gift economy, recognized as such in that context and others by its medieval participants. The same system has been existed in many other societies:² Instead of exchanging value for value on pre-agreed terms you give something to someone in the expectation that, although he has no legal obligation to reciprocate, he has a social obligation to. If he does not he will lose status, be seen as a skinflint, almost a cheat. The *Elder Edda*, a collection of Norse poetry probably dating from the 9th century, contains a poem, *Havamal*, that is a collection of verses of advice attributed to the god Odin. One of my favorite lines is:

"No man is so wealthy that he objects to receiving a gift in exchange for his gift."

They knew what they were doing.

I am not sure I do. Looking at the institution as an economist, it feels like a clumsier way of coordinating human activity than an explicit market. Looking at it as a participant, on the other hand, it feels right. Wandering the web, I came across a [comment](#) by someone who had received one of my arm rings. She referred to it as "one of my most treasured possessions."

She wouldn't have if she had bought it.

That is one example of an economic system, a way of coordinating human activity, that does not fit neatly into either the socialist or capitalist category.

² I discuss another example in the chapter on the Plains Indians in *Legal Systems Very Different from Ours*.

More on Modern Gift Economies

You invite a friend and his wife over for dinner, enjoy their company, invite them again. Pretty soon they will feel an obligation to reciprocate, to invite you over for dinner or, if that is not convenient, invite you to a restaurant and insist on paying the bill. It will never occur to them that they might balance the account by offering you forty dollars instead; you would be shocked, probably offended, if they did.

That is the same system described in Havamal more than a thousand years ago. The transactions are exchanges of value for value, but they take the form of nominally voluntary gifts rather than the bargained exchanges of ordinary trade. As an economist I do not have a satisfactory theory of why we do things that way but as a participant I at least know how it feels from the inside.

A second kind of modern gift economy occurred to me in a discussion with a friend whose interests included the history of fencing and 19th century dancing. He routinely spent a week each year teaching the latter at Newport and made his extensive collection of source material on the former widely available as photocopies. He did not expect to get any gifts in exchange. What he did get, in addition to his own enjoyment and the feeling of a useful job done, was status. People sharing his interests recognized his name, treated him as an important person. After his death, Wikipedia wrote that “In many ways, he himself can be regarded as the father of the modern study of the history of European swordsmanship; it was through the texts he provided that many scholars were first introduced to the importance of martial expression to early modern culture.”

That too is a gift economy, of a rather different sort, closer to the gift economy of open source software. You pour your gifts out to the world and the world, if you are lucky, repays you in indirect ways.

That second kind of gift economy is relevant to one of the important issues of the next few decades: How to get intellectual property produced if copyright law becomes, for technological reasons, unenforceable. If I cannot prevent you from copying my book I not only cannot charge you for it, I cannot make my giving it to you conditional, even implicitly, on your giving a gift to me in exchange. I can still get credit for writing it — and may be able to convert the resulting status into other things I value.

Fandom and Gains from Trade [possibly move to another chapter]

You are a moderately successful science fiction author, but not one of the handful at the top. Your writing pays well enough to support you, not well enough to make you rich. Your neighbors, unless they happen to read your books, see you as no more important, no higher status, than anyone else on the block. You are, along with most of the population of the world, a nonentity.

Most of us do not like being nonentities. Somewhere, scattered around the world, there are thousands of people who look up to you as an artist, magician, story teller, the creator of worlds where they spend hours of enjoyment. Humans enjoy status; putting you together with your fans gives it to both of you. You get to spend time being a celebrity. They get to meet and talk with a celebrity, not a celebrity to most of the world but a celebrity to them. Writer and fan are benefiting by gains from trade, although trade not in material goods. That is one of the reasons they are willing to pay to attend a science fiction convention at which you are a guest, one of the reasons you are willing to show up at the convention and spend many hours interacting with fans, even though you

are probably not being paid to do so. That is one of the things that makes science fiction fandom, and similar subcultures that I know less about, work.

There may now be a problem with that system, due to technological change. One way of interacting with an author you admire is to attend a convention and hope he shows up. Another is to read his blog, comment on it, with luck get comments in return. Exchange emails with him. Chat with him on Facebook. The less such interaction depends on being in the same room the better a substitute it is for a convention, hence the less the gains from trade that a convention produces.

The loss is to conventions, not necessarily to fandom. The new technology has made it possible for substantial parts of what fandom produces to move to cyberspace, where it can be produced at a lower cost in money and effort. How large the effect is I do not know.³ It may depend on to what degree people see virtual contact online as an adequate substitute for realspace contact.

That gets me back to an old puzzle, why the mass lecture survived the invention of the printing press. Reading a book is also a form of virtual contact more convenient than the realspace equivalent. It has the further advantage of giving you contact with a much higher quality partner — not merely the best lecturer in your university but the best author who ever wrote on the subject you are studying. Yet many students still prefer to get their information sitting in a room with several hundred others listening to a professor talk.

So perhaps sf conventions will be with us for a while longer.

Why Do We Give Gifts?

Economists find the practice of giving gifts puzzling. We expect individuals to know more about their own preferences than other people do, so it would seem that a gift in money, which I can use to buy whatever I most value, would almost always make more sense than a gift purchased for me. There may be exceptions, cases where the giver happens to have special knowledge that the recipient does not, but it is hard to see how they can explain the amount of gift giving we actually observe.⁴ The idea that giving a gift shows you were willing to go to the trouble to find one seems even less persuasive. Why not simply send a check equal to the value of the gift you would have found plus the value of the time you would have spent finding it?

One possible solution to the puzzle starts with Gary Becker's analysis of the economics of altruism, which models an altruist as someone who has another person's utility as one of the arguments in his utility function. If I am an altruist with regard to you it is in my interest to be well informed about your preferences in order that I can recognize situations where I have an opportunity to confer a large benefit on you at a small cost to me. It is also in my interest for you to know that I am an altruist with regard to you, since that makes it in your interest to act altruistically towards me — loosely speaking, because the better off I am the more I will be able to help you.⁵ Being well informed about your preferences makes it easier for me to find a gift you will like. Giving a gift you will like signals altruism, since it is a signal that is cheaper to send if I am an altruist with regard to you than if I am not.

³ Looking at [attendance figures](#) for past Worldcons, there is no obvious pattern of decline.

⁴ The knowledgeable gift giver could always accompany his check with a note recommending the book he would have bought for me, leaving it up to me to decide whether to accept the recommendation.

⁵ Becker's Rotten Kid Theorem; for details see [chapter 21](#) of my webbed [Price Theory](#).

This is a logically possible explanation of gift giving but I do not find it a very convincing one.

My second explanation of gift giving is also associated with Becker's economic theory of altruism, but in a different way. Becker altruism implies that, from the altruist's point of view, there is an optimum division of the combined income of altruist and beneficiary between the two, a division that maximizes the altruist's utility. If the beneficiary already has more than his share, the result is a corner solution: no transfer. If he has less, the altruist transfers money to him until his desired division is reached, that being the point at which an additional dollar of transfer would cost the altruist as much in lost utility from his own reduced consumption as it would gain him in increased utility from the beneficiary's consumption.

That implies that, when transfers occur, they should almost always be large.⁶ How likely, after all, is it that my beneficiary's initial share of our combined income will be precisely five dollars less than my optimum? Yet most gifts are only a tiny fraction of income. I have a possible solution to both that puzzle and the puzzle of giving gifts instead of money, but first a digression.

Economists model utility as combining all sorts of values into one, but it does not feel that way. When I decide whether or not to have an ice cream cone, my behavior can be modeled as an attempt to maximize the present value of my utility stream, trading off pleasure today against the negative consequences of present calories for future welfare. But it feels more like a conflict between two me's, a short term pleasure maximizer and a long term utility maximizer, with the latter using various stratagems in attempting to control the former.

Suppose what the altruist values is not the welfare of the beneficiary as economists define it, the present value of his utility stream, but his current happiness, making the gift giver the ally of the short term me. Give me money and the long term me might insist on putting it away for our old age. Give me a box of candy and there is nothing to do with it but eat it.

This explains the small size of gifts. I can use an almost unlimited amount of money to provide for my old age or insure against medical risks but there is a low limit to how much candy I can eat, how much pleasure you can provide for me today by giving me stuff. If your utility function exhibits declining marginal utility for my pleasure, that effect can be expected to show up much faster than if it exhibits declining marginal utility for my utility.

Suppose we accept the plausible idea that I can be modeled as two individuals in one body, a short run pleasure maximizer, the me that almost always wants an ice cream cone or another potato chip, and a long term utility maximizer, the me that promises not to have ice cream for dessert until he has lost five pounds and tries to force the first me to keep the promise. If we use the same model for altruist and beneficiary we have another explanation for gift giving. Spending an extra few dollars on a gift does not mean that I cannot afford an ice cream cone today, only that I will have a few dollars less when I retire. The long run me cares about that, the short run me doesn't. Spending an extra hour shopping, on the other hand, is a cost that occurs now and so counts for both versions of me. By giving you a gift instead of cash I demonstrate that the short run me as well as the long run me cares about you. Since a lot of my behavior is controlled by the short run me, that is valuable information.

When proposing an economic theory it is worth thinking about whether it has any testable implications. This one does. A critical assumption in the argument is that the gift giver does not face a short term budget constraint, that spending money on a gift does not mean going hungry to

⁶ This point is due to [Howard Margolis](#).

bed or having to spend an extra couple of hours shoveling snow, costs for the short term as well as the long term me. It follows that the giving of money instead of purchased goods ought to be more common among people who do face such a budget constraint. Since I am by nature lazy, hence a theorist, I will leave to someone else the project of finding and analyzing relevant data.

Discussing the issue with my daughter she offered a third possibility, that the custom of gift giving developed in the past in a context where it made much more sense. You live in a society where markets are thin — few buyers, few sellers, unpredictable supply. I see something for sale that I am pretty sure you would like, buy it and give it to you. If I gave you money and a suggestion of how to use it, by the time you went looking it might no longer be there.

Why do We Tip?

The obvious economic function of tipping is as a way of rewarding waiters for good service (with high tips) and penalizing bad service (with low tips). It depends on social norms or repeat custom to work, but takes advantage of the fact that the customer has information about the quality of the service that the employer does not have.

The problem with that explanation is that it depends on customers substantially varying the amount of their tip—and many, perhaps most, don't. If you almost always tip 15% and occasionally raise it to 20% for good service or lower to 10% for poor, that is not much of an incentive to the waiter.

An alternative explanation is that tipping exists because people like to feel generous. Giving a tip when you know you do not have to makes you feel better than paying the same amount on the bill. Abiding by the implied contract to tip if you get reasonable service when you know you could have stiffed the waiter and saved the money proves to yourself and your table companions that you are an honest and honorable sort.

Not only do we get to be generous, we get to be generous for free. If tipping were not customary restaurants would have to pay their waiters more. Instead of paying \$11.50 for dinner in a world without tipping I pay \$10 plus a \$1.50 tip. I could stiff the waiter and save \$1.50, so not doing so lets me feel both honest and generous, but on average my dinner costs me no more than it would if tipping were not customary.

This may explain why tipping is less common in Europe. Europeans, judging by casual observation, are more concerned than Americans with issues of class and status. What an American sees as an opportunity to demonstrate his honesty and generosity a European may see as a way of claiming superior status, playing the role of an aristocrat tossing crusts to starving peasants. That fits the tone of exchanges on the subject I have seen online between Europeans and Americans.