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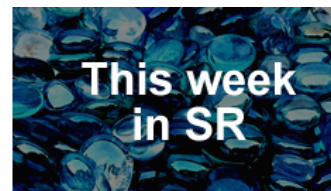

On 11 October 2022, the Poverty Alliance, an umbrella organisation covering nearly 200 Scottish civil society agencies, issued an interesting statement on 'emergency responses to the cost of living crisis', coming to the conclusion that:

While a compassionate response to an emergency situation may include dignified and attractive warm places hosted within communities, these cannot meet our aspirations to protect and respect our human rights and to ensure that people are treated with dignity at all times. It is important to ensure that we do not repeat past mistakes where community responses to income crises become hardwired into the state's response to poverty. The focus and responsibility of government should be ensuring people have enough money to keep their own homes warm. A cash first approach is the best way to do this, by investing in the benefits system.

Deconstructing the rationale behind the Poverty Alliance's pronouncement is far from easy, but economic theory can provide a useful tool to analyse the complex interplay between charities, government and people deserving of assistance: the Samaritan's Dilemma.

The Samaritan's Dilemma was first proposed and formalised in 1975 by American economist James Buchanan who would be awarded the Economics Nobel Prize in 1986. I will return later to Buchanan's importance to the ongoing policy debate on the role of governments, but first a brief description of the dilemma, as posed by Buchanan (and not as narrated in the New Testament).

Buchanan considers the actions open to a 'Samaritan' and a 'Parasite' by means of a simple game: the Samaritan can either 'help' or 'not help' the



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wretched Parasite (whose welfare the Samaritan cares about), whereas the Parasite (who only cares for himself) can either 'work' or 'not work'. Which is the best action for which player? The advantage of analysing social interactions through game theory is that it forces us to specify rules, objectives, information, etc, so that any conclusion reached is clearly dependent on the analyst's starting assumptions.

It turns out that in a wide ranges of cases (ie, irrespective of who moves when, the precise motivation of the two players, how often the game is played, etc.) the outcome is always the same: because of her altruistic outlook, the Samaritan will always choose to help and the selfish Parasite will always choose not to work. Why is this a dilemma? Because the outcome is sub-optimal for both players: if the Parasite chose to work and the Samaritan to help, both players' welfare would be higher – the Parasite enjoying the benefits of his own labour and of the Samaritan's help, the Samaritan enjoying the warm glow of assisting a fellow human.

The Buchananite interpretation of the Poverty Alliance's statement is that the provision of warm banks (the 'help' option in the game described above) removes the incentive for the poor (the Parasite in the dilemma) to keep their own homes warm, thereby locking them in a welfare trap.

Before unpacking further the issue of warm banks for the poor, it is important to stress the pervasiveness of the underlying tension between help now or self-reliance later.

'Universal benefits destroy the incentive to seek work.' 'Development aid displaces self-reliance.' 'Federal natural disaster grants crowd out private crop insurance.' Examples of Samaritan's dilemmas are countless.

Strange as it may seem, this simple game and the research agenda that it has contributed to foster (known as Public Choice) has provided the intellectual underpinning for the 'libertarian' ultra-conservative assault on welfare provision and the promotion of minimal government.

James Buchanan's nefarious influence and legacy is documented in forensic detail in Nancy MacLean's *Democracy in Chains: The Deep History of the Radical Right's Stealth Plan for America*. Funded by the revolutionary conservative billionaire Charles Koch, Buchanan managed to produce generations of academics, administrators, judges and politicians imbued with the unshakeable belief that the (very) rich have an inalienable right to their wealth that should be shielded from the rapacious demands of the rest of society. Because the affluent will always necessarily be a tiny minority, Buchanan's version of hyper-libertarian capitalism is incompatible with representative democracy. In his stark statement: 'Despotism may be the only organisational alternative to the political structure [democracy] that we observe' (*Freedom in Constitutional Contract*, 1977).

The reach of the extreme version of the Public Choice agenda is mind-blowing: from obscure and yet subversive changes in electoral law in several US states to the radical change in the constitution implemented in General Pinochet's Chile, from the continuing attempts to privatise social security to shaping the intellectual outlook of lightweight politicians like Liz Truss.

The much unlamented former PM in her days as Chief Secretary to the Treasury was a frequent visitor to the Koch-founded and funded Cato Institute (probably the purest heir of the Buchanan legacy) as well as attending 'more



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Institute of Economics Affairs' events than any other single member of parliament' (according to Mark Littlewood, director general of the IEA, the pale counterpart of US libertarian think-tanks).

Seen in the perspective offered by the Samaritan's Dilemma, the opening statement by the Poverty Alliance is very puzzling considering the ideological distance between an organisation representing hundreds of charities genuinely concerned with the welfare of the poor and the Buchanan view that, faced with the parasitic poor, 'modern man has become incapable of making the choices that are required to prevent his exploitation by predators of his own species'. Indeed, in Buchanan's view, 'we may simply be too compassionate for our own well-being or for that of an orderly and productive free society'.

The contradiction at the heart of the Poverty Alliance's position is that, on the one hand, it recognises the central message of the Samaritan's Dilemma, but, on the other hand, it suggests a solution ('people have enough money to keep their own homes warm') that ignores it completely, as there is no guarantee that the cash would be spent on domestic warmth, especially in the midst of a cost of living crisis.

The nub of the matter is that cash is the most malleable of resources, ie, it can be used in any way the cash-recipient desires. To see the relevance of this fact for the solution of the Samaritan's Dilemma not along the lines suggested by Buchanan (whereby the Samaritan ought to have the 'strategic courage' of stopping herself from helping the Parasite), consider the libertarian textbook case of not providing unemployment benefits because they remove the incentive to seek employment.

In this (very simplistic) story, the 'Parasite' will choose not to work when faced with the option of receiving benefit cash for the simple reason that work does earn money but also requires effort, whereas drawing unemployment benefits does not. In other words, cash, because of its malleability, becomes a substitute for work. The solution to this problem is not the withdrawal or drastic reduction of unemployment benefits, but the provision of assistance in a form that cannot be substituted for work and that in fact promotes job-seeking. Obvious examples include free and comprehensive childcare, skill-enhancing job training, subsidised relocation costs, etc.

In conclusion, the proper response by the Poverty Alliance should have been that the short-term emergency provision of warm banks should be coupled with targeted in-kind provision of energy-saving long-term assistance, such as home insulation, switching to energy-efficient sources and energy management training.

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