Response to Mayer

Mayer’s constructive comments raise the question of a possible asymmetry between penalties and welfare. Mayer claims that a sufficiently high increase in welfare (unlike penalties) may transform the police-public game into one, where the public has the dominant strategy not to violate the law; in this case, there would be no crime and no monitoring.

It is true that under certain conditions the public may have the dominant strategy not to violate the law (in terms of my model, if $b_1 > a_1$). In my article, I discuss the situation when, for whatever reason, “the criminals prefer not to violate the law, even if the police are not around” (p. 273).

Mayer argues that an increase in welfare may be such a reason. When I wrote the article I was satisfied to report that under the two crucial assumptions (which Mayer replicates), the payoffs of the public do not affect their behavior. Mayer’s comment essentially expands on the article, further exploring what happens when the assumptions of my article are violated.

However, I would disagree with his argument that a sufficient increase in welfare may create a dominant strategy for the public for three reasons: the first theoretical, the second economic, and the third political.

Theoretical objection. Suppose that the government steps in and attempts to improve the situation by giving people who live in ghettos some monetary amount (or any other form of support). In my article, I argued (and Mayer agrees) that this is equivalent to increasing the payoffs of the law-abiding citizens. After further thought, I want to revise this point. What is to prevent people who receive these welfare benefits from engaging in crime? In other words, it seems to me implausible that welfare measures can discriminate between law-abiding citizens and criminals. One would need some monitoring agency to separate the chaff from the wheat, which would bring us back to the original game without dominant strategies. Suppose, however, that such a separation were possible without a monitoring agent (police). This brings us to the second argument.

Economic objection. What is the amount that the government should give to make welfare more profitable than crime? Obviously, it depends on the
kind of crime. Some crimes come to mind for which such a strategy would be economically untenable: the drug trade (unless one legalizes drugs in order to eradicate profits), burglary, white-collar crime, and so on. But even if such amounts were economically feasible, there is a political argument that prevents the use of the welfare strategy.

*Political objection.* Part of society objects to the distribution of benefits without receiving anything in exchange. Consider a similar situation generated by the welfare game itself. Ideally, the government (or "society") would like to pay unemployment benefits to people who are willing to work but not to those who are idle. On the other hand, people (or at least some of them) would prefer not to work if they can receive unemployment benefits and to work if they receive no benefits. This is exactly the same game as the police-public game in my article. Moreover, since in the welfare game, the government moves first (government policy is known by the public), the outcome would be either a punitive policy, which induces even people entitled to unemployment compensation to work, or a generous policy, which will be exploited by part of the public.

This is not the place to expand on welfare. However, in various societies, the argument has been made that people should not be paid unless they offer something in exchange. Conservative arguments about "welfare culture" and "welfare dependency" come immediately to mind. It is well known that these arguments were advanced both in this country and in Great Britain and became primarily responsible for the adoption of workfare programs, that is, the distribution of welfare benefits conditional on work or education of the recipient. I say "primarily" because the 1988 Family Support Act enjoyed bipartisan support both in Congress and among the governors of the states. Similarly, in Great Britain, opposition to the 1989 Social Security Bill which established workfare was not to the principle that "anyone genuinely not seeking work should not get unemployment benefit" but to the compulsory character of the bill. What is perhaps less well known is that workfare programs exist in other countries where conservative ideology is not predominant. For example, in Sweden, welfare benefits are conditional on readiness to accept work or to participate in training; they are withheld if a claimant refuses a job or a training offer twice (the new job may even be in another region of the country; see Digby 1989, 13).

This discussion of workfare indicates that political forces from across the ideological spectrum may object to the use of welfare measures without receiving anything in return. It seems to me that welfare in return for the
reduction of crime may be considered as bribing people to obey the law. In this case, opposition to such a use of welfare would be even stronger.

To conclude, it is true that a sufficient increase of the payoffs for the “nonviolate” strategy would produce a crimeless society. However, I doubt whether increases in welfare could produce this outcome; even if they could, I do not think that they are feasible both for economic and political reasons.

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NOTES

1. From the speech of C. Short in the House of Commons (reported in King forthcoming).

REFERENCES