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Conversations on Philanthropy • The Legacy of Kenneth Boulding • Volume IV • DonorsTrust 2007

An Interdisciplinary Series of Reflections and Research

# CONVERSATIONS

ON PHILANTHROPY

Volume IV  
The Legacy of Kenneth Boulding

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## CONVERSATIONS ON PHILANTHROPY

*Conversations on Philanthropy* is an occasional publication of the Project for New Philanthropy Studies at DonorsTrust. *Conversations* will typically feature essays or academic papers by scholars, philanthropists, social critics and activists, along with critiques by one or more invited commentators.

The mission of the Project for New Philanthropy Studies is to define a “new” philanthropy appropriate to the radically altered circumstances of the present cybernetic age. We are not seeking to build a consensus, but to elaborate an alternative approach to the philanthropic enterprise, describe the opportunities open to it, and suggest what tools social investors will need as they make responsible choices and assess results in an unfamiliar atmosphere.

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**CONVERSATIONS ON PHILANTHROPY**

An Interdisciplinary Series  
of Reflections and Research

*Volume IV*  
*The Legacy of Kenneth Boulding*

Lenore T. Ealy

SERIES EDITOR

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# Conversations on Philanthropy

Volume IV, The Legacy of Kenneth Boulding

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## INTRODUCTION

In the fall of 2004, The Project for New Philanthropy Studies gathered an interdisciplinary group of thinkers for a colloquium to reconsider “Kenneth Boulding’s Image of the Integrative, Independent Sector.” Contributed by participants in that discussion, the papers included in the present volume of *Conversations on Philanthropy* testify to the complexity, originality, and continuing relevance of Boulding’s thought for our understanding of philanthropy. Each of our authors was inspired (or irritated) by a distinct dimension of Boulding’s writings on the topic of the grants economy, and thus this volume of *Conversations* is offered as a “symposium,” a banquet at which the reader may distinctly taste different libations on the menu, rather than as our usual “conversations” which seek to entice our readers to savor a more blended cocktail of considerations on the subject at hand.

In the lead essay, Gordon Lloyd presents the most critical view of Boulding’s work among our contributors, arguing that Boulding’s corpus leaves us with a neo-socialist paradigm that insufficiently prepares us to distinguish proper boundaries between coercive state action, market exchange, and benevolent grantmaking directed at human betterment. Lloyd’s critique turns on his claim that Boulding’s effort to ground an integrative project of human betterment in eiconics, his proposed new science of the sociology of knowledge that sought to dissolve the worn barriers between facts and values, is ultimately riddled with problems. Boulding’s boldness in applying then-emerging understandings of cybernetics and evolutionary principles into the realm of the social sciences intrigues. In Lloyd’s view, however, Boulding moves too quickly to embrace the emerging planetary image which he believed had the potential to catapult human society into a more love-based era of global image-making in which governments and philanthropists would alike become increasingly benevolent. Lloyd observes that Boulding’s optimism on this point may be based in his belief that the forces of market exchange had indeed been largely triumphant over the old threat-based models of the state.

These reflections urge us to consider whether, in fact, men have indeed transcended the corruptive seductions of power and whether a science of eiconics might need to consider more carefully whether John Calvin may have

had a deeper insight into human nature. In Book I, Chapter xi of his *Institutes of the Christian Religion*, Calvin observed “that the human mind is, so to speak, a perpetual forge of idols.” Boulding, by contrast, seems to hope that we might attain a release from the more troubling history of private human belief and action by better aligning ourselves with benevolent public images. Certainly such hopefulness about human nature has been persistent, especially in the current age, when we have a new view of Earth as seen from space. *Seed* magazine published a recent reprise on this theme, noting in Boulding-esque fashion, “For those who have already experienced it, the beauty of the planet has been an epiphany, eliciting deep concern for Earth’s health, a visceral understanding of human ‘oneness,’ and clarity about the interconnectedness of things. Unlike those of us here among the trees, they have seen the forest.”<sup>1</sup>

Rob Garnett’s essay speaks to such hopeful possibilities, which seem still to resonate with many in our own day. Garnett appropriately takes us straight away into a consideration of the various views of human nature at work in the theories of modern economists. On Garnett’s account, Boulding sought to move away from the profit-maximizing view of man as *homo economicus* popularized especially by the Chicago economists influenced by George Stigler. The late Milton Friedman, of course, can be included in this school of thought, and practitioners in the field of corporate philanthropy have long struggled to overcome Friedman’s insistence that the business of business qua business is profit, not benevolence. Garnett suggests that Boulding, by contrast, sought to go beyond the Chicago school’s foundation of self-interest as the prime mover of humanity to embrace another dimension of Adam Smith’s insights about human nature. Boulding recognized Smith’s attention to human sympathy as an essential feature of human social psychology, and he argued, therefore, that there was room for students of human action to give serious consideration to the phenomena of human benevolence and grantmaking.

Like Lloyd, Garnett acknowledges problems with the dualism Boulding seems to pose between market exchange and philanthropic benevolence, but he makes an interesting and creative move in seeking to resolve this dualism by bringing to bear several emergent streams of thought, including the one represented by this journal and its contributors. Garnett suggests that a more

<sup>1</sup> [http://www.seedmagazine.com/news/2007/01/our\\_expanded\\_view.php](http://www.seedmagazine.com/news/2007/01/our_expanded_view.php)

robust conversation among those beginning to engage economics again as a moral science, many of whom are seeking to examine anew the legacy of Adam Smith, might actually lead to a new image of economics itself as a science of benefaction and of the economy as a “provisioning space in which economic cooperation and human betterment are effected via a plurality of commercial and noncommercial means.” Such a view would invite more philosophical and more empirical understandings of philanthropy as an important element in the overall creation of human goods and the satisfaction of human needs and desires, whether emerging from personal or social (public) values.

A broader space of the sort Garnett envisions for considering the shared philosophical dimensions of economics and philanthropy might help social scientists come to appreciate not only the aesthetic richness of reflections on human action offered by poets, novelists, historians, and ethicists but also discover that practitioners of the liberal arts as well as the hard sciences can be important interlocutors in helping us understand the science of human benefaction. Richard Gunderman, a medical doctor and philosopher, offers us here a consideration of the questions about our current image of philanthropy which can be answered to their fullest only as we encourage conversation among people from all walks of life. Gunderman considers how we think about the context of philanthropy, the resources available to it, the knowledge necessary to pursue it well, the challenge of giving in ways that generate more giving, and the leadership requisite not merely for efficient execution of grants themselves but for helping each of us better imagine ourselves in the role of giver.

Gunderman echoes Boulding’s call to consider how love itself moves our economy and our philanthropy, two halves of a robust human life that were united in the old Greek concept of the household (*oikonomos*) but are increasingly divorced in the era of the modern democratic polity grown dependent upon the administrative state. Philanthropy and economy alike, as means of human exchange and thus integration, have more to do with one another, and with love, than our public discourse and public policy seem now to allow.

Appended to these essays is a shorter note by Steven Ealy on a conceptual confusion that seems to underpin much of the confusion Boulding’s work seems to engender: Is taxation best considered a grant or an exchange? Ealy’s

essay argues for an exchange model of taxation as an important foundation for citizens to hold government responsible and responsive. His note thus brings us full circle to the challenge we face in examining human action by dividing it into rigidly distinguished analytical categories such as coercion, exchange, and benevolence.

As individual human actors we find that our motives and actions partake of all three of these forms, often simultaneously, requiring each of us to struggle with our conflicting drives and ends as we seek to understand and forge our own identities. In coming to act in our families and communities, in turn, our achievement of personal integrity becomes a key factor in helping us contribute effectively to shaping the broader communal and social values of the day. When we introduce the element of time into this expansion of our horizons and consider how we might begin to shape the future as well as the present, the complexity of human action presents new problems.

Boulding observed that “making sacrifices for a distant posterity is clearly the purest form of grants economy that can be imagined, for there can be no vestige of exchange in it.” He went on to suggest that the way we can value such intergenerational grants is to recognize that we form our identity by maintaining “some sort of community, however uncertain and discounted, not only with one’s own day, but with the whole human race as it stretches out through time and space” (*Economy of Love and Fear*, [Belmont CA: Wadsworth, 1973], 97). Giving, for Boulding, turns out to be “a sacrifice we may make in the interests of our identity, for our identity depends very largely on the community with which we identify.” In the end, Boulding does not resolve the challenges of human identity and identification within and among the communities in which we live and move, but the questions he poses can still help us grapple with these issues today in order to help us understand better how free individuals dwell responsibly in a world where coercion, exchange, and love are all operative.

For introducing me to the depth of Boulding’s work, I owe thanks to David Prychitko, who co-directed the 2004 colloquium with me and has taught me over the years much about the Austrian economists’ perspective on exchange, while being willing to join me in pursuing a richer understanding of philanthropy’s role in our culture. In reviewing the papers for this volume, David suggested that perhaps the highest form of philanthropic love, following

the insights of Josef Pieper, is providing others the opportunity to share and enjoy contemplative leisure. If the truest measure of a culture lies in what its people choose to do with their leisure time, David and the other participants in and readers of our conversations here exemplify, to me, culture at its best, when we can come together with mutual regard and seek to understand together how we arrive at the personal and societal values we hold.

Boulding once observed, “one of the most peculiar illusions of economists is the doctrine of what might be called the ‘Immaculate Conception’ of the indifference curve, that is, the doctrine that tastes are simply given and we cannot inquire into the process by which they are formed.” “This doctrine,” Boulding wrote, “is literally ‘for the birds,’ whose tastes are largely created for them by their genetic structures and can therefore be treated as a constant in the dynamics of bird societies.”<sup>2</sup> People, by contrast, dwell in realms of images that they both receive and make. Boulding, of course, was on to something when he urged us to understand better how our dwelling among images of ourselves and our society—and allowing those images to dwell in us—creates obligations for us to understand the very processes by which we receive and make them.

The cover art chosen for this volume is inspired by Boulding’s reference to the way human societies transcend our tendencies toward mere animal behavior. Like birds, humans yearn to soar free while continuing to flock together. We seek, it seems, to fly as individuals, testing our wings and the occasional good current, while moving generally in the direction our companions are also choosing. The images by which we together discern these directions and achieve some coordination during the flight remain important objects of our consideration.

—*Lenore T. Ealy*  
*Series Editor*

<sup>2</sup> Kenneth Boulding, “Economics as a Moral Science,” Presidential Address to the American Economic Association, Chicago, December 1968, and published in the *American Economic Review*, March 1969.



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## CONVERSATION 6

### *Boulding's Global-Socialist Theory of Philanthropy*

Gordon Lloyd

### *Philanthropy, Economy, & Human Betterment: A Conversation with Kenneth Boulding*

Robert F. Garnett, Jr.

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### *Taxation as a One-Way Transfer? A Note on a Conceptual Confusion in Kenneth Boulding*

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# BOULDING'S GLOBAL-SOCIALIST THEORY OF PHILANTHROPY

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*Gordon Lloyd*

Kenneth E. Boulding authored more than thirty books and a thousand articles and served as president of the Society for General Systems Research, the American Economic Association, and the Association for the Study of the Grants Economy. He also helped found the fields of peace and conflict studies and evolutionary economics. Any brief essay on Boulding thus certainly runs the risk of presenting an incomplete view of the vast range and depth of his work.

Following Frank Knight, the eclectic founder of the Chicago School of Economics whom Boulding admired, we can insure against that risk by carefully delineating the scope of our enterprise as considering the following three questions:

1. How does Boulding help us understand the appropriate role of the grants economy in the twenty-first century?
2. How is his approach to the philanthropic enterprise similar to and different from that found in public choice-market exchange economics?
3. How does he contribute to a general theory of giving?

Interestingly, there is a remarkable uniformity in Boulding's writings concerning these three questions, despite their being written over thirty years during the second half of the twentieth century.

Boulding claims to be the first person to found a general theory of philanthropy, one that is methodologically distinct from, ethically superior to, and factually more relevant than the market exchange model and the democratic state-based grants model. He calls this general theory the "integrative system." Boulding's integrative system—one where individuals integrate themselves with each other through the power of gift-giving has three major components: his vision of it (a) weaves together historical, economic, and sociological themes, (b) is designed with a comprehensive concept of human well-being in mind, and (c) is grounded in a theory of knowledge that is meant to provide a practical way to distinguish between good grants and bad grants.

Boulding pursues these objectives through an evolutionary theory of knowledge; he does not ground his theory of knowledge in epistemological or philosophical terms (1961b, 166). That, I suggest, is Boulding's claim. His general theory of integration, however, has two ambiguities:

1. it is difficult to untangle the normative and prescriptive components from the factual and predictive ones; and
2. there is indeed an epistemological component—the assumption that humans are benevolent by nature—that is essential to the general theory. Boulding says explicitly that the “need to identify with others” is “an essential part of man's nature” (1965, 250). But the question remains: Did people become benevolent through evolutionary developments, or were they always potentially benevolent?

### ***Basic Assumptions***

Although Boulding's approach appears compatible with the spontaneous, evolutionary approach to the discovery of knowledge associated with the Austrian economists and proponents of the exchange model, his general theory departs fundamentally from their approach. True, he presents the grants sector as an independent sector, but this argument is not offered as the alternative to the governmental sector. Rather, it is the alternative to the market system model and, by the way, to most of the governmental sector grant models. Put differently, Boulding provides what I shall call a global-socialist theory of philanthropy rather than a market theory of giving, if for no other reason than that the “bad press” associated with the philanthropic enterprise is due in large measure to what Boulding deems the narrow, self-interested behavioral assumptions underlying the exchange model. Nor is he interested in an uncritical acceptance of the traditional state-based, socialistic model of grant giving, because it lacks the ability to distinguish between good and bad grants.

Instead of applying the cost-benefit methodology of the market to distinguish between good and bad grants, Boulding creates an evaluation scheme that is independent of market economics. His general theory moves, albeit uneasily, between (1) “a rational critique of preferences,” and (2) a “realistic” view of the world.

The problem we face with Boulding's work is to figure out whether both of these impulses are generated by the experience of evolutionary forces or by an image created by humans and projected on to the world. After all, from

Boulding we learn that humans are the only creatures “capable of imagination, that is of forming images of things of which it has no experience” (1989, 218). In particular, he notes, humans are capable of imagining power, especially “the power of love.”

At the heart of Boulding's approach to power is a distinction among “threat power, economic power, and integrative power” (1989, 10). He describes this elsewhere as “destructive power, productive power, and integrative power” (1989, 25). He is interested primarily in exploring integrative power. Although it is “an elusive and multidimensional concept that is very hard to quantify” (1989, 109), Boulding claims that integrative power “is the most dominant and significant form of power” (1989, 10). Integrative power, says Boulding, is the most complex and mysterious concept—even more mysterious than biological evolution—since it involves the presence within social evolution of “genuine benevolence” and “the power of love” (1989, 173, 29, 110).

### *Dueling Images*

Each “power” has its own image for Boulding: “the stick, the carrot, and the hug,” respectively, and Boulding is not shy to rank each image: “the stick, the carrot, and the hug may all be necessary, but the greatest of these is the hug” (1989, 250). It is clear that he prefers the carrot of the competitive market over the stick that is monopolistic force. But he makes it clear that the image and reality of cooperation—the hug—are better than the two alternatives.

One might be quick to identify Boulding's stick with the state qua state, but it would be incorrect to do so. That would be the Austrian, even libertarian, thing to do. The communist state and the fascist state do indeed represent the stick for Boulding, but the democratic state contains a certain degree of benevolence, in his view. Moreover, unlike market-inclined economists, Boulding also uses the stick as the image for certain “closed minded” non-state-sector religious activities (1961b, 124). Rather than being an anti-statist per se, the stick is his image for any non-learning, non-growing, non-organic environment, period. The stick is his symbol for monopoly and force, whether public or private. Boulding is anti-static, per se, rather than anti-state.

The normative and factual battle for Boulding is between the carrot—the principle of self-interest operating through the market model of persuasion through incentives—and the hug, rather than, as it is for market economists, between the carrot and the stick. For Boulding, the hug symbolizes the grants sector driven by “the image” of benevolent socialism and “the fact” that the world is actually becoming benevolently socialistic. Put differently, the true clash for Boulding is between the image of competition and the carrot, on the one hand—which is preferable to the image of monopoly and the stick—and the image of cooperation and the hug on the other hand. Boulding supports private education operating alongside public education because competition is better than monopoly. But he would not completely privatize education because at the heart of the education project is the special non-quid pro quo, non-commercial, and non-consumer relationship that ought to exist, and apparently now exists, between teacher and student.

Persuasion has replaced obedience, but it is time that identification replace persuasion: that seems to be Boulding’s message. But do we all of a sudden wake up one morning and say, “Make profit, not war,” and then a couple of days later, wake up and say, “Make love, not profit”? Do we just imagine this notion into existence, or has it emerged while we were in a sort of deep but coherent sleep? Boulding asks, “When will they learn?” I ask, “How do we learn?”

Boulding uses “hug” as another word for integrative power. It involves friendship and household networks, voluntary activity, and “integrative organizations like churches, clubs, and families” (1989, 50). It is part of a “learning identity” network (117). In contrast to economic relationships, an integrative relationship is not a formal contract that arises out of exchange but is something that arises out of fellow feeling and mutual benevolence (1973, 27).

In describing integrative relationships in terms of learning identity, Boulding has to address the question of how this learning or “know-how” and “know-what” about hugging take place. In particular, he acknowledges, we have to understand how we learn to “create images of the future” that help us deal with risk, uncertainty, and profit. We need a general theory, he says, that enables us to evaluate whether “human decisions” lead to a condition of “human betterment” (1989, 122) (1985, 55).

### *Evolution of Values*

Boulding is clear on what he sees as the decisive issue at the heart of the mystery of human evolution: to what extent do human beings effectively control their own development, and “what is the role played by events that lie outside the human decision process?” (1989, 216) Since it is a vital part of human well-being that the normative image of the world be in harmony with the factual reality of the world, it is important to know where the world is really heading. Hence, Boulding asks, “What is the wave, or are the waves, of the future?” (1973, 103) This leads to his follow-up question: Can the human imagination, the creator of normative images, keep up with the world experience and also develop realistic images? Good decisions apparently are the result of good images, in his formulation, but they also “emerge out of realistic images of the future” (1985, 74), and that returns us to one of our initial puzzles with Boulding’s general theory: How much of it is the result of human imagination, and how much is it the result of nonhuman evolution? How much of it is normative, and what percentage is factual? And how do these four categories interrelate?

The world, according to Boulding, seems to have a knack for self-regulated and organized growth. It substituted the productive carrot for the destructive stick and now is substituting the integrative hug for the productive carrot. That, apparently, is a fact and operates outside of human judgment. The world image, in turn, changes because humans learn; in particular, they have learned to overcome the nuclear and ecological crises, the downside of the stick and carrot images and realities, and have wisely accepted the arrival of the stationary state of “spaceship earth.” Accordingly, “the total pattern of humanity” (1989, 230, 182) is moving in the direction of an integrative system and toward the notion of a “common humanity of the whole human race to which we all belong.” Thus we should be adopting the integrative values of a grants economy that has social betterment as its objective. Under this neosocialist general theory, the stick has withered away and the carrot has outlived its usefulness. Finally, a new morality meets a new reality. And they hug each other.

Now what is the appropriate image of human betterment in “spaceship earth”? Boulding offers good health, formal education, and an appropriate policy concerning “sexual behavior, drinking and drugs, social intercourse, and the uses of time” (1985, 160). Boulding’s image is “a reasonably

comfortable, decent, warm, charitable, well managed, and creative society” (1973, 111). But here we must ask whether Boulding has succeeded in persuading us that we are moving away from the era of the carrot toward the era of the hug. It seems to me that this image of comfort and decency is very close to the values generated by the exchange economy that Boulding suggests the world ought to have left, and has left, behind! Surely something higher than bourgeois values would be the result of Boulding’s goal of human betterment? If not, then why not see benevolence as ultimately compatible with the exchange economy?

### ***Socialist Vision***

Boulding indeed does provide a different, and socialist, vision, one that takes us back to the three faces of power. The power of the hug can and will replace the power of the carrot because of the existence of “surplus power.” Boulding’s neosocialism contains a new understanding of the doctrine of surplus value, one that points in the direction of universal peace rather than class war and the transformation of the entire value system.

Boulding envisions an image of the world where “benevolence is desirable” and also possible (1985, 173). To put words in Boulding’s mouth, the promise of a life of vast abundance and indulgent leisure is a fetish and an illusion, and the exchange model grounded in the image of “a dynamic and expanding human race” fosters that illusion as well as non-benevolent behavior. This illusion is both factual—that world no longer exists—and normative: such a life ought not to be integral to the project of “human betterment” (1973, 112). Apparently, the exchange economy is ethically inferior and factually obsolete. Thus we need philanthropy, but in a form that deserves our support because it does good naturally rather than by calculation.

It is important to note that Boulding divides the general subject of doing good into two parts:

1. the philanthropic gift or grant from one person or organization to another within the “general existing framework of society;” and
2. social action—pursued through the political process—which aims to do good by changing the very nature of society (1965, 247).

Philanthropy, unlike social action, aims to improve the lot of human beings without engaging in constitutional amendment, regime change, nation building, or social transformation. This distinction between philanthropy and social action is useful but ought not to be overworked, lest we lose sight of what they have in common: they are two aspects of the human betterment project.

As a first step toward providing a general theory of benefaction, one that has a standard by which to distinguish between good and bad grant choices, Boulding provides a “rational critique of doing good.” At the heart of this effort is a decisive question: Can preferences be criticized? Exchange-oriented economists shy away from this question, asserting the “ethical neutrality” of preferences. Boulding says that to adopt a position of “ethical neutrality” is utter nonsense when making the case for the non-exchange economy, where *quid pro quo* does not, and ought not, operate.

Central to Boulding's general approach is his valuable warning about “economic imperialism,” namely the “attempt on the part of economics to take over all the other social sciences” (1973, 11). Thus, he does not apply the model of exchange, as the Austrian economists are inclined to do, to the grants economy, or to the political sector as students of public choice do. “Utility theory will mislead us,” writes Boulding, “if we conclude from it that the motivation for philanthropy is no different from that in other forms of expenditure” (1962, 239). True, Boulding concedes, economics is an advanced system of knowledge—we know how the price system works, and we know the general theory of employment and output—but economics has its limits: “We don't know how to prevent wars, how to eliminate crime, or how to make people happy. We do not even know how to diminish the total amount of mental illness” (1965, 31).

In other words, Boulding does not blindly apply the rational choice model of economics to politics and society. To do so would be to

1. reduce philanthropy to a subfield of economics,
2. exaggerate the self-interest dimension of human nature, and
3. ignore the “fact” that the stick and carrot systems have sown the seeds of their own destruction.

To articulate a distinct foundation for understanding benefaction, Boulding has to establish an evaluation scheme whereby some grants are judged more worthy than others. This means that he has to establish the

meaning of truth and identify the existence of error. Once again, this leads us back to our initial query: Does Boulding have a sound theory of knowledge? Is his general theory sociological and evolutionary, or is it epistemological and philosophical? Do humans have stories, or do they have natures? Do we consent to provide and receive grants because they are in accordance with knowledge of the identification of the right and good grant, or do we say this is a good grant because we agree to give and receive it? What if giving and receiving simply makes us feel good?

### *New Value System*

Here is the problem. Boulding denies both:

1. that there is a fixed truth about doing good out there waiting to be discovered and applied; and
2. that truth is simply something that is individually created.

Instead, he adheres to the notion of the “public image,” an idea that exists as a result of interpersonal agreement. Boulding thus seems to share the non-epistemological and non-existential, pro-evolutionary methodology and consensus approach of the Austrian and market-oriented economists. But unlike these economists, he is willing to criticize preferences and unwilling to leave evaluation at the “were the values of the giver or recipient fulfilled?” level as the definition of a good grant. For Boulding, the essential feature of his “integrative system” is the conscious and non-calculating “identification” between the giver and the recipient (1965, 250, 253). Put differently, Boulding’s general system of doing good looks at the fulfilment of the intentions of an entire “value system” and not just the fulfilment of one person’s values, regardless of whether we are talking about the preferences of the donor or the wishes of the recipient.

He argues, furthermore, that every “ethical system” contains within itself “an orderly criticism of existing values,” or “challenges,” and that these criticisms are either accepted or rejected as time goes by. According to Boulding, this process of “challenge acceptance” and “challenge rejection”—again, it is unclear whether by conscious acts of human beings or the coherent evolutionary process of discovery—has caused a profound change in “basic values” over the years. Slowly but surely, the world has been moving toward an “integrative system,” says Boulding. (1965, 250, 253)

Here is where new fact seems to meet new value: the sense of a community of mankind has become people's primary unit of identification, replacing the position of the nation-state (both democratic and non-democratic) and closed-minded religious sects. And this, he says, is a good thing! For Boulding, "without understanding this, we can't understand what is going on in the world." Nor can we make the world a better place in which to live (1965, 257). Boulding's conjecture about value systems requires us yet again to repeat our earlier question: Is this process of "value change," or "image modification," the result of conscious human action or a coherent and systematic unfolding of evolutionary change?

In the end, Boulding claims that values and images are the result of human learning. Therefore, the ethical principle underlying philanthropic conduct seems to be "the principle of being willing to learn," and the question undergirding the philanthropic project finally appears: "How do we produce the will to learn?" What is it that we, as donors and recipients, need to learn? The answer is: How to be properly integrative in the grants economy. Or, in simpler terms, have you hugged the world today? It is good to hug the world, and the world is ready to be hugged. And if you ask, "Well, what does that mean?" you clearly have not understood that sometimes Mercury is out of alignment.

### ***Organic Theory of Knowledge***

Boulding spends a considerable amount of time creating a general system for the philanthropic sector. But my thesis has been that for Boulding, this general theory is based on an identity or integration between the donor and the recipient. Boulding's integrative system is conceived in opposition to the quid pro quo relationships of the exchange economy as well as the monopolistic disposition toward grant giving and receiving of certain governmental and private associations. If we push Boulding, he would express serious doubt about the non-democratic government sector because it uses the monopolistic stick rather than the competitive carrot or the benevolent hug, but the same doesn't hold for democratic government, which has a certain welfare hug quality. If we keep pushing, however, we find in the end that the reason the image of the democratic nation-state bothers Boulding is not because it represents the stick so troublesome to market-based economists but because there is a more appropriate and accurate image available—the hug. Boulding wants a general theory of the philanthropic

sector that moves beyond both the democratic, welfare-inspired nation-state model and the market-based, incentive-driven model. His general theory embraces the “emergence of the planetary view,” (1965, 250, 253) the emergence of one mankind as a structured integrative system.

We can now look again at Boulding’s distinction between “one-way transfers” and the “two-way transfers” of the exchange economy. Boulding argues, I think correctly, that market-based economic theory has neglected, even denigrated, the “one-way transfers” grants concept. In fact, the economist “feels rather at sea” in the “priceless world” of gifts, focusing instead on the “two-way transfers” of the exchange economy. But, adds Boulding, “without the grants concept, indeed, any kind of organization would be incomprehensible.” Moreover, “the one-way transfer, far from being something extraneous or extraordinary in the general organization of social life, is an integral and essential part of the system.” Again, the things we do “for love”—or the integrative model involving “status, identity, community, legitimacy, loyalty, love, and trust”—are the wave of the future. Boulding embraces this wave: “to do things for love always seems to be more moral and progressive than to do things for money.” I gather that Boulding concurs that money shouldn’t and can’t buy you love. And, moreover, we should learn to give peace a chance (1973, 1, 4-6, 34, 110; 1962, 235).

Boulding’s “organic theory of knowledge,” then, is grounded in “the image of the world.” And “behavior,” in turn, “depends on the image” (1961a, 16). “What, however, determines the image?” he asks. “This is the central question of this work (6). Images can be matters of either fact or value. The latter type provides us with an evaluation scheme, which Boulding calls “value scales.” The value scales “are perhaps the most important single element determining the effect of the messages it [any individual or organization] receives on its image of the world” (12). When other people share this value system, we have a public value system. And the distinctive part of this shared value system—or public image—and its growth and development, is its “organic structure.” This is the result of “the art of conversation or discourse” (15). So we have the “outside messages” and the “inward teachers” (18). And we are still left with confusion: Is knowledge acquired organically or creatively?

A critical aspect of Boulding’s general theory is the assumption that humans are conscious of their knowledge of extended time and extended relationships and thus are capable of responding “to an image of the future

filtered through an elaborate value system” (1961a, 26). As a result, he argues, humans can grow independently of external messages and create a structure of an interconnected people. There is a “teaching” or structuring process that takes place, he argues: “What the student gains the teacher does not lose. Indeed in the teaching process, as every teacher knows, the teacher gains as well as the student. In this phenomenon we find the key to the mystery of life” (35).

Again, for Boulding the dynamics of change are not a matter of chance: “There is an orderly development in the public image as recorded in the transcript of successive civilizations and generations” (1961b, 7). Nor does change just happen: the image guides conduct. For example, we need “the image of a free society” to “dominate” before slavery can go away (1961a, 121). People create these images: “To a very large extent change in the image of society comes about through the impact on society of unusually creative, charismatic, or prophetic individuals.” (75).

Although Boulding bemoans the fact that man has a tendency to be “entropic,” a squanderer of “his great inheritance” (130), he reminds us that there are anti-entropic processes at work as well: “The process of the increase of knowledge itself is anti-entropic. It builds structure out of what was previously chaos. It organizes the disorganized” (1961a, 130). He claims that the integrative image can become the foundation for a new, unifying science called eiconics, a sociology of knowledge that conceives of an organism as an organization (1961b, 159). Eiconics integrates humans with the world and with each other, and it invites, nay requires, that we commit ourselves to hug the world today. It may even encourage “rich American Christians” to “stint themselves . . . for the benefit of their fellow Christians in poor countries” rather than “build fancy tax-exempt churches at home” (1965, 260).

With a growing trend of philanthropy and Christian charity becoming so internationally minded—with the plight of Africa in sharp focus—Boulding can seem at times to have been a genuine prophet. But we have to ask just how far eiconics might take us in understanding and adapting our social and political institutions to the demands of a new age.

Boulding is interested in discerning what portion of social activities should be organized by exchange and what portion by grants. Is there an optimum point that represents the ideal combination? He is making the case against over-reliance on the exchange economy since the world is moving

toward integration and the exchange model has “no such power to create community, identity, and commitment.” Where, he asks, is the “sacrifice” in the exchange economy? (1973, 28). This, says Boulding, is not only the heart of the philanthropic controversy; it “is the heart of the socialist controversy” (12).

Unfortunately, Boulding does not tell us what portion of the grants economy should be divided ideally between philanthropy and government. He seems to overlook the fact that democratic government can tend toward factionalism or tyranny. In the end, Boulding would seem to leave us few tools—other than “being willing to learn”—for distinguishing the proper roles for the democratic state, the market economy, and the grants economy in shaping the public image. Without such tools, we are left with a global-socialist theory of society and little basis for incorporating any view of economic exchange as a contributor either to image formation or to the achievement of human betterment. Apparently, all we need is love.

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# PHILANTHROPY, ECONOMY AND HUMAN BETTERMENT:

A CONVERSATION WITH KENNETH BOULDING

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## **Introduction**

The consensus among economists today, and indeed since Adam Smith, is that philanthropy plays no essential role in the formal theory or institutional structure of a complex, decentralized economy. As a bundle of noncommercial institutions and processes, philanthropy—“voluntary giving and association that serves to promote human flourishing” (Ealy 2005, 2)—falls outside the domain of standard economic theory (Mirowski 2001; Nelson 2006, 51). This theoretical omission is buttressed by the claim that philanthropic sectors are economically trivial in comparison with commercial and governmental sectors as generators and redistributors of wealth (Salamon 1995).<sup>1</sup>

The economist Kenneth Boulding dissented from this consensus. Through a series of works written over two decades, Boulding crafted a suggestive reformulation of economic theory in which social cooperation and human betterment are promoted through a “grants economy” (which includes philanthropy) as well as an “exchange economy” (Boulding 1962, 1965, 1973, 1981).<sup>2</sup> At the same time, Boulding’s treatment of markets and philanthropy as separate spheres—the former propelled by self-interest, the latter by benevolence or moral sentiments—served to reinforce the economic denigration of philanthropy that Boulding ultimately wished to overcome.

My goal in this paper is to revise and strengthen Boulding’s treatment of the philanthropy/economy relationship by employing his own historiographic device, the “principle of the extended present” (Boulding 1971). The extended present, as Boulding defines it, is a space of conversation and mutual learning between canonical works and contemporary readers. Boulding developed this idea in his 1971 paper “After Samuelson, Who Needs Adam Smith?,” in which he argued that modern economists still need Adam Smith because his work contains untapped insights that challenge and complement present-day theories

(Boettke 2000). I use the extended present here as a tool for putting Boulding's work in dialogue with two innovative lines of contemporary thinking: the emerging literature of "new philanthropy studies"<sup>3</sup> and the wave of recent economic scholarship calling for an expanded view of economics and the economy, beyond the "separate spheres" treatment of self-interest and benevolence or the economy and civil society.<sup>4</sup> By rereading Boulding in light of these contemporary literatures, and vice versa, I hope to contribute to the larger project of theorizing the central place of philanthropy in the "civil economies" of the twenty-first century.

The paper proceeds in four parts. The first section situates Boulding's theory of philanthropy as a critical response to the Stiglerian, "Chicago" view of human nature, economics, and Adam Smith. The second section examines the theoretical shortcomings of Boulding's formulation, particularly his treatment of markets and philanthropy as separate systems. The third section proposes a reformulation of Boulding's scheme, inspired by an extended-present dialogue between Boulding and contemporary scholars of philanthropy and economics. The concluding section ("After Adam Smith, We Still Need Boulding") reflects on Boulding's enduring contribution to Adam Smith's unfinished project: the recognition of philanthropy as a vital means of promoting human welfare through voluntary action.

### ***Boulding's Revision of Philanthropy, Economics, and Adam Smith***

When Boulding first surveyed the social science literature on philanthropy in the early 1960s, he was surprised to find little work by economists in this area, but he was confident that "the existing intellectual framework of economics [could] easily be expanded to incorporate the grants economy" (1981, vi). His 1962 essay "Notes on a Theory of Philanthropy" opens with a sober yet hopeful assessment:

In view of the importance of philanthropy in our society, it is surprising that so little attention has been given to it by economic or social theorists. In economic theory, especially, the subject is almost completely ignored. This is not, I think, because economists regard mankind as basically selfish or even because economic man is supposed to act only in his self-interest; it is rather because economics has essentially grown up around the phenomenon of exchange and its theoretical structure rests heavily on this process (1962, 235).

Eleven years later, after his professional peers had responded with “not always polite skepticism” to his argument that “grants economics should be a regular subdiscipline within the larger field [of economics],” Boulding’s assessment was more critical and combative:

One of the odd things about the grants economy is that it seems to arouse great anxiety and hostility among many more traditional economists. I admit I am a little puzzled by this, as a grants economy seems to me a very natural and obvious extension of the existing frame of thought in economics and in the social sciences generally. . . . The very hostility which the concept arouses, however, suggests that there is enough novelty in it at least to upset those whose economics is confined very strictly to the concepts of the exchange economy (1973, 10).

Boulding realized that in order to make room for philanthropy in economic theory, he would have to overcome the formidable “anxiety and hostility” of economists who believe that economics ought to be “confined very strictly to the concepts of the exchange economy.”

This narrow view of economics is frequently ascribed to Adam Smith—specifically, the “Chicago Smith”<sup>5</sup> who is purported by George Stigler and others to have argued that “humans can be represented as *homo economicus*, beings driven by a single motive: personal utility maximization,” and that market exchange is the only viable form of large-scale, voluntary social cooperation (Evensky 2005, 245-264).<sup>6</sup> In Boulding’s day and in our own, these “Chicago Smith” assumptions make it possible for economists to dismiss (or simply overlook) philanthropy as a topic ill-suited or unimportant for economic analysis.

Smith’s work, to be fair, contains numerous passages consistent with the Chicago point of view. In his Index to the third edition of the *Wealth of Nations*, for example, Smith declares self-love to be “the governing principle in the intercourse of human society” ([1776], 1976b, 1069). Notwithstanding the conceptual distance between Smithian self-love and Stiglerian self-interest,<sup>7</sup> such statements suggest that Smith did indeed regard self-interest as the only secure basis for large-scale social cooperation. This view is supported by standard readings of Smith’s famous paean to self-interested exchange in the second chapter of *Wealth of Nations*:

In civilized society, [the human individual] stands at all times in need of the cooperation and assistance of great multitudes . . . and it is in vain for him to expect it from their benevolence only. He will be more likely to prevail if he can interest their self-love in his favor, and show

them that it is for their own advantage to do for him what he requires of them. . . . [I]t is in this manner that we obtain from one another the far greater part of those good offices which we stand in need of. It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity, but to their self-love, and never talk to them of our own necessities but of their advantages. Nobody but the beggar chooses to depend chiefly upon the benevolence of his fellow-citizens ([1776], 1976b, 26-27).

Smith's butcher-brewer-baker example pits the efficacy and humanity of trade against the indignity and inefficacy of begging: rationally negotiated quid pro quo transactions among legal equals versus servile appeals to benevolence. This juxtaposition suggests strong practical and ethical reasons to prefer market exchange over philanthropy as a means of material provisioning, and it may help explain why Smith himself "does not give private benevolence associations much of a role in solving social problems" (Fleischacker 2004, 275).

In light of the enduring influence of these "Smithian" assumptions and arguments, one can hardly be surprised by economists' tendency to treat philanthropy as external to economics proper, or to assign it no important role in the institutional structure of modern economic life. These, however, are precisely the elements of professional common sense to which Boulding took exception in making his case for an economic theory of philanthropy, as in the following four principles he outlined.

### ***1. Human nature is poorly represented by the textbook image of homo economicus.***

Boulding rejects the standard economic description of the human actor as a socially detached profit maximizer.<sup>8</sup> He grants that human action is purposeful, even rational in the sense that "people do what they think is best at the time," but he accepts it only with the proviso that "what is 'best' . . . may include benevolence and moral sentiments as well as the most outrageously selfish of motivations" (Boulding 1976, 6-7).

Boulding defines benevolent actions as those motivated by a sense of identification with others (1981, 4; 1962, 239-240). Adopting one of the central themes from Smith's *Theory of Moral Sentiments* ([1759], 1976a), Boulding argues that benevolent actions are made possible by our human "capacity for

empathy, for putting oneself in another's place [and] feeling the joys and the sorrows of another as one's own" (1962, 239). Acts of benevolence, for Boulding, belong to a larger category of "heroic" actions—noncalculative decisions "in which the decision maker elects to do something not because of the effects the decision will have in the future but because of what he 'is' here and now, how he perceives his own identity" (1970, 132). Boulding cites "saints and martyrs of all faiths, religious and secular," as extreme examples of heroic action. Yet he mostly emphasizes the "quiet heroism" of everyday life, "in jobs, in marriage, in child rearing, and in the humdrum tasks of daily life, without which a good deal of the economy might well fall apart" (134).

Contrary to the reductionist anthropology of the Chicago Smith, Boulding claims that benevolence, heroism, and other forms of self-sacrificing or group-oriented action are not aberrant or exceptional but instead are "an essential part of man's nature—his need to identify with others, his need to expand his interests and concerns beyond the confines of his own body" (1965, 250).

## ***2. Philanthropy is a gift, not an exchange.***

Boulding distinguishes philanthropy from exchange in two fundamental ways. In terms of basic accounting, he observes, exchange is "a two-way transfer of economic goods," whereas gifts and grants are one-way transfers that entail "a change in ownership of economic goods from a donor to a recipient" (1973, 1). In addition, Boulding gives philanthropy a behavioral definition as "pure gift": "an expression of [a person's] sense of community with others" (1962, 240), "even if the community is as vague as the common humanity that unites the donor and the recipients" (1981, 4).<sup>9</sup>

Boulding recognizes that philanthropic actions can (and often do) arise from "impure" motives such as fear or vanity. He theorizes a spectrum of grants, ranging from pure gifts inspired by love or benevolence to tributes compelled by fear or threat (1981, vi, 4). His general conclusion is that "in almost all grants we find a certain mixture of [these] two motivations," love and fear. "These mixtures of love and fear are distressingly untidy," he notes, "but they seem to characterize a great deal of human behavior" (1973, 5). Still, to emphasize the moral potential of such acts, Boulding defines philanthropy in terms of its benevolent ideal. "There is a real moral difference," he argues, "between the gift which is given out of vanity and the desire for self-aggrandizement or the desire to be merely fashionable, and the gift which is

given out of a genuine sense of community with the object of the donation. It is this sense of community which is the essence of what I regard as genuine philanthropy. . . . When we make a true gift, it is because we identify ourselves with the recipient” (1962, 239).

### ***3. Every modern economy includes a grants economy as well as a commercial economy.***

The overall economy, as Boulding defines it, is an amalgam of markets and grants. “There are two parts to our economy: the exchange economy, in which you get a *quid pro quo*; and the grants economy, in which all you get is *quid*—you do not pay any *quo*” (Boulding 1968, 49; 1962, 235-236). Together, these two subsystems comprise the overall process of social provisioning, “providing the good things of life,” namely “those things which need to be provided if human life is to be secure, comfortable, happy, adventurous, dangerous, heroic, and whatever else we may want it to be” (1970, 139-140). Boulding’s “economy” is therefore defined as a space of provisioning (human betterment)<sup>10</sup> that includes both tradable and nontradable “good things”: ordinary commodities as well as civic goods such as “security from threat and violence, status and dignity, civil rights, social justice, equal status with others as a person, and other things which we think of as part of the political and sociological aspects of life rather than economic” (140). He refers to this enlarged economy as the “total social process” of provisioning, within which “the exchange economy and the grants economy [are] equal partners” (1973, 13).

It is worth noting that Boulding was not entirely comfortable with this all-encompassing “provisioning” definition of the economy, since it includes what he terms “non-economic goods” (“such things as respect, status, affection, [and] prestige, . . . on which it is hard to put a price” [1973, 1]). In Boulding’s view, such goods are economic in the broadest sense because they contribute to human betterment, yet as unpriced non-commodities they lie beyond the scope of economic science (1970, 139-140). As a partial resolution to these conflicting definitions of economy, Boulding proposes a nested definition: a broad “economic problem” definition, including the provision of all goods (priced and unpriced), and a narrower “economic science” definition, including only the provision of “economic goods” (money and commodities).<sup>11</sup>

This ambivalence in Boulding's definition of economy is significant, especially in connection with his theory of philanthropy, because it points to unresolved tensions between two parts of his intellectual identity: the economist and the humanist, the scientist of exchange and the scientist of humankind. We consider this tension later in this paper.

***4. Adam Smith's legacy in economics is a rich vision of human action and social cooperation that derives jointly from "The Wealth of Nations" and "The Theory of Moral Sentiments."***

Boulding's reading of Smith (1970, 117-138) underpins his arguments for principles 1, 2, and 3. Boulding's general view of human nature and his conceptualization of philanthropy as benevolence are drawn directly from Smith's *Theory of Moral Sentiments*. In addition, Boulding's "separate spheres" conception of the exchange and grants economies seems to reflect a common 1960s view of the relationship between Smith's moral and economic theories.

Boulding's appeal to Smith serves two important purposes. First, it brings Adam Smith's writings into the extended present of modern economics as a living text still capable of teaching important lessons (Boulding 1971). Second, it gives a less radical complexion to Boulding's critique of economic theory. Instead of arguing that existing economic theory "has it all wrong," Boulding stresses the nascent intellectual potential of its Smithian heritage and speaks of philanthropy as simply a road not yet taken by professional economists:<sup>12</sup>

On the whole, economists . . . have concentrated heavily on the concept of exchange in describing social relationships and the organization of society, and they have regarded the one-way transfer, or "grant," as exceptional and apart from the general framework of economic or social theory (1973, 1).

The way forward, Boulding suggests, is not to reject standard economic theory but to expand it, on the premise that the development of a satisfactory theory of philanthropy will require nothing more than the "natural evolution of the existing conceptual framework in economics and in the other social sciences" (1973, 10).

In all, by challenging key premises of “Chicago Smith” economics, Boulding was able to build a cogent case for why economists should recognize philanthropy as a core element of human nature, the modern economy, and modern economic analysis.

Boulding’s work thus brings philanthropic gifts and associations into the economic domain and opens the door to a rich and robust economics of philanthropy. Moreover, his theory places a distinctive emphasis on the fluid, heterogeneous, “messy” character of social phenomena. Alongside his categorical distinction between markets and grants, Boulding’s theory stresses that real-world grants and exchanges form a continuum, with “ordinary acts of exchange at one end and charitable gifts on the other, but with a great many intermediate forms and stages” (1962, 237). He takes a similarly spectral view of the distinction between gifts and tributes and of the sub-distinction between gifts to known and unknown others. Altogether, Boulding envisions an untidily pluralistic economy that enhances human betterment through the commercial and philanthropic provision of civic and market-traded goods. This complex economy coincides with Boulding’s view of human action as perpetually driven and constrained by a messy mixture of selfish and moral sentiments.

### ***Boulding’s Incomplete Break from the Chicago Smith***

Despite the fluidity and openness of Boulding’s framework, he ultimately achieves only a partial break from the economics of the Chicago Smith. Because he honors the disciplinary tradition of treating market exchange as a self-contained system, Boulding can introduce philanthropy only as a separate and parallel system vis-à-vis the market system. This reinforces the very market/philanthropy dualism that has long underwritten the exclusion of philanthropy from economic science. Even while stressing that benevolence and philanthropy are just as “integral” to human nature and human betterment as self-seeking and market exchange, Boulding still treats markets and philanthropy as two separate spheres, each with its own “laws of motion”—the market economy driven by self-interest, and the grants economy driven by benevolence. Regarding the latter, Boulding argues, “Despite the significant role that threat, or the fear of consequences, plays in the development of a grants system, I am prepared to argue that the ‘integrative’ or gift element in grants ultimately dominates and determines both the overall extent of the grants economy and also its patterns and structure” (1973, 5).

This is a rare moment of essentialism in Boulding’s thinking. It may reveal a compromise he felt compelled to strike with an intellectually conservative

profession in the hope of gaining greater respect and acceptance for his ideas (Boulding 1981, vii). It may also reflect the Cold War period in which Boulding’s theory of philanthropy was initially conceived, particularly the interlocking dichotomies of self-interest/benevolence, capitalism/communism, and - markets/philanthropy that was taken for granted by many U.S. economists circa 1960. In any event, by reifying rather than rethinking the market/philanthropy dualism, Boulding fell short in his attempt to recast the “intellectual framework of economics” so that markets and grants could become “equal partners in the total social enterprise” (1973, 13).

One practical consequence of this dualism is to place uncomfortably narrow limits on theories and practices of economy and philanthropy. It confines economy and economics to a Hobbesian world of narrowly self-interested exchange: heartless and amoral, yet uniquely effective in promoting human betterment on a large scale. Philanthropy is cast in a similarly narrow image: morally satisfying and practically effective on small scales but incapable of providing significant, systemic flows of economic goods and services, because of the absence of market competition and feedback. Schematically, the dualism is characterized by the elements in the following table:

| <b>Markets</b>                           | <b>Philanthropy</b>  |
|--|--|
| self-interest                            | benevolence, altruism  |
| quid pro quo                             | gifts and grants   |
| amoral, instrumental treatment of others | moral treatment of others (as ends, not means)   |
| self-centered                            | other-centered   |
| impersonal                               | personal   |
| unplanned, decentralized cosmos          | planned, centralized taxis   |
| large scale                              | small scale  |
| Mises’s pure capitalism                  | Marx’s pure communism (“from each according to his ability, to each according to his needs”) |

These conceptual oppositions limit Boulding's ability to theorize the economic dimensions of philanthropy and the humanitarian aspects of economics and the economy. For example, consider how Boulding's market/philanthropy schism limits the scope of the "general theory of benefaction" he outlines in "The Difficult Art of Doing Good" (1965). Boulding begins this essay by positing a broad definition of "doing good" (contributing to human betterment) and argues that social scientists need to develop a consequentialist theory of benefaction, focused not on actors' plans and intentions but on how and how well private actions actually advance human betterment (1965, 247-251). He further proposes that the study of benefaction should be interdisciplinary, as an antidote to the narrowness of standard economic theory and economists' general failure to provide practical solutions to complex social problems such as "development" and "urban poverty" (1970, 152-154).

Yet within the segregated structure of Boulding's framework, the term benefaction is limited to the category of philanthropic gift. Boulding is unable to extend it to include unintentionally benevolent effects of market exchange.<sup>13</sup> Boulding takes one suggestive step in this direction by broadening his definition of "philanthropic gift" to include gifts to unknown others, as when he writes, "We relieve the necessities of the poor for very much the same reason we do not allow our own children to starve—because they are, in some sense, part of us" (1965, 253). This suggests a philanthropic analogue to Smith's extended moral order whereby the reach of philanthropy would be limited only by the extent of our moral imaginations. Yet such an extended, Smithian notion of benefaction—as including both intended and unintended advances in human betterment through voluntary action and interaction—is strictly inconceivable within Boulding's conceptual scheme.

### ***Extending Boulding's Legacy: Beyond the Market/Philanthropy Dualism***

In recent years, leading economists across the ideological spectrum have argued for a broader vision of economic life—beyond the received dualisms of self-interest/benevolence and economy/civil society. This diverse movement includes experimental economists (V. Smith 1998), development economists (Sen 1999), feminist economists (Folbre 2001, Nelson 2006), post-Marxist economists (Elster 1990, Gintis et al. 2005), and libertarian economists (McCloskey 2006a and

2006b, Storr forthcoming). Though few acknowledge intellectual debts to Boulding, their shared aim is to make room in economic analysis for richer understandings of human behavior and modes of provisioning, especially the provision of public (civic) goods outside the traditional domains of the commercial economy, the family, and the state.

Part of the impetus and leadership for this reinvigorated “economics as moral philosophy” campaign comes from a new generation of Smith scholars (Sen 1987, Young 1997, Harpham 2000, Rothschild 2001, Jensen 2001, Otteson 2002, Fleischacker 2004, Evensky 2005) who emphasize the overarching connections between Smith’s moral and economic theories. In contrast to the Chicago Smith of Stigler et al., this revisionist literature describes a “Kirkaldy Smith”<sup>14</sup> whose economic philosophy is marked by a complex, multidimensional view of human nature, a normative commitment to social welfare based on a “rich, Aristotelian description of a flourishing life” (McCloskey 2006b), and an appreciation of markets and commerce as necessary but not sufficient conditions for the achievement of “equality, liberty, and justice” for all (A. Smith [1776], 1976b , 664).

Unfortunately, these new-wave scholars have so far paid very little attention to philanthropy. To a remarkable extent, they have perpetuated the Smithian tendency to “not give private benevolence associations much of a role in solving social problems”<sup>15</sup> Jerry Evensky, for example, argues that Smith’s vision of the great society “requires the institution of laws and the development and inculcation of civic ethics that are consistent with the freedoms of a liberal society” (2005, 277). Yet his analysis makes no reference to philanthropic associations or gifts. Likewise, Jeffrey Young (1997) and Nancy Folbre (2001) speak of markets, states, families, and communities but not of philanthropic organizations and processes.<sup>16</sup>

Julie Nelson is a notable exception. While she offers no theory of philanthropy, she criticizes standard economic theories for their complete neglect of nongovernmental nonprofit organizations and all forms of “economic activity that involves a one-way transfer of money, goods, services, and assets for which nothing specific is expected in return (2006, 50-51). As groundwork for her alternative vision, Nelson asserts a Boulding-like definition of economics as the study of the “provisioning of goods and services to meet . . . material needs” within and among communities (xi) and urges all citizens (including her fellow economists) to “recognize that the health of living, vital

economies depends on our ethical decision making and our willingness to support relations of care and respect” (127).

All of these scholars could profit from the inclusion of Boulding’s theory of philanthropy within their “extended present.” Boulding’s arguments would challenge them to think anew about the potential role of philanthropy in their various (re)formulations of economics as a social and moral science. Conversely, this new economic thinking could cast valuable new light on Boulding’s *oeuvre* as well—suggesting new ways to appreciate, criticize, and reformulate Boulding’s ideas, particularly his theory of the grants economy.

Another body of work that could profitably join this conversation is the new philanthropy studies literature in which scholars are rethinking the ends and means of philanthropy through the lenses of classical liberalism, Tocquevillian democracy, and modern Austrian economics (Ealy 2004, 2005). Richard Cornuelle’s work is particularly important in this regard, both because of his pioneering contributions to the rethinking of the role of philanthropy in a free society and because of the striking parallels between his and Boulding’s separate efforts to introduce philanthropy into economic theory and vice versa (Cornuelle [1965] 1993, 1983, 1991).

Like Boulding, Cornuelle postulates a complex view of human nature, including a “service motive” which he defines as a “desire to serve others” ([1965] 1993, 55-64). On this basis, Cornuelle theorizes the structure and dynamics of a social subsystem (analogous to Boulding’s grants economy) which he terms the “independent sector”: a pluralistic array of voluntary, noncommercial social institutions that “takes a thousand forms and works in a million ways” and “functions at any moment when a person or group acts directly to serve others” (38). Cornuelle’s Tocquevillian goal is to build a society that is “both free and humane” (xxxiv) through the promotion of free markets as well as communal forms of voluntary public action outside of the marketplace and the state (Cornuelle 1991).<sup>17</sup> In this respect, he and Boulding were initially motivated by similar desires to “find an alternative path to the good society other than those of the doctrinaire conservatives or the dogmatic liberals of the Cold War era” (Ealy 2002, 2; see also Cornuelle [1965] 1993, 3-19, and Boulding 1981, 112).

The work of Cornuelle et al. complements Boulding’s theory of philanthropy by providing a more sophisticated *economics* of philanthropy. In the tradition of Hayek, these scholars are highly attuned to the knowledge problems inherent in all deliberate efforts to promote human betterment. Their

work also explores novel forms of philanthropic giving and association such as hybrid forms of commercial/philanthropic enterprise that move well beyond Boulding's rudimentary image of philanthropy as noncommercial transfers from donors to recipients.

In addition, this literature poses a constructive challenge to Boulding's political philosophy. Though Boulding is no unreflective statist, he tends to presume that the state can and should engage directly in the promotion of human welfare.<sup>18</sup> While Cornuelle would readily accept Boulding's claim that economic libertarians generally have failed "to understand or to come to terms with" the philanthropic sector, and that the philanthropic sector "is an element of human life and human motivation that cannot be denied and cannot be neglected," Cornuelle would strongly disagree with Boulding's vision of the grants economy as including the welfare state, and he would oppose Boulding's notion that "there should be no hostility between the libertarians and the welfare state" inasmuch as the welfare state represents an extension and embodiment of the philanthropic desire to help others (Boulding 1968, 47-48).

This portion of the conversation promises to deliver value in the reverse direction as well. The new philanthropy studies scholars could benefit from reflection on the normative foundations of their own efforts to foster "voluntary giving and association . . . to promote human flourishing" (Ealy 2005, 2). Boulding's human betterment framework offers a fruitful starting point for such reflection. New philanthropy studies scholars might also benefit from the opportunity to rearticulate, in a Boulding context, their libertarian skepticism regarding state-sponsored efforts to "promote human flourishing."

In sum, an extended-present dialogue between Boulding's theory of philanthropy and these two rich streams of contemporary economic thought makes it possible to recognize Boulding's continued relevance as an economic thinker. It also highlights pivotal tensions in Boulding's thinking and suggests new strategies for resolving them.

Most importantly, this three-way conversation makes us aware of the tension in Boulding's thinking between his allegiance to economics as a science of market exchange and his commitment to the larger enterprise of human betterment. It also makes us aware that current scholarship in philanthropy and economics is moving rapidly toward resolving this "Boulding dilemma" through various new syntheses of self-interest and altruism, markets and civil society, and so on. It is now possible, therefore, to reframe and reassert—with the backing of like-minded

contemporary formulations—Boulding’s nascent argument that market exchange is an important subset of the social provisioning process while the main focus of economics *as a science of human betterment* is the “total social process” of “providing the good things of life” (Boulding 1970, 140). This conceptual reversal (making market exchange a special case of benefaction rather than the reverse) arguably follows the example of Adam Smith himself, who saw his *Wealth of Nations* as a subset of the general theory of moral and social order set forth in his *Theory of Moral Sentiments* (Otteson 2002). In any event, it suggests a promising way to bring the humanitarian and scientific aims of Boulding’s economics—and of modern economics generally—into alignment.

The implications of this reformulated Bouldingian economics would be threefold:

1. a broader vision of economics, redefined as a science of benefaction dealing with how individuals “do good” for others through voluntary action and interaction;
2. a broader vision of the economy, redefined as a “benefactory,” not just a commodity space or system of markets but instead a provisioning space in which economic cooperation and human betterment are effected via a plurality of commercial and noncommercial means; and
3. a radically different view of the relationship between markets and philanthropy, seen not as a mutually exclusive dualism but as complementary and overlapping methods of addressing the basic economic problem, namely: how to achieve human betterment through voluntary social cooperation.

This expansive notion of a “civil economy” (commerce + philanthropy) redefines the philanthropy/economy relationship in ways that are arguably important for the twenty-first century.<sup>19</sup> The range, magnitude, and dynamism of philanthropy today make it an essential part of any systematic economic analysis of how human flourishing is (or ought to be) promoted. Within the United States alone, annual giving now exceeds the total annual revenue of Wal-Mart and the GDP of many nations (Fulton and Blau 2005, 6). Furthermore, philanthropic initiatives are becoming increasingly important for the resolution of global crises, as exemplified by the impressive relief networks that emerged to support victims of Hurricane Katrina and the rapid coordination of international medical research to isolate the SARS virus in 2003. In an era of burgeoning government deficits and widening inequalities within and among nations, the philanthropic sector seems destined to bear a growing share of social responsibility for the welfare of the most disadvantaged global citizens.

Although it is beyond the scope of this paper to specify the conceptual and analytical details of this new approach, one essential theme must be noted. As a Boulding-inspired endeavor, this “benefactory” approach to economics would take seriously Boulding’s spectral view of social phenomena. No part of the economy would be conceived as inherently or exclusively “commercial” or “philanthropic.” The general presumption would be that every aspect of the economy is shaped and propelled by a mixture of commercial and philanthropic elements. Traits or features that economists might previously have ascribed exclusively to either markets or philanthropy would now be seen as general features of both markets and philanthropy—such as calculation (Boettke and Prychitko 2004; Chamlee-Wright 2004), reciprocity (mutual giving and learning), self-interest, benevolence, small-scale personal relations, large-scale impersonal relations, intended and unintended consequences, knowledge problems and social learning, integrative as well as disintegrative effects on individual identities and communities, elements of cosmos and taxis, and so on. This would allow economists to offer more nuanced understandings of economic action, from commonplace examples such as “entrepreneurship as mission” or “employment as vocation” to new hybrid forms such as “mixed donations” or “for-profit social ventures and entrepreneurial nonprofits” (Fulton and Blau 2005, 15 and 28).

The point is not to diminish the importance of markets and impersonal, self-interested exchange but to de-center and de-essentialize them, to open the door to a richer understanding of decentralized social cooperation. As Boulding wisely reminds us, “The greatest threat to the exchange system is the claim that it can do everything. This leads to the equally absurd claim that it can do nothing” (1968, 45). A benefactory economics would help strengthen public understanding and appreciation of markets by emphasizing their “benevolent and developmental qualities” (44) and by relieving some of the economic and political pressures that otherwise tend to be directed at the market system.<sup>20</sup>

### ***After Smith, We Still Need Boulding***

This paper has attempted to shed light on the longstanding problem of how to define and incorporate philanthropy within modern economic theory. As Boulding would be the first to point out, Adam Smith’s ideas provide a valuable starting point for this endeavor. Smith envisions the human individual as a socialized being animated by multiple and conflicting motivations (including self-love, benevolence, and justice), and the human economy as a space of voluntary

action and interaction wherein individuals seek to secure “the cooperation and assistance of great multitudes,” which they require for a flourishing life. Smith then joins these two notions by emphasizing the unplanned economic and social order that arises from our human capacity to interact cooperatively with one another by “treating strangers as though they were honorary relatives or friends” (Seabright 2004).

Boulding’s work also underscores the limits of Smith’s thinking in this area. Smith did not theorize philanthropy as an important means of promoting human welfare in modern society. This remained for him an unfinished project. Hence it is necessary to go beyond Smith in order to re-envision the economy in a satisfactory Tocquevillian, Aristotelian, and Bouldingian fashion as the sphere of private actions—commercial and philanthropic—that directly and indirectly promote human betterment. Our post-Cold War opportunity and challenge is to take up where Boulding left off, to make room for philanthropy within the *oikos nomos* of twenty-first century civil society, and thereby to reassert the human face of economics as a science of benefaction. Such an endeavor, if successfully executed, would lend credence to Boulding’s optimistic view of economics as “one of the inputs that help to make us human” (1970, 138).

## NOTES

- 1 The philanthropic sector is alternately labeled the nonprofit, independent, or mutual aid sector.
- 2 Human betterment is the central normative concept in Boulding’s economic and social theories (Boulding 1985). He defines it in broad, Aristotelian terms as an increase in the goodness or “quality” of human life, and he identifies a series of first-order virtues that generally enhance the quality of life. Among these, he places special emphasis on “the four great virtues of riches, justice, freedom, and peace” (151).

Normative notions of human welfare raise a host of conceptual, ethical, and practical difficulties, such as whether and how it is even possible (or desirable) to specify general criteria for human betterment across time and cultures. Of these difficulties, Boulding writes as follows:

The fact that it is not always easy to say unequivocally whether human betterment has taken place between two dates in a given area does not mean that we should give up pursuing human betterment. . . . Things do

not have to be clear in order to be real. It is important to know something even where we cannot know everything. . . . This alone is ample justification for pursuing the problem of human betterment and for increasing our skills at it (1985, 29).

The recent work of Sen (1999) and Nussbaum (2003, 2006) addresses some of these difficulties in a manner congenial to Boulding's approach.

- 3 For a sampling of this literature, see previous volumes of *Conversations* and the pioneering work of Cornuelle ([1965] 1993, 1983, 1991), the survey essays by Ealy (2002, 2004, 2005), and the articles by Chamlee-Wright, Jones, Tooley and Dixon, and Zimmerman in the June 2005 issue of *Economic Affairs*.
- 4 This diverse body of work includes experimental economists (V. Smith 1998), development economists (Sen 1999), feminist economists (Folbre 2001, Nelson 2006), post-Marxist economists (Elster 1990, Gintis et al. 2005), and libertarian economists (McCloskey 2006a and 2006b, Storr forthcoming), as well as a new generation of Adam Smith scholars who emphasize the unity of Smith's moral and economic theories (Sen 1987, Young 1997, Harpham 2000, Rothschild 2001, Jensen 2001, Otteson 2002, Fleischacker 2004, Evensky 2005).
- 5 Amadae describes the Stiglerian view as a Cold War reading of Smith: a reductive translation of "Smith's analysis of human nature and political economy into the language of self-interested action" by leading U.S. economists in the 1940s, '50s, and '60s (2003, 218).
- 6 According to Stigler, "Smith had one overwhelmingly important triumph: he put into the center of economics the systematic analysis of behavior of individuals pursuing their self-interest under conditions of competition. This theory is the crown jewel of the *Wealth of Nations*, and it became, and remains to this day, the foundation of the theory of the allocation of resources" (1976, 1200-1201). Smith's economics, in Stigler's view, is "a stupendous palace erected upon the granite of self-interest" (1975, 237).
- 7 The distinction between Smithian self-love and Stiglerian self-interest is well documented by Coase (1976), Amadae (2003), and Fleischacker (2004, 66).
- 8 Boulding employs this argument to criticize the concept of Pareto efficiency, which assumes "pure self-interestedness" and no interdependencies (such as malevolence or benevolence) among individual preference functions.

“Anything less descriptive of the human condition could hardly be imagined,” he writes (1970, 126). He describes this hypothetical person in the following passage:

No one in his senses would want his daughter to marry an economic man, who counted every cost and asked for every reward, was never afflicted with mad generosity or uncalculating love, and who never acted out of a sense of inner identity and indeed who had no inner identity even if he was occasionally affected by carefully calculated considerations of benevolence or malevolence (1970, 134-135).

- 9 Boulding uses the terms *philanthropy*, *benevolence*, and *benefaction* as interchangeable synonyms.
- 10 The proposed definitional link between “doing good” and “promoting human betterment” is consistent with Boulding’s definition of human betterment as an increase in the quality of human life (1985).
- 11 To be clear, Boulding’s “economic science” definition of economy is not just a conventional definition. It includes large parts of the grants economy and thus “greatly expands the common image of economics” (1981, vi). At the same time, by excluding “non-exchangeables” it conforms to a standard view of economics as “*primarily* the study of how society is organized through exchange” (1970, 139; emphasis added).
- 12 Boulding defends economics against common criticisms or misunderstandings such as the claim that “cost-benefit analyses in general, or economic principles in general, imply a selfish motivation and an insensitivity to larger issues of malevolence, benevolence, a sense of community, and so on” (1970, 130).
- 13 According to Fleischacker, Smith conceptualizes exchange as an encounter between individual traders and the “impartial spectator” personified by the market itself, with money prices representing the collective “voice” of the innumerable others with whom one is cooperatively linked via the market. This coincides with Fleischacker’s general reading of *The Wealth of Nations* as a moral (as well as economic) theory of commercial society, based on a broad Smithian definition of moral action as “action of which an impartial spectator would approve” (2004).
- 14 The Chicago Smith/Kirkaldy Smith distinction was coined by Evensky (2005).
- 15 See Fleischacker (2004, 275).

- 16 Young describes economics as a moral science whose central focus ought to be the “common good” of an economic community, the role of economic policy in promoting this common good, and “the responsibilities of the individual members of the community in securing their common good” (1997, 27). Folbre calls for a “move beyond the old capitalism versus communism debate” and “more creative ways of balancing freedom and obligation, achievement and care,” recognizing that “some kinds of care cannot be bought and sold” (2001, xx). Yet neither Young nor Folbre mentions philanthropy (apart from Folbre’s analysis of caregiving within households).
- 17 Like Tocqueville, Cornuelle sees laissez-faire capitalism as potentially corrosive of voluntary public action, yet remains wary of centralized, top-down approaches to these problems (Boesche 1987).
- 18 To this end, Boulding’s “grants economy” includes taxes and government transfers (1981, 5).
- 19 This expanded vision of the economic realm resonates with several other recent contributions to this journal. Lloyd, for instance, echoes Tocqueville in raising incisive questions about the nexus of philanthropy, politics, and economics—including a wariness of accepting the absolute authority of markets. Lloyd argues for “a Tocquevillian, modern *public action* solution for the problems of modernity, one that retains spontaneous human initiative and yet appeals to the civic dimension of human existence” (2004, 105; original emphasis). Turner articulates a distinct role for philanthropy as part of the gift economy that is embedded within the “grand economy” (or “intersystemic whole”) of market, gift, political, environmental, and divine economies (2005).
- 20 Bowles et al. (2005, 4) suggest that one important role for a benefactory economics would be to “support socially valued outcomes, not only by harnessing selfish motives to socially valued ends but also by evoking, cultivating, and empowering public-spirited motives.”

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# IMAGINING PHILANTHROPY

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*Richard Gunderman*

## **Introduction**

What is our image of philanthropy? It is a question worth pondering, because our philanthropic practice is powerfully informed by our philanthropic aspirations. A rich image can open up possibilities for philanthropic excellence, enhancing the lives of both givers and recipients. Defective images, by contrast, tend to produce poor philanthropic strategies—strategies that, far from enriching human lives, may actually impoverish them. Of course, no one pretends that the perfect image of philanthropy ever lies ready to hand. Philanthropy must grow, develop, and adapt along with the changing human context in which it is embedded. Yet bringing it to its fullest fruition in our own place and time is an essential mission for each generation.

What kind of philanthropy can we imagine? The answer depends in part on what we understand philanthropy to be. The very meaning of the term is open to question. Consider the following:

- Does philanthropy refer strictly to large transfers of wealth? Or may other forms of giving, such as gifts of time and talent, be equally legitimate?
- Who does it? Is philanthropy strictly the province of nonprofit foundations and their agents? Or is it also accessible to nonprofessionals?
- Who are its targets? Is philanthropy always directed to the public good? Or can it focus on private individuals as well?
- Does motive matter? Can we use taxes or shame to compel giving? Or must we give spontaneously of our own free will?
- Who benefits? Should philanthropic activity be devoted solely to the interests of the beneficiary? Or is there an opportunity to consider the welfare of the donor?
- How do we measure philanthropic performance? Is the ultimate criterion the monetary value of each bequest? Or do important aspects of philanthropy resist appraisal in dollars and cents?

By addressing these questions, this essay aims to challenge and stimulate the imagination of philanthropists.

## *Context*

How we answer such defining philanthropic questions hinges on the contexts in which we pose them. In philanthropy as in every field of life, context always exerts an immense influence on the meaning of ideas. Consider the following riddles:

- I live above a star, and yet never burn;  
I have eleven neighbors, and yet none of them turn;  
I am visited in sequence, first, last, or in between;  
PRS are my initials, now tell me what I mean.
- A beggar's brother died, but the man who died had no brother. How can this be?
- What English word is most frequently pronounced incorrectly?

Each of these verbal puzzles represents an instance of what perceptual psychologists call a figure-ground problem. Our visual assessment of a figure's size, hue, shape, and motion depend in large part on the background against which it is projected. Simply by changing the background, we can make the large appear small, the dark appear light, the straight appear curved, and the static appear to be moving.

Before we can solve such puzzles, we need to examine carefully the mental back-drops against which we project them. Recognizing the biases and limitations of our initial assumptions is key, because they often lead us astray. To find a solution, we must try out different backgrounds or relational frameworks until we find one that puts all the pieces together in a coherent and often unexpected way. Consider the examples given above. The star that never burns is the asterisk on a telephone keypad. The man who died had no brother because the beggar was a woman. And the word that is most frequently pronounced incorrectly is incorrectly. As these solutions suggest, context may not be everything, but it counts for a great deal.

Similar psychological principles are at work in our philanthropic understanding. In defining the challenges and opportunities facing philanthropy, it is natural that our perspectives vary, depending on the backdrops against which we perceive it. What works well in one context may fail in another. Systems designed to meet basic needs for food and shelter, for example, may not perform well at delivering education, and systems designed to deliver education may not perform well at meeting needs for food and shelter. No matter how badly we want to help, any failure to grasp the meaning of fundamental philanthropic concepts is

likely to undermine our efforts. If, for example, we misconceive the needs and aspirations of givers and receivers, even our best philanthropic intentions will often go awry.

The growth of the state welfare system during the last century brought to light new challenges associated with one-way transfers or grants. Consider the example of the Clinton-era federal policy that imposed lifetime limits on welfare benefits eligibility. What were we attempting to accomplish? Was our aim to promote the dignity of welfare recipients by encouraging them to become more self-sufficient? Did we seek to discourage sloth by preventing capable people from subsisting on the dole? Or did we simply intend to reduce the tax burden borne by working people, without reference to the welfare of recipients? In this case as in every other, our results reflect our rationale. Did we succeed at challenging dependent people to begin supporting themselves? Did we consign mentally and physically disabled people to homelessness and perhaps even starvation? Or did we do both.

Similar questions confront private grant makers. This is a problem recognized by Aristotle in his *Nicomachean Ethics*: “To give away money is an easy matter and in any person’s power. But to decide to whom to give it, and how much, and when, and for what purpose and how, is neither in every man’s power nor an easy matter.” This is also one of the problems explored by grants economist Kenneth Boulding in his many works on the grants economy.

## **Resources**

One of the gravest misapprehensions afoot in contemporary philanthropy, analogous to a huge optical illusion, concerns the nature of our philanthropic resources. What is the context in which we perceive the means available to philanthropists and philanthropic organizations? In many cases we tend to construe our philanthropic endowment strictly in terms of material property. We define the poor by proprietary insufficiency, the gap that separates their financial standing from an arbitrary minimum standard. We see people as poor, in other words, simply because they lack purchasing power. They cannot purchase sufficient food, clothing, and shelter. If only they had more money, we suppose, their lives would be transformed. Yet is money the whole story? Is it the philanthropic story’s most important character?

Economic accounts of philanthropy are attractive for several reasons. First, they appear to provide valid and reliable measures of philanthropic need. If we want to understand people’s life circumstances, and especially their need for

philanthropic intervention, we need only measure their income or material wealth. Moreover, we need not invest a great deal of time and effort acquainting ourselves with particular individuals, families, and communities. Instead, we can simply peruse their financial standing. Finally, when a deficiency is identified, the remedy is simple—we “top them up” to the critical threshold. When the problem is defined as a financial shortfall, the solution, naturally, is an infusion of money. What does this sort of philanthropy ask of us? Above all, that we write checks.

How reliable, however, is the link between the ease with which something can be measured and its intrinsic importance? Are the things that are easiest to quantify also the ones we most need to know? We can precisely calculate a person’s net worth, but to what extent can we render human needs and opportunities commensurable with wealth? If we suppose that our only dart is money, it is no surprise that our targets turn out to be commodities.

Yet what if human life offers important philanthropic targets that money cannot penetrate? Some people manage to live relatively full lives with limited resources, while some wealthy people find themselves continually wracked by want. Perhaps material sufficiency, even material prosperity, is no panacea. To be sure, few reasonable people would choose poverty over wealth. Yet an aversion to scarcity does not imply a devotion to excess. Plenty of people knowingly forego additional wealth for the sake of other goods they rightly esteem even more highly.

There is simply no guarantee that we can solve life’s important problems by spending more money on them. Material goods are a necessary condition for crafting a full human life, but they are not sufficient. No matter how precisely we target our gifts, for example, we cannot pay someone to care—genuinely care—for someone else. The vehicle of wealth can take us only so far along the road to human enrichment. We should begin seeking other means of conveyance long before we reach the point where material goods are no longer effective.

It is thus important to distinguish between tangible resources and intangible resources. Tangible resources can be touched with the hand, and include groceries, houses, clothing, medicines, and recreational equipment. Intangible resources are untouchable, and include knowledge, skills, relationships, and dreams. Pondering this distinction, we soon realize that the value of our intangible resources vastly exceeds that of our tangible ones.

Philanthropic organizations’ annual budgets and investments are measured in dollars. Yet philanthropic excellence requires other endowments, to which a dollar value is difficult to assign. The income of foundation program officers is relatively

easy to determine. It is considerably more difficult, perhaps even impossible, to determine the value of what those individuals know and can do. We can measure how much a foundation pays each year to provide continuing education to its employees, but it is considerably more difficult, perhaps even impossible, to place a dollar value on the quality of their learning. People who read Charles Dickens's *Hard Times* or John Steinbeck's *The Grapes of Wrath* are not immediately enriched materially by the experience. Yet some gain invaluable insight into the human significance of poverty.

### **Knowledge**

Our inventory of philanthropic assets cannot be restricted to funds, equipment, and the physical plant. We must expand our field of view to include other resources, such as our self-image. Our philanthropic potential cannot be fully encompassed in terms of what we own. We also need to take into account who we are, both individually and as members of organizations and communities. And who we are is constituted to a large degree by what we know.

Socrates' most famous philosophical maxim was "Know yourself." This principle applies no less urgently to philanthropy than to philosophy. The first order of business in helping people is not to get them more property, but to get to know them. To this formulation of the philanthropic mission Socrates might add, "And help them get to know themselves." Ultimately, poverty is not the greatest peril. Ignorance is.

We make a mistake when we pin our aspirations on handling money more efficiently. Efficiency at allocating funds is no guarantee of generating and sharing knowledge effectively. Knowledge is the key. Without knowledge, how effectively and efficiently can we allocate money? We can be financial wizards but human dolts.

Consider the remarkable transformation that knowledge can effect in even the most tangible material resources. What we have can be completely transformed by what we learn. What happened to the value of whale oil when we discovered the energy of subterranean petroleum deposits? Who could have predicted that the bark of pacific yew trees would turn out to play an important role in the treatment of breast cancer, or that grains of beach sand would one day provide the silicon backbone of artificial intelligence? "Raw materials" we trample underfoot may take on great value when catalyzed by human imagination.

Hence we need to focus less on counting what we have and more on finding what we can create. Except for the very most basic necessities of life, the things we require

are not simply given to us. They are the products of human creativity. Only by combining and recombining them in our imaginations can we discover what they are capable of becoming. This principle applies to raw materials such as oil and silicon, but even more to intangible assets such as science, language, freedom, and literature. In the realm of the intangible, calculation cannot hold a candle to imagination.

When tangible resources dominate our perspective, we tend to project philanthropy against a fixed-sum view of human affairs. In a fixed-sum system, the total extent of a desirable outcome is unalterable. A familiar analogy is that of a pie. The pie has a predetermined size, and no matter how we divide it, the total quantity of filling and crust cannot increase. To enlarge one person's slice of pie requires that we reduce someone else's.

When we see philanthropy as part of a fixed-sum system, we perceive its mission in terms of redistribution. In this account, the philanthropist is a redistributor, transferring wealth or other goods from people who have to people who do not. The essential virtue of philanthropy becomes fairness, the pursuit of a more equitable distribution of resources. From a redistributive point of view, philanthropy cannot enrich the world. It cannot augment the total amount of goods available to us. It can only help to reduce the unevenness with which goods are distributed.

There are good reasons to question the adequacy of a strictly redistributive account of philanthropy. It manifests limitations even in accounting for wealth and material goods, let alone intangible resources. A gift that enables a disadvantaged person to get an education may augment that person's slice of the pie, but at the same time it can enlarge the pie for everyone else. The same may be said even for investments in food, housing, and healthcare. A deficiency of such goods constrains the achievement of human potential.

### ***Generation***

Redistribution has a role to play in philanthropy's mission. But it does not play the most important part. More important than redistributing wealth is creating wealth. Instead of merely topping up our tanks, temporarily relieving the burden of want, philanthropy should strive to make us more productive. Lao-Tse said, "Give a man a fish; you feed him for a day. Teach him to fish, and you feed him for a lifetime." Such productivity could manifest itself in at least two ways. In the first and most obvious sense, philanthropy could help recipients provide for themselves and their families. Creating a job enables people to satisfy their own needs, lessening their dependence on others.

Second, by helping ourselves, we become empowered to lend a hand to others. Philanthropy should not foster dependency. It should foster giving by encouraging recipients to become philanthropists in their own right. Investing philanthropically in others engages us more deeply in our communities. It enables us to mature as both human beings and citizens. As Aristotle indicates in his *Nicomachean Ethics*, if we are to lead fully human lives, we need opportunities to activate generosity.

The distinction between distribution and generation is a telling one. The word *distribution* derives from the Latin root *tribuere*, which in turn derives from the root *tribus*, the source of our word tribute. For millennia, tribute was associated with taxation, a levy paid by one nation to another or by vassals to lords. It denoted any forced payment or contribution, including those associated with bribery and extortion. The word *generation*, by contrast, is derived from the Latin root *generare*, which means to beget or produce. The title of the Bible's Book of Genesis is derived from this source, as is our word generosity.

The distinction between distribution and generation is analogous to the distinction between payment and donation. On the one hand, we pay because we must, and on the other, we give because we can, from choice. A payment implies no concern for the welfare of the person to whom it is given. A gift implies concern for the recipient. If we did not care about the beneficiary, we would not offer the gift. Genuine generosity aims not merely to gratify recipients but to help them become more fertile. Enlightened parents, for example, better serve their children's interests by providing them with a first-rate education than by hoarding every penny in hopes of someday leaving them the largest possible inheritance.

The most enlightened philanthropy aims at increasing non-fixed-sum relationships throughout a community. In other words, decreasing want is ultimately less important than increasing generativity, our capacity to contribute to our own flourishing. In this vision, philanthropy can still fill gaps, but it does so with the aim of helping us to develop into the fullest human beings we can become. It enhances both our capacity and our inclination to make a positive difference in the lives of others.

In this account, the focus of philanthropy shifts from merely filling empty bellies, covering bare heads, and mending broken limbs to building richer communities. Which is a better way to distribute food: to toss bags of food from the back of a truck, or to get us together to learn to cook each other's favorite dishes? Merely spreading food is a biologically important but humanly niggling goal. The proximate biological goal should be framed by a larger ultimate aspiration: to enhance people's capacity to use the food.

Those who receive food might be encouraged to cook for others, such as the disabled. The goal is to awaken the moral imagination—not merely to provide for basic human needs but also to help us become more responsive human beings. To live we need bread, but we also need to know that our lives amount to something. We need to know that others thrive through our existence.

Consider another example, that of vaccination. Communities around the world have an important interest in seeing children inoculated against a variety of infectious diseases, such as measles, diphtheria, and polio. A great philanthropic success story of the twentieth century was the global conquest of smallpox through a coordinated international public health campaign. Yet the simplicity of vaccination may seduce us into a largely irrelevant image of philanthropy. Its efficiency springs from the fact that it requires but one encounter between donor and recipient and asks nothing further of either. We simply tell patients to roll up their sleeves, make the injection, and send them away. This is not the appropriate backdrop against which to view the most important philanthropic opportunities before us.

The word vaccination is derived from the Latin root *vacca*, which means “cow.” The first immunization used a preparation from cowpox vesicles to immunize people against a much more virulent virus, smallpox. To vaccinate people, we hardly need to talk to them. We simply treat them as Petri dishes that generate antibodies. Yet human beings are not cows. In most public health situations, the active engagement of recipients is required. In rich countries, consider the public health challenges presented by cigarette smoking, obesity, and sexually transmitted diseases. In poor countries, consider the challenges created by the lack of adequate nutrition, clean drinking water, and sanitation. In these contexts, the image of passive inoculation leaves much to be desired. We need instead an image of philanthropy that stresses active cooperation and partnership.

### ***Leadership***

There is an important difference between tyranny and leadership. Tyrants command, believing that their word is law. They have little interest in the internal state of their subjects, so long as they do what they are told. Leaders, by contrast, seek not to coerce but to inform and persuade. Their goal is not to wrest away the power of choice but to promote better decision-making. Superficially, tyranny is more efficient, because it requires less time and effort to enact a particular decision. But that efficiency is deceptive because it is grounded in a short-term

perspective that does not respect the character of those being commanded. It treats people as mere instruments, means by which to achieve the tyrant's ends.

Leadership, by contrast, recognizes a higher form of efficiency, which is directed at quite a different end. Its goal is not merely to ensure that every order is carried out as quickly as possible, but to help us to develop our capacity to see for ourselves the appropriate course of action. The genuine leader takes democracy seriously, not because it always elects the best candidate but because it provides the best environment for citizens to develop into full human beings. Why, for example, are juries an essential part of our system of justice? It is less because jury verdicts are just than because they draw out essential excellences of citizenship among those who serve.

From the genuine leader's point of view, the discussion that precedes a decision is often more important than the decision itself. Mere rule is not democracy's overriding consideration. In some cases, a noble philosopher-king might make better decisions. Democracy is the best form of government because it places a premium on free and rich public discourse, which in turn cultivates the humanity of the citizenry. People do not exist to serve the government; the government exists to serve the people. In some cases, pursuing that mission entails constraining the role of government in the public sphere, to avoid stunting the growth of personal and civic excellence. For our communities to flourish, we need personal and civic aspirations that extend far beyond what the law can require.

It is not enough that people merely refrain from stealing one another's property. A good community is one in which individuals look out for each other, coming willingly to one another's aid in times of crisis. In the appropriate setting, we naturally form cooperative relationships for our mutual benefit. The law does its part by underwriting contracts and applying legal sanctions to those who violate commitments. Yet the law cannot effectively prescribe that we contract with one another in the first place. The law can no more wisely tell us whom to partner with than it can tell us whom to marry or how to raise our children. Where human excellence is concerned, it is vital that we enjoy the opportunity to develop and express our moral identity.

Even voluntary exchange relationships cannot develop character sufficiently. It is true that the virtues of the marketplace include fairness, honesty, reliability, and ambition. In addition, people know that they should trade fairly because an open and fair system of exchange is ultimately more productive than one that tolerates dishonesty. Likewise, we reward ambition because, within the context of

a truly free market, each person's ambition tends to benefit everyone else. Missing from this account, however, are vital human excellences without which human life is not complete. These include compassion and generosity.

There is a limit to what we can accomplish through financial incentives. We simply cannot pay people to be good parents, spouses, and citizens. Such vital human responsibilities require a different kind of commitment, one that involves not only calculations of advantage but also a readiness to make genuine sacrifices. Parents who based every choice about childrearing on personal advantage would be parents in name only. Good parents care first about what is good for their children. If we do not love our children for who they are, we are lost, no matter what financial incentives we concoct.

In commercial transactions, we can always substitute someone else for the buyer or seller without jeopardizing the transaction. By contrast, substituting one child for another, one spouse for another, or one friend for another presents a serious threat to a relationship grounded in love. In love, we matter for who we are, not the uses to which we can be put. In love, we are not interchangeable.

### ***Love***

The highest possibilities for the development of human character lie in love. Love evokes not profit but human enrichment. It cultivates the highest of human excellences. It declares that we have a purpose in life higher than ourselves, that we can participate in relationships and communities whose boundaries far exceed our own. It says that our aspirations should extend beyond getting and spending, to sharing, investing ourselves in one another's lives.

This kind of investment is not nearly as easy as writing a check. As Aristotle indicates, it requires not only that we share but also that we share with the right person in the right way, at the right time, and for the right reasons. Philanthropy stretches us as human beings, challenging us to become better than we are. It invites us to look beyond the distinctions of giver and receiver, and to see one another as sharers, parts cooperating for the benefit of a larger whole.

In this account, exchange ceases to be an end in itself and instead becomes a means to another end, what economist Kenneth Boulding called "integration." It provides the infrastructure of freedom and prosperity that enables us to forge deeper and more fruitful human partnerships. We are free from tyranny, but that freedom is not a mere license to indulge our every whim. It means freedom to be with and for one another. It means the freedom to complete ourselves by sharing what we are.

An old story nicely captures this image of philanthropy. In medieval Europe a man came upon a large construction site. He saw one workman fitting two stones together. “What do you do?” he asked. “I am a stone mason,” the man replied. Then he walked over to another worker, who appeared to be engaged in the same task. “What do you do?” he asked. The man replied, “We are building a cathedral.” The two men operated with very different images of their mission. One focused exclusively on the task of the moment, not looking beyond the limits of his own arm span. The other saw his immediate task in the context of a much larger calling.

How do we see our philanthropic calling? Do we think primarily in terms of fundraising? Do we measure our success in terms of revenue? If so, we have fallen into a trap—the trap of pursuing what is good for us rather than what is good for the people we serve. Wouldn’t the best philanthropists and philanthropic organizations evaluate their effectiveness against quite a different backdrop? Wouldn’t that backdrop reveal a much richer philanthropic potential? And what about us? What kind of philanthropy can we imagine?

## RESEARCH NOTE

### TAXATION AS A ONE-WAY TRANSFER?

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#### A NOTE ON A CONCEPTUAL CONFUSION IN KENNETH BOULDING

*Steven D. Ealy*

The three papers contained in this volume reflect some of the diversity and breadth of Kenneth Boulding's interests and writings. He was, in many ways, a visionary rather than a puzzle-solving scientist (in Thomas Kuhn's words), happier on the uncharted frontiers of knowledge than plodding along behind other trailblazers. Indeed, my impression is that he would likely head straight for the unexplored, empty section of the map marked only with the warning, "Here there be monsters."

I am not going to offer a critique of these papers, each of which helps us to come to grips with both Boulding's challenging approach to economics, philanthropy, and epistemology and with his challenge to us—to provide an integrated and trans-disciplinary view of human knowledge and action. Rather, I want to point to a small confusion in Boulding's basic understanding of grants that may have large consequences for the conclusions he draws and the policy recommendations he makes. Boulding himself understands the importance of such details. He argues, "Bad definitions and the failure of perceptual discrimination is perhaps the most important single source of bad politics" (*The Economy of Love and Fear: A Preface to Grants Economics* [Belmont CA: Wadsworth, 1973], 62). Both Garnett and Lloyd touch on the issue I am concerned with, but they do not elaborate on its problematic dimensions.

Kenneth Boulding begins his pathbreaking volume *The Economy of Love and Fear: A Preface to Grants Economics* with a claim about certain human actions. He writes, "A beggar approaches me, and I give him a coin. My son is going through college, and I pay for his education and upkeep. I write a check for charity. I receive a bequest from a deceased relative. A foundation makes me a grant for a research project. I pay my taxes to the government. These familiar transactions have one thing in common—they involve one-way transfers of economic goods" (ibid, 1).

For Boulding all one-way transfers of economic goods are grants, and these transfers form the basis of the “grants economy.” Grants are distinguished from “exchanges,” two-way transactions in which each party transfers economic goods to another and in return receives economic goods from the other.

One may question the assertion that all one-way transfers of economic goods are grants, but this is clearly the position that Boulding articulates and it appears to be foundational to his entire discussion of the grants economy. He argues that the continuum for grants runs from gift, “a grant made out of benevolence,” to tribute, “a grant made out of fear and under threat” (ibid, 4).

Boulding raises here a number of important issues that deserve attention. One is the question of coercion and freedom, and their relationship to “grants.” Boulding recognizes that coercion and free giving are different foundations for one-way transfers, but he lumps them together on his grants continuum. I suggest that linking *gift* (voluntary giving motivated by benevolence or sympathy) and *tribute* (coerced surrendering of one’s goods motivated by fear) as the poles of a continuum may only confuse matters that should be kept separate.

Another issue that must be addressed is whether taxation is, as Boulding maintains, a one-way transfer of economic goods, or is in fact part of an exchange process. Taxes, according to Boulding, are “coerced grants” (ibid, 63). Further, it appears that Boulding comes to see all (or at least almost all) governmental action as a part of the grants economy. He maintains that it is a mistake that economists have made from time immemorial to confuse public finance and public goods with the economic model of exchange, and he suggests that a proper understanding of the grant relationship can provide a way out of the quagmire: “The grants concept liberates public finance from its enslavement to the concept of exchange and enables us to perceive the whole system as a system of related one-way transfers rather than a system of exchange” (ibid, 6).

While government may find it productive to use grants as a part of its policy repertoire, does it clarify matters or distort them to think of all government activity as a “system of related one-way transfers”? Is Boulding correct when he claims that taxation is an example of “coerced grants,” or does taxation involve an exchange of economic goods? I suggest that taxation is reflective of an exchange relationship. At the most bare-bones level, this exchange involves the collection of money (taxes going from the taxpayer to government) in exchange for the provision of services, with the most basic service being the provision of a night watchman or police officer to maintain order and ensure public safety.

This exchange model of government is actually embedded in the opening paragraphs of the Declaration of Independence. As individuals we have certain rights (that predate the formation of government, because they come from “Nature’s God”) that, for a variety of reasons, we cannot protect on our own individual initiative. Governments are established “to secure these rights.” When government fails to live up to its obligations, and itself becomes destructive of the rights it is designed to secure, the people can “alter or abolish it” and establish a new government.

This same model is implied in the Preamble to the Constitution. Along with other purposes, it says, the Constitution is designed to “establish Justice, insure domestic Tranquility, and provide for the common defence.” While there is not always a one-to-one relationship between the tax dollars I pay and the specific benefits I receive, the basic service of providing security is at the heart of the American political order.

By removing taxation and government programs in general from our model of the grants economy, I think we will get a clearer understanding of both the nature and dynamics of grants and of the nature and dynamics of government and public policy. If nothing else, this would allow us to distinguish on principle between bandits and tax collectors, something that Boulding seems to have trouble doing (see *ibid*, 4, 22).

Eight years after the publication of *The Economy of Love and Fear: A Preface to Grants Economics* (1973), Boulding published a “substantial revision” under the title *A Preface to Grants Economics: The Economy of Love and Fear* (1981). Interestingly, those revisions did not include a rethinking of his grants continuum ranging from gift to tribute. Boulding was, however, a relentlessly rethinking individual, and I believe he would have been happy to engage in a serious discussion of whether taxation is really a “coerced grant” or not, and of the implications of such a debate.

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Kenneth E. Boulding was born in Liverpool, England, on January 18, 1910, and died in Boulder, Colorado, on March 18, 1993. He attended New College, Oxford, and was a graduate student at the University of Chicago, where he studied with Frank Knight. He never completed requirements for a Ph.D., but enjoyed a distinguished teaching career (from 1934 until his retirement in 1980) which included stops at the University of Edinburgh, Colgate University, Fisk, Iowa State, McGill, the University of Michigan, and the University of Colorado.

Boulding was elected to the American Academy of Arts and Sciences, the American Philosophical Society, and the National Academy of Sciences. He served as President of the American Economic Association, the Society for General Systems Research, the International Studies Organization, and the American Association for the Advancement of Science.

The bibliography of Boulding's publications listed on the Department of Economics of the University of Colorado website runs to ninety printed pages. His *Collected Papers* (Colorado Associated University Press, 1971-1985) are contained in six volumes divided by subject matter: economics (two volumes), political economy, "toward a general social science," international systems: peace, conflict resolution, politics, and "toward the twenty-first century."

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