PHILANTHROPIC INSTITUTIONAL DESIGN AND THE WELFARE STATE

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Introduction

The topic of philanthropy has a great deal of philosophical interest because it exists at the nexus of issues surrounding distributive, remedial, and commutative justice, perennial issues in political philosophy (Ealy 2010, vi). It is perhaps because of this that, conceptually speaking, philanthropy seems to have a twilight existence, typically laboring under one of the most prevalent confusions—the synonymous usage of the terms "nonprofit" and "philanthropy" (McCully 2010). Yet, discussion of the philosophy of philanthropy is surprisingly neglected. The present discussion examines the relationship between private philanthropy and the welfare-oriented state: Is it possible for the philanthropic sphere and/or indeed the philanthropic impulse to coexist in an expansive governmental environment that sees health care as a natural part of its administrative monopoly? We answer with a qualified "yes." Our paper, however, is not concerned with an appraisal of welfarism in its many guises nor with recommendations for reform, but with the *pragmatics* of operating within such an environment. As such we: (a) assess the philosophical presuppositions that animate recent discussion of the "Big Society" and the role philanthropy is accorded within it; and (b) offer practical guidance about protecting and encouraging the philanthropic impulse when a climate of welfarism prevails.

Our discussion will begin with a look at two of the great theorists of liberty, whose works have often informed contributions to this journal: Adam Smith and Friedrich Hayek. This examination of conceptual intersections between liberty and philanthropy sets the stage for a case study—an examination of the British Columbia Children's Hospital Foundation (BCCHF), a highly successful Canadian philanthropic enterprise. In the penultimate section we critically examine the presuppositions of the recent discussion of the so-called "Big Society" and "Third Party Government," a literature that has shone new light on philanthropy as part and parcel of public policy. In the final section we offer some concluding observations.

Smith, Hayek, and Sympathy

Adam Smith and Friedrich Hayek are frequently sequestered into the service of "invisible hand" and "spontaneous order" explanations, respectively. Discussions of the two thinkers is skewed by overemphasis on these concepts to the detriment of other concepts they talk about. In this section we examine Smith's concept of sympathy, the touchstone of his moral philosophy and, of course, a key philosophical idea informing the philanthropic impulse.[1] After all, let us not forget that Smith was Professor of *Moral* Philosophy. We then turn to Hayek, who, as we have argued elsewhere, is *not* the *laissez-faire* hard-liner many theorists take him to be (Hardwick and Marsh 2012a, b; Marsh 2012).

We think it worth quoting an elegant summary from the great Smith scholar and classicist Glenn Morrow:[2]

His [Smith's] purpose here is to set forth the stages by which the moral consciousness develops and the individual passes beyond himself and his individual concerns. The guiding thread in the discussion is the principle that personal contact is the basis of the social consciousness. There is no mysterious affinity between human beings from the mere fact of their humanity, no love for humanity in general. The individual is brought out of himself by his sympathetic participation in the sentiments and affections of other individuals with whom he associates, . . . The social consciousness thus begun in the family group grows as his sympathies spread out in widening circles, first to his clan or neighborhood, then to his nation, and finally to the whole system of the universe. Hence the individual belongs to many groups by which his own sentiments are formed, and toward which his loyalties are directed. . . . But the state itself is a group of societies, each possessing a life of its own and an instinct for self-maintenance; and the mutual adjustment of these orders and societies gives the state its constitution. Each individual endeavors to secure the aggrandizement of his own group, and to help it resist the encroachments of others. None of these groups is self-sufficient, however, and the interplay of them all with one another is necessary in the harmonious ordering of the state (1923, 74-75).

Four points are worth noting. First, the concept of sympathy in Smith's meaning of the term roughly connotes the relatively recent sense (Titchener 1909) attached to empathy. Smith uses sympathy in a much broader way to include

"fellow-feeling with any passion whatever" (Smith 1984, I.i.1.5). Second, sympathy, in Smith's account, is *not* merely a benevolent impulse in the individual; sympathy is not the object but the *basis* of moral approbation. This accounts for his rejection of utility as an explanation of moral approbation. Third, Smith's idea that moral judgment is the result of empathy, whereby we place ourselves in the position of the individual judged, and feel to some extent as our own the sentiments and passions he feels, has a deep resonance with recent work on mirror neurons in the field of social cognition (Jabbia et al. 2007).[3] Fourth, *society* as a mirror reflects ourselves: virtue and vice have an immediate reference to the sentiments of others. Like most other moral theorists, Smith takes the view that an isolated individual cannot have a moral consciousness.

Turning to the Smith of *The Wealth of Nations* provides cold comfort for those who see the text as a libertarian economic tract and as such give it priority over *The Theory of Moral Sentiments*. *The Wealth of Nations* specifies three roles for the state: (a) protecting society from external threats, (b) protecting each individual of society from injustices perpetrated by others of the society, and (c) the duty of "erecting and maintaining" certain public works and certain institutions, which can never be in the interest of any one individual or small group of individuals. Though current libertarianism looks to Smith's idea of negative freedom (or "natural liberty") for conceptual validation, it is far from obvious that adherence to Smith's three roles would reduce the level of state activity in current conditions.

Now to Smith's great intellectual descendant—Hayek. As Hayekians our thoughts naturally turned to what, if anything, Hayek might have to say on the topic of philanthropy. We were pleased to come across Robert Garnett's discussion (2008, 2010) and the surprising discovery of Hayek's apparent exclusion of philanthropy from his vision of the Great Society. Garnett notes that Aristotle's ethics and theory of social order were among Hayek's chief targets. Garnett continues: "Carrying his argument one step further, Hayek classifies philanthropy as a species of Aristotelian socialism. Like socialism, philanthropy enjoins us 'to restrict our actions to the deliberate pursuit of known and observable beneficial ends'" (Hayek cited in Garnett 2008, 3). From Hayek's perspective, the preference for known others diminishes, rather than enhances, each individual's capacity to assist others. In a memorable turn of phrase, he claims that a social order in which "everyone treated his neighbor as himself would be one where comparatively few could be fruitful and multiply" (3).

It must be conceded that Hayek's critique of philanthropy is a rather strange

affair. We think (along with Ealy 2008, 58-59 and Garnett 2010, 56) that the motivating thought behind Hayek's ambivalence toward philanthropy must lie in his famous conception of the incoherence of the notion of "social justice." There are three conundra in Hayek's treatment.

First, why in the world Hayek selected Aristotle for special criticism, or special representativeness, is beyond us. Hayek needed only to refer to the face-to-face world of the city-state, the *polis,* or the Roman *urbs.* Furthermore, "Aristotelian socialism" is a screaming nonsense. There's no implication that any of the three types of justice Aristotle distinguishes in *Nicomachean Ethics* V (1969, §1130b-1132b) concerns collective justice or "social justice," as Hayek usually calls it.

Second, at one level Hayek knows this all too well, of course. The references to Aristotle and to Aristotelian socialism reflect Hayek's disregard for the niceties of intellectual history. For his purposes it's perfectly acceptable to take a bit from Aristotle, and a bit from socialism, and put them together as "Aristotelian socialism." It's the way Hayek's mind worked: he rushed in where historians feared to tread.

Third, Hayek's idea seems to be that the market capitalism he visualized but never realized, produces the optimum allocation of resources. So the best thing we can do is to join the system; leave it to the system to allocate by its invisible hand, and all will be for the best. Get a job, pay your taxes, produce, buy and sell: this is the best rule of thumb. When you step outside the system and give money to a beggar, you don't know what the consequences will be. By contrast, you do know that a supporting system will produce an optimum outcome, because Hayek has proved the point.

Let us be clear about it: Hayek's view is *not an absurd* view, but it does run counter to some intuitive cases which are merely abused by being called "atavistic."[4] If one sees a starving old woman in the street, is one to walk over her emaciated body and do it, moreover, with cheer in one's heart because one is serving the best system and indeed indirectly promoting her own best interests? Even with that sort of emotive example aside (important though it is), Hayek is too extreme. All his argument shows, at most, is that we should not engage in charity that is damaging to the system, charity which encourages people not to work and so on. Of course, not all charity or philanthropy is of this kind. It simply isn't. How is a foundation (or an individual) undermining market capitalism if it pays for a new laboratory at some university? Thus we are in accord with Garnett when he concludes, " Hayek's dogged efforts to defend market processes against

their socialist critics seem to have placed severe limits on his ability to integrate philanthropy into his baseline conception of the Great Society" (Garnett 2008, 4; see also Garnett 2008, 11; Garnett 2010, 56; cf. Ealy 2008, 58).

Boettke and Prychitko, economists who draw heavily on Hayek's works, do see a role for philanthropy, but they put a somewhat different spin on it by encouraging philanthropy or the "third sector" as a wedge against state expansionism:

> In a genuinely free society, the voluntary sector should play a critical role in reinforcing the constitutional constraints that limit government to those activities. . . . [A] robust interconnected system of nonprofits and other civil-society associations can—as an unintended consequence— function to reinforce constitutional constraints (2004, 27).

Although there is no logical incompatibility between the relationship of the voluntary sector and the state thus conceived, this seems to be a stance at odds with the more standard view that suggests the "proper relationship between philanthropy and government is *partnership*, in their *mutual* efforts to enhance quality of life in this democracy. Government needs philanthropy as society's sensory system, the first-alert to emerging public issues and problems. Philanthropy is far more creative than government . . . and has greater sensitivity and creativity to . . . the philanthropic sector needs to operate freely and without stifling government regulation. Philanthropy helps improve government and public policy, not just as a partner, but often as a leading partner" (McCully 2008, 104-105, our emphasis).

Protection of Donor Intent

In this section we shed light on the tensions of constitutional political economy by looking at the way real charities navigate in an arena. On offer is an analysis of British Columbia Children's Hospital Foundation's (BCCHCF) "bespoke" institutional design, a case study that should go some way in assuaging the understandable concerns liberals of all stripes share, notably a wariness of state expansiveness. Conspicuous by its absence in the philanthropic literature is discussion of institutional design and the understanding of the actual decision-making process in a given environment—in other words there seems to be a gap between the philosophical and the practical aspects of nonprofit management. To this end we offer some pointers for developing a toolbox for private philanthropic initiatives that operate in similar situations. As we said at the outset, our approach

is pragmatic—our concern is with the *de facto* operating environment and not with a philosophical appraisal of welfarism.

Despite operating within the more expansive welfarist culture characteristic of Canada, the British Columbia Children's Hospital Foundation is one of North America's most highly successful fundraising foundations. Given the supposed tensions between welfarism and philanthropy (a tension reflected in various debates over crowding out of charitable donations by government welfare), it's fair to ask how the hospital has managed to successfully raise philanthropic contributions. Our examination has demonstrated not only the feasibility of designing institutions but moreover that donor intent is both *protected* and *promoted.* Of course, understanding the dynamics of institutional life, the practices and rules embedded in different types of institutions, the context of reasoning, and an institution's values and worldviews, are vital to achieving this task. Needless to say, constitutive rules specify agencies and agents, and their proper jurisdictions, responsibilities and relations, a cluster of issues relevant to all institutions within a liberal-democratic society (Olsen 1997, 213). Any analysis of a given institution should reveal the level of procedural reliability and predictability and proscribe the limits of power and jurisdiction.

Independent individuals associate with each other for a wide variety of reasons. One powerful force for such coherence is the focus on improving the well-being and enhancement of individuals within society. Indeed, there are many manifestations of this phenomenon in civil society, some of which have political ramifications, such as those seen in welfare states. Indeed, the welfare state is seen by some as directional in prescribing philanthropic or aggregate behaviors. In the extreme, the *absolutist* welfare state is dictatorial and prescriptive. However, survival of absolutist welfare states such as the USSR is limited in the West, where societies are typified by democratic civil processes and pressures to accommodate the wishes of the broader population.

Institutional design for philanthropic organizations is similar in all civil societies, whether liberal or "welfare" oriented. The required design focuses on individual behaviors that are similar in both and that are designed to protect the philanthropic initiatives from predation and enhance fulfillment of the overall initiatives described in the original objectives of the philanthropic institution.

The scenario described below derives from the conceptualization of the BC Children's Hospital Foundation—one of Canada's most successful philanthropic institutions. In the late 1970s, a group of philanthropic-oriented individuals—

members and former Board of Directors members of the BC Children's Hospital—agreed that the then-nascent Children's Hospital required a suitable support base. The provincial government, with a friendly, often personal relationship with the Board of Directors, had approved construction funding for a new hospital and an adjacent Women's Hospital which would provide a major facility with suitable, but basic, operation funding.

Propelling a newly created nascent hospital to an operational level that would attract a suitable cadre of innovative and expert health practitioners required the support of the broader community and a philanthropic institution to facilitate the process. Creation of a desirable health "destination" required more than a suitable facility. A strategy to attract the brightest and the best practitioners involved offering the "opportunity" to pursue their research interests, the freedom of "choice" as to how to effect this, the "security" of a position—all this in addition to the "comfort" of providing suitable academic health center facilities (Hardwick 1989).

A small group of key individuals—which would conceptualize the institution—decided to assess the institutional design of other successful children's hospital foundations and thus over a brief period in 1978 visited the following: the Hospital for Sick Children Foundation in Toronto, the Los Angeles Children's Hospital Foundation, the Boston Children's Hospital Foundation, and the Cincinnati Children's Hospital Foundation.

The essence of the findings that ultimately led to the design of the British Columbia Children's Hospital Foundation was basic but clear. The Foundation needed to be an independent, incorporated institution that did not report its financial status directly to the incorporated hospital. In Canada, where public hospitals are funded by government, the financial status of the institution is overseen by a hospital board, but it is legally open to systematic review and alteration by the provincial government where the hospital is located. In general, this system operates well but is subject to financial pressures during economic recessions or political pressures during elections.

It was clear that hospital administrative pressures might similarly compromise the philanthropic intent. This later became evident in U.S.-located institutions as well. To ensure the integrity of the philanthropic intent, an institutional design was created that incorporated the BC Children's Hospital Foundation as a separate entity with no requirement to report its financial status to the hospital or indirectly to the government. Foundations, of course, are legally obliged to report to the federal government regarding taxes—income and expenses and received donations

and tax receipts. Reports are made to the provincial government about meeting the percentage of donated funding allocated to the charitable acts, but the two levels of government do not appear to share data. The intent of the BCCHF founders was to design a structure that was not a subsidiary of the Children's Hospital and in which funding allocations are not subordinated to bureaucrats who might wish to channel funding away from the initial intent of the Foundation—that is, a structure that avoids conflicts of interest.

Let us summarize the design objectives:

(1)   The specific institutional design is to ensure that donor intent is maintained and philanthropic donations are used as intended.

(2)   The design is to ensure that monies are not redirected by those who have a conflict of interest (e.g., furnishing offices as opposed to patient care).

(3)   The design ensures that the Foundation has the authority to direct monies as indicated by donors.

(4)   The design ensures that the level of government control over hospitals does not have fiscal knowledge or leverage capacity over funds. It is worth noting that the *bête noir* of monolithic government (in liberal democracies) tends to be overstated. Government is not a monolith—the central government has functions that Canadian provinces and American states and cities don't have. There has often been little if any sharing of information between levels of government. (Of course, each level of government may want donated funds to serve its purposes.)

This "firewall" design of BCCHF has served well. The BCCHF is seen by donors as serving its institutional philanthropic objectives. Donors do not need to concern themselves about "hidden agendas" or "fund diversions" to support political or other agendas. The philanthropic agenda to support the creation of an innovative institution that attracts a sophisticated health-care staff has been extremely successful. The volume of competitive research grant funding received by the hospital staff increased logarithmically over the past thirty years. The funding of the B.C. Research Institute for Child and Family Health with both capital costs for facilities and operating costs has led to the attraction of a remarkable team of innovators and as a consequence medical research innovations.

The board of the Foundation initiated a capital fundraising project for $200 million which will lead to the reconstruction of the hospital and has almost completed this fundraising objective. The board has also confirmed that it will

maintain and as necessary enhance the discretionary funding to ensure maintenance and expansion of the sophisticated health-care team.[5]

This "firewall" design has not been popular with all involved. A senior hospital administrator was dismayed at not having the ability to direct foundation funding to what was a personal opinion of need and wondered why the board would not comply with these proposed wishes. Apparently, access was available to foundation funds in some other children's hospitals where no such institutional design existed to protect the philanthropic initiatives of the Foundation.

In our case study, there was the luxury of implementing institutional design from the outset, guided by a small caucus of principals alert to the perfectly rational machinations of the bureaucratic phenomena that can be found within nongovernmental organizations and beyond. As any management consultant worth their salt can tell you, barging into an environment will quickly reveal institutional rigidity and resistance if one doesn't come to terms with the institution's identity (Olsen 1997, 214).

In conclusion, separate institutional incorporation and governance of philanthropic institutions are important in ensuring the integrity of the philanthropic objectives and protecting the foundation from any distorting predatory initiatives of government, hospital-funding agencies, or staff-focused initiatives.

The Big Society and Third Party Government

In this section we examine the conceptual continuities and/or discontinuities between the trans-Atlantic notions of "The Big Society" (UK) and "Third Party Government" (US). In a generic sense both notions are concerned with conceptual space between governmental apparatus and civil society at large, philanthropy being a major participant.

According to The Big Society Network website the initiative "exists to support and develop talent, innovation and enterprise to deliver social impact. By working with business, philanthropists, charities, and social ventures we believe we can unleash the social energy that exists in the UK to help build a better, healthier society" (http://www.thebigsociety.co.uk). This rather bland quote shows just how conceptually murky invocations of "The Big Society" are. In what sense is this any different from liberal (civil) society? Though there are resonances to this phrase from the past in the eminent Fabian Graham Wallas' *The Great Society* (1914) and Lyndon B. Johnson's use of the same phrase in the 1960s (University of Michigan, May 22, 1964), they are not useful in shedding much light on the current invocation. (This is

not, of course to dismiss their ideas. For a historical account see Harris 2012.) Though discussion of the Big Society in its current guise emanates from the UK, the philosophical issues remain salient to other liberal democracies: Canada, for one, is very cognizant of this discussion (Curry 2011). In effect, Big Society discussion is a species of theorizing that concerns the demarcation between state and civil society (or as Cornuelle 2011 puts it, the "independent sector") and as such seeks to shift public expectations regarding the role of government in assisting social causes in this post-subprime-meltdown economic climate. Putting it in a somewhat flippant way, Fraser Nelson writes, "'The Big Society' is a silly name for a good idea: that lots of companies, charities, etc. will help provide government services" (http://blogs.spectator.co.uk/coffeehouse/2012/02/the-dark-side-of-the-big-society/).

Having been out of power for thirteen years, the UK Conservative Party felt the need to rethink its philosophical commitments. This could be taken as a genuine and substantive intellectual realignment and clarification or, in a more jaundiced view, merely a rebranding exercise. We will be charitable and assume the former.[6] The lead theorist behind the party's philosophical discussion is Jesse Norman (2010).[7] There is much to commend Norman in a broadly impressionistic sense, but there is a conspicuous lack of philosophical detail in his work which needs to be fleshed out.[8] In an earlier work Norman put forward five central tenets that inform the Big Society, foundational to the rebranding of the Conservative Party (2006):

(1) a large-scale program of decentralization;
(2) greater empowerment for intermediary institutions;
(3) greater emphasis on sharing (British) culture;
(4) celebration of individual freedom; and
(5) an audit of government.

Jointly and severally, acceptance of these tenets would ostensibly create the conditions necessary to ameliorate poverty, inequality, and class division. The Big Society, in Norman's account, emphasizes *institutions, competition, and entrepreneurship*. Norman very briefly addresses five criticisms leveled against the aforementioned list:

(1) The notion that the idea of the Big Society is at best vague, at worst empty.[9]
(2) That the idea is too ideologically "thin" to be aligned with party politics, specifically the Conservative Party.
(3) That the Big Society is in essence about the transfer of public services into the "third sector."
(4) The idea is merely reheated Thatcherism.

(5) Greater economic equality can only be achieved through social redresses covering the complex of crime, education, and health.

A few points are in order here. Audit of government surely belongs on a different logical level from the other tenets. It's like having an independent central bank. It's not up there with major concepts defining a view of society. Yes, we're sure that the Big Society does celebrate individual freedom, freedom as a part and parcel of British culture. (So here's another join-up of supposedly distinct tenets.) But British Prime Minister David Cameron, it seems, also stresses cooperation, a sense of shared communal interests working together to solve our own problems. This is partly what motivates the program of decentralization. We think there's something slightly different here from the bare idea of sharing British culture. It requires a *reworking* of British culture. Sharing British culture is about making sure that everyone understands English, that a shared system of justice is respected (and Sharia courts have no legal status), that kind of thing. More than this is involved in Cameron's idea that an ethos of self-help and cooperation should prevail. That ethos could be and is missing from people who are as "British-cultured" as anyone could wish.

Norman suggests that the more fundamental concerns of the Big Society concept involve the "rediscovery" of politics. Specifically, he says that one has to overcome three pernicious and mistaken ideas: that politics solely concerns the relationship between the state and the individual; that individuals are fundamentally economic automata; and that any derogation from perfect competition is a cause of inefficiency and makes some people worse off. Though we are in full accord with Norman on these three points, we cannot detect anything distinctive about any of his tenets. Is there anything distinctive even about this *combination* of tenets? How do the tenets relate to one another with respect to independence, entailment/implication, and contradiction? We can't find much of interest here on any of these scores. We fully accept that ideas don't have to be new and original to be of interest and importance, but they do have to be developed to a level of intellectual sophistication, and that is not the case here.

To be fair to Norman, UK governments do from time to time come under the influences of bodies of ideas, even if they've not always applied them discerningly. The Liberal government of 1905 was influenced by the "New Liberalism" of T. H. Green and L. T. Hobhouse; the Labour government of 1945 bore the imprint of the Beveridge Report, a cornerstone of the welfare state; and the Thatcher government was supposedly influenced by Hayek.[10] Norman's parallels are more with the

architects of the "Social Contract" in the dying days of the 1970s Labour government and Will Hutton's book from the mid 1990s, *The State We're In* (1995). So far as we can make out, the Big Society stresses a few simple ideas.

First is the vital role of a thriving civil society. This is standard liberal thinking.

Next is a presumption, like the EU idea of "subsidiarity," that collective decisions should be made as far as practicable by those affected by them. If a decision affects Level 3, then it should be made at Level 3 unless there are overriding reasons to make it at a higher level.

Third, in policy terms this means that state-run services and institutions should be taken down a level. The two biggest examples are (a) general practitioners and not higher-level area health authorities should run the National Health Service, and (b) parents and not the local educational authority should run schools if they have the competence. While not explicitly endorsed by Norman, at least in the realm of healthcare, it is very much part of government policy (http://services.parliament.uk/bills/2010-11/healthandsocialcare.html).

The fourth idea is the rejection of an atomistic model of society in which people follow self-interest at the cost of community-mindedness—*homo reciprocans* rather than *homo economicus*. Bernard Bosanquet, for one, hated the atomistic view and derided it as a model of society composed of "reciprocally exclusive atoms" (2001, 79).

One might think that communitarianism is the elephant in the room. It hasn't been mentioned because we don't think that it has much to do with the Big Society philosophically. Communitarianism as you find it in Michael Sandel (1998) and Charles Taylor (1989) is a theory of the self—of how the self acquires its identity through the institutions and practices of a society. Clearly Sandel and Taylor would reject the atomistic view of the self, and thus would endorse the fourth idea above. But we don't think the idea of the Big Society goes deep enough philosophically to have much to say about the theory of the self.

As indicated at the outset of this section, in what sense is "The Big Society" any different from liberal (civil) society? Apparently none—according to one of the idea's major promoters: "You can call it liberalism. You can call it empowerment. You can call it freedom. You can call it responsibility. I call it the Big Society," said David Cameron (McSmith 2010).[11] Szreter and Ishkanian make the point that the "very name is contested (civil society, third sector, voluntary sector, non-profit sector etc.), there dwell many species and genera" (2012, 4).

Prima facie, invocations of "The Big Society" seem no different from

Salamon's so-called "third-party government," discussion predating "The Big Society" by some twenty-five years (Salamon 1981). Indeed, on Salamon's view these days the *welfare state* itself is a not dissimilar partnership between government and the nonprofit sector (Salamon et al. 2004). He makes the point that conceptually speaking third-party government is *not* coextensive with "privatization," which amounts to a simplistic offloading of governmental functions onto private hands. Third-party government, by contrast, emphasizes the *collaborative* nature of public problem solving. Salamon is also keen to distance third-party government from "new public management" a notion that (a) focuses on the direct operations of the public sector and recommends the introduction of business-type incentives and metrics into the operation of government agencies, and (b) recommends the outsourcing of governmental functions as a solution to government's problems, "conveniently overlooking the enormous extent to which third-party government is already in place around the world" within inherent issues of accountability and legitimacy (Salamon 2009). Salamon is of the view that third-party government is more about learning how to *comprehend* and to *manage* the de facto dispersion of power, a state of affairs that carries substantial discretionary authority.

Unlike "The Big Society" theorists, Salamon is far more sensitive to organizational design and behavioral considerations, understanding that each third-party entity enters into relationship with governmental authorities on its own terms and expectations. Furthermore, traditional hierarchic control is corroded leaving agency administrators and elected officials who lean on them, ill-equipped to ensure the outcomes they want. Salamon's discussion is more finessed and in accordance with the practicalities which we earlier set out in the discussion of the British Columbia Children's Hospital Foundation and philosophically more in tune with McCully and our pragmatic "partnership" conception of philanthropy than with Boettke and Prychitko's "wedge" conception of philanthropy. This is echoed by Szreter and Ishkanian when they write that the Great Society is about "Collaboration, cooperation and complementarity" and not a stark relationship of alternatives (2012, 92).

Conclusion

Given our declared interest in institutional design, one theorist has been conspicuous by his absence—Herbert Simon. Simon's early work in administrative behavior found voice in the eponymously titled *Administrative Behavior* (1947), a work whose themes would inform his celebrated notion of "bounded rationality."

Simon's targets were the progenitor of modern organizational theory—Frederick Winslow Taylor (1911)—and the later generation of influential theorists led by Luther Gulick and Lyndall Urwick (1937). Taylor's "scientific management theory" (Taylorism) gained a great deal of traction in both capitalist and socialist economies in the early part of the 20th century. Gulick and Urwick developed "administrative management theory" or more familiarly, modern management consultancy. For Taylor, since work is supposedly routinized, humans are, in essence, cogs in a machine, automatons if you will. This is not surprising since Taylor was a mechanical engineer by training: all that was needed was a blueprint and accordingly mere implementation. Gulick and Urwick's hyper-rationalism assumed that all the activities that need to be performed within an organization's department could be specified in advance. For Simon, the unremitting rationalism inherent in Taylor, Gulick, and Urwick's approach was that they crucially overlooked the rich inner life (mental processes) of agents, agents who of course had wants, desires, beliefs and goals shaped by a myriad of socio-cultural contexts. Agents' rationality is necessarily bounded not only by a conceptual context but by structural cognitive limitations, most notably limited informational processing capacity. There are those in healthcare that are oblivious to these ideas, still proffering a top-down rationalistic worldview (Frenk and Moon, 2013).

These are the insights that we believe are vital to any organizational design and which are embodied in the case of the British Columbia Children's Hospital.

There was a failed attempt at sustaining a socialist commune based on cooperation, with the socialists in this experiment seeking their own salvation within the confines of the existing system with the state playing no central role. We are of course referring to "New Harmony," a utopian venture funded by Robert Owen (1771-1858). This strand of socialism should be contrasted with the reformist and welfarist drivers animating state socialism and the current style of socialism that has been termed market socialism. What is significant is the idea of self-responsibility emphasized by Cameron's Big Society. Whatever the philosophical and practical failures of socialism, the *bêtes noires* of poverty, inequality, and class division present perennial challenges to all ideological positions, us liberals being no exception. It is therefore not at all helpful to begin to see socialism everywhere as Alexander Gray once did (1946) as do many current anti-statists.

North-American and European politics are in practice a messy mix between civil association and enterprise association, to use Oakeshott's famous distinction (1975).

Civil association connotes the idea that substantive theories of the good, if there are any, refer to voluntary activities of citizens and not to collective decision-making. Enterprise association, by contrast, is a view of politics that posits a common good to which collective decision-making should be directed. The philanthropic impulse has to operate in a sociopolitical climate that ebbs and flows between these two poles or ideal types of association. In any event, ideologies are far more fluid than is normally conceded in public discourse (Freeden 1994). It is conceptually disingenuous crudely to equate welfarism with absolutism when, for example, socialism shares with liberalism a rationalistic tendency and with conservatism a communitarian strand. Welfare states vary in governance from absolutist on behalf of the state or on behalf of the proletariat. Some are patrimonial, while others are theocratic or doctrinaire. Some civil societies adopt a "welfare" orientation that is kept tightly in check through liberal democracy—for example, Canada. Others worry about social democratic regulation—for example, the United States.

As George McCully and others have noted, perhaps the fundamental motivating impulse behind philanthropy has been obscured, and whatever the sociopolitical landscape, the philanthropic impulse should be conceived as an intrinsic good. Once again we invoke Adam Smith, from his famous opening to *The Theory of Moral Sentiments*: "[P]ity or compassion [is] the emotion we feel for the misery of others, when we either see it, or are made to conceive it in a very lively manner," and these "interest [man] in the fortune of others, and render their happiness necessary to him, though he derives nothing from it except the pleasure of seeing it" (Smith, 1984 [1853], I, 1, i).

This view is also promoted by recent philosophy of philanthropy theorists such as Richard Gunderman (2005, 1, 5; 2008a, 49-55; 2008b). Smith (2011), Gunderman, and others take issue with the prevailing, instrumental view of philanthropy as a problem-solving exercise or, in other words, a proxy for social reform or political activism (Lynn & Wisely 2002). The current identification of philanthropy with the "nonprofit" indicates the degree to which economism has encroached upon or corrupted the meaning of philanthropy and thereby undervalued the greater part of the philanthropic impulse—the countless volunteers' hours, the unquantifiable sweat equity that underpins philanthropic activity, the very things the theorists of the Big Society seem so eager to promote.[12] Finally, careful design of the philanthropic instrumental organization is required to ensure protection of donor intent.

We like to end with a couple of rhetorical questions posed by Simon, the dean of organizational design:

Why, in a modern society do we have markets, and why do we have organizations, and what determines the boundary between these two mechanisms for social organization? These questions go to the heart of the roles of our diverse political and administrative institutions, public and private, in contemporary society (Simon 2000, 751).[13]

NOTES

[1] This is not the place to discuss the so-called Adam Smith problem, the supposed tension between Smith's two major works. See Garnett (2010), Göçmen (2007) and Marsh (2014). The similar ascription of inconsistency has been leveled at Hume between the *Enquiry* and the *Treatise*.

[2] For information on Morrow, see http://www.richard-t-hull.com/publications/GlennRaymondMorrow.pdf.

[3] There is already a vast philosophical and empirical literature on mirror neurons.

[4] In a discussion at the Law of Charity Colloquium (Indianapolis, November 2011), Isaac Lifshitz made the good point that surely philanthropy could qualify as a spontaneous order in its own right, thereby not contravening Hayek's antirationalist sensibility. Cornuelle (2011) makes a similar point.

[5] Forty-seven percent of donated funds are earmarked for research, 43 percent for the construction of a new hospital (2010/2011 BC Children's Hospital Foundation Annual Report, 25).

[6] Apparently Steve Hilton, Cameron's director of strategy, has claimed credit for the Big Society idea.

[7] Norman was elected to parliament in the 2010 elections as a Conservative member, but he also has a long and successful commitment to the philanthropic world. Last, but by no means least, Norman is a very good technical philosopher, noted for his work on C. S. Peirce, deeply influenced by Michael Oakeshott and possessing some appreciation of Hayek. Michael Ignatieff, the former leader of the Liberal Party of Canada and sometime academic, is the closest approximation to Norman in Canada.

[8] The most comprehensive academic discussion of the "Big Society" can be found in Stott 2011.

[9] A sampling of UK press coverage from both the Right and the Left on the Big Society seems to validate this claim.

[10] Though Hayek was admired by Thatcher and Reagan, it is unlikely that they read much beyond *The Road to Serfdom* and other highly selective readings refracted through others (in Thatcher's case, Keith Joseph; in Reagan's case, Martin Anderson and Paul Craig Roberts).

[11] For an analytic, annotated analysis of Cameron's speech explaining the Big Society, see "The Big Society: a genuine vision for Britain's future—or just empty rhetoric?" *The Independent*, July 20, 2010, http://www.independent.co.uk/news/uk/politics/the-big-society-a-genuine-vision-for-britains-future-ndash-or-just-empty-rhetoric-2030330.html.

[12] This tendency is marked by Olsen (1997, 214) who writes, "This is an aspect of democratic governance that may be of special relevance in periods, like the current one, characterized by rapid economic and technological modernization and a tendency to make economics the *new prima philosophia*, that is, the type of reasoning used as a measuring stick for all aspects of human life." In Hardwick and Marsh (2012a), Hardwick and Marsh (2012b), and Marsh (2012) we make the same point and have argued that to make one order answerable to (or reducible to) another order's teleology or metric is both rationalistic and indeed anti-liberal.

[13] We are grateful to Lenore Ealy, Steven Grosby, and Isaac Lifshitz for their pointed comments and to the other discussants at The Law of Charity Colloquium in November 2011. The usual disclaimers apply.

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