

## RESEARCH NOTE

### TAXATION AS A ONE-WAY TRANSFER?

---

#### 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.