

SETTING THE RESEARCH
AGENDA IN PHILANTHROPY
AND VOLUNTARISM:
A DISCUSSION

Center for the Study of
Philanthropy and Voluntarism



Institute of Policy Sciences
and Public Affairs

Duke University

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August 1987

Discussions at a conference at the Center for the Study of Philanthropy and
Voluntarism at Duke University, November 20-21, 1986.

INTRODUCTION

Charles T. Clotfelter
Joel L. Fleishman

The Center for the Study of Philanthropy and Voluntarism at Duke University was established in 1986 with three major aims: to support scholarly research on issues related to philanthropy and voluntarism, to stimulate exchange of ideas and research findings among scholars and practitioners, and to encourage the development of undergraduate and graduate professional teaching on a range of related subjects.

To inaugurate its efforts in pursuit of the first two aims, the Center invited a group of scholars of the subject matter and practitioners in the nonprofit sector to a conference on November 20 and 21, 1986, to discuss their ideas about an appropriate research agenda in philanthropy and voluntarism. That conference provided Duke scholars a setting in which we might consider our own research agenda, focusing not only on the general importance of various questions but also on areas in which we might have comparative advantage in doing research. Moreover, it provided a useful forum for a discussion of questions worth addressing by the broader research community. As a way of furthering the latter objective, we have distributed the papers prepared for the conference and now are distributing an edited transcript of the discussions that took place.

The contributors were asked to prepare discussion papers outlining their views of the most important question related to philanthropy and voluntarism that needed to be addressed. Following brief presentations by the authors, assigned discussants from the Duke faculty made comments. General discussion concluded each session. We offer this transcript of those sessions to the wider research and practitioner community in the hope that they succeed in stimulating thought and further research on philanthropy and voluntarism.

THE RESEARCH AGENDA IN PHILANTHROPY AND VOLUNTARISM:
WHICH TOPICS DESERVE ATTENTION?

Duke University Center for the Study of
Philanthropy and Voluntarism

November 20-21, 1986

November 20

Von Canon, Bryan Center

- 2:30-3:00 Registration and Coffee
- 3:00 Introduction: Charles Clotfelter
Welcoming Remarks: H. Keith H. Brodie, M.D.
President, Duke University
- 3:15-4:30 Session #1 (History, institutional studies)
Chair: Charles Clotfelter
Presenters: Barry Karl
University of Chicago
Kathleen McCarthy
City University of New York
Discussants: Craufurd Goodwin
Duncan Yaggy
- 4:45-6:00 Session #2 (Public policy)
Chair: Charles Clotfelter
Presenters: Russell Roberts
University of Rochester and Hoover Institution
Jerald Schiff
Tulane University
Discussants: Michael Meurer
Michael Gillespie
- 6:00 Bus leaves for Hilton
- 6:55 Bus leaves for University House
- 7:00-7:30 Cocktails
- 7:30-8:45 Dinner
- 8:45-10:00 Panel of Practitioners: What Kind of Research and Teaching on
Philanthropy is Needed?
University House, 1508 Pinecrest Road
Introduction: Joel Fleishman

Panelists: Virginia Hodgkinson
Independent Sector

Arthur Singer
Sloan Foundation

Russy Sumariwalla
United Way Institute

Barry Gaberman
The Ford Foundation

10:00 Bus leaves for Hilton Inn

November 21

Medical Center Board Room, Hospital South

8:30 Van leaves for West Campus

8:30-9:00 Continental Breakfast

9:00-10:45 Session #3 (Economics, behavior)
Chair: Joel Fleishman
Presenters: Howard Margolis
University of Chicago

Burton Weisbrod
University of Wisconsin

Julian Wolpert
Princeton University

Discussants: Peter Lange
Robert Marshall

11:00-11:30 New Findings on Philanthropy and Foundations
Elizabeth Boris
Council on Foundations

11:30-1:00 Lunch Panel: Humanistic Perspectives
Chair: Joel Fleishman
Presenters: John O'Connor
National Humanities Center

Bruce Payne
Duke

Dennis Campbell
Duke

Christopher Schroeder
Duke

1:00-2:00 Summary Discussion

LIST OF PARTICIPANTS

Conference on The Research Agenda in Philanthropy and Voluntarism:
Which Topics Deserve Attention?

Center for the Study of Philanthropy and Voluntarism
Duke University

David R. Ashenhurst, Private Philanthropy Matters

Katherine Bartlett, Law School, Duke

Elizabeth Boris, Council on Foundations

Dennis Campbell, Divinity School, Duke

Charles Clotfelter, Institute of Policy Sciences & Public Affairs and
Economics, Duke

Jerome Culp, Law School, Duke

Merrimon Cuninggim, Center for Effective Philanthropy

John Day, Duke Endowment

Joel Fleishman, Law School and Institute of Policy Sciences & Public Affairs,
Duke

Barry Gaberman, The Ford Foundation

Gary Gereffi, Department of Sociology, Duke

Michael Gillespie, Department of Political Science, Duke

Martin Golding, Department of Philosophy, Duke

Craufurd Goodwin, Department of Economics, Duke

Virginia Hodgkinson, Independent Sector

Barry Karl, Department of History, University of Chicago

Alexander Keyssar, Department of History, Duke

Peter Lange, Department of Political Science, Duke

Howard Margolis, Committee on Public Policy, University of Chicago

Robert Marshall, Department of Economics

Kathleen McCarthy, Department of History, City University of New York

Michael Meurer, Department of Economics, Duke

Betty Mosely, Haiti Development Corporation

Thomas Mulligan, Fuqua School of Business, Duke

Jack Murrah, Lyndhurst Foundation

John O'Connor, National Humanities Center

Bruce Payne, Institute of Policy Sciences & Public Affairs, Duke

Russell Roberts, Hoover Institution and University of Rochester

Jerald Schiff, Department of Economics, Tulane University

Christopher Schroeder, Law School, Duke

Robert Schneider

John Simon, School of Law and PONPO, Yale University

Arthur Singer, Jr., Alfred P. Sloan Foundation

Carol Stack, Institute of Policy Sciences & Public Affairs and Department of
Anthropology, Duke

Russy Sumariwalla, United Way Institute

Burton Weisbrod, Department of Economics, University of Wisconsin

Julian Wolpert, Woodrow Wilson School, Princeton University

Duncan Yaggy, Institute of Policy Sciences & Public Affairs

SETTING THE RESEARCH AGENDA IN PHILANTHROPY AND VOLUNTARISM
Center for the Study of Philanthropy and Voluntarism
November 20-21, 1986, Durham, North Carolina

Session 1 - November 20, 1986

CHARLES CLOTFELTER: The Duke Center for the Study of Philanthropy and Voluntarism has three principal objectives: to encourage teaching in the areas of philanthropy and charitable behavior, to support scholarship research in these areas, and to encourage the exchange of ideas about philanthropy and voluntarism, including the dissemination of research findings and discussion among scholars. This session is an example of what we would like to do in this third area. But to a large extent the aim of the session today is selfish. We would like to get ideas about what we at Duke ought to be doing. I think that there will be a side benefit: the kinds of issues that you all identify will be issues that are important for the larger research community. But we at Duke would like to latch on to some of those and, depending on our special abilities, take some of them as our special charge. We have put a tape recorder here, we've got a couple of microphones, and we are under the impression that about 85% of the words being uttered today will be on tape. We're going to try to make a good transcript. As a part of the dissemination process what we would like to do is distribute not only the papers for the authors that are willing for us to do that, but also an edited transcript and perhaps a summary of this session because I think that the discussion here today and tomorrow will be of interest to scholars in this area.

I hope that we can encourage some scholars who aren't in this area perhaps to do something in the area of philanthropy and voluntary action. It is not a very hidden agenda on my part to entice some of the best colleagues that I have on the faculty at Duke into being interested in these areas, so those of you not from Duke will notice the Duke name tags. This is not a random sample of Duke faculty. This is a sample of some of the best, most promising, research faculty that we have in various areas. The interaction that they have on a week-to-week basis, I think, indicates one of our advantages here, and that is close interdisciplinary ties.

The aims that Joel and I have for today and tomorrow are to try to focus the group on the question "What are the important issues in the broad areas of philanthropy and voluntary action that deserve the scarce resources of research?" We know that there is probably an infinite number of questions, but which ones are really the most important, and the most pressing? Which answers would really make a difference? The answers to these questions will certainly help in guiding our own direction, but I think that the answers should have a broader interest as well. By the way, in this session or after the session we would also be happy to have any suggestions concerning the operational question: "How can the Duke Center carry out these things? What kinds of activities work better than others?" Even organizationally, what kinds of things would be more useful than others? What kinds of activities would serve this goal of research on important topics in philanthropy and voluntary action?

In selecting participants, we wanted to have a very small group and a

lively group. We wanted people free to jump in with their ideas. The papers that you have been sent are not supposed to be finished drafts or necessarily publishable, though they could be, but are rather intended to stimulate discussion.

Barry Karl has been a Professor of History at the University of Chicago since 1971 and has been working on the question of the history of private philanthropic foundations for a good while. His reputation is so broad and so strong that for me to say anything more is almost silly. So what I'll do is just stop there. We've been talking about academic administration this afternoon, which is probably a second secret life of Professor Karl's and certainly an interest of mine as well. After Professor Karl has finished, we will turn to our second presenter, Kathleen McCarthy, who is the director of a brand new center for the study of philanthropy at the City University of New York. I suppose her visit to Duke is akin to diplomatic relations between one center and another. I know that we have a lot to learn, and based on my reading both papers have a lot to teach us.

BARRY KARL: I keep administration one of the secrets of my life for very good reasons. It is something that I don't enjoy doing, but that I stumbled into as part of my own historical career which in some ways awakened my interest in philanthropy in the first place. My doctoral dissertation a good many years ago and my first book were a study of the reorganization of the Presidency during the New Deal years. In the process of working on this project I discovered almost by accident that a large part not only of that particular project of reorganization, but a significant amount of New Deal policy research had been funded by private philanthropy, through what I suppose critics of philanthropy would call a series of academic drops. That is, by giving its money to the Social Science Research Council, the Rockefeller Foundation had in fact funded the major reorganization of the Presidency which was deliberately kept secret by Franklin Roosevelt, who did not want information of that kind circulating. I didn't discover until maybe a dozen years ago or a little bit more, when the Rockefeller Foundation's papers were finally opened, that the major opponent of the reorganization plan submitted by the committee to Franklin Roosevelt was the Brookings Institution of Washington, D.C., whose funding had also come from the Rockefeller Foundation. What one actually saw in the halls of Congress, probably one of the biggest and hottest battles of the New Deal, was two of the Rockefeller-funded projects facing one another. This sort of thing historians were not likely to find out for a good many years after that. In the process of tracing through the history of public administration and development of public administration in the United States, I saw the hand of philanthropy there although I was forbidden use of any of the philanthropic papers until I was finally, at a much later point, able to convince foundation people that they were simply giving me the choice of whether I read the originals or carbon copies since academics were retaining all of their papers. I could find all the correspondence I wanted if I had a large enough travel budget to get from place to place. Anyway, in the course of the kind of openness that we had seen in recent years, much of the history of philanthropy that Stanley Katz and I have been working on is now really possible on the basis of materials that historians depend upon: the availability of archives for research.

Part of the problem that I keep running into as a historian and maybe a perversity of my own is that there are two questions historians spend a great deal of time working with. One of them is obviously to try to figure out what

actually did happen. The second, insofar as they can try to spell out the motives, is "Why did it happen in that particular form?" The third question is one that historians rarely ask, and I think it is one of the most interesting questions to ask: "Why wasn't it other than the way it was?" "Why does it develop particularly in one area in this particular fashion rather than in another?" What my paper was focusing on, at least in my head, is the question of why modern industrial societies are all faced with problems that bear strong resemblances to one another. Why does one culture develop a particular set of answers to those problems and a particular set of methods in working them out, while other cultures select other methods? As I began raising this question for myself in discussing the history of foundations in particular and philanthropy in general in the U.S., some of the answers that one comes up with are not terribly attractive answers.

As far as our historical arguments are concerned, I have at times disputed with Bob Payton his highly ordered sense of historical continuity of philanthropy and the development of foundations. It seems to me that a large part of that development consists of accidental responses to conditions that were being established by a historical culture which needed certain effects that philanthropy could produce and that foundations could produce, and which had certain roadblocks in the way which had prevented it from following one line rather than another line. Now one can glorify that process and say "isn't it great that it happened that way" and "aren't we really lucky" or something of that kind. But I think in doing that one avoids raising some of the highly critical questions about the process and the way it developed as well as the way it is being used. My reason again for focusing on that is not because I'm interested in attacking foundations or philanthropy; I'm not, but it seems to me that the availability of material is producing a growing literature of criticism of foundations, a literature that is going to get larger. It may not get any better but it is going to get larger than it has been, and that very openness and availability itself will lead to some very interesting and critical studies, as indeed it already has, of the way foundations influenced public policy in the United States.

What I was really trying to focus on in my remarks, were three basic questions. The first one: Why does it develop? Why does philanthropy and the institutional method itself develop the way it does in the U.S.? The second is: to the extent that all cultures need to produce managerial elites who will, generation by generation, be able to keep things running, how does the U.S. particularly shape the way in which the elite has come to be in the U.S. and the way in which it can continue to operate in the U.S.? And the third, given the fact that this is a democratic culture, what are the democratic controls over this process of elite formation or elite-making supposed to be, and how are they going to work? How are we going to keep them in some sort of focus?

It seems to me that much of what we see and many of the questions that we see, we see being put sometimes in ways that we don't find attractive. Perhaps they were said by William Bennett at some particular point in a speech that he makes or said by a group of parents who don't happen to like what their children are being taught in the schools, or said by religious groups with whom we might have some disagreement. So we dismiss them without realizing, I think, that there are some very fundamental questions being asked there. If we could put them on more neutral ground, that is, if we could say, "these are really questions that are asking something quite fundamental,"

they are saying, "if you have a philanthropic system, if the function of the philanthropic system is to train and educate and promote in job placing and the like, a managerial elite in the U.S., what are the democratic controls for that process in this kind of a culture going to be and how do they differ from that process in other cultures?" Now those can get pretty nasty. I don't think they have to, or maybe they do. Conceivably if one puts them that way one will provoke jobs or show oneself to be provocative. One may provoke some useful fights because all of the language that I'm using now is language that many of us, at least as historians, are not accustomed to using. I have colleagues who think if you start talking about elites, you're saying something dirty. Yet the question of how a complex industrial society is supposed to operate without elites seems to me to be a very serious one, so I don't find the term as objectionable, perhaps, as others do.

The interpenetration between public and private has been there from the beginning, and foundations have been part of it. The fact is that one traces career patterns through foundations to universities to government positions back to universities and through foundations again. The fact is that there is a structure, a system, that has been in existence certainly since at least 1900 and that continues to operate in this form. This again can be subject to criticism if one chooses to put it that way, but I think it is better if it is described. Now, that's essentially what I am up to these days, and it is kind of an agenda, if you will, for the development of a history of philanthropy and foundations in the U.S. that would stop a little bit of this business of "aren't we all tracing our holy origins?" and "isn't it grand?" and we really are. There's really nobody here but us charitable chickens and it's wonderful that we're doing the things that we're doing for everybody else, and then the ultimate question is: "If it's all so good, why do people hate us? Why do they keep developing all of these critical studies?" I think there are some very good reasons and some very good historical questions that can be asked that are worth asking.

KATHLEEN MCCARTHY: Well, I think as most of you know there's been a tremendous upsurge in interest in the question of the role of philanthropy in American life in the last few years, due in part obviously to Reaganomics, due in part to the fact that Barry mentioned that some of the foundations are beginning to open up their archives to scholarly inquiry, and due in part to some of the people in this room like Virginia Hodgkinson. But I think it is also safe to say that we still have an awfully long way to go in helping to legitimize these topics as an area of scholarly study to the point where it might at some point be considered a field in the same way that black studies, women's studies or urban studies have come to be considered an important and legitimate type of scholarly inquiry over the last few years.

It was funny listening to Barry talk about how he became interested in the field through his interest in administrative issues, and then the archives opened up. I sort of fell into the field as well. I was interested in cities, so I was training to be an urban historian and wanted to know why the kind of urban anomie that I saw had developed, why people felt that it was legitimate to let the government take care of most urban problems and to run off to their comfortable suburbs at night. At that time, you just sort of backed into the field. I think that's changing now, at least I hope it is. Because of this, I think that programs like Duke or the Center that I'm directing at CUNY can make an important contribution at this point, both in helping to generate additional interest and also helping to focus the

discussions on selected areas, particularly those areas with the potential to blend scholarly and policy making implications. Some of the questions that Professor Clotfelter was raising a little while ago about what are the most important things that a given center can do at a particular place and a particular point in time, I think, are the right questions and certainly they are the things that I've been wrestling with for the last few months. The topical areas that the CUNY Center will concentrate on will be the changing role of philanthropy in the welfare state, particularly since 1945, giving and voluntarism in New York, and the international dimensions of these activities.

A little shopping list like that obviously leaves a tremendous number of important questions that could also be added, including things like Southern patterns of giving and voluntarism. I think that this is a terribly important area, and although we already know a fair amount about Midwestern patterns or the contours of these practices in New England, the South remains something of a terra incognita. One of the most intriguing things about this area is the question of urbanization: What effect, for example, has the relative absence of cities had in shaping the quality of philanthropic responses in the 19th century? How are the Sunbelt cities compared to their Northern counterparts? How has the "boom and bust" economy that has hit some of these cities in the last few years affected the quality of philanthropic responses, especially in the era of Reaganomics? I think that by answering questions such as these, we could not only test a lot of our current assumptions about American philanthropy, but we could certainly enrich the overall understanding of these practices.

A second question that derives in part from the work of Barry Karl and Stan Katz and in part from other working historians, would have to do with the decision-making processes within foundations, especially the staff-trustee relationships. Research such as this could help to reveal a great deal about the nature of foundation activities and where these activities fit into the larger universe of philanthropic practices, as well as providing a badly needed corrective to some of the research now being done by Marxist historians. I have nothing against Marxist historians, but I think that the history of foundation work is a good deal richer and more complex than the way it is being depicted by that group.

A third area, which is obviously something close to my heart, is the question of individual motives for giving and voluntarism, particularly in the 20th century. I think scholars have begun to contribute a variety of explanations for the tenacity of these practices. Professor Clotfelter's work on tax policy could be one example. My own research on civic stewardship over four generations of Chicago philanthropists would be another. But I think that we are finally arriving at a point where the methods and insights from a variety of fields--history, economics, sociology, psychology and so on could be blended to produce a far richer picture of these activities than we currently have available.

In conclusion, I would say that some of the key things that I would like to see the Duke Center look at would be regional comparison, the decision-making processes within nonprofit organizations, in particular foundations, and motivational issues. I think that all of these exemplify topical areas where more research is needed and all of them could yield valuable insights in addition to helping encourage the scholarly interests that have been developing over the past several years.

CLOTFELTER: You did respond to my question about what topics we ought to focus on very explicitly. Thank you very much for that. We have two discussants, and the first is my colleague Craufurd Goodwin, who is an economist teaching in the area of economic thought. He has been for some years associated with the Ford Foundation as well and he just recently stepped down as Dean of the Graduate School at Duke.

CRAUFURD GOODWIN: I hope that I can make some comments that don't rise directly out of the two excellent papers we've all read and heard commented on in the last few moments. I think that they were intended to be provocative in themselves and there's no point in acting like a typical academic and dealing with their specifics. I'd like to make a few comments that came out of my own reflections on the subject of this gathering and out of my own experience, and I think they relate to what we just heard although they're not directly on the same subject.

First of all, it seems to me, reading the papers and reflecting on this general theme, that we're talking about three different things. It may be obvious to everybody, but maybe it's worth pointing out. I think the research that is appropriate for each of these three is not necessarily overlapping. The three segments as I see it are these: first of all, charity: the question of what it is and what makes it tick, and its motives, styles, and causes. The most promising approaches to a study of charity are through economics, psychology, and maybe sociology. Also, a little bit of history. The second theme seems to be the behavior of the nonprofit economy, and that strikes me as very different from the whole question of charity. The approach of economists through industrial organization and perhaps public economics would help us to understand that general theme. The third is philanthropy, which I find quite different from the other two, and really the subject of both Professor Karl's and Dr. McCarthy's papers. This I take to be the purposeful distribution of funds for tax exempt purposes, and again I think it is distinct from the two earlier subjects. My comments are going to be on the third because that's where I come from. That's where I spent a little time in the philanthropic sector, and my comments are really going to grow out of my continuing puzzlement about what the animal was that I rode for a few years and also some research that I'm doing myself that touches upon philanthropy and some of its products.

The first thing I want to ask is "Why study philanthropy?" It seems to me that maybe we can get at Charlie's main question about issues by dwelling on that subject a little. I think that the two papers that we have in this session mainly argue the same position in response to the question of why study philanthropy and that is: Because it's there. It's interesting. It has all sorts of challenging questions in it and it is a legitimate subject for intellectual inquiry. I think, however, there are other reasons that may be worth spelling out. First of all, I think that increased study of philanthropy can help philanthropies operate better. I was always struck when I worked at a foundation how the institution was governed by myth, tremendous ignorance, and tremendous flows of people. Everybody was certainly going through revolving doors, not only trustees but staff. There was a very short institutional memory and very little grasp of professional operations. There were usually a few old hands, kind of the old crones of the tribe that people would sit at the feet of for some wisdom, but there was very little continuity of experience. So I think that a systematic coverage of philanthropy could help to respond to that. Secondly, I think that because of their tax exempt

status, philanthropies have a responsibility to provide for kind of a post-audit of their results. Serious study of the kinds of questions that we're going to be talking about in the next day falls in this category. This is essentially an open society, and I think this suggests that philanthropies should be required to open their records and their evidences of what they have been up to. Thirdly, I think that serious study of philanthropy can both protect the public from mistakes in action and protect philanthropies from attack. That, of course, we've already heard about from Dr. McCarthy in the last few minutes. It strikes me that many philanthropies over the last thirty years, when they've been frequently under attack, have been naked because they haven't had any clear evidence on which to mount a defense. And finally, a good reason for studying philanthropy is that most of us benefit from philanthropies, and want to protect them.

Now the next thing that I want to ask is why there has been so little study about philanthropy. Why are we meeting today? Why isn't this like women's studies, burgeoning and vigorous, and like all the other special cross-cutting interdisciplinary themes that have prospered in American academia in the last 25 or 30 years? I would like to suggest a couple of reasons that grow out of some of the work that I have been doing recently and also out of my observations working at a foundation. First of all, social scientists are, by and large, the ones you would expect to study philanthropies, and it seems to me that social scientists as a group don't much like philanthropy. They don't understand it. It's inconsistent with their mind set, with their preconceptions. Particularly economists--economists have a model of behavior that's based on self-interest and here they're exposed to some behavior that says we're giving everything away. More than that, in the kind of prehistory of economics, there is the myth of what happens to a society that doesn't have the self-interest motive. You can go back to de Mandeville and the grumbling hive. You can see this mindset if you work in a foundation; economists come in and on the one hand they're skeptical and on the other hand they're cynical. There's also the sense in an economist that if somebody is giving you something, there's a secret reason. He's a rent-seeker. There's no such thing as a free lunch. That of course is the basis on which philanthropy rests.

There are other elements in philanthropic style that don't appeal to social scientists. The notions of establishing values, establishing a welfare function (which is typical of a philanthropy), establishing our goals, certainly don't appeal to an economist's style, and they may not appeal to other social scientists as well. I think there is a predisposition in foundations toward action programs which again economists will find unattractive. So on the one hand you've got the scholarly community with sort of built-in biases against the items studied. And I think that explains some of the paucity of work we see. On the other hand, I think you'll find senior foundation officers who don't have training in the social sciences and trustees who tend to be rather skeptical of the social sciences. You have a kind of unease on the other side. There is skepticism of the deductive method. If you tell foundation trustees about the economic man or something like that, they get very uneasy. It seems to conform to the personal experience of training in the law or business. Social science jargon turns people off in foundations. There's frequently a skepticism with aggregation. I'm now reporting some history that I find as I work through the Ford Foundation records. I think that we have here a situation where there are reasons for the situation that arises. If Centers like this one and the one

at CUNY and at Chicago can be energetic enough, I think we can break down this mistrust and misunderstanding on both sides and may develop a kind of an inertia which will operate after a while.

To answer Charlie's question about what the best research themes are, I'm convinced that a group like this probably can't come up with the most attractive and researchable topics. The trick is to get good people and present them with the opportunities and they'll find their topics. I'm absolutely certain that this range of subject matter is just full of interesting questions. In my own work, which is largely on the history of social sciences, I've been much attracted to questions like the ways in which foundations have shifted the priorities among the topics that the various social sciences have attended to, the way foundations have changed the rhetorical style of scholars, and the persuasive devices used by the social sciences. I'm also amused by the way in which the social sciences and the other scholarly disciplines have turned to foundations as a device for identifying their leaders. It's striking that in this country the scholarly community doesn't identify its own great, its pantheon, but it turns to the Guggenheim Foundation, McArthur Foundation, Nobel Foundation to identify the leaders of its disciplines.

CLOTFELTER: One very specific operational suggestion that Craufurd made was that maybe you start with the people rather than the topic, so I think that's a theme we would want to pursue.

The second discussant, Duncan Yaggy, is Chief of Planning in the Duke University Medical Center. DUMC is a gargantuan, efficient and sometimes profitable operation. Duncan has his hand in a lot of different management areas. He is also a Professor of the Practice of Public Policy. He was an administrator in the health services area of the Commonwealth of Massachusetts before he came to Duke, and he has a doctorate in History and American Studies.

DUNCAN YAGGY: My interest in this field is practical. I got my first exposure to philanthropy raising money or trying to raise money for an organization that Art Singer ran about 20 years ago. We didn't do terribly well so I ended up in the public sector, and then in health care, and Art went off to a foundation. I never asked him why he did that, but I suspect he'd give the same answer as David Rogers gave when asked why he left Hopkins for the Robert Wood Johnson Foundation: "It is more blessed to give than not to receive." But I've been raising money ever since, in a variety of guises, not from the large foundations that you all have probably spent the most time studying, but from small bank foundations and corporate foundations, in Boston and to a lesser extent here and in Houston.

I'm particularly interested in this conference for a number of reasons. First, it seems to me the field is not well studied now. It's significant enough, I suppose, that an awful lot of the brain power devoted to the study of philanthropy is concentrated in this room, and yet there are a lot of people here like me who really don't know much about it. The group that is expert in the field is very small. I think it will expand. Second, I think it's clear that the field is dynamic and changing, as Charlie's work on the impact of the tax reform suggests, but it's dynamic for other reasons as well. There are new players all the time, new wealth is forming all the time. There are new foundations being created all the time. So there are new people

getting into it, both as givers and as staff to givers. Craufurd remarked their comings and goings; it's endless. One of the things that I noticed after three years raising money in the City of Boston is that by the time I stopped that and went into the public service, most of the players I had been raising money from had changed because the foundation staffs constantly changed.

Another factor I find particularly important for Duke and other universities to focus on is that a lot of people who give money away, either their own personal money or as staff to foundations, are interested in learning and understanding more about what they're doing. I remember raising money in Houston for an organization there, and I was going to see the people that had made the money. Many foundations in Houston did not at that time have staffs so that when you went to raise money you went to the man who had earned the hundred million that formed the foundation. I couldn't have given him any advice on making money. He had forgotten more about making money than I would ever know, but he certainly was interested in advice on how best to give it away. Indeed, several of the people that I talked to were looking as much for advice as for proposals. Most of those that I dealt with were keenly interested in doing the right thing, the best thing, the most intelligent thing, understanding that what they were giving away was not only a very scarce resource but something that had the power to do an awful lot of good in the world.

One reason that it's hard to get good information about philanthropy is that the prime sources are suspect, for some of the reasons that Dr. Karl suggested. If you go to the primary sources, the people who give it away and the people who get it, you are likely to get from them bland assurances that the money was well invested and well spent. Frequently, it's difficult to get much further than that. I'm particularly interested in some of the suggestions advanced by Dr. McCarthy and Dr. Karl. It seems to me that Dr. Karl's point that we understand philanthropy as part of the culture is instructive. I spent some time in the study of history reading biographies about entrepreneurs who made a lot of money and gave a bunch of it away. The thing that I was struck by is that the two halves of their lives, making money on one side and giving it away on the other, were treated very differently. The making of the money was often treated analytically and thoughtfully, and one could learn something about their business activities from the studies, but the giving was treated without much thought: "What a wonderful thing this guy did" was frequently the tone, and there was seldom much understanding of how the two activities or the two halves of the personality went together or how the motives were consistent or where the interests were pursued similarly in the two areas. We spend a lot of time studying business but not enough time studying philanthropy. What Dr. Karl suggested would help us to better understand our culture and the role philanthropy plays in it.

I'm also interested in the regional variation Dr. McCarthy talks about. We have foundations in North Carolina, for example, that are doing some innovative, thoughtful, and creative things. It seems to me worth looking at their experience and comparing it with the experience of foundations elsewhere. We also need to compare the ways that foundations are evolving. In North Carolina, at least, community foundations are beginning to emerge and flourish as corporations discover that it is easier and more sensible to give their funds to a single organization in town that will in turn dispense it than it is to try to administer foundations themselves. This raises whole new

questions of accountability: who really controls the community foundation and how do they work?

Finally, I'm particularly interested in the formation and the evaluation of foundation strategies. It is a topic that was of keen interest to the people I knew who ran foundations. They wanted to know how to decide and how to choose: How do you choose between fields? How do you choose the kinds of organizations to which you want to give? How do you balance giving to established organizations which seem to have a good track record but perhaps a high overhead against giving to organizations at the margin that are not going to live without your gift and may not live with it, that may die, but seem to be doing valuable things? And then, finally, how do you evaluate your decisions and choices and the results of the strategy?

CLOTFELTER: Also let me recognize John Simon, who just came in, and who heads up the granddaddy of the research oriented organizations having to do with philanthropy and in fact up until a couple of weeks ago could say that his was the only permanent university center studying philanthropy.

[John O'Connor has been recognized]

JOHN O'CONNOR: Just two very quick things. The first one a question for Professor Karl. I hear from the floor presentations a distinction that might be important to keep clear about as much as one can in the practical sense, and that is the distinction between the Center as a consultant to philanthropy and philanthropists and the Center as sort of a reviewer of our system of philanthropy. I have in mind the distinction that you sometimes get in government programs: one kind of a committee is called in as a review committee of independent voices that may assess practices but not endorse programs, and another kind of committee is called in to serve as a consultant intended to help the industry do its job better. I would rather think of the Center as a reviewer than a consultant, partly because the dangers to one's integrity that could arise from serving as a consultant.

The other point relates to what Professor Karl said about why they hate us. He mentioned William Bennett as an example. Bennett and other people may be saying things that we should hear, raising issues. His Harvard statement, "I see higher education through its representatives in Washington and all they care about is money, money, money," is a quote that really got a lot of people upset. It seems to me that the Secretary is working from a very different paradigm than people usually realize. His paradigm of education is basically a group of students, a teacher, and a book. If there needs to be a system, it's in the background. A lot of the people he deals with use a different paradigm. They see higher education the way one would see it from a helicopter: You fly over a campus and see all kinds of things going on, some of them social, economic, or whatever. They're all parts of a huge system. Money is what makes that system run. The people who adopt that point of view don't see anything immoral or funny about talking about money because money is the fuel for the system. In Bennett's view, money is at best a necessary evil. But for him the real educational heart is in the combination of students, teacher, and book. What I've heard in the four papers today, except for yours perhaps, is the assumption that the system is the right unit of analysis. I would not want the Center to go totally down that road. A single individual deciding to make a contribution or to engage in charitable work may be what makes philanthropy so special, and so, with the Secretary of Education, I would recommend a close-up view of particular action. There's a

danger one will lose sight of this if one emphasizes a system that economists and those in related disciplines might adopt. I wonder if do you have a response at this point?

KARL: I think I do. In fact it touches on some of the other points that have been made. I'm not a believer in a harmonious universe. I believe that there are some things that have to be bought, generation by generation. And some of them over and over again, because there are lessons that can only be learned, it seems to me, in conflict. Now one of the functions that philanthropy, that foundations in the U.S., have played, historically speaking, is to have funded areas of interest that did not, would not, and could not receive the political consensus that would have made government or public support possible. When I made jokes about the reorganization of the presidency and why Franklin Roosevelt wanted to conceal the fact that the Rockefeller Foundation had funded it, I could also have added the role that the foundations and philanthropies played in black education in periods of time when the public in various parts of the country had no consensus that would have produced public action in those areas. Birth control is another area in which philanthropy played a tremendously important role. And then, of course, those of you who have gone into research on the 1969 tax act would know that the voter registration drives in the South were being funded by foundations and were probably one of the central reasons for the amount of Congressional hostility that was raised. So the paradigm that I work with is this, and I think maybe if I state it clearly it might answer the question. It is a point that de Tocqueville made more than a century ago: We live in perhaps the most political society on earth. We demand that our government be immediately responsive to what we politically believe is the consensus. What philanthropy has been able to do in its history has been to provide alternatives to that consensus or to pick up areas of interest which were not a part of that consensus. I think it's one of the great things philanthropy has done in American history.

Now the problem is that history changes, and what you begin to get starts in the New Deal but then it moves into high gear in the 1960s. What you begin to get are parallel governmental programs that are now engaged in processes that once were the exclusive area of philanthropy. Philanthropy then becomes a much more critical provider of alternatives in the system than it had been when it was moving exclusively in areas of its own. Now you can no longer conceal what Roosevelt was trying to conceal in 1937. Foundations are moving in with alternative programs, with programs that are critical of government programs. You're bound to produce conflict, but it seems to me that that kind of conflict is useful, rich, educating conflict that I would like to see generated. But what it ultimately means is that there's going to be a lot of criticism raised in the system whenever a report appears either by a government group or by a privately funded group, whether it's a report on pornography or on child development or the family. Those of you who remember back to the point when the Moynihan report first appeared know that the amount of criticism which that received at the time was really incredible and contrasts sharply with the fact that the Moynihan report today is viewed as one of the most prophetic documents of its time. Now it's fine if Moynihan has got the kind of personality that survives that sort of battering, and I'm glad that he does, but still I think what you're talking about is conflict and not harmony when you talk about the way the system works.

DAVID ASHENHURST: I want to address a couple of things that Kathy McCarthy's

paper really brought out. It seems to me you've asked about the comparative advantages. Julian Wolpert's paper mentions it and Kathy's really goes into it. I want to say a couple of things about philanthropy in the South that sort of develop on what Kathy was saying. First of all, I think it is important to realize that the South is a net importer of philanthropy and has been for a long time. As a historical fact, a lot of the history of philanthropy of the New York foundations is the history of the expenditure in the South. I would think that the way philanthropy moves across regions is as important as the varieties of practice from one region to another, so that in addition to talking about the way philanthropy is practiced in the South, I think it's important to think about the way philanthropy has been practiced elsewhere with the South as its arena and its operational field. For one thing, I think it informs practice when we export philanthropy to other countries or to other settings that we don't have the same regard as for our own community. Barry's examples of voter registration and black medical care are problems that were addressed here, but not throughout the U.S., with the same degree of attention by foundations and by other philanthropic vehicles. I also think the regional characteristics matter (and again I'm just saying this here, because I don't see it anywhere else in the papers that are going to be given over the next couple of days); the difference between philanthropy in rural settings or largely rural settings and urban settings. The interplay of philanthropy in religion is going to be different where religion is itself a more vital part of a local community than it is in a lot of impersonal northern cities. The philanthropic decision-making questions should be thought of in a different sense in the South than they would be in the North for the simple reasons that decision-making of all kinds may be manifested in different ways in the South and in the North. I guess I still think there's something to be said for the regional exploration of these things that isn't really addressed in some of these larger issues about what it is like to see the general research agenda on philanthropy.

CLOTFELTER: So one of the things you've suggested is not only look at regional differences, but also look at regional trade patterns.

ASHENHURST: Yes, very much.

JEROME CULP: I come at this as an nonexpert, but having had a little bit of experience working with the Rockefeller Foundation for about a year and a half as a research fellow. Being in the situation as a lawyer looking at some of the results of philanthropy, it seems to me there are a couple of things that I think important for a center in the South and for Duke to do. One is to remember the DeBois comment about the color line, that the real big difference is between blacks and whites, and while the South may be a net importer of philanthropy, I wonder what the trade balance of philanthropy is with respect to whites. The South may be a net importer of philanthropy but I suspect it's a net importer of philanthropy for blacks. To the extent that you're going to look at the Southern question, one needs to worry about the black/white division and worry about it in a serious kind of way.

Secondly, with respect to the southern kind of philanthropy, I may be wrong about this, but if you look at the growth of new religious foundations they are moving to be more like some of the northern institutions. For example, Pat Robertson's foundation, and the Liberty Foundation are becoming more politically oriented. It seems to me it would be useful to understand the intellectual process that produced that change. There has always been

southern religious philanthropy, but it hasn't been action oriented. If you look at the philanthropy that is associated with the case, in Tennessee, where people in essence want to be left alone and in general don't want to be involved in the system, to actually use political youth foundations that might try to change the way the world is is a big change and I don't think we understand what's happened or why it's happened. It's a southern situation. A lot of its money is coming out of the South. It seems to me that it is important for people to look at Pat Robertson and Jerry Falwell, who are the leaders in creating these foundations or southern situations.

One of the things I noticed in working with the Rockefeller Foundation when I was there in 1979 and 1980 was what I would call the "corporatization" of the foundation: the change from looking at an institution where the staff was permanent and where people thought of themselves as doing long-term things to being more like other institutions. I don't know the reason for that, and I don't know to what extent research has looked at that question, but it seems to me that an important kind of change has happened, at least in the large foundation. I don't know what the small foundations look like, but it seems to me it's a very important change.

CLOTFELTER: Kathleen, does that reflect to some extent the second or third of your points?

McCARTHY: Yes, the decision making processes, and staff positive relationships, and how this changes with the professionalization of staff and so on.

CLOTFELTER: And probably some emphasis that the Yale program has taken in recent years, having to do with strategic planning of nonprofit organizations.

JULIAN WOLPERT: Julian Wolpert from Princeton University. This question is directed either at Barry or at Kathleen. One of the virtues of history is that it allows us to use the past as a laboratory and go back and ask interesting questions and pick and choose the context. It seems that the Center has to address the critical issue of whether it is possible to separate philanthropy from the not-for-profit sector and to do it in a way that makes intellectual sense. I just wondered whether we can intellectually separate the study of philanthropy at the Center at Duke from the recipient side, from the solicitation side. Is it possible to do that? I'd be interested in hearing from Professor Simon about that issue as well.

McCARTHY: Well, I think that when you're talking about philanthropy, you're basically talking about exchanges rather than institutional development. I can see the two as being separable, but as to your point about whether at the Duke Center they can or should be separated, I don't know. It's easier to separate that kind of thing in a place like N.Y. where you have your foundations all around you, or you've got major nonprofit organizations which are very large in the philanthropic community. But I think it really has to develop on the question of exchanges rather than the institutional development or managerial questions in and of themselves.

CLOTFELTER: I must admit that I don't understand the question, but maybe John can help us out.

JOHN SIMON: To the question of whether you can untangle the study of

philanthropic giving process and donative behavior and so on from the larger study of the role and performance of nonprofit organizations: I think it's very difficult to do it clearly. This meeting shows the interaction between the donees and donors and you may have a lot of trouble trying to untangle them. But there are some particular slices that can be undertaken separately; it is possible. I'm surprised that the fields of social psychology and psychology have been slighted as much as they have in research around the country. The papers for this meeting talk about sociology, history, and economics as ways of looking at donative behavior, but the study of charitable giving by psychologists and social psychologists is very weak. I mean there is not very much of it. One could study from the point of view of what's called "cognitive mapping," or a more Freudian explanation, and there are still other ways of getting at the psychology of giving. That might be a slice that enables you to look at charitable giving without examining the nonprofit world itself. But most of the time you're going to have to look at both, I think. Some other time we can go into the reasons.

CLOTFELTER: So the question is, "Can you separate the gift that sets up the foundation from the behavior of the foundation?"

WOLPERT: You separate the questions of why people give and how do they give from the study of the recipients and the solicitation process (i.e. the not-for-profit sector). Is it possible to devote oneself intellectually to just one part of that exchange or is it necessary to include the whole exchange in that intellectual study?

McCARTHY: I guess what I was trying to say in my answer is that it's possible to do the history of educational institutions without paying much attention to the donation of the time or money that may have shaped those institutions; that's the way it has largely been written. So it is possible to do that kind of institutional study when you talk about philanthropy. I think that you're talking more about exchanges in terms of money and the kinds of information those decisions are based on and the other kinds of factors that go into the decision. One example is Jane Addams volunteering for Hull House. Her subjective necessity, as she put it, for doing it wasn't just that she wanted to be charitable or that it was such a great thing, but that she had a lot of training that had no use, and so she created a niche for herself by developing an institution. That is the reason behind the donation and the kinds that set up the institutions.

CLOTFELTER: By that same reasoning, one could think that if there were significant changes in the labor market, for example increases in participation by women, and that changed the form of the major factor input to nonprofit organizations then we might expect the output to change, too. Is that too big a leap? Because we're now having more professionals and fewer volunteers, the kinds of things that these organizations are going to do will be different.

McCARTHY: Well, once you get into a straightforward account of just the uses of those professionals and the impact of professionalization without looking at the relationship of that to the board, I would say that you're getting into more of the history of the nonprofit organizations and managerial issues and techniques.

KARL: I'm not altogether sure that I understand what the question is, but one

point that I think would be relevant is this: In the history of modern philanthropy in the U.S., there is a strong anti-institutional strain. There has been a strong opposition that was led by some of the early philanthropists, people like E. A. Filean and Roy Brandeis, who really believed that the whole institutionalization process of giving and receiving was wrong, that it should not have been institutionalized in any permanent form, and that there should have been a problem-oriented view of the relationship between the donor and the donee in which the problem would be solved and the system would then disappear or be transformed into another system. Now it also carries on to the whole area of whether it should be a profession. There are a number of people who believe there should never have been a profession of philanthropy. Some of the leading figures argue that it was an inherently corrupting profession, that you never heard evil of yourself, that giving away money was a necessarily corrupting process, and therefore that the answer would be to make sure that it was never institutionalized in any permanent form, and that it was always somehow a volunteer organization. But that is not historically the way it evolved.

MERRIMON CUNINGGIM: Mr. Chairman, I think I should begin by apologizing for not being able to stay. You've gathered together a wonderful group and some thoughtful papers and I wish I could. My doctor tells me I ought not to be here now and I'm going to have to go after this. So, whatever I've got that I want to say must be said now. I want to say two or three things therefore in this session since it's my only chance.

In commenting on the new Duke effort and in respect to some of the things said around this board thus far, I hope Duke will pay attention to its region, but not be a regional center for study. I don't think we need that either for this region or any other. I think that philanthropy doesn't fall neatly into regions, either in the existence of the activity of foundations or in the existence of foundations themselves. North Carolina is well-fitted. Georgia is well-fitted, but most Southern states aren't. Many states in the North aren't. The map of philanthropy doesn't lend itself easily to regionalism, either in respect to the activity of philanthropists or the results of the grantee's appeals.

I wanted to say something quick, too, in elaboration of the suggestions of Craufurd Goodwin. I thought that his five reasons of "why study philanthropy" deserved a good bit of discussion from this group. The middle three of his list seemed to me to fit together beautifully and do make it clear why we are here. But the point that I want especially to mention is a comment on his second section: Why so little study thus far? He said as a second reason in answer to that question that "senior foundation officers and trustees are skeptical of the social sciences." A nice tactful word, "skeptical". Sounds as if they might be convinced if we could manage it graciously. Nothing harsh there. I wanted to elaborate on that a bit just to throw out a suggestion, because I think that question and our possible answers to it do have something to say by implication as to what a new center, whether it's CUNY or here, ought to be about. As for the opportunities available for research, the two comments are this: It has been my observation that foundations by and large are not afraid of studies of their activities or performance or the result of what their recipients do. Of course there are many that are still nervous, and you don't go very far along this line, but still, by and large foundations have gotten over the hump of their original fear of--or the original fear of some of them--as to what they do. I think

there is a large opportunity for studies there. For example, nobody has really yet studied the role of foundations in respect to black education or in respect to registration and the vote. Both of those in respect to what foundations have really done and what the results have been ought to be studied and brought to the public. But the second comment in elaboration of Craufurd Goodwin's point is this: If that first observation that I just made has any truth in it, the other side of that coin is nothing like as encouraging. Foundations by and large are afraid of studies of their operations of management, of administration, and I wish I were here to be able to respond out of my own experience to any challenges that might be made of that comment, sir. I've had a remarkable time in my short life of having a chance to study Ford for two years from the inside as an outside critic, but freely open to all of it. I've had a chance to study the Duke Endowment, whose representative sits here, and Rockefeller--well you could go across the room--but my feeling is that we have not yet come to a time in American philanthropy when foundations welcome studies of their own operations and management. I wish a new Center could try to dig in and start doing that as well as other studies on performance and activity. For it seems to me that here is where we need a great deal of help if philanthropy is to continue to grow and be of benefit to the American society.

Thank you for letting me make a bit of a speech since I won't have a chance later.

ARTHUR SINGER: Well, fortunately what I want to comment on follows directly from what Merrimon just said. I liked both of these papers. I thought I liked them best because they were written by historians, but perhaps I liked them best because they were about institutions and the foundation system and the history of foundations, and that connected directly with my own experiences at the moment. But Craufurd gave me the real reason, which was that foundation officials distrust economists and other social scientists. So now I'm glad I understand my reaction better.

But I do think these were useful papers, and I couldn't help when reading one paragraph of Barry's paper reaching into my drawer and pulling out something that I keep there as a reminder. He says on page 4 of his paper that "the original intentions of founding fathers and other revolutionaries, like the designs laid out by philosophers, theologians, and social critics, are important; but one must pay even closer attention to what is done with the original design by what we would now call administrators and bureaucrats, when those original intentions face the realities of historical experience over time." I thought that that was a profound observation. In my desk drawer I have a poem by Fred Marcus, which goes: "It is not in devising a system that the fearful dangers lurk. It is not in devising a system but in making the system work. For the working out of the system is not in the hands of the great; it rests on the shoulders of poor little clerks, like Mary and Jane and Kate." Marcus and Karl are making the same point in a different fashion.

I think this issue of research and the new Center at Duke and what kind of research is used, is an important one. Not because of "why does everybody hate us?" I think that has some obvious answers. For example, foundations are institutions like none other in society because they have no accountability. Every other institution we can think of in our contemporary democracy has some constituency to which it must answer in some rather explicit fashion. A business must answer to its customers and shareholders, a

University must answer to its students, a politician must answer to constituents whose votes he's seeking, and every other institutional form we can think of has some accountability somewhere that is measured in some systematic fashion. Foundations have no accountability. They rely on a continued tax exempt status that the legislature provides. They have a formal accountability in some sense to the board of directors of the institution, but these are self-perpetuating boards for the most part. So there is no way in which a foundation has any measure of its effectiveness, any measure of its accountability. I think that in part that freedom from accountability is "why everyone hates us." At least it's an element in the answer. As a citizen I think that being free from accountability is a highly dubious institutional characteristic. I don't have a correction to propose but I do think it's a worrisome characteristic to have free-floating institutions that aren't accountable to anybody.

The question of research on foundations, however, is particularly interesting to me in the comments Merrimon Cuninggim made about foundation practiced management and operations as opposed to foundation results. Max Millikan, who was a professor of economics at M.I.T., wrote in 1958: "People do research for two reasons: first, because it is interesting, and second because it may be useful. The relations of researchers with men of action are sometimes complicated by the fact that useful knowledge is not always interesting or interesting knowledge necessarily useful. Thus, although researchers and decision makers enjoy flirting with each other, if they are to make a serious and congenial marriage, both parties must recognize more than they usually do the kind of circumstances in which usefulness and interest coincide." I think that's an important watchword for a research program that tries to inquire into the functioning of foundations as institutions as opposed to their effectiveness in terms of the results. The research that has been done so far, as far as I'm concerned, has shed very little light on the agenda that Merrimon raised for us. People who do research on education, for example, do it in concert with educators and in an attempt to change the system for the better. For the most part they don't succeed very well, but that's their intention and that's the motivation with which both parties enter into a research endeavor. The practitioners and the researchers are both trying to improve the carrying out of the educational function. The same is true with government. A school interested in public policy studies at Duke University doesn't do research just because it's interesting, it does it because it's useful. And it has to do it in concert with governmental agencies whose behavior it is trying to affect, whose efficiency it's trying to improve. And consequently, the whole question of professionalism--education and research--is pertinent.

By the way, just as a footnote, I don't think foundations should be characterized by the word "professional." Foundation work is not a profession anymore than is journalism. It's a trade perhaps, but it isn't a profession. Certainly, in a technical sense, foundations are not like professions in that they require credentials or they confer credentials. I think professional is a word that in the foundation context could just as well be eliminated from our vocabulary. But be that as it may, studies of systems of operations, governmental or educational for example, that are done by academics have to be done in concert with practitioners in ways that are both interesting to the academics and useful to the practitioners, as Max Millikan says. The devising of those interactions is of the essence, it seems to me, for this new Center, at least as far as the research agenda concerns the

Cunnigim suggestion of research on foundations operations and management.

CLOTFELTER: Thank you. I think we will come back and think about these words because trying to attract an untenured academic into a research project is an iffy thing. It could be useful, but if it has no scholarly payoff in the promotion and tenure committee that will someday meet on that academic, then it's very hard to get some of the best young scholars interested in doing those kinds of things. So I think that is certainly an issue we need to focus on.

ELIZABETH BORIS: Well, at the Council on Foundations we do that useful research none of the academics find interesting, so we are very interested in helping them to find it interesting and useful. A lot of the things that I wanted to say, of course, being at the end, have already been said by people who have said them far more eloquently than I could. Just a comment on a theme that has recurred, and that is what impact a foundation has. This is a question that the Council's research committee has been wrestling with. John Simon and Joel and Kathleen and Barry and David have all been a part of that ongoing discussion. Could we as a Council on Foundations grapple with that problem of "how do you measure how effective foundations as institutions are?" and what their role has been. We had a very good discussion a week ago based on a memo that David Ashenhurst had written about what we need. What we are missing is a theory. The way that you assess the impact of a foundation differs depending on what you think is important, how you see that role being performed and what slice or cut you take in. So just when these practitioners would like useful information, I would like to encourage some thought, some deep thought, about how we might go about building that theory, how we could test it, and how we can have some reliable ways of measuring what those impacts and effects have been.

On another point, I'm also interested in the topic of evaluation that has come up a couple of times. Foundations themselves would like to have more and better ways of looking at both their internal and external operations. We need ways of doing this and I would welcome help from the academic community on how to structure it. What are some good methods, and how should we go about doing these kinds of things? So these are some of the kinds of things I'm interested in. On the foundation management side, we've been doing some studies at a very low level—doing interviews, looking at some measures—but I keep asking myself, aside from helping foundations to do it better, why would an academic get into that? What kinds of paradigms can be drawn up as models for people to look at? I'd be willing to talk to anybody who's willing to get into a discussion of how these are useful, other than for practitioners, and where we might go from here.

CHARLES CLOTFELTER: We now go to our second session. The original topic I put down in July, was "public policy," but what tends to be in these two papers is more closely focused on the question of charity. Russell Roberts is first on the list. He is a professor of Economics at the University of Rochester, now on leave at the Hoover Institution. He'll speak first, and Gerald Schiff, who is an assistant professor of Economics at Tulane University in New Orleans, will go second.

RUSSELL ROBERTS: Craufurd mentioned the distinction between charity and philanthropy. I'm more interested in charity, in the individual's decision to give money. I'm much less interested, although not disinterested, in the behavior of the people who dispense that money and the behavior of the people who then spend it. I think it is a test of the intellectual power of that approach to answer Julian's question whether you can do that successfully and still get interesting implications about the world, but I'm mainly interested in individual behavior.

What I'd like to talk about today are the unresolved issues for economists. These are issues that other people are interested in as well, but I think mainstream economists should be interested and of course some are. I share some of Craufurd Goodwin's complaints about economists. I think economists are very uneasy about altruism and in fact I think most economists think it a test of their economic ability to show that they're not altruistic. Economists brag about not voting, they brag that they don't give blood, they brag that they don't give to the United Way, yet I do not believe (despite this charming attitude on the most part of my colleagues) that this is an indictment of economics, but merely an indictment of economists. In particular I think the viewpoint that human beings are rational maximizing agents can just as profitably be applied to selfless behavior as it can be to selfish behavior. That is basically what I'll be talking about.

There are three issues that I want to focus on. The three questions that I'm particularly interested in are: the nature of the satisfaction that people receive from being altruistic, how people respond to the altruism or selfless activity of others; and the interaction between public and private activity that helps others.

Now, what is the nature of the satisfaction that people feel when they give to charity? There are three basic approaches which people have used. One is to say that people care about the level of the activity itself. We care about the consumption of the poor or the total quantity of blood that is available to the community to be used and we don't care as individuals where that comes from or whether we're a contributor or not. A second approach is to say that we might care about the total, but we also care about how much we give. We care about our individual gift. I'm not indifferent of whether that blood is given by myself or someone else. I want to be a participant. The third way of looking at charity is that the decision may be motivated solely by the desire to be a participant, not caring about the quantity of the good itself.

Now all these approaches have problems. Let me briefly mention some of them. I want to say first that the approaches are powerful--the fact that they have problems is not an indictment of them. I think we learn something

from looking at models like this and trying to explain behavior like this, but there are problems with all of them. In particular there's a problem explaining that people only care about the total amount of the good. If individuals only care about the total consumption of the poor, and don't care about where it comes from, whether they are contributors, it's hard to understand why so many people are participants in charitable activity. Narrowly defined, it's hard to understand why so many people give to Public Radio, for example, when you can listen in without giving at all, and why so many people make small, almost token, contributions. So, one approach has been that people care about their own gifts, but then it's hard to understand why they give the amounts that they do. Why do some people give more than others? Is there anything systematic about this? Finally, a third point that I'm becoming increasingly interested in is a feeling of social pressure--guilt. This is something that sociologists are seen to be more interested in than psychologists and economists are, but I think economists should be interested in it. Behavior in these areas is strictly motivated by social pressure. I find it fascinating that when you tell people that you don't vote, they look at you like you're dirt--unless you're an economist. If you're an economist they applaud. These types of reactions, when people fail to act altruistically are a very important influence of individual behavior that has been ignored.

I think it's an important thing for economists to look at these types of pressures, but in an economic way. We cannot explain behavior merely by saying that people feel guilty so they do it, but instead we should try to get testable hypotheses about these types of pressures just like any of these other types of models. People who listen more to public radio than others are more likely to give more. People who are more aware of the benefits they receive are more likely to give more. People who receive more social pressure because they're in a tightknit or a small community are more likely to give more. Which is why I suspect college students give more blood and the people in this room probably don't give as much blood as others. People in small towns are more altruistic. I think these are crucial, important things, but I do not think that these phenomena by themselves are going to be successful in explaining altruistic behavior. These types of models must ultimately be linked to the simpler models that we've already been looking at, where people care altruistically about the level of an activity, for example, the consumption of the poor. Why are we interested in that question? What motivates people? Part of it came up earlier; we're interested as scientists or social scientists in understanding human behavior. It's interesting and it's also useful, as Mr. Singer was saying.

How people respond to the gifts of others is the second thing I wanted to mention. I think we know trivially little about how people respond to the altruism of others--whether the response is positive, negative, or zero.

Thirdly, a very related question is the interaction between public and private giving. For example, when the public sector expands or contracts, how does the private sector expand or contract? We have a big opportunity as economists to do some research coming up because of the new tax law. This of course is going to be related to these other issues. We need to understand how people respond to a new tax law, what motivates them, and how they interact with others. If that tax law also changes government behavior, we're going to have to understand how government and private activity interact. But that question by itself is a very dangerous one. There has been a big focus

in economics on trying to estimate the elasticity of charity. This can be an important question: How do people respond to the changes in the price of charity, which the tax law will do? It's going to change the price of giving. How do people respond and what's the magnitude of that response? But I want to argue strongly that the diversity of charity makes that endeavor, that measurement, a problem and therefore I think a potentially very misleading approach.

I think we should be focusing on narrower aspects of charity where we know exactly what people are contributing to. Let me say why. What we call charity in the U.S. is unclear: What the IRS calls charity and what you and I call charity can be very different items. I argue that a lot of what we call charity in the U.S. is private consumption. It is not made up or motivated by what economists call public good considerations and as a result I don't think we should spend much time looking at it any more than we look at farm programs. We should look at farm programs to the extent that we're interested in why we subsidize farmers, but I don't think it is important to measure the fact that we subsidize some private activities through the tax system. It is a public activity which we frequently make the mistake of doing, but basically the whole menu of charities is an incredibly diverse field. Therefore, it is very misleading to talk about how Charity with a capital C will respond. Because the menu of charity is very diverse, when we use the aggregate charity measure to analyze the type of questions that I think are important--how people respond to gifts of others, what motivates them--the danger is that we're mixing apples and oranges. As a result, I think the focus of any economic research that the Center is going to look at should focus narrowly where it's clear that people are interested in the same ultimate objective, such as poor people or health, for example.

Just to pick two particular examples to finish up and to show the kind of thing I think would be important, I think rather than looking at total educational spending, it would be a very valuable thing to examine the educational giving to a particular institution. For example, how private gifts to the University of North Carolina change when the legislature of North Carolina changes its spending. In terms of a more public sector area, rather than looking at how total charity responds to government welfare spending, which has been an extraordinarily popular activity among economists, I think it is much more profitable to look at a narrow group of individuals helped by the government. I mentioned in the paper a particular class--husbandless mothers--where it's clear that the people in the U.S., going back for a long, long time, have wanted to help women without husbands who happened to have children. It would be useful to see how that private and public interaction evolved over time. In the past, private started out as the major source of aid, then public started up and became a major source. Eventually public aid eliminated private aid to husbandless mothers. So I think that the crucial thing is to narrow the focus to look at areas where we very clearly know the objectives to answer the fundamental questions of human behavior in altruistic areas.

GERALD SCHIFF: Well I'm an economist and I have given blood, so... What I tried to do in my paper was to talk about three topics that seem to be issues about which we don't know very much. I tried to take the heading of this particular hour somewhat seriously and say something about policy. So I tried to say how those gaps in our knowledge limit our ability to say much about policy or to make predictions that would be useful for policymakers. I guess

two of the big policy issues that have affected the nonprofit sector of late are the two that have been mentioned already, the tax reform issue and that of crowding out. Now that government's role in the welfare sector has declined, will the philanthropic sector compensate? I think when you look at those two big issues the thing that's kind of striking is that while both of those affect the nonprofit or philanthropic sector quite a bit, that really wasn't the intention of those policies. We might ask whether there really is a policy toward the philanthropic sector at all or whether government just affects it as a by-product of other policies. Perhaps one goal would be to formulate a more explicit policy toward the nonprofit sector.

The two issues that I--well there are three issues, one Russell covered quite well, the other two that I focused on in the paper were volunteering by individuals and the behavior of the organizations receiving the funds as opposed to those making the donation. Let me take each in turn.

Voluntary giving of time has been largely been ignored, not completely but largely, especially by economists, and I think that's a mistake for several reasons. First of all, volunteering is quantitatively important. It's about as important as money donations to organizations as best as we can tell, but people may give their time at least in part, for very different reasons than they give money. For example, they may give time for the reasons that Russell mentioned: they want to see more of a particular good. But I think that most people would agree that there are a lot of other motivations at work. For example, people might volunteer as a way to gain information about organizations or as a way to gain training or influence over organizations, things that money donations can't provide. So we want to understand those other models and motivations. Second, it's likely that money donations and time donations are closely related, so even if we were interested in looking at understanding why people give money we'd still be well advised to look at why they volunteer as well, since those two are closely related activities. And thirdly, from a policy perspective there's reason to think that policy affects volunteering just as much as it does donations of money. For example, the recent tax reform bill: There's been quite a lot of attention paid to how money donations will be affected, but almost none to how volunteering will be affected. The same sorts of price changes and income changes that are at work on the money side will also be at work on the volunteering side. Just by changing how attractive it is to give money, people may either substitute volunteering or reduce both of those types of giving and from a policy standpoint, we'd want to know which or if either of those is the case. Also, by changing tax rates, we affect how desirable it is to work in the marketplace. If working in the marketplace for a wage versus volunteering are alternative activities, then volunteering might be affected by tax policy in that way as well. So for any of those reasons, I think that the study of volunteer behavior in addition to studying money donations could be one of those topics that would be interesting as well as useful, although it also suggests that the need for certain kind of data that I don't think are available now. For example, we lack data looking at how particular individuals change their behavior over time. What are the patterns of giving? Do they first volunteer and then get interested and then give money and time or do they move back and forth between these various types of giving? We also need data on volunteering as it relates to the labor market. What are people's wages, what sorts of jobs are they in and how do those affect volunteering?

The second topic that I focused on was the behavior of the organizations. I didn't really have in mind so much the foundations that were the focus of the previous group of presentations but more the organizations that were providing the services directly. A lot of studies--I guess I'm most familiar with economics -- treat these organizations as passive. They just sort of accept the donations and give money out but there's not much focus on the interaction between the organization and the donor, and I think that was touched on earlier. It's probably best to think about there being both a supply and a demand for these types of revenues. Organizations can have a demand for charitable funds that's reflected in their solicitations, their willingness to spend resources on training or supervising volunteers and their lack of willingness to accept certain constraints on them that accepting certain revenues impose. There are tradeoffs for the organization in going after and accepting different sorts of revenues. We don't really know very much about how philanthropies behave in general. Economists feel at least that they know pretty well about how for-profit proprietary funds work. They have a kind of standard model, but there's nothing analogous to that for nonprofit organizations in general or philanthropies. So that makes it difficult to predict how nonprofit organizations will behave and how they will interact with donors. From a policy standpoint, I think about the tax reform policy, but really in any policy we can't just look at how the donor side of the market is going to respond, but also need to look at how the organizations would respond. For example, if it becomes more difficult to raise donations, it is not likely that the organizations will just accept that. They'll probably try and do other things. They may solicit more; they may turn to other sources of resources; they may start engaging in other activities and trying to get sales revenue or something else. They may be able to improve their efficiency in some way or in general to not just sit back and accept any changes that policy places on them.

Again, when you get into these topics, you start to realize the data that is currently available may not be sufficient to address the issues as well as we want. If we wanted to look at how organizations behave and how they respond to these policies, we would probably need more information than is currently available on a large scale about the activities of these organizations and where their revenues come from.

I'd like to make one final point that doesn't have anything to do with the first two and that's by way of talking about the Center at Duke. I think that one issue that needs to be addressed is how to deal with the interdisciplinary nature of the issue and how to get different disciplines to be able to communicate, especially how to get a forum that's useful. As an assistant professor I guess I'm especially sensitive to the fact that it may not be very professionally rewarding to work in an area that is not seen as the mainstream of any one particular discipline, so I think that's a question that needs to be addressed as a way to stimulate more research. I think Russell's suggestion along those lines was good.

CLOTFELTER: Thank you Gerald. The last point really does hit home on something that I think is important and that is, How can we pick topics that will also give you tenure?

Discussants for these two papers are Mike Meurer and Michael Gillespie. Michael Meurer is an economist and lawyer. He is a lecturer in the law school as well as an assistant professor of economics doing work in a very active

area of economics and is in the mainstream, that is law and economics.

MICHAEL MEURER: My mission right now is to help Gerald Schiff. I think I have some suggestions about topics that we can work on that would be respectable within the economic community, but also be of interest to people interested in charitable contributions and philanthropy at large.

I wanted to offer an apology of some sort before I began the discussion by offering a caricature of what happens in applied economics. There is a group of economists who believe in measurement without theory and another group of economists who believe in measurement without data, and I fall into that second category. There are a few stellar applied economists who master both theory and data, but I have very little intimacy with the data. My approach toward modeling problems like charitable contributions would be to look at the world and see a wealth of what we call stylized facts. There are institutional features associated with charitable giving that are interesting and somewhat peculiar that look kind of intuitive to an economist at first. I don't feel a great concern for positive data on the topic. I look at the world and I see a lot of interesting features. I'd like to develop richer theoretical models of charitable giving to help me explain these varied institutional features. For example, I'd like to know why we see thermometers associated with blood drives or United Way campaigns; why we have publication of donor names and memorials; why we have a particular mix of private and governmental responsibility for different areas of charity; how different individual portfolios are selected by individuals; why does a particular individual decide to give to the United Way and to public radio and not to some other charity? The question that Gerald raised is, "How do people decide whether to donate time or money or both?" Stylized facts like that provide the sort of data that I would be interested in explaining if I was looking at charitable giving. I have three suggestions of models that have been applied in other areas of economics that might usefully be applied to answer some of these questions.

First of all, I want you to imagine patricians in a small community who want to cooperate to support a symphony. At their gala openings at the beginning of the symphony season every year and on the program when you go to the symphony, you'll probably see a public list of donors. My inclination when I observed these kinds of institutional facts was that there was an attempt being made to facilitate cooperative behavior by providing information to members of the community about who's participating. I'm drawn to an analogy of cartel behavior. I'd look at this kind of behavior and want to compare it to the behavior of OPEC or something like that. There's a rich economics literature devoted to the issue of what can we do to facilitate cartelization. I think that I could draw an analogy to cooperative efforts to finance public projects and look for schemes that would be motivated to provide information to the members of the cooperative venture so that they can make sure that everyone is playing his part.

In game theory economics you would model this on what is called repeated game. People give, other people give, and then you look at the results. You see what kind of a fund we have for our symphony. And you look at the list of donors. In later periods, we have a chance to enforce cooperation by members of the community through use of ridicule as Russell suggested or some kind of threat of retaliation—a sort of implicit threat that if you don't continue to give, I won't give. This sort of modeling approach I think will help us deal

with the problem that both Russell and Gerald talked about in terms of interactions among donors. In their papers, they mentioned a problem that has been isolated particularly by Sugden where he argues that you use a concept called "Nash equilibrium," a theory of games to describe charitable giving. The economist would predict that no one would give in what's called a consistent conjectures equilibrium, unless you include good feelings in the utility function. The reason that problem arises, I believe, is because economists have been concerned mainly with static gains when looking at peoples' motivation for charitable giving. So I think looking at this sort of behavior in a dynamic context and talking about its cooperative activity would go far to explaining the kind of behavior that we observe.

A second possibility is to look to another area of economics and build on something called a differentiated product model. Economists talk about the existence of different varieties of related products and try to model this behavior in terms of consumers who have preferences over an entire spectrum of goods that can be satisfied to a greater or lesser extent by a good that is particularly attractive. These models will make predictions about the variety of goods that are provided in a competitive economy. I'd like to see the same kind of modeling used to describe how individuals make decisions about what types of contributions to make. People have preferences over different sorts of social issues. One person might be particularly concerned about the environment while another person could be particularly concerned about poverty in the Third World. It's possible to apply these differentiated product market models to make predictions about how people will distribute the funds that they have available for giving to different areas. In particular it will apply to the work that Russell Roberts has done with regard to charitable giving by Americans to the American poor. In his work he points out that this charitable giving has been pushed down to the zero level: Americans no longer give to the American poor because apparently that behavior has been crowded out by the actions of the government. That's a conclusion you would draw from the model that he has applied. If you look at this differentiated product model, you might guess that there is still a desire in the part of the American public to give to the American poor but the world can't support enough organizations to provide for all sorts of conceivable charitable projects. These differentiated product models predict that only certain brands of charity will exist in the world. Other types of charity fall by the wayside because the fixed cost of establishing a charity is in some instances going to be greater than the social benefit from providing money to a particular charitable problem. So the situation that we get is that individuals can't, probably for reasons of information, directly make charitable payments to the poor and an organization that once existed to provide money directly to the American poor no longer exists because there are other charitable needs out there that are more pressing. The fixed cost became large in comparison to the benefit of giving to the American poor when the American government intervened and partially dealt with the problem.

A final issue that I suggest would be of interest for economists to look at would be the question of why these charitable organizations exist and why they are nonprofit organizations rather than for-profit organizations. You can easily imagine that a meals on wheels program could be operated for profit by some private party that solicited donations from the community and provided services for the poor and made a reasonable profit in doing so. There's a question why the nonprofit organizations provide this kind of charitable activity. One obvious answer is the tax laws. But we can't stop and accept

that answer as sufficient because we've got both a positive and a normative question of why the tax laws are structured to encourage charitable activity to be undertaken by nonprofit organizations as opposed to for-profit organizations. Both positive and normative questions go to how should it be done, and how is it done? The problem of describing why these organizations exist reminds me of what is happening in the medical industry. If I established a for-profit charitable organization, I would have one party making a payment and benefits being received by a third party. We'd have exactly the same kind of third party payment problem that we have in the medical industry. And that may be part of the explanation of why it's preferable to have nonprofit organizations rather than for-profit organizations providing charitable activity. So those are three examples of the kinds of reasoning and the power that we can get, the power to offer new explanations of charitable activities and the behavior of charitable organizations by drawing on models from other areas of economics and applying them to this area. I'm optimistic about the ability to apply directly models from other areas of economics to advance the theory of charitable giving.

CLOTFELTER: Our second discussant is Michael Gillespie, who is a member of the political science department at Duke and whose field is political theory.

MICHAEL GILLESPIE: Well, first I'd like—as many others have done—to reminisce a little bit. My first thought on hearing Arthur Singer's comment on "interesting and useful" was a recollection of a class that I took as a freshman in college so many years ago in which I was forced to read a 12-volume study of charity in early modern England, which I found at the time neither interesting or useful. Now, fortunately, as time reveals all things, I have indeed discovered that at least it's useful insofar as it helps to inform some of the remarks I'm going to make here. I hope that in that sense that I can rise above those 12-volumes and say something that is at least interesting if not useful.

What I want to do is try to call into question some of the fundamental assumptions economists make when they try to understand charitable activity or philanthropy. On a more useful side I want to try to explain to people from foundations why they should be suspicious of economists, but also to explain to the general public why they should be suspicious of foundations. Now, it seems to me that economic analysis is useful if it remains within a certain sphere. Its attempt to go beyond that sphere, however, leads to a confusion about charitable activity and really obscures both some of the value of charitable activity and some of its dangers. The attempt to understand philanthropy, according to an economic model, rests upon a notion of man as a "rational actor," an actor who seeks to maximize his own interest and utility. This narrow understanding of his self, I think, within its proper sphere has demonstrated great power and has been an enormous benefit to modern man. I think with increasing efficiency and increasing effectiveness in our time we have been able to explain the whole range of human activities in terms of man's self interest, narrowly understood. This, I want to argue, is the result of a conscious decision principally made in the 17th Century by early modern liberals in terms of the redefinition of man's human being and with a view to establishing a new political order and securing peace, at that time for England and Europe, but ultimately, in their view, for mankind. They chose explicitly from among a vast array of social institutions that included the family, the market, associations, and political life, to make the market the model for man's humanity. Clearly the feudal period had been

characterized by a system that relied largely upon a model based on the family. It was the notion of people like Locke and Hobbes that for a variety of reasons this had led to political disaster and civil war. This could only be resolved by referring to man not as a member of the family but as a free rational actor determined by his natural desires. The consequences of this were several. In the first instance it meant the denial of the notion of the highest good. It also meant a denial of any natural hierarchy of goods and consequently a denial of any external standards for what is good. Instead, these early liberals relied upon the notion that each man should know his own good by looking into his own soul, checking his own desires to see which ones happen to be predominant at any particular moment. The notion of rational activity, which had previously been understood to mean the pursuit of a rational end, a goal that was simply by nature or by scripture good, became the notion with which we are much more familiar: of rational action, which is the conception that the most effective means to the attainment of any given goal tossed up by one's desires is what is rational. This is a rationality of means rather than a rationality of ends.

What I want to argue is that this notion that man is a rational actor and the ways that it has formed our institutions have not yet succeeded in obliterating all the vestiges of what Aristotle, for example, considered our most human characteristics. In particular, one still sees these elements to a certain extent in the family, despite the inroads made upon that by economic individualism, but also in voluntary associations such as friendship. I think that human beings in both of these instances act in ways that are not self-interested. Anyone who has ever raised a child, let alone a child who has colic, knows that it isn't simply self-interest that leads one in that direction. In point of fact it is something like love or something that we might call care or charity—something that the Greeks call *philia* and that I think is in some sense still at the heart of philanthropy. Also I might point out simply the word "altruism," from the French word for "other," means otherism—directed towards others and not towards oneself. It seems to me that in this sense philanthropy—a love of mankind—is really misunderstood from the perspective of self-interest.

What I'd like to do is to point out now what I see as some of the consequences of this and especially to refer to some of the basic issues raised by the speakers. In particular I want to start with the question of public good. By the notion of the public good economists mean a good that is not provided by the free functioning of the market, but has to be provided by some sort of communal activity, most effectively by government coercion, or government coercion in the form of economic incentives. This seems to me basically to be an understanding from an economic point of view of what charitable institutions are and do. However, it seems to me that economists are on very shaky ground here, because I don't see within their basic notions of human being and the way human beings operate any basis for using the term "good" or for any particular notion of why one thing should be better than another. Now, of course there is an answer for this, which is simply that the good is the maximization of all individual utilities, the welfare of the community understood in that sense and each utility, of course, understood simply as the determination that each person makes about what he wants, his own preferences. Therefore, the general good is understood as the maximization of each person's individual preferences. This is what the whole market is about and this is what not only the market is about but what liberalism is about and the basic principle on which we have established our

political system. Our notion of dividing up the pie is reflective of this.

However, it seems to me that charity and philanthropy as practiced in the U.S. have very little to do with this. In fact philanthropies do not rely upon what individuals want, at any given moment, but upon what philanthropists think those people need. In this it seems to me philanthropy reflects a pre-modern notion of the structure of human life that recognizes that there are inherent goods and that recognizes the simple fact that escapes so many politicians and so many of the rest of us: that instead of giving an alcoholic the money to go out and buy alcohol one ought to give him clothes or food or something that will be good for him.

Now, what does this tell us about charitable institutions? It seems to me it tells us that they are nondemocratic. It tells us that they are elitist. It tells us that that they run absolutely counter to the fundamental premises of democratic liberalism. It seems to me in this sense that all democrats and all liberals ought to be suspicious of philanthropic institutions. They're not accountable, as was earlier pointed out. It seems to me, however, that philanthropies claim to know something (and to try to impose something) that all liberals want to believe is impossible, namely the good. Moreover, they want to see it brought to be. It seems to me, however, that it's precisely for this reason that we ought not to call the activities of philanthropic institutions too much into question, because it seems to me in their pursuit of the good, they reflect one whole aspect of human life and they preserve one aspect of human character that has otherwise been relegated much too far into the background.

I would, however, conclude by pointing out that the recent and growing institutionalization of philanthropic activity bears all too great a resemblance, to those institutions which liberalism confronted in the very beginning, and philanthropies will attract people into their bosoms who are no longer motivated by that simple impulse of altruism but simply, and all too often, by the impulse of power.

ROBERTS: It's hard for me to know what to say against Michael Gillespie's remarks. I don't want to give a two- or three-hour defense of the power of economics to explain human behavior in all areas. I'd be happy to but I don't think the group would be interested in it, so I'll make a few brief remarks in defense of the last six years of my life and a few other years of other people's. I think that there's a confusion here. A colleague of mine at Rochester and Hoover uses game theory to explain war, and he once received a comment that war is too serious to be analyzed by something called game theory. Well, economics looks at selfish behavior, but selfish can be defined to include people's love, people's care for their children, people's love for their community, people's love for their neighbor and even friendship, etc. What economics is good at explaining is how people respond to changes in prices, changes in the cost and benefits of their actions, and this really isn't narrowly restricted to selfishness or altruism. It's been a very powerful tool in understanding selfish behavior and I would argue that it's been a very powerful tool in understanding selfless behavior as well. The type of criticism that is usually leveled against economics is that man is not an individual actor but is influenced by society. That, I think, is a more interesting criticism. It's not the one that was made, but the influence of society on that can also be modeled using economic theory quite profitably. I don't agree that philanthropies are not democratic, liberal activities. I

don't think that they are particularly elitist. They must compete in the market place like any other agency for funds for publicity, for prestige. I don't find anything frightening. I find that healthy and good and I just want to conclude by saying that the application of economics to altruistic behavior--whether it is methodologically disturbing or not--has produced a wealth of predictions about how people respond to the behavior of others, to governing behavior, and helps us understand all kinds of public policy issues.

SCHIFF: I guess all I would like to add to that is that it seems like the caricature of charitable institutions as having this fixed notion of what's good and being more or less independent seemed a little overdrawn. I think it was mentioned by Russell that charitable organizations to some extent, although not to the same extent as other kinds of private firms, do have to satisfy donors. There is evidence that charities will change what they're doing to some extent to get more revenues. They'll accept government grants, for example, that require them to do something different than what they've done or they might accept large donations to set up programs that were slightly different from what they do. It seems to me like it is more of a compromise between their own objectives and those objectives which would maximize the amount of revenues they could take in.

JOHN SIMON: Well, both Michael Gillespie and the other speakers have identified two areas that I think should be considered seriously for exploitation--two disciplines that are underexploited in this field. I mentioned one earlier this afternoon--that is psychology--and the other is political science. These tend to be the less developed issues in this field, as compared to many of the other social sciences or law or management. On the issues, political science hasn't tackled much the tension between the institutions that Gillespie drew attention to--these institutions and notions of liberalism. I think I agree that his picture is overdrawn, but he can defend himself on that point. The point is that he has raised an issue that continues to haunt this field. It hasn't been well sorted out. We should consider what we mean by the liberal or pluralistic society, and where countervailing power may be a reason for having these institutions that are otherwise not democratic. All those are issues that I think would be quite interesting to put on the agenda. I think the old question of whether Duke should do it is largely a question that we can't answer. It's a question of whether people at Duke want to do it. On all these questions, the passion and enthusiasm have to be there. If people around here want to do it, you should do it; if you don't, then put out the agenda and maybe someone else will do it.

Now, the other agenda item is something that I think needs to be looked at with partnership from the field of psychology. Both Howard Margolis and Gerald Schiff really talked about incentive structures. It's interesting that in the field of incentive structures with respect to donative behavior, there's been very little done which looks inside the economist's black box called the "utility" or "preference." What are the behavioral dynamics that explain the things you're asking about? You say, "Why do things vary all the time?" "Why do individuals differ?" You asked, "What should we look at and focus on in terms of individual situations, or what situational things explain some people giving and some people not?" To answer those questions we need a well-examined and developed theory of charitable giving. Perhaps we draw upon Freud: I had a student once who tried to write about the difference between anal regression and anal retentiveness as explanations of charitable giving.

Not only this kind of inquiry, but other kinds of psychological inquiry as well, can help to throw light on these questions and contribute to our general knowledge about philanthropy, about donative behavior, and about giving traditions, and it will be useful in the short term, even in Arthur Singer's terms. Here we have an industry, if you want to call it that, that raises \$80 billion worth of charitable contributions a year, and yet there's no industry in the country of that size that relies so little on science and so much on art. There's very little basic information that would help nonprofits in their marketing. So I think there has to be a partnership between economists and other disciplines on this question. We both need theoretical work and empirical work. At Yale, we tried to do some of this work, but after ten years and 200 projects of various kinds, we still haven't had a project on this motivational subject that went to completion.

That raises a general problem about the strategy of conducting research on philanthropy. Even with money, it is very hard to get the right people to do the things you want them to do, and that says something. Maybe you shouldn't try too hard. Perhaps you have to let your research agenda be shaped, to some extent, by scholarly appetites. You can't be too directive about this, because you may end up sacrificing quality to get the job done at the right time. Nonetheless you can try, and you have to be patient, and maybe five years later somebody will come up and do what you want. In our case, so far we've had some false starts in this area. We did some experimental work on charitable giving with simulations and it looked promising, but it didn't turn out that the right people were available to finish the work. Encourage it, but I say you have to be patient. Work in this area is very important, but you may not be able to get it going as quickly as you would like.

CLOTFELTER: Well, let me just give you two stars for giving us two agenda items and also for underlining the importance of passion and scholarly appetites.

GILLESPIE: Let me just make a comment and ask a question. I remember reading about twenty years ago in one of Jeane Dixon's columns a prediction that foundations were going to take over the United States. The reason behind such fears is the general impression that foundations were not accountable because nobody stood over them when they made decisions. Now it seems to me that your

SIMON: I think they are accountable...

GILLESPIE: It seems to me however, that insofar as one applies science to foundations and foundational giving and makes them even more effective at doing what they're doing, which I think is something quite good, that it's libel to make them seem, in the eyes of the Jeane Dixons of the world, even more powerful than they are at present, and to therefore call into question their place even more in the context of modern liberalism.

SIMON: My remarks were not directed at understanding the motivation of foundation people. My remarks were directed to the motivation for individual giving of time and money in this country. Not for the reason you give, but for some other reasons, I'm not sure I would put a lot of chips on studying motivations of foundation officers. So we may come out the same way but for different reasons. But I was not talking about foundations. I was really

talking about the wellsprings of donative behavior on the part of individuals.

HOWARD MARGOLIS: I had so many comments on the different theoretical papers in which I have an interest, including Gillespie's paper, that I'm going to try to boil them down to three minutes during my time tomorrow. What I wanted to do now was put another agenda item on the table--because I thought it would be useful to try to get it on early. I suspect what a lot of us would agree on is that if you want to get some of these things a little bit beyond hand waving at each other it takes an interaction of some theory or concepts and some empirical information. As several people mentioned, there's a bunch of new information becoming available, presumably in the tax law, and I talked a bit about that in my paper. After sending in the paper, I took whatever opportunity I could get to ask people who knew about tax data and realized that getting anything useful out of this natural experiment that is about to take place because the major change on taxes is a very hard thing to do. It's not clear that you can do anything. One agenda item I wanted to put on the table as a high priority thing for somebody to do is to try and get some people with theoretical and conceptual ideas about what ought to be consequences of changes in the tax law together with people who know the tax system very well--practitioners, IRS people, and so forth--people who are sharp in analyzing masses of data--econometricians and statisticians--and to try at an early stage before things go along too well. Organize them to see if there is anything that can actually be done about milking something out of this natural experiment. In a sense there is no rush because the data you can see will be there in the next century. On the other hand, very often the data that is there turns out to be not very useful because somebody didn't think at the time to segregate the data in a certain way or to avoid aggregating it quite so soon in ways that destroy your whole chance of using it because nobody thought ahead to make not so much a concrete illustration, because that is going to be very detailed, but a conceptual illustration. Very often what happens is that the natural world presents you with two things going on at once or you think you want to look for one thing and it turns out that there are two things going on at once that are countervailing and all you see is noise. Whereas if you had thought about it in advance you might have seen the way that separated out those two effects and you might have found something very striking. If you wait too long you've lost the chance to do it.

CLOTFELTER: You're playing into my hands because the one thing that we would like to do is take a look at this tax act, but that's for another time. We've got three people in line. Alexander Keyssar, who has not been introduced, is a member of our History Department and a new faculty member at Duke.

ALEXANDER KEYSSAR: We're not going to settle this disagreement here, but it seems to me that there is a potential research conflict which bears on some of these questions and it raises the issue about whether a Center for the Study of Philanthropy and Voluntarism to some extent has to look closely at the recipients. The recipients can be analyzed much more closely and in a more historical way than simply to say, for example, the American poor. "The American poor" is too large a category, and the nature of poverty has changed. There are all sorts of dangers of opening up the conflicts and it seems to me to be so large that anything could count. But certainly speaking as an historian, it seems to me some of the most misleading research that's been done in American social history and all in the last 15 to 20 years has been the study of the institutions without the inmates. The histories of asylums without paying any attention to who was put inside them yields a very

misleading conclusion. I think that it does raise, at least, a question of whether a whole other terrain of research can some how be incorporated.

ELIZABETH BORIS: I think we need to define our terms more closely when we are talking about philanthropy and charity. I have a feeling that the term is being used by different speakers in different ways. That leads to John Simon saying, "I'm not talking about philanthropy, I'm talking about donative behavior." I think sometimes the term is used for operational charities and sometimes it's used for foundations and sometimes it's being used for those of us who give, including those of us who give other people's money. I think in order to get the conversation down to what we really mean and so that we can communicate better, we have to define our terms.

The second thing I think is that there are some limitations of looking at just the tax act, although I agree that it is a laboratory. A lot of individuals do not have income tax deductions and there will be even fewer this next time around. The very wealthy can determine how much income they realize each year and they too will have ways of getting around that kind of tax that may be advantageous. So there are some limitations there that a few of our studies would have to be aware of.

Third, I think there are some real limitations of the "rational actor" in terms of values. The context can be stretched to include it, but I think it's not done in a conscious enough way to make it useful. Maybe it would've worked better if they had used a "rational woman."

CLOTFELTER: This has been very stimulating indeed. Thank you very much.

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HOWARD MARGOLIS: I wanted to try and say something about what I take this business of "behavioral economics" or "economics of behavior" to be. It concerns the intersection between rational choice theory and cognition. When people talk about "behavioral economics" or "economics of behavior" they're talking about the fact that human beings don't behave the way the rational choice model says they ought to and so something is missing. The thing that is missing almost by definition is something that goes on in the head--how we apprehend the world, how we respond to the world. So when you talk about "behavioral economics" or "economics of behavior," you're presumably talking about how a rational choice theoretical model has to be modified or extended or elaborated to allow for the way human beings actually respond to the world around them. I think--and I'm going to give you a very quick version of the argument here--that the key to understanding how that happens is to notice the overwhelming role of pattern recognition in how we think and see and understand things.

I'm going to show you a diagram, because with a visual thing you can point to it and say you see what I'm talking about. I recently completed a book (Patterns, Thinking and Cognition, University of Chicago Press) which gives lots of examples in which pattern recognition plays surprising roles. It's very important to understand it needn't be a pattern the person is necessarily conscious of, or ordinarily conscious of, to be the pattern that is lying in back of intuition. Rather, I argue, strongly held intuitions can always be traced back to patterns in the back of people's minds. Let me go through this illustration. This also serves rather a self-serving purpose, because I showed this diagram to the editors of the press and said "I think that might make a nice cover." After they looked long enough at the little diagram that goes with it, they said that it really would make a nice cover and as a matter of fact they were so carried away that, sooner than was necessary, they had already made up the designs for the cover. Then they said, "where did you get that, because you need to get permission?" I can't remember where I got it, and therefore if anybody here knows this figure, please be sure to let me know.

Has anyone already seen what's in the blotch? After a while, you see in the blotch a human head. Once you've seen it you can't forget it. It just jumps out at you and you can no longer reconstruct the situation in which you didn't see it. Another example, the other side of this same point: I wrote on the board an example taken from a lovely book by a man named Frisbee who as one of his illustrations used a poster that appeared all over his campus advertising a spring dance. It was only after the poster had been posted for days that somebody noticed that Spring in the poster was spelled the way I did on the board there ("sring"). I mentioned this in a class and a student brought in from the Minneapolis newspaper a big space ad for used cars, it said "Public Notice" except that after a while you realized it said "Pubic Notice."

What's happening in both these examples? If you just put that "sring" on the board, nobody mistakes it, but if you put it on there with the noise that's in the real environment and in which there are lots of cues leading you to expect a particular pattern, and if you notice that the missing letter

makes a diphthong as you speak it with Spring, and that in the "R" there's a kind of visual diphthong, (the P is in the R), and the same thing is true with "pubic" and "public," you see the powerful effect that expectations have. A pattern you expect to be there is seen there even if it's not there. On the other hand, once you've seen the pattern you can no longer miss it. It's very clear; you can't miss the face now that you've seen it. Well, thinking works very much the same way. I think there are strong theoretical arguments for expecting it would and lots of empirical evidence for saying that it does. The relevance I thought this might have to what we are talking about here is that until you have intellectual tools that have become habits of mind automatically, you use them effortlessly, the way you shift a car and such-- they're very clumsy and hard to use. You cannot do much with them and that was the basis of the plea for theory that I tried to sketch out in the little note I wrote for the conference. It also seems to me to tie into the issue that was raised by several people yesterday of "why is it that the people with experience in foundations are uncertain of what they do?" Art Singer and Merrimon Cunnigim obviously reflected a concern about "sometimes we're doing things but we're not quite sure why we're doing them." Although neither of you said it, I suspect that you both have the feeling sometimes we're doing things that we know damn well are stupid and we somehow can't stop it. I think both the theoretical concerns and that kind of thing can be understood in terms of the kind of pattern recognition I've been stressing. In the couple of minutes I have left, I'll just give a couple of illustrations.

On the theory side, the economists Schiff and Roberts pointed out all sorts of nice things yesterday. I think in my earlier book (Selfishness, Altruism and Rationality) there's a very detailed treatment, Russ, of exactly the issues you brought up. Namely, in Chapter Two, if you ever look at the book. You can try to explain altruism in terms of what I call goods altruism. I forget what term you used, but you clearly had something that was just what I was talking about there. You can also try to explain it in terms of participation altruism. What I tried to show in the chapter was that you can make a very clean analytic argument that goods altruism doesn't work. It leaves you in a paradox. You can also show that participation altruism doesn't work. It also leaves you with an empty theory, where "psychic income" works all too well: it fills all holes. Then I tried to show how there was a way to formulate things that indeed captures goods altruism, but without the paradox. You can point to the place in the model where it's obvious that what's driving it is goods altruism, and you can point to a place in the model where what's driving it is participation altruism, in a way that is internally consistent as far as I could discover. Somebody else may come in and show that the argument fails, but even if that happened, we would be learning something. Calling on "psychic income" to explain altruism is like having a Darwinian theory of why the lioness is taking care of its cubs, and you go through all the arguments about improving its fitness and then you say, in addition, she loves the cubs.

Schiff made the point, and I think I agree it is an important point, that we should be paying more attention to contributions of time as well as money. But there, as with contributions of money, you must resist the tendency to put things all in one of two boxes. Either it's selfish or it's social. But if we went to a cocktail party as we did last night and we said the food was delicious and the company was fun and I enjoyed the party, you'd think it was sort of stupid if somebody wanted to push you and say, "Did you really enjoy it because the food was good or did you really enjoy it because the company

was fun?" It's obviously the mix, and I think the lack of a theory that could comfortably handle the mix drives people into this box of saying either it's selfish really or it's social really. In terms of the argument in my book, there's a worked-out sense in which if I spend a dollar in a particular activity it has to be accounted for in terms of a sum of a social willingness to pay and of a selfish willingness to pay. The two components are there and, coming back to Schiff's point about time, you can see an interesting difference between the way people spend dollars and the way people spend another quantifiable clearly constrained resource, time. The difference comes in that if I give dollars I can get some purely self-interested value from that because you can all imagine all sorts of reasons why it may be in my personal self interest to be seen giving a dollar. So there's room for selfish willingness to pay to come in there, but there is a richer range of possibilities when I give time. Then you have the opportunity that Schiff talked about: I might be learning something, it might be fun, I might be bored with working in my paying job and I just can't do that anymore, but I still have time on my hands, and this is more interesting than watching television and so forth. Again, I think that you need a disciplined way of handling such possibilities that carries across not only time and dollars but also across the activities of the donors, the activities of the managers, and so forth. At least that's what I hope I've contributed to in the book.

But, until you see the pattern of the argument, it just looks confusing and a pain in the neck to deal with. It just takes time to learn a new way of thinking and arguing. Someone like me, interested in theory, just has to hope that a few people here and there for some ideosyncratic reason might find it's worth the time. If theory begins to catch, more people will find it's worth spending time to understand how its argument works. Let's say Russ, as I suspect is his view, has looked through the book and said "I don't know what the hell that is," and has gone back to what he usually does. So there the pattern recognition comes in, because until you've seen this face--once you've seen the face it's very easy to see--but until you've seen it, it's just a noise and confusion you'd wish it would go away.

I mentioned to Art last night an interesting example of a student who did a paper for me this summer who I asked to try and understand why it was that long term nuclear waste had such a powerful public appeal despite the fact that among sophisticated technical people, even anti-nuclear people, it's universally regarded as a non-issue. He came up with the intriguing and, I suspect, correct suggestion that people anchor their sentiments in terms of some prototype, some pattern, in the back of their minds, and for nuclear waste there are two patterns that it might be. One is a rock under the ground, because that's what it is. This stuff is reduced to a rock and it's like high grade uranium ore. If that's the prototype in the back of your mind, it's very hard to get to the point where you see that this is a terribly dangerous thing. On the other hand if the prototype in the back of your mind, and clearly this is the dominant one, is a mushroom cloud, even though you know this is a lot less dangerous than that mushroom cloud, it's hard to extrapolate down far enough from that mushroom cloud to find it credible that nuclear waste is not a serious problem.

A final illustration I'll mention is that we may be seeing, almost painfully even for those of us who are not Reagan fans, a shift in the country in the prototype of the President from the craggy, shrewd, tough sheriff in a western town to an old man who doesn't quite understand what's going on around

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him. That's a kind of gross shift that can occur. There are places where the people on a foundation board or foundation management find themselves wondering "why are we doing this thing and why are we still spending money on it?" It's because there is a prototype and a pattern that's taken hold, that is socially shared, that is reinforced by the way we talk to each other, and so forth. It's just very hard to turn your back on it, not consciously but it's there and just keeps tugging at you.

JOEL FLEISHMAN: Our next discussant is Burton Weisbrod.

BURTON WEISBROD: I want to say some things about agenda setting, which I guess is the main concern. First of all, I would like to raise a question of whether it really makes sense to talk about agenda study, and I want to make an argument which I think to some extent John Simon initiated yesterday.

In my mind there are some real questions about what a university can do. If we think about various kinds of research establishments, like government, private firms, and universities, the question that I am posing is "what does it make sense for universities to do?" It's a subject that I have given some thought to, and the concept of a very sharply defined research agenda is really inconsistent with university values. I find it very hard to imagine and from my own experiences with large research projects, that if any of us thinks that he or she has a notion of how a large research undertaking ought to be done and then thinks that he/she can get other people around the university to do that, I think that's largely--not entirely, but largely--wishful thinking. The sense in which I think universities do best is essentially is the "let the thousand flowers bloom" perspective. When you get a lot of what you believe to be very able people together, you try to get them to interact informally and hope they will nourish each other and do some useful things in the process. If that happens you look back at it after five years and see what you have accomplished. I'm not sure who will have a good answer. I've gone a little further than I really believe, but I am skeptical about the possibility of really defining and plowing a carefully specified research agenda. The relative point is you cannot separate what's a sensible agenda from the people that are available or can plausibly be made available. So, while there may be things that each of us thinks are worth doing, since most of us are here at Duke the relevance of our notions to what Duke can do is an open question. Having said that I have doubts about setting a research agenda, I will now turn to a research agenda as we were asked to do.

What I will do is talk about what I have learned about issues in this field from a book that I have just finished, Chapter 1 of which I distributed here. To begin with, it is useful to realize that there are both positive and normative issues that are of concern. The positive issues have to do with "just how does the charitable nonprofit foundation system function?" "Why is it that people do the kinds of things that they are doing?" Margolis' comments had to do with this question of not whether it's a good or bad thing that people do what they do, which is another kind of question, but why do they do what they do. Clearly this is what Russell Roberts was talking about and this is what Gerald Schiff was talking about. Yet there is a strong undercurrent of normative considerations. Lots of people around this table are very interested in the question of "is the nonprofit sector doing a good job" and some of us may be confident that we know the answer is yes, but we would like to prove to other people that we are doing a good job. We don't have very good standards of what good jobs even are and that is certainly is an open

question. All these issues have to do with what I'll be talking about--having to do with how the sector actually behaves--not quite virgin territory, but certainly areas which we know little about.

I now am going to go quickly through the chapters in my book, but I want to do this in the following spirit: What I have learned in the process of doing this work is that in every single area that I am going to mention for every single chapter, there are enormous areas of unknowns. So as I go through this and say a few words about each, I may say something about what I think we know, but of greater importance is how little we do know about all of this. To begin with I talk about what I call the institutional choice problem and I think that this ought to be part of the research agenda. The institutional choice problem at the very loftiest levels is the capitalism versus socialism problem, the question of how any society ought to organize its ambitions and through what forms of institutions it should work in order to achieve its social objectives. Starting at that very lofty level, I think it is important to recognize that capitalism and socialism are older cases of ways to organize the system, but in reality no system on earth is pure in the sense of using only one particular form of institution. Every society includes many activities that are undertaken by government control. That includes many activities that are essentially of a private market character and (here is where I come in contact with our more immediate concerns) every society involves hybrid institutions, institutions that combine in some ways some of the attributes of private markets and some of the attributes that we identify with government. The nonprofit sector I use as an illustration of this, of a class of hybrid forms of institutions. Well, in the interest of brevity, so much for the very big picture of institutional choice. When does it make sense to use nonprofit organizations? When does it pay to use private markets? When does it pay to use governmental organizations? Zeroing in on the nonprofit sector, I made an attempt to put together a lot of information, some from other sources, some original to characterize and describe this part of the U.S. economy and to a greater extent to say something about other economies, but this is focusing on the U.S. We really know amazingly little about this sector--a lot more than we did just a few years ago, largely thanks to Virginia Hodgkinson and Independent Sector, which I think has just done a sensational job--but it is clear that we have lots and lots of unknowns as to just what exactly is going on in the sector, how it is changing over time, and just getting some basic facts.

Among these important facts--and now I'm getting into the next three chapters--there are two interrelated themes that I focus attention on. One theme is "how does a nonprofit sector finance itself?" In answering this question of how it finances itself and ultimately trying to evaluate desirability of how it will finance itself, I also developed the interrelations between whatever the nonprofit sector is doing and what's going on in the rest of the economy. Now again, I want to in a way apologize because I'm talking about what I've been doing, but what I'm really saying is that there are great unknowns. The three chapters on finance involve the following: One has to do with donations and that has been covered in various ways by a number of previous speakers. What is it that determines the level of donations? Not only why do people donate or not donate, but why do they donate to particular causes rather than other causes? Why do they donate to particular organizations rather than other organizations? There has been a great deal of work, preeminently by Charles Clotfelter, dealing with one determinant of what it is that causes people to give, and that has to do with

the tax system. That's by no means the only thing that is relevant. For example—and this is something that a few of us have done some work on and I think deserves more attention—when you're asked to donate to an organization, do you care whether that organization spends 20%, 40%, 60%, 90% of its money on administration? Well, the model that I suggested indicates that people do care. Some other models think that people don't care. The focus on tax variables doesn't mention that at all, and yet I think that the only thing that determines whether people will give or not is the tax rate. Undoubtedly the tax rate is relevant—I don't deny that for a moment—but so are other goods. In general, therefore, the question is: "What is it that determines the level of donations, and how is it affected by fundraising activities?" In the course of discussing the donations factor, I and anybody else could not escape recognizing the interdependency between what the nonprofit sector is doing and government. It's government that is setting tax rates. It's government that is regulating the sector. So we see there, as we focus on why private individuals donate to nonprofits, that the interaction with the public sector is important, and included in this is the subject that was discussed yesterday, that is, the issue of whether there is or is not crowding out, whether the public sector and nonprofits are essentially doing the same thing or not, and if one does more will the other do less? Some work that Gerald Schiff and I have been doing suggests that it is much more involved than that; nonprofit sector and public sector are not doing the same thing. They are doing similar but not identical things. Hence they are not perfect substitutes, and in some cases they may even be complements.

Donations are one source of revenues for nonprofits and one source of interaction with the rest of the economy. A second one, which is quantitatively even more important, is sales. The nonprofit sector revenue statement, if we produced one, would show that more revenue comes from sales than from donations. This is perhaps most evident in the hospital industry. Something like 93% or so of nonprofit hospital revenues really comes from sales in the ordinary sense. The sales may be paid for by insurance, but that's another matter. In considering the sales revenues, the questions on the positive side are: Under what conditions do nonprofits go into activities in which they are selling outputs, as distinguished from giving those outputs away? What are the forces influencing their sales activities?

One of these forces is the extent to which they can get donations. There is reason to believe that the harder it is to get donations (for example, if the federal government cuts back on grants and donations) more nonprofits go increasingly to sales of goods. When they do this they come headlong into active competition with the private sector, and this has given rise to a growing concern about so called unfair competition. I attended a very interesting meeting of small business administration a couple of years ago. The private sector is pretty much up in arms about things such as the University of Minnesota being such a big producer of computer software, hospitals selling hearing aids in competition with the private sector, and on and on and on. The primary culprits seemed to be hospitals and universities. So here we have sales activity designed to generate revenues for the purpose of cross-subsidizing the charitable activities. These sales activities bring the nonprofit sector into active and very troubling competition. We have no theory of what unfair competition means. How would we know it when we saw it? What is fair competition? What is unfair competition? I have some thoughts, but we don't have time to develop them now.

The third source of resources is of volunteer labor. Others have commented already that it's very important; it's equal to about 5% of the total labor force. Since it's overwhelmingly concentrated in a relatively small social service sector of the economy, it may well be up in the magnitude of 20-25% of the total labor force in the nonprofit sector.

Finally, some thoughts on public policy issues: I'll just mention two here very briefly. One is I'd like to see more work done on the way the laws relating to nonprofits are administered. I think that the Internal Revenue Service, which is in effect the government's regulator of the nonprofit sector, is a totally inappropriate means of regulation. The IRS is a fundraising organization. They are tax collectors. They are not set up to think about what the role of the nonprofit sector in this society ought to be, and yet they have been thrust into that role. They are very unhappy with it and I think they do a poor job of it. The agenda here is enormously broad and I hope that you may even have time to talk some substance besides just talking about a certain agenda.

JULIAM WOLPERT: I will try not to repeat comments in the written paper or issues covered in other addresses. Perhaps the initial part of my written notes can be illustrated best by a little story, if you will forgive me. It's that same travelling salesman, whose car breaks down in the rural area. He sees a nearby farmhouse and drops in at the farmhouse in order to call for emergency aid. He sees the farmer and arranges to make a call and then notices a pig there with a wooden leg. He asks the farmer "how in the world did that pig get a wooden leg?" The farmer says, "Well, that's just a marvelous pig and I want to tell you a little story about what happened. There was a fire in the farmhouse a couple of weeks back and we were really going to be burned, but the pig came out of the barn, smelled the fire, and roused me just in time to save us from the fire--really saved our lives. That's a wonderful, generous, marvelous pig." So the travelling salesman says, "Is that the way the pig lost its leg?" The farmer says no. The salesman says, "Well, how did he?" The farmer says, "I just have another story to tell you. I was out plowing in the fields and the tractor turned over and I was trapped underneath. The pig heard me crying from the barn, came out and saw the condition that I was in. Then he ran into the house and alerted my wife. We got help and we were able to right the tractor and save my life. And again the travelling salesman says "Is that how the pig lost its leg?" Farmer: "Well, not really." Salesman: "Then how did it? Tell me how did the pig lose its leg?" Farmer: "It's such a marvelous, generous, wonderful, pig and you certainly wouldn't expect me eat to it all at one time!" The story is designed to illustrate one that I call for in the agenda: an opportunity to look at that exchange relationship, the process by which the recipients and the donors sort help to keep one another alive losing nothing more than a leg. It is terribly important in a relationship.

The other part of my paper reflects my geography bias. In geography we look at the unit of aggregation or disaggregation which would be most suitable for developing or testing insights about the processes. I entered the study of philanthropy and the not-for-profit sector through a very indirect route. I was interested in quality of life and its rational variations. In our analysis of American cities and rural areas, enormous variations were apparent in quality of life and in the services provided to Americans depending upon location. The public allocations for services vary a great deal by states and localities. If I were homeless these days, I would not want to be in Houston.

Furthermore, the public sector provision of services is paralleled by local contributions to the not-for-profit sector. They go in tandem rather than crowding one another out. Funds for United Way, Federation of Jewish Philanthropies, and Catholic charities again move in tandem by locality. Some of the cities are known as generous and some are not. There is an amazing degree of agreement across the philanthropic sector about what those generous places are and what are the places that are not generous. More and better data are needed, however, to examine these variations more systematically.

The philanthropic giving and willingness to be taxed for local public services perhaps suggests some underlying variations that can be understood only in terms of cultural and historic tradition. Philanthropy is perhaps a symptom of civic responsibility, important in its own right, but governed by the same Tiebout process we use to account for variations in municipal services. A large residual remains, however, when one attempts to account for these variations on the basis of income or wealth or other common demographic and economic factors. One wouldn't want to label certain regions as not being generous, however, without further study. One would want to ask--to what degree are regions which the data do not reveal as generous taking care of service problems in a fashion not revealed by our comparative data. Volunteer efforts, for example, do not show up in our data of financial support for service provision. A reasonable threshold in quality of life may exist in those parts of the country that otherwise don't seem generous.

FLEISHMAN: Our two discussants this morning are Peter Lange and Robert Marshall.

PETER LANGE: This conference has shown how many possibilities there are for us to learn some things that are more central both to my concerns and to my discipline from looking at this nonprofit sector. On the one hand it's pretty clear that this is an area where we can learn and do a good deal of interesting research on rational choice theory and incentives for contributions to overcome the free-rider problem. Interestingly enough, this is an important area of microtheory, not just for economics, but also in political science and, in fact, I've done some research myself on mass political parties in Europe where the issue is really the same. The problem is that we cannot explain why large numbers of people contribute time and often money to support political parties when there are clearly all kinds of free-rider possibilities. The same thing could be said of trade unions. I recall a conversation (since Russell Roberts is here) when I was at Rochester once and I gave a talk in the Political Science department. I said that there were these three trade unions in Italy and they had 55% membership and no closed shop. There were not really very many mechanisms for making people join these unions, much less for keeping them in one union rather than the other. We had an hour and a half debate in which basically several of the people in Rochester said that's not possible. Russell wasn't there, so I won't ask him, but I found it ironic since I had just been there recently and seen the numbers and know the people.

I want to spend a little more time on some of what we might call the macro issues, which seem to be useful in framing some of the discussion. Now unfortunately, I'd thought about these comments and written a good deal of them before I looked closely at Professor Weisbrod's paper. Having seen his paper, I feel like I may repeat some of the things he said, but I think the paper is really superb in outlining some of these issues. There are some

points of difference and I'll raise them in a second.

I want to mention in this regard something that I began to take up last night, which is that I think this is an area of great potential for research and for our Center here: that is, comparative research about the mix of different sources of provision of certain kinds of services between the public sector, the nonprofit sector, and the private sector. That would not only need to be done cross-nationally, but I think Professor Wolpert's paper brings out quite clearly that there is a great deal to be done across other units of aggregation, I think you called them medium units of aggregation, like metropolitan areas, or it could even be reduced to cities. I think we need some real questions. I've just edited a book with an Italian colleague examining what the mix is in different public policy areas between state, voluntary and private provision of policy. Of course the first point, which I think was already outlined, is that the amount of mix truly defies any kind of state/society, state/market distinction. There is an awful lot of literature about how we're moving to the market, and when you go and look in a particular policy area, you find that the mix is much more complicated. The functional interdependencies, in the sense that certain kinds of market provision truly rely on the presence of family and/or state provision of certain other kinds of services, are really quite striking. It seems to me that liberal democratic theory has been characterized by this state-society distinction, but it is more honored in word than deed for market solutions, at least in the United States.

One way of looking of at these problems, and it is directly addressed in Professor Weisbrod's paper, is why and with what consequences do institutions choose to provide certain services. It seems to me that these are three questions we really should look at at this macro level: Which institutions are chosen to provide the services, why, and what are the consequences of the selection?

Now it seems to me that one way of getting at some of these issues is to ask who decides which services are going to be provided in which way and what are the consequences of providing them, especially with regard to who pays? Where we opt for the market, the answer is that who pays and who selects is basically the same. We also need to recognize that there are market failures, and I think Professor Weisbrod's paper, which is a chapter of a book, has got all his arguments laid out. He points to a series of appropriate criteria for saying whether a market failure is due to uninformed consumers, underinformed consumers, free-rider problems of low- or under-provision, or intense minorities—all areas where services might not have been provided at a level that we think appropriate. Of course, we don't know what we think appropriate, but that's a question that we also need to address.

Now let us say that there are these market failure areas, how should services in these areas be provided? I think here the choice is really in gross terms between the nonprofit sector and public provision. How do we decide on one or the other? The question for political analysis becomes an explanation of the mix across countries, and it's eminently a political science research question or political economy research question, but this has got to be a major factor in how these decisions get made.

We can also focus on the criteria of consequences among the areas of

market failure and/or public goods provision to ask the question of "Which ones get emphasis?" Now it seems to me that there are some areas where the public sector gets the emphasis because it is a pretty broad and I think again (and I do echo Professor Weisbrod's paper) when there is pretty broad public consensus which is articulated and clear on a social priority, there we provide the services with the public sector and we pay for them through taxation. Clearly the nonprofit sector is an alternative choice mechanism, and it may be that we would prefer to use this method when we are not sure which services should be provided.

Let us imagine that there is a range of services about which there is not a consensus, about which we don't have any good mechanisms for deciding which one should be provided or not. We think we want to have some mechanism which comes closer to the choice of citizens directly, rather than through the elective mechanism. Obviously we are making a choice here between using an elective mechanism and its ability to make politicians accountable, and on the other hand allowing selection of some other kind of mechanisms via the nonprofit sector. How do we decide if it is a good thing and how in fact does the provision of services in the nonprofit sector get made?

I read the papers and I listened to the discussion and I think we know very, very little about this. Let me give a few questions that seem to be absolutely critical in this area in thinking about what the consequences are of relying on the nonprofit sector. What is the link between donations and the services provided? How is the overall mix of things which the nonprofit sector provides among the range of things which could be determined? We can learn more from comparative analysis. What are other possibilities of provision as well as the other kinds of mechanism for revealing preferences? How is the overall mix decided, and what is the link for any particular institution between the donations and services provided?

I want to give you two specific issues. Yesterday the issue of accountability came up. I think Mr. Singer said last night, "look, one of the big advantages of the nonprofit sector is that it is disinterested" and Chris Shroeder gave us in fact three criteria of accountability: disinterestedness, recipient accountability, and donor accountability. Let's look at each one of those for a second:

Disinterestedness is fine except it's only the beginning of the question rather than the end. Since disinterestedness certainly does not tell us what goes into the institution or what disinterested institutions are going to provide. It simply says that we do not have a very close link either between what the donors want and what the institution provides; or what the recipients want and the institution provides. We have some other mechanism by which the institution decides. So disinterestedness is perhaps a virtue, perhaps not. We can evaluate that in a pluralistic society. It is probably a virtue to have disinterested institutions, but at the same time we need to know a lot about how those disinterested institutions make their decisions.

If we look at recipient accountability, I tend to get the general impression here that there isn't much recipient accountability. If there is, then we don't understand very well how the mechanism operates. I think it's quite reasonable to expect that we wouldn't understand it very well, because we're actually asking about how people who can't pay for their services, can't provide them, and often aren't able to organize themselves somehow can make

the institutions which provide the services to them accountable. From a political science or politics point of view it seems at least on the surface unlikely that those people can make the institutions which are providing the services accountable.

Donor accountability is an entirely reasonable thing, but here we are immediately thrust into this question of the incentives for donation and come back to some of the other issues that were raised. Unless we know why people donate, we can't understand what kind of accountability is being provided. If people are donating because they are getting a lot of tax benefits from it, then this is not necessarily going to have the same consequences for the accountability of the institution as there would be if there were no tax incentives provided and donations were entirely voluntary. If the donation is entirely voluntary we may say that under those conditions there will be much lower donations. How do we make the social choice between those two kinds of things, where we can't even begin to address the question until we know why people are donating and what the consequences are and what they expect of the institution to which they donate?

Finally, the structure of finance and its consequences seems to be another area. If we use public finance we have the problem of knowing which services get selected by the political mechanism and how the political mechanism works, and I have to say humbly that our discipline is still not very good at this. If we have private financing, we often get a mere reflection of the market and in fact the nonprofit sector to some extent is supposed to be overcoming the effects of market failure. If we have public subsidization, we have to study very carefully what consequences, if any, that has on the pattern of who gives, which again throws up donor accountability, etc.

So those are a set of issues and questions that seem to me to arise out of the papers I read, and I think there is something that we could do a lot of work on here at Duke. I think we have the right kind of mix of personalities here.

ROBERT MARSHALL: Before I begin let me just say that I do no work on philanthropies or on charitable giving. As one of my colleagues pointed out, that makes me a near-perfect discussant since I won't be pumping my own work here.

I focus most of my comments on the Wolpert paper; actually Julian hired me as a research assistant eleven years ago when I was an undergraduate, so that demonstrates my bias. The reason I'm focusing on that is because he tweaked my interest with a couple of points he made. Not knowing anything about this field, I was unaware of what the data and hard information looked like about donative behavior. What do we know right now? What are the stylized facts about individual giving and the behavior of nonprofit firms? I don't know what those stylized facts look like, but I would imagine the right way to get at that kind of information is through panel data on, for example, individuals, if it exists. What can we find out from that kind of data? Well, typically when you think about the kind of panel data sets that exist right now, such as the annual housing survey, which is unrelated to philanthropy, but an incredibly rich data set on housing units in this country or the National Longitudinal Survey, which is an incredibly rich data set on workers and their behavior in this country, you can get a notion as to the kind of