

**SETTING THE RESEARCH  
AGENDA IN PHILANTHROPY  
AND VOLUNTARISM:**

**EIGHT DISCUSSION PAPERS**

**Julian Wolpert  
Barry Karl  
Kathleen McCarthy  
Russell Roberts  
Jerald Schiff  
Howard Margolis  
Robert Payton  
John O'Connor**

**Center for the Study of  
Philanthropy and Voluntarism**



**Institute of Policy Sciences  
and Public Affairs**

**Duke University**

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## INTRODUCTION

Charles T. Clotfelter

March 1987

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 college and university courses in this area.

To inaugurate its efforts in pursuit of the first two aims, the Center invited a group of scholars and practitioners in the nonprofit sector to a conference on November 20 and 21 to discuss the research agenda in philanthropy and voluntarism. Those of us at Duke took this as an opportunity to do two things. First, the conference provided a setting in which we could 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. Second, we thought the conference would provide a useful forum for a discussion of questions that need to be addressed by the broader research community. Thus we thought there was the potential for a benefit more general than that to Duke. To enhance this latter possibility, we are distributing the papers prepared for the conference as well as 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. The one exception is Robert Payton, who generously volunteered his thoughts on humanistic perspectives on philanthropy in written form when it became clear he would not be able to attend the conference. It should be emphasized that the papers were solicited to be evocative jumping-off points for discussion and were not intended to be polished, definitive studies. As such they retain the potential to stimulate new thinking about directions for useful research in this area. We certainly hope that they do just that.

## CONTRIBUTORS

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**John O'Connor** is Assistant Director for Programs at the National Humanities Center. He has recently written "Philanthropy and Selfishness," forthcoming in Social Philosophy and Policy.

LIST OF PARTICIPANTS

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

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# Woodrow Wilson School of Public and International Affairs

PHILANTHROPY: A RESEARCH AGENDA

Julian Wolpert  
Woodrow Wilson School  
Princeton University  
October 31, 1986

## Princeton University



Julian Wolpert  
Woodrow Wilson School  
Princeton University  
October 31, 1986

#### PHILANTHROPY: A RESEARCH AGENDA

The opportunity for some concerted research effort on the topic of philanthropy should make it possible to examine some of the fundamental theoretical problems, the continuing issues of measurement and research design, as well as some high priority policy and applied questions.

The theory issues persist despite the flurry of research attention devoted to philanthropy in the past two decades. We still understand little about the interdependent aspects of donative behavior: why and how individuals and organizations decide to give, to donate as much as they do, and to target their gifts as they do. These three components while treated separately in the literature may benefit by being examined interdependently.

Theory provides little guidance because giving is not well understood behaviorally within our standard social science paradigms. Individual donative behavior should be expected to differ fundamentally from that of organizations and merit independent study but then variance within donor groups seems to be large enough to warrant additional bases for classification of donor types. Charitable giving, for example, is typically differentiated in the literature from philanthropy. In fact, philanthropy (and charity, gifts, and donations) are simply catchall terms for very diverse

forms of expenditure behavior which have little in common, except for their tax deductibility implications.

Philanthropy operates in an active marketplace which it shares with applicant organizations and their solicitations but we know little about the matching of donors and recipients and the equilibrium conditions. We don't know if giving is at an optimal or satisfactory level (and what those normative concepts mean) relative to income, wealth, or distress or if it is effectively or justly targeted and how giving is related to the size and functions of public and private sectors. We know a good deal about how funds are raised but have only a sketchy view about how to increase the number of donors and the size of their gifts and to alter their targeting.

I would maintain that our knowledge about philanthropy is so meager because: donative behavior does indeed include a very diverse set of heterogeneous contexts; our social science notions of the "rational actor" are insufficient to capture the diverse motivations for giving; the marketplace of donors and recipients has not been well specified; the issues have been studied at too high a level of aggregation; and the data for rigorous behavioral analysis of individual and organizational giving are woefully inadequate.

As the highest priority, I see the need for attempting to impose some intellectual structure on the field of philanthropy. This could be initiated by a longish concept paper (such as those in the Journal of Economic Literature) which: attempts to define the terminology (on the basis of and independently of the IRS definitions); reviews the major literature on donative behavior; identifies a donor typology; specifies some reasonable set of models that applies to different types of donors and incorporates the major interdependencies;



discusses the level of aggregation issues; and examines the data resources relative to needs. I would hope that the author would focus on the barriers to analysis with the absence of decent panel data. The paper should be circulated widely among the philanthropy research and policy community for discussion and comment. Optimistically, the result could be some agreement on basic definitions, typologies, alternative modeling formats, and the cost effectiveness of initiating a panel study. The 1973 Institute of Economic Affairs volume on The Economics of Charity and the 1981 Urban Institute edited collection on nonprofits are useful starts but the debate must be widened beyond the scope of their essays and informed by more comprehensive empirical studies.

A companion paper on policy questions is needed as well. This paper should outline the recent development of public sector encouragement and regulation of philanthropy by individuals and organizations and identify the major current issues at federal and local levels and their implications for the provision of goods and services. The paper should also discuss the hazards of making policy decisions about donations and the role of philanthropy in the absence of suitable data for incidence and impact studies.

A third study and paper should survey and evaluate existing data sources at national, state, and local levels (Treasury, charitable trusts, 990's and their state equivalents, state income taxes, Foundation Center, Conference Board, surveys, commissioned studies, United Way, etc.) An important addendum, of course, would be the identification of critical information not now available.

## THE STUDY OF PHILANTHROPY AT THE METROPOLITAN LEVEL

In the remainder of this brief statement of an appropriate research agenda for the effort at Duke, I would like to dwell on the aggregation problem and the advantages of the metropolitan unit for the study of philanthropy (as is being carried out in Salamon's Urban Institute studies). My bias is that I find the annual reporting in the media of the total of national giving to be not very informative even when compared with last year's total. Almost as problematic are the national totals by donor types (i.e. individuals, corporations, and foundations) and by broad sectors (i.e. health, education, welfare, culture, and religion.) Given the imprecision of component measures, the annual composite report of donations is at best inadequate, especially for policy purposes, because it washes out critical variations in donative behavior.

Metropolitan level analysis makes sense (as a compromise unit of aggregation) because an overwhelming proportion of total contributions are both raised and expended in the same communities; relative little leaks outside to the rest of the nation or abroad. The metropolitan area is likely to be primary marketplace for the solicitation of contributions, the optimal locale for purchasing corporate "good will" and for contributing to the service amenities that employees can enjoy. The fortunes that established foundations were typically made in single metropolitan areas and are characteristically drawn to the support of local institutions. Much of individuals' contributions are used to support community institutions they themselves use and which they can observe others using. It is interesting to do case studies of the large national

foundations and charities and the organizations involved in overseas relief but the local marketplace merits greater research attention.

Contributions are used primarily to provide continuing support for existing institutions, their infrastructure and operating programs and are seldom used in direct income transfers or to initiate new services and organizations. Only modest incremental changes occur from year to year in level of contributions or in their targeting. Thus, a supply momentum mechanism is strongly indicated. The major exceptions occur for rapidly growing communities and institutions lacking an adequate service infrastructure that must be provided through capital grants.

On the other hand, the convergence of evidence from studies I have carried out with Thomas Reiner and Jennifer Wolch and from the recent Urban Institute surveys shows that the observed metropolitan areas differ significantly in their level of contributions, in the targeting of these funds, and in their relative support of local service provision. Furthermore, the evidence appears to indicate that a significant residual remains after making allowances for population size, wealth, income distribution and level of distress.

Conventional theory applied to the community level would also lead us to expect, for example, that: communities would pass through similar life cycles in the development of their pattern of philanthropy; communities would actively compete to support service amenities, quality of life, and attention to stigmatizing social issues; interest groups would not differ significantly between communities in their advocacy, entrepreneurial skills, and access to capital for the provision of services; preferences for services and attitudes toward safety nets and service thresholds would diffuse

nationally as would the spread of professionalism in both local government and in the management and fund-raising for non-for-profit organizations.

Yet, our partial analyses show that philanthropic and metropolitan tax revenues for service provision move in tandem rather than crowding one another out (see also Rose-Ackerman). If this relationship can be established more generally, it would suggest that both donations and "willingness" to be taxed (by choice of residence) are both expressions of the same underlying value positions that are likely to have other manifestations in social and political institutions. Differences in social responsibility, civic commitment, attitudes about private education, "high" culture, care of the homeless and the handicapped would all be reflected in both the philanthropic and public support of local institutions and might help to account for the wide metropolitan disparities in the presence and variety of service institutions and the provision of services. The disparities would certainly be reinforced under the current shift away from federal and toward greater state and local responsibility.

Alternatively, the observed metropolitan differences might simply be artifacts of inadequate measures or of differences in tastes, preferences or form of giving or of recording contributions that do not impinge on quality of life. An all volunteer community support program for handicapped people or a similarly based theater group may be preferred locally to a professional organization but not be recorded under the philanthropy label. Some may argue that actions to prevent poverty, for example, are more important than its relief, but our measures are generally inadequate to capture such nuances. Without a good deal more study at the community level, it is

difficult even to define our terms precisely or to carry on comparative study. Without this basic community analysis, we can make little sense out of national totals and trends or of incidence and distributional factors. If the design for a panel study were to materialize, I would strongly urge using a sampling frame based upon the metropolitan unit.

As the primary policy analysis unit in its region, I would suggest that the Duke program in addition to its attention to theory and measurement issues also take on responsibility for examining philanthropy and the local public sector in some of the Southeastern communities. There, contributions and local public expenditures per capita for services (after making allowances for wealth and income) are reported to be lower than in other regions of the country, the service infrastructure is sparser, and a relatively larger share of donations go to support membership in traditional institutions. Are Southerners less generous than other Americans, less civic minded, less concerned about the stigma of inattention to social problems --- or are the data flawed, the services internalized in community institutions, the allocations to religious and other local institutions primarily redistributed to human and social services? The Southeastern communities would be ideal sites for addressing the fundamental questions and informing the current policy debate about the effects of fiscal federalism and enhanced reliance on local responsibility.

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AMERICAN PHILANTHROPY AND AMERICAN SOCIETY:  
A Historian Learning to Ask the Questions

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There is an important sense in which modern philanthropy, as we have come to understand it, is a unique American historical phenomenon that came into existence for reasons that no one planned, and with consequences no one foresaw. Much of our concern today with the continuity of philanthropy and with the justification of it in its contemporary state rests on a canon of reasons we may have created after the fact. That does nothing to suggest that we are wrong in what we are trying to do; but it does perhaps suggest the need for more flexibility in thinking about the problem than we might sometimes believe we have, and a more usefully realistic agenda for historical research.

The changes in the language we use to describe the distinction between charity and philanthropy is part of a historical transformation that is easy to romanticize. The charitable tradition of the Jewish and Christian religions in western culture are the basis of that transformation. The responsibility for the poor, the ill, and those left in unfortunate circumstances by events they could not control was a responsibility that did not originally rest on the idea that those conditions were unjust or that charity could actually change them, only that it could alleviate them. Not until the emergence of science in the period historians refer to as the age of the scientific revolution and the subsequent doctrines of social progress that followed the new consciousness of scientific discovery was it possible to deal with poverty and disease as problems that human action could affect in any decisive fashion.

At the turn of the last century, which is where we date the beginnings of the institutional distinctions between modern philanthropy and traditional charity, the industrialized nations of



western society were searching for new ways of acknowledging public responsibility for dealing with the social effects of industrialization. Unemployment, a technical category that had scarcely come into existence, poverty, a term in the process of being redefined on many levels, and an awareness of progressive innovations in education, health care, old age security and a whole range of new social interests, were all being viewed as subject to a new drive for public control that American Progressives, at least, were calling "social justice."

For Americans, the transformation was troubling in special ways. European nations that had long depended upon dealing with such issues through centralized governmental and religious institutions that in various forms were centuries old, were able to transfer that dependence to new agencies of modern national governments. Two aspects of historical practice inhibited such transitions for Americans. One was the traditional reliance on organizations of local public and private citizens to deal with the full range of issues that in many other countries had been managed by institutions governed by national churches and states. The other was an equally traditional suspicion of federal control of social policy, a tradition that had been more or less resolved in the Jacksonian era when Congress rejected plans for national systems of education and mental health care and then reinforced by the compromises that followed the Civil War. Differences in expectation and perception of need in the north and south, disagreements on the part of citizens to extend the care individual units would provide was balanced, at least in part, by the multiplicity of methods and approaches one found in various parts of the country.

By the end of the 19th century private agencies emerged to select those from the classes of unfortunates whose condition could be improved by special interventions, education being the chief method of intervention, but education that required supportive methods the public system did not normally provide. The distinction the plurality of options assumed was always the same, although it was rarely articulated in the American scheme of social welfare. Public agencies would provide minimal temporary support designed to aid, more humanely than traditional charity it was hoped, those down on their luck. Private



agencies would support that system, but add to it a wider range of options that could select those able and willing to transform their condition more dramatically. The range of options itself grew out of the individual interests of private donors in experimental programs that could provide models that might be introduced into the public system if they could be shown to work on a larger scale.

Turn of the century consciousness of the need to create a more uniform set of practices was met, then, not by the reformation of an older national system but by the creation of new private national systems that pressed change on local organizations by providing experimental models to be followed and by investing in new national institutions to engage in research in the creation of new methods to be imitated by communities throughout the country. States like Wisconsin led in developing relations between its state university and its state and local governments. California and Oregon experimented with various new ideas. Cities like New York and Chicago used private funding to explore improvements in housing, working conditions in factories, the monitoring of the quality of basic foods like milk and medical care.

The foundations created at the end of the era were essentially new national systems, and the various national organizations devoted to specific needs and issues in medical research and health care, labor conditions and the like were the result. Whether or not they were planned that way, they worked that way. The granting of tax benefits to such organizations was in fact an afterthought that played little or no role in their formation in the first place, however much it may have been intended as a possible way of stimulating further development of the method by other philanthropists. The gradual introduction of tax advantage into the philanthropic system is really a history of unintended consequences, particularly in the years after the Tax Act of 1935 when the possibility of sheltering large estates from taxation became part of a reality that had not really influenced the creators of the original system of foundations.

My emphasis on unintended consequences is not designed to argue that what has happened is wrong, or that it is right, certainly. What it is designed to suggest is that original intention may be much less important than the subsequent advantages a whole range of professionals

in fund raising, education, tax advising, and governmental oversight of public policy make of the introduction of new processes. Much of history, I would insist, depends on what can only be called pragmatic opportunism. 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.

That, briefly, is the history of a process that has been supported by the public in some curious ways, even as it has been paralleled, particularly in the years since the Great Depression, by federal agencies engaged in the same promotion of services. The fact that the federal system was never really considered a substitute for the private and local system is a potential subject of some discussion all its own. No one ever said very clearly that government was or was not to replace the private system, although many of those engaged in the process seemed to assume it. By the end of the New Deal era a cooperative arrangement that suggested that the private and the public systems could help one another had developed, but again with little clear planning and certainly with little articulation or justification. Political leaders were even inclined to conceal the private contributions they received for their experimental programs, lest the public be led to think that millionaire businessmen, through their foundations, were exerting too strong an influence on the operation of government.

Many who were engaged in the process in the decades after World War II considered the possibility of total replacement of private service groups by publicly funded ones at various times, even as recently as the 1960's, and the rejection of the idea in the aftermath of the Great Society, reflected in the "taking up the slack" arguments, is a solid enough line of approach only if one is willing to forget the strength of the previous expectations generated by the Great Society programs. The line of historical argument is not at all consistent, despite the various stages of rhetoric from practitioners of both public and private agencies.

One can add to the very complex set of issues two factors, one of which has already been mentioned and both of which have come to mark the indecision about the relation between federal and private practices of social policy planning. One is the tax benefit for charitable giving and the various other tax provisions that support philanthropy. The other is the federal debates over indirect costs as they have come to affect the operation of the nation's educational and research institutions. Although the two are not often seen as fundamental statements of the same basic issue, it seems to me important that we look at them together. For they now represent an interpenetration of public and private interests that is a far cry from the origins of modern philanthropy, and in some ways a potential threat to some of the useful ideas the original programs had come to suggest.

I choose those as the subject of emphasis in my remarks, not because I want to claim any expertise on either one, but because as a historian interested in the development of American approaches to public policy and the relationship private philanthropy has had to public policy, I want to single them out as ways in which societies sometimes find themselves dealing with practices that were originally no more than ad hoc ways of coping with unanticipated changes, but then have become curiously essential supports of a process. Whether or not they are the best ways of supporting the process, even the possibility that they may in fact be just as open to question as they are useful, is a potential problem that our habit of looking at the process as intentional and immutable often conceals. After all, it is only in games like Monopoly that going back to Go can be profitable and enjoyable at the same time.

Historically speaking, the process of rethinking old practices, particularly in our complex technological world, tends to be avoided in favor of either cobbling better processes out of old materials or enunciating rhetorical instructions designed to convince people that the new process is really new, that it is simple and just, and what have you. If you will bear with me for a moment, a look at a somewhat larger historical canvas may help suggest the basic character of the questions involved.

All societies concerned with their continuity as societies have to

cope with at least three basic problems. The first is the education of the young to assure future leadership in those areas we now identify as professions, as well as future understanding of the community's definition of stability and order. The second is the maintenance of a system of administrative controls that can not only provide that education but monitor its quality by training its practitioners, testing its effectiveness and examining the principles according to which it operates. The third is a process of expanding the knowledge itself, building generation by generation on what is known and testing its relation to current understandings of reality.

The interdependence of the three is probably obvious, at least at first glance. What may be less obvious is the fundamental, even intractable nature of the struggle the three have had with one another throughout human history. The rise of modern science and the growth of democratic government complicated the problem, but they did not create it. The questions of who would be selected for education, the power of society to determine the role of the educator and the subject matter of education, and the threat posed by new knowledge, particularly when it countered what was already perceived as knowledge, are timeless questions that cross historic eras and national cultures. Democratic societies have limited the power of the state to determine answers to all of the questions; but the debate is as alive today as it has ever been.

Parents still are willing to go to court to control the literature their children read and the courts have found reason to support them. Government administrators still assert the priority of their judgments against parents and educators alike. The availability of scholarship funds and the reliability of tests that channel students into schools are still subjects of serious debate. Scientists persist in disagreeing with governmental choices for research programs. Major religious institutions, both Protestant and Catholic, take firm steps to control who will teach and what will be taught. Professional judgments can now be questioned in courts of law under the expanded rubric of malpractice. We may no longer threaten dissidents with cups of hemlock or the stake, but we do continue to determine how the systems of education and professional expertise will work and why.

The role of philanthropy in supporting the chaos of the American system -- or lack of system -- has been essential. The question I would ask, and I sincerely mean it as a question, is whether the role we have assigned to government in affecting the system is the best role. It was, as I have suggested, determined accidentally, not by design. Tax benefits followed the growth of major philanthropy in the United States, they did not create it. Indirect costs were an ad hoc recognition by government of the fact that university research programs cost universities money to operate, not a recognition of the real need for such institutions by the national government. Student loans and scholarship aid were a way initially of attempting to equalize opportunity for education, not an acknowledgment of the most general need for educated citizens of higher levels and in greater numbers to manage an increasingly complex technological system.

There seems to be in the American psyche a persistent unwillingness to admit the real character of our needs and what may even be the uniquely protective character of the presence of both public and private support for those needs. We are a highly industrialized state. We are dependent upon the expansion of knowledge, its proper application, and the public's willingness to support it. The poor are no longer a simple category of individuals whose existence we justify by reference to luck, divine intervention, or what have you. The same is true for our understanding of the rich.

Part of that unwillingness to discuss the issues may arise in part from the fact that our ad hoc uses of government financial support of education and philanthropy are in fact part of a tradition of suspicion of government that has been complicated in the last half century by the expansion of government bureaucracy. But part, too, may be a real indecision about the future of our expanded state, a concern that it not follow the lines of controlled management that even some of our democratic allies have adopted, and a perception that the continuing cultural and ethnic heterogeneity of American society requires us to be less decisive about the way we plan than more homogenous societies have been able to do. That flexibility is purchased at a price, and part of that price in recent years has been greater openness to disagreement and greater responsibility to remain pragmatic in the face of



differences that can be articulated more systematically and backed financially by genuinely committed adherents.

The American system of public and private support for education and research has been the base for the development of a method of assuring continuity and openness in the management of American society that may be unique among modern nations. The fact that it may not have been intended that way by its founders is relevant, but primarily because it shows the basic standards that were considered at the beginning and the ingenuity with which each generation has adapted them to the conditions it has faced. The purpose in recounting the history is not to criticize it or to suggest that it is either in danger or in need of transformation. It is rather to point to the need to articulate the present reality in ways that will enable us to shape our traditions to meet our perception of our needs. The United States needs a healthy system of education and research that remains open to new groups and new ideas and flexible in its adjustment to them. The role of government and the role of private philanthropy in maintaining that system is now more complex than it was at the beginning, but so is everything else. To become bound up in issues like tax advantage and debates over government's role in funding universities, university research, and scholarship aid is crippling if the larger issues get lost. To be sidetracked by debates over what was originally intended may be even more shortsighted. That may not sound like a very historical argument for a historian to present to you, but it is a historical plea. For what has made history useful when it has been forced to be useful may be based as much on the differences between the present and the past as on the continuities that historical examination may be trying to preserve. A more realistic understanding of what has actually happened and why it has happened might help.

## CHARTING THE RESEARCH AGENDA: AN HISTORIAN'S PERSPECTIVE

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Oscar Wilde once defined philanthropy as "the refuge of people who wish to annoy their fellow creatures." The fact that Yale, Duke and the City University of New York have established centers to study nonprofit organizations, giving and voluntarism indicates that our definitions of philanthropy have progressed considerably since Wilde's day. Although the Reagan Administration certainly deserves much of the credit for heightening popular awareness of the importance of these activities in American life, scholars are beginning to approach these topics as subjects worthy of study in and of their own right.

Since the early 1980s, the Independent Sector has helped to chart and to encourage these trends through its annual spring research forums and compendia of ongoing research. These efforts have revealed a growing crescendo of interest by historians, economists, policymakers and others. They have also revealed a certain amount of scatteration, encompassing everything from nonprofit management to tightly focussed industry studies. One of the contributions that I hope the CUNY Center for the Study of

Philanthropy, and perhaps the Duke Center as well, will make to the field is to focus some of this research more fully on selected issues within the field.

Specifically, the Center at CUNY will concentrate on fostering interdisciplinary research in three areas: 1) the changing role of philanthropy in the welfare state, particularly since 1945; 2) giving and voluntarism in New York; and 3) the international dimensions of these activities. Within these areas, scholars will address such issues as participation (who participates and how, the impact of their decisions and the changing balance between public and private responsibilities); modernization (definitions of "community" and the manner in which needs are perceived, defined and acted upon); and motivation (the subjective considerations surrounding philanthropic activity). I anticipate that much of what we will be doing will also examine applied issues, such as funding trends in various fields or the impact of the new tax act on giving patterns to New York nonprofit institutions -- studies that will have more direct policymaking implications.

Because the Center is based in Manhattan, it has certain advantages in studying local, national and international trends, and the program has been developed with these advantages in mind. Duke also has a number of advantages, including the participation of leading scholars such as Professor Clotfelter, and I have tried to shape some of my recommendations to reflect these resources.



Within this context, three research areas, in particular, come to mind: regional patterns of giving and voluntarism, decisionmaking imperatives, and motivational considerations.

The South provides an interesting case study in American largesse, one that often counterpoints larger, national trends. After the Revolution, for example, Virginians deviated from the pattern then developing in New England, casting a stern eye on private largesse. Their reasons were political, borne of the desire to maintain a sharp distinction between the prerogatives of church and state. By the 1840s these attitudes had begun to soften, aided in part by the landmark Supreme Court decision in the Girard will case that upheld the practice of giving large gifts for secular ends.

Yet the initial popularity of the "Virginia doctrine" raises a host of intriguing questions. Have patterns differed markedly between North and South? Is philanthropy primarily an urban phenomenon, and therefore more typical of the North? How did Southern charities compare to comparable ventures in Northern cities and states, and did they provide the same opportunities for women? Did the development of cultural, educational and religious institutions differ markedly between the two regions? What impact did slavery have on shaping new institutions, or reshaping more traditional ventures?

The Civil War opened a host of more secular opportunities for feminine charitable work in the North. Anne Firor Scott's work suggests that this was true in Southern cities as well,

providing preliminary guidelines for some very interesting comparisons between southern and northern feminine philanthropy. Similarly, Jacquelyn Dowd Hall's work on the Revolt Against Chivalry suggests the richness of some of these activities during the Progressive, Jazz Age and Depression decades. More general comparisons between these Southern trends and patterns developing in other regions, and between the activities of women and men, blacks and whites, could be extremely enlightening.

The rapid growth of the sunbelt cities also provides a microcosm for studying the mesh between urbanization and philanthropic trends. My own research on Chicago revealed a transition from active to monetary beneficence stretching over four generations, from an era marked by intense personal involvement and limited cash to one in which wealthy Chicagoans tended to equate socializing with social service, signing checks with noblesse oblige. Some of the factors that influenced these patterns were purely local, such as the chronic lack of specie during the antebellum years. Others, such as the drive for de-institutionalization and professional management, were borne of national trends, often clashing head-on with local imperatives. The pace of these changes was telescoped by Chicago's rapid growth. Has the same sort of transition occurred in the South? Has it been as rapid, and have twentieth century Southern donors maintained a greater degree of autonomy over the management of their gifts? Is there a distinctive pattern of giving in the South? And what happens when the need for services and the pace

of giving begin to accelerate?

Southern foundations and corporate donors would also provide illuminating case studies into regional donor preferences and styles. One has only to think of the Coca-Cola fortune in Atlanta, or the range of foundations in Texas (much less the impact of these new donors on local educational institutions) to realize the rich potential of studies in this field. Because it is relatively unstudied, and because of the stunning growth of many Southern cities -- and Southern fortunes -- over the past few decades, the region would provide an ideal laboratory for studying new patterns and refining older assumptions about American largesse.

The second area is more general, but no less important. During the last few years, historians have begun to turn their attention to decisionmaking processes within foundations, and the effect of these processes on various fields. Efforts in this direction have ranged from the work of Robert Kohler in surveying the shift from the first generation of amateur policymakers to a more professionally-oriented staff in shaping the contours of Rockefeller's scientific programs in the 1920s and 1930s, to Marxist interpretations of American giving overseas. Following the lead of Antonio Gramsci, the Marxists have culled the associational histories of foundation board members to argue that trustees' policies reflected an attempt to wed foreign intellectuals to capitalist aims.

Although an interesting concept, this approach leaves much

to be desired. Aside from the issue of sheer scale -- foundation funding for overseas activities was rapidly eclipsed by governmental outlays during the postwar years -- it overlooks the subtle interplay between the various levels of internal hierarchies in shaping programmatic ends. Much like earlier Marxian interpretations that tended to cosset all individual giving into a single, overweening desire for social control, these "letterhead Marxists" depict foundations as the creatures of their boards, and of the various business and governmental ties of individual trustees.

Although trustees play an undeniably important role in shaping foundation policies and vetoing selected campaigns, this interpretation obscures the broader interplay between board members, officers, staff members, academics and public policymakers. A second area for research for the Duke Center, therefore, might focus on staff-trustee relationships, and the development of what Barry Karl and Stanley Katz have termed the American managerial elite. Like the regional approach suggested above, this research would be interdisciplinary, approaching the question from a variety of topical perspectives such as civil rights or educational reforms.

The third area I would suggest is related to the second both in its interdisciplinary focus and the emphasis on decisionmaking. Economists such as Professor Clotfelter have done excellent research on the relation of tax policies to individual giving. Historians tend to take a more particularistic view of

to these issues, scanning the writings of individual donors for insights into the reasons why people give, and why they select a certain cause. Therefore, while an economist might look at the upsurge of giving in the 1920s as an effect of the recent inclusion of deductions for charitable gifts in income tax laws, historians might turn their attention instead to the advent of new fundraising techniques or the effect of the First World War in motivating new types of donors. Both approaches provide valid insights. But if combined, they might afford a far richer view.

My third suggestion, therefore, would be an interdisciplinary project on individual motives for giving in the twentieth century. Such a project would blend the resources and skills of historians, economists and sociologists in tying together the diverse legal, economic and social factors that inspire American largesse. In addition to surveying the impact of tax laws, it would also examine the role of tax lawyers, and the perceptions of the donors themselves. The interview data collected by Terry Odendahl for the forthcoming Council on Foundations study on foundation growth patterns suggests the variety of motives to be explored. The result would be a more varied portrait of individual giving than is presently available from any single discipline, and would undoubtedly be of interest to practitioners and policymakers as well as scholars in the field.

Although I've tried to hone each of these suggestions to the special geographical and institutional resources available at

Duke, each also reflects an important area of research that has yet to be adequately explored. Regional comparisons would be extremely useful, not only to temper many of the standard assumptions based on Northern practices, but for the insights they would yield into patterns and trends in the nation's sunbelt cities. Because of their youth and recent vitality, as well as the changing scope of their needs, these cities may constitute a the new frontier of American philanthropy.

A more incisive survey of staff-trustee relationships would reveal a great deal about the internal operations of foundations, and would provide a necessary corrective to some of the interpretive lines currently developing in the field. And by exploring the mesh between foundation policymaking and broader social and political trends, it would help to place the study of philanthropy more fully within the mainstream of scholarly discourse and debate.

By the same token, an interdisciplinary survey of the scope and motivations of American giving would reveal a more subtle and complex portrait of American donors than we now have, and would build upon some of the excellent research already available. This in turn would help to refine our assumptions about the impact of new legislation, while at the same time linking the giving process to a broad variety of factors, and possibly a broader array of disciplines as well.

The underlying assumption in all of this is that more research is needed, whether conducted at CUNY or Duke or other

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locales, and that this research has important contributions to make in both scholarly and policymaking debates. Philanthropy is one of the nation's oldest and most enduring traditions. Work such as this will help to set this tradition more firmly within the context of our understanding of American social, economic and political concerns.

A SURVEY OF ISSUES IN ALTRUISM AND PHILANTHROPY

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Altruism continues to intrigue and mystify the economics profession. By altruism I mean acts where individuals give up time or money and receive nothing tangible in return. Examples include contributions to the Salvation Army, pushing people's cars out of snow banks, giving blood, and donating to the local public radio station. I will use the terms altruism and philanthropy to stand for any of these types of actions. Economists have two responses to altruism. One common reaction is to dismiss it as irrational and to not participate in altruistic activities as proof of economic acumen. The second reaction is to put something in the utility function that will result in altruistic acts.

The work on altruism has focused on the following questions:

1. What is the nature of the satisfaction that people receive from doing selfless acts?
2. How do individuals expect their altruism to affect the altruism of others?
3. How does private philanthropy respond to public assistance?
4. How does answering these questions help design public policy?

The first two remain the fundamental and unanswered questions of selfless behavior. It is necessary to understand the first two questions in order to answer and use the answers to deal with questions three and four. What I will do here is to critique some of the recent answers to these questions and suggest other places to look for help.

## A BRIEF SURVEY OF MODELS OF ALTRUISM

One of the simplest ways to model altruism goes back to Hochman and Rodgers (1969) and Becker (1974) where individuals have utility given by:

$$U = U(x, x_p) \quad (1)$$

where  $x$  is private consumption and  $x_p$  is the level of the public activity be it the consumption of the poor, the level of blood in the community, or the level of spending on

the local public radio station. I will refer to  $x_p$  as the public good, but it stands for any form of altruism or philanthropy. The essential feature of this model is that the individual cares only about the total level of the good,  $x_p$ . The altruism of others is a perfect substitute for my altruism. I am just as happy seeing someone else contribute as I am when I make the contribution myself.

This model is incomplete without an assumption about how individuals treat the actions of others, the second question posed above. One of the easiest assumptions is that when an individual is deciding how altruistic to be, he assumes that the altruistic actions of others are unaffected by his actions; he treats the altruism of others as fixed. This assumption by Warr (1982,1983), Roberts (1984,1985,1986, 1987), Bergstrom, Blume and Varian (1986) and others. It is also present in the work of Buchanan (1967) and Hochman and Rodgers (1977). The Cournot-Nash assumption does not imply that individuals do not respond to the behavior of others when the behavior changes; it says that when an individual is deciding how philanthropic to be, he assumes that the level of philanthropy of others is not going to change.

The Cournot-Nash assumption rules out two forms of interaction between altruists. It rules out the possibility that my altruism will discourage others from being altruistic because they see that someone else is now taking care of the problem. And it rules out the possibility that my altruism will encourage others to help even more because of a feeling of community or similar feelings. The main intuitive justification for the Cournot-Nash assumption is that when there are many altruists, I can assume that my activity will be so small as to go unnoticed by the others.<sup>1</sup>

There are a number of implications of the simple model of altruism embodied by (1) when the Cournot-Nash assumption is made. Individuals will act altruistically in the

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<sup>1</sup>This leaves unanswered the question of why it doesn't go unnoticed by me. Remember that my goal is to affect  $x_p$ . If my actions are so insignificant as to go unnoticed by others, how significant can their effect be on  $x_p$ .

absence of government, but the level of altruism will be too low, in the sense that altruists could be made better off with an increase in the level of the public good. Government provision financed by taxation of altruists making positive contribution both before and after taxation will crowd out private spending dollar-for-dollar (Warr (1982), Roberts (1984), Bergstrom, Blume, and Varian (1986)). That is, a one dollar increase in government spending on the poor, for example, will bring about a one dollar reduction in private charity to the poor, leaving the poor's income unchanged. This crowding out result depends on who is taxed. If the government spending is financed by taxes on people who do not contribute to the public good (free-riders) either before or after the taxation, then crowding out will not be dollar-for-dollar -- a dollar of government spending will reduce private spending by something less than a dollar.

It looks like if the tradeoff between public and private spending is dollar-for-dollar, then government spending has no effect. But this is not correct. It simply means that government spending will have no effect as long as private charity is positive. But if government spending is large enough, private charity will be zero. Once private charity is zero, the tradeoff will no longer be dollar-for-dollar, because there is no longer any private charity to reduce.

The empirical evidence for the magnitude of the tradeoff between public and private spending is mixed. It ranges from the negative finding in Schwartz (1966), to zero in Clotfelter (1985), to 30¢ in Abrams and Schmitz (1984). Other efforts that found a positive tradeoff but one less than dollar-for-dollar include Abrams and Schmitz (1978), Schwartz (1970) and Schiff (1985). The simplest interpretation of these numbers is that the burden of the taxation falls on non-contributors and therefore we would expect the tradeoff to be less than dollar-for-dollar.

An alternative explanation is that individuals care about something other than the total level of the good. The simplest model that allows for some private return for giving is to

assume that individuals get utility from the act of helping. So individuals utility functions are given by:

$$U_i = U(x, T_i, x_p) \quad (2)$$

where  $T_i$  is individual  $i$ 's contribution to the total amount of the public good. There are at least two ways to interpret  $T_i$ . The first is that  $T_i$  captures the good feelings we get from helping to contribute to the public good. The second is that there is a genuine private component to the public good.<sup>2</sup> Models with preferences as in (2) have been explored by Steinberg (1984), Andreoni (1985), and Schiff (1985) among others. If preferences are as in (2), then public spending and private spending are no longer perfect substitutes so that public spending need not crowd out private spending dollar-for-dollar.

A third explanation for the empirical evidence on crowding out is in Roberts (1984) which is that private spending and public spending are not perfect substitutes, but the imperfection is not of the same nature as the case when preferences are as in (2). Roberts (1984) argues that the tradeoff between public and private spending may have been dollar-for-dollar in the past, but the growth of public transfers to the poor with the Great Depression crowded out private charity to the poor completely, so that private charity to the poor became and remains virtually zero. Much of what is called charity by the Internal Revenue Service is not actually charity but entirely private consumption. In this explanation, the empirical work on charity is misspecified--the wrong variable is on the left-hand side. For example, since approximately 50% of charitable giving as it is usually defined is religious spending, it is not surprising that this spending is unaffected by government spending on Aid to Families with Dependent Children.

Not all of private philanthropy is private consumption. But at a minimum, private philanthropy is diverse. To aggregate religious spending with meals-on-wheels, and the endowment of a university chair makes it difficult to talk about "the" relationship between

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<sup>2</sup> An example would be the standard of living of the elderly. When I send money to my grandmother I enjoy the benefit from making my grandmother better off, but there is also the public component of helping the elderly, in general.

public assistance and private charity because neither public nor private aid is monolithic. More on this later.

There are other problems with the simple model of (1) besides the magnitude of crowding out. Another complaint is that a model like (1) with individuals making the Cournot-Nash assumption about the behavior of others should imply extensive free-riding. Yet we see large numbers of givers to many activities with public good characteristics. Examples include public radio, and Sugden's example of subscribers to the British lifeboat service.<sup>3</sup>

The existence of numerous givers suggests that something is wrong with the simple model of (1) combined with Cournot-Nash equilibrium. The essential feature of alternatives to (1) that explain many small givers is the introduction of some sort of private return. There are two simple ways to introduce a private return. The easiest way is just to put it in the utility function as in (2). The model in (2) does allow for many small givers, but the introduction of the private return by saying that there is a private return is ad hoc. There is nothing inherently wrong with this, but it would be more satisfying if it generated other predictions. Another way to explain many small givers is to stick with (1) but reject the Cournot-Nash assumption. Instead of assuming that individuals take the contributions of others as fixed, assume that individuals take this effect into account and perhaps are willing to take into account the effect of their gifts on the utility of others.

This last approach is both the least and most interesting area for research. At its simplest level it begs the question of the publicness of the good by assuming that individuals act ethically in deciding how to contribute to public goods. Not only is this ad hoc in the sense that it leads to no other predictions, but it is theoretically unsatisfying--

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<sup>3</sup> Margolis (1982) and Sugden (1982) also argue that the Cournot-Nash assumption implies ridiculously large income elasticities. One man's ridiculously large is another man's reasonable. They argue that the predicted elasticities are certainly much larger than any observed elasticities. But since the observed elasticities involve so much private consumption, I am more willing to indict Cournot-Nash on the numerousness of the givers.

morality or ethical behavior is the invisible private good that motivates behavior but is ignored in the theory except when convenient. Attempts to integrate the concept into a more rigorous analysis include Margolis (1982) and Sugden (1982, 1985). Mention should also be made of Nelson (1985), who takes the extreme but interesting view that charity is all motivated by a private return--it is an investment showing others that you are a reliable person for future interaction.

#### WHICH MODEL IS "RIGHT"?

In order to distinguish between these different approaches it is necessary to see what the implications of the models are and then go out and test them. One difficulty with making progress is that assumptions are frequently made about both the nature of preferences and the assumptions that individuals make about the behavior of others so that both propositions are being tested jointly. It is useful to try to hold as many factors constant as possible in order to test the implications of the others. One way to do this is experimentally. I know of no experimental evidence, for example, on the question of crowding out that imposes the utility function in (1) to see how individuals treat the behavior of others in deciding how much to give.<sup>4</sup> The other interesting experiment along these lines would be to introduce government in the experiment--impose taxes on the players in the experiment to finance government provision and see whether crowding out is dollar-for-dollar or not.

While such experimental evidence may be provocative, it is of uncertain value for it is unlikely that the experiment captures the relevant features of reality sufficiently to test the model. Some of these problems are listed in Kim and

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<sup>4</sup>Issac, McCue, and Plott (1985) for example, set up an experiment where the Cournot-Nash solution for each individual is zero giving. They were trying to test an extreme form of the free-riding hypothesis, that no one will contribute to the public good when the Cournot-Nash solution is zero giving. See Palfrey and Rosenthal (1985) for an experimental set-up where individuals are uncertain about the behavior of others.

Walker (1984) but they leave out the problem that is inherent in any experiment-- you never know whether the experiment induces people to spend more or less time and energy on the provision of public goods than they do in real life. In general, the payoffs in experiments are such that they generate less interest than a real life problem--I don't think that payoffs of \$20 or \$30 generate the concentration a person puts in when buying a new car for example. But in experiments on public goods, the payoffs may be too large--individuals may spend more time and energy on an experiment than they do when deciding to give to a public radio station.

The other way to isolate and test the implications of a single factor is through statistical analysis. I would recommend work of a different nature than most of what has been done so far. As mentioned above, most empirical work has focused on the issue of the crowding out of private spending by public spending by looking at the effect of welfare expenditures on private charity. This work usually implicitly assumes some sort of Cournot-Nash behavior. The alternative approach is to try to measure the nature of interdependence directly by using a measure of the spending of others (Feldstein and Clotfelter (1976) and Clotfelter (1985)).<sup>5</sup> The problem with these approaches is the problem mentioned earlier that the measure of public spending expected to crowd out private spending may be a very imperfect substitute for the private spending that is being reduced. This is true even when the data are disaggregated into the general categories of religion, education, the arts and health, though Schiff (1985) has some interesting results on the relative degrees of substitutability for different types of public and private spending.

The problem of measuring substitutability suggest narrowing the focus of empirical work. Roberts (1984) attempted to do this by looking at the interaction

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<sup>5</sup>It is disturbing that studies like Feldstein and Clotfelter (1976) find little evidence for the effect of the gifts of others. This may mean that the Cournot-Nash assumption is wrong. But it may instead mean that the goods being considered are purely private goods where the spending of others leaves my behavior unaffected. Schiff (1985) does find some evidence for a significant effect of the gifts of others.



between private and public spending before the Depression, thinking that the Great Depression was a period of an increase in public spending from zero, while private spending was all going to the poor. The problem is that only federal spending on the poor was zero before the Great Depression. There was significant state spending which in turn affected the composition of private spending.

I think it is better to look at a more finely disaggregated picture. For example I am currently looking at the beginnings of aid to husbandless mothers with children in Massachusetts at the turn of the century. What was the effect on private charities that collected monies to help orphaned children when Massachusetts funded a program for the same population? How did private charity for husbandless mothers change as the public program became more generous? Did it shrink or become eliminated?

I think that this disaggregation is also a fruitful way to look at modern data. How for example, do contributors to state schools respond to changes in state allocations? Do anonymous gifts respond differently than non-anonymous gifts? How does the proportion of gifts that are earmarked to specific funds (athletic scholarships, for example) or that have lasting name recognition such as having a building named after you, change as state spending changes? I think that this type of disaggregated work will be more valuable than another estimate of "the" price elasticity of charity.

One can overemphasize the importance of using perfect substitutes--changes in government spending will affect quantities that are imperfect substitutes as well. But the effects that are measured over one particular time period will not lead to accurate predictions of future changes unless the mix of substitutability is unchanged over time. This is why it is important to establish the perfect substitute case as a benchmark. Another reason to try to look at perfect substitutes is the one mentioned above, it allows to understand how individuals treat the altruism of others.

DISCUSSION



Why the obsession in the profession with measuring the tradeoff between public and private activity? First, measuring the tradeoff can provide information about the fundamental nature of preferences and the assumptions individuals are making about the affect of their altruism on others. These are the first two questions mentioned at the beginning of the paper. The above arguments suggest that to do this accurately, we must control for the nature of the goods being provided publicly and privately. If individuals gifts are affected by the gifts of others, then care must also be taken in treating individuals forced to corners to correctly control for income effects.<sup>6</sup>

Measuring the tradeoff between private charity and public assistance in various areas is also important for determining the role of public assistance. If the tradeoff is dollar-for-dollar, then a mix of public and private assistance may be inefficient. Designing an efficient mix requires an understanding of the resource costs of public and private assistance. Weisbrod and Dominguez (1985) look at the effect of expenditures by non-profits in generating contributions. If the output of these organizations is primarily public in nature as opposed to private consumption, then their estimates can tell us the social marginal product of the non-profit's expenditure on promotion.<sup>7</sup> This knowledge, combined with a measure of the resource costs of taxation and a measure of the tradeoff between public and private activity would allow the design of the efficient mix of public and private activity. It should be remembered that such design must be consistent with the political incentives. Government is not exogenous. At the same time that we are extending models of private behavior to explain private spending on public goods, we should also look to extend our knowledge of the behavior of the public sector.

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<sup>6</sup> Reece and Zieschang (1985) is an example of a very careful study of the decision to give to charity. They are exemplary, for example, in their care in treating the endogeneity of the tax price. I wish they had looked at a more disaggregated measure of private charity and been equally careful trying to measure the impact of the giving of others on individual giving.

<sup>7</sup> Again, it is important that the publicness be established by some measure other than intuition.

Simple models are attractive. Before we reject the models in (1) or (2) and the assumption that individuals treat the altruism of others as given, we need better evidence on charitable behavior that narrows the analysis to a disaggregated measure of selflessness. The goal should be to design the simplest models of behavior that explain the phenomena that are interesting from a behavioral and policy standpoint. Still, we may ultimately end up rejecting the simple models of (1) and (2) and the assumption that individuals treat the altruism of others as fixed because they are not rich enough to explain the interesting phenomena.

I am currently thinking about ways to allow for a private return to giving that incorporates social pressure but remains in the conventional utility maximization framework. The idea is related to Sugden's model of reciprocity (Sugden 1984). In Sugden's model, if individual  $i$  would like to see others give at least  $x$ , and others are indeed giving at least  $x$ , then individual  $i$  feels morally obligated to give at least  $x$ , himself. This is an assumption that tries to capture why individuals behave ethically. I am trying to generate this urge to act morally endogenously. The idea is that the forces that we call social pressure are not produced exogenously but are produced endogenously by individuals and institutions. Social pressure is itself a public good. But it is cheaper to produce than the public good itself. It is efficient to use private provision motivated by social pressure or guilt, when the costs are less than using public provision.

The above by itself is tautological and merely pushes back the mystery of "irrationality" back a step. The trick is to use a model that relies on the creation of social pressure to generate some testable implications. In the absence of social pressure, it is more appealing to steal large items than small ones. Similarly, it is more appealing to free ride on goods for which I get a great deal of consumer surplus. It is therefore efficient to induce larger amounts of guilt for stealing large items. But the marginal cost of creating social pressure is increasing. As the costs of using social pressure increase (because it is becoming increasingly expensive), we turn to public solutions. This crudely outlined

model predicts that the government will provide large ticket items while smaller items can be privately provided. It predicts that individual's willingness to contribute to public goods is positively related to their consumer surplus and their awareness of this surplus. Thus better informed individuals are more likely to contribute to charity just as people with rare blood types are more likely to give blood and people who listen exclusively to public radio are more likely to contribute to public radio.

The theory also predicts that private solutions to public good problems are for small ticket items--the gift of a pint of blood, the twenty minutes to push the car out of the snow bank, the \$25 check to the public radio station. These are expenditures to avoid feeling guilty about free-riding. They work as long as they are not too large. Few people race into burning buildings to help others or volunteer to sacrifice their lives in wartime. That is why some wars require mercenaries and all armies give medals for acts of heroism. These rewards encourage social behavior and honor those whose utility functions are slanted away from themselves and towards others.

No matter what the explanation of the forces that help overcome the free-rider problem, if there are indeed many small contributors to public goods, there is the possibility of using subsidies to private spending as a way of financing public goods. I have begun exploring the possibility of using subsidies in Roberts (1986,1987). Presumably, subsidies have been ignored because of the insurmountability of the free-rider problem. If social pressure, or reciprocity, or similar forces can partially overcome the free-riding problem, subsidies may be feasible tools for improving the efficiency of financing public goods. But efficient subsidies cannot be designed without knowing the nature of preferences and how individuals treat the altruism of others. That is another reason why the first two questions posed at the beginning of this paper are so important to answer.

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**Research on Philanthropy: Directions for the Future**

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## Research on Philanthropy: Directions for the Future

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### I. Introduction

Interest in philanthropic behavior has increased greatly, among economists and other social scientists, in recent years. Changes in the role of government as well as the recent tax reform have pushed the philanthropic sector to the fore of policy discussions. At the same time, economists have begun to view their standard theoretical models as inadequate for explaining and predicting philanthropic behavior.

Improvements in our theoretical understanding of philanthropy would, of course, enhance our ability to make accurate empirical estimates of key behavioral parameters and useful policy prescriptions. At the same time, new policy issues can help to point out unresolved or unexamined theoretical issues. Finally, research at either the theoretical or applied levels continually determine needs for new data.

In this paper, I discuss three theoretical issues about which relatively little is now known: (1) the interaction among donors; (2) the relationship between donations of money and time, and (3) the behavior of the recipient organization, or donee. I emphasize the limits placed on our ability to make useful policy recommendation by gaps in our understanding of these issues, and discuss implications for data needs.

## II. Interaction Among Donors

The difficulty of explaining philanthropic behavior within a standard economic framework has been discussed at length by, among others, Margolis (1982) and Sugden (1984). Models in which donors give only to finance production of public, or collective, goods beg the question of why individuals give at all--i.e. why they fail to free-ride--and lead to a number of untenable results. The problem involves the interaction of donors; any donation by an individual will, in these models, be virtually completely offset by reductions in giving by all others.

One can, however, imagine models in which giving by others increases giving by an individual, at least over a range of giving levels. Suppose, for instance, that giving generates a private good, "social status", as well as financing collective output, and that the status any donor receives is a function of his or her giving (perhaps as a percentage of income) relative to the average, or social norm. In this case, there are offsetting effects. To the extent that one gives to finance collective output, he or she will reduce giving as others give more. However, to the extent that one gives to attain status, donations will rise.

The actual impact of giving by others on donations by any one individual is an empirical matter, and the estimated effect would provide evidence regarding which models of philanthropic behavior are most useful. For instance, a positive relationship between giving by others and giving by an individual would cast much doubt on the simple "public good" model of giving.

The size and direction of the "interaction effect" would, in addition, have implications for policy analysis. For instance, once we note that interaction effects are likely, we can see that conventional use of estimated effects are likely, we can see that the conventional use of estimated price



and income elasticities to simulate the impact of tax policy changes on giving may be problematic. Those elasticities estimate an individual's response to a change in own income or price of giving, holding all else--including giving by others--constant. However, tax reform will affect all individuals' incomes and prices. Therefore, any individual donor would need to consider not only the tax-induced changes in own income and price, but also expected changes in giving by others, in calculating the optimal change in own giving. If, for instance, donors view own and others' contributions as close substitutes, then a tax change raising the price of giving for all donors would have a smaller--and potentially much smaller--impact on total giving than would be estimated using conventional elasticity estimates. Similarly, allowing for interactions among donors would affect our estimates of the extent to which government spending "crowds out" private giving.

Little research has been done on this subject due, perhaps, to the lack of appropriate data. Schiff (1985) estimates that the net effect of increased giving by others would lead an individual to reduce his or her donations--so that the free-rider effect dominates the "status" effect--and that this reduces the impact of tax law changes by about 10 percent. However, this estimate employs an extremely rough measure of giving by others--donations by all other itemizers in a donor's state of residence. The proper reference group for an individual donor could be either others in the community, an income group, a religious group, etc., and possible interactions are far more complex than such a simple proxy could convey.

It appears, then, that additional modelling of donor interactions, as well as enhanced data sources, are required to further investigate this issue. Perhaps more intensive data collection on a community-wide basis would allow us to separate out the influences of giving by one group--somehow defined--

on a variety of other groups. Some groups may compete for status, implying a positive relationship between donations, while other pairs of groups may attempt to free-ride off one another.

### III. Volunteering and Money Donations

With few exceptions, economic analyses of philanthropic behavior have assumed--at least implicitly--that contributions are made in the form of money.<sup>1</sup> However, volunteer time, or labor, is of approximately equal value to philanthropic organizations as donations of money.<sup>2</sup> In addition, there is reason to believe that volunteering responds to government tax and spending policies as does money contributions. Finally, the relationship between the two forms of donation can provide information about the motivation for giving, and aid in distinguishing between various models of philanthropy. For all these reasons, volunteer behavior is worthy of further study.

#### Why Volunteer?

The most basic issue to be addressed is why people volunteer and, in particular, why they volunteer rather than giving money. Even if one is satisfied with the "public goods" explanation of money donations, such a model is likely to be of limited relevance for contributions of time. If, in fact, money and time donations were simply alternative means of financing collective

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<sup>1</sup>Exceptions included Mueller (1975), Menchik and Weisbrod (1981, 1986) and Schiff (1984).

<sup>2</sup>In 1981, 45 billion dollars and 8 billion hours, with an estimated value of 64 billion dollars, were donated by individuals (Giving USA: 1982 Annual Report).

output, one would expect individual donors to give one form or another, depending on which was less costly. In addition, money and time donations would, in that case, be substitutes, while available evidence suggests that they are complements.

Several additional potential motives for volunteering have been advanced. First, it has been hypothesized that volunteering provides some private good, such as "status" or "reputation" in the community, as well as financing output (see Menchik and Weisbrod, 1981 and 1986). As noted, this may also be the case for money, but with multiple motives, it becomes easier to understand why both types of giving may go on at once since, for instance, volunteering may be more effective in producing status, while money donations provide the least costly method of financing collective output.

Second, it has been argued that volunteering allows for investment in human capital, increasing future wages (Menchik and Weisbrod, 1981, Schiff, 1984). Thus, the motivation for giving time may not be altruistic at all. Finally, volunteering may provide a means for learning about or exerting influence over an organization's activities or policies (Schiff, 1984).

There is some evidence to support each of these models of volunteering. As noted, estimates to date suggest that as the price of volunteering--proxied by an individual's net-of-tax wage--falls, individual will give both more money and time. This finding is consistent (or at least not inconsistent) with the information/influence explanation. As donors increase their volunteering, they learn more about an organization's activities, or are able to exert more influence over those activities, and so give more money as well. It is interesting to note that the complementary relationship between money donations and volunteering appears to be strongest for those volunteer

activities which would appear, a priori, to have the greatest potential for exercising influence.<sup>3</sup>

In addition, there is support for the "human capital" model of volunteering. For instance, volunteering appears to fall, ceteris paribus, with age, which would be predicted by such a model, as the present value of future wage increases, brought about by investment in skills, falls.<sup>4</sup> In addition, women expecting to enter the wage labor force in the near future have been found to be more likely to volunteer than those with no such intentions (see Mueller, 1975).

Finally, the public goods model of volunteering is supported by the fact that volunteering is apparently affected by government spending. However, it appears as though money and time donations often move in opposite directions as government spending is reduced.<sup>5</sup> Thus, what has been viewed as crowding-out of money donations may, at least in part, simply be a substitution of one form of giving for another.

These, and potentially other, models need to be developed more explicitly, and additional testable hypotheses should be derived. At present, however, data availability limits our ability to address the issues mentioned. In particular, survey data have not incorporated labor market information, such as

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<sup>3</sup>Schiff (1984) finds a cross-price elasticity of  $-.36$  in an aggregate time donations equation and  $-.86$  in a money donations equation. Those volunteer activities which appear most complementary with money donations are leadership and fundraising while, e.g., clerical and manual labor show no such complementary relationship.

<sup>4</sup>Schiff (1984) finds that volunteering falls with age, beyond age 33-40, for volunteer leadership and teaching, but not for other activities such as clerical and manual labor.

<sup>5</sup>For instance increases in cash transfers by government appear to crowd out donations of money, but encourage volunteering (Schiff, 1984).

wage rates, which would allow us to estimate a reliable price of volunteering.<sup>6</sup> In addition, the various models of volunteering have implications for the expected path of money and time donations over a donor's lifetime. An information model, for example, might predict that donors would first give time to an organization and then, upon gathering sufficient information, either switch to money donations or quit giving to that organization altogether. Surveys, then, which followed donors' behavior over time could prove extremely valuable.

### **Public Policy and Volunteering**

Our lack of understanding of volunteering, and its relationship to money donations, has limited our ability to make policy judgements. Take, again, the example of tax reform. First, changes in tax law will likely influence volunteering as well as money donations, and ignoring this effect may bias our judgements of the impact of tax reform on philanthropic organizations.

Volunteering may be influenced by tax reform in several ways. First, to the extent that marginal tax rates on earnings are reduced, the price of volunteering rises, and volunteering should fall. There is, in addition, a potential income effect. If tax reform affects the net income of an individual, it will influence volunteering, with the direction of the effect dependent on whether the "good" that is purchased by giving time is normal or inferior. Finally, a cross-price effect may be in operation. Tax reform, by increasing the price of giving money, may encourage or discourage volunteering depending on whether the forms of giving are substitutes or complements.

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<sup>6</sup>Menchik and Weisbrod (1981, 1986) and Schiff (1984) both use a wage variable constructed from information on taxable income, hours worked and non-wage income.

Research to date indicates that the rise in net wage may have a modest negative impact on volunteering although, as noted, we await better wage data. The cross-price effect may, however, be quite large, at least for some types of recipient organizations--increasing the price of giving money appears to reduce donations of money and time. Schiff (1984), for instance, estimates that a 10 percent rise in the price of money donations for all individuals will decrease hours volunteered by 3.6 percent, or approximately 300 million hours per year. To the extent that this is true, estimates which concentrate on money donations alone underestimate the impact of tax reform on the nonprofit sector.

Second, even if we were uninterested in the response of volunteering, we could not ignore the consumer's choice between forms of donations since the price of volunteering (net wage) should enter an equation explaining money donations. By omitting such a variable, our elasticity estimates for money donations may be biased.

#### IV. The Behavior of Philanthropic Organizations

In order to understand how the market for philanthropy operates, one must understand the behavior not just of donors, but of the recipient organizations themselves. In models of charitable giving, philanthropic organizations are generally viewed--at least implicitly--as passive, simply accepting all donations of money and time that come their way. In reality, however, organizations pursue donations via solicitations. In addition, the acceptance of donations of volunteer labor may entail training and supervision costs to the charity, and even contributions of money may impose costs on the organization by constraining its activities, if contributions are made for

specific purposes. That is, there is both a demand for and a supply of donations.

Unfortunately, relatively little is known about the behavior of philanthropic organizations, either in general or as it specifically relates to the demand for donations of various forms. There is little agreement on the objectives of philanthropic organizations or on the proper modelling of the constraints such organizations face.

Some analyses, for instance, treat philanthropies as "for-profits in disguise" that attempt to maximize their own consumption, subject to the constraint that profits cannot be directly distributed to owners.\* This view leads us to predict, for instance, that nonprofits are inefficient since nonprofit managers maximize discretionary spending on thick carpets, overly large staffs and other perquisites. Others have viewed philanthropies as concerned with maximizing output quantity, quality, or some combination of the two.\* These models would have quite different implications for the behavior and, in particular the efficiency, of philanthropic organizations. Still others have criticized attempts at capturing the diverse objectives of such an organization in a simple objective function.

Little attention has been directed to philanthropy as an industry, with competing organizations. The models alluded to above have generally taken the charity as operating in isolation, failing to consider whether the behavior predicted could persist in the long run. There may be forces at work analogous to those that limit competitive firms to zero profits in the long run, perhaps limiting the extent of potential inefficiency. In addition, competition between

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<sup>7</sup>This view is at least implicit in the property rights literature, e.g. Alchain and Demsetz (1972).

<sup>8</sup>Newhouse (1971), e.g., models nonprofit hospitals as maximizing utility defined over the quantity and quality of output provided.



organizations with different objectives--for instance, for-profits in disguise and output-maximizers--may lead to the dominance of a particular type of organization. Analysis of competition among charities, then, could well limit the number of plausible objective functions.\*

In addition, philanthropic organizations operate in a market characterized by massive consumer (donor) uncertainty. Donors generally have very imperfect information about the marginal impact of their contributions on the quantity and quality of services provided. Yet, little is known about how organizations behave with respect to their informational advantage. Would we, for instance, expect nonprofits to cheat donors? And how is donor behavior itself affected by the high cost of acquiring information.\*

### **Public Policy and Philanthropic Organizations**

By treating philanthropies as essentially passive, we may again receive a distorted picture of the impact of government policies on the charitable sector. Tax reform, for instance, may lead philanthropies to increase their spending on solicitations, thereby raising contributions above expected levels. However, only the increase in contributions net of solicitation expenses would be available for philanthropic output.\*

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<sup>9</sup>Schiff (1986) examines this issue within the context of a model of perfect competition among nonprofit organizations. One might wish to extend this to allow for quality differences in output, oligopolistic behavior, etc.

<sup>10</sup>Weisbrod and Schlesinger (1986) examine empirically the behavior of for-profit and nonprofit nursing homes and, in particular, the extent of cheating by each type of organization.

<sup>11</sup>Following the first round of Reagan budget cuts, which implied drastic losses in revenue for many philanthropic organizations, solicitation expenditures rose by approximately one-third. (see New York Times, February 15, 1982, p. 45. "Charity Appeals Sharply on the Rise".)



In addition, philanthropies may respond to reduced donations or cuts in support from government by searching for other sources of revenue. They may, for instance, turn to sales of private output or increased use of user fees. Finally, it is plausible that, facing cuts in revenue, nonprofits would begin to operate more efficiently. Which, if any, of these response we would predict depend, of course, on our model of organization behavior. To the extent that such responses are possible, however, the impact of tax reform would be less severe than otherwise.

This suggests that additional data on the behavior of nonprofit organizations would be quite useful both in testing hypotheses regarding their objectives and in estimating the effects of government policies. While IRS tax return data are available, there is not sufficient detail on the activities and revenue sources of the organizations to address many of the issues alluded to above.

## **V. Conclusion**

I have briefly examined three issues into which further research could prove useful, and have attempted to show how increased understanding of these issues would enhance our ability to make policy statements. I have argued that recent estimates of the impact of tax reform on the philanthropic sector, while certainly useful, are incomplete. The inclusion of interaction effects among donors, it is argued, would likely reduce our estimated impact of tax changes on money donations. On the other hand, volunteering will likely fall, exacerbating the impact on the philanthropic sector. Finally, responses by the organizations themselves may lessen tax reform's impact. Unfortunately, little

is known about the magnitude of these effects and, in fact, their directions are far from certain.

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Discussion paper for Durham mtg:

NOTES ON CHARITY RESEARCH

These notes will give some arguments about what role formal theory might play; and then sketch some concrete examples.

Unavoidably, I have in mind the theory in my own book.

(Selfishness, Altruism & Rationality: Camb. Univ. Press, 1982;

Univ. of Chicago Press, 1984). But at least some of the

argument would apply to theory in general. Appended are an

article summarizing the theory, and a couple of pages from SA&R

sketching an account of the evolution of social spending. At

the conclusion, I will also draw a little on my new book.

(Patterns of Thinking & Cognition, Univ. of Chicago Press: in

press).

1. What is the use of theory? Aside from the usual sort of answers that could be given if the question were about evolution or physics or whatever, there is (I would argue: a qualification I won't repeat, but which applies to nearly all of what follows) a special role here for a theory that might help bridge the real chasm that separates scholars committed to an essentially individualistic, rational-actor account of charitable behavior (usually economists, of course) vs. scholars committed to essentially social accounts (usually sociologists, of course). At a meeting of the sort we will be holding at Durham, both

sides would ordinarily tend to be much too polite to overtly reveal the extent of the chasm. But unless my experience has been completely misleading, they scarcely communicate at all. When a session ends, and the sociologists have a moment to chat with a fellow sociologists, or the economists with a fellow economist, blunt words are likely to be heard. A theory like the one in SA&R may turn out to be a bridge only in the sense that both sides can join in jumping on it. But in the prevailing state of things even that might be progress. Further, as Pareto remarked somewhere, an interesting theory, even if wrong, is almost always more fruitful than a boring fact. A theory that is deeply entrenched can eventually end its days as an impediment to new ideas, instead of a facilitator of new ideas; but a theory so new that even its author does not feel completely confident, and that hardly anyone else feels confident about at all, does not involve ~~that~~ risk.

2. How might a theory like that of SA&R serve as a bridge? The most important point is that it does not encourage, but rather might facilitate an escape from, a figure/ground polarization that otherwise easily occurs. Economists and sociologists can agree that in principle both social norms and self-interest have some effect on charitable behavior. But what the sociologists typically see as the figure is the role of social norms, with self-interest in the background; and for economists this dichotomy is reversed. But in terms of SA&R, it is hard to fall into that pattern, since the mathematical structure that is at the core of the theory intrinsically

involves tradeoffs between (what often amounts to) obeying social norms and pursuing self-interest.

In terms of the formalism, the question of whether or not a piece of charitable behavior is "really" self-interested or socially motivated is like asking whether a market price "really" reflects the supply or the demand: intrinsically, on the theory, it is compounded from both. On the other hand, a particular source of annoyance to economists is often the failure of non-economists to reach a reasonable grasp of the logic of rational choice, which economists (correctly in my view) see as the most fruitful intellectual tool we have for analyzing behavior that involves interaction between human beings with competing interests, different perspectives, and so on. On the other hand, a disincentive to non-economists to trying to master the rational-choice perspective is that it can seem quite pointless and even pernicious to try to master a mode of analysis that seems to have built into it intellectual commitments (to atomistic analysis) which a sociologist can easily see as a fundamentally unsound. But SA&R shows that such commitments are not intrinsically built into the rational-choice analysis, since here social as well as private motivation is intrinsic.

(Will a theory that straddles the economic and social views in fact have any content? Or is such a theory just an "anything can happen" theory (or "let me know what happened and my theory will explain it" sort of hand-waving"? No: whatever other flaws the theory exhibits, it is a testable, and even an already-tested theory. For the book discusses several cases in

which reasonably clearcut falsification could have occurred, but in which it turns out the theory comes off looking fine. See, e.g., the discussions of demand-revealing: 71-73; or of Fiorina & Plott's social choice experiments: 114-20.)

4. What are some questions that might be researched that connect with the specific concerns of this meeting? The most promising single area seems to me to be linked to the new tax laws now going into effect. An extraordinary amount of quantitative data is going to become available, involving choices by real people, facing real incentives, which can be compared across a fairly drastic shift in regimes with respect to (among other things) the cost, net of taxes, of charitable deductions. We have a natural experiment of a rare sort; and while careful work with people who know that system (academics, tax practitioners, former and present officials of IRS) is required to define particularly promising projects, there are certainly extraordinary opportunities here, where various theories of charitable behavior would lead to quite different inferences about how taxpayers will respond to the new code. I would hope that a major effort will be made at the conferences to think of ways to exploit this opportunity.

Note that although the data will be around for decades (so not undertaking a project soon does not foreclose gleaning something from this natural experiment), there are two important reasons for moving promptly: 1. The results--especially the results that bear on what sort of theory proves fruitful in

framing, discussing, interpreting other research less amenable to strong quantitative tests; 2. There may still be some opportunity to have a voice in what sort of data is being gathered, in what form, by IRS and others. For as everyone with data experience will understand, it is remarkably easy for valuable data that are in principle easily compiled to be lost (for example by premature aggregation) because no one foresaw in time how they would be useful.

5. Finally, I want to say a bit about the cognitive issues discussed by writers like Richard Thaler and Kahneman & Tversky. In SA&R, I followed the usual practice within rational-choice theory of assuming that people could be treated "as if" they had well-defined utility functions, and could carry out whatever optimizing routines were required to get from preferences plus information about the world to choices. Until recently, we (meaning just about everybody using rational-choice models) tended to assume that this was not some act of desperation, but a perfectly defensible procedure, since although the assumptions were certainly false, one could give various plausible reasons for supposing that on the whole, real behavior would be well-approximated by such models (along the lines of Milton Friedman's billiard-player argument: the player performs "as if" he understood and was explicitly applying trigonometric theorems, though that is not at all what is happening.)

But in recent years, a fair number of people have begun to take the cognitive arguments much more seriously and to see important, non-ignorable, departures from classical rational-choice results tied to framing effects, habits of mind, and so



on. My own new book is one of many pieces of research following this line, and it leads me to both a personal interest in trying to integrate the cognitive and rational-choice strands within my own work, and also to the less indiosyncratic conviction that such efforts by many people are going to be a major development in social science over the next decade. In contrast to the work suggested in (4), I can't think of any reason why research on charity should have some special interest, or provide some specially fruitful opportunity for pursuing this trend. But there are certainly interesting research issues that could be very well-pursued in that context; AND given the promise of this cognitive trend, a research program that proceeds without alertness to it can be expected to do markedly less well than it could be doing. Some examples of issues sensitive to cognitive effects would be: (a) agenda formation--what governs the sense of priorities that guide administrators in foundations and government, legislators, the press? (b) why is it often so hard to make readjustments of resource allocations which almost everyone individually sees as sensible, but which as collective bodies we often found ourselves bypassing? These two examples could be extended yield a family of topics on which anyone with even a modest amount of experience is likely to be aware of substantial departures from any non-tautological interpretation of rational choice.

Not long ago someone asked me after a philanthropy seminar (of fund-raising professionals) what one should read to pursue an interest in the subject. I was stumped. What one reads next depends on what one has already read. And we have all read many things about philanthropy, albeit without realizing we were doing so (Dickens's A Christmas Carol comes first to mind).

Even so, I've fretted over the question ever since. The obvious things are there, at least for me: Robert Bremner's American Philanthropy (University of Chicago Press, 1960; a new edition is in preparation); James Douglas's Why Charity? (Sage Publications, 1984); the several works of Merle Curti and his colleagues (including Curti's essay in The Dictionary of the History of Ideas).

But the movement of ideas means that topics and themes of little interest to one generation may become compellingly important to another. Philanthropy has emerged from a place of relative obscurity to one of increasing respectability as well as current interest. The next decade will see a substantial increase in research in philanthropy -- in its most obvious manifestations of voluntary giving and voluntary service, but also in deeper study of the role of voluntary association in shaping the national agenda.

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The research needs are at least as great conceptually as they are empirically. Analysis of the ideas and methods of philanthropy lags well behind empirical research at this stage. Even while the millions of participants in philanthropic practice do their work through hundreds of thousands of organizations, others are beginning to examine the assumptions on which the system rests.

We are beginning to see evidence of comparative studies as well. The European traditions from which we borrowed our own practice are in the process of being rediscovered at home. The Japanese have recently become more interested in their own philanthropic practices and traditions, and in this area, as in most others, will quickly become important actors. Philanthropic funds from the Middle East have brought political controversy with them; recent controversies over politically oriented centers at Stanford and Georgetown indicate how complicated it is to shelter diverse philanthropic agenda on a campus.

Comparative studies prompt us to look at the diverse religious origins of charity and philanthropy, and to ask about the place of these activities in the ideologies of secular states. I have been cautioned recently for making too much of the American tradition of philanthropy and not

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giving significant recognition to philanthropic traditions in other societies. To consider philanthropy a virtue (as I do) is assumed to imply criticism of those who don't practice it as we do. Defensiveness about other peoples' philanthropy is usually voiced in behalf of Third World nations and cultures. More careful ethnic studies would reveal patterns of philanthropic behavior in these cultures that would cause us to be more modest in our claims. I have observed the extraordinary hospitality of Africans toward strangers, for example, and the one-way transfers that take place among extended families and tribes, and there is obviously something at work in those societies akin to what we call philanthropy.

Having said that, and attended carefully to the criticism, it is time we put some substance into the argument. I don't think much is known about philanthropy on a comparative or cross-cultural basis, and we should begin to pull together what we do know and start filling in the gaps in our knowledge.

One place to begin -- I keep telling my friends at NYU, City University, and Columbia -- is right here in the New York metropolitan area. There is as much ethnic diversity within 25 miles of my office as one could find in any thousand-mile radius elsewhere, yet so far as I know there are no doctoral students out there conducting surveys and interviews and gathering material.

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The new interest in philanthropy is encouraging because it ranges so widely. The recent competition sponsored by the Association of American Colleges invited model undergraduate courses in philanthropy. Fifty-one entries were received from widely contrasting institutions -- and from almost a dozen disciplines. There are at least two major bibliographical projects under way, and Independent Sector's publications gather empirical resources in convenient format and put scholars in touch with one another's work. Conferences of scholars in the humanities and social sciences have been held at the American Academy of Arts and Sciences, and in New York under the sponsorship of the Center for American Culture Studies at Columbia and the Social Philosophy and Policy Center of Bowling Green State University. (The Bowling Green Center is a success story worth careful study by others interested in interdisciplinary centers in the humanities and social sciences.)

People can't teach without materials, and scholars are producing those materials in increasing volume. Even so, one of the notorious controversies in American philanthropy -- the John D. Rockefeller gift that prompted the famous "tainted money" article by Washington Gladden -- isn't conveniently available and hasn't been widely discussed among those of us most closely involved in analogous problems. Parallel to Brian O'Connell's celebratory

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anthology (America's Voluntary Spirit) should be a collection of essays that reveal the deep-seated controversies of our field: tainted money is one; factionalism is another; desert, a third.

My personal, always-too-ambitious agenda includes a collection of the critiques of philanthropy. (I become a bit diffident about announcing these plans; for one thing, I often fail to complete all the things I set out to do; for another, I find that others sometimes glean my harvest without acknowledging the source. Please tell me when you think I may be guilty of that.)

Philanthropy is an amorphous subject (or group of subjects). The University Seminar on Philanthropy at Columbia has been able to pursue its work for four years without agreeing upon a satisfactory definition of terms. There is also no agreed-upon taxonomy, no body of theory to be tested.

Yet because philanthropy exists -- there really is something out there -- one can only conclude that the next few years will be years of improved understanding.

I find that I can best think about the future of research in philanthropy by thinking about ideas discovered beyond the imprecise realm of the subject as it is usually identified. I am greatly impressed by the diversity of

work that is germane to the study of philanthropy that has been written with other purposes in mind. Occasionally someone writes a book that reaches a wide audience -- Wally Nielsen's best-seller The Golden Donors, Robert Bellah and associates' Habits of the Heart. Other things come along that seem to catch the interest of a scattered collection of us. As a lifelong believer in the idea of general education -- education that draws students to some common texts or ideas -- I think it is useful that we be alert to insights that appear in other fields so that we might begin to build a body of literature shared by those who study in this field.

Some of the things I have read recently or have scanned and plan to read more carefully in the immediate future indicate -- to me, at least -- the wonderful range of possibilities:

- o Robert H. Walker's Reform in America (University Press of Kentucky, 1984) prompts me to look much more carefully at the interaction of philanthropy and reform in American life. Walker traces the idea of reform across areas as diverse as banking and finance, abolition and civil rights, and utopian communities. He proposes a taxonomy of reform that may be helpful in constructing a taxonomy of philanthropy.
- o Franklin I. Gamwell's Beyond Preference

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- (University of Chicago Press, 1984) is a bold effort to find a secure base for voluntary association. Gamwell examines the work of economist Milton Friedman and philosophers Alan Gewirth, John Dewey, Alfred North Whitehead, and Charles Hartshorne in the course of offering his own conceptual framework. Gamwell wants to base his own theory on a defensible metaphysics.
- o Robert E. Goodin's Protecting the Vulnerable (University of Chicago Press, 1985) examines our moral duties and the mechanisms we develop to meet them.
  - o Lawrence C. Becker's Reciprocity (Routledge and Kegan Paul, 1986) offers a study of reciprocity as a fundamental moral virtue.
  - o Amartya Sen's Poverty and Famines: An Essay on Entitlement and Deprivation (Oxford University Press, 1981) includes a chapter on "the Ethiopian famine" -- the famine of 1972-74, however, not the famine of 1984-85. (The Columbia Seminar has devoted a year and a half to consideration of the response to the recent famine as an informal case study of philanthropy in action.)
  - o A Polish scholar at the University of Warsaw, Stanislaw Ehrlich, has written Pluralism On and Off Course (Pergamon Press, 1982), a rare opportunity



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(for me) to look at an eastern European perspective.

- o The sociologist Donald N. Levine of the University of Chicago, an authority on Georg Simmel, has written The Flight From Ambiguity: Essays in Social and Cultural Theory (University of Chicago Press, 1985). I found it helpful in many ways -- thinking about "strangerhood," for example.
- o Michael Ignatieff, in The Needs of Strangers (Viking 1985), writes with occasional elegance and sharp insight about the thorny idea of desert and the "complex human emotion" of pity, "mingling compassion and contempt," and draws from King Lear, Augustine, Pascal, and Adam Smith, among others.
- o Dante Germino's Political Philosophy and the Open Society (Louisiana State University Press, 1982) departs from the work of Eric Voegelin. Germino's discussion of the idea of metaxy ("the between" the human and divine) offers a tantalizing insight into the realm of the philanthropic.

I find that I need to go back to some other things. I want to read much more deeply in and about Aristotle, the Stoics, Thomas Aquinas, Jeremy Bentham, and Henry Sidgwick. I continue to remain hopeful that someone will compile an anthology or guide to philanthropy in

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literature. Beyond Norris Pope Jr.'s Dickens and Charity (Columbia University Press, 1978), I know of no guides to the work of authors who have shaped public attitudes toward charity and philanthropy. Is there a comparable study of Balzac, for example? Of Jane Austen? Of Kurt Vonnegut and other contemporary writers?

There is talk of a conference-cum-book on the religious origins of philanthropy that would help all of us find our way in traditions unfamiliar to us. I have yet to find a collection of essays that would introduce me to the basic writings or other manifestations of tradition on which non-western religions and cultures have developed their philanthropic practices and values. That should be a piece of cake for anthropologists and other students of comparative religion (my perennial nominee is Clifford Geertz, whose field experience ranges across Islam from Indonesia to Morocco).

I am also hopeful of finding (for example, in the recent writings of Jon Elster for Cambridge University Press) an insight into what Marxists think about philanthropy (if they were ever take it seriously and not simply repeat cliches).

Finally -- although that is merely a phrase indicating that I am about to end this piece, not that I'm going to shorten my reading list -- I would like to understand the link between philanthropy and personality. Could one find

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common personality traits among people engaged in philanthropic work? How would the personality traits differ between those, say, who work as grantmakers in foundations and those who work abroad in relief agencies? Do the volunteers brought together by the independent sector share characteristics of behavior as well as values? How does personality affect career patterns? Relationships among professionals and volunteers? And so on.

For the new inquirer into philanthropy, then, I would draw from an insight into academic learning:

In Human Beings, the British psychologist Liam Hudson told of discovering that successful students in the humanities varied quite widely in their I.Q. scores. They also differed in their work habits and in the range of their reading. "The inter-correlations between these three variables were, effectively, nil.

I noticed, though, that among the most successful each student was either high in I.Q., or very widely read, or exceptionally hard-working....Only if he lacked all three of these qualities was a student in academic difficulties....

Most of us have at least one of these academic virtues going for us. We think we know where we want to go. All we need now is a map.

## HUMANISTIC PERSPECTIVES

In this paper I will do two things: First, I will sketch a taxonomy of topics related to philanthropy and voluntarism that scholars in the humanities might appropriately address. I will also show that while the taxonomy may offer a helpful classification, an adequate treatment of a topic under one heading may well have implications for the treatment of topics under the other headings. Second, I will focus on one central concept to give an example of the questions that might be raised by scholars from the humanities.

Before beginning I want to make some brief remarks about the humanities. Typically they are taken to include the fields of history, literary studies, philosophy, religion, art history, music history, and a number of other disciplines. In addition many components of fields in the social and even the natural sciences bear a close relation to what goes on in the humanities, so the boundaries of the humanities are not well-defined.

Some characterize the humanities in terms of a concern with values and meaning. This helps, but these concepts themselves are in need of clarification. One feature worth noting in the present context is that a number of scholars in the humanities have, in recent years, been concerned with identifying the various perspectives that one might adopt in examining some problems. This self-consciousness about alternative perspectives can sometimes inhibit work in a field, but it also can be vital if we are to understand our own prejudices and implicit assumptions. Getting clear about these can be of great value if we want to make the sort of progress that will allow us to reach consensus on important issues and policies.

I. A Taxonomy of Topics. From the standpoint of the humanities it seems best to classify topics concerning philanthropy and voluntarism into three categories: conceptual, historical, and normative or moral.

A. Conceptual topics.

The principal aim of work in this area is to offer something like definitions or explications of a number of important terms. Among these are "philanthropy," "charity," "self-interest," "selfishness," "benevolence," "voluntary," "voluntarism," "private," "public," "independent," "altruism," "community," "individualism," "responsibility," "friendship," "morality," "religion," "value," and "motivation."

The purposes of this sort of basic conceptual clarification are obvious but no less important for that reason. We need to know what we mean to say anything very helpful and we need to know what others mean in order to be able to communicate with them. We may discover that the fact that different people hold different views about the proper policies to adopt with respect to philanthropy is in part a result of the fact that, unbeknownst to them, they mean different things by some of the important terms used in the discussion. Some of this is understandable, given the various interests, e.g., economic, political, moral, that those who are concerned with philanthropy bring with them. These interests may lead different people to emphasize different aspects of philanthropy.

While the conceptual task may seem formidable, in fact a number of scholars who have no special interest in philanthropy and voluntarism have already done important work on some of these concepts that can be drawn upon by scholars working on philanthropy.

There is another sort of conceptual issue that should be recognized. This concerns the relation between concepts. One scholar may offer analyses of the concepts "democracy" and "philanthropy" from which it follows that philanthropy is a necessary feature of a democratic society. Another scholar may offer alternative analyses of these concepts from which it follows that in a democracy philanthropy is at best a necessary evil, tolerable only because no society has yet become truly democratic. Clearly, then, the way we assign meaning to basic terms is much more than a matter of stipulating a meaning in order to facilitate discussion.

B. Historical Topics.

What we do and think is influenced by how we have come to be where we are. But this doesn't mean we are merely products of our personal or communal past. Rather an awareness of where we have come from and even of our current situation can enable to get free from traps that we might otherwise not notice. A significant amount of historical research already has been undertaken into the development of charitable and philanthropic practices and institutions. Some of this work has helped us to understand the difference between, for example, Jewish and Christian views of charity on the one hand and the classical notion of civic virtue on the other. Recent studies of the development of foundations and their role in 20th-century America will be of great value as we attempt to determine formal and informal policies to guide their activities in years to come.

Yet historical research does not go on in a vacuum. Clearly what one means by "the history of philanthropy" will depend in part upon what one means by the term "philanthropy." Thus in a sense conceptual issues precede

historical ones. Yet the relation here is not merely in one direction; historical studies can throw light on what terms mean. For example, we may conclude on the basis of historical research that what we now call "philanthropy" may have developed from two or more quite different roots. This poses a challenge to us: We can hope to present a single analysis of philanthropy that shows some common element in our current practices in spite of their diverse histories, or we may conclude that our current term "philanthropy" is in a deep sense ambiguous because it is applied to phenomena that are fundamentally distinct.

One final point: If we come to realize the sources of our present practices we can be in a good position to see if our current problems are merely minor technical impediments to the successful working of our current array of philanthropic institutions and practices, or if they are a reflection of a deep divergence of present activities from the roots that give them meaning and significance. Robert Payton has presented a challenging argument to the effect that we have moved away from the original impulses that gave rise to philanthropy and as a result we are running a grave risk of destroying a vital element of our society. Yet here there is a problem. Looking at the past may tell us we're in danger of going off the rails, but it doesn't give us a clear path to follow. Payton and others argue that we need to reinvigorate the religious core in our philanthropic life. Yet merely because charity may have begun in religion it doesn't follow that reinvigoration requires a return to religion; in part because religion no longer plays the same role that it did in the past. To say, as Payton does, that "the habit of philanthropy seems to be best acquired in a social ethos that encourages attention to matters of ultimate concern--to religious values" is to use the term "religious" so broadly that all almost human beings, even atheists, are

religious. It then becomes a serious question what relation this sense of "religious" has to the sense of "religious" used when one talks about the historical development of charity as occurring in part in a religious context. The point is that in learning from history we must be aware that institutions and practices, including linguistic practices, change and that the lessons gained from the past are hard-won.

### C. Normative or Moral Issues

In an important sense, both conceptual and historical studies are prolegomena to the examination of moral issues, of which there are many. I have tried to select some of the more pressing ones.

#### 1. Community.

Recently there has been a call for a renewal of community. There is a feeling that we must find ways to react against the individualism characteristic of the United States in recent times--an individualism that places less emphasis on self-reliance than did earlier American individualism and more on self-satisfaction or even self-indulgence. The observation by de Tocqueville concerning Americans' proclivity to form private associations is often cited as evidence that the American tradition is as much oriented to the community as to the individual, and some believe that a reinvigoration of this part of our tradition would provide two benefits: It would help to meet the needs of those who are suffering, especially those whose suffering has been exacerbated by the reduction in support for governmental programs, and it would offer to those who contribute money and time a fulfillment that can be obtained in no other way.



However community is not an unmixed blessing. Joining an association can mean reaching out to share the concerns of others, but it can also mean setting up barriers between one group and another. For example, contributions to some political groups, to terrorist organizations, and to groups committed to doctrines of social or racial superiority can be seen as promoting hate and divisiveness while at the same time encouraging community.

## 2. The State and Private Philanthropy

Many issues arise here. Perhaps a central one is the claim that whatever goals private philanthropy seeks to achieve, to the extent that these goals are really important, the state, with its vaster resources and its responsiveness to the will of the people, should be the body that works to meet them. The argument sometimes continues that private philanthropy provides an excuse for government to avoid facing its responsibilities.

One response is to argue that governments, because of their bureaucratic sluggishness and their vulnerability to pressures of the moment, are often unable to support either unpopular causes (including those that criticize the government) or innovative programs. Whatever the merits of this argument, and it is important to develop and to assess it, it is vital to separate this argument based on efficiency from one that defends a system of private philanthropy on the grounds that the activities of giving money and volunteering time have a salutary impact on the fabric of society even if the government could in fact meet all pressing needs.

## 3. Results, Motives, and the Moral Character of our Society

This topic provides a clear illustration of the link between conceptual matters and moral matters. To take one example. Some authors say

that we should view funds supplied to religious organizations by their members as philanthropic contributions in the same sense that funds supplied by private individuals to a non-religious famine relief organization are philanthropic contributions. Both, it is claimed, are examples of the generous spirit of Americans engaging in voluntary philanthropic activity. Yet others argue that at least a part, and perhaps a large part, of the amount contributed to religious organizations by members should be viewed as in effect union or membership dues; in order to belong one must pay.

Similarly, there are those who claim that giving funds to an art museum is an example of philanthropy. Yet as the Rohatyns have suggested recently, there is something misleading or worse about applying the term "philanthropic" to those whose contribution takes the form of paying for admission to a fancy party at a fancy house in order to meet fancy people.

In a similar vein one can praise our system of private philanthropy for providing an opportunity for individuals to translate their concern for others into action, but worry about the fact fund-raising has become such a high-pressure, sophisticated big business that people are led to give by an amalgam of pressure, flattery, cajoling, and implicit appeals to self-interest that it is hard to tell whether a contributor can take much pride in the fact of contributing.

This dispute about what count as as philanthropic activity is more than a dispute about a name. Since presumably both parties believe philanthropy is a good thing, a disagreement about what to count as philanthropy is really a disagreement about how we should view ourselves from a moral point of view.

Of course there are good practical reasons why it is natural to measure philanthropic activity in the terms of dollars received by the

organizations in question and the number of hours devoted to volunteer work. After all if we can quantify, we can measure "progress" or lack of it. It is very difficult, on the other hand, to measure motivation.

The fundamental point is that differences in definitions of what counts as philanthropy often have deep implications for how we view ourselves and our actions and our virtues. Perhaps it is correct to measure the generosity of Americans by looking at numbers, but to assume this is so without question is to adopt uncritically a utilitarian view in which results are the main thing. Yet there is another moral tradition, as much a part of our heritage as the utilitarian or result-oriented tradition, that views moral worth in terms of our motives and reasons. To neglect that dimension of our culture is to threaten one of the elements, some would say the central element, in our ability to take philanthropy as an indication of the moral health of our society.

A similar set of observations holds true for the term "voluntarism." Recently Supreme Court Justice Antonin Scalia raised the question of what makes a confession voluntary. He noted that often a confession is made because of pressure, perhaps not from police officers, but from a spouse, a family member, or a friend, and asks us if such a confession is truly voluntary. In the same way it can be asked what makes a contribution voluntary. Mere absence of legal compulsion cannot be the whole story. Yet some claim that any transaction neither required by law nor merely a business exchange is voluntary, and then go on to tell us that the large amount of voluntary activity (or the decline in voluntary activity) is a measure of our moral character.

Please note that I am not claiming that very few people are motivated by charitable intentions. I'm sure many are. It is rather that

we delude ourselves if we think that only measurable factors are relevant to an appreciation of the place of philanthropy in our society.

Clearly the questions here are difficult, but one point to keep in mind is that an ever-increasing effort to increase the amount given by individuals and foundations runs the risk not only of public cynicism and punitive governmental action, but of eroding the very quality of human concern for others that gives the philanthropy its unique identity. Of course those who are devoted to meeting current needs may consider this point precious at the least, and perhaps even an excuse for selfishness, but those who hope to understand philanthropy cannot accept without reflection a view that refuses to come to grips with the significance of the system we have developed.

## II. An Illustration

I want now to give a brief example of how one might approach one of the central topics being discussed currently: the perception that, as James M. Buchanan, recent winner of the Nobel Memorial Prize in Economic Science put it, the "observed behavior" of the modern American is "excessively self-interested," and that this endangers the community. This is a common cry and one that must be taken seriously. But it raises a number of preliminary questions.

First, what is the opposite (if there is a single opposite) of self-interest? Intuitively one might say concern for others. This raises question of what it is to have concern for others. Does it involve or even require treating their interests as of equal weight to one's own? And whatever weight one gives them, how should we determine those interests? Should we, for example, act so as to further the goals they have, thus respecting their

values, or act so as to further their good as we see it, thus adopting a point of view that some call paternalistic?

Before these questions can be answered adequately, we need to have some grip on who are the others? All humans beings? What about animals? Future generations? Citizens of my country? Members of smaller groups? People who share my religion, race, neighborhood?

Some respond to questions of this sort by saying that any concern for any others is a good and should be encouraged. Yet we are all too familiar with the fact that ours is a pluralistic society in which different individuals and groups have different and often conflicting conceptions of the good for themselves and others. We need ways of accommodating this diversity in the realm of philanthropy as well as in moral, political, economic and scholarly spheres. To do this, we need to understand what sort of diversity we face and what our goals with respect to should be.

Perhaps the opposite of self-interest is a sense of community. This is what Buchanan and others suggest. Yet, as mentioned previously, some communities, if committed to an intolerance for the views of others, may in fact threaten the delicate arrangements that make possible enduring political stability. Religion, which is pointed to as a prime example of an institution that embodies the virtues of community, can be a powerful force for expression of concern for others. But whether that concern is expressed through developing programs to feed the hungry or through attempts to ban books to help save souls makes a big difference.

Obviously many topics besides these are involved in a comprehensive consideration of self-interest.

The general lesson we can draw from all this is: Often scholars in the humanities seem to raise more questions than they answer, and attempts to

deal with these new questions sometimes lead to work that appears far removed from the pressing concerns of our society. Yet, as with basic research in the natural sciences, these inquiries have a chance to yield both a deeper understanding of our current situation and a set of insights that can lead to new policies that are valuable and effective. More positively, work in the humanities can unearth the assumptions that govern much of what do and say, can lead us to examine those assumptions critically, and can help to define the significant problems, lay out the terms of debate, and delineate our options as we work to devise policies that guide the philanthropic activities of our society.

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