

CONVERSATIONS ON PHILANTHROPY

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

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

Correspondence may be directed to the Editor at
info@thephilanthropicenterprise.org

Please visit our website at
www.thephilanthropicenterprise.org

CONVERSATIONS ON PHILANTHROPY

An Interdisciplinary Series
of Reflections and Research

Volume I
Conceptual Foundations

Lenore T. Ealy

SERIES EDITOR

® *DonorsTrust*
2004

Conversations on Philanthropy

Volume I, Conceptual Foundations

©2004 DonorsTrust

This work is licensed under the
Creative Commons Attribution-NonCommercial-NoDerivs License.

To view a copy of this license,
visit <http://creativecommons.org/licenses/by-nc-nd/2.0/>

or send a letter to
Creative Commons,
543 Howard Street, 5th Floor
San Francisco, CA 94105-3013

For information, address the business office:

DonorsTrust
111 North Henry Street
Alexandria, VA 22314

ISSN 1552-9592
ISBN 0-9761904-0-0

CONTENTS

Introduction

CONVERSATION 1 1

*Is an Independent Nonprofit Sector Prone to Failure? Toward an
Austrian School Interpretation of Nonprofit and Voluntary Action*

Peter J. Boettke and David L. Prychitko

COMMENTS BY

Zoltan J. Acs

Emily Chamlee-Wright

Roger Lohmann

Richard Stroup

CONVERSATION 2 67

*The Necessity of Overcoming the Prejudice of Political Philosophy
as a Condition for Philanthropy*

Steven D. Ealy

COMMENTS BY

Gus DiZerega

Eugene Miller

Gordon Lloyd

INTRODUCTION

This inaugural volume of *Conversations on Philanthropy: An Interdisciplinary Series of Reflections and Research* is titled “Conceptual Foundations,” but it could have as easily been called “Reclaiming the Public.” Our authors were asked to reflect on the state of contemporary economics and political philosophy and to consider what foundations these disciplines might provide in launching a series of conversations about the role of philanthropy in a free society.

What emerged from these considerations is an intriguing riff on the ambiguities of the term “public.” Our authors variously speak of *public goods*, *public virtues*, and *public values* and the ways that they can be provided, cultivated, and made manifest. What is clear from these layerings of the term “public” is that the term itself has either outlived its analytical usefulness or is pregnant with a new meaning that needs yet to be born.

Philanthropy, to put a slight twist on its meaning, refers to love of the public, of humankind. Yet the public policy of the twentieth century welfare states went a long way in theory toward crowding out any meaningful work for voluntary philanthropy to accomplish. In the paradigm that emerged during the Progressive era, the role of republicans, patrons of the *res publica*, was largely to pay taxes and to support the administration of public health, education, and welfare by centralized bureaucracies of professional civil servants. Amateur philanthropists, those lovers of charity as both a substantive end of human action and an effective means of serving the public interest through private action, were overshadowed by a “scientific philanthropy” that sought to express love for mankind by sponsoring demonstration projects that might justify public funding and administration of uniform and “scalable” social welfare programs.

The result is a state of affairs in which the voluntary sector, once dreamed of as a truly independent domain by Richard Cornuelle (*Reclaiming the American Dream*, 1965), is now conceived of as a cog in the vast machinery of a system of “third-party governance.” The term is that of Lester Salamon, who suggests that there is nothing unusual in the fact that nonprofit organizations are today heavily funded by governments, and who suggests that this is in fact a normative state of affairs that addresses the institutional problem of what he calls *voluntary failure*.

In *Conversation I* in this volume, Peter Boettke and David Prychitko, two leading economists of the Austrian school, serve up an initial critique of Salamon’s paradigm of third-party governance and the notion of voluntary failure on which it is based. They explore how the Austrian tradition of economics, building on the work of Ludwig von Mises, Friedrich Hayek, Israel Kirzner, and others, might offer a more robust theory of not-for-profit and nonprofit decision making and a case for decoupling these voluntary organizations from government funding and oversight. Zoltan Acs, Emily Chamlee-Wright, Roger Lohmann, and Richard Stroup pick up the questions raised by Boettke and Prychitko and help give direction to what we intend here: not an *obiter dicta* conceptual solution but the beginnings of a conversation that we hope many of you will continue in your own communities.

Conversation II turns to an examination of the contributions that contemporary political philosophy might offer to our reflections on philanthropy. Steven Ealy’s essay considers why a search for political solutions to social problems has become the default approach in America. Ealy examines the political philosophy of Leo Strauss and the political journalism of George Will—both typically considered “conservative”—and discerns in them an elevation of the political sphere as the superior domain of public life and the site of hegemonic authority over all other forms of both private and communal action. Ealy finds in Will’s argument for “statecraft as soulcraft” haunting echoes of both classical political philosophy and Progressivism, and a stumbling block to the flourishing of a genuinely voluntary philanthropic sector composed of “independent institutions from which alternative visions of the good life could flow and which could legitimately participate in the public life of the community as a proponent of those views.”

In the final section of his paper, Ealy suggests how the writings of Michael Polanyi and Michael Oakeshott point us toward more robust foundations for conceiving of philanthropic action and institutions as both sources of authority in their own spheres and creative participants in the working out of modern public life.

Eugene Miller, Gus diZerega, and Gordon Lloyd take up Ealy’s questions and, while largely sympathetic to Ealy’s effort to provide more solid ground for the legitimacy of philanthropic enterprise, seek to retain a constructive role for classical political philosophy in the working out of the problems of modernity. DiZerega, for instance, reintroduces us to Aristotle as a helpful

contributor to modern political thought and action. In the end, however, each of our commentators in essence finds a need to recast the question as an inquiry into the nature of public action itself, revealing that further conversation is needed to liquidate the meaning of this ubiquitous and important but polyvalent term.

In an interesting twist on our question about the role of philanthropy in a free society, Miller also suggests the theme for our cover art. He recounts the tragedy of Prometheus, who stole fire from the gods of Olympus and gave it to mankind because of his *philanthropia*, his love for mankind. Miller enjoins us to reckon with the fact that Prometheus’ well-intended act for the public good was accompanied by a disregard for the order of things and a pride in his own godlike knowledge of what was best for mankind. The story serves to remind us that private actors may be as likely as government bureaus to act on ill-informed motives or to neglect the unintended consequences of their beneficence, and that any private or government action taken for something as abstract as the public good is fraught with dangers. This observation warrants that we undertake deeper and more transparent conversations in public spaces about the ways and means by which people work together to achieve shared purposes.

Jazz music, with its unique blend of tradition and improvisation, has been called “the purest expression of American democracy; a music built on individualism and compromise, independence, and cooperation” (www.pbs.org). It is arguable that America’s philanthropic tradition shares these cultural tensions and likewise makes a unique and important contribution to human life. It is our hope that by undertaking these conversations on philanthropy and its role in a free society we will come to a better understanding of the delicate balances between our individualism and our love of our communities, between our independence and our habits of cooperation, between our private and public roles. And not only to contemplate but to play our roles as better-informed participants, aware of the need for both the humility to respect and learn from our best traditions and the confidence to improvise and improve upon our life together.

— Lenore T. Ealy
Series Editor