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THE PROPER RELATIONSHIP OF PRIVATE PHILANTHROPY AND THE LIBERAL DEMOCRATIC STATE

The inquiry and the inquirers as the answer

Rob Atkinson

Introduction: back to which future, forward in which tradition?

In public affairs, as in the humbler departments of human life, questions of ends and questions of means inevitably intersect. Disputes as to the former commonly produce more sparks than light, and more heat than either. If a man affirms that his heart leaps up at the spectacle either of a society in which the common good is defined by the decisions of a totalitarian bureaucracy, or of one – like, to mention only one example – the England of a century ago, where, in the unceasing struggle of individuals for personal gain, a conception of the common good cannot easily find a foothold, it may readily be admitted that no logic exists which can prove these exhilarating palpitations either right or wrong. One cannot argue with the choice of a soul.

(Tawney, 1964)

Beware of false prophets, who come to you in sheep's clothing but are ravenous wolves. You will know them by their fruits. Are grapes gathered from thorns, or figs from thistles? In the same way, every good tree bears good fruit, but the bad tree bears bad fruit.

(Matthew 7:15–17)

Taxation and Philanthropy (OECD, 2020), jointly produced by the OECD Centre for Tax Policy and Administration and the University of Geneva Centre for Philanthropy, surveys and assesses the tax policies that member states, donee states, and others might want to use to encourage both private philanthropic organizations and donations to those organizations from private individuals and for-profit entities. The point of this chapter is to identify and unpack several apparent paradoxes in the Report's position, admittedly in an apparently paradoxical way. I argue that the Report is, in several important respects, at odds with the basic mission of the OECD itself; I mean that deep criticism in the most friendly possible way, and I mean

to explain why. This chapter offers not just friendly amendments but a comradely salute (or at least a word, with a wink, to the wise who would set global policy for the good of all humankind).

The Report's most basic proposal poses the deepest paradox: A collaborative report by two public institutions, one a consortium of liberal democratic states and the other an old and renowned state university, suggests to states that they may want to use their fiscal systems to encourage non-state institutions to do the philanthropic work that states themselves have done and to do that work financed by voluntary contributions rather than by the state's own method of finance, taxing and spending. In both respects, the financing and the delivering of public services, the Report's cosponsors seem to suggest ways of doing philanthropy better than their own. They seem to propose, if not quite to preach, something very different from what they practice, what both the OECD and public universities have always practiced: tax-financed, state-delivered works for the common good.

The collection of essays published along with the Report poses a second, and almost equally deep, paradox: The wisdom of a policy to be recommended to democratic nations is to be assessed not by submission to the voters of those nations, or even to their elected leaders, but by academics and civil servants, agents of meritocratically elitist, and thus implicitly undemocratic, institutions. This anthology thus has a distinct ring to it: "inside the Beltway," in the idiom of the United States; "over there in Brussels," in that of the United Kingdom.

Unpacking those two paradoxes – the paradox of the Report's recommendations and the paradox of this volume's commentary on those recommendations – produces a double paradox of its own. On the one hand, this chapter offers the strongest possible praise for the Report; on the other hand, it raises a very deep qualification. Compounding, perhaps more than doubling, that paradox, it spends far more time on the qualification than on the praise. Its praise is not faint, and the very opposite of damning, but that praise may seem overshadowed by its heavy qualification.

This is the praise: The joint Report is a really fine example of the ethos of the Marshall Planners, the OECD's long-standing tradition of collaboration between career civil servants and mainstream academics in addressing major issues of public concern. This is the qualification: The Report might have gone further in advancing that very tradition. At the end, the praise and the qualification are not at odds; if they are not essentially the same, they demonstrably derive from the same source, the ethos of the original Marshall Planners. The proper answer to the relationship of the modern state and private philanthropy is for both to serve the two related goals of the Marshall Plan: at the very least, the maintenance of peace as the minimal condition of human flourishing; at the very best, the active promotion of those conditions that encourage human flourishing itself, an essential collaboration of modern states and traditional universities to advance the fullest possible realization of the core of philanthropy: the love of humankind.

Those truly Good Shepherds, the original Marshall Planners, knew very well the wolves that were at the door of the nations of Europe and Asia, the victorious allies as well as the defeated Axis, in the ruins of World War II. On the one hand loomed a new and emboldened species of totalitarian bureaucracy, Soviet and Chinese Communism, in place of the old and defeated species, Nazism and Fascism. This was the first alternative to the ethos of the Marshall Plan that R. H. Tawney mentioned in our first epigraph. Thanks in no small part to the Marshall Plan, Stalinism and Maoism, like Nazism and Fascism, have slunk back to their lairs.

On the other hand, the second alternative that Tawney identified is still very much with us, even among us: equating the common good with either aggregate consumer satisfaction or

unexamined popular political preference. As the Marshall Planners knew from the most painful possible experience, the market's "invisible hand" can, in the wrong hands, dangerously misdirect economic gains to the few, even as demagogues can distort the political preferences of the many. These are the false prophets, the wolves in sheep's clothing, that the very Gospels warn us about. And here we have yet another paradox, itself both deep and double, that we must unpack: These false prophets approach us in the very garb of both philanthropy and philosophy themselves; they preach a gospel all their own, often grounded in the best universities. We, like the Marshall Planners, must know them by their fruits: Who best advances the vision of universal human flourishing embraced by the victorious allies, East and West?

Only when we have unpacked all these paradoxes – the paradoxes of the Report's proposals and the paradoxes of my friendly criticism – can we properly appreciate a final paradox. This last one lies at the intersection of the other two. On the one hand, I imagine that, for their part, the co-producers of the Report and the sponsors of this symposium, the OECD and the University of Geneva, not only anticipated my criticisms but also embraced them – all before I had even written them down. On the other hand, I cannot fault them for not raising these objections themselves; I must salute them for the very great wisdom of their forbearance. Unpacking this final paradox is perhaps this chapter's ultimate homage to the Reports' authors and this symposium's sponsors. It is a salute that is more a whisper (with a wink): Well done, good and faithful fellow laborers in the vineyards of the Marshall Planners (and perhaps – a matter I must leave to still other fellow laborers – the Master Planner).

To unpack all these paradoxes, we must situate the Report in three related contexts. Part I examines the debate on the effectiveness of taxation as a means of promoting private philanthropy, Part II takes up the theory of private philanthropy's function, and Part III traces the historical links between private philanthropy and the ethos of the Marshall Planners.

This chapter's conclusion is the paradox of its subtitle: The inquiry and the inquirers are the answer. The question that the OECD and the University of Geneva pose can only be answered, in the ethos of the original Marshall Planners and traditional academics, by exactly the kind of inquiry they have invited us to join them in undertaking. As the work of the OECD and its academic partners has long demonstrated, the role of private philanthropy in advancing the ethos of the Marshall Planners has always been decidedly secondary and, ironically, sometimes not only unhelpful but actively opposed. If the work of global humanitarianism must depend, in a dark time, on handouts from the wealthy, virtuous or vicious, we can nonetheless hope for a brighter day, a day that seems already to be dawning.

I Situating the report in tax theory: are tax favors effective in encouraging private philanthropy?

The basic position of the Report is that states may want to support private philanthropy by means of favorable tax treatment. Much of the Report is taken up with evaluating whether various forms of favorable tax treatment are effective means of advancing that end, private philanthropy. Plausibly enough, the Report begins with an effort to identify what the end to be advanced, private philanthropy, actually is. It next proceeds to a detailed analysis of the scholarly literature on effectiveness of tax favors in promoting private philanthropy. As we examine this analysis, we can only conclude that it inevitably raises questions that it studiously declines to answer: whether particular private philanthropic purposes, or even private philanthropy in general, actually advance the public good – including the public good as identified and advanced by the Marshall Planners.

a The meaning of philanthropy: a working definition (with real and recognized limits)

At the outset, after noting the term's derivation from the Greek term meaning "love of humanity," the Report identifies what will prove to be a very serious problem: "The term 'philanthropy' does not have a universally accepted meaning" (OECD, 2020, Section 1.1, p. 11). In a telling understatement, the Report notes that "Various attempts have been made to define the term" (OECD). After a dutiful review of those efforts, the Report ventures its own:

Despite the divergent uses of the term, there are some common threads: philanthropy is concerned with "giving", and with "worthy" and "public", rather than private, causes. . . . The focus then, is on "gifting" – the making of voluntary contributions without expectation of return; and on identification of appropriate worthy causes or purposes. This identification of "worthy purposes" is likely to differ between jurisdictions and is an important part of the tax framework in this area.

(OECD, 2020)

In this last detail, identifying worthy purposes, lies either God or the devil, depending on one's point of view – particularly one's view of philanthropy.

As we shall see, and as the authors of the report seem to recognize, their definition, particularly its last detail, raises at least as many questions as it answers. It works quite well enough, however, as a kind of algebraic "x" at the next level of their analysis: If you want to promote philanthropy's "worth purposes" (whatever you think those are), here is our assessment of how various tax favors will work.

b Favorable tax treatment as a means of encouraging private philanthropy

It would be hard to over-praise the Report's diligence in reviewing the vast literature on the efficacy of various tax treatments of philanthropy. Its analysis is long and detailed and clear and compelling. But that analysis also has to be awarded a more ambiguous accolade: It is clear, and clearly inconclusive. On balance, it is clearly unclear whether tax favors are really all that effective in promoting private philanthropy. As our epigraph from Tawney implies, proper inquiry into questions like this, questions of means, often sheds a great deal of light, without generating much friction, much igniting of heated disagreement. Here, however, what the cool light of careful analysis reveals about the efficacy of tax favors as a means of promoting philanthropic ends is very nearly a Scots verdict: not proved.

Nor, alas, is that the end of the matter. If a state decides to use tax favors to that end anyway, it will have to return to a hugely difficult problem that the Report has already flagged: It will have to decide whether the purposes that nonprofit, nongovernmental organizations claim to be philanthropic, and thus entitled to tax favors, are really the kind of benefits that the government itself wants to encourage. To answer that question, as the Report implicitly notes, one must turn from an analysis of the effectiveness of tax favors to the function of nonprofit, nongovernmental organizations, to the kinds of public benefits they promise, the kinds of worthy purposes they purport to serve – and to the still more difficult question of whether they deliver on those promises, actually serve those purposes. Before a state decides whether to encourage private philanthropy, it will need to know what private philanthropy does and what it does well (OECD, 2020, p. 22, note 1).

Here we move from questions of means to questions of ends; here, as Tawney also reminds us, we may expect our inquiry to produce friction as well as light, to spark debate that is political, even existential, not merely technical or descriptive.

II Situating the report in positive economic, political, and sociological theory: what is the function of nonprofit, nongovernmental entities?

Here again, the Report does an admirable job of surveying, summarizing, and evaluating a vast scholarly literature. We need to review the Report's review the better to appreciate a problem that the Report identified at the outset: In important respects, philanthropy is in the eye of the beholder. As we shall see, and as the Report clearly appreciates, the relevant beholders are not only the private individuals who operate and support private philanthropy but also the states that must decide their proper relationship with those entities, including whether to try to encourage them with favorable tax treatment.

a The Standard Model of positive economics and political science

Here we must, alas, summarize aggressively. Here is the basic point, something of a good news, bad news situation. First, the good news: Positive economic analysis and positive political theory have offered complementary theories of how private philanthropy functions, two sides of essentially the same coin. Each theory assumes a particular kind of four-sector modern society. One sector is the liberal democratic state; a second sector is the capitalist market economy. The third sector includes private philanthropy; the fourth sector comprises households, or nuclear families. The identification of these sectors involves the intersection of two variables: whether the sector's constituent institutions are voluntary and whether they are for profit.

Four Societal Sectors

		For Profit?	
		Yes	No
Voluntary?	Yes	For-Profit Sector	Nonprofit Sector
	No	Household Sector	Governmental Sector

(Harding and Pascoe, 2018, p. 50).

Diagram.

According to this Standard Model (Diagram), each sector in this four-part social system has certain distinct advantages over the others in providing goods and services, advantages traceable to their two defining characteristics: for profit (or not); voluntary (or not). What is more, two of these four social sectors, the liberal democratic state and the capitalist market economy, have their own intrinsic standards of performance. The standard of positive economics is economic efficiency: giving consumers, in the aggregate, the most of what they want at the lowest possible cost. The standard of positive political science is democratic legitimacy: giving a majority of

voters what they want, subject to constraints imposed by the majority voters on what the state is allowed to do, and how.

Each of these disciplines, economics and politics, accounts for the function of the others as providing goods or services that the institutions of its own sector fail to provide by that sector's own standard. Thus economic theory holds that when private firms cannot produce a good or service at optimal efficiency, individuals will seek that good in one of the other sectors. Similarly, political theory holds that if the majority of voters do not provide a good or service at the level preferred by an individual voter, that dissatisfied voter can turn to one of the other sectors. Since the Standard Model thus defines the function of the nonprofit, nongovernmental sector by default of the market and governmental sectors, it is sometimes called the Twin Failure theory.

Even this briefest outline should convey some of the elegance of the Standard Model. It explains the function of not just the nonprofit, nongovernmental sector, but also the other three sectors as well. It is, essentially, social science's equivalent of a Grand Unified Theory; it is as if physicists had managed to unify the microcosmic theory of quantum mechanics with the macrocosmic theory of general relativity. If there were a Nobel Prize for positive social science, the economists and political scientists of the Standard Model should have shared it long ago. That, obviously enough, is the good news

Now the other shoe must drop; here's the bad news: The Standard Model, for all its elegance as a sectoral map, is no guide through the relevant policy maze. The Standard Model, for all its descriptive elegance, offers the policy makers whom the Report is addressing very little guidance in the task at hand: whether to try to encourage private philanthropy with favorable tax treatment. The full elaboration of this bad news, alas, is a very long story. But it only takes a slightly closer look to reveal several limitations of the Standard Model's usefulness as a guide to policy-making in general and thus to the policy planning of the states to which the Report has directed its own policy recommendations.

Most obviously, the Standard Model is, by its own terms, limited to a particular kind of society: liberal democratic polities with capitalist market economies. Its insights, accordingly, apply with much less force in other kinds of societies. This is a very big limitation: Some of the OECD's donees do not have liberal democratic polities; some do not have capitalist market economies; some have neither of the two. (And, complicating matters even more, the current democratically elected leaders of Poland and Hungary – members of not only of the OECD but also of both NATO and the EU – openly aspire to make their countries “illiberal democracies.”)

A second important limitation to the Standard Model as a policy guide applies even with respect to countries that have, and hope to retain, both liberal democratic polities and capitalist market economies. To appreciate this limit, we must notice something odd about how positive economics and positive political theory both define and measure the public good. Both disciplines measure the public good as an aggregation of unexamined individual preferences: In economics, these are the goods and services that consumers are both willing and able to pay for, quantified in monetary units; in politics, these are the politicians and policies that a majority of citizens prefer, quantified in terms of the ballots they cast. It is this common metric, aggregated individual preference, that allows economists and political scientists to produce their Grand Unified Theory (of, as we have seen, a certain kind of society).

A moment's thought will reveal that, as a guide to choosing policy ends, as a means of identifying the public good, the Standard Model is wholly unhelpful to policy makers in two diametrically opposite ways. On the one hand, if policy makers identify the public good with what the people want, then the policy makers do not need the Standard Model to tell them what they need to know: That is what free markets and free elections already do. On the other hand, if

policy makers want to know what is really good for the people, not just what the people want, then the Standard Model offers them no guidance at all, and they will have to look elsewhere, beyond not only the market and the ballot box but also the Standard Model.

This radical limitation of the Standard Model is not just demonstrably true; it is also readily conceded by the Model's architects. But, though entirely true, this criticism is a bit overly harsh. Even if the Standard Model is no help to policy makers in identifying ends, what the public good is, it might be quite helpful in identifying means to ends not otherwise accounted for, how to go about achieving the public good without evaluating that good by standards other than their own (aggregate consumer satisfaction and majority voter preference). The Standard Model could, in that strictly instrumentalist way, help both kinds of policy makers, those who want to give people what they want and also those who want to give people what they need, what they should want (as identified by standards supplementing those of positive economics and political science).

In fairness, this is what the Standard Model primarily purports to do; its main purpose is to explain how society works, not how to make society work better. As we have seen, the Standard Model purports to explain why each sector is better at providing some kinds of good and services than others. It is particularly insightful about two broad categories of goods and services that capitalist firms, left to their own devices, are likely not to produce efficiently – so as to give consumers more bang for their buck – on their own.

Let's look at the two kinds of goods and services that the Standard Model identifies as particularly relevant here. The first, and most obvious, are what economists call public goods. Classic example are lighthouses and radio broadcasts. Private firms have a hard time making a profit providing these goods and services, because they have no effective way of charging consumers for them. With respect to the second kind of products, the shoe is basically on the other foot. Private firms can quite easily deny the benefits of these products to those who don't buy them, but those who do buy them are not in a position to evaluate whether they are, in fact, getting what they pay for. This is especially true of services involving highly technical knowledge, like medicine or law or advanced education; unless you're a doctor or a lawyer or a professor, it is hard to know if your doctor or lawyer or professor really knows what he or she is doing (for you – or to you).

In both these classic cases of “market failure,” externalities and information asymmetries, private firms are not likely to give consumers in the aggregate the most of what they are willing and able to pay for at the lowest possible price. In these cases, then, for-profit private firms fail to function optimally by the standard of positive economic analysis itself. Provision by another sector might, in those very terms, be a better means of meeting consumer demand.

But notice that, in such a situation, consumers may have an embarrassment of riches: They could avoid their problems with private firms by turning to providers in either of the other two public sectors, state agencies on the one hand or private philanthropies on the other – assuming, of course, that suppliers were available in both alternative sectors and that those alternative suppliers offered consumers a comparable product at a competitive price.

Here, alas, the consumer may find further problems. Maybe the product is available from only a private philanthropy or the state. Or maybe the product is available from both, but the consumer is no better able to tell which of the two is producing it at the ideal price/quality point than he or she was in the case of private, for-profit providers. Why might this problem arise again outside the for-profit sector? Because governments and private philanthropies, though less tempted than non-profits to skimp on quality to increase their profit margins, may be tempted to skimp on quality for other reasons; without net profit as an incentive to lower costs, maybe they will “slack off” rather than “skim off.”

Here policy makers might be a real help making sure consumers get what they are paying for. If they knew which nonprofit suppliers, state agencies or private philanthropies, were likely to be the lowest-cost, highest-quality provider, they could direct consumers to that alternative. If none, or too few, were available, they could have the state subsidize those providers or provide the relevant product themselves.

But here policy makers would have, alas, yet another problem. Although that course would seem to be the economically appropriate course of action, it might not be the politically appropriate course. Individual consumers might prefer the less economically reliable alternative to for-profit suppliers because they have a preference for that provider independent of its economic efficiency. Some consumers, in fact, may prefer private for-profit providers over either governmental or private non-profit suppliers, even though both of the latter are the most cost-effective providers.

And that (alas yet again) is not just an academic hypothetical; it seems to be the case in a great deal of the “real world.” Individual consumers do seem to have preferences not just for products but also for the sector that provides the product. And, what is more, these preferences as to both providers and product seem to vary with consumers from country to country. As a result, the Standard Model, though quite elegant in showing which sectoral providers – state, private nonprofits, or private for-profits – consumers would choose *if* getting the most for their money were their only concern, is a pretty poor predictor of which sectoral providers they actually do choose.

Here is the trouble. The Standard Model takes preferences for particular goods and services as exogenous but assumes that consumers will want their preferences met by the lowest-cost provider not only within each sector but among all four sectors. Inconveniently for the Standard Model, consumers have preferences not only for particular goods and services but also for particular sectoral providers. The Standard Theory has, in its own terms, no way to account for individual preferences; this is fine at the level of particular products, but, at the level of sectoral choice, it seriously affects the predictive power of the model.

b Social Origins Theory

As the Report nicely notes, insights from a third descriptive social science, sociology, give a very powerful improvement here. These insights, aptly called Social Origins Theory, trace individual countries’ preference for particular combinations of state or nonprofit provision of social services to a critical moment in the state’s development (OECD, p. 12, citing Anheier and Salamon, 1996, pp. 213–248). That critical moment is when the state actually becomes modern; the critical variable at that moment is the social group most politically empowered. Social Origins Theory identifies four distinctive kinds of states that emerge in that moment, each of which has a distinctive kind of relationship with private philanthropy in the provision of social services.

With one terminological qualification,¹ the Report’s own summary cannot be improved upon:

- “[Negative] liberal states” – where democratic government developed before the welfare state. The welfare state may be limited but available to the “deserving poor”. These countries are likely to have a larger philanthropic sector;
- “social-democratic [or Positive Liberal] states” – where the working class gained power and pushed for a universal welfare state. As a result of the high level of welfare, these countries tend to have smaller philanthropic sectors;

- “corporatist states” – where the welfare state developed under the control of non-democratic states that later became democratic. These countries tend to have low welfare and large philanthropic sectors;
- “statist states” – where a country’s elites are in control of the public good provision, and this leads to both low government spending on social welfare and a small philanthropic sector.
(OECD, p. 12) (Salamon, Sokolowski and Anheier, 2000, at 16–17)

Social Origins Theory claims, plausibly enough, to account far better for the actual mix of state and private delivery of social services than does the Standard Model alone. By its account, the predictable pattern is Negative Liberal in the United Kingdom and the United States; Positive Liberal in Scandinavia; Corporatist in Germany, France, Belgium, and the Netherlands; and Statist in Japan and Latin America.

Social Origins Theory also analyzes another variable that is critical both to its own predictive power and to our present purposes: the predominant kind of private philanthropy at the time that the modern state decides to assume modern welfare functions. Thus, for example, in the nineteenth century, the critical period in both Germany and France, a very powerful and oppositional Roman Catholic Church managed to retain an extensive role in the provision of social services not found in Scandinavia, where legally established Protestant churches were not only state supported, but also state supporting.

Here, then, the policy makers who are interested in giving consumers and voters what they want would seem to have the guidance that they need. If citizens in their country show a preference for provision of a good or service from private philanthropies, and if the policy makers conclude that tax incentives actually encourage private philanthropy, then they should supply those incentives; if they prove wrong on either point – the efficacy of the incentives or the preferences of their citizens – then their citizens can correct them.

That would, alas, be no help to the other kind of policy maker, those who want to give the people not just what they want but also what they need. Nor, upon still closer inspection, would it give the preference-serving policy makers quite what they need, either. Three insights of Social Origins Theory are especially relevant here.

First, and most basically, society is not static. The starting point of Social Origins Theory, the emergence of the modern state itself, represented a radically new prospect in the relationship of the public sector and the private non-profit sector: Modern societies, with modern states, generate a great deal more wealth than traditional societies. As the Social Origins model reminds us, the state can deal with that new wealth in several distinct ways. Thus, for example, statist states tend to hoard it in the hands of political elites; liberal states tend to leave it in the hands of economic elites; social democratic societies tend to redistribute it across their entire population on the basis of democratic politics; corporatist states tend to allocate it across social classes by the lights of *soi-disant* publicly spirited elites.

Second, as the Social Origins theory clearly implies, these ideal-type states themselves, each with its own pattern of wealth allocation and relationship with private philanthropy, are dynamic, not static. This is clear in the Report’s own description of Positive Liberal states and Negative Liberal states: In the former, “democratic government developed before the welfare state”; in the latter, “the working class gained power and pushed for a universal welfare state.” It is bracing to be reminded that fundamental institutional choices, both individual and collective, are not what they once were and thus may not remain what they now are.

This brings us to the third insight implicit in Social Origins Theory, in considerable tension with the first two. True, social institutions change; also true, human beings, individually and collectively, are profoundly significant agents of social change. And yet, as Social Origins

Theory also reminds us, individuals' preferences are not entirely chosen; they are also shaped, and they are shaped to a very large extent not by pure or unencumbered individual choice but by exogenous factors that both constrain and condition, even implant, individual inclinations toward particular choices. More specifically – and far more significant for our purposes – is this: Among the primary shapers and limiters of individual choice are precisely the two kinds of entities with whose proper function in relationship to each other that the Report and the policy makers it addresses must be most concerned: contemporary states and private philanthropies.

c Summary of positive social scientific functional theories

The Report's examination of positive social theory – economic, political, and sociological – sheds admirable light on our understanding of the basic topic the Report addresses: tax support for private philanthropy. For this it is, once again, very much to be commended. The light that positive social theory sheds on that topic sharpens our focus even as it reveals an essential second phase of our analysis. We now have a much better sense of how, and how well, tax favors might be used, and best used, to support private philanthropy.

Beyond that, we have a much better sense of what private philanthropy actually is and does, of how it functions alongside the other three sectors of a modern state: the private for-profit sector, the governmental sector, and the household sector. But here, if you'll forgive me, we find another paradox: That we know more about both the modern state and private philanthropy is good news; what we now know about each of them is by no means entirely good – at least from the perspective of those of us committed to the traditional work of both the Report's sponsors, the liberal democratic states of the OECD and modern research universities like the home of the Geneva Center on Philanthropy.

Let's pause to look at that news, the good and bad, with respect to both institutions in question, private philanthropy and the modern state. Let us begin with the lessons learned, first about philanthropy, then about the modern state. With those lessons in mind, we can better appreciate where we need to go next – where we might be forgiven for wishing, if only provisionally, that the Report had taken us.

The Report, much to its credit, begins with an effort to understand exactly what we mean by philanthropy. No beginning could be better rooted in the best of academic traditions. For both Socrates and Confucius, much turns on proper terminology, and no concept is more important than the loving care of humankind, in both oneself and others. The Report's provisional definition of philanthropy focused on two factors: private voluntary efforts for publicly beneficial purposes. Both halves of this definition, we can now see, need considerable amendment.

On the one hand, the focus on private agency is seriously distorting. Some modern states do much of the work once done by private philanthropy; to award the very positive associations of the term “philanthropy” to one set of sectoral providers to the exclusion of another is doubtlessly an innocent oversight in the OECD report; elsewhere, unfortunately, it is a most artful rhetorical move. Whatever the motive, the effect tends to be the same: to suggest that one of the two sometimes competing sectors serves the public good essentially; the others, at best, only incidentally.

This suggestion is doubly dubious.

This becomes even clearer when we look more closely at the second element of the Report's definition, serving the public good. As we have seen, and as the Report quite rightly acknowledges, what counts as “public benefit” is often very much in the eye of the beholder. One person's meat is another's poison; the Trojan horse was nothing if not a gift, but its goodness depended entirely on the side of the relevant wall from which one saw it.

In our case, the relevant walls are those that divide the most distinctive kinds of modern states. As Social Origins Theory points out, some modern states are more likely to rely on the organizations in the non-profit, non-governmental sector than others. But that insight, useful though it is, is only the beginning. Basically, the OECD Report's tendency to take "philanthropy" as synonym for nonprofit, non-governmental organizations implicitly begs two important questions.

On the one hand, using the term "philanthropic" to describe all third-sector organizations implies that all third-sector organizations are "philanthropic" in a meaningful sense, a sense that has to do with genuine "love of humanity." To the contrary, as we shall see, some third-sector organizations are "philanthropic" only in a technical, or perhaps deceptive, sense. Some *soi-disant* "philanthropies" are false prophets, wolves in sheep's clothing. On the other hand, using "philanthropy" to cover all third-sector organizations tends to obscure a very old human aspiration and a very real possibility: The state itself may be philanthropic, in the fullest possible way. Such, so we might remember, was the ideal polis of classical philosophy; so, too, were the states that formed the precursor of the OECD and eventually the OECD itself.

We are back – much better informed, to be sure! – to the questions with which we began: whether the state should encourage private philanthropy, and, if so, which ones? Here, I have to suggest, the Report needs to look past the social science of both the efficacy of tax favors to private "philanthropy" and the function of private philanthropy in relationship to our society's other three sectors. In addition to the social sciences, the physical sciences offer hugely helpful insights. This is especially true of evolutionary psychology, where there is increasingly compelling evidence of our capacity for both selfish and pro-social orientation. For our purposes, though, the most important place to look must be the humanities.

Here the obvious choice might seem normative philosophy, particularly the classical subjects of ethics and politics, those ancient and perennial inquiries into the basic question of philanthropy: how to be the best possible human beings, individually and collectively. I myself have spent a good bit of time trying to show how a neo-classical understanding of philanthropy has much to commend it.

But here, in commenting on the OECD's joint proposal, the discipline to turn to, I hope to convince you, is history, in particular the history of the OECD itself and the relationship of the OECD and its members and donees with private philanthropy. Before turning from social science to history, though, I want to note what I think is a most important point: These are all disciplines centered in the university; this turn to yet another academic discipline, like the course of our study so far, is very much in the tradition of the OECD, approaching the solution to complex social problems in conversations between policy makers and academics. So: In turning to the history of the OECD and private philanthropy, we remain well within the tradition of the OECD (and, at the deepest possible level, the Academy).

III Situating the OECD Report in history: the affairs of Marshall Plan members and private philanthropy as a drama in three acts

The life of the law has not been logic: it has been experience. The felt necessities of the time, the prevalent moral and political theories, institutions of public policy, avowed or unconscious, even the prejudices which judges share with their fellow-men, have had a good deal more to do than the syllogism in determining the rules by which men should be governed. The law embodies the story of a nation's development through many centuries, and it cannot be dealt with as if it contained only the axioms and corollaries of a book of mathematics. In order to know what it is, we must

know what it has been, and what it tends to become. We must alternately consult history and existing theories of legislation. But the most difficult labor will be to understand the combination of the two into new products at every stage.

(Holmes, 1881, p. 1)

And if you want biographies, do not look for those with the legend “Mr. So-and-so and his times” but for one whose title-page might be inscribed “A fighter against his time.” Feast your souls on Plutarch, and dare to believe in yourselves when you believe in his heroes. A hundred such men – educated against the fashion of today, made familiar with the heroic, and come to maturity – are enough to give an eternal quietus to the noisy sham education of this time.

(Nietzsche, 1957, pp. 41–42)

As Social Origins Theory reminds us, in any particular country at any particular time, the relationship between the modern state and private philanthropy will be, to a more or less substantial degree, path dependent. In approaching the work of philanthropy in their own time, both private individuals and public policy makers find their choice of means to the great end of global human flourishing influenced, even constrained, by inherited institutions and customary modes of institutional relationships. Properly to understand the context in which the OECD Report has appeared, and thus the constraints under which policy makers who read it have to operate, we need to focus our analysis on a particular era and two particular nations. The relevant era is the twentieth century; the relevant nations are the United Kingdom and the United States.

This latter focus requires a word of explanation, though I think not apology. By historical accident – happy or not – the United States and the United Kingdom have loomed especially large in two critical developments: first, the “Social Democratic,” or “Positive Liberal,” mode of domestic interaction between states and private philanthropy and, second, the Marshall Plan as the expansion of that mode into the international arena. The basic story line is this: At the turn of the twentieth century, even as Social Origins Theory has pointed out, both the United States and the United Kingdom were paradigms of the Negative Liberal mode of state and private philanthropic interaction (SSA, p. 19). As a result, traditions and institutions of private philanthropy were particularly strong and well-developed in the United Kingdom and United States, and, as the Report acknowledges, scholarly focus long centered on the latter (OECD, 2020, p. 12).

In both nations, that pattern changed dramatically (but not permanently) in the wake of World War I and especially in response to the global economic depression of the 1930s. Reliance on vastly expanded central government provision of essential goods and services, very much in the Positive Liberal pattern, became the practice and the expectation in both the United States and the United Kingdom.

That pattern continued, perforce, through World War II. The states allied against the fascism of the Axis Powers were neither “night watchmen” nor “nannies.” And, through the Marshall Plan, the victorious allies made the Positive Liberal domestic model of the United States and the United Kingdom not only the template of post-war recovery but also the pattern of collective defense and international development for next three decades.

By the 1970s, a distinct reaction had set in not only in the United States and United Kingdom but across much of the rest of the Western Alliance and the world, a reaction that accelerated with the collapse of the Soviet threat. If you’ll pardon the eponyms, it went like this: The Marshall Plan ethos, the ethos of Roosevelt and Attlee, gave way to a very different

ethos, first of Reagan and Thatcher, then of Clinton and Blair, and finally of Trump and Johnson. Understandably enough, these developments cannot but have affected the position of the OECD and its supporters toward private philanthropy in both domestic politics and international relations.

To put the change most bluntly: A new generation of vastly wealthy private, purportedly philanthropic, foundations, some of which had grown extremely large in the unraveling of the domestic and international order of the Marshall Planners, became one of the few available sources of financial and technical support for international development once done by the OECD and its member states themselves, with limited but significant aid from older and closely allied private foundations.

As we have said, the main theme of this historical review is the shift in relations in the relationship between the state and private philanthropy as the governments of the United Kingdom and United States went from Negative Liberal to Positive Liberal (Social Democratic) and then back. As we examine this cycle, we also need to watch the other side of the relationship, private philanthropy. On this side, we need to be particularly mindful of the role of three significant institutions: religious organizations, especially Protestant Christian churches; universities, both private and public; and private philanthropic foundations, both those favoring Positive Liberalism and those favoring Negative Liberalism.

a In the beginning (as identified by Social Origins Theory): the amazing rise and spectacular fall of the (Negative) Liberal state

Radicals and conservatives, after all, necessarily share some ground in common. . . . Radicals, for example, are traditionalists, just as conservatives are; it is simply that they adhere to entirely different traditions.

(Eagleton, 1996, p. 6)

[I]f this faith is truly liberal, then somewhere in it lies a deep strain of political conservatism.

(Rossiter, 1955, p. 71)

The era that set what Social Origins Theory identifies as the distinctive mode of state interaction with private philanthropy in the United States and United Kingdom, our Negative Liberalism, is often and tellingly known, especially in the United States, as the Gilded Age. It was an age of astonishing industrial, commercial, and financial expansion; particularly savvy entrepreneurs, often neither morally scrupulous nor socially conscious, amassed hitherto unimaginable private fortunes. Collectively, and hardly affectionately, called robber barons, their ranks included names that are still household words, if no longer watch-words, today: Ford and Carnegie, Rockefeller and Mellon. At the time these magnates amassed their vast fortunes in steel and oil, assembly-line production, and international banking, the state, decidedly Negative Liberal, imposed minimum regulation on their profit-making conduct and virtually no control over the disposition of their accumulated wealth (SSA, p. 19). To say that these private fortunes conferred a considerable say in state policy in these and other matters is to strain understatement to the point of self-parody.

The insulation from state interference of these “Captains of Industry” did not depend entirely on their direct political influence. They received considerable support from two significant sources: mainstream Protestant churches and universities, particularly the newly emerging economics departments of those universities R.L. Heilbroner (1972). But, quite significantly,

neither church nor academic support was ever unanimous, and, as the effect of essentially unregulated capitalism became increasingly apparent, opposition in both churches and universities increased.

Partly in response to that criticism and its feared effect on public policy, though surely in part out of genuine good will, several of the great magnates developed a significant new form of private philanthropy, the private foundation. The foundation was to do for private charity what the magnates' *soi-disant* genius had done for capitalism itself: introduce new levels of scale and new methods of scientific management. In the view of these Captains of Industry, just as capitalism, before their age of industrial consolidation, had been a wasteful battleground of petty competition, so private charity had remained an amateurish, ill-guided social enterprise. Private foundations were to change all that. And, to a considerable extent, they did, in two particularly important ways: They became, functionally speaking, old-style charities' consulting firms and investment bankers; private foundations' permanent and increasingly professional staffs gave expert advice not only on how best to undertake traditional philanthropic operations like poor relief, primary education, and hospital care but also on getting at the roots of traditional problems like poverty, ignorance, and disease.

And, it has to be noted, many of the giant first-generation private foundations had the explicit goal, and all of them the cumulative effect, of performing functions that, as early skeptics duly noted, might have been undertaken by a more active state itself. Private foundations were, in theory as well as in effect, the archangels of Andrew Carnegie's *Gospel of Wealth*: Best to let the titans of industry control not only the making of money but also its ultimate direction and distribution (Carnegie, 2017). Some unfortunate souls, to be sure, would fall by the wayside, in the happier future as in the less fortunate past. But now, to quote a reluctant private philanthropist, fictitious but famous, this decrease of the excess population could be seen not as the tragic outworkings of Professor Malthus's inscrutable mathematics and mankind's manifestly fallen nature but as the social implications of the Reverend Darwin's accessible insights into the progressive improvement of all surviving species, not excluding *Homo sapiens*.

These assuredly wholesome, if sometimes stern, domestic arrangements had important implications for foreign affairs. The Titans of Industry, with their supportive lawyers and policy makers, were committed to free international trade and open global markets among nearly absolutely sovereign nation-states (once their own nascent industries were safe against older industries established elsewhere earlier). Nation-states, as sovereign legal agents, were free to regulate their internal affairs as they chose; in their relations with each other, they were to keep their borders open to the free movement of goods and capital (though not, significantly, labor). Their disputes were to be resolved peaceably, if not by the disputants themselves, then by neutral international tribunals they themselves created to apply universal principles of law dutifully fashioned by university-based law faculties in a remarkably formalized conceptual system (Giovanopoulou, forthcoming, 2021, pp. 11–12).

This story is hard to tell with a completely straight face, and, no matter how one tells it, it does not have a surprise ending. It all came crashing down in two watershed events: the Great War and the Great Depression. As we look back upon these ruins, we must be careful not to commit the post hoc fallacy; indeed, some still assert, in what we must in all charity take to be good faith, that unregulated capitalism itself was not a major cause of either the War or the Depression. For our purposes, it is enough to note that many observers, then and now, have taken quite a different view and acted on those convictions. Their legacy includes, as most relevant here, the Marshall Plan and its direct descendant, the OECD.

b The post-war realignments: Positive Liberalism's ascendancy, domestically and internationally

It is logical that the United States should do whatever it is able to do to assist in the return of normal economic health in the world, without which there can be no political stability and no assured peace. Our policy is directed not against any country or doctrine but against hunger, poverty, desperation and chaos.

(Marshall, 1947)

Injustice anywhere is a threat to justice everywhere.

(King, 1963)

In the wake of the global catastrophe of WWII, as the great English Social Democrat R.H. Tawney was writing his fellow socially conscious Christians across the Atlantic, other leaders of the Western Alliance were laying the foundations of the post-war world order. A cornerstone of that order was the Marshall Plan; out of the Marshall Plan, of course, grew the OECD. For our purposes, several aspects of that new order are especially salient. We will look first at the role of the relevant states, focusing still on the United States and the United Kingdom, then at those states' relationships with three particular institutions: universities, private foundations, and Protestant churches.

As in the preceding era of Negative Liberalism in the United States and the United Kingdom, the domestic and foreign policies of the relevant nations were critically linked. The Marshall Planners saw the need to respond militarily to the threat of the Soviet Union. This, quite by itself, would require a rebuilding of both the Western Allies and former enemies Germany, Italy, and Japan. The Marshall Planners knew this would involve massive infusions of North American money, material, and technical assistance; they also knew that this aspect of the Plan was a necessary but not sufficient condition.

In addition to ensuring a military response to the Stalinist threat, the Marshall Planners believed they had to appeal to the "hearts and minds" of the citizens of then-donee countries, the previously industrialized countries, friend and foe, devastated by the war. Again, Tawney's insight is instructive:

[T]he task of reconstruction, both for England and for several of her continental neighbors, is more subtle and exacting than the mere reparation of a shattered edifice.

(Tawney, 1964, p. 139)

Tawney and his Marshall Plan allies looked ahead, then, not merely to restoring the pre-War domestic arrangements. That regime, they believed, had broken down in two world wars and an intervening global economic collapse. Against the backdrop of that failure, the architects of the new order worked address the reasons why the old had failed. In persuading the United States to join the Allied war effort, Roosevelt had promised freedom from fear (Roosevelt, 1941). After the war, any tenant farmer or factory worker might well have known, many from quite bitter experience, that what they had to fear along with the Communists in Moscow was not an activist government in Washington or Westminster, Paris, or Bonn but the Boss and the Man, the Sir and the Seigneur, very much closer to home.

And so, in a fundamental sense, the Marshall Plan was, from the perspective of both sponsors in the United States and its participants abroad, an extension of the Roosevelt's New Deal

onto the international stage (Priestland, 2012, p. 156; Giovanopoulou, forthcoming, 2021, pp. 13–16). And, as the Cold War with the Soviet Union expanded beyond Eastern Europe and into less economically advanced countries outside Europe, particularly in Latin America, Africa, and South Asia, the Marshall Planners expanded their basic development program, both economic and political, into those areas as well (Machado and Marshall, 2007, Giovanopoulou, forthcoming, 2021, p. 25).

Seen through the very useful lens of Social Origins Theory, the Marshall Planners' new world order was far closer to the Positive Liberal, or social democratic, model first established in the Nordic countries than to the Negative Liberal model dominant in the United Kingdom and the United States at the turn of the twentieth century. Two aspects of this change from the prior period are critical for our analysis. First, for the Positive Liberal direction of the Marshall Planners to enjoy the necessary international cooperation of its member countries, it had also to have very broad political support within those countries. It did. Second, it did not need to rely on private philanthropy in either the design or the implementation of its program, domestically or internationally. It did not.

The Positive Liberal ethos of the Marshall Planners was not merely the position of the parties of the West's democratic Left, parties like Labor in the United Kingdom and the Democrats in the United States. That ethos also became, in basic outline, the position of center-right parties like the Conservatives in the United Kingdom and the Republican Party in the United States. (And so, too, it was across Europe the consensus position of not only the moderately leftist social democratic parties, but also center-right parties like the Christian Democrats.) Thus, in the United States, as one prominent scholar of the period has observed,

Under President Dwight Eisenhower, the [Republican] party had made peace with New Deal social provisioning and backed large-scale federal spending on infrastructure and education. Even as late as the 1970s, President Richard Nixon passed legislation expanding federal regulatory agencies.

(McGirr, 2021)

This convergence of mainstream political parties toward the social democratic center-left was even older and more secure in Britain. Thus, as Tawney noted, in the interwar years, the United Kingdom had more than doubled real spending on social programs, mainly under Conservative governments (145).

Of equal importance was a parallel development: In both countries, the political position of the nineteenth century's Negative Liberalism had all but collapsed. In the United Kingdom, the nominally Liberal Party came apart at the seams (Dangerfield, 2012). In the United States, the Republican Party lost the presidency in 1932 and regained it only in 1952. For more than a generation after the war, both the Conservative Party and the Republican Party accepted the social democratic status quo of the Roosevelt and Attlee years.

A second feature of the new era was, for our purposes, every bit as important. As it was for the paradigmatic Social Democratic states in the Social Origins Theory of philanthropy, so it was with the corresponding but later phase of Positive Liberalism in American and British politics: It had no particularly large place for private philanthropy as such. The reason is radically significant: The Positive Liberal state is *itself* actively philanthropic. A chapter title from David Owens's contemporary survey of English philanthropy in this period nicely captures the situation: *Junior Partner in the Welfare Firm* (1964, p. 527). And, at least in the early post-war period, it seemed that the trend toward less reliance on private philanthropy would continue: "Not only

did the State emerge as the predominant partner, but for a time there was grave doubt as to what might be left for its older but now junior associate” (p. 526).

A closer look, however, reveals that there was quite a lot. The Marshall Planners’ broad political consensus, it is important to note, rested on a social consensus that was equally broad and quite likely even deeper. And this social consensus included, quite critically, two particular kinds of traditionally philanthropic organizations, universities and churches, as well as that newer innovation, the private foundation.

Take the oldest, the churches, first. The academic leadership of mainstream Protestant denominations in the United States was solidly behind the New Deal and the Marshall Plan – when not ahead of them. And these mainstream denominations – Presbyterians, Episcopalians, Congregationalists, Lutherans, and, increasingly, Methodists – insisted that their clergy hold graduate-level university degrees, which their academic leadership, through its professional organization, hoped to make the norm in other prominent denominations as well (as it had long been, of course, in the Catholic communion) (Niebuhr et al., 1957, p. 203). The leadership of the Catholic Church was considerably slower in accepting secular liberalism in politics, but it was at least equally reluctant to embrace *laissez-faire* liberalism in economics (Leo XIII, 1891). And the Catholic laity in the United States, particularly those of the urban working class, became essential constituents of the New Deal coalition (until, in the next period, that coalition turned further left on social as well as economic issues, particularly abortion and same-sex marriage).

Even as the academic elite of Protestants in the United States supported social democratic programs, so those programs drew heavily from universities for both their inspiration and their implementation. Felix Frankfurter at Harvard Law School was a particular significant “talent scout” before Roosevelt elevated him to the Supreme Court (and almost certainly afterward) (Urofsky, 1991, p. 62). Nor were elite private Eastern universities like Harvard the sole, perhaps even the principal, source of intellectual talent. The great public universities of the West and South also provided both ideas and leadership. When George Marshall himself announced what was to be his namesake plan at Harvard, one of the premier private universities in the United States, he spoke as a graduate of the Virginia Military Institute, a university founded and funded by the Commonwealth of Virginia. Far more of the United States military officer corps were graduates of the nation’s own military academies. And the same, of course, was true in the United Kingdom as well.

This relationships among the Positive Liberal state, the mainstream Protestant churches, and the universities had an equally important additional dimension: It was deep as well as broad. The academic elites of the movement were, for both practical and theoretical reasons, reticent about the ultimate foundations of their political faith. But they were quite clear that, secular though many among them certainly were, their basic values were quite compatible with those of their more traditionally religious allies, if not the very same. Tawney was, famously, prominent in the leadership of both social democrats and socially progressive Christians (Sifton, 2003, pp. 198–199). Among the latter, it was the daughter of the theologian Reinhold Niebuhr who paid him perhaps the highest compliment: “Tawney is my idea of a really effective Christian, not least because he never talked about being one” (Ibid.).

Another example captures the Marshall Planners’ ecumenical spirit even more nicely. Jerome Frank was one of the more prominent, as well as one of the more theoretically radical, of the New Dealers, first as a Harvard law professor, then as a federal judge. And yet, when pressed on what his basic values were, he replied, “I do not understand how any decent man today can refuse to adopt, as the basis of any modern civilization, the fundamental principles of Natural

Law, relative to human conduct, as stated by Thomas Aquinas” (Frank, 1963, p. xx). Thus the most secular of Positive Liberals had no trouble reconciling their political principles with those of the most orthodox doctor of the Catholic Church.

The relationship between private foundations and the post-war Marshall Plan consensus was less significant than that of either churches or universities. It was, however, profoundly significant in comparison with what had gone before, in the era of the Negative Liberal state’s original ascendancy and even more significant in comparison with what was to come after, the era of the Negative Liberal state’s revival. All the major foundations, even those founded and funded by laissez-faire proponents like Ford, Rockefeller, and Carnegie, eventually espoused, even advanced, an essentially state-supportive role. Ironically, the namesake foundations of the Captains of Industry, established as bulwarks against the Positive Liberal state, came to be an important part of its vanguard: seeking out new areas of human need for it to enter, providing “seed money” until it got there. (And, as we shall see, later acting as “stop-gaps” when it left.) This was equally true of their counterparts in the United Kingdom (Owen, 1964, p. 553).

This new role of the great private foundations as vanguards of the newly activist, Positive Liberal state points us, finally, to a most significant aspect of that state’s political leaders: They were both democrats and leaders but only in very distinctive meanings of those two words. They rallied their electorates behind policies that they themselves believed were for the common good; they were, if you will, modern democrats in practical politics but neo-classical republicans in political ideology. To paraphrase Lincoln, a real as well as nominal republican, they practiced government “for the people,” and they mastered enough of the common touch to make it seem as “of the people” as necessary. But they took “by the people” as better politics than policy. They had seen the direst dangers of demagoguery; they were interested neither in following the angry mob down dark paths that end in “blood and soil” populism nor in leading the tractably gullible into schemes that could only benefit their promoters’ own narrow class or partisan interest. They were too wise to preach the rule of the wise for the good of all; they were too good not to practice it.

The achievements, domestic and foreign, of the post-war center-left coalitions within and among the Marshall Plan’s donor and donee nations call to mind Thucydides’ observation about democratic Athens under Pericles:

In short, what was nominally a democracy became in his hands government by the first citizen. With his successors it was different.

(Thucydides, Crawley and Gavorse, 1951, pp. 120–121)

As classical Athens passed from Pericles to Cleon the tanner and Alcibiades the turn-coat, so, alas, the Positive Liberalism of the Marshall Planners would have its own populist epigones.

c The recrudescence of Negative Liberalism: the tragi-comic third act in three scenes

History repeats itself, first as tragedy, then as farce.

(Marx and De Leon, 1898)

Even as Tawney and his counterparts early in the post-war period championed the path of Positive Liberalism and the Marshall Plan, they knew there were other paths ahead, ways that looked back to very different traditions. Two of these troubled them the most: on the one hand,

Soviet-style totalitarian communism; on the other, Anglo-American-style laissez-faire capitalism, our Negative Liberalism. The Marshall Planners and their fellow Positive Liberals held the middle ground – I daresay the high ground – for the better part of four decades.

By the last decade of the twentieth century, the threat from the radical “Left,” Soviet Communism, was collapsing. In 1989, the Berlin Wall, symbol of the Soviet threat that the Marshall Plan had initially anticipated, had fallen. But by then, the threat from the radical right was already looming large. At the beginning of the prior decade, the Anglo-American form of laissez-faire capitalism and negative Political Liberalism returned with what can only be called a vengeance. Ronald Reagan was elected US president in 1980; his political soul-mate, Margaret Thatcher, had been elected UK prime minister the year before. The epigraphs to their era, which we must take up next, can only offer an aftertaste of that bitter revanchism.

i. The Reagan-Thatcher Negative Liberal counter-revolution

The nine most terrifying words in the English language are: *I’m from the Government, and I’m here to help.*

(Reagan, 1986)

They are casting their problems at society. And, you know, there’s no such thing as society. There are individual men and women and there are families. And no government can do anything except through people, and people must look after themselves first.

(Thatcher, 1987)

Both Reagan and Thatcher were too nearly two-dimensional characters to be classically tragic figures themselves; Reagan quite literally became a public figure through the medium of the movie screen, in roles that were, themselves, decidedly flat.² The tragedy repeated first in the scene they shared was not personal but institutional, a repeat of the old Negative Liberalism of the Gilded Age with which our historical survey, following Social Origins Theory’s account of the role of private philanthropy in the United States and the United Kingdom, began.

We need only review the main script in mercifully brief outline. Under Reagan and Thatcher’s remarkably charismatic leadership, majorities in both the United States and the United Kingdom voted to dismantle the three basic domestic pillars of the Marshall Planners’ Positive Liberal ethos: aggressive state regulation to keep capitalism both efficient and competitive, generous social programs to alleviate misery and promote opportunity, and aggressively progressive taxation to fund both of the other two.

A key component of Reaganism and Thatcherism’s success was raising social over economic issues as a means of splitting the core coalitions of both the New Deal and the Labor Party: setting working-class people against Positively Liberal, often university-based, intellectuals. Both Reagan and Thatcher preached a decidedly old-fashioned brand of self-reliance, even as they caricatured the beneficiaries of the welfare state as idlers (Reaganism’s “welfare queens”) and the agents of the welfare state as elitist meddlers (Thatcherism’s “nanny state”). In international affairs, both Reagan and Thatcher defended, even redoubled, the NATO opposition to the Soviet Union and generally pressed for the traditional Negative Liberal line on unregulated trade, even as they more quietly reduced support for the OECD’s global development goals.

With respect to private philanthropy, both Reaganism and Thatcherism preached a return to the model of the Negative Liberal state that, as we have seen, Social Origins Theory identifies as characteristic of the modern state’s first phase in the United States and the United Kingdom.

This involved important shifts in the relationship between the state and the three institutions on which we have been focusing: churches, universities, and especially private foundations.

Churches were critical in shifting the attention of working-class voters, the basis of both the Labor Party and the New Deal Democratic coalition, away from economic issues and onto social issues. This generally involved divisions *within* Protestant denominations and the Catholic Church as much as *between* them. Mainstream Protestant denominations with traditions of university-educated clergy tended to divide along urban/rural and higher-income/lower-income lines; other Protestant denominations remained divided along lines of both class and race. And, especially after Vatican II, Catholics tended to divide into traditionalists and progressives.

The most interesting development for our purposes was the role of private foundations. The older flagship foundations – Ford, Rockefeller, and Carnegie, for example – continued their post-war supporting role in the Positive Liberal political consensus. A new generation joined them in that general political orientation, but with a critical difference: They saw themselves less as leading the welfare state into new areas and filling gaps in areas of critical need until the state arrived. Instead, the newer positively liberal foundations tended to take that role as permanent. This is nicely reflected in Bill Gates’s response to a question about the role of private foundations, a question prefaced by the implication that more of his wealth might better have gone into the hands of the Positive Liberal state:

[w]e think there’s always going to be a unique role for foundations. They’re able to take a global view to find the greatest needs, take a long-term approach to solving tough problems and manage high-risk projects that governments can’t take on and corporations won’t.

(Gates, *AP News*, 2018)

Among private foundations engaged in international development, the Gates Foundation has accounted for very nearly half the private funding (OECD, 2018, p. 16). Here is a voice very likely to be listened to. And perhaps listened to too intently, as the OECD has itself commendably noted (PPD at 96) and pointed out to donor states (PPD at 96). Surely the Marshall Planners would have balked at the “conventional wisdom” of the Gates generation of private foundations: The Positive Liberal State is too parochial, too short sighted, and too risk averse for major projects.

At risk of belaboring the obvious, two further points bear emphasis here. First, and most obviously, it is hard to imagine a project bigger than that of re-building Europe after World War II, even as it is inconceivable that such a project might have been funded by private philanthropy. Nor, as we have seen, did the Marshall Planners find themselves reliant upon private philanthropy either to show them the strategic, global perspective or to provide them with the necessary tactical, boots-on-the-ground expertise. Second, it only takes a glance at the OECD’s impressive statistical survey to see how large big private foundations in general, and the Gates Foundation in particular, now figure in the funding and implementation of projects that the Marshall Planners would surely have thought to be within the proper purview of states and their agencies, particularly interstate institutions like the OECD itself, and allied universities, public as well as private.

Nor, with respect to private foundations, is that the most notable departure from the pattern of the Marshall Planners. As Positively Liberal foundations like Gates seemed ready to displace the work of the state with their own, a new brand of Negative Liberal foundations arose to challenge the very ethos of the Marshall Planners themselves. It is difficult to summarize this vital phase of the relevant history without sounding at least a little like something of a conspiracy theorist. To redress that problem fully would require providing far more detail than appropriate here. A very brief outline must suffice, backed with references to long and deeply documented

accounts (Andersen, 2020; Mayer, 2017). Newly minted billionaires essentially retro-engineered the work of the post-war private foundations: They funded populist movements like the Tea Party, they promoted the social agenda of more Negatively Liberal Christians, and, perhaps most significantly, they fostered an alternative intellectual establishment of Negative Liberalism, particularly in law and economics.

For our purposes, the point is this: These new Negative Liberal foundations did not mean to be partners in advancing the Positive Liberal ethos of the Marshall Planners; they meant to destroy that ethos, root and branch. Here we have, then, a particularly important example in very recent history of a more general point long ago announced in theory: When it comes to philanthropy's core mission of advancing the public good, opinions can be not only divergent as to the best means but even diametrically opposed on the end itself.

ii The interlude of Neo-Liberalism lite: the Negative Liberal consolidation of the Clinton-Blair "New Left"

The era of big government is over, but we cannot go back to the time when our citizens were left to fend for themselves.

(Clinton, 1996)

One has to say that, for better or worse, President Reagan and Prime Minister Thatcher were charismatic leaders with the courage of their convictions. One also has to say that, surely for the worst, President Clinton and Prime Minister Blair, if almost their predecessors' equals in charisma, seem considerably less graced with either courage or conviction. Their political home bases, more inherited than chosen, were on the port side of Positive Liberalism; the timing of their political ascendancy made them tack, reluctantly or not, rather far toward the starboard side of Negative Liberalism. This is not the place to say whether their tacks were motivated more by the felt need to keep their parties from totally floundering or by their own overweening personal ambition to sail first past the farthest political post, leadership positions in their respective parties and countries. The fuller record, suffice it to say, speaks quite loudly enough for itself.

What matters here is that, in matters of both economic regulation and wealth redistribution, the rightward trim of Clinton and Blair's rigging helped both to consolidate and to legitimize the Reagan-Thatcher Negative Liberal counter-revolution against the United States and the United Kingdom's generation-long commitment to the Positive Liberalism of the Marshall Planners.

iii The denouement of Donald Trump and Boris Johnson: illiberal democracy in the lands of the Marshall Plan

For they sow the wind, and they shall reap the whirlwind.

(Hosea 8:7)

The minimalist, negative liberal state dominant in both the United States and the United Kingdom at the turn of the twentieth century first repeated itself, as we have seen, in the tragedy, at least in philanthropic terms, of the Reagan and Thatcher years. The rich got richer, and the poor poorer. We now have its farcical second repetition, the triumph of Trumpism in the United States and Brexitism in the United Kingdom, the rejection of the ethos of the Marshall Planners. As we have seen, Reaganism and Thatcherism quietly abandoned President Roosevelt's pre-War promise to end fear and want everywhere on the globe, abroad as well as at home. But Reagan and Thatcher carefully kept intact two other elements of that ethos, those

most important to their wealthy patrons: opposition to the Soviet Union and expansion of free trade (again, in goods and capital, not in labor).

President Trump infamously campaigned on the slogan of the very isolationists who opposed the United States' opposition to the Axis Powers: *America First!* He openly admires former KGB agent Putin, even as he openly questions the continued utility of the NATO alliance, bringing the embrace of Marshall Plan foes and the abandonment of its friends together in a musing once unimaginable for a president of the United States: Why would we defend tiny Estonia against a Russian invasion? (Kramer, 2016). Reagan famously demanded that Gorbachev tear down the Berlin Wall, symbol of Soviet occupation; Trump virtually invites Putin to move it further West. And President Trump both actively promoted protective tariffs and openly favored bilateral trade agreements over regional economic integration and multilateral free trade arrangements; this latter position, with the prospect of a special U.S./UK trade relationship, was a major selling point of Boris Johnson and the Brexiteers.

In Trump and Johnson, those who worked to reverse the ethos of the Marshall Planners have become the victims of their own success. With barely disguised "blood and soil" populism, they lured rank-and-file voters out of the Labor Party's worker-intellectual alliance and New Deal's economically progressive coalition and into parties that preached social conservatism while practicing plutocracy. Then the establishment of those very parties lost control of the beast they had wakened and ridden to power; the angry body of populist voters turned on the neo-liberals themselves – the Republicans in the United States and the Conservatives in the United Kingdom – and the unholy alliance of plutocrats and populists ripped along its unseemly seam.

Hardly the least obvious element of this farce: In the United States, the populist leader was a self-proclaimed billionaire; in the United Kingdom, the product of the public school and Oxbridge establishment.

d Unpacking the final paradox: Marshall Planners' ends, Fabius's means

For the right moment you must wait, as Fabius did most patiently, when warring against Hannibal, though many censured his delays; but when the time comes you must strike hard, as Fabius did, or your waiting will be in vain, and fruitless.

(Fabians.org.uk, 2010)

I know the comments that some people will make on our Fabian conduct. . . . But the more discerning, I trust, will not find it difficult to conceive that it proceeds from the truest policy.

(Alexander Hamilton, quoted in Ricks, 2020, p. 154)

Against this background, we can now unpack the final paradox we noted at the beginning. This, remember, was the paradox: In its suggestion that policy makers may want to support private philanthropy with public finances, particularly favorable tax treatment, the EOOD Report does not go far enough in its own direction. This is the unpacking: The Report goes no further, because the way is blocked. In the ethos of the Marshall Planners, private philanthropy played no essential part. Their vision of global peace and prosperity, of universal economic and social justice, was to be the work of Positive Liberal, social democratic states, at home and abroad – independently if necessary, cooperatively if possible.

When Positive Liberalism lost the United States and the United Kingdom to a Negative Liberalism that was both isolationist and anti-statist, then private philanthropy, especially the

great private foundations, seemed an essential, if stop-gap, source for even the most basic work of organizations like the OECD itself (OECD, 2018, p. 29). In the candid words of the OECD,

As the ambitious priorities of the Sustainable Development Goals [for 2030] come face-to-face with limited economic resources exacerbated by the 2007 financial crisis, the time is ripe to harness the promise of philanthropy.

(Ibid., p. 3)

This reliance on private philanthropy is a decidedly second-best solution, a distant and dim reflection of the Positive Liberal ethos of the Marshall Planners. The OECD's own report, *Private Philanthropy for Development*, bears sad testimony to the novelty of this departure:

Several major declarations on global development policy and financing were endorsed between 2000 and 2010, including the 2000 Millennium Development Goals (MDGs), the 2002 *Monterrey Consensus on Financing for Development*, the 2005 *Paris Declaration on Aid Effectiveness* and the 2008 *Accra Agenda for Action*. None mentioned philanthropy as a development actor or as a source of finance.

OECD/ PPD at 93–94 (emphasis added)

Still and all, half a loaf is better than no bread – and today it is real loaves and literal starvation that all too often measure the success and failure of global development. In these dark times, it is good policy not to bite any hand that feeds the hungry³ – even hands that would keep the hungry on very short rations indeed, as they help themselves to the lion's share of social resources. But, even in dark times, it is wisest to work for better days, when – claiming no originality here! – the wise rule, as they did in the West in the wake of World War II, for the good of all.

And this day may be dawning even now. In the words of Paul Krugman, Nobel Laureate in economics,

For the lesson of 2020 is that in a crisis, and to some extent even in calmer times, the government can do a lot to improve people's lives. And what we should fear most is a government that refuses to do its job.

(Krugman, 2020)⁴

Conclusion: what is to be done now?

I have the audacity to believe that peoples everywhere can have three meals a day for their bodies, education and culture for their minds, and dignity, equality and freedom for their spirits.

(King, 1964)

One cannot help but be at least a little hopeful, as we enter the first hundred days of President Biden's administration, to learn that his role model is Franklin Roosevelt. Then again, one cannot but be a bit leery of the aspiration's likely fulfillment. It calls to mind the response of the Archbishop of York to the remark that "what we need are a few more people like Tawney": "There are no more men like Tawney" (Gaitskell, 1964, pp. 211, 214).

It would be immodest, if not worse, to think of ourselves as agents of philanthropy, lovers of humankind, on the order of the Marshall Planners, much less that of their leaders, humanitarian heroes like Roosevelt, Tawney, and Marshall himself. Then again, we would do well to remember that we may stand on their very shoulders and, so standing, see even further and clearer than

they could. So, too, we may build upon the foundations they and their fellow laborers have laid. And we would do well to remember words in which they themselves must have taken comfort, in their time, a time far more fraught than even our own:

Therefore, since we are surrounded by so great a cloud of witnesses, let us also lay aside every weight and sin that easily distracts, and let us run with perseverance the race that is set before us.

(Hebrews 12:1)

Amen.

Notes

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- 1 The Report follows Social Origins Theory itself in using the terms "social democratic" and "liberal." In view of the different meanings of "liberal" in the United States and the rest of the world and the sadly negative connotations of "social democracy" in the United States, I will use instead the terms "Negative Liberal" and "Positive Liberal," respectively. Positive liberty as used here actually comes closer to a third alternative, republican liberty. See Pettit, P. (1997). *Republicanism: a theory of freedom and government*. Oxford: Oxford University Press, pp. 16–21.
- 2 Perhaps most fittingly, in *Bedtime for Bonzo*, he played second fiddle to a show-stealing chimpanzee.
- 3 It has to be noted – yet again, very much to its credit – that, although the OECD seems never to bite, it has shown an admirable willingness to bark, sometimes rather insistently. Thus, in its OECD PPD, it offers a number of recommendations to donor foundations that are a long way from obsequious. PPD at 116–119 ("Recommendations for Foundations"). And, as we have already seen, the OECD has also pointed out to donor nations the need to address the risk of giving too much influence to a relatively small number of mostly North American donor foundations. PPD at 120.
- 4 And yet, even as I thus reconcile myself with my hosts, do I not pose a final, perhaps fatal, paradox? In highlighting our common commitment to the Positive Liberal vision of the Marshall Planners, do I not risk undermining that very position? In articulating our shared commitment to Positive Liberal State action as the first-best solution to humanity's largest problems, and private philanthropy a distant second, am I not playing into the very hands that would denounce us all as "socialists" and "internationalists"? For my response, which requires a bit of an excursion in Aristotle's Rhetoric, see the Appendix to the version of this chapter posted on SSRN, note 1, *supra*.

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