

Philanthropy and its Uneasy Relation to Equality

Rob Reich

Introduction

There's a standard story about philanthropy and its relation to liberty and equality. The story is this. Philanthropy is tightly connected to liberty for two reasons. First, philanthropy is voluntary. Whereas the state can mandate and coerce behavior, activity within the philanthropic sector is not compelled. Indeed, philanthropic or charitable actions that are coerced are often thought not to be instances of philanthropy or charity at all. Second, the exercise of liberty includes freedom to associate, which, famously in the American context, has resulted in a strong inclination for people to join together to address and solve social problems. Philanthropy is not only an activity of free persons, but when the state protects the freedoms of individuals, it becomes a group activity.

Philanthropy is also tightly connected to equality because the quintessentially philanthropic act—and the virtue in the philanthropic act—is generally thought to consist in providing for the poor or disadvantaged, or attacking the root causes of poverty or disadvantage.

This story, linking philanthropy to both liberty and equality, is an attractive one and it contains some truth. My aim in this essay, however, is to complicate this rosy story. Philanthropy is not always a friend of equality, can be indifferent to equality and sometimes

depend not at all on philanthropy being redistributive or eleemosynary. But when philanthropic activity actually worsens inequality, any justification for the state's provision of special tax treatment to philanthropic organizations is considerably weakened, and perhaps entirely eroded.

Though philanthropy may be as old as humanity itself, its setting in modern society embeds it firmly with the political institutions of the state. Laws govern the creation of foundations and nonprofit organizations, and they spell out the rules under which these organizations may operate. Laws set up special tax treatment for philanthropic and nonprofit organizations, and they permit tax concessions for individual and corporate donations of cash and property to qualifying nonprofits. In this sense, philanthropy is not exactly an invention of the state but can be viewed as an artifact of the state; we can be certain that philanthropy would not have the form it currently does in the absence of the various laws that structure it and tax incentives that encourage it.

The goods and harms of philanthropy can be products of, or at least can be promoted or diminished by, the policies of the state that are designed to encourage or reward philanthropic behavior. The basic argument I shall advance is that public policy does not do enough, I believe, to encourage philanthropic behavior that aims at greater equality. Worse, public policy currently rewards some philanthropic behavior—in the form of tax concessions—that worsens social inequalities and causes harm. The state is therefore complicit in these philanthropic harms, and unjustifiably so.

I proceed as follows. The first section offers a short consideration of the potential harms of philanthropy, distinguishing between individual and institutional harms. A brief treatment of the complex interplay between philanthropy and the tax code follows. I then turn to the variety of institutional harms that public policies governing philanthropy can inflict, focusing special attention on the ways in which philanthropy is indifferent to equality. I then provide an illustration of how philanthropy can be causally implicated in the worsening of inequality: the case of private donations

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even a cause of inequality. When philanthropy causes or worsens inequality, it can be harmful and at odds with social justice. This is no decisive objection to the existence of a nonprofit and philanthropic sector in society in general, for there are a variety of justifications for philanthropic endeavors, some of which

to public schools. I conclude with a few gestures at policy recommendations aimed at making the outcome of philanthropic endeavors more egalitarian.

One terminological note merits a comment. Though many people seek to distinguish philanthropy from charity, usually on the ground that philanthropy seeks to attack the root causes of social problems and charity is the provision of direct assistance, or on the ground that philanthropy refers to foundation activity and charity refers to individual donations, I shall use the two here relatively interchangeably. The reason for doing so is not because I think the putative distinctions between the two are faulty. The reason is that, however distinguished, both philanthropy and charity are activities regulated and governed by a common institutional framework of laws and public policies.

Philanthropic Harms

The notion that philanthropy can cause harm is perhaps at odds with popular conceptions about what philanthropy is and does, but even philanthropic practitioners recognize the potential for harm. Writing about the array of private philanthropic foundations in the United States, for instance, former foundation executive and current Duke University scholar Joel Fleishman opines, "I believe deeply that foundations

What are better rather than worse public policies for philanthropy, policies that will encourage goods rather than harms?

do far more good than harm, and that such harm as they do can be attributed mostly to operating inefficiencies and the consequent waste of assets, assets which they are morally obligated to steward wisely."

Fleishman's statement is not incorrect but it is pollyanna-ish. Philanthropic acts can cause harms in a number of ways that go far beyond the failure to steward assets wisely. We can divide these harms into two broad categories: individual harms and institutional harms. Individual harms are the product of the actions, motives, and behavior of individual philanthropists; philanthropic endeavors sometimes harm the people they were meant to benefit. Institutional harms are the product of public policies and incentives that set the framework within which philanthropy takes place; public policy can cause and exacerbate harms itself, apart from the motives or actions of individuals. Obviously individuals and institutions interact with and effect one another, so the two categories cannot be completely walled off from one another. Nevertheless, the division between individual and institutional

harms is a helpful way to demarcate the kinds of harms worth worrying about.

My concern is with the institutional harms of philanthropy, how the public policies that guide philanthropy or the very structure of philanthropy itself can be harmful. In some respect, this is an old criticism. Left-wing critics have long suggested that philanthropy is but another self-interested means of the powerful to continue their dominion over the poor and to entrench the ideological interests of the wealthy in all of society. To the extent that the state is involved in supporting philanthropy, the state would merely be abetting the philanthropic actions of the powerful and reinforcing their already dominant position. But one needn't be a foe of capitalism to see how philanthropy can be harmful. Contemporary political philosopher Will Kymlicka argues, for instance, that justice supercedes charity in importance, and that our obligations as citizens to fulfill and realize social justice through political institutions effectively subsume any reasons we might have to perform acts of charity. Kymlicka's argument raises the basic question of why the state should be involved in any way whatsoever in subsidizing, through tax incentives, philanthropic activity. Philanthropy existed long before the state decided to become involved, so it is surely not true that philanthropy would disappear absent the state's involvement. These are important critiques that cut to the heart of the very legitimacy in a democratic society of philanthropic and charitable activities and organizations. But for purposes of this essay I shall sidestep the important issue of justifying the "intervention" of the state in legitimizing, regulating, and providing incentives for philanthropy. The relevant question to ask, since the state will be involved, is: What are better rather than worse public policies for philanthropy, policies that will encourage goods rather than harms? To answer this question we first need a better understanding of the particular manner in which modern philanthropy is not the sum total of individual philanthropic decisions but must be seen as resting in a web of public policies, mainly in the tax code.

Philanthropy and Tax Policy

Nonprofit organizations and philanthropic foundations enjoy an array of substantial tax benefits at the federal level. The details and levels of these benefits have changed from time to time, either when Congress passed legislation directly affecting nonprofits and foundations or when Congress passed legislation making changes in the rates of taxation for individuals, estates, and corporations. The rules are often very complicated, but the underlying mechanisms that supply the tax advantage are simple and have always been the same. First, nonprofit organizations, including philanthropic foundations, which are a specific kind of

nonprofit organization, are tax-exempt entities. Second, for a specific and large class of nonprofit organizations (those called 501(c)(3)'s after the section of the tax code that defines them), contributions of cash or property to the nonprofit organization are tax-deductible for the individual or corporation making the contribution. This latter provision is perhaps the most well-known institutional incentive for charitable activity, and some version of this incentive has existed since the creation by the US Congress in 1917 of a federal income tax. In addition to these two basic mechanisms, nonprofit organizations are exempt from tax on investment income; private foundations pay a small 2% excise tax on net investment income, generally coming from endowments. Finally, nonprofit organizations of all kinds are generally exempt from property taxation at the state and local level.

Expressed in the abstract language of the tax code, it is hard to appreciate just how significant an intervention into charitable and philanthropic behavior these tax laws are. To get a better picture, consider what the tax laws mean in concrete terms for a would-be donor. The mechanism of a tax deduction for a donation creates a subsidy by the government at the rate at which the donor is taxed. So a person who occupies the top tax bracket—currently 35%—would find that a \$1,000 donation actually “cost” her only \$650. The government effectively pays \$350 of her donation, subtracting this amount from her tax burden. Similar incentives exist for the creation of private and family foundations, and for contributions to community foundations, where donations and bequests to a foundation are deducted from estate and gift taxation.

In permitting these tax incentives, federal and state treasuries forego tax revenue. Had there been no tax deduction on the \$1,000 contribution, the state would have collected \$350 in tax revenue. Or to put it differently, tax incentives for philanthropy constitute a kind of spending program or “tax expenditure,” affecting the national budget. Seen in this light, tax incentives for philanthropy amount to massive federal and state subsidies, or tax expenditures, for the operation of philanthropic and charitable organizations and to the individuals and corporations who make charitable donations. These tax policies have been described as “the world’s most generous tax concessions.” One economist observes that “no other nation grants subsidies at such a high level or across so many types of activities.”

Just how large are these subsidies? It is surprisingly difficult to put a precise dollar figure on the total. Evelyn Brody estimates that the charitable contribution deduction in the federal income tax code alone cost the US Treasury nearly \$26 billion in 2000, and the charitable contribution deduction in the estate and gift tax code more than \$6 billion. These already large figures

omit tax concessions on income earned by nonprofit organizations and property taxes that would be paid by nonprofits and foundations, so they considerably understate the total subsidy. But focus just on the charitable contributions deduction in the income tax code. According to the fiscal year 2005 US Federal Budget, estimated tax expenditures in 2005 on charitable contributions total more than \$36 billion, a sharp rise (38%) from Brody’s calculation in 2000. Measured against other tax expenditures given to individuals in the federal tax code, the charitable contributions deduction is the fourth largest of more than 130 such tax expenditures, ranking only behind the mortgage interest deduction, exclusions of pension contributions to 401(k) plans, and deductibility of state and local taxes.

Public Policy and Institutional Harm

Let us note first that the charitable contributions deduction is available only to those individuals who itemize their deductions, people who opt not to take the so-called “standard deduction” on their income tax. This effectively penalizes, or fails to reward and provide an incentive for, all people who do not itemize their deductions, a group that constitutes roughly 70% of all taxpayers. One might think that it is predominantly high-income earners, and therefore itemizers, who make charitable contributions, but this is false. A remarkable 89% of American households made a charitable contribution in 2000. A great many people are capriciously excluded from enjoying the tax deduction simply because they do not itemize deductions on their return.

Second, the tax subsidy given to those who do receive the deduction possesses what is known as an “upside-down effect.” The deduction functions as an increasingly greater subsidy and incentive with every higher step in the income tax bracket. Those at the highest tax bracket (35% in 2005) receive the largest deduction, those in the lowest tax bracket (10% in 2005) receive the lowest deduction. Table 1 (see next page) illustrates how the progressivity of the tax code translates, perversely, into a regressive system of tax deductions: the wealthiest garner the largest tax advantages. In 1999, 50% of all tax deductions were claimed by the wealthiest decile of earners. Compounding this oddity is a variant of the objection offered above. Identical donations to identical recipients are treated differently by the state depending on the donor’s income; a \$500 donation by the person in the 35% bracket costs the person less than the same donation by the person in the 10% bracket. Since the same social good is ostensibly produced in both cases, the differential treatment appears totally arbitrary. If anything, lower-income earners would seem to warrant the larger subsidy and incentive.

Both of these features of the tax code arbitrarily and unfairly benefit the well-off. In the process, the structure of the tax code's treatment of philanthropy, it could be argued, harms low-income earners, who are either excluded from the benefit of a deduction or who receive a smaller subsidy for the same charitable contribution. Happily, it would be quite simple to remedy this unfairness and remove the harm. Congress could allow non-itemizers to deduct their charitable contributions from their income. Better, since this solution would still leave the upside-down effect in place, Congress could allow all donors a tax credit, rather than a tax deduction, for donations, capped at a certain level. This fix would be of the greatest marginal value to lower income individuals but would still be an equivalent subsidy for all persons. Congress has at times debated versions of both remedies, but neither has ever become law.

Even if Congress were to pass legislation that eliminated these unfair and harmful aspects of the tax code, important questions about the structure of tax policy would remain. The focus would turn to whether the incentive of a state subsidy works in a way to encourage the good that we wish philanthropy to accomplish and deter the harms that we wish to avoid. In providing tax concessions to philanthropy, the state is not merely permitting and setting guidelines within which philanthropy takes place. If the state is actually funding, through a tax expenditure, some philanthropic harm, it makes the state complicit in the harmful action of the philanthropist. It is no exaggeration to say that, as philanthropy is currently structured, when philanthropists do harm so too does the state.

In keeping with the initial question of this work, I shall focus on whether and how public policies strengthen or weaken the connection between philanthropy and equality. On the one hand, public policies in the nonprofit and philanthropic world appear to take account of the likely distributional flow of dollars. Most significantly, in order to qualify for 501(c)(3) status as a nonprofit—the status that permits organizations to receive tax-deductible donations—an organization must serve religious, charitable, scientific, testing for public safety, literary, or educational purposes. This large group of 501(c)(3) organizations is

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usually referred to as the “public charities,” distinguishing them from other nonprofit organizations that are primarily mutual benefit societies (e.g., unions, private membership clubs, veterans organizations, etc.) For certain nonprofit organizations that compete with for-profit organizations in the marketplace for business, such as day care centers and hospitals, there are additional rules that the nonprofit organization serve poor or disadvantaged communities. On the other hand, public policy seems remarkably indifferent to

Table 1

Cost per Dollar of a Charitable Contribution
for Married Taxpayers Filing Jointly, 2005

Taxable Income	Itemization Status	Tax Bracket	Net Cost of a Dollar Donation
\$ 14,300	non-itemizer	10%	\$ 1.00
\$ 50,000	non-itemizer	15%	\$ 1.00
\$ 60,000	non-itemizer	25%	\$ 1.00
\$ 60,000	itemizer	25%	\$ 0.75
\$ 125,000	itemizer	28%	\$ 0.72
\$ 200,000	itemizer	33%	\$ 0.67
\$ 319,500	itemizer	35%	\$ 0.65

Adapted and updated from Clotfelter 1988/1989.

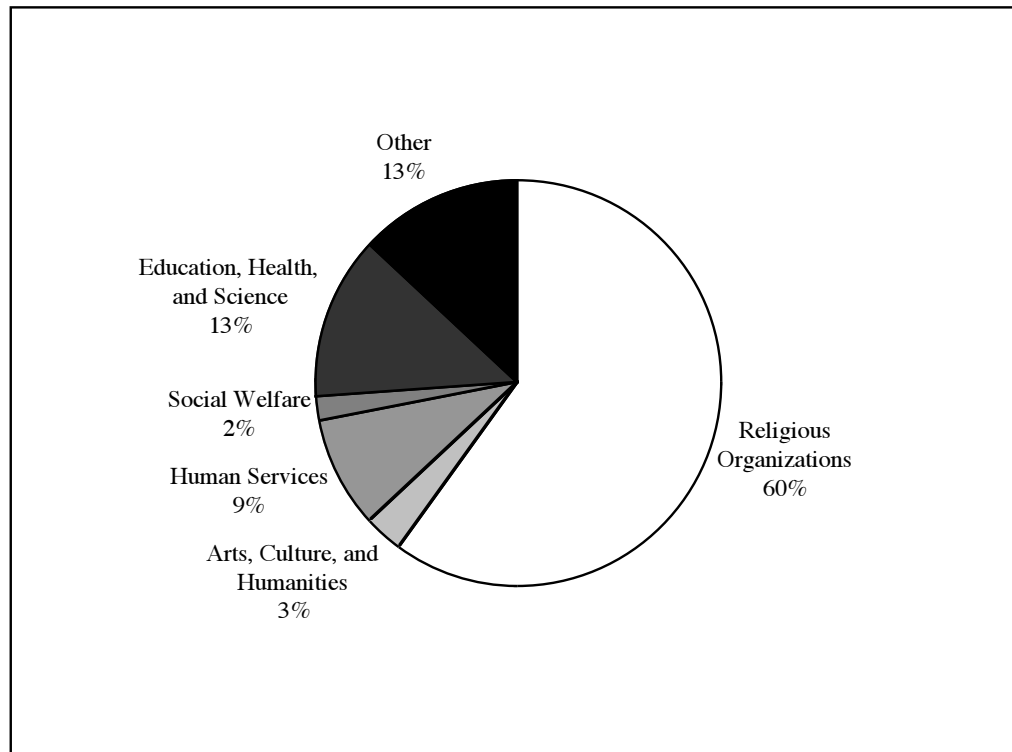
equality and redistributive outcomes. One of the oldest objections to the provision of tax-deductible donations to qualifying nonprofits is that the policy fails to differentiate between the social benefits produced by various nonprofits. Thus, from the perspective of the state, assuming we are in the same tax bracket, the \$1,000 donation that you make to a contemporary arts museum to underwrite a video installation is worth exactly the same as the \$1,000 that I give to tsunami relief. Are these of equal social value? That social policy should be indifferent between these two kinds of goods and provide equivalent subsidies to their respective donors seems quite odd. Yet so long as the recipient organization is a qualifying 501(c)(3), the state grants a tax deduction.

More damningly, if we move away from the treatment of individual contributions and consider the

total distribution of charitable dollars, we find a pattern of giving that appears hard to reconcile with redistributive outcomes. The unexpected elephant in the room, the subject so often overlooked in discussions of philanthropy, is the dominant presence of religious groups as recipients of charitable dollars (see Figure 1). Is giving to a religious group a redistributive or eleemosynary enterprise? It might be thought so, if contributions to religious organizations included gifts to religious schools and faith-based social services. But gifts to these religious enterprises have been sectioned off and assigned to their appropriate categories of education and human services, respectively. Gifts to religious organizations can only be understood as predominantly for the operation and sustenance of the religious group, and in this sense, religious groups look more like mutual benefit societies than public

Figure 1

Distribution of Charitable Dollars, by Type of Charity, 1998



Religious Organizations do not include giving to religious schools or faith-based social services; these dollars are tallied in education and human services, respectively.

The Other category includes giving to international aid and development, private and community foundations, recreation, and still other charities.

Source: Independent Sector, *The New Nonprofit Almanac and Desk Reference*, 2002

charities. It appears very difficult, then, to construe giving to religion as redistributive. Even if we ignore the elephant in the room and focus instead on the other recipients, we find that social welfare groups receive only 2% of charitable dollars and human services only 9%. A larger amount goes to education, health, and science (13%), which is potentially redistributive but not obviously so.

Duke University economics and law professor Charles Clotfelter examines the distributive benefits of nonprofits and concludes, "that relatively few nonprofit institutions serve the poor as a primary clientele." Of the possible redistributive and eleemosynary aims of public charities, political philosophers Liam Murphy and Thomas Nagel conclude:

The word charity suggests that this deduction is a means of decentralizing the process by which a community discharges its collective responsibility to alleviate the worst aspects of life at the bottom of the socioeconomic ladder. . . . [But] many currently deductible 'charitable' contributions go to cultural and educational institutions that have nothing to do with the poor, the sick, or the handicapped. State funding of such institutions may or may not be desirable, but the argument would be very different, and 'charity' is hardly the right word.

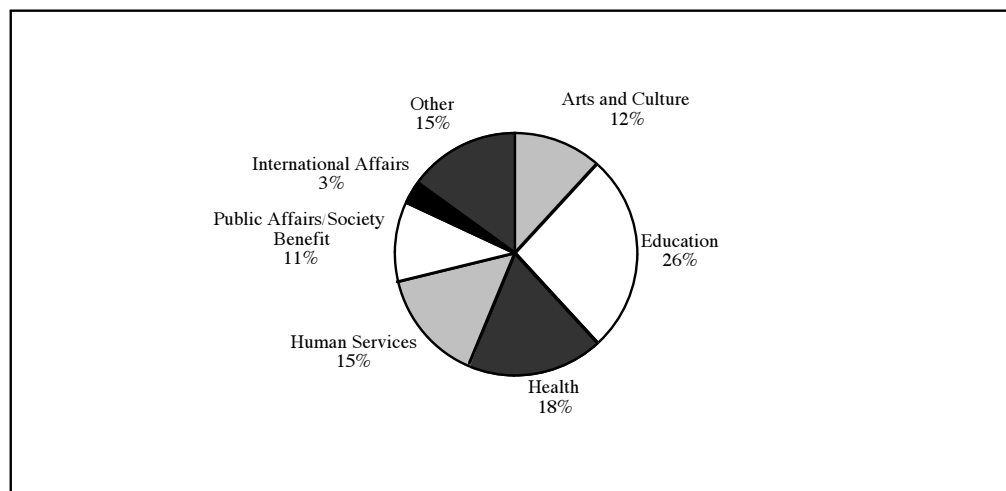
Does the picture change if we limit ourselves to the world of philanthropic foundations? Though these constitute a relatively small part of the charitable universe (gifts from individuals and their bequests accounted for roughly 85% of all private giving in

1998, the remaining 15% comes from foundations and corporations) foundations might be more straightforwardly redistributive for three reasons. First, the funds that create them almost always come from the very, very wealthy; it would be difficult for the money to flow upward to the even wealthier. Second, whereas the charitable giving of individuals is directed very heavily toward religion (60% of all charitable contributions), foundations direct only 2.7% of their grant dollars to religion. Third, at a conceptual level, to the extent that our focus should be on philanthropy as an activity separate and distinct from charity, we would have good reason to believe that philanthropic endeavors, conceived as large scale interventions with an aim toward social melioration, would be more likely to be redistributive in outcome than the aggregation of charitable contributions to all nonprofit organizations described above. The eye-popping growth of foundations in the past fifteen years also warrants special attention. According to figures produced by the Foundation Center, almost half of the largest foundations in the United States were created after 1989. An even more explosive growth pattern can be seen in the subsector of community and family foundations. Can foundations lay a greater claim than nonprofits more generally to embrace equality?

Figure 2 (below) displays the distribution of foundation dollars in 2002. The grant dollars are certainly dis-

Figure 2

Distribution of Foundation Dollars, by Subject Category of Recipient, circa 2002



The Other category includes giving to the environment and animal, to science and technology, to social sciences, and to religion.

Source: Foundation Giving Trends 2004 (The Foundation Center)

Taking Philanthropy Seriously: Beyond Noble Intentions to Responsible Giving

edited by William Damon and Susan Verducci

Many acts of charitable giving fail in their stated goals and some are actually harmful. In *Taking Philanthropy Seriously*, the authors explain why this state of affairs exists. They outline solutions, ranging from those that equip philanthropists to do good work to those that build a domain of philanthropic knowledge, ethical codes, and best practices. Attention is also given to considering recipients' needs, frustrations, and hopes for support. Philanthropic leaders disclose instances of both good and compromised work, show how ethical concerns are secondary to "success" in philanthropy, and reveal strategies to promote effective and ethical conduct.

Contributors are Lynn Barendsen, Mihaly Csikszentmihalyi, William Damon, Akash Deep, Peter Frumkin, Howard Gardner, Laura Horn, Carrie James, Leslie Lenkowsky, Paula Marshall, Jennifer Menon, Sarah Miles, Liza Hayes Percer, Rob Reich, Tanya Rose, Paul G. Schervish, James Allen Smith, Nick Standlea, Thomas J. Tierney, and Susan Verducci.

William Damon is Professor of Education at Stanford University, Director of the Stanford Center on Adolescence, and Senior Fellow at the Hoover Institution on War, Revolution and Peace.

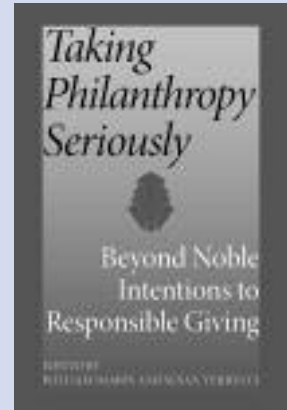
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tributed more evenly than is the case with the charitable contributions of individuals. But the grant categories tell us relatively little about whether the grant dollars are redistributive or not. Take the education category, for instance. Almost half of foundation dollars to education go toward higher education. But we have no way of knowing if these dollars are funding boutique centers for research, the endowment of a professorial chair, or scholarships for disadvantaged and poor students. Princeton University professor Julian Wolpert's extensive analysis of the redistributive effects of foundations notes a host of other complex issues, including how to account for the time horizon of foundation activities, which are often directed at long-term rather than short-term change, and the scope of foundation activities, some of which are very local (community foundations) and others of which are global in reach (e.g., Gates Foundation).

Julian Wolpert concludes that foundations are at best "modestly redistributive" as can be determined with available data. Let us assume that he is correct; yet we must still account for the tax concessions to philanthropy and the counterfactual scenario in which the

money flowing into philanthropic foundations would have been taxed and become public revenue. The relevant question is not merely, "Are philanthropic foundations redistributive?" but rather, "Do foundation dollars flow more sharply downward than government spending does?" In order for the return, so to speak, on the public's investment in philanthropy to be worthwhile, philanthropy must do better than the state would do had it taxed the philanthropic assets.

Answering this counterfactual question is even more difficult than determining whether philanthropic foundations are redistributive. We are forced to speculate about how the state might spend the tax revenue it could have collected if it hadn't extended the tax concessions to philanthropists for their gifts to foundations. I will not make any such speculation here. Instead, I simply note that anyone who seeks to ground the special tax treatment of philanthropy on the sector's redistributive outcomes must confront at least three reasons to be suspicious that any such redistribution actually occurs. There is the first and obvious difficulty that a motley assortment of nonprofit groups all qualify for 501(c)(3) status, puppet theaters and

soup kitchens alike. There is the second difficulty that religious groups dominate the beneficiaries of individual charitable dollars. And there is the third difficulty that the burden on the sector's advocate is to show not merely that philanthropy is redistributive but that it is more redistributive in its actions than would be the government. In short, we have some good *prima facie* reasons to doubt that philanthropy is redistributive in effect or eleemosynary in aim. Philanthropy's supposed tight connection to equality looks more and more dubious.

One might still find reasons to justify the existence of nonprofits and philanthropies, resting the justification on the importance of decentralizing authority, creating a set of mediating institutions in civil society, desiring

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the production of public goods to be sensitive to local demand, reflecting and generating the pluralism of a diverse democratic society. But the public policy framework that gives preferential tax treatment to donors will be more difficult to justify. Though pursuing greater equality is not the only aim of social policy, it is certainly one of the central aspirations of social justice. If the massive tax subsidies given to philanthropy do not serve to enhance equality, the justification will have to lie elsewhere.

Generating Inequality: Private Funding for Public Schools

Private funding for public schools is a very old practice. Think of bake sales, car washes, and spaghetti dinners. What's new is the scale and professional organization of the effort and the total dollars being raised. Where once it was parent-teacher associations (PTAs), with their wide-ranging activities, that were the organizational hub of fund-raising, today many schools and school districts have created independent entities known as local education foundations (LEFs) whose main or sole purpose is to raise private money to supplement public funds. In some places, the local foundations resemble university fund-raising offices more than volunteer-driven PTAs. New York City famously hired Caroline Kennedy, the daughter of former President John F. Kennedy, to lead its education foundation, the New York City Fund for Public Schools. LEFs are almost always 501(c)(3) organiza-

tions. Individuals and corporations make tax-deductible contributions to the LEF, which in turn funnels and disburses the money to the school or district.

School and district policies determine whether private funds can be collected at the school or at the district level (or at both), and whether there are limits on how private funds can be spent (on core academic activities or only on extracurricular activities). Very frequently these donations are earmarked for particular activities such as extracurricular events or materials, additional schools supplies, and field trips. While parents cannot suggest to the district that a special aide be hired, with their privately donated funds, to shadow their own child around, there are many circumstances that would permit parents collectively to get the district to hire art and music teachers, additional teacher aides, sophisticated technological equipment, and so on, that would be targeted to benefit their own children.

With ever-tightening state budgets and a general reluctance in many states to boost education funding, LEFs have grown exponentially in recent years. They exist in almost every large urban district, but they are also increasingly common in smaller and comparatively well-off suburban districts. For most LEFs, but especially those located in suburban districts, the potential

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donors are parents of the children in the school district or citizens of the town or city in which the district is located.

It is difficult to fault the motives of parents and townspeople who respond to efforts to fund-raise for public schools. Parents seek to do the best by their own children. Townspeople support their local public institutions. Everyone can lay claim to a public spiritedness in contributing to public education. Yet the distributional consequences of private funding for public schools are not hard to intuit. Wealthy schools and school districts can raise substantially more money than can schools which have high concentrations of poor students, and they do it with the active support of the state in the familiar form of tax subsidies for charitable contributions.

For many, the function of public schools and the very reason why society invests so much money in them and compels children to attend them is to try to *remedy* some of the inequalities that children bring with them into the first day of Kindergarten. Yet the institutional structure subsidizes the charitable giving of those who, in seeking to support their own children's or their own town's schools, worsen the inequalities between

schools. Rather than rewarding virtue, public policy rewards what from the perspective of the public must be considered a vice. The state is complicit in the creation of harms that it is ostensibly charged to eliminate.

To see the problem more vividly, consider the analogous, hypothetical case—call it the police department case. The block on which you live has been victimized in recent months by a crime wave. You and your neighbors attribute the crime wave to budget cuts to the police department, and you pool together money and offer to make a \$100,000 donation to a local police foundation that is set up to provide additional financial support to the local police department. You offer the donation only on the condition, however, that the money be used to hire a new officer whose only patrol

Rather than rewarding virtue, public policy rewards what from the perspective of the public must be considered a vice. The state is complicit in the creation of harms that it is ostensibly charged to eliminate.

will be your block. You fully expect to take a tax deduction for your donation.

Note that in both the school and the police cases there is an exit option. Parents could choose to send their children to private school, but they would not receive any tax deduction for their tuition payment. Similarly, you and your neighbors could hire a private security officer, but this would not qualify for any deduction either.

Should you be permitted to make the donation to the police department? For most people, I believe that their intuition runs firmly against any such donation. And public policy tracks our intuitions here. Not only does public policy forbid anyone from taking a tax deduction for donations to police departments, it strictly forbids the donation in the first place. Of the many lessons to be drawn, the police case illustrates the liberty of individuals as constrained in the interest of equality. Private individuals are not permitted to make charitable contributions to a public institution in which all citizens are thought to have an equal stake. Note that nothing less than the United States Constitution enshrines a version of this principle. Only Congress can appropriate funding for federal branches of the government. Beyond making a donation to the US Treasury, individuals are not permitted to direct funds to a particular federal agency or organization. This is not a denial of a tax benefit; it is a blanket prohibition on giving.

Conclusion

Making a blanket prohibition on private giving to public schools is not necessarily the most justifiable public policy with respect to philanthropy and public education. The aim should be to make good on the promise of the old story about philanthropy with which I began—that philanthropy is tightly connected to both liberty and equality.

It is at this point that an examination of philanthropy becomes an exercise in political philosophy. There will be no final and definitive answer in any such exercise, but it is important nevertheless to recognize the potential injustices —*the potential harms*—of current public policy. The public policies designed to create a favorable environment for nonprofits and foundations and to offer incentives for people to make charitable donations represent a wide-scale governmental intervention within the charitable and philanthropic sector. As things currently stand, these policies do not do much, if anything, to enhance equality. At worst, public policy is not merely indifferent to whether philanthropy is equality enhancing but actively creates or exacerbates inequalities. As the private funding for public schools phenomenon shows, public policy is sometimes causally implicated in the creation of greater inequalities. This is something we should worry about.

The rocky relationship between philanthropy and equality and the data I have presented does not shake the very legitimacy of philanthropy, charity, nonprofits, and foundations. But it should shake any conviction or belief we might have that their legitimacy, and the public policies that give incentives for their activities, might rest on their connection to equality. In the end, when assessed as an institutionally-sanctioned, encouraged, and rewarded activity, philanthropy is much more tightly connected to, or systematically favors, liberty than equality.

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Ethics, Human Rights and Culture: Beyond Relativism and Universalism

Xiaorong Li

This book engages with crucial topics within ethics: whether values are universal or culturally relativistic, and whether any shared human values are real or can only be imagined. It approaches these topics with an inventive and original understanding of culture as developed in recent anthropological work. Reflecting on a range of real-life ethical scenarios, from honor-killing to torture, where different traditions or foreign customs are a factor, the author raises challenging questions and takes readers to uncharted territories within ethical debate.

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