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COMMENT ON BOETTKE AND PRYCHITKO

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I appreciate very much the opportunity to provide written reaction to the Boettke-Prychitko paper “Is an Independent Nonprofit Sector Prone to Failure?” It is one of the most basic rewards of intellectual effort in the crowded contemporary marketplace of ideas to have one’s ideas noticed. Today’s scholarly world of surplus production of papers, articles, and books produces something of a hierarchy of notice: to have one’s work noticed at all is good and more rare than one might otherwise anticipate; to provoke a reaction is even better, and when that reaction is both critically ambitious and favorable, one has perhaps the best reward possible.

In this brief commentary I would like to offer a few additional thoughts in response to specific comments by Boettke and Prychitko on the economic perspective of my book *The Commons*. But first, a bit of background may be appropriate. The book itself is an effort to contribute to a unified theory of nonprofit organization, voluntary action, and philanthropy (Lohmann, 1992). It grew out of an earlier paper entitled “And Lettuce is Nonanimal: Toward An Economics of Voluntary Action” (Lohmann, 1989). The task of theory-building in this area is, inherently, an interdisciplinary one crossing many intellectual limits and boundaries. My principal interest in this topic is summed up well by Richard Cornuelle’s marvelous—and too much ignored—concept of an *independent* sector. As Boettke and Prychitko correctly note, I was (and am) as concerned with the independence of a realm for nonprofit organization, voluntary action, and philanthropy from the marketplace and the household as from the state.

There are many powerful and fundamental disagreements over the coercive powers of the state, the productivity of the marketplace, and the penumbra of privacy for households and families. Regardless of how extensive or limited a role one holds out for states, markets, and households, however, simple logic dictates the existence of an additional social space devoted to activities other than governing, buying and selling, personal intimacy, and procreation and the raising of children.

It is that space, the zone associated by the ancients with such terms as *koinonia*, *philia*, *benefice*, *waqf*, and *kanjin*, to which I was seeking to give name and shape in *The Commons*. The task as I construe it is a fundamentally multidisciplinary one, invoking insights from at least two dozen different

arts, sciences, disciplines, and professions, including art history as well as economics. The sheer scope of the topic so conceived gives us reason to take seriously Boettke and Prychitko's invocation of Ludwig von Mises' praxeology. I might be so bold as to suggest that my purpose in *The Commons* was praxeological even before I became aware of the term itself.

Some of the readers of this conversation are committed to the central importance of the idea of philanthropy, for example, with significantly less interest in questions of nonprofit organization or voluntary action. I know from my experience as editor of *Nonprofit Management and Leadership* that the Salamon-Weisbrod "failure theory" perspective—however faulty Boettke and Prychitko find it to be in their paper—is very widely shared. This is especially the case among those researchers, scholars, and students of nonprofit management who find the growth of public purchase of services contracting and the rise of the QUANGO (quasi-nongovernmental organization) to be the centrally important trend of interest within this whole broad area. In part, I took some of the positions I did in the book precisely to refute *the* centrality of this development. My view remains that in some primary, definitional sense, voluntary action and philanthropy in an independent sector are constitutive and paradigmatic of this whole range of activity, even as the QUANGO is largely a matter of marginal and momentary interest.

Thus, I did not in *The Commons* (and still do not) take the rise of a highly visible "sector" of publicly dependent, tax-exempt enterprises to be a development of much intrinsic interest for nonprofit organization, voluntary action, and philanthropy *theory*. In my view, it is a momentary transitioning for entirely political reasons away from the "reluctant welfare state" of the New Deal and Great Society toward something else—what else is not yet altogether clear. In the meantime, public supplicants and retainers are an old and relatively well-understood phenomenon, and the fact that some of them act in the name of organizations and fashion themselves as "nonprofit managers," "public health" or "social work professionals," "community arts supporters," or by some other *nom de guerre* does not in itself lend great theoretical weight to claims that their behavior represents something entirely new and unprecedented.

My claim in the book was rather that contemporary nonprofit, voluntary, and philanthropic developments in the United States were (and are) some of the latest chapters in a much older and more universal set of occurrences leading back through the early Middle Ages in Europe and as far afield as the efforts of the Buddhist emperor-turned-philanthropist Ashoka. The fact that nonmar-

ket, nongovernmental voluntary action and philanthropy have existed for so long and attracted so little attention by social philosophers and theorists (with a few notable exceptions like Tocqueville) is as sad as it is truly remarkable.

With that bit of background in mind, let us turn to a couple of additional points raised in the Boettke and Prychitko paper. Perhaps the crucial assessment of the economics offered in *The Commons* was the following:

Although some of Lohmann's criticisms are generally correct in spirit, his proposed revisions to mainstream economic analysis (such as his attempt to rectify the classical distinction between "productive" and "unproductive" labor) are unfortunate and can be better developed using the insights of Austrian economic theory."

Let me end all suspense here by noting that I have no quarrel with the thrust of this conclusion. I very much appreciate (and agree with) the sympathetic reading Boettke and Prychitko give to the economic portions of my work, published more than a decade ago, and I now believe their correction of my apparent misstep over the Smithian productive/unproductive labor point to be an accurate one. I have no wish to call for a renaissance of classical economics!

The question now for all of us, however, is what are the next steps in advancing a theoretical understanding of the economics of philanthropy? Boettke and Prychitko make a strong (although somewhat preliminary and sketchy) case for an Austrian economics, based on the work of Mises and his praxeology in particular, that ought to be of interest to nonprofit economists and all others (especially noneconomists like myself) interested in philanthropology. Their case for a praxeology becomes even stronger when one moves beyond the single lens of economic theory and acknowledges the essentially multidisciplinary nature of the task. Of course, someone needs to attend—as they do—to the economics of the matter; but others also need to attend—as I sought to do—to the relation between those economics and the social, political, cultural, historical, spiritual, and other aspects of philanthropy. If they do not, we can expect the same old familiar social-science muddles, with economists concluding it really is an economic phenomenon, sociologists that it is a social matter, anthropologists that culture is the key, and each of the assorted representatives of professional, quasi-professional, and other third-sector service providers asserting primacies of their own. In other words, the theory of the third sector will be a varied expression of the very play of narrow self-interests that Boettke and Prychitko and I seek to void. They correctly capture my origi-

nal intent quite accurately in the following: “Lohmann criticizes the failure project for apparently grafting a theory of narrow self-interest and profit-seeking onto a social domain that substantially differs from market activity.” A bit later they add, “Lohmann stresses—correctly in our view—that human action in general is not exclusively of the narrowly self-interested variety.” These are fundamentally correct readings not only of my words but also of my intentions.

One of the most interesting points for me in the Boettke and Prychitko paper, as those who have read chapter 1 of *The Commons* will recognize, were their comments in defense of economic language. They note that noneconomists often adopt and use terms like *public goods*, *market failure*, and *government failure* “loosely, and erroneously, for the terms have specific meanings.” If anything, they understate the matter in their paper. Merely to use terms of art differently than their originators is, of course, one of the most common practices in social science and social theory language use. That in itself is not problematic. The problem arises, as Boettke and Prychitko note, when such terms have very specific meanings and exist within a closely reasoned body of existing theory and the misuses—whether deliberate or not—tend to modify, amend, or in some cases even nullify the original significance of the term. I was convinced when I wrote *The Commons*, as Boettke and Prychitko note, that something like this has happened in the case of these three terms (and others).

Boettke and Prychitko make an even stronger and clearer case than I that this is so. Although they focus this critique on Salamon’s writings in particular, I see it more as a general problem of what we might term the nonprofit paradigm—a kind of subculture of understandings (and misunderstandings) that has arisen among a great many writers on nonprofit matters. No one person is solely responsible for the paradigm or for the resulting econobabble it has produced; it is a cousin in many respects of “pop” psychology, perhaps at a slightly higher educational level, being limited as yet to a largely postgraduate audience. Nevertheless, it results from a culture very tolerant of slipshod usage.

Within this scholarly and practical subculture, these three terms as well as others like *efficiency*, *productivity*, and *output* have evolved additional meanings that simply overwhelm the more precise and careful theoretical understandings of economists and all those seeking to attend to careful usage. In this common parlance, *public goods* become simply any products and services that are purveyed by governments or paid for by tax revenues. Such a usage is entirely descriptive and completely voids any possible normative economic connotations

of the more careful, original usage. Another, which I deal with in the book and elsewhere, is the sleight-of-hand substitution (often via concepts of “systems” theory) through which the engineering concept of efficiency as the ratio of input and output replaces the economic concept. This sets up the familiar *reductio ad absurdum* in which that which never happens is always more efficient than anything that does, and the very real practical situation of the present in which *any* cost reduction can be deemed an improvement in efficiency.

Market failure is likewise often removed from the exact economic context noted by Boettke and Prychitko, and is used as a two-way, all-purpose rationale for nonprofit activity: if goods are provided by some nonprofits somewhere, it must be because a market for them has failed to materialize. If a government subsidy for nonprofits exists, it is similarly treated as evidence of a market failure. In both of these cases, we are dealing more with the sociopolitical dynamics of mission definition and goal displacement than with anything recognizably economic.

This is, of course, most definitely not a process limited to economics or even to philanthropology. The abuse of economic terms in such cases is often largely rhetorical: to harness the power and legitimacy of economic “science” to justify and rationalize noneconomic matters. Economists such as Boettke and Prychitko have every right to insist upon the proper use of economic theory; noneconomists, however, should be equally concerned. Robert Payton’s definition of philanthropy as *private action for the public good*, a formulation originally set forth along lines reminiscent of Cornuelle’s independent sector, has come in for similar rough treatment, as have such terms as *civil society*, *social entrepreneurship*, and the current hands-down favorite for misuse, *social capital*. One of the things I was attempting in *The Commons* was the rather arduous challenge of a noneconomist who strives to use those terms more or less correctly. That I have apparently done so, with the exception noted above, is most gratifying.

One point where I might beg to differ slightly with Boettke and Prychitko is over my intent in using the notion of scarcity. They say that I slip a bit with the concept of surplus. This is less a disagreement over economic meanings than about additional implications. I have no quarrel with their interpretation of the economists’ concept of economic scarcity; it is, as they note, a matter of epistemological positioning rather than empirical fact: life is indeed short, and resources are limited; that choices must be made is simply reality.

My point in *The Commons* was rather a different one, and perhaps by using the economic terms too loosely, I have obscured it: it strikes me still that just as

scarcity in the economic sense exists and must be recognized and dealt with, it is also the case that some rudimentary measure of what I termed the assumption of affluence is necessarily associated with all philanthropic acts. Making any gift requires first having something of value to give, and charitable volunteering or engaging in association with others requires having leisure time available. Moreover, the potential reductionism of the theory of subjective choice is mitigated in this instance by the fact that for something to be truly of value it must be important to both giver and recipient. This makes the determination of philanthropic value inherently a social, rather than a purely individual, judgment. If one has something deemed valuable (advice, let's say) to give, and no one wishes to receive it, it is not valuable in a philanthropic sense. In this way, the Austrian School points up a fundamental limit on having "a wealth of experience."

This is all part of what I meant to denote by the assumption of affluence. I agree that it has nothing whatsoever to do with material wealth, even though my examples did, except insofar as material wealth is something both giver and recipient prize. Assuming affluence as a precondition of philanthropic action in this way need not be in any respect inconsistent with the economic concept of scarcity. Indeed, the choice, for example, of whether to invite a friend to accompany you as your guest to a sporting event or to join you in working the noon shift at a soup kitchen is a good expression of the principle of scarcity in operation and also of the assumption of affluence. Economic scarcity dictates that you cannot do both; the interpersonal nature of the determination of philanthropic value dictates that both of you prefer one over the other, and the principle of affluence dictates that the choice makes no sense if the time is not free. "Sorry, but I have to work then" is not simply stating another alternative in the choice; it nullifies the gift situation.

I also appreciate and concur with the authors' modest appraisal of the role of the theory of value in the overall scheme of philanthropology: "the subjective theory of value cannot help produce overall efficient allocation of philanthropic resources (or of tax-generated resources for welfare). Here, more broad accomplishment of plan fulfillment must suffice in the absence of some more comprehensive yet undefinable and unattainable standard of social optimality."

In concluding, Boettke and Prychitko write, "With Lohmann, we believe that the nonprofit sector is viable and, we should add, productive." They then refer back to the unproductive-labor issue already dealt with above, about which I have nothing further to add. They continue: "This leads us back to the

normative issue of whether the commons should be a largely independent sector or whether its ‘partnership’ with the state is a promising development.”

Setting aside current political and ideological questions, there are several things of importance for me in this statement. First, and most importantly perhaps, the recognition on purely economic grounds of genuine economic viability and productivity of nonprofit, voluntary, and philanthropic activity are of the greatest importance. Secondly, Boettke and Prychitko are among the few reviewers and critics of *The Commons* to recognize the centrality of its normative as well as its empirical aspirations. My overall project was not merely to describe and explain, but also to affirm and value nonprofit, voluntary, and philanthropic activity.

I would state the final issue they raise slightly differently, even while agreeing that “a largely independent sector” is a type worth pursuing. For me, the “partnership” between nonprofit corporations and the political state is not a phenomenon that properly belongs within the domain of a nonprofit sector at all, and is most assuredly not a characteristic or definitive activity of a third sector in any meaningful sense. It is, at best, a marginal activity occurring in some vague atheoretical borderland between the third sector and the state, and more probably an activity that belongs entirely within the latter. Close observation of many such organizations over a number of years forces me to the conclusion that those nonprofit organizations that become “partners” of government necessarily also become agents of government; to believe otherwise, that they retain some fundamental independence, is merely wishful thinking. “Partners” they may be, but it is definitely a junior partnership in the most meaningful sense. I agree that deciding whether or not this is a promising development is a question that deserves our closest scrutiny. To do so, however, is a separate issue from the equally important matter of the nature and functioning of a truly independent sector or commons.

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