Virtuous Philanthropy

By James O’Toole

Thanks to their recent headline-making philanthropic acts, Bill Gates and Warren Buffet run the risk of giving America’s wealthiest business people a good name. Indeed, the generous benefactions of Gates and Buffet are being interpreted in some quarters as a positive indicator that the uniquely American brand of plutocracy also serves the public interest in the long term. In the American system, entrepreneurs are allowed to amass great fortunes but then are encouraged by custom—and tax incentives—to dispense with their accumulations through eleemosynary institutions founded in their names.

While the relatively new foundations bearing the names of the Gates and Buffet families stand out with regard to the size of their coffers (all told, their endowments eventually could amount to as much as $70 billion), satisfying the philanthropic urge is, in fact, a widely practiced phenomenon among America’s wealthier classes. According to the Foundation Center, the total number of family foundations formed in the United States has grown enormously over the past decade. Not counting those affiliated with family-owned businesses, in 2004 there were more than 24,000 family foundations in the United States annually giving away $11 billion. And the rest of us—professionals, managers, technicians, and even hardworking members of the middle and laboring classes—give, and are expected to give, to all manner of charitable causes. Annual private contributions in 2005 amounted to $260 billion, of which individuals gave nearly $200 billion.

While charitable giving appears to have declined considerably during the current Great Recession, there is every reason to believe that it will trend back upward along with economic recovery.

Given all this private philanthropic activity, questions related to the effectiveness and ethics of freelance giving are bound to arise: Does the money donated do any good? Are the motivations of the givers virtuous? Until the revelation that Warren Buffet had decided not to endow a foundation in his own name, the question of philanthropic virtue hadn’t been raised much in recent decades, perhaps because it seems churlish to question the motives of those who do good. But the question has been on the agenda in Western society for at least the past two and a half millennia. In his *Nicomachean Ethics*, Aristotle devotes a chapter to the challenge of measuring the virtue of charitable acts. He concludes that it is far harder to give money away morally than it is to make it:

To give away money is an easy matter and in any man’s power. But to decide virtuously who to give it to, the amount to give, when, how, and for what purpose, is neither in every man’s power, nor an easy matter.

Aristotle turns out to have proffered sound advice to those who receive more requests for money than they could ever hope to meet. As we all struggle to choose which among many “worthy causes” to support, it is reassuring to be reminded by the greatest philosopher of antiquity that generosity is one of the most difficult virtues to exercise.

The virtue of giving, Aristotle says, lies between “the defect of miserliness and the excess of extravagance, ” and finding the golden mean, he says, is more morally complicated than it may seem. While charity is a common manifestation of generosity, he says that giving, no matter how generous, doesn’t guarantee virtue. Indeed, when he left a sum of money for charitable purposes in his own will (circa 322 B.C.), he regarded doing so as a duty and not a virtue. In his era, Greeks who could afford to do so were expected to contribute to religious and athletic events, to support drama and music festivals, and to pay for public monuments and statues; little social credit was accorded to those who did, but shame on those who did not. Likewise, the mon-eyed classes were expected to give alms to the poor and, in particular, care for the widows and orphaned children of their kin and friends. Meeting those responsibilities was not a virtue that expiated sins or compensated for the failure to lead a good life; charitable giving could not atone for misdeeds.

Virtue Begins with Asking the Right Questions

Aristotle would agree with the contemporary American view that it’s nobody’s
business but our own what we do with our money. After we have serviced our debts, and paid our bills and taxes, we should be free to invest, spend, save, or give away the remainder as we each see fit. Although not compelled to do so, many people in Aristotle’s era, as in ours, nonetheless freely chose to donate some, if not almost all, of their disposable assets to charitable causes. In doing so, Aristotle observed that the ethical man or woman carefully considers a set of interrelated questions: To whom, how much, when, why, how, and for what purpose should I give my money? As with all questions requiring the exercise of what he calls “practical wisdom,” before giving the virtuous person engages in moral deliberation, attempting to answer such questions as the following:

- Is the recipient worthy?
- Is this the best among many worthy causes?
- How much is needed?
- Will the money really help the recipient?
- Does the recipient need more than just my money (what about my help, advice, or knowledge)?

According to Aristotle, what matters most is the motivation of the philanthropist who, in effect, must ask of himself: Am I giving this money away for my good, or for the good of others? While it is difficult to answer any of Aristotle’s questions, identifying one’s own motivations for giving is perhaps the trickiest. Some people are clearly and simply selfish. But for most of us, our motivations are many and mixed, and one needn’t be a cynic to include the following on a list of reasons why we make donations:

- To achieve social status and a reputation for generosity
- As displays of conspicuous consumption
- To attempt to achieve immortality
- For purposes of atonement and contrition
- To get tax breaks

If it is hard to know our own motivations, it is doubly difficult to assess those of others. Nonetheless it is instructive to test Aristotle’s analytical method of moral questioning on the observed philanthropic behavior of a few high-profile givers. He offers a reason for using bigger-than-life examples in moral exercises. In his Poetics, Aristotle explains that common people can learn valuable lessons by observing the lives of the great and powerful individuals portrayed in Greek drama. The ancient tragedians used powerful characters with unambiguous moral behavior to force common people to examine their assumptions about their own actions and responsibilities. Those more notable than others are no more or less human; however, because their lives are projected on a larger screen, the moral dilemmas they face are clearer for all to see. Not only are the virtues and vices of the powerful more manifest, the consequences of their moral choices are more pronounced. When the powerful fall, there is collateral damage, and innocent bystanders are hurt in the process. If nothing else, that gets our attention.

But philanthropy is seldom the stuff of modern tragedy. A typical, and mundane, moral dilemma facing potential donors today is whether to pursue a “naming opportunity” on the one hand, or to give to a cause for which they may receive little thanks, let alone recognition, on the other. For example, over the past decade many wealthy individuals have donated large sums to endow business schools and, in particular, to support the construction of business school facilities bearing their names. Indeed, business schools are among the easiest university programs to fund; yet, as the largest campus moneymakers in terms of tuition revenue, they are the least in need of gifts (in contrast, it is to harder to fund scholarships for disadvantaged liberal arts students).

Aristotle helps us to think about the earmarks of virtuous giving by offering a few commonsense observations. First, he says the amount of a gift is, in all regards except one, irrelevant to the question of virtue. In fact, “It is quite possible that one who gives less is more generous if his gift comes from smaller resources.” That’s encouraging to those who are neither self-made billionaires nor heirs to great fortunes. Then, he adds the kicker: People who have been virtuous throughout their lives probably would never accumulate great sums in the first place because they have a strong tendency to give, and not to hoard, what they earn. But he is realistic on this score: Given the short-term thinking of the young, it isn’t surprising that most people accumulate throughout middle age and don’t start to think seriously about philanthropy until they are in their fifties (or, as in Buffet’s case, later). But no matter when we begin to give, Aristotle says the amount must be adequate by one measure: Rich people who give away a fortune are not virtuous if they still have a fortune left.

Those conditions noted, he elaborates that a “generous act does not depend on the amount given, but on the characteristics of the giver.” He says the only motive in virtuous giving is “the good of others.” Not only must the cause be noble, there can be no gain for the giver except the pleasure of giving. Hence, gifts rendered to buy honor and respect are not virtuous. He says there is no excellence in philanthropic acts that “follow the appetite for honor and self-aggrandizement” because self-indulgence is characteristic of immaturity.

He warns us not to mistake the excess of magnificence for the virtue of generosity: People building monuments to their egos—even when endowing in their own names such worthy causes as concert halls, hospitals, and museums—are doing so for their own good and thus are engaged in what he calls “vulgar” displays of wealth. In Aristotle’s day, kings and conquerors built palaces and pyramids to create a sense of awe among contemporaries and in hope of establish-
ing their immortality among generations to come. He says virtuous people do not engage in such conspicuous consumption. After your death, if others decide to honor your generosity by putting your name on the opera house you funded, that’s fine and fitting, he says.

Because Aristotle believed that achieving immortality was out of our hands and dependent on the judgment of future generations, upon seeing a name on a business school he would ask: *For what noble deed is that person being honored?* Would the faculty, students, or the business community have nominated the donor for such an honor based on his contributions to business, to the local community, or whatever? Or, did he simply decide to pony up to honor himself?

Let’s not look a donor in the mouth; it is almost always better to give than not. Aristotle believes it is even worse to be a miser than it is to build monuments to oneself. Dying rich and leaving it all to the kids, or the government, is the least-generous act because it evidences both miserliness and extravagance. But wasting money while we are alive on unworthy expenditures is not much better. Even giving appropriate amounts to worthy causes isn’t necessarily noble in Aristotle’s eyes if the donor hasn’t applied “practical wisdom” to the choice. This doesn’t mean cultural contributions can’t be virtuous. Aristotle says, however, that potential donors should learn to make distinctions between those that are and those that aren’t.

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Endnotes

1. *Nicomachean Ethics* is the name normally given to the most well-known work by Aristotle on virtue and moral character. It plays a prominent role in defining Aristotelian ethics. It consists of 10 books based on notes said to be from his lectures at the Lyceum, which were either edited by or dedicated to Aristotle’s son (http://en.wikipedia.org/wiki/Nicomachean_Ethics).