

MR. CARNEGIE'S CHALLENGE

"The Gospel of Wealth" has been called "the most famous document in the history of American philanthropy. It is the best statement of a comprehensive philosophy of philanthropy that I have read. That it was written by one of the wealthiest men in the world, a largely self-educated immigrant, makes it more astonishing. For several years I have lectured from it, on it, and about it. In the course of seminars about it I have found that it still has the strength to generate strong reactions.

Carnegie is most commonly lumped with other of the billionaires of his time as a financial opportunist, an egomaniac, and a robber baron. Such has been the case since his essay was first published in 1889. The essay, published under the title "Wealth," was condemned as a celebration of a system that built great fortunes on the misery and exploitation of the worker. Carnegie was proclaiming the "good news" of what others considered to be dehumanizing oppression.

Although his particular target was John D. Rockefeller Sr., the Congregationalist preacher Washington Gladden's famous essays on "tainted money" can be used to balance Carnegie's philosophy. Rather than praise the system for improving the lot of the average worker, Gladden condemned it for producing men of wealth who became so at the expense of the people who worked for them. Rather than praise the philanthropy of the wealthy, Gladden scorned their "ill-gotten gains" as irrevocably tainted with the blood of the oppressed. The common interpretation was that rich men made large gifts to buy respectability in the short run and admission to heaven in the long run.

I set all that passionate debate to one side and try to look at "The Gospel of Wealth" as a framework for discussion. seen in that light, the essay becomes a challenge to each of Carnegie's modern day critics and admirers: a challenge to write our own summary philosophy of philanthropy.

To do so requires three elements: a statement about the political and economic system that best advances the good society; a statement about how one should dispose of surplus wealth; and a statement about the best opportunities for philanthropy.

I would add a fourth element, less visible in Carnegie's essay but of great importance to his role as a philanthropist, on the principles and strategies of voluntary giving.

I

My version is perhaps better called a "gospel of affluence" than a "gospel of wealth." Fifty years ago it would have been called a gospel of "prosperity," a word whose rhetorical effectiveness died on the lips of Herbert Hoover.

Andrew Carnegie wrote for the small number of people of vast fortunes; those who today would be written about in Forbes' list of the 400 wealthiest people in America.

I write for a much larger number of people, Americans whose assets make them "well-off" rather than "rich," but people who could, if they wanted, make a substantial gift out of capital.

Carnegie believed that the best economic system the world had devised is what he called "individualism" and what we would call "capitalism." Carnegie believed that capitalism, despite its faults, benefited more people than any other system. The collapse of Marxist-Leninist doctrine and the weakening of the European welfare state seems to have resulted in sudden and worldwide acceptance of Carnegie's basic philosophy. For all its faults -- and Carnegie was candid about some of them -- capitalism works better for more people than any other economic system.

Carnegie, born in Scotland, was a great admirer of democracy and preferred it over the conception of monarchy that was its principal rival. Democracy, for all its faults, works better for more people than any other political system. In Carnegie's view of the way things work, economic democracy in the form of the free marketplace and political democracy in the form of representative government provide the world with the best model of the good society that humanity has thus far invented.

I agree with Carnegie. I would also agree that we should follow his lead but be more candid than he was about the failures and weaknesses of this "democratic capitalism" that has long characterized the United States and that seems now -- perhaps with different leadership -- about to dominate the world. Carnegie's generation became so caught up in its self-confidence about capitalism and industrialization that it permitted terrible sins against humanity under the banner of imperialism. The wages of that sin were paid in the blood of oppressed Africans and in the blood of the young Europeans and Americans who died in the first World War.

A generation ago the United States was awash in a similar self-confidence. The enlightened self-interest of benign international leadership following World War II was followed by the loss of leadership and two decades of moral confusion. More recently the tide has turned again, and the United States seems once again able to claim a leadership role.

From the vantage point of any single observer, the world is such a vast spectacle that no one of us has the ability to more than propose a rhetorical order upon it. That is why Carnegie was doing; that what I will be trying to do; that is Mr. Carnegie's challenge. If we are wiser than he, then we should offer our own more advanced version of the good society and the good life.

The Good Society

There are thus, it seems to me, more and less enlightened forms of democracy and of capitalism. People in the United States who call themselves "Republicans" and "conservatives" speak with no special authority about capitalism; people who call themselves "Democrats" and "liberals" speak with no special authority about democracy. There is no liberal or conservative creed to which we can blindly commit ourselves. There is, instead, the continuing struggle to balance the claims of the individual with the claims of the society.

The balance is never finally and fully realized, and therefore some of us should always be pushing for change, while some of us should always be resisting it. If either group wins a final victory, we're lost.

Voluntary action for the public good is, in my opinion, the principal instrument we have to achieve balance, to correct failure, to explore opportunities. In that sense, Jane Addams is as important to my philosophy as Andrew Carnegie is.

In the contemporary usage that has become increasingly popular, the United States is best understood as a society that has three sectors. Although they are not sharply defined and often overlap and interact, it is possible to argue (as I do, again and again, in this book) that government constitutes one such sector, the private economic marketplace a second sector, and voluntary action for the public good -- the domain of good works -- constitutes the third sector.

There is one important aspect of this overview that Carnegie does not address in his essay. Carnegie was not a religious man, at least in the sense of being attentive to the claims of organized religion. He did seem to defer to some higher power when he said that he considered himself chosen for a special role in life, and that he was the steward rather than the owner of his wealth.

My philosophy includes a much larger place for religious insights and values than Carnegie's did. organized religion, in my opinion, has been the principal bearer of the philanthropic tradition in American life. Despite protestations that American society is becoming "multicultural," almost 85 percent of Americans still call themselves Christian. Christian charity and Christian ethics seem to have a more stable foundation than the shifting sands of Christian doctrine. The vast majority of those who call themselves Christians accept the general claims of voluntary giving and voluntary service. Fundamentalist and evangelical Christians seem to be far more generous and committed to those practices than do the adherents of "mainline" denominations. Mormons, Seventh Day Adventists, and others are committed to the tithe and seem to take the commitment seriously. In this as in most other areas of their cultural life, Native Americans struggle to preserve an ancient tradition of extraordinary sensitivity.

Jews continue to outperform most other religions in terms of narrowing the gap between what they say about charity and what they do about it. Muslims and Buddhists and other nonwestern religions grow more rapidly than immigration would suggest. Americans who think of themselves as agnostics or whose Christian commitment has evaporated are

often in search of some other faith. As a people, we seem unlikely to accept an ascetic rationalism or stoic fatalism in place of a personal God. As many philosophers have argued, there is a strong case for a secular ethics; my own ethical position, in contrast, is inseparable from my religious beliefs. I am unwilling to abandon my religious faith for any human philosophy or ideology or for reliance on statistical probabilities. My philosophy of philanthropy, then, in contrast to that of Andrew Carnegie, assumes with Pascal that "the heart has its reasons that the reason will never know."

Surplus Wealth

In the political and economic system of democratic capitalism it is possible to acquire wealth far in excess of what one needs to survive. In fact, as Carnegie pointed out, a by-product of the capitalist system is that it also produces fortunes vastly greater than could otherwise be justified. (The world's greatest fortunes are still those controlled by absolute monarchs or their criminal equivalents.)

Under capitalism, it is routinely possible to acquire wealth in excess of what one might reasonably spend on oneself and one's family. From the small number of the very wealthy whose fortunes are measured in the billions; one can drop down the list to those whose net worth is measured at a million or two, or even less.

These are the people I refer to here as "the affluent." To be affluent, by my definition, is to live as comfortably -- if not as ostentatiously -- as one wants; to take care of one's obligations to one's family; to give, say, four or five percent of one's disposable household income to charity every year -- and to have something substantial left over. Excluded from the Forbes 400 there are several hundred more people with fortunes in the tens of millions, and beyond those, thousands more, and beyond those, hundreds of thousands, perhaps a million or two who have "something substantial left over."

Every American community has such people. Such people exist even in difficult economic times, for the hardships in a capitalistic system are not evenly distributed. Some people are getting rich while other people are getting poor. We tend to be more conscious in hard times of those in economic distress than we are of those who continue on untouched. The media thrive on scandalous reports of the rich indulging themselves while others go hungry and homeless. It becomes fashionable for the wealthy (for corporation executives, especially) to concur in how hard times are, how little money there is to go around, how earnings are down and profits are off while the demands increase. News reports stress the fall-off in contributions, a poor-mouthing that is picked up by fund raisers who join the chorus about how bad things are, how hard it is to raise money.

If ten or fifteen or twenty percent of the American people are enduring very hard financial times, eighty or ninety percent are doing quite well enough, and some are thriving. The United States continues to be stupendously rich -- rich and spoiled and unwilling to face up to its responsibilities -- but rich, indeed.

On balance, there is more good than bad in my assessment of the United States. But there is also so much more to be done toward making the United States a good society that I would never entitle a book, as Andrew Carnegie did, Triumphant Democracy. (Although, as Carnegie celebrated the victory of democracy over monarchy, I could celebrate the victory of democratic capitalism over state socialism.)

Among the many disturbing trends that we should be concerned about, there appears to be a greater gap between wealth and poverty than we've had for many decades. The middle class appears to be shrinking, with more people drifting downward in economic terms than are rising to join the wealthy. Our tax policies have not stimulated the economy or reduced the debt but they have made it possible for people who have wealth to keep it and to accumulate even more. Present tax policy encourages people to keep their money in the family rather than encouraging them to give it away for philanthropic purposes.

Even so, wealth is distributed on a much broader scale than is usually thought of. Because of the media's obsession with excess of all kinds, there is a distorted notion that "wealth" means only great wealth. On the contrary: alongside the very wealthy there are large numbers of people including those who are simply well-off. We should keep in mind all of those more ordinary people when we think about wealth in America -- the ordinary, run-of-the-mill people whose net worth is in excess, say, of a million dollars. They are of great potential importance to American philanthropy. They could reduce their net worth by a philanthropic contribution of, say, a hundred thousand dollars without significant sacrifice.

If one attends more carefully to the haphazard media coverage of philanthropy in America, the well-off are prominent and active. Some merely affluent people are always visible alongside the very wealthy, sharing in the leadership of good works in their communities.

Others are not visible, whatever their net worth. They are known neither for their wealth nor for their good works. Some may give generously but do so anonymously; others don't give at all.

There are many such people. There is a shadow army of the wealthy and the well-off that may be as large as the visible one. There are certainly great fortunes that are wholly hidden from public view, often less by intent than by the manner in which the fortunes were acquired. A modest fortune to start with becomes by shrewdness or accident a vast and diversified fortune. Unless such people call attention to their wealth, their friends and neighbors may never know. The newspaper stories are familiar: the quiet old woman in the modest house who died and left \$1.8 million (or \$18 million or \$180 million).

Carnegie believed that it requires high intelligence to accumulate a vast fortune, and he may have been right. Affluence, however, can also be the result of hard work, a reasonable life style, and dumb luck. Carnegie believed that someone who has the intelligence to accumulate a large fortune probably has the intelligence to know best what

to do with it. That isn't obvious to all of us, either. For one thing, many people have devoted all of their attention and energies all of their working lives to accumulating their wealth, whether measured at a million or at a billion. Many of the wealthiest appear late in life to be trying to catch up, to learn how to give after decades of single minded attention to their business and financial progress.

Many wealthy people make egregious errors of judgment in their giving because they act of ignorance and because they have no effective way to get good advice.

The "system" of modern American democratic capitalism is a system that generates wealth with relatively high efficiency and with relatively high social cost. As Carnegie understood so well, the American philanthropic tradition has always recognized the social cost. Carnegie believed that government had a role in helping the poorest of the poor and those he considered undeserving. Beyond what government should do, voluntary giving has always played a more prominent role in American society than in most -- and perhaps any -- other societies. There is a widespread sense of "giving something back" to the system that has made the good life possible for so many people.

The nineteenth century saw the emergence of modern American industrial society -- the great fortunes of Carnegie's generation were made in steel, oil, and railroads. The fortunes made in that era were sustained until the industrial transformation of the past several decades -- new fortunes made in electronics and made possible by electronic technologies. In both eras great fortunes were made (and lost) in finance and real estate. Some of the fortunes are the product of the capitalist virtues of hard work, saving, risk-taking, entrepreneurship, and opportunity. Many fortunes are the result of dumb luck, of the great inflation of assets through market conditions over which one has no control. It is what the economist David Ricardo called "economic rent" -- the rise in the value of an asset because of other conditions. The-most familiar version of such dumb luck is to buy a house at a reasonable price and then to be able to sell it a few years later at a price several times higher -- and to make an "unreasonable" profit in doing so. Many Americans have benefited from that very process in recent years, just as many others now find themselves burdened with houses that are worth less than their purchase price.

Some of the great fortunes that we read about were made by entrepreneurs in fields like computer software or biotechnology who sold their innovative companies for large holdings in other companies that had money but not ideas. Affluence has grown out of modest variations on such themes: the right to acquire stock through thrift funds and bonus arrangements can, over relatively short periods of time, result in substantial accumulations.

Americans are encouraged by the media to pay too much attention to high salaries of executives and to think too little about the importance of owning shares of stock. The wealthiest people often have relatively modest salaries. Assets, not income, are what count most.

Even people of modest salary may, after a decade or two or three, find themselves looking forward to a surprisingly comfortable retirement. It is the upper middle class and moderately wealthy I have in mind, because it is in that class that I find myself -- through dumb luck of exactly the kind I have described.

II

If many of us have a surplus -- we are at a point in our lives where we seem to have more than we will need to live the kind of life we want to live -- what should we do with it?

Carnegie said there were three choices: the first was to give one's wealth to one's heirs. Carnegie believed that was a bad idea for people of truly great fortunes. Passing along great wealth to one's children and grandchildren will sooner or later weaken their spirit and corrupt them.

on balance, I agree. I agree even though Carnegie's best known fellow billionaire, John D. Rockefeller, seems to have disproved him. Rockefeller left very large sums of money to his heirs through his one son, and they seem to me to have shown extraordinary strength of character in managing their wealth over several generations.

Despite the evidence of the Rockefellers and some others, most of the wealthy families I know have a very hard time instilling a sense of personal and social responsibility in their children. What is true of the very wealthy seems equally true of the affluent, and perhaps more so. If the children of the very wealthy tend to be effete, the children of the affluent tend to be selfish. Maintaining one's constructive energies is difficult when the barriers are removed. If power tends to corrupt, so does wealth.

Life is difficult, as Scott Peck said, and because life is difficult it requires disciplines to cope with it. "Life" is actually as diverse as humanity itself, and so the difficulties vary; the disciplines to cope with life remain simple. There are four such disciplines, Peck says: to defer gratification; to accept responsibility; to tell the truth; and to balance things. Those disciplines are quite as important for people of means and for their children as it is for those in poverty. The failures of discipline are more immediately evident among the poor; the failures among the affluent and the wealthy sometimes are masked or simply denied. We sometimes learn our most important lessons from failures. Despite the romantic nonsense of Hollywood, we also sometimes learn from hardship and self-denial. That is the essence of Peck's advice to defer gratification; there is wisdom to be gained in the minor pains of the self-denial and inconvenience of saving money. Denying oneself in order to accommodate the needs of others is what the acceptance of responsibility is about.

Americans are spoiled. Rich Americans are spoiled and their children more so. But the problem is not simply with wealthy Americans. The impact of unearned wealth on the habits and character of a people is evident in very different cultures. The people of Kuwait, devastated by the Gulf war, now find themselves for the first time faced with personal responsibility for the grubby and boring tasks of everyday life. They are unable

as yet to hire enough non-Kuwaiti immigrants to do the work they don't want to do themselves. Their bathrooms aren't clean, their laundry isn't washed, their cars won't work. They face adversity for the first time with no preparation.

The lack of preparation to deal with adversity is the hazard of life for the children of the affluent and the wealthy -- and, it appears, of the poorest of the poor. Edward Banfield long ago defined class in terms of the willingness to defer gratification -- apart from financial condition, the poorest are those who fail that test. The rich young man wasting his resources is headed down the economic ladder, regardless of where he began, while the poor young man, struggling to make ends meet and working hard to improve his condition, is on the way up.

Economic condition is not a reflection of class character, of course. Payton's Law says that good and evil are randomly distributed throughout the population. That is why the biblical counsel to treat the rich and poor evenhandedly is good advice: [Deuteronomy]

Those who are maintained by the wealth and work of others, whatever their place in society, are likely to show the same marks of weakness and lack of preparation to cope with life when times are difficult. That is the essence of the case against welfare in any form: that over time it weakens rather than strengthens the recipient. At some point, to be fully human, we must be engaged in some serious effort in our own behalf. Self-help is essential to self-esteem; self-esteem is essential to the good life; neither is essential to being rich.

There are three forms of giving: giving out of income, giving out of capital, and giving posthumously out of one's estate.

I am convinced that there are, in fact, large numbers of people able to make gifts out of capital in amounts of \$100,000, \$250,000, or more without seriously affecting their welfare, security, or even their lifestyle.