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Donation without Domination: Private Charity and Republican Liberty*

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ROUGHLY 89 percent of Americans make at least one charitable donation per year, and in a typical year the cash total of these donations exceeds 2 percent of GDP.[1] Despite this breadth and depth of private beneficence, however, contemporary republicans have had a less than charitable attitude towards it, especially when it is directed to the poor. Consider, for example, Frank Lovett's view in his *General Theory of Domination and Justice*:

> Because we do not regard the satisfaction of basic needs below some minimum level as optional, when unable to satisfy them on our own we become dependent on the charity of those with the ability to do so for us . . . [B]eing dependent on a person or group who has the power to arbitrarily withhold goods or services needed to meet one's basic needs . . . amounts to domination."[2]

Lovett cites Philip Pettit in this passage, whose position is similar:

> if I desperately need the help of some particular other or others [for example, "a rich benefactor"] . . . then I am going to be in a position where I will not complain against any arbitrary, perhaps petty, forms of interference by such agents. I'll be disposed to placate them at any cost, putting myself in the classic position of the dominated supplicant.[3]

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[1]Sullivan 2002; List 2011, p. 157.

[2]Lovett 2010, p. 195.

[3]Pettit 1997, p. 160; also see Sparling 2013, pp. 632–3; Zakaras 2009, p. 9. In *On the People's Terms*, Pettit repeats these claims, but also qualifies them. He begins by arguing that "[r]epublican theory is bound to reject the idea of forcing the less well off to have to rely . . . on voluntary forms of philanthropy. The needy will depend on the goodwill of voluntary benefactors for not being exposed to the interference of those who are in a position to interfere in their lives, which already comes dangerously close to being dependent on their goodwill in a dominating way." Shortly thereafter, though, he adds: "[o]r at least that will be so in the event, surely quite likely, that benefactors are not pressurized to provide their services *or there are not so many benefactors lined up to provide help that the needy depend on the goodwill of none in particular*"; Pettit 2012, p. 113, emphasis added. My competitive model of public provision will be designed to prevent precisely this kind of particularistic dependence by ensuring a plurality of private benefactors among whom the needy are free to choose.

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As I will discuss in greater detail below, republicans respond to these purported problems with private charity by proposing an impartial *public* provision of support via government welfare programs. They recognize, however, that such provision may just replace one kind of discretionary power (that of the "rich benefactor") with another (that of the welfare bureaucrat), leaving the poor as vulnerable or even more vulnerable than they were before. They consequently argue that welfare provision must be made *unconditional* in order to purge administrative discretion from the system. Basic-income plans—often accompanied by demands for their constitutional entrenchment—have for this reason become a staple of the republican literature.[4]

So far, so familiar to those conversant with the writings of contemporary republicans. But is this orthodox republican response to the problem of poverty the only one available? And if not, might the alternatives prove more attractive? In this article, I will point out such a "road not taken" by republicans and others concerned about domination of the poor. In contrast to the *administrative* model of public welfare advocated by republican theorists like Pettit and Lovett, in which the state becomes the dominant provider of aid to the poor via a constitutionally entrenched unconditional basic income (UBI), I will propose a *competitive* model in which the state regulates and subsidizes a decentralized, non-statist provision of support. Rather than concentrating enormous discretionary power in the hands of welfare bureaucrats and voters, then valiantly trying to constrain this power by means of unconditionality and entrenchment, my approach will advocate a return to a form of private provision that corrects its historically objectionable features by directing the state to fight collusion among private charities, supply information to recipients about alternative sources of aid, and offer substantial grants to charities and/or tax incentives and vouchers to donors. I will contend that such an approach would do a better job of minimizing domination of the poor than traditional welfare states, and might be more politically feasible than a UBI, at least in the near term in certain national contexts.

I will proceed as follows. In the first section, I will show that whether a relationship is one of domination is determined primarily by the structure within which that relationship is embedded. If the structure is economic, as it is with charity markets, then the competitiveness of the markets in question and the associated ability of their participants to exit from abusive relationships within them will determine whether those participants are undominated, that is, free in the republican sense. In the second section, I present my alternative, competitive model of public provision, which will superficially resemble decentralized private charity prior to the rise of the welfare state, but differ from it in important respects, especially with regard to enhancing competition among providers and

[4]See, for example, Lovett 2010, pp. 196–203.

subsidizing those providers either directly (through grants) or indirectly (through tax subsidies or vouchers for donors). In the third section, I contrast this model with the standard administrative model of public welfare advocated by contemporary republicans, pointing out certain advantages it has. I conclude by drawing some broader lessons for republicanism from these divergent models of public welfare.

I. POWER AND FREEDOM WITHIN CHARITY MARKETS

I should begin by defining several key terms in the republican lexicon. In his seminal essay "Freedom as Antipower," Philip Pettit contends that "one agent dominates another if and only if he or she has a certain power over that other: in particular the power to interfere in the affairs of the other and to inflict a certain damage."[5] More specifically, an agent has *power* over another whenever three jointly sufficient conditions are met, viz., when an agent has:

1. the capacity to interfere
2. with impunity and at will
3. in certain choices that the other is in a position to make.[6]

Liability to the exercise of such power is what republicans mean by the term "vulnerability," while immunity from such power, that is, antipower, is the republican definition of *freedom*, referred to as "freedom as non-domination" (hereafter FND).[7]

I pointed out above that whether a relationship is one of domination is determined primarily by the structure within which that relationship is embedded. Why would this be the case? It is the *ability* to abuse, not actual abuse, that constitutes domination: as Pettit says, "the grievance I have in mind is that of having to live at the mercy of another, having to live in a manner that leaves you vulnerable to some ill that the other is in a position arbitrarily to impose," and this kind of vulnerability is wholly consistent with that other rarely or never engaging in such abuse.[8] Thus, when we are trying to evaluate the nature and extent of domination, we can't just count up instances of abuse. Instead, we must assess the structural context of relationships to determine whether they involve domination, that is, whether certain parties within them possess power over other parties. By contrast, if parties have the effective (anti)power to *counter* others' arbitrary interference through, say, third-party intervention (for example, a threat of punishment by the state) or a substantive right of exit from the relationship itself, then these relationships will be free in the republican sense: FND will be preserved thanks to the structural context within which the

[5]Pettit 1996, p. 578.
[6]Ibid., pp. 578, 581.
[7]Pettit 1997, pp. 5, 122–5, 145.
[8]Ibid., pp. 4–5.

relationship is embedded, whether it involves reliable external intervention *in* the relationship or a reliable route *out* of it.

Consider, for example, the marketplace as an economic structure. Markets are constituted by myriad exchange relationships between buyers and sellers, where the identities of these buyers and sellers vary according to the category of market in question: in labor markets, employers and employees, respectively; in product markets, consumers and producers; and so on. These relationships are mediated by prices, which establish rates of exchange for participants. How markets determine these prices has important implications for whether their participants are dominated or not. To see why, focus for a moment on labor markets. Labor monopsonists (or, equivalently, well-organized labor-purchasing cartels) will be impelled by the profit motive to employ fewer workers than they would under competitive conditions and thereby to generate unemployment: by definition, unhired workers in monopsonistic labor markets have no other employers to whom to turn. Those workers fortunate enough to be employed, however, are placed in a highly precarious, vulnerable position, as they also have no alternative employers to whom they can turn and are therefore subject to the caprice of the monopsonist and his managers. This absence of meaningful exit options for workers makes them liable to arbitrary exercises of economic power, that is, domination, including the firm's ability to pay above the profit-maximizing monopsony wage rate as an act of charity (underwritten by monopsony rents, ironically) and practice wage discrimination according to morally irrelevant criteria like race and gender. Other aspects are much darker, as the early history of industrialization suggests, including sexual exploitation and other forms of physical abuse (for example, denial of lunch or bathroom breaks, abysmal health and safety conditions, even beatings). As Pettit has pointed out, workers under these conditions are indeed "wage slaves," to use Marxist terminology.[9]

Contrast such a labor market with a perfectly competitive one, which is characterized both by a large number of potential employers and employees and by frictionless exit from employment relationships. Competitive labor markets are antipower in the precise sense spelled out by Pettit: specifically, participants in such markets have no capacity to interfere with impunity and at will in the economic interests of other participants. They have no ability to interfere at will because market prices are set by the impersonal forces of supply and demand, so there is no room for discretionary wage setting. Any attempt to deviate from this competitive price (by, say, underpaying employees) will lead to both the loss of trade and the punishment of reduced profits; hence, they also have no capacity to interfere with impunity. Within competitive settings, neither capitalists nor workers are able to manipulate wages or any other work conditions; as economists would put it, they are price-takers, not price-makers. Therefore, no firm is in a position to dominate

[9]Ibid., p. 141; cf. Pettit 2006, p. 142; Pettit 2007, p. 5; also see Nicholson 1995, pp. 724–9; Taylor 2017, pp. 49–51.

workers. As Pettit himself remarks, "in a well-functioning labor market . . . no one would depend on any particular master and so no one would be at the mercy of a master: he or she could move on to employment elsewhere in the event of suffering arbitrary interference."[10] Competitive markets in general protect the FND of their participants by eliminating economic power; they create a structural context within which their constitutive relationships can be free of domination, thereby advancing republican ideals.[11]

Let us turn now to charity markets, whose structure roughly parallels that of labor markets. In place of the employer and employee, we have instead a different kind of "buyer" and "seller": the benefactor and the recipient. The donation is the "price" or "wage" that the benefactor pays to the recipient, in return for which the benefactor receives certain sorts of benefits, including but not limited to:

1. appreciation from the recipient and praise from third parties, perhaps as part of a formal or informal system of competitive giving in which such donations enhance social status,
2. the "warm glow" that may arise from the very act of giving,[12]
3. the satisfaction of advancing particular principles by giving, including welfarist ones (such as reducing suffering by meeting the basic needs of the poor) and republican ones (such as lessening the vulnerability of poor workers to employers' domination by the provision of a charitable "backstop," a partial and/or temporary alternative to degrading work), and
4. at least under certain charity-market conditions, less admirable motives, like the pleasures associated with exercising arbitrary power over vulnerable others or the spiritual blackmail of using charity as a means of pressuring the poor into particular religious faiths.

Whether benefactor–recipient relationships within charity markets are characterized by domination (as illustrated by item 4 above) is a function of the structure of those markets and how it influences "prices" (that is, donations) and other market attributes. Contra Lovett and Pettit, private charitable relationships do not necessarily involve dependence and domination: everything hinges on whether the charity markets within which those relationships are embedded are (approximately) competitive or not, as we shall see.[13]

[10]Pettit 2006, p. 142; cf. Lovett 2010, p. 53: "in a perfectly free market. . .there would theoretically be no dependency, for all entries and exits would presumably be costless."

[11]Factors other than monopsony power may introduce frictions into labor markets, of course. For example, efficiency-wage theories predict that firms will offer supra-equilibrium wage rates to improve productivity and reduce turnover, thereby inducing unemployment. Consequently, frictionless exit from employment relationships is a regulative ideal, one that cannot be achieved in practice, but can be approximated by policy reforms that enhance worker mobility and thereby reduce opportunities for domination.

[12]Andreoni 2006, pp. 1220–3.

[13]The same could be said of relationships between landlords and tenants in rental markets. See Stilz (2009, pp. 100–1) for a rental-market example, whose exclusive focus on an impoverished and otherwise vulnerable tenant obscures the role that rental-market structure plays in ameliorating or aggravating such vulnerability.

To be sure, when those markets are *anti*-competitive, the world looks precisely like the one described by Lovett and Pettit: the "rich benefactors" in such markets are much like monopsonists in labor markets, able to exercise arbitrary power over their "dominated supplicants."[14] To see this, imagine a society—one without a welfare state—divided between a wealthy one or few and an impoverished many. In such a society, one rich benefactor (or, equivalently, a well-organized cartel of rich benefactors) can essentially set terms in the charity marketplace, not only determining the number of recipients and how much they each receive, but also establishing rules and issuing commands regarding recipient behavior. This unilateral ability to set terms, combined with the vulnerability of the recipients, places the benefactors in a position to engage in "arbitrary, perhaps petty, forms of interference" with the recipients, from humiliation and sexual exploitation to ideological indoctrination and even the spiritual blackmail mentioned above.[15] Here resides economic power in one of its most extreme and disturbing forms.

There are Gilded Age examples of societies that bear a remarkable resemblance to this one, none more famous than Pullman, IL, a company town built by George Pullman in the early 1880s. In an era of severe working-class poverty, limited welfare support, and enormous employer power within labor markets, Pullman effectively offered supra-oligopsony wages to his workers as an act of charity, delivered in the form of high-quality housing (complete with indoor plumbing, gas, and superb sanitary conditions), public-health initiatives (including smallpox vaccination), free public education from kindergarten through the eighth grade, and a park-like setting of tree-lined streets, landscaped yards, athletic facilities, and a man-made lake—conditions far surpassing those of most working-class families at that time. In return, however, Pullman exercised a minute control over the lives of his resident workers by banning alcohol, carrying out regular inspections of homes for cleanliness, and strictly limiting not only expressive rights of speech and press, but also religious freedom: only one church (owned by Pullman himself) was allowed in town, and the rent on the building was fixed so high that, apart from a few years of Presbyterian occupancy, it sat empty. Finally—and most relevantly for our purposes—Pullman excluded competing charitable organizations from the town, lest they undermine his tutelary power over his workers. The Pullman community, in short, was a world of "rich benefactors" and "dominated supplicants," just the sort of precautionary model of oligopsonistic private charity anticipated by Lovett and Pettit.[16]

Charity markets need not be monopsonistic or oligopsonistic in this way, however. Just as perfectly competitive labor markets are characterized by large numbers of potential employers and employees and by frictionless exit from

[14]Pettit 1997, p. 160.
[15]Ibid.
[16]Buder 1967.

employment relationships, so perfectly competitive charity markets are characterized by large numbers of potential benefactors and recipients and frictionless exit from charitable relationships. Under these conditions, "prices" (that is, transfers to the poor) will be set in an impersonal fashion via market competition, and no participant will be able to dominate another; economic power will be purged from the system, thus advancing republican liberty. What makes this FND-friendly result possible is that poor recipients within a competitive charity market have many patrons from whom to choose, placing them in a rivalrous relationship with one another and therefore strictly limiting their power to fix terms. Unlike the Pullman community, which was explicitly designed to prevent such rivalry from curbing patron power over recipients, a world of competitive charity markets empowers recipients by forcing patrons to bid against each other for their clientage.

Such competition among patrons is even consistent with some degree of what economists call "product differentiation." For example, patrons might specialize in regard to client needs (for example, the special requirements of women or the elderly) and client tastes (for example, religious affiliation of charities in order to lessen the shame of recipients by means of a sacramental context for accepting alms).[17] Similarly, such patronage could be of a formal or informal type. For instance, charity markets may consist of a core of organized charity (for example, church soup kitchens or Habitat for Humanity) circumscribed by a "competitive fringe" of unorganized charity in the form of irregular, perhaps even unplanned handouts, with the latter acting as a further disciplining device upon the former.[18] This variety and flexibility of private charity provides additional security for recipients against the possible power of benefactors within charity markets.

The fact that charity markets *can* be competitive is no guarantee that they *will* be, of course. As the Pullman example indicates, patrons may be anxious to keep clients under their thumbs and may consequently attempt to rig charity markets in their favor, allowing them to impose draconian terms on recipients and exercise arbitrary power over them in violation of their republican liberty. In order to prevent this from happening, state officials will need to maintain competitive conditions within these charity markets, including but not limited to legal rights of mobility (geographic exit), full information regarding the kinds and locations of existing benefactors, and efforts to discourage organized charities from coordinating over "prices," eligibility criteria, and so on, because such coordination might lead to collusion.[19] These conditions are in no way "natural" features of charity markets, so a state policy of *laissez-faire* toward private charity is very unlikely to promote FND. Rather, an activist approach of the kind

[17]Nicholson 1995, pp. 652–7, 659–65, 667–9.

[18]Viscusi et al. 1992, p. 165.

[19]Legal rights of mobility do not exist in many societies, both now (e.g., China, with its *hukou* system of residency permits) and in the past (e.g., England under the Poor Laws, which similarly restricted movement of the poor).

described in the next section must be followed, one that not only secures competitive conditions but also provides extensive subsidies for charity either directly (through grants to organized charities) or indirectly (through tax subsidies or vouchers for donors to such charities). Such a system in fact constitutes a competitive model of *public* welfare.

II. A COMPETITIVE MODEL OF PUBLIC WELFARE

Before presenting this model in detail, however, I should first compare and contrast it with an alternative model with which it might be confused: Herbert Hoover's "New Era" model of the *associative state*. Donald Critchlow and Charles Parker describe associationalism and its historical background as follows:

> Beginning in the early 1900s, public officials, encouraged and led by reformers, began to experiment with new government programs on the local, state, and federal levels ... Americans developed in the first two decades of the twentieth century a complex array of welfare agencies for the rehabilitation of the dependent and the deviant, increasingly overseen by professionalized social workers who sought to apply the latest scientific and social science research to the administration of these programs. In the 1920s, Herbert Hoover sought to rationalize this involvement of private and public welfare activities through an "associative" state that offered an alternative to Prussian-style bureaucracy or the British dole. This associative state placed responsibility on private groups and local communities supported by federal advice and minimal federal funding and involvement ... This vision ... continued to embody a deep belief in traditional American values of individualism, voluntarism, and local initiative.[20]

As we shall see, there are important continuities between Hoover's associationalism and my own competitive model. First, as Ellis Hawley notes, the associative state was conceived as a "nonstatist alternative" to both "welfare statism" and "atomistic individualism," a sort of Third Way *avant la lettre*. Second and relatedly, it offered "a pluralistic proliferation of competing groups" to deliver charity to the poor rather than state-dominated provision. Lastly, and most importantly,

> [its] central idea was to pull or coax an effective welfare system from the associative life of the private sector, using the government as a facilitator of this process ... [by means of] credit, spending, and tax policies that would support and supplement these private-sector actions.[21]

Despite these similarities, however, my competitive model of provision will diverge from Hoover's associationalism in two ways, each of which responds to a different but equally troubling problem with Hoover's vision. First, my model

[20]Critchlow and Parker 1998, pp. 5, 7. As John Dempsey and Eric Gruver put it, the associative state is one "in which businesses cooperate with each other and with government through self-governing organizations to create 'desired outcomes for society'"; Dempsey and Gruver 2009, p. 227.

[21]Hawley 1998, pp. 162–3, 165.

will reject the disturbing technocratic corporatism of the associative state. Hoover sought out a "new unifier" for his associative "higher government," be it "in a new business leadership, the new technocratic professions, or the new claimants to social scientific expertise," so as to provide "permanent managerial mechanisms [of a] national system" of charitable provision.[22] Such a technocratic elite would "rationalize" the system by fashioning "a nationwide network that would decrease competition and thereby increase efficiency" in charitable provision, eliminating wasteful duplication and establishing collective goals and standards via charity-industry "self-government."[23]

This corporatist vision of a disinterested technocratic elite advancing the common good by means of an industrial self-organization that conquers and "rationalizes" the supposed anarchy of the marketplace is, of course, the exact opposite of the kind of competitive charity market sketched earlier. It is, in fact, the Pullman system writ large, with social workers and social scientists playing the role of the sleeping-car manufacturer. As I argued above, without vigorous competition within charity markets, recipients will be vulnerable to abuse and exploitation by their benefactors. This remains true even when those benefactors happen to be public-spirited and highly trained experts: again, it is the *ability* to abuse, not actual abuse, that constitutes domination, and a technocratic elite superintending a national system of charitable provision will be well placed to engage in such abuse if they wish.[24] Replacing an already imperfectly competitive system of private charity with such cartelistic corporatism would be like performing a swan dive from the proverbial frying pan into the fire.[25]

The second divergence of my model from Hoover's associationalism is with regard to its miserliness. As Hawley notes, "public financing of the effort was to be minimal," due in large part to "Hoover's determination to minimize federal relief and thus preserve 'the spiritual impulses in our people for generous giving and generous service.'"[26] The associative state's tightfistedness, like its cartelistic–corporatist organization, exacerbated the vulnerability of poor recipients within not just charity markets but labor markets as well. Within charity markets, this lack of financing prevented the funding of the sort of informational campaigns that would have notified recipients of the locations and available services of different charitable organizations; it also prevented the government from offering certain services itself, whether to encourage mobility in impoverished populations (for example, with travel vouchers) or heighten competition in charity markets with relatively few benefactors. In short, stingy funding worked hand in glove with corporatism to undermine competitive

[22]Ibid., pp. 163, 167; also see Dempsey and Gruver 2009, p. 230.

[23]Dempsey and Gruver 2009, pp. 230, 232.

[24]Pettit 1997, pp. 4–5.

[25]This technocratic–corporatist dimension to Hoover's associationalism calls to mind Michel Foucault's discussion of the "disciplinary society," but with cartel- rather than state-control of the "mechanisms of discipline"; Foucault 1975, pp. 209–28, here pp. 209, 213.

[26]Hawley 1998, pp. 166, 172.

conditions in charity markets, leaving the poor dangerously vulnerable to oligopsonistic "rich benefactors." Within monopsonistic and oligopsonistic labor markets, the lack of a generous and reliable system of charity to serve as an alternative to employment made workers susceptible to abuse and exploitation by capitalists and their managers: charitable "fallbacks" place employees in a stronger bargaining position vis-à-vis their employers, enabling them either to exit the relationship without the risk of starvation or homelessness or to threaten to do so; without such meaningful exit options, workers will become liable to arbitrary exercises of economic power.

These severe flaws in Hoover's associationalist vision were exposed to public view during the first years of the Great Depression, leading angry voters to demand "larger appropriations and more public bureaucracy."[27] What they understandably failed to see at the time was that these reforms were potentially separable: more generous public funding could have been combined with a non-statist, non-bureaucratic welfare system that was genuinely decentralized and competitive. These twin features are central, in fact, to my own competitive model. Consider the second feature first. Instead of allowing the state to serve as the predominant provider of aid to the poor, with all the dangers of abuse that entails, the competitive model would rely upon pluralistic non-statist provision within a competitive charity market, with a broad array of benefactors bidding against each other for the clientage of the poor. The state's primary job in this model would be to preserve competition between providers by various means. First and foremost, antitrust laws would need to be extended to charity markets to foil the kind of coordination and collusion over "prices," services offered, eligibility criteria, and so on, that charitable providers may pursue in the names of both effectiveness and efficiency; such industrial self-government à la Hoover makes domination of the poor within charity markets more likely. Although antitrust laws already apply to the nonprofit sector and have frequently been used against professional associations, hospitals, and educational institutions, they have yet to be applied to charity markets; how the courts would respond to such cases—for example, a case in which a local group of soup kitchens consolidated operations in order to save money and achieve economies of scale, gaining substantial market power over their clients—is at this point speculative.[28] Nonetheless, in order to prevent Pullman-like results, antitrust authorities would need to watch charity markets carefully, as in the absence of a traditional welfare state the private sector will be the principal provider of aid and therefore a possible site of domination and exploitation.

It will not be the *sole* provider of aid, however, because that would be unlikely to maximize the competitiveness of the charity market; in my model, the state is tasked with offering additional services beyond that of antitrust enforcement.

[27]Ibid., p. 168.
[28]Searing 2014, pp. 282–3.

First, the state has to provide complete information on the locations, eligibility criteria, and available services of different charitable organizations to potential recipients. Client ignorance would hinder mobility among competing patrons, increasing their market power and making the poor more vulnerable; and patrons themselves, though perhaps interested in advertising their own wares, are unlikely to be adequately motivated to provide easy-to-digest, side-by-side comparisons with their competitors. Their clients are even less likely to be in a position to collect, organize, and disseminate such information due to their very poverty and marginalization. Secondly, in cases where antitrust action and information provision are insufficient to make local charity markets competitive, the state must either help the poor move to markets that are more competitive (via travel and relocation vouchers) or act as a provider of last resort in these monopsonistic or oligopsonistic charity markets, thereby injecting some much-needed competition into them. Such "public options," designed to widen choice and discipline private providers, have already played a role in debates on health care and education and could play a similar role in this context.[29] What is essential in such cases, however, is that this last-resort state provider remain simply one provider among many, without any special privileges or ambitions to corner the market, because displacing most private providers would only undermine competition and thus exacerbate the poor's vulnerability—a point to which I will return in the next section.

So far, the competitive model might appear to be one of *private* rather than public welfare, with the state's role being restricted to charity-market regulation, information dissemination, and service provision in extremis. I must therefore return to the first feature mentioned above: generous public funding. First, however, we should ask why public funding would be necessary at all, apart from the limited and contingent services just discussed. Wouldn't private donations be sufficient to fund a decentralized and competitive welfare system?

Earlier, I listed some of the benefits that benefactors received in return for their donations, such as the satisfaction of advancing particular principles by giving, including but not limited to welfarist ones (decreasing suffering by meeting the poor's basic needs) and republican ones (minimizing the poor's vulnerability to domination in charity and labor markets). Such altruistic motivations convert what might otherwise be a private good into a public good: if a benefactor is truly motivated by a recipient's *overall* welfare or FND and not just by their own private contribution to it (as would be the case with warm-glow or status-competition giving), then donations will generate potentially large positive externalities for (similarly motivated) others; this creates incentives for "free riding" on the welfare-enhancing or domination-reducing efforts of other donors, however, and suggests that even in a competitive charity market, equilibrium

[29]See, for example, Halpin and Harbage 2010; Mill 1998, pp. 117–18.

donations will be Pareto suboptimal.[30] Were the positive externalities in question trivial ones (for example, the spillover benefits associated with pleasant smiles or colorful front-yard gardens), their suboptimal provision would probably not be a matter for state concern. Here, by contrast, what is at stake is the protection of our society's most vulnerable members from arbitrary power within multiple market settings—hardly a trivial matter. This strongly suggests that the state, in addition to its antitrust, informational, and "public-option" roles, can and should take whatever actions are needed to raise donations to their optimal level.[31]

The most obvious and least invasive strategy for doing so is via substantial state subsidies. Broadly speaking, these subsidies might take two non-mutually-exclusive forms: direct subsidies to private charity providers or indirect subsidies to these providers by way of either tax breaks or vouchers given to their private donors.[32] I am agnostic as to the proper mix of these policy tools, though I would be surprised if a corner solution (that is, all one or all the other) were optimal. The best mix will normally vary depending upon context. One thing we can say is that each has its own strengths and weaknesses. Direct subsidies to private charities could be allocated by either a body of experts given substantial discretion or a bureaucracy given little or no discretion but rather guided by a set of outcome-based rules (for example, success measures like health or educational outcomes for the poor or transitions out of poverty itself). Expert allocation would have the great advantage of flexibility, but would also be susceptible to "capture," whether by the private charities they are charged with subsidizing or by the experts themselves (social workers, social scientists, and so on), who might have various kinds of private agendas.[33] Bureaucratic allocation, on the other hand, would be less flexible, but also less susceptible to capture; moreover, its allocation rules could be designed by experts. Indirect subsidies, being highly decentralized and dependent upon the donation decisions of myriad donors, would be least susceptible to capture, but also least likely to be guided by expert judgment of any kind. Given all of this, the most we can do—at least while operating at this level of abstraction—is make certain comparative claims: for

[30] Hochman and Rodgers 1969.

[31] The question of what level is optimal is hard to answer. In principle, the economic literature on public goods provides solutions (e.g., the Groves–Ledyard mechanism for public-goods preference revelation), but the proposed mechanisms are extremely difficult to implement. As a practical matter, the best approach may just be trial and error: use different levels and configurations of subsidies, track the incomes of the poor, and make adjustments to bring them towards the poverty line, which is something we might be able to reach a political consensus on. We would probably want to start the subsidies on the high side and adjust them downwards as necessary, given what is at stake for the poor themselves.

[32] These donors could be individuals, businesses, NGOs, etc. For present purposes, I will regard them as individuals. I should also note that, as John List points out, "the marginal cost (forgone tax revenues) [of tax breaks for charitable gifts] is less than the marginal benefit (increased dollars of giving) . . . if giving is price elastic," and the best evidence suggests that it is elastic, especially for the rich; List 2011, pp. 170–2; cf. Andreoni 2006, pp. 1230–40.

[33] Stigler 1975, ch. 8.

example, the more probable that capture is (due to political culture or institutions, say), ceteris paribus, the more attractive indirect subsidies and perhaps bureaucratic allocation of direct subsidies will be.[34]

Two sorts of objections to this kind of competitive model are likely to arise, one related to the allocation of support to recipients, the other to the profile of contributions by donors. Regarding the first, some may worry that a decentralized system of support by a host of private providers will allow certain classes of individuals or regions of the country to be neglected, whether accidentally or by design (for example, a systematic refusal to aid sex offenders). The very pluralism of the competitive model makes extreme forms of such neglect unlikely—it would be a rare class or region that could find *no* willing providers—but the resulting distribution of assistance is also unlikely to track need in any systematic way, especially when indirect subsidies are heavily used. This fact may militate in favor of expert-guided and/or bureaucrat-implemented direct-subsidy systems. Alternatively, if we decide for other reasons (for example, concerns about capture) to stick with a primarily indirect-subsidy system, we could impose non-discrimination rules on private providers and use public options more aggressively in order to ensure that certain disfavored classes and regions do not fall between the system's cracks.

Regarding the second sort of objection, some may be concerned about the disproportionate role the wealthy might play in my competitive model, a concern that is already being raised about existing philanthropy in America.[35] Direct-subsidy schemes are less vulnerable to this objection—though they only avoid it, perhaps, by replacing economic elites with techno-bureaucratic elites, leaving various constituencies unrepresented or underrepresented in the design and management of the system. Indirect-subsidy systems would seem to be especially vulnerable, but much hinges on how they are designed. Those relying heavily upon tax breaks are likely to intensify the influence of the wealthy and might be problematic for this reason. A system using generous donation vouchers that scale inversely with income, on the other hand, could do much to democratize contributions to (and therefore influence over) charitable providers.[36]

[34]This policy question of what mix of direct versus indirect subsidies to use arises in other policy contexts as well. For example, in deciding how to encourage technological innovation, the state must choose a mix of direct subsidies (e.g., NSF grants) allocated by experts and indirect ones (e.g., patents) whose allocation is effectively decentralized. In school-choice systems, the state must also pick a mix of direct subsidies (e.g., subsidies to charter schools) allocated in part by experts or rule-bound bureaucrats and indirect ones (e.g., educational vouchers) allocated by parents.

[35]See, for example, Callahan 2017; Gelles 2017.

[36]Another potential objection regarding contributions is that government subsidies to religiously affiliated charitable providers may lead to objectionable levels or types of entanglement and even endorsement, violating the establishment clause of the US First Amendment. This is more of a worry for direct-subsidy systems than for indirect-subsidy ones, especially in the aftermath of *Zelman* v. *Simmons-Harris* (2002), a US Supreme Court case finding an educational-voucher system that included religious schools consistent with the First Amendment on the grounds that the subsidies were freely directed to religious schools by parents, not the state, and that the program was therefore properly neutral between religious and non-religious schools. All else equal, this makes indirect subsidies look more attractive.

Now that my competitive model has been described in greater detail, we can see that it is, in fact, rightly called a model of *public* welfare: beneficence is ostensibly private within it, carried out by "a pluralistic proliferation of competing groups" rather than the state, but the entire charity market is both superintended and heavily subsidized by the state, be it directly or indirectly.[37] This system returns to the decentralized and non-statist charity of the past, while also guaranteeing the kind of competitive and adequate provision demanded by republican principles. Like Hoover's associative state, my model aims "to pull or coax an effective welfare system from the associative life of the private sector," with the government facilitating through "credit, spending, and tax policies that would support and supplement these private-sector actions."[38] Unlike the associative state, however, this model rejects technocratic corporatism and includes a generous system of state funding in order to best promote FND for the poor. Although "Hoover Improved" might not strike you as the world's most promising slogan, I will show in the next section that this model can do a better job of minimizing domination of the poor than traditional welfare states and may prove more politically feasible than a UBI, at least in the near term in certain national contexts.[39]

III. THE COMPETITIVE MODEL VERSUS THE ADMINISTRATIVE MODEL OF PUBLIC WELFARE

As I noted in the introduction, the orthodox republican response to anti-competitive charity markets composed of "rich benefactors" and "dominated supplicants" has been an administrative model, not a competitive one: namely, the impartial public provision of welfare by way of state assistance programs.[40] A disturbing trait of such programs, however—especially for a prioritarian republicanism that stresses the security of the most vulnerable citizens—is the kind of discretionary power that they place in the hands of welfare administrators.[41] Virtually all state redistribution is conditional, be it on

[37]Hawley 1998, p. 163.

[38]Ibid., pp. 162, 165.

[39]I have made frequent historical comparisons in this section between my competitive model and Hoover's associative state, but there is another, less obvious historical comparison that I could make between my model and certain elements of Lyndon B. Johnson's Great Society. Consider, for example, the Community Action Program (CAP), established by the 1964 Economic Opportunity Act, which ultimately created over 1,000 Community Action Agencies (CAA) around the country to administer various programs (e.g., Head Start) funded by federal, state, and local grants. These CAAs were managed by boards of directors initially drawn from the recipient populations and residents of the targeted neighborhoods; Bailey and Duquette 2015; Hall 1992. Thus, the CAP was both decentralized and democratized, and consequently similar to the indirect-subsidy version of my competitive model with inversely-income-scaled donation vouchers. One key difference, however, is that the CAAs were administrative agencies rather than catalysts for charity-market competition: their object was local and responsive supervision, not any sort of guarantee that recipients would be free to choose among diverse, competing suppliers of aid. As decentralized and democratic as it was, the CAP still fundamentally embodied the administrative, not the competitive, model of public welfare.

[40]Pettit 1997, p. 160.

[41]Lovett 2010, p. 201; Pettit 2012, pp. 89–90.

educational enrolment (for example, job retraining), looking for work, work itself (for example, the Earned Income Tax Credit or workfare), or other policy objectives (for example, immunizing and educating girls, as with conditional cash transfers in Latin America).[42] Verifying that poor clients meet these conditions requires that discretionary power be given to welfare agents, both to determine whether the conditions are being met (*assessment*, including investigatory powers of various sorts) and to withdraw aid if they fail to be met (*redress*). Certain limitations can be put on these powers, such as rights of appeal to quasi-judicial bodies if and when benefits are cut, but there will remain an ineliminable degree of bureaucratic discretion that can and almost inevitably will be used for non-public purposes, be they financial (for example, bribery), tribal (for example, protecting the bureaucratic-class interests of welfare officials), or ideological (for example, punishing or "liberating" the poor, depending on the official's political views).

This problem of discretionary administrative power over clients is only made worse by the state's dominant position in the charity market. Such dominance is guaranteed not only by its size and scope, but also by the fact that public welfare tends to "crowd out" private charity, eliminating much of the government's competition.[43] Although warm-glow and status-competition giving keeps the crowd-out from becoming complete—state support for the poor cannot fully substitute for private donors' support if their motivation is in part non-altruistic, as it generally is—there is broad empirical evidence that it has been and continues to be substantial. For example, Richard Cloward and Irwin Epstein discovered "disengagement from the poor" by private social-welfare organizations (for example, family adjustment agencies) in the aftermath of the New Deal; these organizations "moved towards a new clientele, economically more fortunate than the old," rather than "defining a new role with respect to its traditional clientele, the poor"—a classic case of crowd-out.[44] More recent experimental and observational data has shown rates of crowding-out of private charity ranging from 50 percent to 73 percent: for every dollar of state spending, private spending falls 50 to 73 cents.[45] From the point of view of the aid recipient, this net gain represents a mixed blessing: overall support increases, but becomes ever more concentrated in government hands.

[42]*The Economist* 2013. Another kind of conditionality is that associated with diverse forms of social insurance, the payouts from which are triggered by accidents of various kinds (e.g., unemployment, illnesses, natural disasters, bank failures, etc.). Pettit sees such insurance programs as safeguards against domination (2012, pp. 112–14), but they are best suited to rectify what Rawls termed "fortuitous contingencies" (i.e., "good or ill fortune . . . over the course of a life"), rather than "natural and social contingencies" (i.e., the birth lottery, both with regard to "native endowments" and the "social class of origin"); Rawls 2001, p. 55. A UBI or some other variety of public welfare is needed to minimize the vulnerability associated with being among the least advantaged in the birth lottery, which will partly insure against fortuitous contingencies as well.

[43]Andreoni 2006, pp. 1215–24, 1260–4.

[44]Cloward and Epstein 1965, pp. 623–6.

[45]See Andreoni 1993; Andreoni and Payne 2011; Payne 1998.

State domination of the charity market, combined with benefit conditionality, gives welfare officials a kind of arbitrary power over recipients that private benefactors rarely have. This makes the administrative model appear especially unattractive when compared to the competitive model which, by maintaining decentralization and non-collusion, restricts the discretion of private charities: clients who feel that they are being abused and exploited have countless other options—including the state itself in extremis, but just as one provider among others. The worry with the administrative model as described so far is that it merely replaces one species of discretionary power (that of the "rich benefactor") with another (that of the welfare administrator), leaving the poor as vulnerable or even more vulnerable than they were before.

To their credit, republicans are well aware that benefit conditionality and its accompanying bureaucratic discretion can compromise the poor's FND—even when the condition in question is just a means test (that is, an income-based eligibility rule). As Frank Lovett acknowledges:

> It is doubtful whether means testing can be carried out in a suitably non-arbitrary manner: practical experience suggests that state welfare agencies must inevitably employ extensive bureaucratic discretion in carrying out such policies, and that the particular vulnerability of persons in need of public assistance renders the usual sorts of constraints on such discretion more or less ineffective. From a domination-minimizing point of view, it will not do to replace the arbitrary charity of private individuals and groups with the arbitrary charity of state welfare agencies, for this would merely substitute one form of domination for another.[46]

Both he and Pettit have therefore advocated a UBI, which would dispense with the need for such bureaucratic discretion.[47]

The UBI version of the administrative model has a series of interrelated advantages over not just traditional welfare states, but also the competitive model presented in the last section. The first is administrative simplicity: given the absence of conditionality, no eligibility criteria need to be assessed by bureaucrats, meaning that relatively few of them will be required to administer the program. Traditional welfare states are by contrast administratively complex, as they encompass a wide array of separate programs with different eligibility criteria, and even the competitive model will need an associated bureaucracy to verify, for example, that private charities receiving state grants or tax-subsidized donations are at least semi-competent dispensers of services to the poor rather than front organizations for con artists. The second, closely related advantage is transparency: each UBI annual check will be the same and should be equal to the UBI budget, less administrative overhead, divided by the population size, which will make monitoring much easier. Traditional welfare states are opaque by

[46]Lovett 2010, pp. 198–9; cf. Pettit 1997, p. 162.
[47]Lovett 2010, pp. 199–203; Pettit 2007.

comparison because of their administrative complexity, and the competitive model similarly so, though its complexity will depend upon the mix of subsidies offered (expert-allocated direct versus bureaucratic-allocated direct versus indirect). Finally, UBI transparency will surely diminish opportunities for corruption relative to its two competitors.

The greatest comparative disadvantage of the UBI, though, is its expense, which calls into question its political feasibility in several ways. Even a modest UBI will be costly due to its very unconditionality: unlike traditional welfare states or the competitive model, the UBI subsidizes all equally—rich, poor, and middle class—and this lack of targeting will usually necessitate large tax increases, even after taking into account compensating reductions in other entitlement programs. For example, imagine that *all* public social expenditures in the US (excluding health care) were converted into a UBI: this would have yielded about $5,600 per person in 2013, which is not even halfway to that year's poverty threshold of about $12,000 for a single person under age 65, so reaching it would have required the US to more than double its non-health public social expenditures—a rather challenging political task, to put it mildly.[48] UBI supporters have at times circulated (much) smaller figures, but they do not stand up to careful scrutiny; consequently, the OECD's own conclusions continue to hold: "large additional tax revenues … would be required" to support a sufficiently generous UBI.[49]

The political track record of UBIs has not been impressive: the Swiss rejected a generous UBI plan in a referendum on June 5, 2016, with 77 percent voting against; some UBI experiments have been performed in the past (for example, the Canadian province of Manitoba during the 1970s), and several more are planned in the near future (for example, a Finnish government experiment in which some

[48]OECD 2017a; DeNavas-Walt and Proctor 2014, p. 43. To arrive at this UBI estimate, go to the OECD (2017a) interactive data set for social expenditures (SOCX), set the "Measure" selector to "per head, at current prices and PPPs, in U.S. dollars," and change the "Branch" selector from "Total" to "Health" and subtract the 2013 figures. A more general formula for calculating the cost of a UBI is provided by James Tobin (1970, p. 265): a UBI pegged at X% of average income would require an *increase* in the average income-tax rate of X percentage points. So if the tax rate is already at 20% in order to cover usual government expenditures, then a UBI pegged at 60% of average income—a common poverty-line measure in Europe—would require an *average* income-tax rate of 80%, which is unsustainably high. Finally, I should note that some supporters of the UBI concede that the "highest sustainable level" of a UBI may not be anywhere near the poverty line and may therefore fail to meet basic needs (e.g., Lovett 2010, pp. 200, 202–3; van Parijs 1998, p. 2). I believe they have made their peace with this limitation of the UBI only because they think the traditional welfare state is the sole alternative; my article identifies a Third Way.

[49]OECD 2017b, p. 8. For example, the following UBI estimates from Karl Widerquist have been widely circulated in the media: "the net cost of a roughly poverty-level UBI ($12,000 per adult, $6,000 per child) *with a 50% marginal tax rate* is $539 billion per year" (Widerquist 2017, p. 4; emphasis added). The Widerquist plan, though, is partly financed by applying this 50% marginal tax rate to the plan's net beneficiaries (i.e., the poor and working classes). Looking at Line 12 of Table 3, we see that *the poor and working classes end up paying for over 60% of the cost of their own UBIs* (p. 13). If this cost were covered instead by the net contributors (i.e., the middle and upper classes), the plan's cost would be a less reasonable $1.375 trillion, almost 40% of the US federal budget (Congressional Budget Office 2014).

citizens receive a UBI of $900 per month, and a privately financed experiment in Oakland, CA, offering a UBI of $1000–$2000 per month), but no state-financed UBIs have yet come to fruition on a large scale, despite centuries of endorsements going back as far as Condorcet and Paine.[50] Moreover, even if a generous UBI were implemented on a large scale, it would suffer from political risk, which is itself a kind of vulnerability for poor recipients: van Parijs may be unmoved by the prospect of a sinecured class of "permanent tramps" or vagrant surfers, but there is no guarantee that voters would have the same tolerant attitude upon seeing the long-term results, perhaps prompting them to reimpose conditions.[51] Again to their credit, republicans are aware of this risk and have therefore suggested constitutional entrenchment of such benefits so as to protect them from "the whim of an electoral or parliamentary majority," but this would lift the political bar even higher, demanding in many cases a supermajority of voters to implement—or perhaps an exceptionally activist set of supreme-court justices.[52]

None of this is meant to suggest that a substantial UBI is politically impossible. In countries with the world's largest social-welfare budgets, for example, a generous UBI could be funded with no additional taxes: if *all* public social expenditures (excluding health care) in Denmark, Finland, France, Norway, and Sweden were converted into UBIs, they would provide in the range of $9000–$11,000 annually for every citizen.[53] For better or for worse, however, the world is not Scandinavia writ large, which raises an important question: if a sufficiently generous UBI turns out to be politically infeasible at any given time or place, then to which alternative welfare system should republicans turn?

On the basis of what has been said so far, I think the answer is clear: the competitive model of public welfare, which (like Hoover's associative state before it) offers us a Third Way, uniting some of the best features of the two administrative models. Like the traditional welfare state, it targets the poor and is therefore more affordable than a generous UBI—a plus in the tax-averse countries of the Anglosphere. Like the UBI, but unlike the traditional welfare state, it can markedly reduce domination of the poor in both charity and labor markets, but by a different means than the UBI: instead of relying upon unconditionality and constitutional entrenchment, it harnesses competitive and liberally subsidized charity markets in the service of republican liberty. I remain agnostic about whether the competitive model of public welfare is really superior to a UBI, all things considered—this judgment hinges on a host of difficult and contested

[50] *The Economist* 2016.
[51] Van Parijs 2006, pp. 13–14.
[52] Pettit 1997, p. 162. One other difficulty with a generous UBI from a republican perspective is its probable effect on immigration policy. An open-borders or even liberal immigration regime, when combined with such a UBI, would run a large risk of fiscal insolvency. The two obvious alternatives are unattractive from a republican point of view: either a system of second-class citizenship without welfare benefits for foreign workers or a highly restrictive immigration regime, which would expose illegal *and* legal immigrants to an exceptionally brutal form of arbitrary power; Abizadeh 2008.
[53] OECD 2017a.

empirical considerations—but I believe either is preferable to a traditional welfare state, and this conclusion has vital implications for republican welfare policy in the second-best world we inhabit.

This being said, I want to end the section on a cautionary note. Suppose that the competitive model is more politically feasible than a UBI in the near term, but also less effective at minimizing domination of the poor, such that—political feasibility aside—republicans would prefer a UBI. In this case, as A. John Simmons puts it, "we are left to simply weigh intuitively the various desiderata as best we can," though being *much* more feasible in certain national contexts (as I think is true in the US, for example) tilts the balance in favor of the competitive model.[54] Maybe this is only true in isolation, however. There might be a sense in which the competitive model is a serious improvement upon the traditional welfare state in terms of minimizing domination, *but* because the latter is also an administrative model—albeit one that is much inferior to the UBI version—it may lie on a more feasible path to the ultimate UBI ideal. That path might involve many slow, internal reforms that gradually reduced bureaucratic discretion by improving appeals procedures for poor recipients and introducing small UBIs that are scaled up over time, all of which could be catalyzed by NGO advocacy and legislative action. To use an analogy originally used by Amartya Sen and adopted by Simmons: even if the competitive model is a K2 next to the UBI's Mount Everest, this does not necessarily mean that our most feasible path to Mount Everest summits K2 instead of the much lower peak of the traditional welfare state. This possibility suggests the need for additional work on the relative desirability of the competitive model and the UBI.[55]

IV. CONCLUSION

Republicans are rightly suspicious of private beneficence in uncompetitive charity markets consisting of "rich benefactors" and "dominated supplicants."[56] As I have argued, however, we can exorcise the ghost of George Pullman without turning to an administrative model of public welfare. The competitive model offers us a non-statist, non-bureaucratic system of support for the poor that avoids the damaging errors of Hoover's associative state by being decentralized, non-collusive, and unstinting. Whether this competitive model is better than the UBI at minimizing domination of the poor remains an open question, but two things at least are fairly clear: first, the competitive model performs better than the traditional welfare state along this dimension because it replaces administrative discretion with the discipline of charity-market competition; second, a generous UBI will stay politically infeasible in a non-trivial number of countries (especially those of the Anglosphere) in the near term, because of its

[54] Simmons 2010, p. 19.
[55] Ibid., p. 35.
[56] Pettit 1997, p. 160.

vast expense. These considerations suggest that the competitive model might be the best *feasible* strategy for advancing republican liberty in some national contexts, at least for the time being. If so, then republicans ought to reconsider their nearly exclusive focus on the UBI as an anti-poverty measure. One size does not always fit all.

I should close by acknowledging that some republicans might be wary of a model of public welfare that looks "neoliberal" in character because it seems "to 'desacralize' institutions that had formerly been protected from the forces of private market competition."[57] I also understand that some features of the competitive model—for example, the relative unpredictability and even obscurity of distributive patterns that will emerge in the essentially unplanned order of a vibrant charity market—could concern those who value the transparency and common currency of a UBI. These are reasonable worries, ones that may militate in favor of a greater role for particular features of the model (for example, the public option) that I have perhaps underemphasized. On the other hand, part of the purpose of this article has been to persuade republicans that a progressive politics does not have to be pursued by administrative means, that the impersonal order of the marketplace can, at least in certain cases, substitute for the impersonal order of a Weberian bureaucracy. I hope that, instead of seeing my argument for the competitive model as a reductio of republicanism, they see it, rather, for what it was intended to be: a call for more openness among republicans with respect to matters of institutional design. As Lovett and Pettit themselves have observed, republicanism is "a research program, not a comprehensive blueprint or ideology."[58] If so, then the comparatively market-friendly approach adopted here can surely play a role within it.

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[57]Mudge 2008, p. 704.
[58]Lovett and Pettit 2009, p. 26.

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