Pope Francis, Capitalism, and Private Charitable Giving

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On March 13, 2013, Jorge Mario Bergoglio, S.J., archbishop of Buenos Aires, Argentina, became Pope Francis, the Roman Catholic Church's 266th bishop of Rome. From the start, the leitmotif of Francis's pontificate has been concern for the poor. The *Boston Globe* noted, "Francis' top priority has been to reach out to the world's poor and inspire Catholic leaders to go to slums and other peripheries to preach" (Winfield 2013). The *New York Times* reported, "Francis has placed the poor at the center of his papacy" (Yardley and Romero 2015).

Speaking in Santa Cruz, Bolivia, in 2015, Pope Francis said, "Working for a just distribution of the fruits of the earth and human labor is not mere philanthropy. It is a moral obligation. For Christians, the responsibility is even greater: it is a commandment" (2015a, 3.1).

Concern for the disadvantaged is reiterated in his book *The Name of God Is Mercy* (2016), his first book as pope: "We have received freely, we give freely. We are called to serve Christ the Crucified through every marginalized person. We touch the flesh of Christ in he who is outcast, hungry, thirsty, naked, imprisoned, ill, unemployed, persecuted, in search of refuge" (98). This statement follows closely his homily on Ash Wednesday of 2014: "Gratuitousness should be one of the characteristics of the Christian, who aware of having received everything from God gratuitously, that is, without any merit of his own, learns to give to others

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freely. Today gratuitousness is often not part of daily life where everything is bought and sold" (Francis 2014b).

To his considerable credit, Pope Francis has emphasized the moral responsibility to give to those less fortunate. But a careful review reveals that voluntary private giving is not the charitable "giving" the pope often speaks of. The pope instead emphasizes government redistribution and a larger role for international organizations in facilitating transfers. Unfortunately, the approach he advocates generally results in more human suffering, not less, thus undercutting his call to help the poor.

Pope Francis on Government Redistribution

Pope Francis calls for an expanded role for government redistribution in efforts to alleviate poverty, especially for more government-to-government transfers and more activism by international organizations.

Speaking at the United Nations (UN) in May 2014, Francis said, "A contribution to this equitable development will also be made both by international activity aimed at the integral human development of all the world's peoples and *by the legitimate redistribution of economic benefits by the State*" (2014a, emphasis added). He views government redistribution as both legitimate and necessary to combat poverty; thus, his solution includes forcibly redistributing money and wealth from the rich to the poor: "I encourage financial experts and political leaders to ponder the words of one of the sages of antiquity [Doctor of the Church John Chrysostom, a fourth-century saint]: 'Not to share one's wealth with the poor is to steal from them and to take away their livelihood. It is not our own goods which we hold, but theirs'" (2013, 57).

The pope puts much faith in the ability of international organizations such as the UN and its associated agencies to help solve major social problems. Speaking to the UN General Assembly in September 2015, he said, "The history of this organized community of states is one of important common achievements over a period of unusually fast-paced changes" (2015c).

The pope favors a more active role for international organizations to facilitate government redistribution and to regulate businesses: "The international financial agencies should care for the sustainable development of countries and should ensure that they are not subjected to oppressive lending systems which, far from promoting progress, subject people to mechanisms which generate greater poverty, exclusion, and dependence" (Francis 2015c).

Francis fails to recognize, however, an important difference between government redistribution and private charitable giving. Redistribution of income or wealth by government, whether domestically or internationally, is neither "giving" nor "charity" in the strict sense of these words. Government "giving"—redistribution through domestic welfare programs, foreign aid, or other programs—requires the

government first to obtain the money from someone else, either through taxes or borrowing. Because borrowing must be eventually paid for with taxes, government "giving" always requires coercively taking some individual's or some group's income in the form of taxes or wealth, such as land, and giving it to some other individual or group—perhaps those deemed by government officials as more deserving or perhaps those who are merely members of the ruling coalition. The redistribution advocated by Francis appears to violate the commandment "You shall not steal" because government redistribution always and necessarily involves force or coercion.

Redefining charity as an entitlement of the poor ("It is not our own goods which we hold, but theirs") also encourages a war of one class against another and claims by the relative poor to hold "true" property ownership in other people's income (e.g., those who refuse to work living off the labor of those who do work).

In contrast, charitable giving within a capitalist economy is voluntary. Capitalism is first an expression of giving. An entrepreneur succeeds only by satisfying a customer's wants. Capitalism is a competition in giving. To survive and make a profit, the entrepreneur must create wealth, selling goods and services that customers want and are willing to buy in mutually beneficial trades. Workers are rewarded based on their contributions, using their skills, to the happiness and well-being of others.

Charitable giving in a capitalist economy involves the willing transfer of resources acquired through voluntary trade to recipients chosen by the donor. The recipient must also voluntarily agree to accept the transfer. As Robert Whaples observes, true charity "is a mutual exchange between people with equal dignity" (2016, 611). Force or coercion is never used, and nobody has a property-right claim on the fruits of another's labor without voluntary agreement.

Whereas private giving is voluntary charity, government "giving"—that is, redistribution—is never a charitable act because it is always rooted in force. Only an act of free will to help those less fortunate is a true act of charity. If a charitable organization were to force people to donate to it, this would be an act of theft, not an act of kindness. And just because people donate to charities on their own does not mean the government should force people to "donate" an amount the government determines.

Moreover, democratic state redistribution does not lend consent to such redistribution in comparison to nondemocratic redistribution. The position of a majority regarding charitable activities is not morally superior to the view of the individual, as Jesus stated clearly in Matthew 26:6–13, the Anointing at Bethany, in defending a woman's voluntary charitable decision to help him rather than perform an alternative charitable action favored by the majority, comprising the disciples.

It does little, if any, good to force people to "care" for others: it does not make them more compassionate citizens. Forced government transfers actually destroy genuine charity within society. They serve primarily to make people more accepting of the use of force to achieve ends they consider worthy and produce resentment and division among those forced to give to "charitable" endeavors they do not choose

to support. Freedom of choice and the exercise of conscience are better suited to making people more compassionate citizens.

Ironically, by supporting government redistribution worldwide, Francis's suggestions result in removing free will from the equation and thus removing true charity or genuine compassion from the act of giving in favor of statist coercion (Mitchell 2014). The high taxes needed to fuel the redistributive state also undermine initiative and the incentives and institutions that drive wealth creation and end absolute poverty (which we discuss more fully later in this essay).

Francis never identifies real-world government programs that best achieve his vision of distributive justice. In this regard, he is guilty of the vice of vagueness, which is no substitute for knowledge and leaves the pope espousing nothing but what he sees as good intentions. Christians have long taught that faith alone is not sufficient for temporal matters such as economics—reason and knowledge are necessary. Indeed, Catholic theologians see faith and reason as complementary,[1] and the phrase *faith and reason* is often associated with Catholic discussions of science, economics, and other "worldly" disciplines.

While Francis calls for a more activist role for governments and international agencies in redistribution, he also makes unrelenting attacks on capitalism.

Pope Francis on Capitalism

Pope Francis frequently lambastes capitalism. In May 2015, he wrote that those who favor the invisible hand of markets suffer from the same mindset that leads to slavery, the sexual exploitation of children, and the abandonment of the elderly (2015b, 123).

In 2016, standing just across the border from the United States in Ciudad Juarez, Mexico, Francis said that God will hold accountable the "slave drivers" who exploit workers. He alleged that capitalism leads to a "prevailing mentality [that] advocates for the greatest possible profits, immediately and at any cost" (qtd. in Pullella and Stargardter 2016).

Francis argues that money has become an "idol," reducing people to "simple instruments of a social and economic system" (qtd. in Abela 2015). In July 2015, he famously called the "unfettered pursuit of money . . . the dung of the devil" (2015a, 1). "Unbridled capitalism," he said in 2013, "has taught the logic of profit at any cost, of giving in order to receive, of exploitation without looking at the person" (qtd. in Wooden 2013). Yet Francis has never said where "unbridled capitalism" actually operates. As noted later, indexes of economic freedom document a great degree of regulatory constraints placed on "capitalists" worldwide. And when governments leave markets alone, social norms—among businesspersons and the broader culture—impose considerable constraints on those who would care only about themselves.

1. See, for example, the Franciscan University website Faith and Reason at http://www.faithandreason.com.

Businesspersons have generally learned that the ethic of "profit at any cost" is simply bad for business.

Francis encourages people to oppose the "new colonialism," which he describes as "the anonymous influence of mammon": corporations, loan agencies, free-trade treaties, government austerity measures, and large communications companies (2015a, 3.2).

In his hard-to-find book *Diálogos entre Juan Pablo II y Fidel Castro* (*Dialogues between John Paul II and Fidel Castro*) (Bergoglio 1998), Pope Francis, then Jorge Bergoglio, archbishop of Buenos Aires, wrote a chapter on "the limits of capitalism." He argued that capitalism lacks morals, promotes selfish behavior, increases inequality, and fails to deliver "social justice." Experts consider the book one of the few publications laying out his political and social analysis. These statements are consistent with his involvement, though limited, in liberation theology, a movement that blossomed in Latin America in the 1960s and 1970s.

Liberation theology called for the Catholic Church to involve itself in the political and economic life of the poor by rejecting capitalism as immoral and incompatible with "social justice." It also rejected the idea that private-property rights are inviolable as "natural and inalienable" rights (Dorner 1992, 20). One of the central tenets of liberation theology was land reform, specifically taking land from its owners and redistributing it to landless workers, tenants, peasants, and small-plot owners (Dorner 1992, 21).

Conservatives scorned liberation theology as overtly Marxist, and the Vatican, especially Pope John Paul II (Yardley and Romero 2015), treated it with hostility. Jorge Bergoglio became the leader of the Jesuits in Argentina in 1973 in the middle of this fractious debate.

In 2007, Bergoglio led a meeting of Latin American bishops in Brazil, where they produced a document titled the *Aparecida* (*General Conference* 2007), which advanced four key concepts: (1) a missionary drive; (2) the giving of priority to the "new faces of the poor"; (3) liberation theology; and (4) a populist religion (Allen 2013). During the initial months of his pontificate, Francis gave a copy of the *Aparecida* to every Latin American head of state he met, including Venezuelan president Nicolas Maduro, who now presides over the world's economic basket case (Allen 2013).

Just six months after becoming pontiff in 2013, Francis welcomed as a guest at the Vatican a founding father of liberation theology, Father Gustavo Gutiérrez, whom the Catholic Church's leadership once viewed with suspicion (Vallely 2015). Gutiérrez is now a respected Vatican visitor, and his writings are praised in the official Vatican newspaper (Yardley and Romero 2015). Cardinal Gerhard Muller, the Vatican's enforcer of doctrine, summed up the reversal under Francis, stating that liberation theology should "be included among the most important currents in twentieth century Catholic theology" (qtd. in Vallely 2015).

In an interview by the Italian newspaper *La Stampa* in 2015, Francis was asked if Pope Paul VI's views that private property is not an absolute right remain valid. "Not

only are they still valid, but the more time goes on, the more I find they have been proved by experience," he said (qtd. in Abela 2015). Francis views forced government redistribution of income and wealth as acceptable and necessary to remedy inequality and to produce more "socially just" outcomes.

History demonstrates, however, that redistribution motivated by "social justice" ultimately leads to totalitarian government, as Nobel laureate economist Friedrich A. Hayek explained many years ago:

> [T]he more dependent the position of the individuals or groups is seen to become on the actions of government, the more they will insist that the governments aim at some recognizable scheme of distributive justice; and the more governments try to realize some preconceived pattern of desirable distribution, the more they must subject the position of the different individuals and groups to their control. So long as the belief in "social justice" governs political action, this process must progressively approach nearer and nearer to a totalitarian system. (1976, 68)

Although Francis sidesteps the injustices created by his preferred approach, historian Hilaire Belloc noted the problems inherent in that approach: "I might boldly confiscate and redistribute at a blow. But by what process should I choose the new owners? Even supposing that there was some machinery whereby the justice of the new distribution could be assured, how could I avoid the enormous and innumerable separate acts of injustice that would attach to general redistributions? To say 'none shall own' and to confiscate is one thing; to say 'all should own' and apportion ownership is another" (qtd. in Epstein, Block, and Woods 2007, 587–88).

Francis's primary criticism of market-based economies is his claim that they create injurious income inequality: "Inequality is the root of social ills" (2013, 202). Francis views capitalism as an ideology favoring the "absolute autonomy of the marketplace and financial speculation" to produce "a new tyranny" that results in the earnings of the rich "growing exponentially" while the poor suffer an income gap "separating the majority from the prosperity enjoyed by those happy few" (2013, 56).

"As long as the problems of the poor are not radically resolved by rejecting the absolute autonomy of markets and financial speculation and by attacking the structural causes of inequality, no solution will be found for the world's problems or, for that matter, to any problems," Francis wrote in *Evangelii gaudium* (2013, 202). He has never said where the "absolute autonomy of markets" actually operates, though.

In an interview in 2015, he said, "It is true that in absolute terms the world's wealth has grown, but inequality and poverty have arisen" (qtd. in "Pope Criticizes Globalization" 2015). But international statistics clearly show a profound decline in global poverty levels as market liberalization has spread in recent decades. From 1988 to 2011, the percentage of the world's population living in absolute poverty (with incomes less than $2 per day) fell from 38 percent to 16 percent (Milanovic 2015).

After a long upward trend, global income inequality has declined noticeably in recent years as liberalizing economic reforms around the world have lifted millions out of poverty and contributed to lessening intracountry income inequality in many nations as well. The global Gini value, a common measure of inequality, decreased from 72.2 in 1988 to 67 in 2011, driven largely by China and India (Milanovic 2016, 76, 121). Intracountry inequality has declined significantly in Brazil, South Africa, and Spain (Milanovic 2016, 76, 81).

Francis is thus ignoring some important lessons here regarding capitalism and charity.

Wealth must first be created before it can be given to others. Capitalism is the greatest wealth creator the world has ever seen, lifting billions of people out of abject poverty. The pope's antimarket fervor stands at some distance from the facts.

More than 500 million people in China lifted themselves out of crushing poverty after recent pro-market government reforms allowed unprecedented levels of new investment, new business startups, labor mobility, and trade (McQuillan 2014). China's government allowed economic freedoms to expand there more than in any other Asian country since 1980. As a result, hundreds of millions of people have escaped some of the worst poverty on earth. The same process has been at work in India, which benefited from the rejection of many antimarket philosophies that kept its people desperately poor (Das 2000).

Francis has said that the benefits of the free market have "never been confirmed by the facts" (2013, 54). But the facts confirm that countries with freer economies have higher incomes and a better quality of life for the average person than countries with command-and-control economies dominated by politicians who dole out special privileges, sanctions, and redistributive transfers (Gwartney, Lawson, and Hall 2015). Compare South Korea to North Korea today or in the twentieth century West Germany to East Germany, Europe to the Soviet Union, Taiwan and Hong Kong to pre-reform China.

Contrast Francis's views with those expressed by Pope John Paul II, who experienced authoritarian socialism firsthand in Poland: "The *free market* is the most efficient instrument for utilizing resources and effectively responding to needs. . . . [Capitalism within the rule of law is] the model which ought to be proposed to the countries of the Third World, which are searching for the path to true economic and civil progress" (1991, 34 and 42).

About 900 million people live on less than $1.90 a day (World Bank 2016). Their best hope for a better future is capitalism, which, when allowed to flourish, has lifted more people out of poverty throughout human history than any other system of economic organization. In countries with greater economic freedom, where entrepreneurship thrives and private property is secure, individuals accumulate more wealth and have more to give to others.

In contrast, no country has ever achieved self-sustaining prosperity through government redistribution. History teaches that redistribution of money by politicians

does not end poverty or create prosperity. It instead fosters dependency, cronyism, and government corruption. Most of the money is squandered, lining the pockets of the politically connected and powerful. People devote their time to capturing the transfers instead of enhancing their productive skills, thereby shrinking the total economic pie (as discussed later).

People are also less likely to give money or time to others when they are living hand to mouth. The greater abundance that capitalism affords makes people more willing to give and allows for increased charitable giving.

Freer economies also encourage a sense of individual compassion toward the disadvantaged rather than promoting the view that it is the government's responsibility to care for them. Historically, Americans did not wait for government or local noblemen to solve problems; they found solutions themselves. Capitalism reinforces the civic responsibilities that Francis promotes so well around the world.

Most large philanthropic organizations in the United States were founded on the wealth of one individual who amassed a personal fortune in a successful business.[2] Whether older organizations such as the Carnegie Foundation, the Ford Foundation, and the Rockefeller Foundation or newer organizations such as the Bill and Melinda Gates Foundation and the Chan Zuckerberg Initiative, these large philanthropic enterprises were created when millionaires and billionaires used the economic freedoms and private-property protections in the United States to build fortunes that they then used to help the disadvantaged.

Andrew Carnegie said famously, "The man who dies thus rich dies disgraced" ([1889] 1901, 21). He would certainly have supported the "Giving Pledge" started by Bill Gates and Warren Buffett to encourage the world's super-rich to give away more than half of their wealth to philanthropic causes. Francis ignores the fact that capitalism's massive accumulation of personal wealth leads to greater assistance to those less fortunate, especially in the United States.

This assistance is not limited to the super-rich. According to the World Giving Index (Charities Aid Foundation 2015), Americans rank second per capita worldwide in terms of donating money, volunteering time, and helping strangers. In 2014, U.S. private giving to charitable organizations amounted to $358 billion (Charity Navigator 2015). Although the composition varies year to year, generally about 15 percent of charitable giving in the United States comes from foundations and 5 percent from corporations. The vast majority comes from individuals, and most of it from small givers at an average amount of about $2,500 per household each year (Zinsmeister 2016). Individuals annually give nearly five times more than foundations combined.

2. See Beer 2015 for a discussion on historical differences and tensions between traditional charities and relatively modern philanthropies. The Roman Catholic Church has amassed a fortune as well. The church owns more than eighteen thousand works of art as well as gold, stocks, bonds, helicopters, land, and buildings, including St. Peter's Basilica and the Sistine Chapel. Some estimates peg the church's wealth at more than $300 billion (McQuillan 2014).

Private giving produces a societal change that is different in approach from government transfers. The private nature of charity has long been viewed as one of its greatest virtues: it allows charity to stand outside the pressures of public opinion and to engage in projects that governments don't or won't undertake. Because of its often experimental and innovative nature, private charity adds variety and competition to civic life.

By ignoring these positive achievements of market liberalization—especially the decline in absolute, abject poverty—and continuing to push for more state-led redistribution, Francis is not only undermining capitalism but also indirectly reducing people's willingness and ability to help the poor voluntarily through local charitable activities.

Francis has long opposed capitalism—the "economy of exclusion and inequality," as he refers to it (Francis 2013, 53)—and has long opposed the sanctity of private-property rights, both in income and in wealth.[3] And as demonstrated in the next section, his campaign to undercut capitalism and its core institutions of private property and economic freedom also undermines private charitable giving. With the undercutting of private charity, the case for government transfers as a "last resort" becomes easier to make, whether Francis intends it or not.

Popeometrics: Economic Freedom, Property Rights, and Private Charitable Giving

Pope Francis attacks with great fervor the institutions of capitalism. To better understand how these institutions enable and motivate individuals to engage in charitable giving, we use international data to analyze statistically the relationship between private charitable giving and (1) economic freedom and (2) private-property rights.

Data on individual charitable giving around the world come from the World Giving Index by Charities Aid Foundation (2015). Using surveys, the index measures the average percentage of people in each country who donate money, volunteer, or help a stranger in 145 countries representing about 96 percent of the world's population. The three questions asked were: (1) Have you helped a stranger or someone you didn't know who needed help? (2) Have you donated money to a charity? and (3) Have you volunteered your time to an organization?

3. There has been a long struggle over economic ideology within the Catholic Church: the Spanish Scholastics (Jesuit "Adam Smiths") versus the medievalists (see Chafuen 2003, which describes the debate among learned Jesuits who advocated free-market economics based on Catholic theology and a rational understanding of human nature and who emphasized the important role private property plays in making people both wealthier and more humane); then the encyclical *Rerum novarum* (Pope Leo XIII 1891) and its follow-up, *Quadragesimo anno* (Pope Pius XI 1931); then the pro-market turn of other Catholics, such as Pope John Paul II and Michael Novak (1982), who traced the Catholic theology of economics and noted its limits; then the return to antimarket Catholicism under Pope Francis. Placed in context, Francis's views are and have been contested within the faith.

Data on economic freedom come from the most recent *Economic Freedom of the World* report from the Fraser Institute, which measures the degree to which the policies and institutions of countries are supportive of economic freedom (Gwartney, Lawson, and Hall 2015). A summary score ranging from 0 (worst) to 10 (best) for each country's level of economic freedom was constructed for 157 countries by gathering country-specific data on forty-two distinct variables in five broad categories: (1) size of government (i.e., taxes and spending); (2) legal structure and security of property rights; (3) access to sound money; (4) freedom to trade internationally; and (5) regulation of credit, labor, and business.

Data on protections for private-property rights come from the most recent International Property Rights Index compiled by the Property Rights Alliance, which measures the degree to which private property is protected by law in 129 countries (Levy-Carciente 2015). This index scores countries from 0 (least protection) to 10 (most protection) in three main components: the legal and political environment; physical-property rights; and intellectual-property rights. The first component features four subcomponents: judicial independence, rule of law, political stability, and control of corruption. The second component features three subcomponents: property rights, registering property, and ease of access to loans. The third component features three subcomponents: intellectual-property protection, patent protection, and the level of copyright piracy.

As the results show, strong institutions of capitalism—economic freedom and private-property rights—increase the rate of private charitable giving. This result suggests that Francis, who favors the attenuation of economic freedom and property rights worldwide, endorses policies that, intentionally or not, undermine private charity.

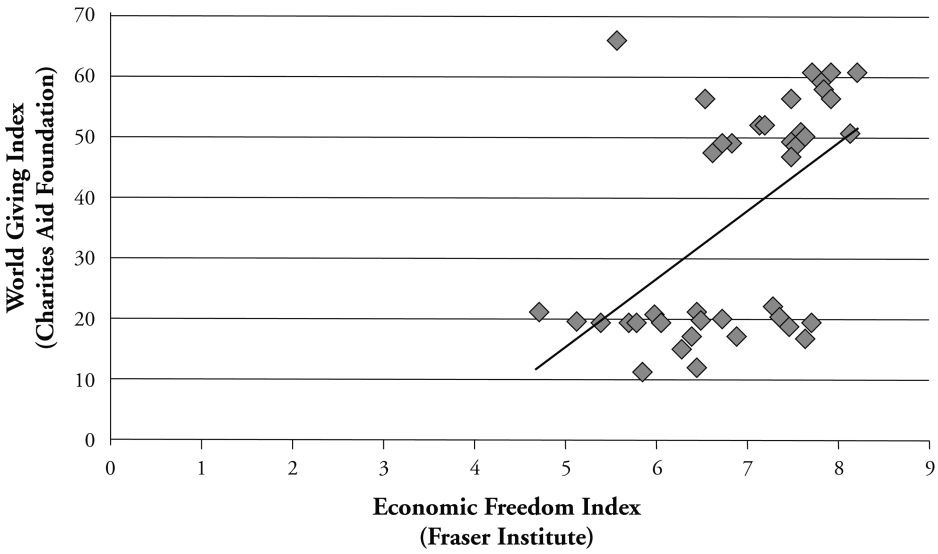
Analysis of the full data set yields a strong positive relationship between economic freedom and individual giving. The economic-freedom coefficient is large and is statistically significant at the 99 percent confidence level—all by itself, variation in the economic-freedom score explains almost 20 percent of the variation in giving.[4] To remove some of the clutter, figure 1 demonstrates the relationship for the twenty most-generous countries and the twenty least-generous countries.[5] Individuals in countries with more economic freedom have a greater tendency to give to those less fortunate.

Even stronger was the positive relationship between private-property rights and individual giving. Analysis of the full data set reveals that the property-rights coefficient is large and statistically significant at the 99 percent confidence level—all by

4. Slope = 6.4003; t statistic = 5.56; R-squared = 0.1933; F statistic = 30.91; N = 131 observations.

5. The twenty most-generous countries that also had an economic-freedom score were Myanmar, New Zealand, United States, Canada, Australia, United Kingdom, Ireland, Netherlands, Sri Lanka, Kenya, Malaysia, Bahrain, Malta, United Arab Emirates, Bhutan, Guatemala, Kyrgyzstan, Norway, Thailand, and Germany. The twenty least-generous countries that also had an economic-freedom score were Slovakia, Democratic Republic of the Congo, Morocco, Czech Republic, Ecuador, Russia, Vietnam, Angola, Armenia, Benin, Chad, Niger, Rwanda, Togo, Greece, Lithuania, Tunisia, Yemen, China, and Burundi.

Figure 1
Economic Freedom and Individual Giving



Note: The World Giving Index measures the average percentage of people in each country who donate money, volunteer, or help a stranger in 145 countries. The Economic Freedom Index measures the degree to which the policies and institutions of countries are supportive of economic freedom in 157 countries, with scores ranging from 0 (least supportive) to 10 (most supportive).
Sources: Data compiled from Charities Aid Foundation 2015 and Gwartney, Lawson, and Hall 2015.

itself, variation in the property-rights score explains almost a quarter of the variation in giving.[6] Figure 2 demonstrates the relationship for the extreme data points: the twenty most-generous countries and the twenty least-generous countries.[7] Individuals in countries with stronger protections for personal property and wealth accumulation are more likely to give to others.

The ability to create wealth, to secure that wealth, and to transfer it easily to other people are key drivers of private charity. In contrast, government redistribution through taxes and transfer programs shrink total wealth in society. The more the government shifts income around, the less total income there is to redistribute (Okun 1975; Smith 2015; Hendren 2016). A poorer society has fewer resources available to help the disadvantaged.

6. Slope = 4.0282; t statistic = 6.13; R-squared = 0.2493; F statistic = 37.53; N = 115 observations.

7. The twenty most-generous countries that also had a property-rights score were New Zealand, United States, Canada, Australia, United Kingdom, Netherlands, Ireland, Sri Lanka, Malaysia, Kenya, Malta, Norway, Guatemala, Thailand, Germany, Jamaica, Austria, Indonesia, Hong Kong, and Sweden. The twenty least-generous countries that also had a property-rights score were Jordan, Bulgaria, Peru, El Salvador, Egypt, Slovakia, Hungary, Mali, Paraguay, Morocco, Czech Republic, Ecuador, Russia, Vietnam, Benin, Chad, Lithuania, Greece, China, and Burundi.

Figure 2
Property Rights and Individual Giving

Note: The World Giving Index measures the average percentage of people in each country who donate money, volunteer, or help a stranger in 145 countries. The International Property Rights Index measures the degree to which private property is protected by law in 129 countries, with scores ranging from 0 (least protection) to 10 (most protection).
Sources: Data compiled from Charities Aid Foundation 2015 and Levy-Carciente 2015.

When politicians around the world undercut the institutions of capitalism by raising taxes or assaulting private-property rights, they attack the heart of private charity.

Supporting Literature

Numerous studies confirm the positive relationship between economic freedom and private charitable giving. Researchers have found that higher taxes—that is, less economic freedom—result in less private giving. Greater economic freedom has produced surges in private philanthropy.

Nobel laureate economist Milton Friedman described the close connection between charitable giving and political and economic freedom. He argued that market capitalism and philanthropy go hand in hand and that it was no accident that the nineteenth century, the age of individual cooperation and limited government, "was the period of the greatest private eleemosynary activity in the history of the United States":

> The period of unrestrained, rugged individualism was a period when the modern type of nonprofit community hospital was first established and developed. It was the period of the Carnegie Libraries and their spread

> through the philanthropy of Andrew Carnegie. It was the period when so many colleges were founded throughout the country. . . . There was no income tax, no deductibility of contributions, so what people spent on charity came out of their pocket and not, as now, largely out of taxes they would otherwise pay. And yet, in every aspect of private charitable activity, it was a boom period. (1983, 64–65)

Friedman argued that philanthropy is a voluntary decision by individuals or by groups of individuals freely coming together to assist others. He articulated the vital connections between economic freedom, a flourishing charitable sector, and a free civil society. The freedoms enjoyed by Americans allowed them to decide how much money to give and to what purposes—the freedom to sustain cherished institutions or to create new ones.

Friedman claimed that the government welfare system, in contrast, "has destroyed private charitable arrangements that are far more effective, far more compassionate, far more person-to-person in helping people who are really, for no fault of their own, in a disadvantaged situation" (1980). Government welfare programs and the taxes imposed to fuel these transfers substitute for and crowd out private charitable activities.

Peter G. Warr provides theoretical support for Friedman's position. Modeling an economy without tax deductions for charitable giving, Warr looked into the effects of progressively raising a lump-sum tax on each donor by one dollar and found that taxing donors induces each to reduce their voluntary charitable donations by exactly the amount of the tax so as to reestablish equilibrium at the margin: "When the response of donors is taken into account these measures result in no net redistribution at all; far from being additional to voluntary redistribution, these taxes merely substitute public [i.e., government] fiscal redistribution for private charity, dollar for dollar" (1982, 132).

More recently, in 2015, a study titled *The Effect of State Taxes on Charitable Giving* used econometric analysis to determine the nature and strength of the relationship between state taxes and charitable giving in the United States, apart from the charitable-giving deduction. The researchers concluded: "When all state taxes are considered, a 1 percentage point increase in the total tax burden is associated with a 1.16 percent drop in charitable giving per dollar of state income" (Freeland, Wilterdink, and Williams 2015, 1).

These studies support our earlier finding that economic freedom helps drive private charitable giving. Freer economies supply greater abundance, leaving individuals with more money to give to the charities of their choice. Freer economies also foster a sense of individual moral responsibility toward the poor, resulting in true giving as opposed to forced redistribution by governments.

A larger role for governments, as advocated by Pope Francis, generally crowds out and replaces effective private charity with ineffective and inefficient government

redistribution while smothering the individual moral responsibility to help the poor. The next section discusses research that demonstrates overwhelmingly that private charitable giving is effective giving, whereas government transfers are largely ineffective and often counterproductive.

The Effectiveness of Voluntary Giving versus Forced Government Transfers

The long-term effect of any implementation of Pope Francis's recommendations will be to substitute forced government transfers for voluntary private charity, whether Francis intends that effect or not. Research strongly suggests that this substitution results in less-effective assistance for the poor and the suffering.

A large body of scholarly research reveals the pitfalls of government redistribution, government-to-government aid, and assistance programs operated by international organizations such as the UN. Nobel laureate economist Angus Deaton studied the behavior of poorer households around the world at a microeconomic level and concluded: "If poverty is not a result of lack of resources or opportunities, but of poor institutions, poor government, and toxic politics, giving money to poor countries—particularly giving money to the *governments* of poor countries—is likely to perpetuate and prolong poverty, not eliminate it" (2013, 273–74).

Deaton and others have cited dozens of examples in which aid has propped up despotic regimes, which merely compounds misery, including in Biafra, Ethiopia, Rwanda, Somalia, and Zaire and on the border of Cambodia and Thailand. Citing work by researcher Alex de Waal, Deaton writes: "Aid can only reach the victims of war by paying off the warlords, and sometimes extending the war" (qtd. in Swanson 2015).

Deaton instead argues for direct giving and against government foreign aid: "What about bypassing governments and giving aid directly to the poor? Certainly, the immediate effects are likely to be better, especially in countries where little government-to-government aid actually reaches the poor. . . . One thing that we *can* do is to agitate for our own governments to stop doing those things that make it harder for poor countries to stop being poor. Reducing aid is one" (2015).

In some cases, however, foreign governments limit or ban direct private aid to their citizens, including aid from the Catholic Church, whereby they strengthen government channels. In May 2016, Vatican Radio reported: "Venezuela's bishops urged the government of President Maduro to allow the Church to bring in much-needed supplies such as food and medicine. They warned that never before had the country suffered from such an 'extreme lack of goods and basic food and health products' combined with 'an upsurge in murderous and inhuman crime, the unreliable rationing of electricity and water, and deep corruption in all levels of the government and society'" ("Pope Francis Writes Letter" 2016).

The idea of wealthier countries giving government-to-government aid to poorer countries blossomed in the late 1960s as conditions abroad first reached mass audiences on television. Data have suggested, however, that the aid community's claims often were not borne out. Many studies have found no relationship between foreign aid and growth. Peter Boone's frequently cited study "Politics and the Effectiveness of Foreign Aid" (1996) concluded that aid has had no impact on investment and by extension on growth. Boone found that foreign aid does not benefit the poor as measured by improvements in human development indicators; it instead increases the size of government.

Moreover, William Easterly (2003) demonstrates convincingly that even as foreign aid into Africa soared during the 1980s and 1990s, African economies performed *worse*. Easterly thus writes in his book *The White Man's Burden,* "Remember, aid cannot achieve the end of poverty. Only homegrown development based on the dynamism of individuals and firms in free markets can do that" (2006, 368).

Dambisa Moyo argues in her book *Dead Aid* (2009) that during the past fifty years more than $1 trillion in development aid was transferred from wealthy countries to African governments, yet across the continent the recipient countries are worse off. More people in Africa are poor today than in 1990. Misguided development policy is largely to blame. Moyo argues that overreliance on aid has trapped developing nations in a circle of aid dependency, corruption, market distortions, and further poverty, leaving them with nothing but the "need" for more aid.

Peter Bauer (1972, 1981) was an early prominent and outspoken critic of foreign aid (on Bauer, see Vasquez 2007 and Shleifer 2009). Bauer objected to the term *foreign aid,* arguing that such "aid" was really intergovernmental subsidies (Friedman and Sowell 2005, 444). He argued that the word *aid* implied that the foreign governmental transfers must be helping, when in fact they harmed recipient countries. The money subsidized governments, making them stronger, but the problem in many of these underdeveloped countries was that governments were already too strong and dictatorial, choking off entrepreneurship.

According to Steven Radelet (2015), the most popular criticisms of foreign governmental aid are that aid has enlarged government bureaucracies, perpetuated bad governments, and enriched the elite in poor countries. Despite his overall optimism about foreign aid, Radelet acknowledges that one of the most valid criticisms of aid is that it keeps bad governments in power. Wealthy countries provided large transfers to some of the world's worst dictators, especially during the Cold War, such as Mobutu Sese Seko of Zaire, François ("Papa Doc") Duvalier of Haiti, and Ferdinand Marcos of the Philippines.

In addition to foreign aid, the public sector is less effective than private charity in dealing with natural disasters and domestic poverty. Sixty to eighty cents of each Medicaid dollar provides no benefit to recipients (Finkelstein, Hendren, and Luttmer 2015). The inefficiency of government programs explains the estimate by the U.S.

Bureau of the Census that total welfare spending is four times the amount that would be needed to lift all Americans currently living in poverty above the poverty line by directly giving them cash (Ferrara 2013).

This result is unsurprising to public-choice scholars. Large government programs that are insulated from competition and financial loss, such as public schools and the U.S. Postal Service, approximate a monopoly, which inevitably leads to inefficiency. The biggest supporters of welfare programs, who lobby for expansion of the programs, are typically the beneficiaries themselves, along with budget-maximizing bureaucrats (Henderson 2013). The U.S. welfare system has cost $15 trillion since the War on Poverty began in 1964, yet the official poverty rate has declined by less than 4 percentage points (Tanner 2012). This system is best described as poverty maintenance, not poverty reduction (Coyne 2013).[8]

In contrast, private charities and philanthropic organizations face the reality of hard budget constraints; thus, they must assess accurately who will benefit from aid, what type of assistance best fits each person, and how well activities advance the mission of promoting the recipient's long-term self-sufficiency. This individualized process helps to effectively channel organizations' limited resources and to measure results. Budget-maximizing bureaucrats, in contrast, want ever-expanding caseloads.

James Rolph Edwards (2007) found that private charities are three to four times more efficient than government agencies. Analyzing data from Charity Navigator, he found that 70 percent of private charities spend at least seventy-five cents of each dollar on the disadvantaged; 90 percent spend at least sixty-five cents per dollar. In contrast, government agencies typically spend only thirty cents on the poor per welfare dollar.

Regarding natural disasters, a study of Hurricane Katrina relief by William F. Shughart II (2006) examined the lethargy of the public sector's response. He argued that the private sector, which has the distribution networks already in place with the organizational structure and equipment required for a smooth operation, has a comparative advantage in easing the suffering of disaster victims. The response to Hurricane Katrina provided strong evidence that the public sector is institutionally incapable of anticipating and responding to catastrophe in a timely manner. More recently in Africa, "a third of Sierra Leone's Ebola budget [is] unaccounted for" and is now thought to have been stolen by government officials (O'Carroll 2015).

Much of the ineffectiveness of government programs to alleviate poverty and ease suffering, both domestically and internationally, can be traced to the "knowledge problem," articulated by Friedrich Hayek in 1945. Hayek pointed out that sensibly allocating scarce resources requires collating knowledge dispersed among many people and that no individual or group of experts is capable of acquiring all that

8. Bruce D. Meyer and James X. Sullivan (2011) argue that official U.S. poverty statistics underestimate the actual material well-being of the poor and middle class in America.

knowledge. In that sense, the market is essential precisely because it allows people to benefit from widely dispersed knowledge. "To act on the belief that we possess the knowledge and the power which enable us to shape the processes of society entirely to our liking, knowledge which in fact we do *not* possess, is likely to make us do much harm," Hayek pointed out again years later (1984, 276).

The knowledge problem provides a framework to understand why private giving is relatively more effective than government programs. Private charity is superior in its ability to be individualized or "personalist": successful charity programs require face-to-face assessments and individual accountability, often tied to spiritual principles, and they capitalize on the advantage of the information available when they take time to know individual recipients and to track outcomes.

In contrast, centrally administered forced government handouts focus on the crowd, typically offer a one-size-fits-all approach that is uniform, imprecise, impersonal, and dehumanizing (Funiciello 1993), and foster a "culture of dependency" (Murray 1984; Harvey and Conyers 2016). In 1935, U.S. president Franklin Roosevelt foreshadowed the dependency problem: "Continued dependence upon relief induces a spiritual and moral disintegration fundamentally destructive to the national fiber. To dole out relief in this way is to administer a narcotic, a subtle destroyer of the human spirit" (qtd. in Payne 2016).

Hayek (1960) pointed out that the decision regarding whose needs we as individuals make our concern is an essential part of freedom and of the moral aspects of a free society. Therefore, general altruism is meaningless—nobody can care effectively for other people without knowing concrete facts about the specific individuals who need help and without having personal attachment to them or to their plight. Hayek argued that it is one of the fundamental rights and duties of a free man to decide what and whose needs appear to him most important.

Ironically, the approach advocated by Pope Francis, in contrast, usurps the rightful moral judgments and personal responsibilities of free people. Doug Bandow observes that, "at its most basic level, real charity doesn't mean giving away someone else's money. As Marvin Olasky has pointed out, compassion once meant to 'suffer with.' Over time it came to mean writing a check. Now it seems to be equated with making someone else write a check" (1996, 34). Jesus said people should follow the example of the Good Samaritan, who did not make someone else pay money to a government program.

Many studies have demonstrated that private giving is more effective at helping the poor to achieve long-term self-sufficiency than government redistribution programs, which are inefficient, largely ineffective, and often counterproductive.[9] Based on these findings and our econometric results, Francis is generally wrong to seek a

9. Other examples of counterproductive government programs include unemployment insurance, the minimum wage, food stamps, housing programs, and the crowding out of donations to public institutions of higher learning by state government expenditures (Becker and Lindsay 1994).

larger role for government in the economy and in charity. The approach he advocates is yet another step toward what the Catholic Church has historically warned against: dismantling civil society and shredding its moral connective tissue.

Conclusion

Since becoming pope in 2013, Francis has called for greater efforts worldwide to reduce poverty, emphasizing government redistribution over voluntary private giving. He defines philanthropy as "working for a just distribution of the fruits of the earth and human labor," and to this end he has called on governments and international organizations to expand the "redistribution of economic benefits by the State." In a nod to liberation theology, the pope supports government redistribution of income and wealth, sidestepping thorny issues over the use of force to redistribute and what policy tools are preferred.

A parallel narrative by Francis is that capitalism lacks morals, promotes selfish behavior, increases inequality, and does not deliver "social justice." He has criticized "unbridled capitalism" and the "unfettered pursuit of money," yet he has never said where these things actually operate.

Beyond the rhetoric opposing capitalism are recommendations to attenuate private-property rights and economic freedom in order to use the state to redistribute income and wealth to people deemed more worthy of both. Francis is off the mark when he attacks capitalism and promotes a larger role for government in the economy and in charity. His condemnation of capitalism in fact undercuts his call to help the poor.

There is ample evidence that capitalism and its core institutions—private-property rights and economic freedom—are key drivers of private charitable giving. This link is important because private charity is the most effective form of charity for uplifting the poor, whereas government redistribution is inefficient, largely ineffective, and often counterproductive.

Under capitalism, the ability to create wealth, to secure that wealth, and to easily and freely transfer it to other people are vital to the success of private charity. The econometric analyses presented here and elsewhere confirm these results. Economic freedom and private property help drive unbridled individual giving and effective private charity. Freer economies supply greater abundance, leaving individuals with more money to give to the charities of their choice. Freer economies also foster a sense of individual moral responsibility toward the less fortunate, resulting in true giving that comes from compassion as opposed to forced redistribution by governments.

The approach favored by Francis substitutes forced government redistribution for voluntary private giving, whether that is what Francis intends or not. The more the government intervenes in the economy, however, the more voluntary charity declines. Additional taxes, welfare programs, and redistribution shrink the private sector and, along with it, private giving. A poorer society has fewer resources available

to help the disadvantaged and leaves the poor with fewer tools to care for themselves. The road to hell and to poverty is paved with good intentions.

As government programs crowd out and replace private giving, they remove the act of free choice and thus sever the link between moral responsibility, genuine compassion, and true giving. By undercutting voluntary charity, the case for government transfers as a "last resort" becomes easier to make, whether Francis intends this or not.

Pope Francis chooses to denigrate capitalism, but his approach leads to declining economies, government corruption, and prolonged human misery. He should instead recognize capitalism as one of the greatest blessings and channel his fervor into unleashing capitalism worldwide to boost effective giving and to encourage governments around the world to expand economic freedom and strengthen private-property rights. These outcomes will help to spur the type of voluntary charity that alleviates human suffering and improves the well-being of those less fortunate around the world.

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