WELFARE STATE AND TAXATION.
THE CRITICAL POINT OF FREEDOM BETWEEN GIFT AND CORRUPTION

PAOLO SILVESTRI
Welfare State and Taxation.
The Critical Point of Freedom Between Gift and Corruption.

Paolo Silvestri1
FRIAS External Senior Fellow, Marie S. Curie Fellow of the European Union
and Guest Professor,
Freiburg Institute for Advanced Studies (FRIAS), University of Freiburg, Germany

Department of Economics and Statistics “Cognetti de Martiis”,
University of Turin, Italy

This version: January 2018

Abstract
Can taxation and the redistribution of wealth through the welfare state be conceived as a modern system of circulation of the gift? But once such a gift is institutionalized, regulated and sanctioned through legal mechanisms, does it not risk being perverted or corrupted, and/or not leaving room for genuinely altruistic motives?

In this paper I will develop two interrelated arguments. 1) The way these problems are posed as well as the standard answers to them are: a) subject to fallacies: the dichotomy fallacy and the fallacy of composition; b) too reductive and simplistic: we should at least try to clarify what kind of ‘gift’ or ‘corruption’ we are thinking about, and who or what the ‘giver’, the ‘corrupter’, the ‘receiver’ and/or the ‘corrupted’ party are. 2) The answers to these problems cannot be found by merely following a theoretical approach, nor can they be merely based on empirical evidence; instead, they need to take into account the forever troublesome, ambiguous and unpredictable matter of human freedom.

To explain the standard answers to the abovementioned questions as well as their implications I will first re-examine two opposing positions assumed here as paradigmatic examples of other similar positions: on the one hand, Titmuss’ work and the never-ending debate about it; on the other, Godbout’s position, in-so-far as it shows how Titmuss’ arguments can easily be turned upside down. I will then introduce and reinterpret Einaudi’s “critical point” theory as a more complex and richer anthropological explanation of the problems and answers considered herein.

Keywords: Welfare State, Taxation, Freedom, Gift, Corruption, Crowding-out effect, Titmuss, Godbout, Einaudi

JEL Codes: B31; B59; H20; H50; I38; Z13

1 The research leading to this paper has received funding from the People Programme (Marie Curie Actions) of the European Union’s Seventh Framework Programme (FP7/2007-2013) under REA grant agreement n° [609305].

The present paper is a slightly modified and translated version of P. Silvestri (2017b). Previous versions and/or portions of this paper have been presented at: the Department of Economics and Statistics “Cognetti de Martiis”, University of Turin (Turin, Nov. 16, 2016), Economics Seminars, LUMSA University, Rome (Rome, May 8, 2017); Meridian180 Global Conference (Bruxelles, May 19, 2017); 19th Conference of the Association for Heterodox Economics, “Economics for a Sustainable World”, Manchester University (Manchester, July 10, 2017). I wish to thank the discussants and participants for their useful comments and suggestions.

Contacts: paolo.silvestri@unito.it.
**Introduction**

Can the welfare state be understood as a modern system of circulation of the gift? But once such a gift is institutionalized, regulated and sanctioned through legal mechanisms does it not risk being perverted or corrupted, in other words, risk no longer being a gift, and not leaving room for genuinely altruistic motivations? What is more: if the market’s utilitarian logic can corrupt or ‘crowd out’ altruistic feelings or motivations, what makes us think that the welfare state cannot also be a source of corruption?

In this article, I intend to put forward two correlated arguments. 1) The way in which these problems have usually been posed and dealt with: a) is subject to fallacies – the false dichotomy fallacy and the fallacy of composition; b) is too reductive and simplistic – it should at least be attempted to clarify what type of ‘gift’ or ‘corruption’ we are talking about and who (or what) the ‘giver’, the ‘corrupter’, the ‘receiver’ and/or the ‘corrupted’ party are. 2) The answers to these problems cannot be found by following a merely theoretical approach, nor can they simply be based on empirical evidence; instead, they have to account for the forever problematic, ambiguous and unpredictable matter of human freedom.

I will develop that points in favour of these arguments by critically re-examining two contrasting positions – those of Titmuss and Godbout – which I have taken here as paradigmatic examples of other similar or assimilable positions (§§ I and II). I will then reinterpret Einaudi’s “critical point” theory as a more complex and richer anthropological explanation of the problems and answers considered here in (§ III). I will then conclude with some final remarks (§IV).

More in particular, to simplify matters slightly, the terms of the debate that I intend to analyse have not gone beyond a mere contrast between the two following positions: those who consider the social state’s redistribution mechanisms as a modern system of gift circulation (Mauss [1923-1924] 1990) – an idea subsequently developed by Titmuss (1970) through the analogy between giving blood, seen as a gift to strangers, and the welfare state – and those upholding that the state’s institutionalized redistribution on one hand is incompatible with any idea of gift because it relies on a system of coerced
taxation, and on the other that it is always susceptible of perverting or crowding out the very idea of gift (Godbout, Caille 1998: 51-64).

We will see how the interdisciplinary reflection of Luigi Einaudi – combining economy, law and politics – is not only more interesting but also better explains the limits intrinsic in the way of posing the abovementioned problems, precisely because his thought is anthropologically more complex and richer than the others. Furthermore, it enables light to be cast on why these problems cannot be resolved with a merely theoretical or empirical approach, that is, without bringing up the at the same time very real and forever ambivalent matter of human freedom.

I. The gift

The book by Titmuss, The Gift Relationship. From human blood to social policy ([1970] 1997), is now recognized as a classic in “social policy” studies, and has never ceased to arouse reflections, praise and criticisms.² Titmuss presents the book against the background of his previous studies on Britain’s welfare state, of which he was one of the main defenders and supporters:

the study originated, and grew over many years of introspection, from a series of value questions formulated within the context of attempts to distinguish the ‘social’ from the ‘economic’ in public policies and in those institutions and services with declared ‘welfare’ goals (Titmuss [1970] 1997: 57, my italics).

The book is based on a comparative analysis of the systems for giving blood in the United Kingdom and the United States respectively, the former based on voluntary donors and the latter with the blood supply principally managed by for-profit companies operating on the market, and the blood ‘donor’ receiving payment for the donated blood. Titmuss’s main aim is to show how the British voluntary system, based on altruism, is superior to the American market system both from the moral and economic points of view. Nevertheless, this study ended up raising questions approaching “political philosophy”, “fundamental issues posed by philosophers for centuries”, and

² For an in-depth analysis of the discussions prompted by Titmuss’s book, see Fontaine 2002.
even “metaphysical questions” (ivi: 58-59), topics on which Titmuss himself felt less secure, as he admitted right from the foreword to his book.

Owing to the short length of this article, I will leave aside Titmuss’s more specifically economic theses aimed at criticizing the various ‘failures’ of the blood ‘market’, that is, its both allocational inefficiency – it creates waste, shortages or surpluses of blood and can lead to the distribution of contaminated blood – and productive inefficiency – with greater administrative and bureaucratic costs compared to the volunteer-based system. In effect, these theses have not stood the test of time (Berrige 1997; Le Grand 1997: 333-34) or the harsh rebuttals of history, such as the case of the affaire du sang in France (Casteret 1992, Godbout 1998: 55), where despite being a voluntary system, contaminated blood was put into circulation all the same. Nonetheless, Titmuss’s work still acts as a warning to economists on the risks intrinsic to the “abuse” of economic reasoning (Solow 1971).

Instead, I will concentrate on the more specifically moral and philosophical questions of The Gift Relationship. By following how Titmuss sets out the main topics of his study in the introduction, at least two broader questions can be identified: 1) the ideological question; 2) the role of altruism in modern societies and the connected question of freedom. Careful analysis of the text, however, shows how the theories and arguments upheld by Titmuss are different and not always amalgamated in a coherent and uniform picture.3 Hence, for the purpose of the critical analysis that I intend to make, I shall try to analytically distinguish Titmuss’s theories and arguments.

3 In his conclusions, Titmuss attempts to provide a uniform picture of the theories he upholds, even though the nexus between them, and which are the main or secondary theories, is not totally clear:

“The commercialization of blood and donor relationships represses the expression of altruism, erodes the sense of community, lowers scientific standards, limits both personal and professional freedoms, sanctions the making of profits in hospitals and clinical laboratories, legalizes hostility between doctor and patient, subjects critical areas of medicine to the laws of the marketplace, places immense costs on those least able to bear them – the poor, the sick and the inept – increases the danger of unethical behaviour in various sectors of medical science and practice, and results in situations in which proportionately more blood is supplied by the poor, the unskilled (and) the unemployed, Negroes and other low income groups and categories of exploited human populations of high blood yielders. Redistribution in terms of blood and blood products from the poor to the rich appears to be one of the dominant effects of the American blood banking systems” (TITMUSS [1970] 1997: 314).
I.1. The ideological question

Titmuss sets out the ideological question both at the beginning and the end of the introduction. From a contingent point of view, *The Gift Relationship* is also an attempt to respond to those who had spoken out in favour of introducing a blood market in the UK and dealing with blood as a good, in the same way as any other market commodity (Cooper, Culyer 1968). Nevertheless, Titmuss’s work had taken many years to see the light, and needs to be seen as part of his socialist and communitarian defence of the welfare state (Fontaine 2002; Reisman 2001 and 2004: 790-92; Scott, Seglow 2007: 103-111). He feared that the commodification of blood, that is, its reduction to a consumer good, would lead to the commodification of every other good and service distributed by the welfare state (Titmuss [1970] 1997: 263) – health, education, social insurance, security, etc. – or to the colonization of these spheres by the “individualistic private markets”:

all policy would become in the end economic policy and the only values that would count would be those that could be measured in terms of money and pursued in the dialectic of hedonism. Each individual would act egoistically for the good of all by selling his blood for what the market would pay. To abolish the moral choice of giving to strangers could lead to an ideology to end all ideologies (Titmuss [1970] 1997: 58).

Hence, Titmuss concluded in his introduction,

this study, in one small sector of human affairs, disputes both the death of ideology and the philistine resurrection of economic men in social policy. It is therefore concerned with the values we accord to people for what they give to strangers; not for what they get out of society (ivi: 60).

These initial words bear witness to the presence of a series of dichotomies – which can probably be traced back to Titmuss’s desire to “distinguish the ‘social’ from the ‘economic’”\(^4\) – that are not sufficiently explained or thematized: state/market, society/individual, altruism/egoism, disinterest/interest, and gift/exchange. In Titmuss’s discourse, these dichotomies go to such extremes that they appear as false dilemmas or as a form of Manicheism. Emblematic of this is the “Manichean bipolarity” (Reisman

\(^4\) On the economic/social question and Boulding’s influence over Titmuss, see Fontaine 2002: 411-12.
2004: 780) with which Titmuss thinks (and represents) the gift/exchange and social/economic question:

the grant, or the gift or unilateral transfer – whether it takes the form of cash, time, energy, satisfaction, blood or even life itself – is the distinguishing mark of the social […] just as exchange or bilateral transfer is a mark of the economic (Titmuss 1968: 22).

At times, one has the impression that, in the attempt to combat market ideology, Titmuss ends up in the classic trap of the anti-ideology ideology. In this connection, as stated by Reisman, one of Titmuss’s most attentive scholars, it is true that “he never accepted that market could complement welfare and need not be its enemy” (Reisman 2004: 780).

The very characterization of the unilateral gift and the reflection on the gift of blood as a gift to strangers and a form of impersonal altruism has prompted no few criticisms, first of all among anthropologists, starting from the problematic rereading of Mauss in the context of The Gift Relationship:

customs and practices of non-economic giving […] thus may tell us much, as Marcel Mauss so sensitively demonstrated in his book The Gift, about the texture of personal and group relationships in different cultures, past and present. We are reminded, whenever we think about the meaning of customs in historical civilizations, of how much we have lost, whatever we may have otherwise gained, by the substitution of large-scale economic systems for systems in which exchange of goods and services was not an impersonal but a moral transaction, bringing about and maintaining personal relationships between individuals and groups (Titmuss [1970] 1997: 124-125).

Titmuss’s insistence on the role and importance of the impersonal gift seems to produce paradoxical effects, contrary to what he wanted. As has indeed often been noted, in Titmuss’s work, the typical characteristics of the gift, that is, the bond and personal relationship between donor and receiver and the give-receive-reciprocate circuit, end up disappearing, to the point that The Gift Relationship seemed to be “mistakenly named” (Douglas 1971). This view of the gift seems to restrict it to the sole phase of giving (Godbout 1998: 54). What is more, Titmuss’s interest in impersonal altruism not only distances him from the conception of the gift as typically belonging to a relational, family or community context, but such a conception of impersonal altruism “is as far removed from the feelings of personal interaction as any marketplace” (Arrow
1972: 360). As a result, it is difficult to distinguish the dynamics of the impersonal gift from the impersonal ones of the market, which he criticizes.

In short, in Titmuss’s thought an unresolved tension would seem to exist between a conception of the impersonal, pure and free gift – of which the gift of blood is the emblem – and a communitarian drive instead fostered by affective bonds and personal relationships.

However, on several occasions Titmuss underlines that his reflection is not on the sense of community of archaic but of modern societies (see Titmuss [1970] 1997: 276-79), and that the issue of the distinction between ‘economic’ and ‘social’ had inevitably led him to ask himself questions about the morality of society and of man’s regard or disregard for the needs of others. Why should man not contract out of the ‘social’ and act to their own immediate advantage? Why give to strangers? – a question provoking an even more fundamental moral issue: who is my stranger in the relatively affluent, acquisitive and divisive society of the twentieth century? What are the connections then, if obligations are extended, between the reciprocals of giving and receiving and modern welfare system? (Titmuss [1970] 1997: 57-58).

Nevertheless, the suspicion remains that Titmuss projects his communitarian spirit onto the modern big society, or at least that he fears, using the words of Tönnies to which Titmuss himself refers, the “do, ut des” of Gesellschaft might end up colonizing the “exchange of gifts” at the basis of the Gemeinschaft (Titmuss [1970] 1997: 278). This would allow us to think that Titmuss’s reasoning is constantly subject to a sort of fallacy of composition (see below).

A way of saving Titmuss from these accusations could be to insist on the meaning of the subtitle of his book “from human blood to social policy”, where the passage “from … to” can be explained not so much in logical as symbolic terms: the gift of blood as a symbolic foundation of the social bond. I will come back to this later on.

However, here it is important to insist on Titmuss’s faith – as unconditional as it is not (theoretically) justified – in the idea that a “socialist social policy” should foster the sense of community, that is, work as the lifeblood and glue of the social bond. This brings me to the next questions.
I.2. Altruism and freedom in modern society

In the introduction Titmuss also formulates the problem of the role of altruism in modern society and the connected question of freedom:

[this] study is about the role of altruism in modern society – hence its title. It attempts to fuse the politics of welfare and the morality of individual wills. Men are not born to give; as newcomers, they face none of the dilemmas of altruism and self-love. How can they and how do they learn to give […]? (Titmuss [1970] 1997: 59).

Although Titmuss admits that he does not give an answer to these great questions, he never abandons the conviction that a “socialist social policy” is essential to foster altruism in society and the social bond, even though this assumption is never demonstrated. In examining “the extent to which specific instruments of public policy encourage or discourage, foster or destroy the individual expression of altruism and regard for the needs of others”, Titmuss is interested in understanding whether these instruments or institutions positively created areas of moral conflict for society by providing and extending opportunities for altruism in opposition to the possessive egoism of the marketplace. If the opportunity to behave altruistically – to exercise a moral choice to give in non-monetary forms to strangers – is an essential human right, then this book is also about the definition of freedom. Should men be free to sell their blood? Or should this freedom be curtailed to allow them to give or not to give blood? And if this freedom is to be paramount, do we not then have to regard social policy institutions as agents of altruistic opportunities […] and not simply utilitarian instruments of welfare? (Titmuss [1970] 1997: 59).

Policy and processes should enable men to be free to choose to give to unnamed strangers. They should not be coerced or constrained by the market. In the interests of the freedom of all men, they should not, however, be free to sell their blood or decide on a specific destination of the gift. The choice between these claims – between different kinds of freedom – has to be a social decision; in other words, it is a moral and political decision for the society as a whole (ivi: 310).

The question of freedom, formulated in such dichotomic terms – leaving aside the nonetheless significant improper, erroneous or “misleading” use of legal concepts and terms (Singer 1973: 313) – appears and in effect has appeared to many as paradoxical, or senseless even. This dilemma of freedom, if analysed in strictly logical-formal terms, and by taking the notion of freedom to be a set of opportunities for choice, is truly
incomprehensible. The introduction of a blood market should increase the opportunities for choice, in this case between donating and selling one’s blood (Arrow 1972: 349-50). From this point of view, it is difficult to understand how the market can be “coercing” or “constraining”.

Even though the impression might be that Titmuss’s idea of freedom refers to a more “profound”, important, and value-related conception of freedom – the freedom to give, almost meant as a sort of positive freedom, if not a “privilege” (Lomasky 1983; Stewart 1984) – I agree with those who have claimed that Titmuss’s work has nothing to do with the problem of freedom (Archard 2002: 90-91; Scott, Seglow 2007: 108-109).

Indeed, I would go further: while, according to its author, *The Gift Relationship* concerns the “definition of freedom”, this definition is, however, never formulated. Moreover, once again one has the impression that in contrasting two types of freedom (to donate and to sell one’s blood), and supposing that ‘gift=freedom’ and ‘market=coercion’, Titmuss builds a *false dilemma*, and once again ends up trapped in the anti-ideology ideology.

Nevertheless, Arrow’s position is no less ideological. At the basis of Arrow’s criticism, there seems to be what Mirowski (2001) called the “futility thesis”, that is, the lack of need to introduce the gift, altruism and ethical issues into economic analysis. By taking “altruistic motivations” to be a “scarce resource”, Arrow considers that it would be better for “ethical behavior to be confined to those circumstances where the price system breaks down” (Arrow 1972: 355).

In defence of Titmuss, Peter Singer criticizes and in part overturns Arrow’s theses. First of all, altruism is anything but a scarce resource: in an appropriate context, altruism fosters altruism. Second, Singer upholds that the heart of Titmuss’s analysis is the problem that it is not easy to separate economics and ethics, and, in particular, the analysis of the effects of introducing market standards into the moral sphere: “I find it hardest to act with consideration for others when the norm in the circle of people I move

---

5 “Like many economists, I do not want to rely too heavily on substituting ethics for self-interest. I think it is best on the whole that the requirement of ethical behavior be confined to those circumstances where the price system breaks down as suggested above. Wholesale usage of ethical standards is apt to have undesirable consequences. We do not wish to use up recklessly the scarce resources of altruistic motivation, and in any case ethically motivated behavior may even have a negative value to others if the agent acts without sufficient knowledge of the situation” (Arrow 1972: 354-355).

6 On this also see Hausman, McPherson 2006: 301-304.
in is to act egoistically. When altruism is expected of me, however, I find it much easier to be genuinely altruistic” (Singer 1973: 319).

II. Corruption

In this regard, one of Titmuss’s conclusive theories – “the commercialization of blood and donor relationships represses the expression of altruism, erodes the sense of community” (Titmuss [1970] 1997: 314) – has been taken up on various counts as one of his most fruitful legacies. It is the so-called “corruption argument” (Le Grand 1997a: 337-38, 1997b; Reisman 2004; Fontaine 2004), which has also been reread in the light of the literature on the “crowding out effect” (Frey 1997; Steiner 2003; Sandel 2012: 122-25).7

Nevertheless, such re-readings of Titmuss would require a better specification of if and to what extent the “spill-over effect” or “domino effect” feared by Titmuss belongs to the logic of necessity or freedom.8

The point that I am nevertheless interested in understanding is: 1) if and in what sense the commercialization of blood corrupts not only the altruistic motivations for giving blood but also the sense of community or social bond, and 2) what the ‘nexus’ is between giving blood, social bond and social policy.

II.1. Corruption of the social bond?

Titmuss seems to take it for granted that “altruism” is a synonym for “sociality” and social bond. In this perspective, the erosion or corruption of altruistic sentiments would lead to the corruption of the social bond:

the evidence […] shows the extent to which commercialization and profit in blood has been driving out the voluntary donor. Moreover, it is likely that a decline in the spirit of altruism in one sphere of human activities will be accompanied by similar changes in attitudes, motives and relationships in other spheres (Titmuss [1970] 1997: 263).

8 The so called “domino effect” would also require a better specification if it is or is not a variant of the “market imperialism” argument (Archard 2002). An interpretation in terms of “economics imperialism” is given in MARCHIONATI - CEDRINI 2016.
In truth, at most Titmuss shows that introducing a market for the sale of blood “drives out” or corrupts the giving spirit. At the same time, he does not provide proof of his conclusion, which seems to be more the expression of a fear than a structured explanation. In other words, what is missing is an explanation of the “likely” nexus between the “driving out” effect within the blood donation system and the effect of corruption in other spheres of the welfare state in particular (a fear moreover recalled, as we have seen, right from the introduction of *The Gift Relationship* in the context of the ideological question).

Besides, are we not dealing with a fallacy of composition? Even if we assume, as Titmuss does, that around 80 per cent of blood donors can be classified as “altruistic” – that is, as “having a high sense of social responsibility towards the needs of other members of society” (ivi: 302-303)9 – the fact remains that blood donors are a very small percentage of the whole population (on average 3-4% of the population in western countries). How can corrupting the spirit of giving in this small part of the population lead to the corruption of the whole social bond?

To answer this question, we need to understand how Titmuss thinks the ‘nexus’ between the gift of blood, social bond and social policy.

II.2. The ‘nexus’ between the gift of blood and social policy. The question of the symbolic foundation of the social bond

I would like to venture the following legal- philosophical and political-philosophical interpretation of *The Gift Relationship*: the subtitle ‘From human blood to social policy’ places an organicist metaphor at the basis of Titmuss’s thought. To be more precise, through the analogy between the human body and body politic, Titmuss senses the need for a sort of symbolic reference to underlie the social bond.10

This interpretation is based on the first pages of Chapter 1 of *The Gift Relationship*, completely overlooked in the debate subsequent to its publication, where Titmuss analyses the crucial importance of the symbolic meaning of blood for different cultures, societies and religions. Let us just read the incipit:

---

9 Titmuss interprets the altruism of blood donors in a very broad sense. In the wake of the answers provided by the blood donors to the questionnaire given to them by Titmuss, one may seriously doubt this interpretation: see Scott, Seglow 2007: 106-107.

10 See note 14.
There is a bond that links all men and women in the world so closely and intimately that every difference of colour, religious belief and cultural heritage is insignificant beside it. Never varying in temperature more than five or six degrees, composed of 55 percent water, the life stream of blood that runs in the veins of every member of the human race proves that the family of man is a reality (ivi: 61).

The gift of blood as a “gift to strangers” and, inasmuch, not subject to any economic return-remuneration, incentive or disincentive, prize or punishment, is a sort of pure gift that, in Titmuss’s analysis ([1970] 1997: 127-8, 140), rises to become the symbol, sign or “indicator” of the social bond:

one of the most sensitive universal social indicators which […] tells us something about the quality of relationships and of human values prevailing in a society (Titmuss [1970] 1997: 59).

Furthermore, my interpretation seems corroborated by that of Fontaine, who sums up the meaning of Titmuss’s work as such:

blood, so crucial to bodily integrity, was ideally suited for illustrating the centrality of gift giving to the maintenance of the integrity of the body politic. Its transfusion could carry life or death into the body; metaphorically, the gift of blood illustrated the consolidation of the social bond, while its sale stood for social collapse. What made for the impact of Titmuss’s book, then, was […] also its reflections on what it is that holds a society together. And here Titmuss argued that a “socialist” social policy, in encouraging the sense of community, played a central role (Fontaine, 2002: 404, my italics).

In this connection, Titmuss takes up the question of the gift and altruism in modern societies, a question formulated in the penultimate chapter as “who is my stranger?”. He writes:

we speak here […] of those areas of personal behaviour and relationships which lie outside the reciprocal rights and obligations of family and kinship in modern society. We are chiefly concerned – as much of social policy is – with ‘stranger’ relationships, with processes, institutions and structures which encourage or discourage the intensity and extensiveness of anonymous helpfulness in society; with ‘ultra obligations’ which derive from our own characters and are not contractual in nature. In the ultimate analysis, it is these concerns and their expression which distinguish social policy from economic policy or, as Kenneth Boulding put it, ‘… social policy is that which is centred in those institutions that create integration and discourage alienation [Boulding 1967: 7]’ (Titmuss [1970] 1997: 279).
Titmuss was very aware that, for the purpose of his research, he had found himself handling issues that went beyond his aims: *in primis* the problem of (social and political-legal) obligation, namely, as he puts it, quoting Isaiah Berlin,


The crucial question raised by Titmuss’s work is not only “what sort of society do we want?” (Singer, ivi: 320), but, first of all, what holds a society together? Despite sensing that what keeps the “relationships” between “strangers” together in modern societies is the symbolic references at the basis of the social institutions, and that the question of “obligation” is inseparable from the belief of a society’s members in these symbolic and institutional references, Titmuss continually shifts the stress onto the value of a “socialist social policy” as guaranteeing the social bond, against its potential corruption by the market. Seeing the symbolic value of the gift of blood as the symbolic reference underlying the social bond almost seems to boil down to a strategy to legitimize the socialist social policy, and, when all is said and done, the political and legal philosophical question of the social bond remains up in the air. The subtitle of his book is ‘From human blood to *social policy*, not ‘From human blood to *social bond*'.

II.3. “When the state supplants the gift”

Now let us go on to analyse some of the main objections to Titmuss formulated by Godbout in a chapter of *The World of the Gift* entitled *When the State Supplants the Gift* (Godbout 1998: 51-64): 1) the state does not correspond to the gift system; 2) the state can also pervert the gift; 3) taxation is not gift.

Godbout upholds that “even if the state is often closely intertwined with the gift, it does not belong to the same world, but to a sphere based on quite different principles” (ivi: 52). In particular, in producing services for citizens the state “collaborates” with spheres of society that have a greater vocation to give: the third sector, associations and voluntary work, and the primary networks, such as the family. But their cohabitation is not easy since
the spirit of the gift conflicts with the egalitarian principle that plays the same role in the state system as that of equivalence in the marketplace. For the gift is grounded in a different principle. It abhors accounting, which puts it at odds both with the public principle of equality and the mercantile principle of equivalence (ivi: 58).

In second place, the risk feared by Godbout is that the state might end up colonizing (or “replacing”) the spheres of primary sociality, as happened at the very beginning of the welfare state, especially insofar as it became the dispenser of universal services. Here Godbout almost seems to overturn Titmuss’s theories: it is the state that crowds out altruistic motivations.

State involvement always tends to transform a disinterested act into unpaid work, thus altering its meaning and bringing about the social deconstruction of the gift by including it in a model of monetary equivalence. Contrary to what Titmuss implies, the state taking over social programs – while still desirable for other reasons, including fairness – does not necessarily shape people or reinforce an individual’s “altruistic tendencies.” It can actually shatter the gift-giving network […] (ivi: 59).

Godbout’s third criticism touches on another fragile point in Titmuss’s construction: he completely neglects the revenue side of the welfare state, namely, taxation, and seems to implicitly assume, but without giving any explanations, that giving blood is like paying taxes to the state.

The beginnings of the modern state consisted in the transition “from the gift to taxes,” to quote Alain Guéry (1983). The welfare state built on this trend by replacing gift-giving systems (charity or personal donations) with social security, moving from a gift system to one of rights. All the resources that move through state channels got there through constraint (to some extent freely consented to in democratic societies where, to cite the well-known formula, there is “no taxation without representation”). But this is the exact opposite to the voluntary gift – a gift that’s imposed is not a gift (ivi: 60).11

Despite insisting on the fact that Titmuss had confused the gift system with the state system, Godbout however seems to want to mitigate his opposition to Titmuss, insofar as he recognizes the need for some nuances to be introduced. Hence, he raises the question of limits, namely:

11 A similar argument is put forward by SEGLOW (2004).
to what degree the welfare state can intervene in the logic of the gift, without subverting it. The establishment of connections between strangers through the medium of the state can easily have perverse consequences if it is not done in concert with social networks, and if it is not ‘in phase’ with them (ivi: 61, my italics).

Finally, Godbout seems in any case to want to save Titmuss concerning his intuition of the gift to strangers as specific to modernity, even though Godbout classifies it in a “fourth sector”, beyond the usual three “domestic world”, “marketplace” and “state” sectors (ivi: 62-3).

While one may agree with Godbout’s three main objections to Titmuss – the state is not a gift; the state can also pervert the gift; taxation is not a gift – two important questions in his reflection need to be specified, to avoid falling into the usual game of false dilemmas and reciprocal exclusions between opposing theories: the question of taxation as “coercion”, and the question of limits. The “taxation=coercion” theory attests to a slightly reductive conception of the institutions on Godbout’s part, and risks reproducing Titmuss’s theory of “market=coercion” in an equal and contrary manner. The question of the limit, instead, introduces a calmer and less ideological reflection on the state/market relationship. A suitable understanding of these aspects enables both Titmuss’s fallacy of composition and the false dichotomies encountered so far to be reformulated and overcome.

III. The critical point of freedom

It is in this connection that the long and profound reflection by Einaudi on good government and good society12 proves of particular efficacy and profundity. I shall implicitly refer to some of the questions that have emerged in the previous critical reconstruction, and show, as concluding reflections, how they must be understood in a more complex and less reductive anthropological framework.

I shall concentrate on what I consider the apex of Einaudi’s reflection, that is, the reflection that goes from the last two chapters of Myths and Paradoxes of Justice in Taxation (Einaudi 2014) to his subsequent epistemological reflections (Einaudi 2016),

12 Here I put together a series of conclusions that I reached in some of my previous works: SILVESTRI (2008, 2012a, 2012b), and above all SILVESTRI (2015, 2017a) from which the summary in sections III.1 and III.2 are drawn.
as far as the *Lezioni di politica sociale* [*Lectures on Social Policy*] (Einaudi 1949). It is a thought that is eminently anthropological and humanistic, at the crossroads between public economics, history, economics, legal and political philosophy.

III.1. Taxation as coercion: the problem of political-legal obligation

Einaudi had repeatedly upheld that almost all of his theoretical reflection on public finance could be summed up in the attempt to remove from the *imposta* (“taxation”) that accusation of being *imposta* (“imposed”), that is, stripping it of that sense of constraint, of that which burdens and weighs down the taxpayer (Einaudi 1959). In his reflection, the question “why pay taxes?” had become the political-juridical question par excellence, that is, the problem of obligation: why obey the law? It is the same problem which, as seen earlier, had remained up in the air (in Titmuss’s analysis), or was conceived in a reductive manner, namely by likening taxation to mere coercion (in Godbout’s analysis).

By reformulating the elites and legitimacy theories (Mosca, Pareto, Michels),13 Einaudi (2014) understands how the so-called “coercion” of taxation would not necessarily be perceived as such if the power (and the power to tax) were based on shared and recognized values, on a shared sense of mutual trust, or, as he calls it, “atmosphere of compromise” and “assent”, namely, mutual acknowledgement, first of all, between the majority and minority.

In this regard, his criticism of Wicksell ([1896] 1967) is significant. Wicksell had at the same time tried to overcome both one of the main limits of the contractualist theory of tax justice known as the benefit-received principle (the difficulty to know or measure the advantage obtained by an individual as remuneration for taxes paid, and the problem of “revealed preferences”), and the question of coercion. This ‘overcoming’ was to depend on the consent and democratic vote mechanisms, in particular through complicated voting mechanisms and rules of unanimity, so that the decision on tax policies would be the expression of free consent. Albeit ideally agreeing with Wicksell’s intuition, Einaudi (2014: 132ff.) underlines that consent is, first of all, the presupposition of a democratic vote and not (only) its results, otherwise the majority’s...

---

decision would never be acknowledged by the minority. In other words, Einaudi was not looking for a ‘solution’ of ‘constitutional engineering’ to the two abovementioned problems, but was referring to the cultural, moral and symbolic foundations, that is, the fiduciary (or what is today known as ‘social capital’) and symbolic ‘resources’ (Silvestri 2012a) which constitute the foundation of every social bond, and through which societies manage to overcome the so-called ‘social dilemmas’, such as that of public goods and free riders.

In this perspective, on condition that it is acknowledged (and governs) in the name of shared values, the governing class is a third figure that lies beyond the mere legality or positivity of the law and guarantees the balance of the system and its legitimacy, including the legitimacy of taxes.14 As Einaudi writes in the final words of Myths and Paradoxes of Justice in Taxation:

Any ruler is perfectly capable of coercing people into paying taxes. But the leader chosen by the valentior pars of the citizens […] intends to elevate the mortals of the earthly city to the divine city, where the word ‘tax’ is unknown, because all the people understand the value of the sacrifice offered on the altar of the common good (Einaudi 2014: 127, my italics).

III.2. The (good) politeia and historical cases of taxation as a gift

For a better understanding of the fiscal phenomenon, Einaudi (2014: 116 ff.) had studied it in a historical-anthropological, almost ethnographical perspective. In this way, Einaudi separates the fiscal obligation problem from the answers based on the imperative law theory upheld in his time, hinging on the notion of state sovereignty, in order to understand this problem in terms of the forever problematic anthropological tension between law and freedom.

Through an in-depth analysis of the public financing of past models of good government and good society, first of all Pericles’ Polis, Einaudi discovers the existence

---

14 It is a fundamental question: “For power to be sustainable it needs to be acknowledged, otherwise it rapidly collapses into violence and murder. This observation has given rise to a question that has preoccupied every great jurist, from Bodin to Kelsen, and that seems to have lost nothing of its topicality: what distinguishes a government from a band of robbers? However varied the responses to this question, they all bring us back to the idea of a point of reference. We will only acknowledge a power if it refers to something we adhere to” (SUPIOT 2007: 146).
of *liturgies*: forms of voluntary fiscal contribution, “spontaneous offerings” or “voluntary donations” to the *res publica*.

Here the fiscal ‘gift’ is not just a fundamental form of free and not coerced contribution but is also meant as what is beyond the economic approach to taxation based on the benefit-received principle, that is, beyond the principle of equivalence between benefits and burdens of taxation. Einaudi highlights the potential of this fiscal ‘gift’ for the social bond and at the same time its ambiguity and structural fragility. From his analysis it emerges how the gift is always susceptible to being altered from a good to a bad form of gift, as well as being able to undermine the social bond itself. Incidentally, we may note that this reflection by Einaudi can also be reread as overcoming both Titmuss’s gift/exchange “Manichean bipolarity”, as well as the schematism of Godbout, who seems to lack any knowledge of the taxation theory known as the benefit-received principle, where the exchange of “equivalents” comes into play, albeit in a problematic and unresolved manner, in the relationship between taxpayer and state.

This way, Einaudi discovers the hidden presence in Pericles’ Polis, like in every society, of virtuous and vicious circles – in this case, for example: “ambition” and “emulation”, and “fear” and “envy” among those who contributed with liturgies (mainly the wealthy), and among them and the other citizens. Depending on the (horizontal and vertical) social and political relations of reciprocity, these virtuous/vicious circles are at the centre of an “extremely delicate” social balance in which the tax system plays a central role in distributing the burdens and benefits among the citizens: “The city reached its crowning glory not because of the way it conducted its financial affairs, but because Periclean finances were at one and the same time the *condition*, the *effect* and the *sign* of a city that had achieved political perfection” (ivi: 107, my italics).

**III.3. The critical point of freedom**

This reflection would lead Einaudi to formulate the critical point theory, which would become the theoretical core of his *Lezioni di politica sociale*. It is an epistemological and anthropological theory of the limit and freedom (Silvestri 2012a:
89-91; Heritier 2012)\textsuperscript{15}, and, at the same time, a theory explaining the vicious/virtuous circles underlying every society and institution, whose ultimate foundation is based, for better or for worse, on human freedom. From an anthropological point of view, this freedom is fundamental and foundational. It is the freedom-responsibility to do good and bad, with its consequent effects at the social level: it is a freedom always wavering between good and bad polity.

The critical point theory simply states that in social phenomena (whether they be associations of individuals, institutions, cultures and traditions, families, market, state, third sector, etc.) there always exists a point, a threshold, beyond which what before was ‘good’ transforms into ‘bad’ or vice versa. From the epistemological point of view, it is a theory of “negative” knowledge: we know that this limit exists, but we do not know if and when we will go past it (Heritier 2012).

The critical point theory comes about from a reflection by Einaudi on the reasons for the rise and fall of societies, and inasmuch becomes a reflection on the steadfastness or disintegration of the social bond. This steadfastness or disintegration of the social bond ultimately depends on the concrete exercising of freedom and on the responsibility of the individuals making up society: on the relationship that individuals entertain with each other and with the institutions.

There exists no theoretical rule that tells us when diversity degenerates into anarchy and when uniformity is the product of tyranny. We only know that there exists a critical point, beyond which every element of social life, every way of life, every custom that until then had been a means of human elevation and improvement becomes a tool of degeneration and decadence (Einaudi 1949: 231, own translation).

In the \textit{Lezioni di politica sociale} there is no ideological opposition between state and market. There is no good gift and bad exchange (or vice versa), nor good state and bad market (or vice versa), there are no ‘goodies’ or ‘baddies’ for at least two reasons.

In first place, this is because the “forces” of “good” and “evil” always coexist in every individual, in every social or institutional sphere and in every era (Einaudi 2017: 61-65): both in the state, and in the market, as well as in civil society. Moreover, in the ancient poleis the corruption of the virtuous circles of the (fiscal) gift could not be put down to the market (as there was no market as we know it today). If anything, this

\textsuperscript{15} On Einaudi’s critical point theory see also Leoni (1964) and Bruni (2015).
corruption of the gift was explained by Einaudi through a more realistic and rich anthropological analysis of the relational human passions (envy, hate, fear, etc.). This relationality is the cause of a substantially non-predictable dynamic that cannot be formalized from a theoretical point of view.

In second place, it is because the problem of the line separating state and market is not a problem that can be resolved theoretically. If anything, and above all, it is a problem of limits, which is valid both for the interference of the state in the market, and for the potential interference or extension of the economic logic of the market into other spheres. It is the problem, for example, of understanding if and when the state’s intervention transforms from physiological into pathological. Of course, as a liberal, Einaudi was more likely to uphold that “power corrupts, and absolute power corrupts absolutely”, but he had never spared criticisms, even of economic power and monopolistic capitalism.

Towards the emerging welfare state, Einaudi displays his great support of the principle of “starting gate equality”, but immediately shows how the discussion of the validity and sphere of application of this principle cannot be resolved theoretically, since it once again depends on the non-predictable dynamics of social and political relations and, ultimately, on human freedom-responsibility.

In this regard, his analysis of the pros and cons of the “state guarantee of a minimum living standard” (or what today we would call a guaranteed minimum income) and the introduction of a universal pension system is enlightening, both in order to understand the reasoning on the question of the limit, and because it clearly identifies three potential sources of corruption of the welfare state, in the dual objective and subjective sense.

Granting a disinterested gift does not usually produce gratitude or the effort to deserve the gift, but recriminations for its insufficiency. And like the most abominable scenes of indecent behaviour among ordinarily well-behaved people observed at great receptions offering elegant and plentiful refreshments, the electors’ race to ask and the political parties’ race to promise increases to the miserable and contemptible figure of the state pension is equally to be feared. After a few very short years, the system’s essential premise will be forgotten: that the measure of the pension must be fixed as a starting gate, and it will end up being altered to become the arrival gate for the majority, disproportionately increasing the stimulus for idleness [...] Rome did not fall under the barbarians’ blows, it had already fallen before, rotten from internal
corruption which found blunt expression in the immortal words *panem et circenses* (Einaudi 1949: 86, own translation).

In the *Lezioni di politica sociale* Einaudi does not only identify the problem owing to which the welfare state can corrupt the giving spirit of reciprocal aid and mutual assistance inherent in primary sociality. He also identifies those risk factors that many years later, starting from the (never ended) crisis of the welfare state, would be considered among the worst ‘evils’ and malfunctionings of the welfare state: 1) the risk inherent in conceiving and putting into practice a welfare state as a pure and “disinterested” gift; 2) the risk that the political class will instrumentalize the ‘gift’ of the welfare state in order to obtain political consensus, in turn becoming a source of corruption and influence peddling, and that the citizens, in turn, will let themselves be corrupted by these ‘gifts’ (a particular case of ‘poisoned gift’); 3) the risk that the welfare state will corrupt the work ethic and spirit of initiative, autonomy and responsibility (creating those situations that would then be called welfare dependency), and that, ultimately, end up driving out or ‘crowding out’ the sense of collective responsibility itself (see among others: Goodin 1993, 1998; Schmidtz 1998: 63–72; Pearson, 2000: 21-22; Saunders, 2007: 54). Therefore, the effect is substantially contrary to what a “socialist social policy” should have realized.

In this connection, it has rightly been upheld that if one can speak of the “*moral limits of markets*” (Sandel 2012), it has to be remembered that there are also “*moral limits of welfare*” (Curchin 2016). However, bringing empirical proof is not enough to argue the pros and cons of these theories,16 and even less so to resolve the question of the limit. Empirical evidence can at most demonstrate the truth of a historically contingent situation, or perhaps the existence of different market or welfare state or so-called “tax morale” cultures.17

The solution to these moral dilemmas (of markets and welfare) is in fact not supplied by Einaudi in either a theoretical key, or with empirical evidence (except by partially dipping into the ‘laboratory’ of history and into reasonings inspired by prudence and/or pointing at the risks deriving from going beyond those limits). Nor does he provide a solution in a merely institutional key, precisely because this ‘solution’

16 See for example, GINTIS 2012 and BOWELS 2012.
17 See for example, HIRSCHMANN 1982; ESPING-ANDERSEN 1990; ALM – TORGLER 2006.
refers to the critical point of individual and collective freedom. This does not mean that the institutions are not important. But the institutions, or the “letter” of the “law” are one thing, and their “spirit” is another thing, to use the distinction of Saint Paul, remembered by Einaudi:

freedom, which is a requirement of the spirit, which is a moral ideal and duty, does not need legal institutions that ratify and protect it, its aim is not to live in this or that type of political, authoritarian or parliamentary, tyrannical or democratic society; of a particular laissez-faire economy or communist or programmed market. Freedom exists, if free men exist; it dies if men’s souls are enslaved (Einaudi 1949: 239, own translation).

Freedom does not depend on exterior facts such as social and political organization. These are not the cause but the result of freedom or the lack thereof. If there exist a sufficient number of truly free men in a society, it does not matter what its social or political economic organization is. The letter cannot kill the spirit (ivi: 241, own translation).

In an authentically liberal society of adult and responsible citizens, the answer to these moral dilemmas can only concern their freedom and responsibility: their ability or inability to keep that spirit alive, and their ability or inability to not let themselves be “killed” by those institutions that they created to serve and not to subdue freedom.

IV. Conclusions

We have seen how the positions of Titmuss and Godbout are emblematic, albeit with different nuances, of the spectrum of positions that range from the conception of the welfare state as a gift, hence opposed to market logics, to the welfare state as a factor of corruption and/or displacement of genuinely altruistic motivations. This diversity of positions depends on the different conceptions of the gift and, as a consequence, on the different ‘place’ where the gift is situated (respectively: welfare state vs primary sociality and third sector), but also on the different factors corrupting the gift itself (the market or the state/welfare state).

In the case of Titmuss, his desire to distinguish the social from the economic, and defend the social from the potential corruptive effect of market logics, leads him to thematize false dichotomies, verging on Manicheanism, such as: gift/exchange, state/market, society/individual, altruism/egoism, disinterest/interest, freedom/coercion,
in which the opposites are always acritically and ideologically taken to be the ‘good’ and the ‘bad’ sides of the dichotomy. Furthermore, it remains unexplained how this potential corruptive effect on altruistic or pro-social motivations, existing in a small part of social life (giving blood), can end up corrupting the whole social bond. Hence the fallacy of composition.

Godbout’s position, more cautious and prudent that that of Titmuss insofar as he eschews a net opposition between gift and exchange, in some cases risks simply overturning the logic, especially when he identifies taxation with coercion. However, Godbout has no difficulty moderating his position when he clearly notices, albeit only in passing, how the problem of cooperation or conflict between the spheres of the state, market and gift (and primary sociality and the third sector) ultimately depends on the issue of the limit of one sphere’s interference in the other.

Einaudi’s critical point theory highlights exactly this problem of the limit, and, at the same time, the impossibility of a theoretical solution to the abovementioned dilemmas or an empirical demonstration in favour of the ‘goodness’ or ‘badness’ of one of the two sides of the dichotomy. This theory shows the evolutive and substantially unpredictable dynamic of individuals’ freedom-responsibility in social relations and with the institutional dimension. There are no ‘goodies’ or ‘baddies’: both because ‘good’ and ‘bad’ always co-exist in every individual, society or institution, and because what was tendentially ‘good’ before can always transform into ‘bad’, and vice versa, as highlighted in the anthropologically rich and complex analysis of historic cases of voluntary taxation or oblative offerings. Einaudi’s analysis also shows how the welfare state can corrupt not only the altruistic or pro-social motivations inherent in primary sociality, but also work ethics and social responsibility, up to the worst cases of using welfare policies for clientelistic reasons or for political consensus, where, in the perverse dynamic that can come into being between citizens and the political class, it even becomes difficult to distinguish who is the corrupter and who is the corrupted.
References


