

Ethical Principles, Charity, and a Criterion for Giving

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1. Introduction

One of the purposes of this article is to develop further some of the ideas that appear in my book *Then Athena Said: Unilateral Transfers and the Transformation of Objectivist Ethics*.¹ The book examines unilateral transfers within the framework of Objectivism, the philosophy of Ayn Rand. The type of unilateral transfer on which this article focuses is charity. I extract from the book some of the key principles it addresses, stating them in the form of propositions. I also refine some of the definitions of the key concepts that appear in the book.

2. A Principle Is a Strategy that If Followed Consistently Will Lead to Long-Run Success

The first definition to revisit is that of a (moral) principle. Rand defines a principle as “a fundamental, primary, or general truth, on which other truths depend.”² Ronald Merrill claims that Rand’s ethics are based on long-run success.³ Rand is aware of the stochastic in life, but believes that consistently following principles is the best way to bet.⁴ My revised definition of a moral principle is that it is a strategy that if followed consistently will lead to long-run success.

¹ Kathleen Touchstone, *Then Athena Said: Unilateral Transfers and the Transformation of Objectivist Ethics* (Lanham, MD: University Press of America, 2006).

² Ayn Rand, “The Anatomy of Compromise,” in Ayn Rand, *Capitalism: The Unknown Ideal* (New York: Signet, 1967), p. 144.

³ Ayn Rand, “The Objectivist Ethics,” in Ayn Rand, *The Virtue of Selfishness* (New York: Signet, 1964), p. 24.

⁴ Ronald E. Merrill, *The Ideas of Ayn Rand* (LaSalle, IL: Open Court, 1991), pp. 114-15.

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In decision theory, this strategy is consistent with the maximization of utility for binary choice. According to Herbert Simon:

How would a utility-maximizing subject behave in the binary choice experiment? Suppose that the experimenter rewarded “plus” on one-third of the trials, determined at random, and “minus” on the remaining two-thirds. Then a subject, provided that he believed the sequence was random and observed that minus was rewarded twice as often as plus, should always, rationally, choose minus. He would find the correct answer two-thirds of the time, and more often than with any other strategy.⁵

Rand’s aim is to ground ethics in human nature.⁶ A pertinent question then is, is this the way individuals behave? Simon notes that more often, subjects of these kinds of experiments tend to *event match*; that is, they tend to select between two alternatives with approximately the same relative frequencies as those that underlie the experiment.⁷ However, William K. Estes points out that if the test subject is rewarded for successful predictions and punished for unsuccessful ones, the inclination is to predict based on the greater probability.⁸ Moral principles should be based on long-run success; however, does that necessarily mean that the alternative will result in failure (i.e., punishment)?⁹ To deal with this question, what needs to be addressed is what constitutes “success.”¹⁰

3. Survival Is the Basis for Success

The second proposition deals with the question, what is the basis for success? The answer is consistent with Rand’s position that survival is the

⁵ Herbert A. Simon, “Theories of Decision-Making in Economics and Behavioral Science,” *The American Economic Review* 49, no. 3 (June 1959), p. 260.

⁶ Rand, “The Objectivist Ethics,” p. 22.

⁷ Ibid.

⁸ William K. Estes, “Research and Theory on the Learning of Probabilities,” *Journal of American Statistical Association* 67, no. 337 (March 1972), p. 83.

⁹ Conditions surrounding ethical choice are not the same as those described for these experiments.

¹⁰ It could be argued that decisions cannot always be described as binary. However, in their most basic form, ethical issues are. Honesty versus dishonesty is fundamentally dichotomous.

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basis for success. According to Rand, life is the ultimate value.¹¹ J. Charles King objects that life may more properly be considered an instrumental variable.¹² For the purposes of this article, it is a moot point, since, in any case, if one does not live, one cannot achieve any other value. It is acknowledged that a man cannot live forever, and that there is always a non-zero probability that he may die due to unforeseen events. That being said, it is still the case that death cannot serve as the objective of one's actions in the normal course of a person's existence. Death, then, cannot be the end of one's actions nor can it be a measure of success.

Rand's fundamental alternative is existence or non-existence—life or death. Ethics inherently involves choice. If there were only one course of action to take, there would be no ethical issue involved.¹³ Yet there must be something attractive about the alternative in order for it to be considered “choiceworthy.” Death is not, generally speaking, an alternative a person would choose. However, there are choices that may appear to have perceived or short-term gains, yet not be strategies that are successful long-range. The principled alternative is the one that results in long-term success. This does not mean that the principled choice will always yield success. There is a stochastic component to ethical decisions. Nevertheless, the ethical alternative is the one that should be acted upon since consistency results in long-run success.

4. To Sustain One's Life, Productivity Is Required on the Part of the Individual

The third proposition addresses what actions a person must take in order to sustain himself. The focus is on the individual. Care should be taken in applying the long-run probabilities approach to deriving ethical principles. If this technique were employed, then it would be concluded that women should not marry or have children since these are correlated with lower life expectancies for women. To the extent the word “probable” applies, it should probably be “within the confines of the definition of ‘that which can be supported by good argument.’”¹⁴

¹¹ Rand, “The Objectivist Ethics,” p. 17.

¹² Charles J. King, “Life and the Theory of Value: The Randian Argument Reconsidered,” in *The Philosophic Thought of Ayn Rand*, ed. Douglas J. Den Uyl and Douglas B. Rasmussen (Urbana, IL: University of Illinois Press, 1986), p. 111.

¹³ Rand, “The Objectivist Ethics,” p. 15.

¹⁴ Touchstone, *Then Athena Said*, p. 7.

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One method of approaching this question is to examine a man in isolation, for example, on a desert island. Murray Rothbard uses this device in his books *The Ethics of Liberty* and *Man, Economy, and State*.¹⁵ Although Rand does not use it as an analytical tool, she uses the desert island as a metaphor.¹⁶ To survive, a person would have to consume. However, a person must produce before he can consume. This assertion is consistent with Gary Becker's definition of production.¹⁷ Production can be defined broadly to be those actions taken that (ultimately) result in consumption. Adam Smith regards consumption as the end of production.¹⁸ Thus, in order to sustain one's life, a person would have to produce. Although the man would own the product of his efforts, property rights would not be relevant to a man in isolation.

Of course, men do not live in isolation. They live among other men. In order to produce, and thus consume and survive, resources must be used. If resources are sufficiently abundant, the problem of scarcity is not an issue. A person may use abundant resources to produce. Problems may arise, however, once a resource becomes scarce, particularly if property rights to the resource have not been established. Then disputes may arise over dispensation of the resource. Without property rights, the outcome of interaction between two individuals with respect to a scarce resource could be zero-sum; that is, there could be a winner and a loser.¹⁹ Using game theory, an example of a zero-sum outcome under the assumption of a maximin decision criterion (for Player A and minimax for Player B) is shown in Appendix A.

¹⁵ Murray N. Rothbard, *Man, Economy, and State* (Auburn, AL: Ludwig von Mises Institute, 1993); Murray N. Rothbard, *The Ethics of Liberty* (New York: New York University Press, 1998).

¹⁶ Ayn Rand, "This Is John Galt Speaking," in Ayn Rand, *For the New Intellectual* (New York: Signet, 1961), p. 127.

¹⁷ Ramon Febrero and Pedro S. Schwartz, "Introduction," in *The Essence of Becker*, ed. Ramon Febrero and Pedro S. Schwartz (Stanford, CA: Hoover Institution Press, 1995), p. xxi; Gary S. Becker, "De Gustibus Non Est Disputandum," in *The Essence of Becker*, p. 186.

¹⁸ Adam Smith, *The Wealth of Nations* (New York: The Modern Library, 1937 [1776]), p. 625.

¹⁹ Touchstone, *Then Athena Said*, p. 80. Although these are two-person cases, the point I am making here can be generalized. Without property rights, disputes can arise over resources. That is, in disputes over unowned resources, the outcome may be that there is a winner (or winners) and a loser (or losers).

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Also shown is an example of a mixed strategy. In his book *The Economics of Rights, Co-operation, and Welfare*, Robert Sugden discusses the emergence of conventions in a state of nature.²⁰ There are situations in which a resource, such as geographical space, may be used “in common” without established rules for its use. An example would be on which side of the street to drive. Some drivers may always drive on the right, others always on the left, and still others may drive on the right at times and on the left at others. Intuitively, it would seem preferable for all drivers always to drive either on the right or on the left. Thus a mixed strategy would be suboptimal. Sugden describes a convention as a strategy that emerges spontaneously from two (or more) alternatives in which both (all) are arbitrary.²¹ A convention is more likely to be established if there is some salient feature about one of the alternatives that is recognized by the “players.” Once a convention is established, then the individual will follow the single strategy. It is in the interest of the person to do so (even if an alternative convention would have brought about more favorable results).²² There is no longer a “choice” between (or among) the two (or more) alternatives. The way in which I approach ethical choice is very similar to conventions in the sense that once a principle is determined, there is no longer a “choice” concerning whether to follow it or not. A difference between conventions and principles is that the initial alternatives are arbitrary for conventions, but not for principles. The principled alternative is the one that results in long-term success.

5. The Principle of Reciprocity Results in Long-Run Success

Once property rights are defined, it is no longer necessary for an individual to rely solely upon himself to produce all that he needs for his consumption. He may produce and exchange part of what he produces with another (or others). Ownership is a prerequisite for trade, since one must own something in order to exchange it for something else. Individuals have an incentive to engage in exchange. As Adam Smith recognized, there are mutual benefits to trade.²³ Rand elevates this to a principle. She defines the Trader Principle as the bilateral exchange of value for value between independent equals.²⁴

²⁰ Robert Sugden, *The Economics of Rights, Co-operation, and Welfare* (Oxford: Basil Blackwell, 1986).

²¹ *Ibid.*, p. 33.

²² *Ibid.*, p. 48.

²³ Smith, *The Wealth of Nations*, p. 423.

²⁴ Rand, “The Objectivist Ethics,” p. 31.

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The Prisoner's Dilemma (PD) can be used to examine the decision process that underlies exchange between two players. A hypothetical payoff matrix for a PD situation is shown in Appendix B. The incentive structure is such that if both "players" follow the dominant strategy, both will defect. If exchange takes place, then there are greater benefits for both players than if each defects. Exchange is positive sum. There are apparent benefits to one person unilaterally defecting, since by doing so the defector keeps his own goods and is a receiver of goods from the other player. This is the default or theft option in which one of the players forces a zero-sum outcome.

Principles are those strategies, that if consistently followed yield success. Productivity is a life-affirming strategy. Alternatively, theft as a principle—that is, as a strategy that is consistently followed—will not lead to success. A person may steal all the time and be "successful." However, if he is, it is because he has been "lucky." Principles cannot be based on "luck," since luck is stochastic.

Unilateral defection (or theft) would seem to be the best strategy for a "golden opportunity" in which the probability of detection is low for the defector. (This is analogous to the one-shot PD in which the players are anonymous and there is no chance of subsequent interaction between them.) However, calculating the probability for a single event is difficult, if not impossible. Also, as Robert Frank points out in his book *Passions within Reason*, commitment to principled behavior sustains the emotions necessary to maintain that behavior.²⁵ If a person indulges in cheating when detection is low, he will not be able to sustain the emotions necessary to act on principle when detection is not low. It follows that if one is "caught," the outcome will be unsuccessful. Based on this reasoning, grounded in human nature, even in the one-shot PD case, it "pays" to follow the principled course.

The benefits to unilateral defection are more apparent than real, particularly if there is the expectation of retaliation. In *The Evolution of Cooperation*, Robert Axelrod finds that a strategy of reciprocity known as Tit-for-Tat results in long-term success in repeated games of the PD.²⁶ Thus, the principle of reciprocity results in success in the long-term. The principle of reciprocity entails the exchange of value for value. It also prescribes (proportional) retaliation if an individual defects on payment for value received.²⁷ If unilateral defection appears attractive, it may be because there

²⁵ Robert H. Frank, *Passions within Reason* (New York: W. W. Norton & Company, 1988), pp. 90-91.

²⁶ Robert Axelrod, *The Evolution of Cooperation* (New York: Basic Books, 1984), pp. 50-55.

²⁷ Touchstone, *Then Athena Said*, pp. 53-55.

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are costs, such as those associated with retaliation, that have not been explicitly accounted for in the payoff structure underlying the PD.²⁸

As a general strategy, theft (or, more generally, involuntary unilateral transfers) will not lead to success. However, when living among others, rather than in isolation, it is possible for a nonproductive person to survive through *voluntary* unilateral transfers. Two such examples might be inheritance and charity. Of course, these transfers are made possible as the result of the productivity of others. Someone must produce. Adam Smith regards consumption to be the end of production, but production must precede consumption. I state above that “a person should be productive.” A more complete statement is that a person should not consume more than he produces. An individual’s productivity should equal or exceed his consumption.

6. Production Should Equal or Exceed Consumption (Over the Course of One’s Life)

At varying times in one’s life, production may exceed consumption in some instances, and consumption may exceed production in others. But over the course of one’s life, one’s production should not fall short of his consumption. There may be temporary setbacks, but the norm in human life, as Isabel Paterson points out in *The God in the Machine*, is not misfortune.²⁹

²⁸ Axelrod’s model goes beyond the one-shot PD. This is required in order that there be retaliation. The above discussion is vague about what is meant by retaliation. Axelrod examines spontaneous cooperation without a central enforcement authority; see Axelrod, *The Evolution of Cooperation*, pp. 3 and 138. In a “state of nature” (that is, with no government), retaliation would be the responsibility of the individual. In Axelrod’s model, the definition of retaliation is simplistic and narrow; specifically, it means not trading in the future with a defaulter. Even within Axelrod’s framework, retaliation could be made more onerous; for example, the defector could be required to pay damages. In the real world, the form that retaliation would take would depend on the nature of the “crime.” One objective would be that punishment would fit the crime; that is, retribution should be proportional. Once a centralized governing authority has been established, retaliation is taken out of the hands of the individual. Government enforcement of contracts (property rights) “solves” the PD in the sense that the costs of defection are more generally recognizable and explicit. If properly accounted for in the payoff matrix, defection would no longer be the dominant strategy for either player. Retaliation against defectors (thieves) is delegated to government. The basis for retaliation would still be the principle of reciprocity, but retaliation would no longer be a factor in an individual’s ethical code.

²⁹ In Stephen Cox’s biography of Isabel Paterson, he indicates that Rand was disappointed with Paterson’s failure to acknowledge Rand as the source of the ethical theory presented in *The God in the Machine*. In Cox’s view, there is no indication that Paterson’s views were altered by exposure to Rand’s theory; see Stephen Cox, *The*

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Misfortune is the exception in life.³⁰ This principle is referred to by Leonard Peikoff as the Benevolent Universe Premise (BUP).³¹ It follows that, except for temporary setbacks, a person should not accept charity. In fact, long term, it should not be necessary.

Charity is inconsistent with the principle of reciprocity because it is unilateral in nature. There is no exchange of value for value. However, the principle of reciprocity, or more narrowly, the Trader Principle as defined by Rand, is the bilateral trade between independent equals. Some individuals are dependent by nature; children, for instance. They rely on unilateral transfers for their survival, but this typically does not pose a problem since their parents provide for them. However, there may be children or those with diminished capacity who are abandoned or abused by their caregivers and have no means of support.³² The circumstance for these individuals may be more than a temporary setback.

Of course, another person's need cannot be the sole reason for charitable giving even if the need is justified. Although in relative terms, the number of those in such a situation should be few, a single person cannot give even a modest amount to all of them, much less enough to sustain their existence. A principle has been defined as a strategy that if consistently followed will yield success in the long-run. Being productive is principled behavior because it sustains a person's life. If charitable giving were regarded as principled behavior, then a person should be able consistently to give to others. If charity were on par with productivity, then it would seem to follow that devoting the equivalent time, energy, and resources to charitable activities as one would spend on one's work would be justified. If charity were regarded as more important than productivity, then more than half of one's time, effort, and other resources should be devoted to others. In the limit, the elevation of charity as a strategy of behavior to be pursued on a large scale would be suicidal. It would not be a strategy that would yield success in the long-run.

Woman and the Dynamo (New Brunswick, NJ: Transaction Publishers, 2004), pp. 307-11.

³⁰ Isabel Paterson, *The God of the Machine* (Caldwell, ID: The Caxton Printers, Inc., 1968), pp. 250-51.

³¹ Leonard Peikoff, "The Philosophy of Objectivism," Lecture Series, no. 8 (1976), quoted in *The Ayn Rand Lexicon*, ed. Harry Binswanger (New York: New American Library, 1986), pp. 50-51.

³² Touchstone, *Then Athena Said*, pp. 332-33. These cases for charitable giving are illustrative, not exhaustive.

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Not only would the individual's life be at risk, but also the potential recipients of charity would be as well.

Can it be concluded that charity is not principled behavior since it does not contribute directly to a person's own survival? To clarify, it was not Rand's position that a person should not give to charity.³³ However, Peikoff asserts that when it comes to a person's purpose, even mild self-sacrifice "is to declare war on life at the root."³⁴ There are three related principles that are relevant to the question of whether charity is a sacrifice. One is that "one should be productive." The fuller statement of this is that "one should not consume more than he produces." The third is that "value should be exchanged for value."

With regard to the last of these statements, it would seem that most individuals benefit from the productivity of others without paying or fully paying the costs. For example, most, if not all, individuals benefit from the advancements in knowledge made by others, whether the benefactors are living or deceased.³⁵ Advancements in knowledge could be the result of basic research, invention or innovation, and/or creative work. There is an "inheritance" of knowledge with which most individuals are endowed. The reason that individuals do not pay or fully pay for this "inheritance" is because there is a lack of property rights in the discovery of basic knowledge and limited property rights (copyrights and patents) in creative work and inventions. Therefore, the discoverers or creators cannot charge or indefinitely charge for their use. They are uncompensated or under-compensated. In that sense, the beneficiaries have "consumed" more than they have "produced." Value has not been exchanged for value. A debt is owed that cannot be repaid to those who have bestowed advancements in knowledge upon others.³⁶

Similarly, as Isabel Paterson notes, those who live in free countries have a great inheritance of freedom.³⁷ Although freedom may be a right, it is not without cost. There is a debt owed to those who have discovered, established, defended, and preserved freedom. They were not fully compensated for the endowment they bestowed on others. Of course, these

³³ Ayn Rand, "The Ethics of Emergencies," in Rand, *The Virtue of Selfishness*.

³⁴ Leonard Peikoff, *Objectivism: The Philosophy of Ayn Rand* (New York: Dutton, 1991), p. 232.

³⁵ Rand, "This Is John Galt Speaking," p. 186.

³⁶ Touchstone, *Then Athena Said*, pp. 326-28.

³⁷ Paterson, *The God in the Machine*, p. 306.

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benefactors, many of whom are dead, cannot be reimbursed. Therefore, individuals who live in free countries are, by and large, net beneficiaries. They have received a benefit without having paid the cost.³⁸

7. In Deciding between an Ethical Action and an Unethical Action, the Expected Loss Should Be Ignored for the Ethical Choice, but Not for the Unethical Alternative

Generally speaking, an ethical person would not include an unethical alternative among those in his decision set. However, in the event that this was the case, the decision should be based on the expected gain of the ethical choice versus the expected value of the unethical choice.³⁹ In other words, the expected loss for the ethical choice should be ignored (when making the decision). This follows from the BUP, which states that if one chooses rationally (ethically), one should expect success. Failure could occur, because it would be unexpected. Peikoff asserts that with respect to failure, “if there’s a chance at all,” then a person should not succumb to it.⁴⁰ I interpret this to mean that for an ethical choice, the loss should be ignored.⁴¹ This would not be true for the unethical alternative, however.⁴²

³⁸ Touchstone, *Then Athena Said*, pp. 328-34.

³⁹ *Ibid.*, pp. 286-93. The expected value is equal to the sum of the expected payoffs for each “state of nature.” Associated with each state of nature is a probability. In the most fundamental decisions, the states of nature would be life and death. The loss under the death state would equal the person’s human capital. This could be expressed in utility terms rather than dollars or some other unit of account. The loss would be factored by the probability of dying to obtain the expected loss. This would be added to the expected gain under the life state to obtain the expected value. This assumes that the probabilities are known or estimable. There are other decision criteria that may be used for decisions under risk or uncertainty. The point is that in making a decision between an ethical choice and an unethical alternative, the loss for the ethical alternative may be ignored, but it cannot be ignored for the unethical one.

⁴⁰ Peikoff, “The Philosophy of Objectivism.”

⁴¹ Touchstone, *Then Athena Said*, pp. 342-43.

⁴² As mentioned, for an ethical person, the choice between an ethical and an unethical action should be rare. This does not mean that it could never happen. As Chris Sciabarra notes, it is unlikely that a parent would be truthful to his child’s kidnapper; see Chris Matthew Sciabarra, *Ayn Rand: The Russian Radical* (University Park, PA: The Pennsylvania State University Press, 1995), p. 245.

8. In Deciding Between Two Ethical Alternatives, Either the Expected Gain or the Expected Value May Be Used

It would seem to follow that when a decision is limited to ethical alternatives, the decision should be based on the respective gains of the alternatives, since success is the to-be-expected for ethical choices. This would be the case if the expected loss for each alternative were relatively incidental. However, there are some instances in which the expected loss for an alternative may be quite large. Although success is the to-be-expected, this does not mean that there is no chance of loss. In some circumstances, it would not be wise to ignore the expected loss of a decision. (It is not only the loss that is relevant, but also the probability of its occurrence. The loss would be weighted by that probability.) For these kinds of decisions, the expected values of each of the alternatives would be relevant. The expected value may also be used in decisions that have no ethical content, such as deciding between whether to purchase a white shirt or a blue shirt.

9. Because Many Individuals Are Net Beneficiaries of the Productivity of Uncompensated Others, It Would Not Be a “Sacrifice” to Make Unilateral Contributions to Others

Since many individuals have benefited from the productive efforts of others who have not been fully compensated, many individuals have on balance consumed more than they have produced. Value has not been exchanged for value. Therefore, for many individuals, it would not be a “sacrifice” to make charitable contributions (unilateral transfers) to others if those contributions are believed to be justified. However, as noted, a single individual could not give to all of those other individuals who are justifiably in need, even if those in need represented a small percentage of the population. Even if a person devoted all of his time and income to others, it would not satisfy the need. Thus, it would be helpful if there was some “rule-of-thumb” or heuristic to guide a person’s charitable giving.

The rule-of-thumb that I have devised is based on my interpretation of the BUP, which, in effect, states that if a person behaves rationally, then he can expect success. Misfortune is the exception in life—incidental. Success is the norm. Since survival is the measure of success, in the most basic terms, this would mean that the expectation is that if one is rational, one can expect to survive. Ultimately, death is inevitable, but even if one lives rationally, there is always a probability of unexpected death. For a given year, then, a person’s expected income equals the probability that he will survive multiplied by his income for that year plus the probability he will die multiplied by zero—since he would earn zero income from his “human capital” if he died. If he survives the year, then the difference between the

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actual income he receives and his expected income is a bonus, so to speak—the result of “good luck.”⁴³

Since it is unexpected and “incidental,” it can be given to charity, without “sacrifice.” A person who had suffered misfortune (other than death) would be under no (moral) obligation to give to charity, since his needs would need to be met.

10. A “Heuristic for Giving” Is Useful Because Charitable Giving Is Outside the Market System

A rule-of-thumb for giving to charities is useful because charity is outside the market system. There is a cost to charitable giving, and organizations exist to facilitate it; however, it is unlike other market goods in that there is no pricing mechanism as such.⁴⁴ The market system tends to be self-regulating because prices perform the function of signaling information to consumers, producers, and input providers as well as providing the incentive to act on that information. There is no such mechanism for charitable giving. There may be people in need, but those who may be willing to give may be unaware of who they are. There may be people willing to give, but may not have sufficient information about those in need. Individuals tend to be very generous when they have information. An example of the generosity of individuals is the outpouring of giving that followed September 11. The media supplied the information in this instance. However, when charitable organizations experienced bottlenecks, there was no mechanism to inform those who gave. Again, reliance was on the media, but it was a blunt tool in comparison to the price system.

Additionally, for those who envision charitable giving as an absolute virtue, there may be a tendency to sacrifice too much. For those who see charitable giving as a sacrifice, the tendency may be not to give at all. A rule-

⁴³ This would equal the probability of dying multiplied by the actual income received for the year. For example, if the probability of death was 10 percent, and a person’s actual income for a year was \$50,000, then his expected income for the year would have been \$45,000 (the probability of survival multiplied by the amount of the yearly income if one lives plus the probability of dying multiplied by zero—the amount received if one dies). The difference between the actual income and the expected income would be one’s expected loss, which would equal the probability of dying multiplied by the yearly income.

⁴⁴ A defining characteristic of a market is a price mechanism. Charitable organizations exist to match givers with recipients, but, although costs are involved, because there is not price *per se*, there is no market as such.

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of-thumb can be helpful to limit giving to some reasonable amount for the former and encourage the latter by providing an objective standard.⁴⁵

11. Further Discussion

Rand thinks that a person *should* help another person during an emergency situation, with the proviso that it is not at the expense of one's own life. She describes emergencies as unexpected circumstances that are limited in time. Examples would be natural disasters, such as earthquakes or floods. It is strictly in emergencies that a person should help strangers, so long as one is capable of it. Rand views non-emergencies, for instance, poverty and illness, as normal risks of being alive. A person *may* provide assistance to a person in need, out of a sense of benevolence not because of need *per se*, if it is limited in duration. Thus, assistance would not extend to providing help for the recipient's entire life. Nor would it encompass spending one's life searching for needy people to help.⁴⁶

Rand uses the verb "should" as pertaining to emergencies, but "may" with regard to helping others in non-emergencies. The way I interpret this is that an emergency is exceptional in the sense that a person would not estimate the benefits and costs of taking action and compare these with other alternatives that might be open to him. There could be other things that he could do instead that would have greater value, but he would forgo those in order to provide assistance during the emergency. The only qualification would be that the action would not risk his life.

For non-emergencies, the verb "may" is used: a person may help another (if that person is not evil) with the added qualifications that the contribution should be within the giver's means and that the assistance ought to be of limited duration. This would seem to indicate that calculation in these instances would be warranted. Rand opposes sacrificing one's own life to relieve suffering. Because disasters are not the norm in life, assistance to others should be "marginal and incidental."⁴⁷ This follows from the BUP.

In *Unrugged Individualism*, David Kelley extends the motivation for benevolence by arguing that, generally speaking, it is "a kind of investment in this sense: one invests one's time, attention, and concern in people in order to create opportunities for trade, even though many of them won't pan out."⁴⁸

⁴⁵ Touchstone, *Then Athena Said*, pp. 325 and 343-47.

⁴⁶ Rand, "The Ethics of Emergencies," pp. 47-48.

⁴⁷ *Ibid.*, p. 49; *cf.* Paterson, pp. 250-54.

⁴⁸ David Kelley, *Unrugged Individualism* (Poughkeepsie, NY: Institute for Objectivist Studies, 1996), p. 47.

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That is, benevolence is a “*nonspecific investment in their potential.*”⁴⁹ Kelley’s reasoning is that since trading opportunities do not simply emerge unaided, individuals must initiate them by “treating other people as potential traders.”⁵⁰

Rand views charity as being of secondary importance. Since, based on the BUP, suffering is not-to-be-expected, virtues that are related to suffering are of lesser significance.⁵¹ However, because Kelley regards benevolence as a response to the trade potential of others and not to their suffering, he promotes it to a major virtue.⁵² Kelley views this kind of giving as non-sacrificial and in one’s self-interest.⁵³ The decision process is not unlike any other economic decision.⁵⁴ Of course, the key difference is that the “investor” is not a direct beneficiary of this kind of expenditure.

Tibor Machan’s focus is on generosity in his *Generosity: Virtue in Civil Society*. He regards generosity as one among many benevolent virtues, which also include charity, kindness, compassion, and thoughtfulness. Although the boundary lines among these are not always well-defined, generosity would encompass such activities as bestowing gifts, rendering counsel, and being tolerant.⁵⁵ Unlike charity, which typically requires deliberation, generosity is spontaneous; that is, it is second-nature.⁵⁶ Like other virtues, generosity is a trait that is self-cultivated.⁵⁷ It requires discretion and intent, but does not involve calculation.⁵⁸ Unlike exchange, it is not self-interested in the sense that it involves a *quid pro quo* or tit-for-tat.⁵⁹ However,

⁴⁹ Ibid., p. 50.

⁵⁰ Ibid., p. 26.

⁵¹ Ibid., p. 14.

⁵² Ibid., pp. 17 and 33.

⁵³ Ibid., p. 7.

⁵⁴ Ibid., p. 50.

⁵⁵ Tibor R. Machan, *Generosity: Virtue in Civil Society* (Washington, DC: Cato Institute, 1998), p. 1.

⁵⁶ Ibid., pp. 2-3.

⁵⁷ Ibid., pp. 4-5.

⁵⁸ Ibid., pp. 23 and 6.

⁵⁹ Ibid., pp. 3 and 20.

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generosity is self-beneficial by virtue of contributing to a morally good life. Yet, there is no self-sacrifice in generosity as there can be with charitable giving.⁶⁰

In “The Right to Welfare and the Virtue of Charity,” Douglas Den Uyl views charity as “supply-sided” rather than “demand-sided.” That is, the focus is on the giver rather than the recipient.⁶¹ Charity is a self-directed virtue that springs from the classical, self-perfective ethical model.⁶² The central theme of the classical paradigm in ethics is that “the good is brought into being by the achievements of the self.”⁶³ One of Den Uyl’s aims is to examine whether there exists a reductionist tendency inherent in liberal philosophy to collapse charity and justice and, if so, to inquire whether the existence of the virtue of charity is at risk.

Justice in Objectivism is defined by the Trader Principle. I view justice to be reflected in the more encompassing principle of reciprocity, which subsumes the Trader Principle. Den Uyl examines Lawrence Becker’s reciprocity argument as it applies to giving. The basis for Becker’s argument, given in his book *Reciprocity*, is that people are benefactors of positive externalities.⁶⁴ It follows that, in response, people should feel a sense of obligation about giving. Den Uyl notes that Becker’s case is recipient-oriented.⁶⁵ The case that I have made may seem to be reciprocity-based in Becker’s sense. It is not. My point is that, because the giver is not the primary beneficiary, charity may appear to be self-sacrificial, based on a literal reading of some passages of Objectivist Ethics (OE). However, if it is recognized that most people have benefited from others without reciprocating, then it need not be viewed that way. Since many individuals are net beneficiaries of actions of others (whom it would be impossible directly to repay), then a person who chooses to make a charitable contribution will not necessarily be “worse off” on balance.

⁶⁰ Ibid., p. 3.

⁶¹ Douglas J. Den Uyl, “The Right to Welfare and the Virtue of Charity,” *Social Philosophy & Policy* 10, no. 1 (1993), p. 205.

⁶² Ibid., p. 202.

⁶³ Ibid., p. 205.

⁶⁴ Lawrence Becker, *Reciprocity* (Chicago, IL: University of Chicago Press, 1990).

⁶⁵ Den Uyl, “The Right to Welfare and the Virtue of Charity,” p. 222.

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The emphasis here is not on the recipient. Individuals may give to others out of good will. Others' need, however, cannot be a justification—or a sole justification—for giving, since there are always others in need. This does not mean that misfortune is not marginal in a global sense, as the BUP suggests. However, from a single person's perspective, one cannot satisfy all of the need, however insignificant it may be in a "universal" sense. Den Uyl rightly points out that if reciprocity formed the basis for giving, "each of our lives could be perpetually mortgaged to whatever someone's conception of our obligation to reciprocate might be."⁶⁶ Thus, even though the "net beneficiary" argument that I present may explain why charitable giving need not be a sacrifice, it provides no guidance for how much to give. In this sense, not unlike the altruist doctrine, there is no limit provided. Giving is open-ended. My aim has been to provide a heuristic, or rule-of-thumb, as a reasonable guide to giving.

12. Concluding Remarks

Homo economicus is a calculator. He is seen as measuring benefits and costs, applying the principle of maximization to the alternatives that face him for every decision.⁶⁷ Economists point out that the decision process may not be a conscious effort. As an analogy, pitching in baseball does not require knowledge of physics, even though physical laws are involved. Even so, as illustrated in texts on consumer theory, the process of utility maximization would seem to entail some deliberation. Machan envisions virtues as ingrained characteristics. As cultivated traits, they require no deliberation.⁶⁸

Fred Groh says that Machan challenges "the rule-following conception of morality, which implies that one must deliberate and calculate about what to do."⁶⁹ I view "rule-following" as non-deliberative, that is, as applying a rule with little or no thought involved. Calculating behavior, on the other hand, would be typified by "pure economic man"—estimating benefits and costs at every turn. OE would seem to me to be at odds with these two approaches to decision-making. In OE, the decision-maker neither applies a rule nor in all cases does he calculate. The former is non-thought; the latter requires constantly weighing and measuring. Rand envisions ethical decisions as contextual. As such, it would seem that some decisions would require less deliberation than others—although as Machan notes, all decisions would

⁶⁶ Ibid., p. 223.

⁶⁷ Machan, *Generosity*, p. 72.

⁶⁸ Ibid., p. 1.

⁶⁹ Fred Groh, "Helping Hands," *Navigator* 2, no. 3 (November 1998), p. 15.

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require discretion.⁷⁰ Machan's view seems to me in some respects to be consistent with the way in which I have interpreted the application of the BUP. Ethical decisions do not require that a person estimate the loss for an ethical choice since failure is the not-to-be expected, at least in the long-run. In deciding between an ethical choice and one that is not, no deliberation at all should be required. The ethical choice leads to success long-range. Only in deciding among ethical alternatives might the expected gain become relevant so long as the expected loss for each alternative is similar in magnitude. The expected values may pertain if the expected losses significantly vary in size.

The problem with charity is that the giver does not directly benefit from his decision. If charitable giving ranked first on one's scale of values, then it could justifiably consume all of one's productive capability, income, and time. At the limit, it would be suicidal, potentially robbing the charity recipient of his life as well. Viewed in this way, it is understandable that Rand relegates charity to a secondary virtue and regards it as parasitical. Using the reasoning I have set forth in making ethical decisions, an altruist, who by Rand's definition consistently puts others above oneself, would consider only the expected benefits that would accrue to another or others. The personal losses would be ignored. An approach of only recognizing the expected benefits of a decision may be justified so long as adherence to the ethic leads to the decision-maker's survival. The same approach as applied to altruism leads to the polar outcome.⁷¹

At the other extreme, a strict interpretation, or perhaps misinterpretation, of OE might lead one to conclude that any amount of charitable giving would be sacrificial. Peikoff views ethics as being either/or in nature. Even a small sacrifice is self-denying, and, therefore, evil.⁷² Kelley is aware of this dilemma, stating that altruism "offers no principled guidance on how to draw the line" between ourselves and others.⁷³ As for benevolent non-specific investments in potential traders, Kelley views these expenditures as being no different from any others that we do for ourselves. Machan sees generosity as non-sacrificial, but recognizes that charity could be.⁷⁴ As Den Uyl notes, some arguments for charity, such as the reciprocity-based

⁷⁰ Machan, *Generosity*, p. 23.

⁷¹ Touchstone, *Then Athena Said*, p. 339.

⁷² Peikoff, *Objectivism*, p. 273.

⁷³ Kelley, *Unrugged Individualism*, p. 50.

⁷⁴ Machan, *Generosity*, p. 3.

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arguments, are open-ended.⁷⁵ I offer, as a guideline for charitable giving, the rule-of-thumb discussed above—that is, an amount equivalent to the expected loss for a year equal to the probability of dying multiplied by one’s income. I believe a reasonable guideline is helpful as an antidote to the altruist doctrine of “giving until it hurts,” and the possible misinterpretation of Rand, that anything that is not directly life-preserving is evil. A guideline is also helpful because there is no market mechanism for charitable giving that deals with “shortages” and “surpluses” in the way in which they are automatically handled when prices are present.

Charitable giving should create no significant hardship on the giver, particularly since suffering, according to the BUP, is marginal in nature. There is the potential problem, known as moral hazard, that the supply of recipients may increase as giving increases. The rule-of-thumb aids in fitting charitable donations in perspective in relation to a person’s other expenditures.

APPENDIX A

Dominant Strategy

In a zero-sum game, one person’s payoff is simply the negative of the other person’s, since a person’s gain is the other’s loss. Therefore only one payoff matrix is needed. Consider the following, where A’s and B’s strategies are shown in the first row and column, respectively:

		B			
		1	2	3	
A	1	4 ^b	1 ^{a,b}	5 ^b	1*
	2	3	0 ^a	2	0
		4	1*	5	

In zero-sum games, amounts can be redistributed but not created or produced.⁷⁶ If each player knew what the other was going to do, the game would be trivial. It is assumed that each does not. So if player A was to choose his Strategy 1, player B would choose his Strategy 2 with a value of 1

⁷⁵ Den Uyl, “The Right to Welfare and the Virtue of Charity,” p. 223.

⁷⁶ Alpha C. Chiang, *Fundamental Methods of Mathematical Economics*, 2nd ed. (New York: McGraw-Hill Book Company, 1974), pp. 743-44.

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for A; because of the three values (4, 1, and 5), this involves the least gain for A. If A chose Strategy 2, B would choose Strategy 2, so that A would gain 0. If B chose his Strategy 1, A would choose Strategy 1 with a gain to A of 4. If B selected his Strategy 2, A would opt for Strategy 1 with a gain of 1. And if B played Strategy 3, A would again prefer Strategy 1, with a gain of 5.⁷⁷ There will be only one equilibrium point. It has the value 1 (shown above with an asterisk). This results in a maximin result for player A. That is, the maximin reasoning for player A is that the least A could gain using Strategy 1 is 1, and the least he could gain employing Strategy 2 is 0. Of these two values, the greater is Strategy 1. For B, his is a minimax result. That is, if he plays his Strategy 1, the most A can get is 4. With B's Strategy 2, the most A can win is 1. If B tries Strategy 3, the best A can do is 5. Of these three, the least is 1. The value of the game is said to be 1. Also if A's two strategies are examined for overall gain, regardless of what B does, A is better off choosing Strategy 1. Similarly if B's strategies are compared, B does best by choosing Strategy 2 regardless of what strategy A follows because B's Strategy 2 offers the least return to A of the three strategies open to B. So A should play Strategy 1 and B should play his Strategy 2, and if they both pursue these courses of action, they will end up at 1, the value of the game.

When there are two players, the maximin and minimax principles have certain properties that can work to the advantage of each player. By following the maximin strategy, A attains the largest value that can be prevented from being reduced further by B, whereas by following the minimax strategy, B attains the lowest payoff that can be prevented from being increased further by A.⁷⁸ If A chose a strategy other than the maximin, he would be unprotected against a countermove by B. By using their respective conservative strategies, each player has the maximum protection against his opponent's countermove. At the equilibrium point, each player's conservative strategy is the most advantageous, so long as the other player selects his respective conservative strategy. However, a maximin strategy may not be the best strategy as a countermove to a player who does not follow the minimax criterion. A prudent strategy is only guaranteed to be good in response to another prudent strategy.⁷⁹

⁷⁷ William J. Baumol, *Economic Theory and Operations Analysis*, 4th ed. (Englewood Cliffs, NJ: Prentice-Hall, Inc., 1977), pp. 438-40.

⁷⁸ *Ibid.*, p. 440.

⁷⁹ *Ibid.*, pp. 441-42.

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Mixed Strategies

Suppose the payoff structure for two players in a zero-sum game was as follows:

		B			
		1	2		
A	1	90 ^b	30	30	
	2	50 ^a	100	50*	
		90*	100		

Player A will choose Strategy 2, his maximin. Player B will select his Strategy 1, the minimax. There is no equilibrium.⁸⁰ If the combination of plays begins with (2, 1), where 2 stands for A's strategy and 1 indicates B's, B will favorably be surprised since a 50 unit gain for A is preferable to B than a 90 unit gain. But if B has selected his Strategy 1, A can improve his payoff by switching to his Strategy 1 (and win 90 instead of 50). Now, however, with A having switched to his Strategy 1, B will be better off with his Strategy 2, where A has only 30 units instead of 90. But if B changes to his Strategy 2, A will prefer his Strategy 2 with a 100 reward. Once A switches to his Strategy 2, B will countermove with his Strategy 1 where A's gain falls from 100 to 50. Now the two are where they began and the cycles will recommence. The solution is unstable.⁸¹

When one player can predict the pattern of play of another, this can be disadvantageous—in military plans or business or any zero-sum arena. In a “rational” plan, no player should be capable of deducing his opponent's strategy. Conservative gamesmanship suggests that a mixed strategy would yield the optimal results.⁸² Suppose that the payoff matrix were as follows:

		B			
		1	2		
A	1	4	2		
	2	1	3		

⁸⁰ Ibid., p. 444.

⁸¹ Frederick S. Hillier and Gerald J. Lieberman, *Introduction to Operations Research* (San Francisco, CA: Holden-Day, Inc., 1967), pp. 269-70.

⁸² Chiang, *Fundamental Methods of Mathematical Economics*, p. 754.

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If player B selects his Strategy 1 (a pure strategy), the second column becomes irrelevant to A's decision. If player A uses a mixed strategy, he will choose his Strategy 1 x_1 percent of the time, and his Strategy 2 x_2 percent of the time where $x_2 = (1 - x_1)$. So the expected value of this mixed strategy is $E_1 = (x_1)(4) + (1 - x_1)(1)$. If player B chooses Strategy 2 exclusively, then the expected payoff for A would be $E_2 = (x_1)(2) + (1 - x_1)(3)$. If B chose a mixed strategy, A's expected payoff would be between E_1 and E_2 . E_1 and E_2 can be graphed (with E on the vertical and x_1 on the horizontal axes). The maximin (the maximum of the minimum expected payoffs) will be given by the intersection of the two lines. This will correspond to the optimal mixed strategy for A. Regardless of what B does, this will be A's best strategy.

The same procedure can be followed for player B. That is, if A follows Strategy 1, B's expected payoff is $E_{(1)} = (y_1)(4) + (1 - y_1)(2)$. And if A follows Strategy 2, B's expected payoff is $E_{(2)} = (y_1)(1) + (1 - y_1)(3)$. Graphing both lines and finding the minimax (where the two lines intersect) will give B's optimal expected payoff along with the optimal percentages for y_1 and y_2 . The expected payoff found above for A (maximin) will be the same as that found for B (minimax). Thus, if A adopts his optimal mixed strategy he cannot receive less than the optimal expected payoff E, and if B follows his optimal mixed strategy his opponent can received not more than E.⁸³ If the payoff matrix is beyond a (2 x n) or an (m x 2) in dimension, the problem can be transformed into a linear programming problem for ease of solution.

APPENDIX B

A hypothetical payoff structure for a PD may look as follows (where c = cooperation and d = defection):

		A		
		c	d	
B	c	5, 5	0, 10	
	d	10, 0	2, 2	

Suppose Player A offers Player B a quantity of dried fruit if B will provide him with a quantity of firewood. If they cooperate, that is, trade takes place, each will receive a payoff of 5 (measured in units of satisfaction—utility). If one player fulfills his part of the bargain and the other does not, the defector has a payoff of 10 and the sucker has a payoff of zero. If both defect—or decide not to interact—the payoff for each is 2. No exchange takes

⁸³ Ibid., p. 758; Hillier and Lieberman, *Introduction to Operations Research*, p. 272.

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place. In a one-shot (one-time) exchange the dominant strategy for each player is to defect—the non-interaction result. Consider Player A. If Player B decides to cooperate, Player A's best strategy is to defect (for which he will receive 10 instead of 5). If Player B decides to defect, A's best bet is to defect (receiving 2 instead of 0). Regardless of what B does, A's best strategy is to defect. Likewise for B.⁸⁴ So if each person reasons in this way both will mutually defect, in which case both will receive 2. They would be better off, however, if they cooperated, receiving payoffs of 5 apiece.

⁸⁴ Axelrod, *The Evolution of Cooperation*, p. 9.