

The Good Samaritan Effect: The Virtuous Cycle of Private Charity

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\$94,269 raised for jobs

As U.S. policymakers debate how to address the nation's budget crisis, discussion about society's responsibility for the poor has risen to the forefront of the political conversation.

Advocates for government as the primary provider of welfare argue that dependence on private charity demeans aid recipients and that voluntary giving by individuals is too small to meet the needs of the poor. Yet research reveals significant flaws in both of these arguments.

Rather than demean the poor, private charity provides significant benefits for all parties involved: In the last decade, the fields of neuroscience and experimental economics have shown that when charitable transactions occur, the chemical oxytocin is released in the brains of both the receiver and the donor. Oxytocin not only creates feelings of happiness, but enhances trust levels in both parties.

A study by the Pew Research Center found that increased trust levels also enhance social cooperation and ultimately improve community values. For example, cross-country research reveals a very strong effect of trust in reducing crime and corruption. Because happier people are more productive, voluntary charitable actions indirectly stimulate economic growth as well. Acts of charity, therefore, create a virtuous cycle through which generosity leads to reciprocation as well as happier, safer, more moral, and more productive societies.

While private charity has wide-ranging societal benefits, welfare administered by government bureaucrats often reduces people to numbers caught up in red tape. This dehumanization is illustrated in former welfare mother Theresa Funicello's *Tyranny of Kindness*. In her book, Funicello describes how bureaucrats told rape victims they were ineligible for benefits because they couldn't list the baby's father

on the required form, illiterate homeless people with mental illnesses were handed forms with dozens of pages to fill out, and women nine months pregnant were told to verify their pregnancies.

The regulatory rigidity of government welfare programs often leads to inhumane processes, and bureaucracy prevents help from getting to those-in-need. Research by Michael Tanner, senior fellow at the Cato Institute, finds that in 1995, approximately 40 percent of families living below the poverty level did not receive government assistance while half of the families receiving benefits were actually above the poverty level.

Moreover, Tanner's research included statistics that showed that for each tax dollar spent by the government on welfare programs, only 30 cents or less actually reached the poor. The rest was consumed by administrative overhead. On the other hand, private charities are three to four times more efficient than government agencies, according to economist James Rolph Edwards. Analyzing data from Charity Navigator, Edwards finds that nearly three quarters of private charities spend at least 70 cents of each dollar on the needy and that nine out of 10 spend 65 cents or more of each dollar on the poor.

It is clear that voluntary charity is not only more effective at serving the poor, but yields other, wider social benefits including building trust, lowering crime, and enhancing happiness.

Therefore, rather than growing centrally administered welfare programs, governments should reduce regulations and taxes that inhibit charity. Research by Charities Aid Foundation shows that five countries with the most generous charitable populations -- the U.S., the UK, Canada, Australia, and Ireland -- are also among the freest economies. In comparison, less free countries with higher taxes and bigger social safety nets like Sweden and France tend to have much lower rates of charitable giving. In fact, Americans give more than six times as much of their income to the poor as the Swedes.

The more the government intervenes in the charitable sector, the more voluntary charity declines. Governments should instead work to increase economic freedom to spur the type of voluntary charity that makes the poor -- and the societies in which they live -- better off.