

Philanthropy

A natural consequence of economic inequality or mainly a means for exercising power?

Abstract

This paper seeks to discuss the main reasons for philanthropy. Therefore it puts a special focus on philanthropic commitment of American billionaires. The first parts adds a historical nuance by taking a closer look at what some call the “big three” philanthropists: Carnegie, Rockefeller and Ford. It is followed by an examination of the underlying mindset to get a better grasp of the issue. The second part casts light on the modern concept of philanthrocapitalism and presents four ideological approaches to modern philanthropy. Those four are consumer, corporate, celebrity and billionaire philanthropy. While the first three can principally be seen as an answer to inequality, the fourth one requires a closer look. In order to do so, the third part investigates how today’s super-rich benefactors exercise power by investing in huge foundations. The aim of the paper is to discuss philanthropy as a tool to confront inequality as well as a means for the wealthy to advance their personal and business interests.

Keywords

Philanthropy, philanthrocapitalism, inequality, hegemony

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1 Introduction: The Golden Age

On December 1, 2015 Facebook co-founder Mark Zuckerberg and his wife Priscilla Chan released a video, promising to donate up to 99 percent of their Facebook shares to charitable causes. With assets worth more than 45 billion U.S. dollars one can only imagine the impact this gift may have. Their daughter's birth, they state, made them realize their moral duty to create a better future for society as a whole. By founding a new foundation, the Chan Zuckerberg Initiative, they intend to invest in various areas including global health care and education. (Goel/Wingfield 2015)

With this undertaking Zuckerberg and Chan are among the first big names to join Bill Gates' and Warren Buffet's Giving Pledge. In 2010, 40 American billionaires vowed to donate at least 50% of their wealth during their lifetimes or afterwards. According to the *New York Times* half of their fortunes combined would account for around 600 billion dollars to be given away to charity. Apart from Gates and Buffet this list includes New York City mayor Michael Bloomberg and David Rockefeller, current patriarch of the Rockefeller dynasty. (Strom 2010) The Giving Pledge, however, does not dictate or even recommend anything more precise about when, where and how these donations are supposed to take place. It can be assumed that many of them, provided that they do honor their pledge, will follow Bill Gates' example by investing in foundations of their choosing. Hence, the establishment of more huge foundations seems to be likely.

The Giving Pledge and the whole practice of philanthropy it symbolizes has invited harsh criticism. Most of it will be discussed in detail in the fourth chapter. Nevertheless, Warren Buffet seemed genuinely baffled to hear any critical voices at all. He called upon America's philanthropic history. Buffet could not see any harm it had done to the country so far. (Strom 2010)

Zuckerberg, Gates and the likes of them are widely believed to be part of a philanthropic movement. Leaving your mark by doing some good for the poor, the environment, society or the world in general is currently in vogue. *Forbes* Magazine, among many others, went as far as calling it "A Golden Age of Philanthropy". (Lane 2013) Linsey McGoe, a relentless critic of the billionaires organized gift-giving, would rather label it the "second golden period", referring to the extensive philanthropic practice about a century ago. (McGoe 2015b) Anyway, most experts agree that philanthropy is at a peak. This observation seems to be fitting given the grand statements of some billionaires. Another aspect in favor is the growing number of new

foundations. In the United States alone there are approximately 85.000 private foundations. Almost half of them have been founded only recently, more precisely since the early 2000s. (McGoey 2015a: 17)

This so-called golden age leaves a bitter taste knowing that it cannot be dissociated from a rise of economic inequality. A vast concentration of wealth not only in the United States, but in many parts of the world, generates an increase of philanthropic endeavors. In 2014, Thomas Piketty published the results of his profound research in his bestseller “Capital in the Twenty-First Century”. With extensive data he shows that the gap between rich and poor is indeed widening. The top 0,1 percent of the global population evidently own on average around 10 million euros. If this data is correct, less than 5 million adults worldwide possess about 20 percent of the entire global wealth. The richest 1 percent owns about half of the total wealth. (Piketty 2013: 438) The notion of a connection between inequality and philanthropy is one of the key elements of this thesis.

The altruism of those who engage in aid efforts can be rightly questioned. The criticism philanthropists have to face is diverse. Some disapprove of the tax benefits foundations enjoy. Others are troubled by the non-existent democratic legitimation the billionaires’ extensive spending. Overall, it is asked whether their ulterior motives outplay the desire for doing good. The pursuit of the philanthropists’ personal interests is another central aspect of this paper.

2 The “Big Three”

If the current philanthropic wave is the second golden age, the first half of the 20th century was certainly the first one. During this period philanthropy took big steps forward in comparison to the experimentation with charity that came before it. Although organized gift-giving is nothing new to the United States, this era redefined what it meant to be a philanthropist.

Practically any analysis of the history of charitable endeavors comes back to discussing the influence of the “big three” early philanthropists. The foundations of Carnegie, Ford and Rockefeller provoked quite some controversy and took a leading role in reforming the face of philanthropy.

2.1.1 Carnegie

Andrew Carnegie (1835-1919) was probably among the first ones to transform from a tough-minded industrialist to a generous philanthropist who dedicated his life to serve mankind. At least that is how the story goes.

Carnegie's extraordinary leadership qualities led to a highly successful career in the steel sector. As the owner of the world's largest company he became the richest man of his time. (Bishop/Green 2008: chapter 2) Apart from having been a business tycoon Carnegie is still remembered for his philanthropic efforts. His benevolent activities ushered in a new era of philanthropy. He expressed his newly found ethical responsibility in the 1889 essay "Wealth". Later the text was published under the title "The Gospel of Wealth" and has become something of a bible for philanthropists. (McGoey 2015a: 40)

Though Carnegie is still perceived as groundbreaking in the area of charity, modern critics would certainly have their issues with him. Compared to a contemporary moral code Carnegie's model of charity can be considered radical. Carnegie only offered a helping hand to those worthy of his donation. Naturally, in his eyes he had the necessary competence to make this decision. So he carefully picked out the causes he wanted to invest in, always ensuring that the *right* kind of people got to benefit. (McGoey 2015: 40-41) A certain attitude becomes noticeable. Carnegie was convinced that he knows what is best for society. In fact, he believed in good faith to be more capable of managing his wealth in the public interest than any government. In this regard he acted as a role model to most philanthropists thereafter. It is no surprise both Rockefeller and Gates are among his fans. (McGoey 2015: 41)

Nowadays, Matthew Bishop and Michael Green (2008: chapter 2) state in their praised book "Philanthrocapitalism", Carnegie would most likely be a supporter of the economic trickle-down theory. He considered philanthropy as the best way to address the inevitable inequality. (ibid.) For this reason, he started to sponsor a number of charitable projects. Carnegie genuinely believed in his own ability to make a sustainable improvement. Interestingly enough, it led him to assume that he had "*a moral duty to accumulate as much wealth as possible, even if it meant extracting even more pain from his workers (...)*" (McGoey 2015a: 47) Unfortunately, serving the common good was not always compatible with what was best for the individual. In times of economic recession he lowered the wages of his workers to avoid a rise in prices in the steel sector. A tragic event was a bloody confrontation in 1892, which became known as the Homestead Steel Strike. The steelworker union tried to enhance their influence in order to

protect their workplaces and wages, but luck was not on their side. After the strike was crushed four months later, Carnegie clearly came out on top. Afterwards, his fortune grew even faster. (McGoey 2015a: 42-43)

2.1.2 Rockefeller

While Carnegie went out of his way to ensure being seen while doing some good, oil magnate John D. Rockefeller (1839–1937) took a more modest path. He hardly mentioned his investments in charitable causes publicly. This was appropriate, as he was a devoutly religious Baptist. The owner of Standard Oil famously declared that God gave him his money. Hence he felt a moral responsibility to accumulate unprecedented sums of money and aid the needy. After attending church, he used to hand envelopes filled with some cash over to hand-picked people while shaking hands. (McGoey 2015a: 53-54) McGoey draws on Max Weber’s “spirit of capitalism” when discussing Rockefeller senior. (ibid.) Actually, it is not too far-fetched to describe Rockefeller as somewhat of an embodiment of that spirit. According to Weber, the true capitalist seeks to accumulate capital, by lawful and honest means of course, not as a means to an end, but as a final aim itself. The purpose of making money is no longer the satisfaction of needs. It is seen as a virtuous path every godly man should pursue. The odd combination of an exorbitance in the professional life and an ascetic lifestyle is a key element of Weber’s highly recognized essay. (Weber 1930/2005: 17-19)

The reputation of Standard Oil and its owner were not exactly untarnished and could certainly need an improvement. Rockefeller led his oil monopoly with an iron fist. He was willing to do whatever it took to get rid of competition and did not refrain from methods like engineering artificial shortages and manipulating markets. (Chernow 1998: 64-65)

2.1.3 Ford

During most of his lifetime Henry Ford (1863 – 1947), a complex figure in American history, was not exactly known as a do-gooder. As the Ford Automobile Company took over the automotive market, Henry Ford caused a stir when he started to pay his workforce 5 Dollars a day in 1914. The general surprise of the business world is easily understandable considering average wages used to be about half as much. What seems to be a generous move at first glance is actually a calculated and strategic business move. With the introduction of higher wages, Ford hoped to achieve a respectable growth of productivity. A year later, the balance clearly supported his idea. The second argument for the “high-wage doctrine”, which is now called efficiency wages, is a simple concept. Higher wages and therefor more income increases

aggregate demand for goods and services, for instance for automobiles. As a result, production expands and the rate of unemployment dropped. (Taylor 2003: 683-85)

The ambiguity of his this becomes more obvious when looking at some of his original interviews. In a *New York Times* article Henry Ford stated that “*the increase in pay our employees will receive is neither charity nor wages. It is simply profit sharing. (...) We expect better work, more efficient work.*” (New York Times 1914) Since their own profit was tied to the company’s success, the workers had an incentive to work even harder. (Taylor 2003: 687) It was a tactical move that clearly paid off. The well-being of his workers, although a welcome, additional benefit, was but probably not a decisive reason for Ford’s forward-looking wage policy.

2.2 About Hegemony

It is crucial to explain the sort of power these institutions exercise in order to understand the influence a few huge foundations can have on global affairs. The *American Journal of Economics and Sociology* dedicated a whole issue to analyzing this topic. In the introduction, the editor, Clifford Cobb, emphasizes several times that the power of foundations is not visible at first glance. It is seldom talked about precisely because it is neither direct nor obvious. Its strength lies in being generally unnoticed by the public. At least to some extent, the owners of those foundations are able to regulate the public discourse on major issues. Especially in uncertain times they tend to interfere at one point or another. Despite playing a significant role, they tend to intentionally stay below the radar. (Cobb 2015, pp. 631-32)

Cobb describes the sort of the power they hold as “*a form of cultural hegemony*”. (Cobb 2015: 633) Hegemony, certainly a popular term in the social sciences, should not be underestimated. Cobb summarizes: “*The most effective sort of power is the kind that appears not to exist.*” (ibid.) People who are officially in charge exercise their power in the public eye. Anybody in politics has to answer for actions taken. Moreover, this form of power is often short-lived. It can be taken away as easily as it has been given. Hegemony is much more stable and rarely challenged. Through various channels social norms and values are imparted. The instruments used range from knowledge transfer at schools and universities, books, films, articles and scientific papers to public events and speeches. Cultural hegemony works as soon as man-made norms become unspoken rules and social conventions. When something is perceived as the natural order of things it is usually left unchallenged. (Cobb 2015: 633-34)

2.3 Mandeville's Legacy

In 1705, the Dutch physician, philosopher and writer Bernard Mandeville who lived and worked in England, first published an unconventional and much misunderstood pamphlet titled “The Grumbling Hives: or Knaves Turn'd Honest” that has inspired economists for centuries. Though acclaimed by prominent figures like Adam Smith and Friedrich Hayek, his contemporaries considered it a great offence. The principal part of Mandeville's highly controversial work is the well-known poem “The Fable of the Bees, or: Private Vices, Public Benefits”. His satirical piece is regarded as a founding document of laissez-faire ideology. The idea of man portrayed in it touches a sore spot of philanthropy. It challenges the ability of men and women to ever be truly selfless. (McGoey 2015a: 90-91)

Mandeville uses the metaphor of a beehive to describe human society. The hive is full of proud, dishonest, self-centered, greedy and vain knaves. Despite, or precisely because of all those poor features the hive thrives.

Thus every Part was full of Vice,

Yet the whole Mass a Paradise; (...)

The Worst of all the Multitude

Did something for the Common Good. (...) (Mandeville 1729: section B3, p. 5)

Mandeville was certain that the instinct to put one's own interests first is part of human nature. This is a good thing, because as the title already suggests, “private vices” can be harnessed for “public benefits”. Bick (2008: 91-92) explains the simple mechanism as follows. Greed makes people work hard in order to earn more money, so they can lead a life in abundance. Their extravagance stimulates demand and creates more jobs. The knaves' vice boost the economy and thereby enhance the living conditions of the poor as well. A win-win situation. Virtue on the other hand is, according to Mandeville, all too often the reason of stagnation and prevents progress. Leading a virtuous and frugal life does not exactly translate into economic dominance and wealth. In Mandeville described vice as inevitable in a flourishing economy and the basis of prosperity and happiness. It even serves the common good.

The abstract of the poem only scratches the surface of the underlying philosophical argument about the nature of reason. Kaye (1922: 93-94) summarizes that “*all our acts - even those apparently most altruistic and unselfish - are, traced to their source, due to some variety or*

interplay of selfish emotion". Utilitarianism should be the guiding principle, biographer Kaye writes further.

Another noticeable name is the Austrian economist Friedrich Hayek, an admirer of Mandeville, who is still renowned for his animosity towards big government. Hayek illustrates the issue by comparing scientific discipline of economics to natural sciences. An article in *The American Economic Review* provides an insight. He viewed the recurring attempts to use the same means for both fields as the main problem, since "formulas, symbols and rules" are not suitable for the social field. (Hayek 1945: 528) He criticized Joseph Schumpeter's positivist approach towards economic mechanisms. Unlike the laws of nature, human emotions and motivations are too fleeting and difficult to grasp. The proper allocation of available resources, Hayek points out, is a matter far too complex and delicate to be trusted upon a single person or a small group. (ibid: 529-30)

Hayek has had a strong influence on economy and liberal thinking far beyond the British and American borders, where he spent most of his professional life. He has certainly left his mark on how modern philanthropy is handled. With financial help of a philanthropic organization, the Volker Fund, Hayek founded the world-renowned think tank called Mont Pèlerin Society. The first meeting was a gathering of leading laissez-faire supporters. One of the attendees was Milton Friedman, a principal figure of the Chicago School of Economics. (McGoey 2015a: 236) The agenda of the organization was far from modest. Hayek and his peers intended to shape society according to their neo-liberal ideas. Philanthropists all over the world pursue a similar goal. Though it might not always be neo-liberal policies, most benefactors admit to having ulterior economic motives. The notion of a small well-educated elite controlling and shaping society to some extent is a basic module of think tanks worldwide. As it happens, the Mont Pèlerin Society connects many of them. Today, when it comes to philanthropy, it is mostly events like the Skoll World Forum and TED conference that serve this purpose. In his article "The Intellectuals and Socialism" Hayek famously concluded, "*What to the contemporary observer appears as the battle of conflicting interests has indeed often been decided long before in a clash of ideas confined to narrow circles.*" (Hayek 1949: 418)

3 Philanthropy Today

A few generations after Carnegie, Rockefeller and Ford, what appears to be the second golden age of philanthropy has been heralded. A new breed of benefactors has arrived.

“*Charity is dead,*” Victor d’Allant, executive director of the Skoll Foundation’s online forum, once stated during an interview with *The Guardian*. “*Nobody wants to do charity anymore. Charity doesn’t work.*” (Williams 2012) His statement, true or not, illustrates the spirit of present-day philanthropy. He is basically describing the traditional methods of philanthropy as outdated. If charity is indeed not working, new methods had to be found to sustain and modernize the ancient practice. Luckily, philanthropists seem to have found an answer. There have been countless attempts to define the new way of giving. It comes as no surprise that there are several names trying to describe the same phenomenon. Philanthrocapitalism, social entrepreneurship, impact investment, venture philanthropy or simply strategic philanthropy are just a few of the proposed phrases. For the purpose of this thesis, the term “philanthrocapitalism” will be mainly used.

3.1 The New Way of Giving

In the age of philanthrocapitalism, charitable-giving is often organized, planned and pursued like a business venture. The clear separation between business and philanthropy, between for-profit and non-profit seems like a relic from another era. It holds a high promise. Contemporary projects are being described with business terms like “strategic”, “market orientated”, “efficient”, “knowledge based”. Benefactors do not see themselves as donors in the traditional sense, but as entrepreneurs investing in a good, yet profitable cause. Unlike past philanthropists, they openly attest to the fact that they expect a revenue when donating money. (Bishop/Green 2008: chapter 1) One of the main objective of modern benefactors, or philanthropreneurs, as they also call themselves, is focusing on one key area and be specific. Committing to clear goals should help to evaluate and increase the chances of success. (McGoey 2015a: 99)

While Gates and his counterparts apparently do not lack the necessary dedication, the outcome of their projects are usually acceptable at best. The authors of the same article in the *Stanford Social Innovation Review* also acknowledge the constraints of this new method. The complexity of their chosen fields of intervention leads to an unpredictability of the time needed, the financial frame and generally a rigorous analysis of the outcome. (ibid.) This starts to illustrate the contrast between the nicely phrased idea of philanthrocapitalism and the reality of it. While a project should be strategic and efficient, it eludes clear measurability. It has been argued that trying to measure philanthropy is an undertaking doomed to fail. The social sector lacks any clear measuring unit. (Bishop/Green 2015: 543)

3.2 Approaches to Modern Philanthropy

“*Capitalism is an absurd system*,” Bolanski and Chiapello (2005: 7) write. To justify the absurdity, the system needs to look for legitimation. With a nod to Max Weber, they argue for the necessity of a new “*spirit of capitalism*”, an ideology, so people will continue to engage in it. (Bolanski/Chiapello 2005: 8) It is a sort of self-representation of the capitalist order. Mikkel Thorup, a professor in the history of political thought at the Danish University of Aarhus, interprets it as a “*new form of ‘creative capitalism’*” and a fresh way to justify itself. (Thorup 2013: 557) Due to the extravagant sums, billionaire philanthropy naturally attracts the most attention. Though the most visible form, it is not the only aspect of philanthropic commitment.

3.2.1 Consumer Philanthropy

Consumer philanthropy appeals to the do-gooder in each and every one. Examples are a dime a dozen. Many McDonald’s restaurants have put a donation box next to the checkpoints where fast food fans can throw in their small money and help sick children. In numerous supermarkets customers can feed empty bottles into machines to get a fractional refund on what they paid for it. People can soothe their green conscience while collecting extra cash. It is incorporated in the heart of consumption, the process of buying and selling. The psychology behind it is simple. Everybody in advertising knows about the value of appealing to emotions. The same logic applies to this rather new form of charity, only that the requirements have increased. Nowadays it is not enough anymore to receive the good paid for. Customers are looking for the shopping pleasure mixed with a hint of morality, individual fulfillment or meaning. They seek something beyond the mere utility paid for. (Thorup 2013: 560)

Here, private emotions like compassion and sensitivity are exploited and politicized. Back in 1965, Hannah Arendt criticized this case in her book “On revolution”. Solidarity, she argues, is the reason a society feels responsibility towards the poor and the weak. It is what makes a community emphasize with those in need. The other side of the same coin is pity, which is said to be the more emotional version of compassion. Pity is a sentiment driven by the ability of people to establish a certain familiarity between oneself and the afflicted stranger. (Arendt 1965/1990: 88-89) Consumer philanthropy is capitalizing on the pity of others. The industry wants to build up an artificial friendship between customers and the suffering strangers. Still, the recipients of that charity stay comfortably distant. (Thorup 2013: 562) Arendt also notices that pity needs hardship to exist. Pity is a sentiment that can even be enjoyed, which inevitably

results in a glorification of its source. The equivocal aspect is that the source of it is the misfortune of others. (Arendt 1965/1990: 89)

For consumers it is a comfortable way to pass on a certain moral responsibility to get active and ease their conscience. Although one appears to have a free choice whether to take part in these charitable projects or not, society pressures everyone to get involved. Campbell Jones offered an insight into the double-edged offers in his article “the subject supposed to recycle“. In it he says that to “*choose not to recycle, or donate, or consume (!) is an act of bad faith, a careless failure of duty, responsibility and care.*” (Jones 2010: 30, as cited in Thorup 2013: 561) Being generous is almost a social obligation. So the option not to donate is simply there to lead customers to believe they act out of their own accord. By engaging in consumer philanthropy, everyone can be a philanthropist. Those marketing strategies tell the consumers that the more they buy, the better and bigger is the effect on the world. Paradoxically, this system needs inequality to work.

3.2.2 Corporate Philanthropy

“*Save the world. It’s not easy, Googlers, so mail your ideas.*” (Bishop/Green 2008: chapter 10) Almost a decade ago, this call was written on a white board in the central offices of Google.org. The buildings, better known as the Googleplex, hold the philanthropic department of the company that has made it its business to outdo any other firm in the field of corporate philanthropy. In 2004, Sergey Brin, one of the Google co-founders, emphasized his vision. A good company, he believes, should face its Corporate Social Responsibility and solve at least a few of the global problems. Furthermore he explained that in the long run the company and its shareholders will get a significant profit out of their charitableness. (ibid.)

Unlike traditional foundations, Google.org and its copycats combine non-profit with for-profit business activities. Philanthropy is supposedly embedded into the structure of the companies. In order to make this arrangement work, Michael Porter and Mark Kramer (2002: 2) urge the heads of companies to focus on strategy. Since the firm’s profit should always be put first, the board has to think about how to put it into accordance with doing charity. Porter and Kramer believe this to be possible. They trust in the power of corporate philanthropy to create a better and safer environment for business. (ibid.) Supporters of it follow a customary pattern. A core element of corporate philanthropy is the assumption that it is a solution to global issues far superior to any other. Those circles believe companies are better equipped to handle all the world’s problems than the state or an individual person. The desire give profitably, Larry

Ellison, founder of Oracle, once proclaimed, could very well be the best tool to make the world a better place. Capitalism is utilized as a means to create corporate as well as social value. The strict and rational organization of companies is said to be superior to private and political charities misguided by ideology. In contrast to politics, companies should be able to react swiftly and effectively upon changes. It ideally works just like the basic market mechanism. If a specific need occurs companies have to find out and satisfy it. (Thorup 2013: 563-64)

Companies also utilize philanthropy to enter the welfare market from which the government is increasingly withdrawing from. There is a subliminal criticism of bureaucracy and often ineffectiveness of state guided charity. Combined with an exceptional confidence in the management skills of company leaders, the business model is presented as a glorious solution to all present deficits of welfare. In that sense corporate philanthropy is a by-product of a bigger crisis of the welfare state. (Thorup 2013: 566-67)

3.2.3 Celebrity Philanthropy

In 2014 singers Bob Geldof and Bono re-released their own version of the popular song “Do They Know It’s Christmas” as part of a charitable effort aimed at Africa. Aside from blowing their own horn, they evoked positive as well as negative reactions. The Kenyan policy analyst Abdullah Halakheh expressed his thoughts online. “*The idea that Africa needs to be saved in 2014 by washed-up C-list pop artists is a perverse example of a messiah complex.*” (Malone 2014, as cited in McGoeys 2015a: 68)

Thorup (2013: 569) suggests a correlation between the increased valuation of the intangible aspects of capitalism, like a brand image, and the modern celebrity lifestyle. The contemporary form of capitalism has been called “*experience economy*”. (Pine/Gilmore 1998) There is a growing desire not only to buy goods and services, but experiences. In order to use it, businesses have to design the experience level and add a price tag. (ibid) It is the principle of consumer philanthropy. Thorup observes a similar shift in celebrity culture. The sheer utility, which in most cases mean the musical, acting or dancing skill, is no longer the center of attention. Reality stars are probably striking examples of this development. They usually do not owe their status to an astonishing talent, besides a certain skill to hit the headlines of magazines and collect followers on Twitter and Facebook. Celebrities cannot explain why it is fair they earn an obscene amount of money while others have to fight for their daily existence. Once again, philanthropy can be perceived as strategy to confront inequality. To go one step further, it is a way to justify an unfairness to oneself and the public. (Thorup 2013: 569)

3.2.4 Billionaire Philanthropy

There have always been people with more money than they can spend. What is new is the growing number of those who have somehow managed to accumulate a fortune worth more than a billion dollars. Thomas Piketty proves this point by reverting to data from the yearly *Forbes* billionaire ranking. Back in 1987, when the list was first published, there were about 140 billionaires worldwide. This number seems rather insignificant compared to nowadays. In 2013, *Forbes* counted approximately 1.400 billionaires, so just about ten times than 26 years ago. (Piketty 2014: 433)

The rise of philanthropy has been noted by the Capgemini/Merrill Lynch World Wealth Report. In 2006, it found a 20 percent surge in donations by the wealthy in the US. Though most visible in North America, philanthrocapitalism is a cross-border movement. The Skoll Form list of participants already indicates an international trend. The report shows that those billionaires engaging in philanthropy give away approximately 7 percent of their fortune, which average citizens are not able to match. (Bishop/Green 2008: chapter 1)

4 Shaping the World

The desire to leave one's mark on the world is probably part of the human nature. Though many want to make a lasting improvement, few have the means to pursue basically any project that crosses their mind. Although the thought to shape the world according to one's own ideas may originates from an idealistic attitude, this thesis has already tried to red-flag some of the more selfish reasons to do some good. While they might have different areas of influence, the approaches to staying in control are fairly similar.

Influencing higher education is crucial to maintain hegemonic power. Therefore most big foundations now and then try to gain a foothold in the tertiary education sector. There are several methods, the most obvious one being donations to universities.

Bill and Melinda regularly put out a list of the grants they awarded to numerous institutions worldwide on their foundation's official website. It does not fail to impress. During the first half of 2016 a total of 129 entries have already been registered. Over 20 donations were given to individual universities. Strikingly many of them were awarded to the globe's most prestigious and already well-funded colleges, including Stanford, Oxford and Berkeley. Also among them is half of the United States' Ivy League: Yale, Harvard, Columbia and the

University of Pennsylvania. Their share is worth several million dollars. These are only the grants given within less than six months. (Bill and Melinda Gates Foundation 2016)

Granting scholarships is an important means forming the intellectual elite of the future. A significant amount of money is also spend on funding specific research programs and scientific institutes. However, foundations do not prohibit any area of study specifically. They do not tell students what subjects to study or scientists which questions they should tackle next. In that case, scholars would revolt sooner or later. This is not how it works. Still, they guide intellectuals indirectly. A simple explanation is that through financial aid foundations secure jobs for many academics. To put it in a nutshell: people who lead a comfortable and secure life are less likely to rebel. (Parmar 2015: 680)

Hegemonic power works effectively through socialization and indoctrination of the western idea of free markets. For this purpose foundations invest in various institutions, like schools and research programs, to steer the public into directions they are comfortable with. The Rockefeller Foundation spent decades funding scholars from other countries who continued their studies in the States. (Arnove/Pinede 2007: 404) Usually scientists learn quickly which research topics will be funded and more importantly, which ones will not. Enough advice is offered about which issues are recommendable to investigate further. Hence, topics that could put the men and women behind the major foundations in an uncomfortable position are rarely pursued. Thus an international elite predominantly influenced by western culture is created. (Parmar 2015: 681)

By mainly funding universities or in general organizations in rather rich countries, one could doubt their positive effect on the world's poorest. Believers in "trickle-down" economics, like Carnegie, argue that promoting the wealthy subsequently also benefits the poor. After all, rich people are the ones who consume and invest more, create jobs and keep the economic engine running. The theory does show some resemblance to Mandeville's fable. The term "trickle-down" theory is mainly used by its critics, one of them being Cambridge professor Ha-Joon Chang. In his critically acclaimed book "23 Things they don't tell you about Capitalism" he resolved prevalent misunderstandings about the way the economic system works. One of its chapter perfectly summarizes the basic issue, which is that "*making rich people richer doesn't make the rest of us richer*". (Chang 2010: 137) In the 19th century liberal supporters of "trickle-down" argued for the need of reinvestment of income to ensure a growing economy. The poor, they claimed, were lacking the ability to see the bigger picture and exercise abstinence. They

would simply spend all their money right away instead of investing it and economy would eventually drop. (ibid: 140-41)

History proved them wrong. Following the Second World War, the rich of Europe, the United States, Canada, New Zealand and Australia had to pay high taxes. At the same time governmental spending was increased in most of these countries. Instead of its downfall capitalism was strengthened and led to what is now called the “*Golden Age of Capitalism*” between the 1950s and the 1970s. The era ended about a decade later, with a cutting-back of the welfare state as the new policy. The taxation of the rich was decreased too. As a result, inequality rose again. (Chang 2010: 142-45)

It may surprise that philanthropists and their institutions hardly ever come under scrutiny. Once again the power of hegemony works in their favor. There is a general understanding that everyone should be allowed to dispose freely of their assets. After all, the right of ownership is engrained in most people’s perception of right and wrong. Garry Jenkins, a jurist at the University of Ohio, studied the impact of philanthrocapitalism on the legal sector. In one of his studies he noted that people tend to assume the best when it comes to charity. However, Jenkins concluded, those activities, though legal, can still be disputable. (Jenkins 2011: 6) Furthermore, it is tempting to have confidence in the problem-solving abilities of the self-declared social entrepreneurs. It is a reassuring thought to believe that there are people who use their extensive business skills to take care of the most pressing challenges.

4.1 Paternalistic Philanthropists

In contrast to politicians, philanthropists rarely have to justify their actions. Unlike anybody who holds an elected office, they do not need to tiptoe around a subject just to keep the voters’ approval. Without any democratic legitimation, they often have an extensive impact on major issues like global health care, education and environment. (Cobb 2015: 632) It might be important to add that the media *is* catching up to some of the foundations’ ventures. Nevertheless, the validity and the goodwill behind these projects are hardly ever questioned.

The approach to charity of billionaires like Bill Gates is a paternalistic one. If Gates and Co see themselves as some kind of father figures, the recipients of their generosity would be the children who need help becoming independent but cannot be trusted to make their own decisions. A rather well-known critic is the German Peter Kramer, who is a philanthropist himself. “*These guys have so much power through their wealth that they, instead of the*

government elected by the people, can decide what's good and what should be promoted and subsidized," Mr. Kramer says. "That can be dangerous." (Strom 2010)

A symptom of the philanthropists' paternalistic attitude is the "invitation-only" principle, which enjoys a vast popularity with a tendency to rise further. Garry Jenkins came to the same conclusion. He compares the "invitation-only" policies of all major corporate and independent foundations in the United States. While in 1994 only 6 percent had exercised this practice, 29 percent of the sampled institutions fell under this category in 2008. (Jenkins 2011: 29) The number of leading philanthropists adopting a *"don't call us, we'll find you"* approach has risen significantly, as Jenkins summarized. Nearly half of the foundations looked at (48 percent) confirmed that the decisions where to invest in are almost exclusively taken in-house. (ibid.)

Due to their contribution to society, some philanthropists expect certain privileges. Bill Gates at least thinks it appropriate as far as he is concerned. Upon reading his book, he told Thomas Piketty he did not want to pay extra taxes. Piketty famously made a case for implementing a wealth tax to battle inequality. (Piketty 2013: 515) According to an article in *The Huffington Post*, Piketty said at a conference in Boston that Gates approved of everything Piketty has written in his book, except for the part with the taxes. Gates would prefer to pass the proposed tax on to the consumers. Furthermore, he would think it fair to differentiate between the rich who spend the majority of their money on maintaining a luxurious lifestyle and those who invest in companies or philanthropy. The government should apply different tax rates according to how the individuals manage their wealth. (Strachan 2015) The reason for Gate's reluctance is that he fosters the notion of spending his money *"more efficient than the government"*. *"You know maybe he is sometimes,"* Piketty commented (ibid.)

5 Conclusion

Society has always dealt with the question how to handle inequality. Philanthropy is a way to reconcile capitalism and morality. Ironically enough, failures in the charity sector support the very reason of their existence. If foundations succeeded in their quest to solve the globe's problems, they would have to be shut down. Philanthropy depends on reproducing the social hierarchy and thus maintaining the gap between rich and poor. Plainly spoken, it needs the world to stay an unequal place. Since human beings usually have an internalized feeling of what is right and what is wrong, philanthropy is a way to justify extreme inequality and ease one's

conscience. Thorup (2013: 570) explains the different approaches to philanthropy as a widely spread critique of failed or insufficient state efforts. The civil society, he says, is somehow revitalized in its attempts to participate in solving the world's problems. A rather big part of society is does not trust in politicians anymore and therefor turns to the market. By applying business methods to charity, philanthropists found a new way to capitalize on doing good deeds. The confidence of self-proclaimed social entrepreneurs is astonishing. The firm believe in their natural right to sponsor whatever they deem right is an attitude that can be traced back all the way to Carnegie. With a nod to Carnegie, Bishop and Green call the last chapter of their manifesto "The Gospel of Wealth 2.0". In it, they dream of a world where Bono is secretary of the United Nations, Google co-founder Larry Page is elected president of the United States and all wealthy individuals work together to save the world. (Bishop & Green 2008: chapter 15)

Bill and Melinda Gates are probably the most prominent representatives of modern-day philanthropy. Just like many others, their self-assurance and paternalistic approach prevents them from trusting more of their money to governmental control. The recipients of their charity are expected to be grateful for what they are given. They are, however, not invited to share their thoughts with the board or at fancy events like the Skoll World Forum. As a quotation by Linsey McGoey (2015: 241) aptly describes "*the Gates Foundation is there to impart knowledge – they are not there to understand.*" One might be inclined to be lenient towards people who give away a fraction of their wealth. After all, at least some part of the grants of generous billionaires reaches people in need. The catch is those billions have to be acquired before they can be spent. Most of the world's richest philanthropists owe their wealth to the relentless pursuit of profit. The "Big Three" have paved the way. Philanthropists tend to be individuals who financially thrive on inequality. Philanthropy can be seen as an investment to secure a stable business environment and maintaining power. The big names in the field of philanthropy do good as long as it is on their own terms. "*They are here to save the world – as long as the world yields to their interests.*" (McGoey 2015a: 244)

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