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Philanthrocapitalism - Could the Capitalistic understanding of efficiency and productivity be applied to the concept of philanthropy?

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Introduction

Wealthy families & individuals around the world have increasingly taken it upon themselves in recent decades to counter the world's problems with their intangible wealth. They have significantly influenced and changed the implementation of monetary aid at the state level as well as at the societal level. Some of them are even revered for this by the population and sometimes celebrated like rock stars. Foundations such as the Melinda & Bill Gates Foundation or the Rockefeller Foundation, as well as individuals such as George Soros or Michael Bloomberg, are known worldwide. Not only for their services to society & generous projects, but also for their unimaginable wealth.

In 2020, for example, the Melinda and Bill Gates foundation provided nearly \$5.822 billion in direct support to various recipients (Gates Foundation, 2022), while Bill Gates' fortune grew by well over \$35 billion in 2020-2021 alone (Forbes, 2022, Net worth over time). By comparison, the total spending of the entire United States government in 2020 was approximately \$51 billion, which means that the Melinda and Bill Gates Foundation now spends more than 10% of the United States' usual international aid (ForeignAssistance, 2021). This speaks for an ever increasing influence of such foundations but probably also for an ultimately more extended help for people in need, a better, maybe even more effective philanthropic act.

On the one hand, the Cambridge Dictionary defines philanthropy itself as „the activity of helping the poor, especially by giving them money“ (Cambridge Dictionary, 2022). This definition presupposes a connection to monetary aid, which enough people, especially from poor countries, would disagree with (Tedx Talks, 2019). Can a person from a poor country therefore not be a philanthropist?

The Center for Philanthropy Studies from the University of Basel, on the other hand, defines philanthropy as a much broader and general act, summarizing it with the phrase: „Philanthropy includes any private voluntary act for a charitable purpose“ (Center for Philanthropy Studies, 2022, Was ist Philanthropie?). Assuming this definition, each of us can be a philanthropist and help people in need, as this goes far beyond monetary interactions.

So it quickly becomes clear that the field of philanthropy is a very controversial one, not least since in many cases it could be linked to the „old“ concept of „development“ (Ingham, 1993), which is itself a very controversial one (Rapley, 2004). However, philanthropy has evolved and adapted just like the concept of development in recent years.

Thus, from the concept of philanthropy, the concept of Philanthrocapitalism has emerged, whose word linkage has at first glance actually quite little to do with the actual principle, the often "good" philanthropy. The basic values of the capitalistic system like market-orientation, result-orientation oder even competition and philanthropy do not seem to harmonize that well at first sight nowadays.

Main-Part - Philanthrocapitalism

History of origins

Philanthropy itself is as old as the humankind, considering that even kings/queens & pharaohs like e.g. King Mansa Musa, probably the richest person in the history of mankind, have helped people in need through donations and support & projects building up on education and healthcare (Mohamud, 2019). However, the „privatization“ and use of capitalistic tactics into philanthropy only took place in recent decades, as in many other areas of life, also due to an general dominant neoliberal political understanding.

Ted Turner, the founder of the CNN news service, made a first step in the direction of privatization of donations and charities in 1997. He declared a planned donation of 1 billion Dollar to the United Nations in 1997 (Turner, 2017). It quickly became clear, however, that the act was illegal, leading to the liberalization of corresponding laws and to the creation of the U.N. Office of Partnerships, which nowadays can hardly keep up with requests (Bishop, 2013).

Mr. Turner also gave a speech at the U.N. in which he called on other billionaires to donate their money and use it for the good of society. Two of the most significant milestones on this path to date are the donation of half of Warren Buffet's fortune to the Melinda and Bill Gates Foundation, announced in 2016, and the "Giving Pledge" project set up by Warren Buffet and Bill & Melinda Gates in 2019 (Bishop, 2013). This project commits billionaires to donate a large part of their money to a good cause, either in the course of their lives or after their demise.

To date, more than 230 billionaires from over 28 countries have agreed to do so (The Giving Pledge, 2022). Nowadays, there even exists an so called "Global Philanthropy Environment Index", which now includes 79 different nations & their private benefactors (Lilly Family School of Philanthropy, 2018).

The concept of Philanthrocapitalism was first introduced in 2006 by Matthew Bishop in an article published in the Economist (Bishop, 2006) and established in collaboration with Michael Green in their joint work: "Philanthrocapitalism: How the Rich Can Save the World" from 2008. In this book, Matthew Bishop describes Philanthrocapitalism as the ongoing evolution of the conventional understanding of philanthropy in two major areas (Bishop & Green, 2008).

First, the book describes Philanthrocapitalism as the adoption of time-honored business tactics from the corporate world into philanthropy. This means the application of capitalistic oriented models and ideas, making philanthropy much more aligned with its outcomes, more cost-effective as well as more business-like.

Second, it describes how philanthropists in Philanthrocapitalism follow the concept of capitalism. The idea is to support as a philanthropist the general system of capitalism, which is assumed to lead to an increased standard of living for all. Thus, at the same time as the aid and support, measures are to be taken for the general expansion of capitalism.

Whereby it is to be noted that a majority of the today active philanthropists owe their fortune to the system of capitalism (Eikenberry & Mirabelle, 2018) and thereby are maybe already partly convinced of the concept of the Philanthrocapitalism, because they have already experienced firsthand how these tactics have worked out well, at least for them.

Current situation

The book "Philanthrocapitalism: How the Rich Can Save the World" by Matthew Bishop was published only a few days after the 2008 financial crisis in which the bank "Lehman Brothers" went bankrupt (Swedberg, 2010). Many people, including Geoff Mulgan, co-author of the book "Just Another Emperor? The Myths and Realities of Philanthrocapitalism" from 2008, assumed that Philanthrocapitalism would not survive this crisis (Bishop, 2013).

However, if we now take a look at the redistribution of capital in our capitalistic system at times of financial crisis, and as we have also experienced again in the last 1-2 years due to the Corona pandemic (Picchi, 2021), it quickly becomes clear that the rich in our society are more likely to benefit from such a crisis than anyone else (Bodea et al., 2021), which in principle speaks for even more possibilities or opportunities for the "good" use of their money & allows an even stronger influence of Philanthrocapitalism or philanthropists worldwide.

However, it must be recognized that even if the sums of donors and benefactors sound unimaginably high to ordinary people, it must be admitted that sometimes these organizations have only a very limited scope of influence.

This problem becomes obvious when one has a look at the initiative of Micheal Bloomberg, founder of Bloomberg Inc. and former mayor of New York. As an ex-smoker, he wanted to start a campaign against smoking (Bloomberg Philanthropies, 2021). On the one hand, through his mandate, he enacted a ban on smoking indoors in New York, on the other hand, he donated a considerable private sum to the fight against smoking. According to him, the political decision was much more far-reaching and had far more influence (Bishop, 2013). So even billionaires seem to come to the conclusion that many of the problems can not be solved simply with money and that political decision-making power still seems to be more valuable.

Micheal Bloomberg is also one of the best, if not the only, example of how Philanthrocapitalism and the reflection on market strategies could work out well. During his time as a mayor, he also had projects that he considered as too risky for the general taxpayer so he let paid them by philanthropists who wanted to help the city (Bishop, 2013).

So the problem with Philanthrocapitalism nowadays is not the necessary money, but rather the fact, that this concept of Philanthrocapitalism involves the notion of any economic intervention, that is mostly carried out as a top-down approach (Edwards, 2009) from foundations and wealthy individuals to, in most cases, the poorest of the world.

This can be compared very well with the discourse about the state of development-theories. Here, too, the question whether a top-down approach would be better than a bottom-up was a big challenge for many years, but this now seems to be slowly changing (Crescenzia & Rodríguez-Pose, 2011).

However, not in the case of Philanthrocapitalism, because there, in the end, often only a single person or group determines measures for entire populations without their consent. This can likewise lead to a form of White Supremacy (Philanthropy Network Greater Philadelphia, 2020), widely known especially in development assistance, which states that people of certain regions and main colors have an arrogant opinion towards what they believe are people in need of help, often with less material valuables. There are, with a few exceptions such as Mo Ibrahim (Mo Ibrahim Foundation, 2022), of course only a few philanthropists from economically weaker regions.

An example of such a top-down approach would be an education initiative funded by the Melinda and Bill Gates foundation since 2009 totaling more than 1 billion Dollar, which ultimately resulted in even worse outcomes for teachers and students than before the initiative (Berke, 2018). Reasons for the failure of this initiative might have been the assumptions that Controlling Teachers, which was part of this initiative, has not really been an adequate approach to cooperate with teachers on an equal footing and to address their local problems and challenges. It could remind one of a quality control as we know it from the business world.

So clearly we see that the concept of Philanthrocapitalism has made its way into philanthropy and is a major contributor to current policies and initiatives. Fundamentally, after all, the capitalistic system has prevailed for a reason, as it promises greater efficiency and cost-utilization calculus. But are these really the things that should matter in philanthropy? If you think of it as business, probably so.

Advantages and disadvantages of Philanthrocapitalism

There are, of course, some factors in favor of considering philanthropy as a business, but also just as many against.

In favor, of course, speaks the flexibility that comes with an organization that adheres to business maxims and sticks to private funds. This flexibility and commitment have long been lacking from states and governments around the world, which has also been one of the main reasons for the need to rely on private donors in the first place.

Quite apart from this, one can assume that such a focus on capitalistic methods will also lead to greater competition. In the real economy, people tend to compete rather than cooperate, which means that this could also extend to the field of philanthropy.

In principle, this is not a bad thing, as competition stimulates business and thus provides fertile ground for new ideas and innovations, but it also contradicts the general understanding of philanthropy, and it is questionable whether the principle of competition would work at all apart from services (Edwards, 2008).

However, many of the philanthropists active today are quite old anyway, which means that most of them grew up with these principles and also built their business through them (Eikenberry & Mirabelle, 2018). Nowadays, the times have changed and so one hopes the new generation of philanthropists could do justice to their role. Unfortunately, it is questionable whether they have the necessary competence, as in the case of the previous generations (Bishop, 2013).

Another important point to consider, especially in the case of philanthocapitalism are taxes. Taxes is one of the major issues in philanthropy, and many philanthropists are still suspected of having developed their philanthropic generosity primarily because of tax issues (Edwards, 2009). However, it must be said that just because an initiative saves taxes, it can still help people, of course. It should only be checked behind on which background a project is financed. But these calculations are also part of the new understanding of philanthropy, the Philanthrocapitalism.

In the case of Philanthrocapitalism, however, the lack of transparency is probably much worse. Be it in the case of the balance sheets and books, the goals & involved persons behind the projects, as well as an almost completely missing discussion about the failure of projects (Bishop, 2013). Donors usually decide for themselves how and in which form the project and their cooperation should be published and if a project fails, it is in most cases swept under the table.

Only a few people know about the failed philanthropic projects of our time and the billions of Dollars burned, such as the planned "Green Revolution of Africa" by the Melinda & Bill Gates Foundation (Raisiere, 2020), or just about any project that has made it its mission to improve water quality in a given area. Because "Waterborne diseases are usually transmitted through more than just the water supply; simply improving the water supply may not be enough, and changing hygiene behavior may be difficult." (GiveWell, 2022, Ineffective Programs).

However, it should also be said that for most projects, exact influences and impacts cannot be determined anyway, which can make it quite difficult to assess and compare them.

But whether government, foundation, or even private individual, they all face the danger of risk aversion (Bishop, 2013). Many philanthropic projects have a high risk of failing or not being truly effective. It is safe to assume that when people fund initiatives with their private money, their pain threshold is different than when it comes to government funding. Precisely because of this, there is a fear that this danger will shift the focus to purely results-oriented projects in times of Philanthrocapitalism.

Moreover, the long-term nature of current solutions should be questioned (Edwards, 2009). The initiatives that can be assigned to Philanthrocapitalism are mostly based on mathematical calculations, cost-benefit models and the question of profitability. This is in many cases higher in short-term projects, even if their effect is not as sustainable for the population. Likewise, our current capitalistic-based system lacks in the area of sustainability.

Ultimately, beyond the problems just described, there is also a danger that a privatization of foreign policy can creep in, where private financiers have more influence than actual politicians or other relevant actors (Edwards, 2009). In our capitalistic system, they are very powerful because of their capital, and through Philanthrocapitalism they can build up power in areas that have been closed to private individuals and organizations for most of the time.

In complete contrast to the statements of Michael Bloomberg mentioned before, however, are e.g. the deeds of the Melinda and Bill Gates Foundation. The Gates Foundation has demonstrably succeeded in gaining a great deal of influence in the WHO and in helping to shape it, thereby influencing the entire world health policy (Birn, 2014).

In the end, in the case of Philanthrocapitalism, there will always be a contradiction. On the one hand, there is the public interest, and on the other, private wealth. How can these two areas be reconciled? One could give the fortune from private hands into public ones, or also the public could determine what should happen with the money.

But as long as one of the two sides will not give up its decision-making power in this question, it will always come to the contradiction of public interest & private money, which will lead to ever more rising gap between philanthropy and the ordinary population.

Conclusion

But to return to the question of whether the capitalistic understanding of efficiency and productivity could be applied to the concept of philanthropy and thus make it a better system? In principle, the answer to this question is yes.

As the examples already mentioned show, such tactics and practices are already part of philanthropy, but this also raises the question of whether it is necessarily a better system than philanthropy a few years ago.

From a change to Philanthrocapitalism and the adherence to market principles, an enormous opportunity emanates. Philanthrocapitalism offers the chance to do something good for our planet with fewer constraints and regulations and based on already proven systems, but simultaneously at the risk of privatizing parts of our general policy and putting it in the hands of individual entrepreneurs or organizations.

Most of the failed projects are sold as a valuable experience to learn and avoid the same mistakes (Ramdas, 2011), which is quite true, we learn from our mistakes. But this does not form a transparent and open communication with the population, which should also know about the failed projects. So both the population and the funders can learn from these mistakes.

One of the biggest concerns is, that no attention is paid to the previous knowledge, which was made by decades of work of NGO's and comparable organizations or persons. The same, if not even worse mistakes are made, because in the case of Philanthrocapitalism in many cases the opinion of one or a few persons prevails. That leads to the fact, the philanthropic acts do not necessarily have to agree with the current scientific state for such interventions or aids. Thus, valuable results of decades of work in the field of philanthropy are lost or are not taken into account strongly enough (Edwards, 2009).

Our general policy has already become a professional policy, in which completely new values and approaches are important. Do we really want to see helping people, a philanthropic act, also as a business?

Fortunately, we are still far from seeing all philanthropy as a business. Many of the projects started so far in Philanthrocapitalism have failed, or have not led to the desired effect (Edwards, 2011), often not even in terms of influence and power for the funder. Thus, it has already turned out that the field of philanthropy is in the fewest cases compatible with the maxims of capitalism, whereby one can make the assumption that it will not prevail. Provided, of course, that the overall influence gained is limited and not worth the „cost“. If it isn't limited or ultimately worth the cost, Philanthrocapitalism could pose a much bigger problem for our society than most of us could imagine today.

In the end, I would say that we could all agree that our current system has already shown that a sole focus on business interests, or a privatization of certain political and social areas, has simply not been effective or sustainable for us as a humanity. It is therefore important, especially in the area of Philanthrocapitalism, to be careful not to make the same mistakes again, in order to be able to weigh the opportunities that such a concept brings with it.

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