

Philanthropy and Inequality

Reviewed By Robin Rogers

Stanford Social Innovation Review

May 15, 2013

Philanthropy, which translates as “love of humanity,” is often presumed to be “good” by definition. It is also widely understood to be redistributive because it takes money from the wealthy and uses that money to improve conditions for those who are less fortunate. But what if philanthropy does not diminish inequality? What if it increases and further institutionalizes the gap between the rich and the poor? Would we still view philanthropy as being unconditionally good?

Consider this finding by noted economist Emmanuel Saez: Between 1993 and 2010, the average real incomes of Americans in the bottom 99 percent of the income scale increased by only 6.4 percent while members of the top 1 percent saw their incomes grow by 58 percent. “This implies that top 1 percent incomes captured slightly more than half of the overall economic growth of real incomes per family over [that] period,” Saez notes. (*Italics added.*) Even former US Federal Reserve Chairman Alan Greenspan, a devotee of the libertarian philosopher and novelist Ayn Rand, expressed concern that the United States is developing two distinct and diverging economies.

What is the relationship between philanthropy and inequality? Economist Kevin Laskowski has argued that private foundations are often primarily investment companies that use some of their excess cash flow for charitable purposes. The increase in foundation giving between the 1970s and 2000s, Laskowski has shown, correlates with an increase in the total income share of the top 1 percent. Correlation is not causation, of course. I doubt that foundation giving caused the increase in the share of income that went to the top 1 percent. It is much more likely that other factors have driven both developments. Still, the association between increased economic inequality and increased foundation giving does undermine the assumption that philanthropy reduces inequality.

[Read the full review.](#)

**Subscription required.*