

Moving philanthropy from the margins to the center

By Robert Reich, Chiara Cordelli and Lucy Bernholz

This article is adapted from the book Philanthropy in Democratic Societies.¹

PHILANTHROPY IS EVERYWHERE.

In the United States and most other countries, we see philanthropy in all areas of modern life. Individuals use private resources to support public benefits of myriad kinds, including poverty relief, education, health care, cultural and artistic expression, international aid and associational organizations of a thousand different stripes. Sometimes we use philanthropic resources to complement and sometimes to counteract public choices about the allocation of public or taxpayer funds. Philanthropic activity comes in many forms, from large gifts from a few individuals to small donations of money and time from almost everyone, from charitable organizations to private foundations to informal giving circles.

In the United States, philanthropic activity supports a kaleidoscopic nonprofit sector of well more than one million organizations that accounts for approximately 10 percent of the labor force and that touches the daily lives of most citizens. In 2013, total giving in the United States was estimated to be \$330 billion, an amount larger than the size of the gross domestic product of many countries.

Philanthropy is not just a beneficent activity or a funding mechanism. It can also be a form of power. When Diane Ravitch, former assistant secretary of education, describes Bill Gates as the “unelected superintendent of American schools”;² or when Stephen Edwards,

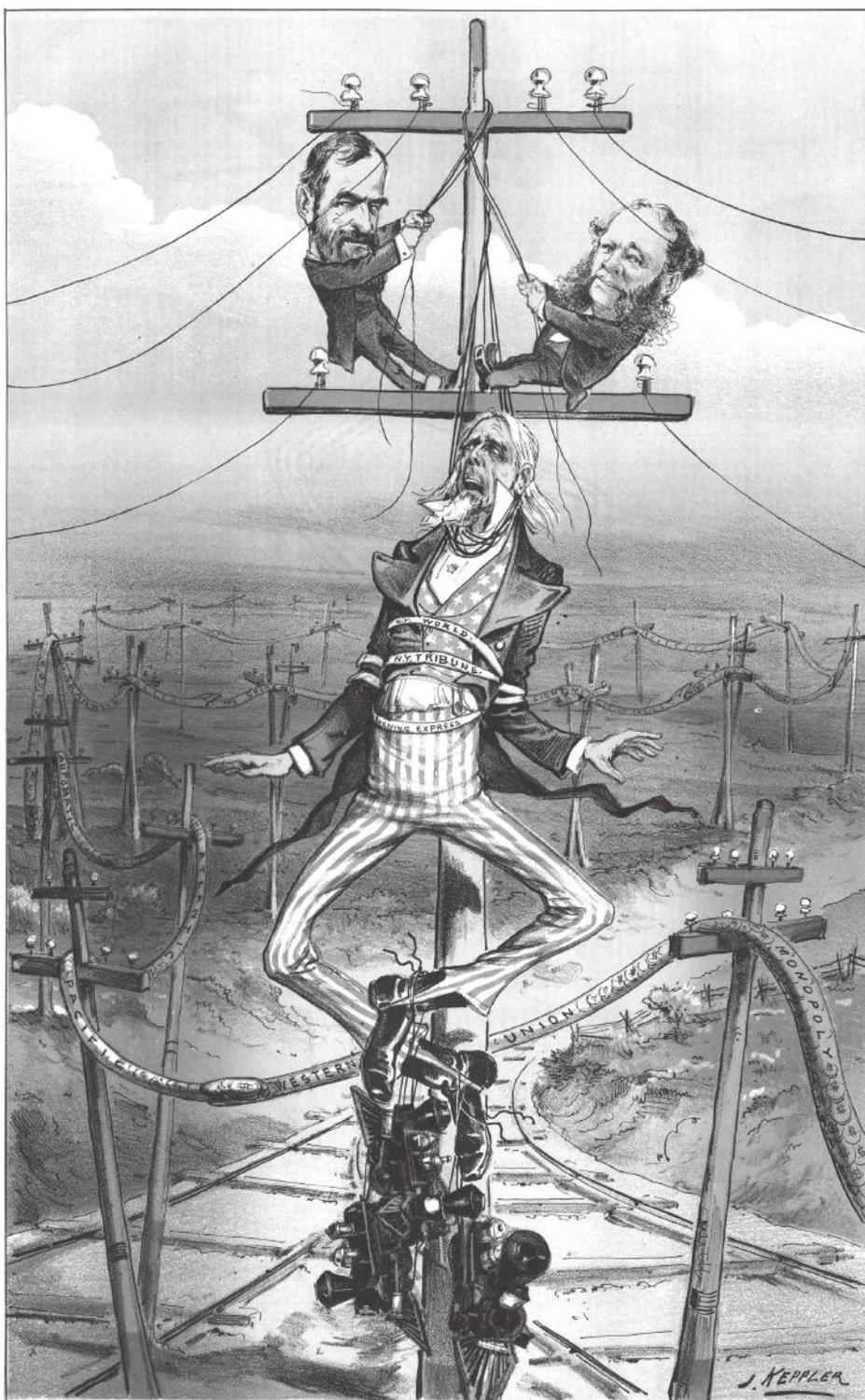
a policy analyst at the American Association for the Advancement of Science, reports to the *New York Times* that “the practice of science in the 21st century is becoming shaped less by national priorities or by peer-review groups and more by the particular preferences of individuals with huge amounts of money,”³ they are referring to philanthropy as an exercise of private, and yet politically sa-

lient, power. When scholars document the shift in American associational life from mass membership organizations to groups managed by professionals who collect donations, rather than volunteer hours, from members, they are describing a significant change in the power wielded by average citizens in civic life.⁴

As with all forms of power, the practice of philanthropy triggers important questions concerning its typology, emergence, legitimacy, discretion and distribution. What kind of power – private or political – is philanthropy? How does this power interact with the economic power of market actors and the political power of states? Is the exercise of philanthropic power justifiable and compatible with the fundamental values of a liberal democratic state? What kind of discretion should powerful philanthropic actors possess? What kinds of philanthropic activity should be encouraged, merely permitted, strictly limited, or banned? How is the distribution of philanthropic power affected by and, in turn, how does it affect the distribution of economic resources and political influence across society? These are questions worthy of the attention of scholars across many disciplines.

Yet philanthropy has not received much attention from scholars. Those few who have examined philanthropy have ignored the particular challenges that philanthropy raises in democratic societies. When is philanthropy good or bad for democracy? How does, and should, philanthropic power, which tends naturally to be exercised by the wealthy, interact with expectations of equal citizenship

When is philanthropy good or bad for democracy? How does, and should, philanthropic power, which tends naturally to be exercised by the wealthy, interact with expectations of equal citizenship and political voice in a democracy?



THE TWO PHILANTHROPISTS.
 "Don't fret, Uncle Sam, we only want to make a bigger man of you!"

and political voice in a democracy? What makes the exercise of philanthropic power legitimate? What forms of private activity in the public interest should democ-

racy promote and celebrate? What forms should it resist or restrain?

Philanthropy in Democratic Societies arose out of a conviction that phi-

lanthropy plays a significant and growing role in democratic societies – in the provision of social services, in cultural activity, basic research, policy advocacy, political engagement, religion and, of course, in associational life. And yet philanthropic activity resides at the margins of scholarship, a bit player in the overall ordering of human affairs, especially when compared to markets and governments. Our aim in this book is to make philanthropy the visible object of scholarly scrutiny, to move philanthropy from the margins to the center.

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PHILANTHROPY AND DEMOCRACY

From its Greek roots, philanthropy means “love for humankind.” And we generally think of philanthropy as the practice of voluntary donations – donations of money, property, time and body parts, such as blood – aimed at producing some other-regarding or prosocial benefit. In this respect, philanthropy is generally associated with altruism, charity and benevolence. But this general and vague definition is far from settling the question of what counts as philanthropy.

Philanthropy can refer both to actions and to institutions. We can think of philanthropy both as a form of individual giving and as a complex economic and policy structure – as the institutionalized practice of privately funding the production of public benefits. If regarded from the first, agential perspective, philanthropy stands apart from other forms of giving, such as gift-giving to friends and family, and from spending for private consumption. If looked at from the second, structural perspective, it stands apart from alternative, institutionalized mechanisms of finance, such as taxation or market exchange.

Let us start by looking at philanthropy as a special kind of act. What makes an act “philanthropic”? What makes philanthropic acts distinctive and dif-

ferent from other kind of acts, say, gift-giving or spending?

One way to answer these questions is to define the philanthropic act by reference to the subjective motives and intentions of the donor. There are, however, problems with defining the philanthropic act in this way. First of all, we would need a definition of what motives or intentions count as truly philanthropic. Does an act motivated by love toward one's own children – say, the act of donating money to their current, well-off school so as to increase their educational advantages – count as philanthropic? Certainly children, including one's own children, are a part of mankind, but many would reject the idea that acts motivated by the particularistic love for those near and dear to us qualify as philanthropic.

Second, the presence of philanthropic motives, even when concerned with benefiting strangers or the public at large, seems insufficient and perhaps not even necessary to qualify an act as philanthropic. What if one acts out of “love for mankind” but that act turns out to produce harmful consequences for third parties instead? Would the act still count as philanthropic? And what if, by contrast, one's act produces very good consequences for mankind – helps to save many lives or send many poor children to school – but it is mainly motivated by what economists call a “warm glow” – a desire to consume the emotional benefit of feeling that one is doing something good? What if the motive for giving is entirely self-serving: by a wish to be praised by others or by the desire for prestige or social status? Should that act count as philanthropic, in spite of the nonphilanthropic motives? Perhaps motive is not all that matters.

Another option is to define the philanthropic act not only by reference to motives but also by reference to the form of the act, as well to the particular means or institutional forms through which

the act occurs. According to this view, even if an act is motivated by “love for mankind,” it cannot be a philanthropic act unless it comes under the form of a voluntary donation and channeled via specific kinds of institutional arrangements or particular organizations. By this standard, a decision, for example, to buy fair trade products so as to benefit the economy of developing countries and thus to help those living in conditions of need in those countries would not count as a philanthropic act. Similarly, paying taxes out of a strong commitment to support a social safety net does not count as a philanthropic act.

Limiting philanthropy to voluntary donations helps us to understand it as a distinctive form of exchange, different from both spending and taxation. Unlike spending, philanthropy is nonreciprocal, at least insofar as there are no immediate returns from or consumable goods purchased with the act of giving. Unlike taxation, philanthropy is voluntary, rather than coercively enforced.

But at this point a further difficulty arises. Does a donation to a pauper in the street count as an act of philanthropy? Certainly this is a voluntary donation and an act of almsgiving, and yet some would object that it is not a philanthropic act. They argue that philanthropy is a legal term, picking out voluntary donations to certain kinds of organizations, such as nonprofit or nongovernmental organizations, not to specific individuals, however needy. Donations to formal organizations, but not to specific individu-

als, are frequently offered advantageous tax treatment. According to this legalist definition, a donation qualifies as an act of philanthropy only when it is recognized as such by the law, specifically by the tax code.

Finally, one may consider an act of philanthropy to be unconsummated until some public benefit actually results from that act. Here the focus is not on the motive for or the form of the act but rather on its ends or outcomes. A focus on outcomes avoids the “everything goes” problem. Mere wishes or good intentions are not enough to qualify an act as philanthropic. Results matter as well.

And yet, there is a problem with an outcomes-based approach: how should outcomes be defined and by whom? Who should be in charge of defining what counts as the “public benefit” toward which philanthropic acts need to be directed in order to count as fully philanthropic? Should donors themselves decide what counts as public benefit? Should public benefit be limited to whatever is recognized as such by the law or by the tax code? Should an objective, moral theory of value provide the ultimate criteria that define the appropriate ends of philanthropy? Or should the demos – citizens standing as equals in a democratic community – decide what counts as public benefit and thus as philanthropy?

If we look at philanthropy from a structural perspective, as a part of a society's economic and policy structure – an institutionalized mechanism

New and Renewing Members

Blue Shield of California

Bush Foundation

Evelyn and Walter Haas Jr. Fund

Hewlett Foundation

Humboldt Area Foundation

John and Catherine MacArthur Foundation

Lumina Foundation

Silicon Valley Community Foundation

for privately funding the production and provision of important goods – we face similarly complex questions. First, we need to identify the constituents of this structure – what forms of organization and what kinds of institutions frame and define this funding mechanism, as opposed to other funding mechanisms, such as the market and the state? What is the “space” that philanthropy occupies in the economic structure of a society?

Of course, these questions can be answered both descriptively and normatively. From a descriptive perspective, we can refer to history, organizational theory and political science to find out how philanthropic organizations and institutions, as well as their social role and power, emerged, developed and changed over time. Has the role of philanthropy changed throughout history or only its organizational forms, or both? Historically, how have the boundaries between the philanthropic sector, the market sector and the public sector been drawn? From a normative perspective we should ask, what is the appropriate role or distinctive function of philanthropy as an institutional structure within democratic societies? And what is the moral ground of, and what moral limits should be placed on, the exercise of philanthropic power?

In order to answer these questions, we need some independent standards. The benchmark we used is provided by fundamental political values, including the values of liberty, equality and social justice. How to specify these values is itself contested terrain. When does philanthropy become an illegitimate exercise of power? Are there things philanthropy should not be expected to accomplish in a democracy? When is philanthropy beneficial to or disruptive of democracy?

Here, by “democracy” we do not mean only a particular system of government characterized by free and fair elections or some appropriate form of

representation. We mean, much more generally, a society committed to a fundamental principle of equal concern and respect for its citizens. This principle manifests itself when citizens stand in equal relation to one another, formally equal under the law and possessing equal opportunity for political influence and participation. This democratic principle implies a society where socioeconomic inequalities are sufficiently limited so as not to threaten the ability of individuals to relate as equals within the public domain, and a society characterized by respect for, protection of, and fulfillment of fundamental basic liberties (such as freedom of conscience, speech and association). So defined, democracy reflects a concern with both outcomes (e.g., limits on material inequality) and procedures (e.g., equality under the law and equal opportunity for political participation).

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Philanthropy in Democratic Societies provides a genuinely fresh look at philanthropy as a hybrid and ever-changing form of public and private power. It also underscores the enduring importance of philanthropy in democratic life generally, and in American democracy specifically.

Moving philanthropy from the margins to the center of scholarly inquiry permits a task at the heart of any inquiry about democracy: understanding the complex division between what is public and what is private, tracing the evolution of that division over time, identifying the public dimensions of private wealth and power, and recognizing when private action supports or, alternatively, threatens the public interest.

Philanthropy in Democratic Societies provides an integrated, multidisciplinary exploration of philanthropy’s role and legitimacy in a democratic society, revealing how such a focus can open up

powerful analytical vistas or conceptual possibilities for understanding shifts in the pursuit of the public interest and under what circumstances private action and the public interest are aligned. We are at once appreciative and critical in outlook, motivated by the idea that the broadest understanding of democratic life requires an engagement with the historical development, institutional embodiments and moral grounds and limits of philanthropy. ■

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Notes

1. Reprinted with permission from *Philanthropy in Democratic Societies*, by Rob Reich, Chiara Cordelli and Lucy Bernholz, published by the University of Chicago Press. © 2016 The University of Chicago. All rights reserved.
2. As quoted in chapter 4 for the book, by Aaron Horvath and Walter Powell.
3. William J. Broad, “Billionaires with big ideas are privatizing American science,” *New York Times*, March 15, 2014, <http://www.nytimes.com/2014/03/16/science/billionaires-with-big-ideas-are-privatizing-american-science.html>.
4. Theda Skocpol, *Diminished Democracy: From Membership to Management in American Civic Life*, (Norman: University of Oklahoma Press, 2003); Robert Putnam, *Bowling Alone: The Collapse and Revival of American Community* (New York: Simon & Schuster, 2000).