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Philanthrocapitalism and its critics

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Abstract

In 2006, an article in the *Economist* magazine introduced the term ''philanthrocapitalism'' to describe a trend sweeping philanthropic institutions: the tendency for a new breed of donors to conflate business aims with charitable endeavors, making philanthropy more cost-effective, impact-oriented, and financially profitable. Underpinning the rise of philanthrocapitalism is the idea that to do good socially, one must do well financially: public and private interest are strategically conflated and touted as intrinsically mutually compatible. I suggest that far from being a new concept, the deliberate conflation of public and private interest resonates with eighteenth-century perceptions of the moral value of capitalism: the debatable view that capitalism helps to mitigate political strife and foster cooperation among nations, promoting the public good through individual economic enrichment. Building on work by Albert Hirschman and Marcel Mauss, this article argues that paying more attention to the moral underpinnings of philanthrocapitalism helps to nuance and to challenge the growing salience of the ''new'' philanthropy.

1. Introduction

On October 4, 2008, just weeks after the collapse of the investment firm Lehman Brothers Holdings, Inc., international news headlines bore grim reports of the ongoing financial crisis. An article in the UK's *The Daily Telegraph* asked, ''are we witnessing the end of the capitalism red in tooth and claw that some of us have known and loved?'' Canada's *The Globe and Mail* suggested, ''the debilitating credit crisis has knocked the U.S. from its perch as the supreme economic power. The climb back up will be steep.'' A piece in Melbourne's *The Age* stated, ''the mood in the US is sullen, resentful and angry—and very fearful.''

Matthew Bishop and Michael Green, authors of *Philanthrocapitalism: how the rich can save the world*, seemed more upbeat. In an email circulated to mark the book's publication, the authors write:

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Dear friend,

Today's the day. ''Philanthrocapitalism: How the Rich Can Save the World'' is officially published. We had a great launch, including an interview with President Bill Clinton, who recommended it to the members of his Clinton Global Initiative, saying ''it is about you''.

Some people have commiserated with us for our timing, launching our book just as capitalism is falling apart. But we believe the financial crisis makes our message more timely than ever, for three reasons. First, the super rich are likely to fare far better than everyone else during this crisis. Look at Warren Buffett, who has already invested in Goldman Sachs and GE at a bargain price. Second, government budgets will now be tighter than ever, so there will be even more demand for philanthropy. Third, every philanthropic dollar will need to be used more effectively than ever, so the new businesslike approach we call philanthrocapitalism is even more necessary.

We have launched a website and blog to support the book, which includes video interviews and several chapters on the history of philanthropy that we did not have room for in the book, but which we highly recommend! Check it out at http://www.philanthrocapitalism.net

Please spread the word,
Matthew and Mike[1]

This book has become a manifesto for a new generation of philanthropists who aim to apply market strategies to philanthropic giving, by their own account fundamentally reshaping the strategies, operating style and effectiveness of the charitable sector. One year after its UK publication, a second edition was published in the US with a slightly different title: *Philanthrocapitalism: how giving can the save the world*.

What is the ethos and nature of philanthrocapitalism, and how specifically does it differ from earlier approaches to charity? Since 2008 the term has begun seeping into common parlance, and yet among social scientists there has been a near absence of critical attention to its origins, contradictions and implications.[2] At first glance, the term's oxymoronic character could not be more pronounced. Fewer phenomena seem more divorced than philanthropy and capitalism, the former a realm of 'pure' altruism and the latter a realm of 'pure' profit maximization. In this article, I address the dearth of attention to philanthrocapitalism by taking the seeming incongruence of the term as a point of departure. I suggest that apparent conflict over the term reverberates throughout questions over what the phenomenon is and whether it is new or not.

Does philanthrocapitalism represent a new market strategy for profit augmentation, a new form of charitable giving, or a revolutionary combination of both? The short answer is: it represents all and none of those things. Philanthrocapitalism is both less novel than proponents claim, and more novel in ways that proponents have either failed to envision or are reluctant to articulate. The key explicit claim of the new philanthropy is that markets and morals are not distinct phenomena, but rather commensurate goods. By harnessing the power of the market, proponents such as Bishop and Green suggest, philanthrocapitalism inevitably raises the welfare of a wider community.

Against the widespread assertion that such a trend represents a radically different approach to social welfare, I argue that the explicit conflation of markets and morality, of public and private spheres, is hardly new. Rather, it resonates with long-held economic assumptions of the moral advantages of capitalism. In particular, it echoes the well-known contention voiced by Adam Smith in *The Wealth of Nations* and reiterated by successions of economists since: the idea that markets left to their own devices naturally contribute to the common good (Smith, 1982 [1776]).

[1] The email was sent by Bishop to media and academic contacts, including myself.

[2] Notable exceptions include work by Edwards (2008, 2011), Jenkins (2011), and recent articles in a special symposium of *Society*. See in particular Ramdas (2011) and Rogers (2011). Scholars within development studies and anthropology are beginning to investigate the emergence of philanthrocapitalism. See Rushton and Williams (2011), Richey and Ponte (2011), as well as a recent panel of the 2011 meeting of the American Anthropological Association organized by Denielle Elliott and Elsa Fan.

Drawing on Albert Hirschman's analyses of Smith's work, as well as anthropological and sociological literature on gift economies, this article explores historical antecedents to the new philanthropy. I argue that what is most novel about the new philanthrocapitalism is the openness of personally profiting from charitable initiatives, an openness that deliberately collapses the distinction between public and private interests in order to justify increasingly concentrated levels of private gain.

2. The rebirth of an old trend

Coined in a 2006 *Economist* magazine article, the term philanthrocapitalism is developed most fully in the recent book from Bishop, an editor at the *Economist*, and Green, a former policymaker at the UK's Department for International Development (Bishop and Green, 2008). Bishop and Green propose that the term can be defined in two ways. First, they argue, philanthrocapitalism is a new way of doing philanthropy, one "which mirrors the way that business is done in the for-profit capitalist world. Entrepreneurs don't just want to write cheques. They want to be hands on, bringing innovative ideas to scale by investing their time and energy." Second, the term philanthrocapitalism captures "the ways in which capitalism itself can be philanthropic, working for the good of mankind . . . the winners of capitalism increasingly see giving back as an integral part of being wealthy."[3] A key claim of the new philanthrocapitalism is that altruism is a useful business strategy. Becoming more philanthropic is integral to, as Bishop and Green state above, 'being wealthy.' Charity is good business, an explicitly advantageous strategy for profit augmentation (see Economist, 2006, 2008).

Philanthrocapitalism has emerged in the same era as microfinance and social entrepreneurship. Despite much debate over the differences and commonalities of these three distinct phenomena, Bishop and Green treat them as intersecting trends.

Social entrepreneurship was first championed by Bill Drayton, the founder of Ashoka, a non-profit organization set up in Washington, DC in the 1980s to fund 'changemakers'—civically minded individuals working creatively for social and not economic gain. From its origins as a resource for promoting community organizers who work on a non-profit basis, the field has expanded to encompass for-profit trends such as social impact investing, in which individuals may earn a return for investing in funds that provide venture capital and other resources to social enterprises (Nicholls, 2010). Increasingly, social entrepreneurship is being championed within business schools as an antidote to some of the corporate sector's less salubrious activities, with centers for social entrepreneurship launched at institutions such as Harvard, Stanford, Oxford, Duke and Columbia (see Leadbeater, 1997; Martin and Osberg, 2007; Nicholls, 2006).

Governmental interest has swiftly followed academic enthusiasm. In the UK, Prime Minister David Cameron has suggested that social entrepreneurs will be key to conservative government efforts to build "social wealth" in a range of communities. In early 2009, the Obama administration created an Office of Social Innovation to foster collaborations in the US between the public sector and entrepreneurs. At the international level, the Schwab Foundation, established by Klaus Schwab, founder of the World Economic Forum, and the Skoll Foundation, set up by eBay co-founder Jeff Skoll, have emerged as networking epicenters for established and would-be entrepreneurs. Social entrepreneurs and investors descend upon high-profile

[3] The quote is taken from Bishop and Green's website, available here, http://www.philanthrocapitalism.net/about/faq/ (accessed February 2012).

conferences such as the Skoll World Forum, which is held annually at the University of Oxford, to liaise with venture philanthropists and pitch start-up enterprise plans.

The larger and more influential the concept of social entrepreneurship has become, the more contested and contradictory the objectives of individual entrepreneurs appear. There is, as Nicholls writes, considerable debate over whether social entrepreneurship represents a new model of social change; a solution to state failures in welfare provision; a new model of political empowerment; a new market opportunity for business; or an uneasy combination of all of the above (Nicholls, 2006, 2009).

There is also debate over whether the new philanthropy is, and ought to be, a vehicle for private profit augmentation. Although Bishop and Green assert that a marked feature of philanthrocapitalism is the realization and embrace of the fact that philanthropy can be personally profitable, thus far only a small segment of the field called impact investing enables individuals to make a tangible financial profit from investing in projects aimed at providing goods or services to people who lack them (Nicholls, 2010). Bishop and Green's suggestion that philanthropy should strive to be for-profit sits uneasily with policymakers who suggest the last thing philanthropy should do is emulate business strategies that often compound the very inequalities philanthropists purport to ameliorate. In a recent debate in the *Stanford Social Innovation Review*, Ramdas criticizes the ''hubris that seems to lurk just below the surface of the good-citizen conscience of the super wealthy . . . where is the evidence that philanthrocapitalism works, and are there better ways to achieve urgently need global social progress?''[4]

The growing field of microfinance faces similar questions over the motivation of lenders and their success rates. Microfinance is the provision of financial credit and other financial services to consumers who traditionally lack access to financial products, from loans to saving and investment services. One of the first modern microfinance institutions (MFIs) is the Grameen Bank, founded in 1983 by Muhammad Yunus, who later won a Nobel Peace Prize for his work with Grameen. The main objective of MFIs is to provide credit to those typically shunned by high-street lenders. This goal, to provide a financial ''hand-up'' versus a charitable hand-out, is much lauded within the philanthrocapitalism movement. The ethos of MFIs resonates with the maxim that ''if you give a person a fish, you feed him for one day; if you teach him how to fish, you enable him to feed himself for the rest of life'' (Fleishman, 2009, p. 18).

Since the field of microfinance emerged, there has been growing debate over whether lenders should act on a non-profit or for-profit basis. Yunus is in favor of the former, and has publicly criticized a decision by Compartamos, a Mexico-based provider, to evolve to a for-profit organization, charging interest rates that have exceeded 100 per cent. Whether they operate on a for-profit or non-profit basis, there is little evidence that MFIs are beneficial for loan recipients. On the one hand, as Emerson and Bugg-Levine have pointed out, microfinance has often proved financially profitable for investors. Even during the recent economic downturn, they point out, ''impact investors in microfinance bonds received a consistent 6 percent return . . . not a bad financial return at all given where traditional market rate investments had headed—into the deep south!''[5] On the other hand, microfinance works less well for the recipients of loans. Both for-profit and non-profit MFIs often saddle loan recipients with crippling debt. Whether microfinance

[4] Quote is taken from the online debate hosted here. http://www.ssireview.org/point_counterpoint/philanthrocapitalism (accessed January 2012). See also Ramdas (2011).

[5] Emerson and Bugg-Levine's comment is available in an online interview here: http://www.good.is/post/social-impact-investing-it-s-not-wall-street-as-usual (accessed 12.01.12).

is playing any significant role in poverty reduction has yet to be demonstrated (Banerjee et al., 2009; Epstein and Smith, 2007).

While there is much debate over the definition and goals of philanthrocapitalism and neighboring fields such as social entrepreneurship and impact investing, proponents agree on one thing: a shared trait of these trends is their ''radically'' new emphasis on strategic investing and measurable results. The problem is that such an emphasis is not new; instead, the opposite is true. Modern philanthropy developed from the efforts of mid-19th-century philanthropic reformers to apply scientific methods to the promotion of human welfare, explicitly distinguishing their practices from acts of alms-giving prevalent within religious orders which viewed charity as valuable in itself regardless of observable benefits (Villadsen, 2007).[6]

This strategic approach to philanthropy is reflected in the work of Beatrice and Sydney Webb, early 20th-century British reformers who were adamant that scientific methodologies should be applied to state and non-governmental efforts to improve social welfare, leading them to help found the London School of Economics and Political Science as an institution dedicated to applying the ''scientific method to social problems'' (Letwin, 1965, p. 369).

The term ''venture philanthropy,'' a distinctive but compatible concept to philanthrocapitalism, was first used as early as 1969 by John D. Rockefeller III in a hearing before a US Congressional Committee. His reference to the idea occurred over twenty years before the 1990s saw a boom in academic articles from management scholars such as Porter, Letts and Kramer challenging philanthropic foundations to be more strategic in their investment choice (see Letts et al., 1997; Porter and Kramer, 1999).[7] Both John D. Rockefeller and Andrew Carnegie claimed ''to apply the rational methods of business to the administration of charitable deeds, which they considered to be outdated and deficient'' (Guilhot, 2007, p. 451).

Sociologists such as DiMaggio have long noted that throughout the 20th-century, the non-profit sector has been subject to pressures from senior foundation staff and external stakeholders to adopt the hierarchical and bureaucratic structures of for-profit corporations. Such shifts have often been coupled with lapses in internal efficiency rather than improvements (see DiMaggio and Anheier, 1990; Moore et al., 2002).[8]

In short, the claim that philanthrocapitalism represents a novel shift among non-profits to emulate corporate practices and emphasize strategic investing is overstated. For over a century, philanthropists have sought to model philanthropic giving on corporate practices.

3. The scale and influence of new philanthropic institutions

What *is* new about the new philanthropy is the unprecedented scale of philanthropic spending. As Levenson Keohane notes, the wealth creation of the last twenty-five years, adjusted for historical inflation, dwarfs any other historical period to date, and charitable giving in the United States has increased accordingly, more than doubling from $13 billion in 1996 to nearly $32 billion in 2006

[6] See Bornstein (2009), who, drawing on Weber, notes that the religious ethics of Calvinism helped to eradicate ''unsystematic alms giving and ended benevolent attitudes to beggars,'' propelling charity from an ideal worthy in itself to a ''rationalized enterprise'' (2009, p. 4).

[7] For a measured analysis of Porter, Kramer and Letts' championing of a new, strategic philanthropy, and some problems with its implementation, see Katz (2005).

[8] Recent shifts in the philanthropic sector are fertile grounds for a study of the adverse effects of commensuration and how the pressure toward institutional isomorphism can unintentionally undermine organizational effectiveness (see DiMaggio and Powell, 1983; Espeland and Stevens, 1998).

(Levenson Keohane, 2008). In 2006, Warren Buffett made a high-profile donation of $30 billion (US) to the Bill and Melinda Gates Foundation, currently the largest transparently operated philanthropy in the world. His gift is the largest single recorded donation in history. It represented, in 2006 dollars, more than John D. Rockefeller and Andrew Carnegie, the most generous American donors before Gates and Buffett, gave away combined (Fleishman, 2009).

Bishop and Green have suggested that the Gates Foundation is a paradigmatic exemplar of philanthrocapitalism, strategically applying corporate practices developed at Microsoft to the areas it prioritizes (see Bishop and Green, 2008; Levenson Keohane, 2008). Established in 2000 through the merger of two smaller predecessors, the Gates Foundation's growing influence on its three main priority areas—global health, global agriculture, and US education policy—has drawn growing criticism from policymakers concerned about the Foundation's lack of accountability to stakeholders affected by its funding choices. Criticism of the Foundation has focused on where its grants are disbursed and where its endowment is invested. The majority of the Foundation's funds are directed toward organizations in high-income countries, compounding inequalities of research and development between poor and rich regions (McCoy et al., 2009).

Arata Kochi, the former director of the World Health Organization's malaria program, suggested that the growing dominance of the Gates Foundation on malaria research could have adverse, unintended effects, stifling innovation and thwarting public health goals (McNeil, 2008). Currently, the Gates Foundation provides 10 per cent of the World Health Organization's overall budget, making it the second-largest donor after the US government, and raising concerns over whether this level of private funding might compromise the WHO's independence (see Ogden, 2011; Stuckler et al., 2011).

The Gates Foundation's endowment has two main revenue sources: Gates' personal fortune and stock in Berkshire Hathaway, Buffett's conglomerate holding company. Stuckler et al. report that over 10 per cent of the Foundation's endowment is invested in two companies: 5 per cent in McDonald's and 7 per cent in Coca-Cola, companies which are seen as exacerbating health epidemics such as obesity. Once Buffett's Berkshire Hathaway stock is fully transferred, the Foundation will be the largest shareholder of Coca-Cola in the world (Stuckler et al., 2011). In addition, the *LA Times* reported in 2007 that local community leaders in the Niger Delta region of Nigeria were frustrated by the Gates Foundation's investment in companies such as Dutch Shell and Exxon Mobil Corp, which are responsible for polluting the region beyond levels permitted in Europe or North America (Piller et al., 2007).

Microsoft's fortune was amassed through labor practices that appear to conflict with the stated aims of the Foundation to raise living standards for those in poverty or poor health. Microsoft was at the forefront of the corporate trend to hire contracted employees for indefinite periods without offering benefits, a practice that the US Internal Revenue Service has classified as tax abuse, as it limits payroll tax obligations. In the late 1990s, Microsoft lost a landmark legal case *Vizcaino v. Microsoft* and was forced to treat long-term contractors as employees for tax purposes (Kalleberg, 2000).

When criticized for investing in companies shown to have negative health impact, the Foundation announced that it would rethink its investment strategy. However, after a quick review it confirmed previous polices would stand, and that the Foundation would continue to invest in companies that maximize financial return regardless of the adverse health or environmental effects caused by the companies involved (Beckett, 2010).

The Foundation's reluctance to forego profitability even if those gains contribute to global ill-health underpins a reality of philanthropic investment throughout the 20th and 21st centuries. The ability to give generously is contingent on sustaining business practices that are strategically blind to externalities that could undermine their own competitiveness. ''Put crudely,'' as Beckett writes, ''the super-rich need to stay super-rich in order for their charitable enterprises to function'' (Beckett, 2010).

4. Philanthrocapitalism and inequality

Recent increases in the scale of philanthropy are attributable to the increasing wealth concentration of the last half-century, as well as commensurate levels of economic inequality. Since the early 1980s, the world has ''enjoyed a remarkable period of prosperity that, whilst spread quite broadly, has benefited the people at the top of the pyramid considerably more than the rest of the population'' (Bishop and Green, 2008, p. 5). When making his 2006 donation to the Gates Foundation, Buffett stated bluntly, ''a market system has not worked in terms of poor people'' (Sawaya, 2008, p. 203).

Advocates of the new philanthropy do not deny that current market infrastructures have dramatically widened economic inequalities. Rather, that reality is itself capitalized upon as they point to the gravity of the situation in order to highlight the privileged expertise necessary for fixing the problem. Gates himself has suggested that the most effective way to combat poverty is to ensure that investors from wealthy regions are well rewarded for investing in under-served areas. He has termed this strategy ''creative capitalism,' the effort to find new ways for individuals to maximize their profits while investing in social programs. In a 2008 article in *Time* magazine, Gates noted, ''the poorest two-thirds of the world's population have some $5 trillion in purchasing power . . . it would be a shame if we missed such opportunities'' (Gates, 2008).

Recognition—even veneration—of intractable systematic inequalities and the ability to simultaneously capitalize from and combat those conditions is a defining characteristic of philanthrocapitalism. It is a form of cognitive dissonance that Slavoj Zizek has termed, with some irony, ''liberal communism,'' or the flaunting of increasingly concentrated levels of wealth as an inherent safeguard of the common good. Since 2001, Zizek (2006, 2009) suggests that two cities have emerged as representatives of the metaphorical twin faces of global capitalism: Porto Alegre, Brazil, the occasional home of meetings of the World Social Forum, a gathering place for social justice activists; and Davos, Switzerland, where the WEF meets annually.

In recent years, Davos has featured in the media more often than Porte Alegre. Where did the activists go? Zizek argues that many of them went to Davos, indoctrinated in the belief that globalization is inevitability its own best solution:

> Their dogma is a new, postmodernized version of Adam Smith's invisible hand: the market and social responsibility are not opposites, but can be reunited for mutual benefit . . . their goal is not to earn money, but to change the world, and as a by product, earn more money. By regulating their business, taxing them excessively, the state is undermining the official goal of its activity (to make life better for the majority, to help those in need). (Zizek, 2006, p. 10)

Zizek points to a heritage that is strangely unacknowledged by proponents of philanthrocapitalism. Perhaps in order to stress the novelty of the trend they largely overlook an obvious antecedent to their own arguments, Adam Smith's assertion that collective social benefits would naturally accrue as a result of an individual maximizing his own self-interest. He explains, ''By pursuing his own interest he frequently promotes that of the society more effectively than when he really intends to promote it'' (Smith, 1982 [1776], p. 292).

Bishop and Green's *Philanthrocapitalism* offers just two cursory references to Smith. The most extensive is taken from an interview with Pierre Omidyar, the co-founder of eBay Inc. Omidyar credits his own philanthropy to his rediscovery of Smith, "who said that in the right environment, the right kind of business model will inevitably lead to social benefit by pursuing traditional financial goals . . . we need to change the way that people think about business—to see that it is not inherently evil but inherently good" (Bishop and Green, 2008, p. 130). Despite fleeting references to the similarity between Smithian notions of the social benefits of private enterprise and current philanthrocapitalist initiatives, no sociological analyses have extensively explored their relationship. Below, I tease out these parallels.

5. The moral roots of philanthrocapitalism

As Bruno Amable points out, in the aftermath of the 2008 financial collapse, it has become commonplace to proselytize about the "lack of moral values in modern capitalism." Even theorists as astute as Joseph Stiglitz slip into simplistic condemnations of the "moral depravity" of an "ersatz capitalism" that leads to a "society in which materialism overwhelms moral commitment" (Amable, 2010, p. 4). Amable suggests that the knee-jerk tendency to dismiss excessive profits as the result of "depraved" greed can lead to a neglect of the specific, historical moral salience of capitalism. Sweeping denunciations of capitalism's immorality are particularly lamentable among sociologists, for whom Weber's work on the religious imperative to accumulate wealth should, however debatable in itself, at least remind scholars that ethics and the economy are integrally linked (see Offe, 2005; Offer, 1997; Weber, 2002).

Hirschman and Mauss reach compatible conclusions (although their similarities are largely underappreciated) in their respective work on the moral basis of market and gift societies. Their research helps to illuminate why a term such as philanthrocapitalism, which at first seems striking for its oxymoronic quality, is less contradictory than it initially appears.

Against the view of capitalism as a system void of moral underpinnings, Hirschman has explored capitalism's origins as a system praised for its perceived moral ability to distribute wealth effectively. At least since the 18th century, Hirschman stressed, modern commerce has been upheld, rightly or wrongly, as a naturally philanthropic economic system. Hirschman suggests that three competing frameworks characterize capitalism's shift from an activity at best ethically tolerated prior to the 18th century, to an honorable moral calling in itself: civilizing, destructive and feeble (Hirschman, 1982).

Drawing on political economists such as James Steuart and Adam Smith, he points out how, during the 18th century, the market became broadly perceived and hailed as a politically civilizing force. Exploiting shared commercial interests was seen as useful antidote to the proliferation of national conflicts stemming from the pursuit of national self-interest over economic cooperation. This widely held perception persisted until the 19th century, when Marx's work illustrated the destructive capacity of capitalism. The influence of Marx introduced a second, rival moral framework focused on capitalism's divisive tendencies: its tendency to dramatically widen inequalities at the threat of its own self-annihilation.

Third, Hirschman identifies a "feudal shackles" thesis, the view that markets are essentially good but also "feeble" and ineffective when shackled by cultural or political legacies from earlier, pre-capitalist periods. While useful for visualizing the moral shifts that have accompanied capitalism's development, Hirschman's analysis seems to posit, as Fourcade and Healy suggest, too simplistic a relationship between markets and moral orders: markets either create great social benefit or produce enormous damage (Fourcade and Healy, 2007;

Hirschman, 1977). Hirschman's analysis fails to grasp how markets are moralizing forces in themselves. This point is crucial to understanding the unintended effects of the growing salience of philanthrocapitalism. By demanding that philanthropy be impact-oriented, market-savvy and cost-effective, the new philanthropy explicitly assumes a moral hierarchy of philanthropic value that is structured according to measurable financial benefit.

The moralizing nature of the philanthrocapitalism can be summarized as follows: the more financially profitable and market-savvy an organization is, the more social good it will inevitably create. However simplistic, this ethos is influencing a host of social enterprises and foundations to compete over which organizations are most 'innovative,' profitable, and connected to the private sector, championing the benefits of "doing good by doing very nicely indeed" (Economist, 2008), and illustrating a condition that is distinct from earlier periods: the very *outspokenness* of the self-interested motivations of charitable gestures. Attention to anthropological and sociological literature on the gift helps to illuminate this shift.

6. Strategies of ignorance and openness within "The Gift"

In contrast to common perceptions of gift-giving as divorced from economic motives, Mauss introduced the specter of the gift's economic costs and benefit. He detailed how gift exchanges are often rooted in diverse social and economic objectives, such as bolstering the reputation of community leaders or expanding territorial jurisdiction. As is well known, Mauss' suggestion that gifts are not given disinterestedly but with an expectation of reciprocity has led to much contestation and starkly divided interpretations. On the one hand, anthropologists such as Graeber insist that Mauss' main objective was to contest the notion that gift-giving is rooted in self-interested motives. Rather, gifts enhanced social solidarity, the opposite of the type of individual economic maximization fostered through market exchange (Graeber, 2001). On the other hand, scholars such as Mary Douglas see Mauss' work as commensurate, rather than opposed, to Smithian notions of the social function of market behavior:

> The gift cycle echoes Adam Smith's invisible hand: gift complements market in so far as it operates where the latter in absent. Like the market it supplies each individual with personal incentives for collaborating in the pattern of exchanges. Gifts are given in a context of public drama, with nothing secret about them (Douglas, 1990, p. xiv).[9]

My concern is not which of these two interpretations is right, but rather with a secondary question: how important is the openness of the possibility of personally profiting from gift-giving?

In the quote above, Douglas suggests that gifts are given openly, with no aura of secrecy. However, she neglects the ways in which the duty to repay a gift is often shrouded in ambiguity, with decorous silence over exactly how much and at what stage the gift must be repaid, making gifts qualitatively different from economic exchange.

Uncertainty over exactly how or when repayment should take place can make a gift *more* burdensome than a market transaction with clearly delineated stipulations for repayment and interest rates. As Bourdieu argues, this vagueness is fundamental to the logic of the gift.

[9] Douglas' underlying point, that seemingly self-interested and altruistic actions are rarely neatly dissociable in practice, is echoed in Kieran Healy's analyses of blood donation, a cultural and economic practice that often champions ideals of the lone altruistic donor while neglecting, Healy argues, the embedded, organizational imperatives that unpin and shape the possibility for lone acts of benevolence to take place (Healy, 2000).

Recipients are usually aware that no gifts are given gratuitously, and yet this awareness is itself masked by the refusal to admit their knowledge. ''No one is really unaware of the logic of exchange (it constantly surfaces in explicit form, when for example, someone wonders whether a present will be judged sufficient),'' Bourdieu asserts, ''but no one fails to comply with the rule of the game which is to act as if one did not know (Bourdieu, 1997, p. 232).'' The value of a gift is contingent on willfully ignoring its interested character, in maintaining a concerted silence around the knowledge that, as Nietzsche asserts in *Beyond Good and Evil*, there is nothing less disinterested than claims of disinterest (Gaston, 2005; Nietzsche, 1973).

In other words, there is nothing new in pointing out that both personal gift-giving and large-scale philanthropy can blanket underlying, self-interested motives, whether at the level of safeguarding a nation's political interests or at the personal or institutional level of maximizing a circle of friends (Fisher, 1983; Parmar, 2002). What *is* new within philanthrocapitalism is the very openness of the opportunities for private gain.

Previously, the legitimacy of philanthropy stemmed from the strategic ignorance of both donors and recipients of the opportunities for economic advancement.[10] Everyone knows that few gifts are given without ulterior motives, but few are willing to admit this openly, or flaunt their self-interest *proudly*, as the new philanthropists do. Today, groups and individuals thought to have an obvious interest in remaining silent about the economic interests driving philanthropic and entrepreneurial projects are becoming increasingly vocal, even triumphant, about the benefits of combining altruism with self-interest. Gates wrote in his 2008 *Time* piece on creative capitalism, ''Naturally, if companies are going to get more involved, they need to earn some kind of return. This is the heart of creative capitalism. It's not just about doing more corporate philanthropy or asking companies to be more virtuous. It's about giving them a real incentive to apply their expertise in new ways, making it possible to earn a return while serving the public who have been left out'' (2008, pp. 29–30).

In some ways, such a statement would strike investors as obvious. But that is exactly what is novel about it; the very *obviousness* of the statement, stated so explicitly. Not only is it unnecessary to ''disguise'' self-interest, this motivation is championed as the most justifiable motive for investing in poverty alleviation. Self-interest is not a threat to altruistic efforts to advance the public good. It is but rather a prerequisite. The assertion itself is not surprising; it resembles economic assumptions voiced as least as early as Smith. What is surprising is its growing salience today when, following the recent financial collapse, the 18th-century assumption that private profits will inevitably serve the interests of a wider public, should be most in dispute.

A comparison to the major foundations of the early 20th-century—those created by Ford, Rockefeller, and Carnegie, respectively—helps to highlight this point. On the one hand, Gates' precursors shared his views on the compatibility of public and private interest. On the other hand, fewer people seemed convinced by it at that time.

Andrew Carnegie cut the pay of workers even as he built concert halls and libraries for them; his union-breaking efforts were matched only by the magnitude of his public endowments. Conflicts with workers reached a boiling point during the 1880s and 1890s, when Carnegie insisted on 12-h shifts in his factories rather than 8-h ones. Abandoning his earlier support for labor unions, Carnegie began to espouse the view that they ''represented narrow interests, while he embodied, as always, the interests of the broader community: by keeping labor costs down, he kept prices down for all'' (Lears, 2007).

[10] On the undervalued usefulness of strategic ignorance as an organizational and political tactic, see McGoey (2007).

When a contract expired at Carnegie's Homestead plant, management proposed wage cuts of up to 35 per cent for some workers. Workers rebelled, leading to an armed confrontation between striking workers and private hired Pinkerton security officers in July of 1892. On the morning of July 5, hundreds of Pinkerton guards approached the Homestead plant while ten thousand strikers and their sympathizers lay in wait. As the Pinkerton guards neared, they were warned not to approach further. The Pinkertons kept advancing. A gun battle ensued, during which seven workers were killed. Carnegie's staff enlisted the US National Guard to quell the protest. 8000 state militia arrived over the next few days. There were further dead, among both militia and strikers. Public outcry largely sided with the striking workers (see Zinn, 1980).

Questions over whose interests are better served through philanthropic initiatives—donor or recipients—have underpinned 20th-century efforts to regulate foundations. In 1915, the US Congress appointed the Commission on Industrial Relations to study the emergence of foundations established by industrialists such as Rockefeller and Carnegie. A comment from Frank Walsh, the chair of the committee, summarizes the committee's impetus:

> It has been stated many times that it might be better for people controlling very large industries, instead of devoting the excess profits to the dispensation of money along philanthropic and eleemosynary lines, that they should organize some system by which they could distribute it in wages first, or give to the workers a greater share of the productivity of industry in the first place. (Arnove and Pinede, 2007, p. 390)

Asked to respond to that statement, Rockefeller noted, "I should be only happy to surrender my holdings, in part, in any or all, that the labourers might come into the relation to the enterprise." Henry Ford stated during hearings that "my idea is justice, not charity. I have little use of charities or philanthropies as such. My idea is to aid men to help themselves." Contrary to their statements, Rockefeller's holdings were not disbursed as promised. Ford later established the Ford Foundation in 1936, a legal vehicle "intended to preserve the family wealth relatively intact" (Arnove and Pinede, 2007, p. 391).

The 1929 market collapse had a direct influence on increased state regulation of business and increased state provision of social welfare. New Deal reforms led to increased state-support for the unemployed "not as a matter of charity, but as a matter of social duty." Similarly, in 1948, as the postwar British Labour government increased social welfare spending, 90 per cent of the population indicated that they felt "there was no longer any need for charity" (Bishop and Green, 2008, p. 20; Fleishman, 2009).

Divergences from the post-2008 collapse are striking. Today, in contrast to mid-20th-century welfare expansion, governments are championing increased charity in areas where state support was once pronounced. In the UK, "Big Society" mantras are championed even as the charitable sector struggles with a deepening loss of resources (Edwards, 2011). In the US, one-time critics of growing wealth concentration are publishing, apparently without irony, books such as Ralph Nader's 2009 novel *Only the Superrich can Save Us*.

How to account for the contrast between these efforts and post-Depression New Deal reforms? One factor is, of course, necessity. Faced with the reality of growing economic burdens, philanthropy is welcomed, whether jubilantly or grudgingly, by populaces that are impoverished by diminished state spending. Another factor is the difficulty of questioning the perceived indispensability of large-scale philanthropy. When it is pointed out that organizations such as the Gates Foundation are emphasizing particular health programs at the expense of others, a logical solution is to increase funding and divert it to neglected areas. Perceptions of the indispensability of philanthropic initiatives are strengthened as a direct result of their very inability to meet stated objectives. The solution to failed philanthropy is more of it; the failure of philanthropy is its success.[11]

A third problem might stem from certain preoccupations within social science itself; in particular, with recent efforts to contest the neoclassical economic assumption that self-interest underpins human behavior. Drawing on work by Mauss, Polanyi, and Sahlins, scholars such as Mansbridge have insisted that an emphasis on economic maximization comprises a misguidedly narrow lens with which to grasp human behavior. A vast array of motivations, such as generosity, community spirit, self-sacrifice and empathy, obviously affect human action. The purported preeminence of self-interest over others is derided as yet another fallacy in a long chain of questionable economic constructions (see Mansbridge, 1990; Sahlins, 1996).

Although these analyses have been useful in countering crude assumptions of the necessarily self-interested actions of individuals, their worth might be overvalued. In the wake of a financial collapse that has managed, as Davies points out, to discredit capitalism without weakening it (Davies, 2010), I suggest that it may be useful to salvage an interest in self-interest itself. I suggest that reclaiming attention to self-interest could help to emphasize the question of whose interests are served over others through the proliferation of new philanthropic movements which purport that self-interest and public welfare are naturally commensurate things.

By reclaiming self-interest, I mean pointing out the many ways that philanthropic investment, through relying upon and helping to legitimate increased wealth concentration, often serves a narrow stratum of individuals at the expense of public welfare. Mark Fisher recently suggested that in an era commonly referred to a ‘‘post-political,’’ it is apparent that class wars are still fought, if mostly by the wealthy (Fisher, 2009). There is much hyperbole in this statement, but also much truth, observable in the moments when a pretense of mutual interest is dropped. Take for example this comment from a 2010 article from *Elite Traveler*, a US magazine that describes itself as catering to the private jet lifestyle:

> The recent challenges in the Greek economy for elite investors, of course, mean opportunities. Most people are familiar with Wilbur Ross' famous bet on South Korea during its financial crisis, and of course, Warren Buffett did pretty well with General Electric recently, as did David Tepper, who, according to The Wall Street Journal, cleared $7 billion buying Citigroup and Bank of America when Main Street investors were running for the hills. So if you are thinking about checking out the investment opportunities in Greece (or a vacation), we have lots of great places from Athens to the isles for your consideration! (Elite Traveller magazine, May/June 2010)

Everyone knows, or so the magazine crows, that when countries such as Greece suffer financial collapse, elite investors seize opportunities while main street investors have little recourse but to run ‘‘to the hills.’’ The lines of battle, the arbitrary distinctions between private and public, are constantly redrawn, reinforced and collapsed when it is useful. A constant theme is that the interests of some prevail more than others.

[11] The same problem occurs within international development more generally, where, as Ferguson's work shows, development projects regularly benefit from their own failures, commanding more resources to mitigate earlier shortcomings, as well as within systems of financial audit, where failed audits rarely indict their own legitimacy, but rather legitimate more audits to reconcile the limitations of earlier ones, thereby entrenching systems of audit at the very moment when their weaknesses become most apparent (see Power, 1994; Ferguson, 1990).

7. Conclusions

Through a focus on the motives at root in philanthropy, I have argued that what may be most new about philanthrocapitalism is the very explicitness of the self-interested motives underlying large-scale charitable activities. I have argued that what is most notable about the new philanthropy is the explicitness of the belief that as private enrichment purportedly advances the public good, increased wealth concentration is to be commended rather than questioned.

Almost a century has passed since the 1915 Congressional hearings in which commissioners asked the founders of charitable foundations to defend why philanthropic support was more publicly beneficial than distributing resources more equitably during processes of wealth accumulation. Despite the relevance of such questions today, to reiterate them seems, as Lears suggests, ''almost quaint.'' While mid-20th-century welfare reforms demonstrated the belief at that time that social support could not be left to the caprices of capitalism ''no matter how generous the capitalists themselves turned out to be,'' the 21st century has seen a return to once-disparaged notions of noblesse oblige (Lears, 2007).

Carnegie defended cuts to his workers' salaries by insisting that his own private profits were vital to their long-term welfare. Today, philanthropic foundations invest in companies shown to radically exacerbate the very ill-health outcomes and economic inequalities they aim to battle, even as they acknowledge that their investment decisions may be perpetuating the problems they attempt to remedy.[12] Central to their efforts is less the denial or the masking of self-interest, but instead the capitalization of self-interest itself, the questionable upholding of self-interest as something indistinguishable from collective abundance.

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[12] A notable example is the Gates Foundation's investment in Goldman Sachs, widely viewed to have exacerbated the current food crisis through commodity speculation even as the Foundation has become a leading funder of nutrition programmes in Africa (see Kaufman, 2009).

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