

Extraordinary Men:

Philanthropy and Social Justice

By Nicolas Duvoux

Does philanthropy strengthen or undermine democracy and social justice? Acknowledging the scale and scope of the phenomenon in American society, a new book offers both normative and empirical insights into the question.

Reviewed: Rob Reich, Chiara Cordelli, Lucy Bernholz (eds.), [Philanthropy in Democratic Societies: History, Institutions, Values](#), The University of Chicago Press, 2016, 344 p.

What is philanthropy? According to this book's authors, that include some of the top specialists on the question, the answer is far from obvious. It requires connecting the very definition of philanthropy to historical and social inquiry, on the one hand, and major issues relating to democracy, on the other. Philanthropy cannot be reduced simply to donors' motives, since the desire to do good, even when disinterested, can be counter-productive. In defining philanthropy, consequently, it is the form taken by action that matters. The volume's introduction makes the point that the granting of tax deductions is a key factor in the formalization and legal recognition of philanthropy. But results also matter. This new insight does not settle the question so much as it places it on a new footing, as the problem of philanthropy's impact and who will define it remains completely open. Faced with the aporia of a potentially consensual definition, the authors have set out to compare historical, empirical, and normative perspectives on philanthropy, bringing to the forefront the practices that have continued and still continue to characterize it and the principles that guide and justify it.

Precisely because of these concerns, one must consider democracy, not only as a set of procedures, but as a social ideal defined by the desire to grant each citizen equal respect and attention, which means limiting the economic inequality that can arise in their midst. This connection between democracy and inequality is what justifies linking the issue's normative

and empirical dimensions, which is where the book's originality lies. The goal of the essays gathered in the volume is to determine whether philanthropy's role has changed over the course of history, or if only its forms have. How have the boundaries between philanthropy, the market, and the state been successively redefined? Situating philanthropy as a third domain in which the social life of democracy is organized—one that is irreducible to the market and the state, despite being bound ever more tightly to them—and clarifying its (positive or negative) role in democratic life is the task which the authors have set for themselves. Does philanthropy contribute to democratic society, or does it threaten it?

The richness of the texts included in the volume makes it pointless to attempt to review them each individually. I would like to address, in turn, the epistemological, historical, and normative issues raised by the various contributions, before discussing certain claims made by the authors, notably Rob Reich.

Philanthropy as research's blind spot

The book, which is coedited by Rob Reich, Chiara Cordelli, and Lucy Bernhol, begins by considering an enigma that is both scholarly and political: why is philanthropy, which is so massive and influential in American society (and beyond), studied so little? This question offers an excellent springboard to grasping the complexity of the relationship between philanthropy, democracy, and social justice through an interdisciplinary approach that is simultaneously empirical and normative. As the authors explain in their introduction, philanthropy is, for structural reasons, opaque. It eludes analysis for various reasons: because its scale is modest compared to the funds at play in the market or taxpayer-funded government expenditures; because major religions insist on the value of anonymous gifts; and, most importantly, because philanthropy's influence is growing even as its boundaries have become blurry, due to its increasing hybridization with the business world and public policy. These obstacles to the philanthropical world's visibility must, according to the authors, be overcome. Consequently, the attention it receives from scholars should be more sustained. Similarly, the argument that this sector's resources are modest, compared to government budgets or the revenue from capitalist corporations, is insufficient to explain the relative disinterest philanthropy has encountered in academia: for even when it amounts to a fairly modest share of a sector's financing (as in the realms of culture, education, the fight against poverty, and climate issues, to name but a few), its influence exceeds the nominal value of its monetary commitments.

Oliver Zunz, for his part, systematically reviews the role that philanthropy has—or has not—played in the narratives and general analyses that the social sciences broadly construed (such as history, and specifically business history, as well as international relations) have produced. His essay concludes by evoking an array of obstacles that prevent philanthropy

from being granted its proper place in histories and analyses of American society. The author calls for philanthropy to be grasped in its broadest sense (p. 60) and that its boundaries not be limited to those defined in the US Tax Code. Administrative and fiscal boundaries must not have the final say on the best way to characterize philanthropy historically, as they tend to reify rigid administrative categories. This point is crucial for measuring philanthropy's diverse forms and impact. Finally, it is important to emphasize that, due to the private character of its activities, philanthropy is often hidden from the eyes of researchers and ordinary citizens—a fact that, from a democratic standpoint, is hardly irrelevant.

Histories of philanthropy in America

The book explores the aporetic consequences of any definition of philanthropy that fails to take seriously the role it plays in the life of a major democracy. The book's strength lies in the conversations it enables between essays belonging to different disciplines (history, political science, sociology, and philosophy). The history of practices is inseparable from the concept's evolution. Consequently, the task of defining philanthropy is left to each author.

The first part of the book deals with philanthropy's origins. The articles call attention to the hybrid and evolving character of the boundaries between private and public action aimed at the public good. The investigation begins in the nineteenth century, when an influx of resources gave philanthropy a central role in American society, which did not fail to trigger vigorous resistance. The genesis of the structures governing philanthropy is examined by Jonathan Levy, an historian who works, among other things, on the relationship between profit and not-for-profit companies in the United States. His chapter examines the relationship between the moral ideal of altruism and an institution that proved decisive for philanthropy, the not-for-profit company. This connection occurred in the late nineteenth century, when the "republican corporation," which blended these two realms, yielded to a distinction between the public and private spheres. Indeed, according to earlier republican principles, private companies were public institutions (p. 27). Confronting the power of certain actors, states passed legislation that sought to limit corporations' influence, thus freeing them from all obligations other than profit-making. Losing a battle, they won the war. The dichotomy between private property and the public interest gave way to a choice between profit and not-for-profit. Indeed, in trying to control the scope of corporate activity, the government expanded corporations' capacity to pursue the quest for profit. Hence the definition of altruism and egoism became a political issue: charity (which was republican, as it was based on traditional religious principles) came to appear, over time, as a form of egoism that was primarily concerned with donors' salvation, whereas philanthropy (inspired by liberalism) made altruism its goal. In the twentieth century, the fiscalization of philanthropy, which went hand in hand with the assertion of federal power, shifted the borders once again, opening the way to a mixed economy, in which the federal government and social actors

worked together to build modern American society, as described by Zunz in his book on American philanthropy (see the review by Anne Monier: <http://www.laviedesidees.fr/De-la-philanthropie-en-democratie.html>). In the latter, he recognized that philanthropists contribute to the common good as defined and pursued by the state. Zunz's essay sheds light on the difficulty of circumscribing the phenomenon. This is particularly true of philanthropy's relation to the political realm, from which it is held at arm's length through restrictions on gifts encouraged by the tax system, even as it acts on social sectors that are so vast that claiming that it has no political effects is pointless.

How philanthropy disrupts democracy

Doubt has been cast on the thesis that philanthropy and the state complement one another by recent changes philanthropy has undergone. The idea that philanthropy contributes to the general good has been challenged by the fact that institutionally it has diverged from the form of the private foundation. Thus Aaron Horvath and Walter Powell show how the professionalization of philanthropy completely changed its relationship to government. The new forms of philanthropic activity practiced by the very wealthiest of citizens reflect a change in the kind of power they wield. Whereas philanthropy, during the nineteenth century, contributed to public service and broadened the contours of the common good, it has now become, the authors argue, "disruptive." In other words, it no longer seeks to expand the state and government intervention, but, to the contrary, to push them back. Philanthropy's "disruptive" character represents a break with the period when it contributed to the goals of public service and expanded the public goods available to society. Disruptive philanthropy does not propose increased resources, but an alternative to resources available from the state.

The redefinition of philanthropy's priorities testifies to donors' desires to see government activity evolve in a manner consistent with their fundamental interests. The promotion of the values of competitiveness and choice is central to disruptive philanthropy. This transformation is aided by philanthropists' popularity, which can be contrasted point-by-point to the criticisms aimed at the "robber barons," that Rockefeller encountered when he sought to establish a private foundation with broad goals at the turn of the twentieth century. Embracing a neo-institutionalist perspective, the authors see the reforms of the welfare state in the 1890s as a window of opportunity into which the new philanthropists leapt in order to criticize government intervention. New school programs, the development of new instruments for financing the social sector (such as social impact bonds), or the emergence of hybrid characters like Michael Bloomberg have contributed to the phenomenon of disruptive

philanthropy, which participates fully in the managerial turn taken by not-for-profit organizations, which some analysts see¹ as degrading democracy.

More generally, the volume is concerned with the complexity of the relationships between philanthropy and business and government actors, as well as with hybridization, overlapping, and competition, which are particularly emphasized in part two. Paul Brest considers the way philanthropy is practiced by large corporations. Defining the scope and criteria for corporate social responsibility, as well as points of tension with corporations' commercial logic, is extremely useful. Countering accusations of "social washing" or disguised marketing, Brest highlights the importance of norms favoring the consideration of social goals in business and warns against cynical attitudes that lose sight of the inherent advantages in the adoption of such goals. Similarly, Lucy Bernholz's analysis of the American public digital library demonstrates the extent to which technological innovation, as well as, more generally, social transformation at every level requires specific forms of regulation. She shows the contemporary importance of processes that permanently reinvent the framework in which philanthropy acts and that philanthropy, in turn, helps move forward. Ray Madoff, for his part, discusses the funds allocated to what, in practice, are tax shelters, i.e. donor advised funds, pointing out that these instruments allow donors to benefit immediately from tax deductions while remaining completely free to decide exactly when donations will be made. Needless to say, these mechanisms penalize the actors who are supposed to benefit from such gifts.

Philanthropy and justice in democracy

These normative dimensions are considered directly in part three, through reflections on philanthropic activity's moral limits. The question of limits, which is a classic problem for thinking about political authority and the market's scope, is generally neglected as it relates to philanthropy. The point is to determine the limits of what can be given as a philanthropic gift, on the one hand, and to understand philanthropy's legitimacy in determining the public interest, on the other. Both the objects or realms of philanthropic investment and its subjects—that is, the power of donors or philanthropists—must be examined. The essays propose normative arguments to justify limiting philanthropy, to ensure that it does not trample on the democratic principles defined earlier in the book.

The discretionary character of gifts and private resources, the acquisition of which was, in fact, the outcome of a social process, lies at the heart of these reflections. Starting with the assumption that society should not deprive individuals of resources that are essential for autonomous living, free of domination and exploitation, the forms of redistribution needed

¹ See Theda Skocpol *Diminished Democracy: From Membership to Management in American Civic Life*, University of Oklahoma Press, 2004.

for a society to be deemed just are examined and considered from multiple viewpoints. Eric Berrbohm emphasizes the fact that society cannot delegate justice to a few of its members, even if justice were to be rendered more efficient as a result. According to this argument, justice is not limited to the distribution and allocation of resources, but also depends on egalitarian relationships between citizens acting together while delegating some functions to common institutions.

Ryan Pevnick shows that philanthropic activity is legitimate only in certain domains. From his perspective, philanthropy should not occur in the cultural realm and cannot legitimately become responsible for fighting poverty lest it relinquish the principles of democratic justice. The greatest challenge comes from Chiara Cordelli who, referencing a distinct historical configuration found in American society, contends that when goods that bring a society into alignment with principles of justice are not distributed by the state, philanthropy ceases to be a private activity. In this way, the discretionary character of gifts is called radically into question. Would it not, consequently, be preferable to declare that citizens who have been unjustly deprived of their goods are legally owed a social debt?

A plea for democratic foundations

Given the critical tone of some contributions, Rob Reich's argument stands out. He considers the resistance generated by private foundations with broad aims when they were first created, before they established themselves as the philanthropic vehicle *par excellence*. Thus he implicitly calls attention to the degree to which public support for private foundations has become self-evident, despite the criticism it continues to elicit. Reich makes an original plea for (fiscal) support and, ultimately, the positive role that foundations can play in a democracy, but only after he first lists the ways in which the structure of foundations violates a number of basic democratic principles. Unlike private actors, which can be sanctioned by the market, and elected officials, who must face the ballot box, foundations are accountable to no one. They also struggle to obtain "returns," whether internally or from their beneficiaries. As Zunz observes, foundations lack transparency, which has been exacerbated by the evolution of their structures. The Chan Zuckerberg Initiative L.L.C., for instance, is a limited liability company, making it even less open to outside monitoring than foundations themselves. Finally, since the early twentieth century, foundations are often supported by major tax deductions. As a result, not only are they a way for the wealthy to exercise their freedom, but citizens contribute directly to them, through lost tax revenue resulting from these deductions and the visibility they give to choices made by the wealthy, thus violating the principle that institutions should be neutral towards their citizens' preferences.

In light of this criticism, can fiscal support for philanthropy and, ultimately, the contributions philanthropic foundations make to democracy be justified? Reich believes they

can. To make this case, he considers two arguments often made in this debate: that of pluralism and that of discovery. The argument from pluralism, which is often heard, contends that foundations contribute to a pluralistic conception of the common good and diversify the actors involved in defining it, making it possible to overcome a univocal and centralized conception of the public interest. Yet while this argument is, to a degree, acceptable, it suffers from a rather obvious plutocratic bias. Decentralization is positive when it balances out power; in this instance, however, it gives a social premium to the voices of the wealthy.

This is not true of the second argument, that of innovation, which turns the lack of accountability into an advantage. In this case, time is the crucial factor. Indeed, business and political actors are subject to short-term considerations and societal “demand” heavily influences them. Yet certain causes that are particularly risky, in that they do not lend themselves to short-term results, can be defended only if their backers are able to engage in exploratory efforts over the long term. It is because they provide a space and incentive for discovery, which they can allow themselves due to their ability to distance themselves from the short-term pressures experienced by government and business actors, that Reich winds up defending the role of foundations. This argument, which is in dialogue with more critical perspectives advanced by sociologists and philosophers, is, in a sense, the book’s pivotal insight and thus merits greater discussion.

Placing too much trust in philanthropic gifts?

The pluralism of the perspectives expressed in this book does not prevent them from engaging with one another or undermine its overall coherence. The continuity across its chapters, which cover a wide variety of themes, lies in the examination of the ever-moving boundaries between philanthropy, the state, and the market. The interest in its multiple disciplinary perspectives is that normative issues are not evaded, but, on the contrary, are examined in close interaction with essays that are very empirically precise. The cumulative work on the question by American social science is, in this way, redeployed in order to shed light on normative choices that are never made “in a vacuum,” but are always anchored in the institutional and social realities that make them meaningful.

At the conclusion of this overview, three observations are in order. The first concerns a limitation of which the authors are perfectly aware and which they justify in the introduction: namely, the fact that their approach is heavily centered on the United States. Given the importance of American philanthropy and the model it embodies, a detailed discussion of this one case is fully justified. That said, international or transnational applications of American philanthropy and its impact on the shaping of global justice might have been addressed. The institutions of American democracy are not alone in being challenged by the philanthropy of the world’s foremost economic power: so are international organizations, as well as third

country resources (notably European countries²). While this transposition is not without its epistemological difficulties, the global character of inequality and the transnationalization of power relationships nevertheless makes this redeployment necessary.

At a deeper level, a particularly salient and transversal aspect of the analysis concerns philanthropy's temporal character as it relates to democracy, government, and the market. Ray Madoff emphasizes how the time lag between tax deduction benefits and access to gift money in donor-advised funds results in losses for gift-financed associations. Conversely, Reich maintains that philanthropy's ability to "go long" is what ultimately justifies its place and role in democratic societies in which government and business actors are subject to short-term considerations. This argument is, however, a little hasty in characterizing as "natural" a relationship to time that is particular to how the government operates in contemporary American democracy, in which the federal government has ceded a number of social prerogatives to private actors and organized its priorities around its citizens' desire for lower taxes, at least somewhat contrary to their own interests. If philanthropy has been able to "go long," it is precisely because that which should be the state's prerogatives *par excellence* have been deconstructed through the delegitimation of the state, of which the growth of philanthropy is a corollary. Does the ability of philanthropists to "go long" not lend itself, like the argument from pluralism, to the criticism that it has a plutocratic bias? The way in which recent judicial and political decisions have, in the United States, affected the connection between wealthy donors and government officials (in the executive and judicial branch) makes this argument, at the very least, worth considering.

First published on lavedesidees.fr, January 30 2018. Translated from the French by Michael Behrent with the support of the Florence Gould Foundation.

Published on *Books & Ideas*, 26 February 2018.

² Anne Monier, "The role of social capital in transnational elite philanthropy. The example of the American Friends of French cultural institutions," *Socio-Economic Review*, January 2018.