



The Role of Philanthropy in Sustainable Development

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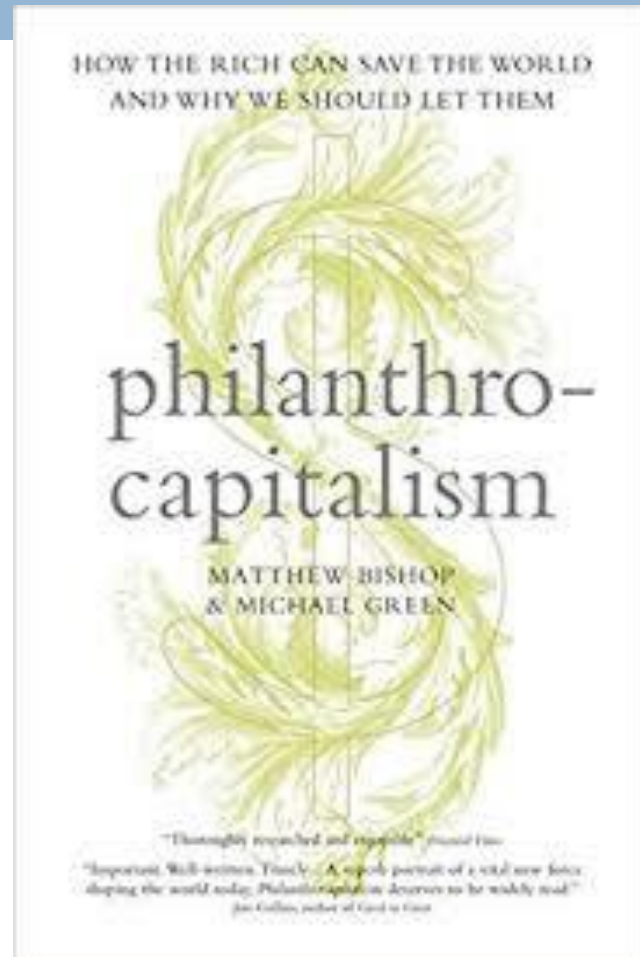
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Overview

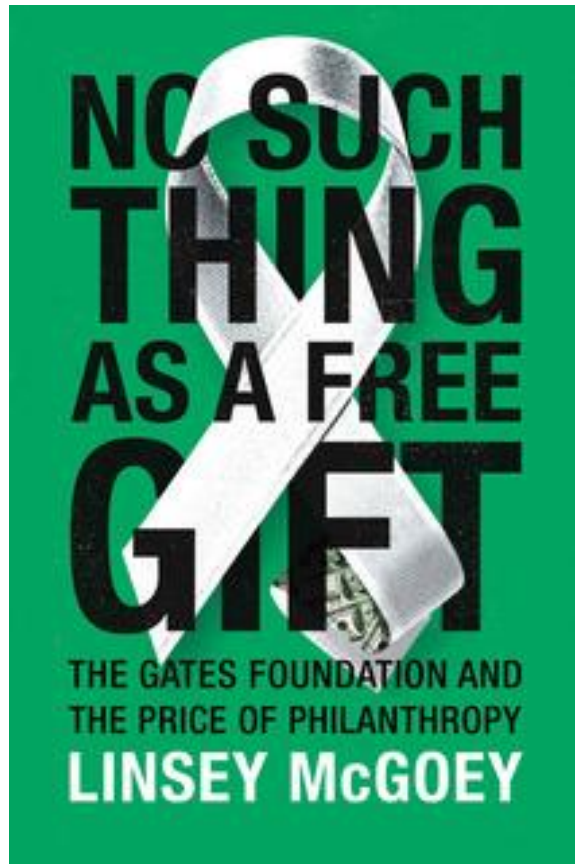


- ▣ Philanthrocapitalism: what's new about it and what is not new
- ▣ Private-private partnerships and their problems
- ▣ Rethinking philanthropy's 'accountability' problem

- Philanthrocapitalism (Bishop and Green): Their argument:
- 1) the application of business methods and measures to philanthropy, or harnessing the strength of the market to achieve the goals of social change.
- 2) capitalism is a *naturally* philanthropic phenomenon, because it creates a dynamism that generate wider public benefits.
- 3) The magnitude of giving by Gates Foundation and others heralds a 'new golden' era of giving.



Are we really living in a new 'golden' area of philanthropy?



- The Ford Foundation's endowment in the early 1960s represented more than double the share of U.S. GDP in comparison to the Gates Foundation 50 years later.
- Since the 1970s, overall charitable giving in the U.S. "as a share of GDP has rarely strayed far from 2 percent" (Suzanne Perry, Chronicle of Philanthropy)
- Despite a doubling in the number of foundations (approximately 40,000 to 85,000 in 15 years) private philanthropy has made no dent in narrowing inequality in the US.

How does philanthropic giving towards global health compare to states?

- The BMGF has donating approximately \$18 to \$20 billion to global health and development over 20 years.
- And yet...From 2004 to 2008, for example, the President's Emergency Plan for AIDS Relief (PEPFAR), spent over \$18.1 billion on global HIV/AIDS programs on one health initiative alone.
- **OECD countries' overseas aid budget: \$130 billion annually**
- McGoey, *No Such Thing as Free Gift*: Philanthropists are punching above their weight, receiving disproportionate credit for *government-led* development gains.
- Gates Foundation: the ability to use relatively *smaller* amounts of money to create disproportionately large effects, often with negative outcomes.

Key philanthrocapitalist assumption: The marriage of business and social welfare is **new**

- My argument (2014, 2015): the ‘philanthrocapitalism’ ideology is not new, but a ramping up of 18th-century notions of the ‘invisible hand’ and the belief that private wealth has *intrinsic, inevitable public benefits* (c.f. Albert Hirschman, *The Passions and the Interests*)
- 19th-century philanthropists (Carnegie, Rockefeller) also thought that private benefit *is* public benefit.
- C.f. Carnegie – abandoned his early support for labour unions because they undermined his profit profits, and thus eroded the money he would have available for charity towards his workers. His workers didn’t buy this.
- But for centuries, ‘doux commerce’ views were not widely held.....As Hirschman note, there was a strong counter-thesis from critics of pro-laissez faire approaches, who pointed out that under-regulated industrial growth causes death and suffering.

What *is* new?

- 1) Explicit acknowledgement of the self-interested nature of individual and institutional giving, leading to a rise in 'rich-to-rich' giving.
- 2) A capitalization upon that explicitness by corporations who increasingly positioning themselves as deserving charity claimants.
- 3) The 30-year **erosion** of a counter-narrative to 'doux commerce' theses at leading business school, as a result of 'shared values' narratives.

The rise in 'rich-to-rich' giving

- Gates Foundation – tens of millions in non-repayable grants to some of the world's largest corporations including Scholastic, Mastercard, Vodacom.
- Media; scholarly silence about the problem, mixed with hubristic acclaim from the corporate sector.
- Enriching corporate revenues compounds what Thomas Piketty sees as the $r > g$ problem (increasing private profits at a type of stagnating national growth).

- 'Adam Smith... believed strongly in the value of self-interest for society... creative capitalism takes this interest in the fortunes of others and ties it to our own interests in our own fortunes – in ways that help advance both.' Bill Gates, 2008 Davos speech
- 'Creative capitalism' is a type of 'frictionless' capitalism: the believe that private fortune growth *inevitably* leads to wider public benefits.
- But that is empirically not the case. Corporate power can lead to 1) profiteering; 2) erosion of labour protections; 3) parent company immunity for harms to workers and the environment; and 4) and price-gouging (e.g. with pharmaceutical prices).

- Milton Friedman, *The Social Responsibility of Business is to Increase its Profits* (1970).
- Friedman had an important, morally and politically valuable democratic rationale for this point.
 - ▣ Democratic oversight of business must increase with increased social role.
-Gates has a well-meaning reason for calling on corporate for-profits to do more ‘social good.’
- But he *neglects* Friedman’s point about the importance of democratic oversight (See McGoey, Thiel, West, *Politix*, 2018).
- Funding towards the Sustainable Development Goals (SDGs) suggests an unprecedented amount of OAD money is earmarked for businesses – but does it really create better development effects?


PPPs in theory and practice

- The Gates assumption: partnering with the private sector brings efficiency and rigour and cost-savings to public policy.
- Private Finance Initiatives (PFIs) (Pollock; Lazonick; Mazzucato)
- Public-private partnerships in health (PPPs) (Storeng, McGoey, Sridhar).
- A state or a private actor provides upfront financing, and in exchange, a service is 'leased' to the public, in return for regular government payments to the private actor.
- 'In Lesotho, the effect of such costs have been to channel resources towards hospital services in the capital and away from primary care settings in rural areas.' (Hellowel, BMJ Global Health 2019)
- He notes that evidence from Global North also confirms the *cost-ineffectiveness of PPPs in north.*

The transparency paradox



- Ongoing cross-partisan criticism of UK PFIs since Labour ramped up this financing model during the 1990s.
- The concern? Taxpayers receive poor value while the for-profit actors benefit financially at the public's expense
- The current British chancellor Philip Hammond vowed in 2018 never to sign another PFI contract, but time will tell...

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- Unproven theories of private sector superiority have trumped evidence of the ways that profit-making goals can introduce market distortions and ‘profit risks’
 - Partnering with the private sector compels governments to waive the ability to evaluate the effectiveness of the partnership, because corporate confidence protections typically *trump* transparency demands.
 - The PPP model itself is a barrier towards assessing its own efficacy.

My take-home argument

- The philanthrocapitalist turn has made it even more difficult to study the effects of government subsidies towards the private sector.
- The Gates Foundation's 'rich-to-rich' charitable giving to some of the world's largest corporations has further empowered the corporate sector to flout public and civil society demands for more regulation and tax compliance.
- The blurring of boundaries between the non-profit sector and the for-profit sector makes accountability and the policing of corporate crime even harder.
- Standard 'accountability' arguments against billionaires philanthropy are both important and flawed - flawed because they suggest 'market' and 'government' accountability checks do indeed 'work'...
- *Thank you: Imcgoey@essex.ac.uk*