

Politicized philanthropy, or: the crisis of an American institution

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1. Philanthropy is at a crossroads today. While giving in the United States is at an all-time high, with \$410.02 Billion in 2017,¹ philanthropy's social and political role is ill defined. Common sense equals philanthropy with charity for those in need, access to scarce public goods, or the funding of scientific research, but the reality of the philanthropy sector is much more complex. The lack of clarity of what philanthropy ought to be, and what is simply a campaign for the interest of the few disguising as work for the public good, renders the field vulnerable to criticism that is questioning its motives and causes.

When George Soros announced in 2017 that he had transferred about \$18bn to the Open Society Foundations, the group of human rights focused organizations that he had started building in 1979, he created the third largest charitable foundation in the world; yet he was also the target of horrendous abuse from various rightwing and conspiracy groups, including the current government of his native Hungary. Its president, Viktor Orbán, has accused Mr. Soros of being a "national security risk" and a "public enemy" over his alleged support for what Mr. Orbán calls the dangerous mass immigration of Muslims into Europe.² Other critics have

¹ <https://givingusa.org/giving-usa-2018-americans-gave-410-02-billion-to-charity-in-2017-crossing-the-400-billion-mark-for-the-first-time/>

² <https://www.theguardian.com/business/2017/oct/18/george-soros-gives-18-billion-dollars-open-society-foundation>

alleged, Mr. Soros was involved in secret schemes to take over the world and impose a liberal government,³ when in fact his philanthropy is transparent in its support of vibrant and tolerant societies, accountable and open governments, the rule of law, and human rights;⁴ all of which are hardly controversial causes.

While the attacks against Mr. Soros are particularly vile – and often recur to anti-Semitic stereotypes –, the underlying criticism of philanthropy is neither limited to right-wing extremists nor conspiracy theorists. In the *New Yorker*, Patrick Radden Keefe wrote that the generous support of arts and sciences of the Sackler family builds on their ruthless pursuit of profit through the promotion of opioids, which helped create the addiction crisis that the United States is currently facing.⁵ David Gelles of the *New York Times* exposed the challenges of giving in a highly polarized political environment, lamenting that “a few billionaires are wielding considerable influence over everything from medical research to social policy to politics,” when indeed these important areas should be governed democratically.⁶ In his book *The Givers. Wealth, Power, and Philanthropy in a new Gilded Age*, David Callahan brands philanthropists “a new power elite,” raising the fundamental question, what role private wealth ought to play in public life.⁷

Questioning the motives and causes of giving is as old as philanthropy itself. Today, however, the criticism has a new quality, because it points to a real challenge. In a time of

³ https://www.salon.com/2019/06/04/scapegoating-george-soros-how-media-savvy-far-right-activists-spread-lies_partner/

⁴ <https://www.opensocietyfoundations.org/who-we-are>

⁵ <https://www.newyorker.com/magazine/2017/10/30/the-family-that-built-an-empire-of-pain>

⁶ <https://nyti.ms/2gVnkOX>

⁷ David Callahan: *The Givers. Wealth, Power, and Philanthropy in a new Gilded Age*, New York: Knopf, 2017.

austerity, when government is retrenching from many public functions it has funded in the past, philanthropy has matured into a powerful sector. And where historically philanthropy's aim was the "betterment of mankind," today the sector does not have a shared understanding of what would constitute its ultimate goal. While it is clear that philanthropy aims to change society, it is institutionalized in the tax code under the illusion that it is apolitical. Under this measure, "philanthropic" activities include the elimination of Malaria as well as the disenfranchisement of minority groups, as Mr. Callahan points out in his book. Today, philanthropy is thus lacking a shared concept of progress that would ground its activity, define its goal, and serve as a compass of its grant making – a concept that would also create legitimacy and acceptance of its privileged status in society.

2. Ironically, philanthropy is a victim of its own success. Broadly speaking, modern philanthropy developed in four distinct stages. Philanthropy as traditional charitable giving that we have seen through the end of the Nineteenth Century was mostly modest in its objectives and exclusive in its practice. We can call this **traditional philanthropy**. When American capitalism became more dynamic after the Civil War, it created the vast fortunes of the Gilded Age. Wealthy industrialists, including Andrew Carnegie, John D. Rockefeller, and Henry Ford, created a new philanthropic institution, *the general-purpose foundation*, conceiving of philanthropic funding as investments in society that needed to be managed just as carefully as the vast business empires these men built. Carnegie, Rockefeller, and Ford created the grant making foundation that we know today. We can call this stage in the development **institutional philanthropy**. In this period, charitable giving also changed to the extent that disposable

incomes of average Americans grew dramatically, providing the resources for what would become mass giving.

Over the course of the Twentieth Century with its massive improvement of American standard of living, resulting in a consumer society, as well as the development of the modern federal state with its vast bureaucracies and broad mandates to further the welfare of society, mass giving and institutional philanthropy converged into a non-profit sector of civil society institutions. These institutions were funded by private means but cooperating broadly with the government on a diverse set of programs seen to further the public good. We can call this **civic philanthropy**.

With the expansion of the federal income tax, civic philanthropy became institutionalized in the tax state, with a broad array of donations and institutions receiving tax exempt status. The non-profit institution it created is a “hybrid capitalist creation,” as Oliver Zuns put it in his book *Philanthropy in America. A History*, that operates tax free as long as its profits are reinvested in the public good.⁸ While it manages its endowment like a for-profit organization based on market principles, the beneficiary is supposed to be society, not shareholders.

As to what would constitute the public good, the institutionalization of philanthropy in the tax code is distinctly pluralistic, allowing a multiplicity of causes in the public interest that were deemed “educational” in the widest sense of the word, but excluded political “action.” In theory and in practice, this arbitrary distinction was often blurred, as it is somewhat difficult to

⁸ Oliver Zuns: *Philanthropy in America. A History*, Princeton: Princeton University Press, 2012.

understand how the public good could be theoretically perceived as apolitical, and practically philanthropy aligned itself with the political struggles of minorities, particularly the civil rights movement.

With the conservative backlash against the civil rights legislation of the 1950s and 1960s, this inherent contradiction of the institutionalization of philanthropy in the modern tax state led to a crisis of philanthropy, in which many of the original grant making institutions, including the Carnegie Corporation and the Ford Foundation, were accused by Southern segregationists of politicking. This crisis culminated in 1969 with a push in Congress to limit the lifetime of foundations. While this ultimately failed, it heightened the scrutiny of philanthropic activities that were perceived as political, creating a new stage in the development of the sector, namely **politicized philanthropy**. (The pushback against civic philanthropy did ultimately result in the requirement that foundations disburse 5% of their assets annually.) Politicized philanthropy created a vast array of foundations, non-profits and think tanks that no longer were chartered to act in the interest of society but were founded to further specific principles or ideas that in effect are often in the partisan interests of their funders.

Make no mistake, politicized philanthropy is only a phenomenon of the right. Allegedly “liberal” causes are also often furthered by institutions that have very little in common with the open and transparent general-purpose foundation of the 20th Century. The likes of Mark Zuckerberg try to maintain control of their giving in an often opaque ways. The Chan Zuckerberg Initiative is that a limited liability corporation that legally may lobby, make political donations, or even turn a profit. It is constructed as an instrument of influence, not giving.

3. There are those who would argue, like Karl Zinsmeister of the *Philanthropy Roundtable*, that the current state of philanthropy in the United States is a vibrant expression of a free and pluralistic society. They would refer to James Madison's *Federalist paper number 10*, which argues that competing factions, advocating different interests and principles, are the best way to prevent any single faction from dominating the political power.⁹ But revoking the Founding Fathers cannot camouflage that, firstly, there is a blatant asymmetry between those who have the means to fund causes as they wish, and those who don't; and that, secondly, a cause that furthers the public good is not equal to a cause that furthers partisan interest.

The pluralism argument also downplays the impact politicized philanthropy had, and still has, on the political discourse in the United States, and neglects the hyper-partisanship of many of the ideas that some of the most successful institutions are spreading. It neglects the impact that **philanthropy as political strategy** had, and still has, on American society. It neglects the inequality that is exacerbated, if not created, based on arguments that philanthropically funded institutions make, allegedly in the interest of the public good. It neglects the limits of pluralism, when a society is highly stratified, and the richest ten percent own three quarters of the wealth.

Ultimately, the pluralism argument denies the current crisis the quintessentially American institution philanthropy is in.

⁹ Alexander Hamilton, James Madison and John Jay: *The Federalist*. With Letter of "Brutus", ed. Terence Ball, Cambridge: Cambridge University Press 2003.

To move beyond the partisan criticism of giving, philanthropic institutions cannot avoid political questions. Philanthropy by definition wants to change society, and thus is political. It must defend a definition of the public good that distinguishes between causes that benefit the many, and those that benefit the few. It must defend evidence-based practices. And it must fight the institutions that promote partisan solutions to non-existing problems, such as widespread voter fraud in the United States, and the alleged preservation of the public good of voting integrity through strict voter ID laws – when in reality the partisan objective is to disenfranchise certain voters.

Philanthropy today must uphold the idea of progress for all; the idea of a just society and equality under the law. It is on the shoulders of trailblazers of modern philanthropy like Andrew Carnegie that we stand today, who reminded us in his Gospel of Wealth that private wealth should be “for the good of the people.”¹⁰

¹⁰ Andrew Carnegie: The Gospel of Wealth, New York: Carnegie Corporation of New York, 2017.