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Beyond market and government

Philanthropy plays an important part in advancing human welfare and sustainability, yet its critiques are louder than ever. It's high time for a defence.

von Beth Breeze





Beth Breeze, zvg.

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Philanthropy ought to be an easy concept to explain and discuss. The word simply means love of mankind («philo» and «anthropos») – yet its simplicity and familiarity mask its complex and contested nature. Evidence of philanthropic activity exists from the earliest known civilisations and is found in every known society today. We can easily point to long-standing evidence of philanthropic activity, from the enormous – and enormously expensive – cathedrals built across northern Europe during the Middle Ages, to the 2,500 libraries built across the world in the late nineteenth and early twentieth century by Scottish-American philanthropist Andrew Carnegie, to the recent funding of vaccine research and pandemic relief in response to the COVID-19 crisis. But it is much more difficult to provide a precise explanation of why philanthropy exists, what role it should play, and why it is worth encouraging, despite the recent explosion of concern about the alleged harm caused by big giving and big givers.

To answer these questions, it is helpful to compare philanthropy with the other



two main sectors of society: government and business. Where government involves public action in pursuit of public benefits, and business involves private action in pursuit of private benefits, philanthropy involves the distinctive combination of private action in pursuit of public benefits.

The problem of collective action

What makes the concept complex is the absence of either compulsion or compelling self-interest to generate the funding stream for philanthropy. Government compels individuals to pay tax in order to provide public benefits for all. Businesses provide direct benefits to those who choose to pay for goods and services. But philanthropy lacks both the stick and the carrot: there is no compulsion to contribute, and no way to exclude «free riders» who do not contribute from enjoying the benefits, be it medical advances, a cleaner environment, public art, or a world with less preventable deaths. This is why collective action problems' are prevalent in the philanthropy sector, meaning the problem of how to get self-interested individuals to participate in achieving common goals when those individuals can benefit regardless of whether or not they made a contribution.¹

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The two main strategies for overcoming collective action problems are coercion and incentives. Governments choose coercion by making payment of taxes compulsory, whereas both business and philanthropy rely on incentivising, »

respectively, consumers and donors. The positive inducements in for-profit settings are obvious because customers directly benefit from their expenditure, but the use of incentives for donors in non-profit settings is tricky because observers are increasingly critical of the presence of any type of donor-benefit, regardless of how intangible or trivial they are. Even feeling a «warm glow», or receiving expressions of gratitude and praise after making a gift, are enough for some to call into question the authenticity of philanthropic acts and the sincerity of donors' intent. The paradox of the gift – that in giving we receive – means that philanthropy involves an intractable and irresolvable contradiction: the most viable lever to overcome free riding is to encourage and incentivise those with the capacity to give, yet that encouragement and inducement falls foul of normative expectations and amplifies criticisms of philanthropy. Given the more straightforward funding mechanisms enjoyed by government and business, why have a sector that contains such an easily exploitable flaw as free riding, and that contains a paradox that offends those who believe every gift must be entirely disinterested? Theorists have shown that philanthropic solutions are required when the other sectors fail to adequately supply certain goods and services:

Market failure occurs when profit cannot be made because «customers» are unable to pay (such as people in need of disaster relief or soup kitchens), or because information asymmetries make providers' motivation and lack of incentives to cut corners a key concern (such as organisations that run services for vulnerable or voiceless clients like a homeless shelter or an animal rescue service).²

Government failure occurs when there is insufficient popular demand to give government a mandate to step in as provider, either because it is a minority interest or concern that does not appeal to the typical voter (such as a new



social problem, a rare disease or a niche cultural taste), or because the demand is expressed by unpopular or marginalised groups (such as providing arts activities to prisoners, or support for asylum seekers).³

An alternative, more positive, explanation suggests that the philanthropy sector is not just a «last resort» provider but enjoys a comparative advantage over market and government provision in some regards.⁴ There are some circumstances where the nature of the service being provided is intimately connected to shared social and emotional experiences, and is therefore best provided by people with first-hand knowledge and a desire to help that lacks a profit motive.⁵ For example, if someone was feeling suicidal or seeking support after sexual assault or a bereavement, they would arguably prefer to be helped by an empathetic volunteer or non-profit employee, rather than a civil servant or a representative of a profit-making body.

The presence of philanthropy is interpreted by many as signifying failure on the part of the government to adequately provide for its citizens, and there are certainly many examples where this is a reasonable analysis. Some donors who step in to plug gaps do so unwillingly, sharing the view that government should «do its job» and that the role of private donors is to put «the icing on the cake».⁶ But this brief review of theoretical explanations for the existence of philanthropically-funded non-profit action shows that such provision is sometimes the only, better or preferred option for supplying some goods and services.

The academic, insider and populist critiques

There are three different types of criticisms of philanthropy that have grown in volume and popularity over recent years, and which together create an existential challenge to the fundamental legitimacy and propriety of



philanthropy:

The first, which I call the academic critique, is focused on the How of philanthropy, asking whether its existence and current methods, especially the in perpetuity foundation form, entrench unequal power structures, exacerbate inequality and undermine the democratic principle of political equality at the ballot box and subsequent law-making. In essence this critique is concerned that giving is undemocratic.

The second, which I call the insider critique, is largely focused on the What of philanthropy, questioning whether the causes chosen and prioritised by donors are the «correct» ones, the basis on which philanthropic spending should be allocated, and how «better» giving decision can be made. In essence this critique is concerned that giving is misdirected.

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The third, which I call the populist critique, are media-friendly denunciations of big giving. As with populism in general, they provide simple explanations for complex phenomena and are almost exclusively focused on the Why of philanthropy – scrutinising the motivations of donors and the benefits that may be gained, as well as making ad hominem attacks on individual philanthropists. In essence this critique is concerned that giving is really taking in disguise.

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These three critiques have been in currency for a very long time, but criticism is now at an unprecedented level, and its amplification by moral grandstanding on social media risks undermining the whole enterprise of philanthropy, rather than correcting specific problematic cases. It is also worrying that these critiques tend to be focused on a handful of elite philanthropists, but get generalised to become critiques of all philanthropy. This situation threatens the supply of funding for non-profit activity whose operations cannot be funded by goodwill alone.

The most outstanding achievements

This article has so far argued that philanthropy is commonplace, complex and contested but the reason it deserves a robust defence is because of another word beginning with c: philanthropy is crucial, for individuals and communities, because it funds life-saving and life-enhancing work. One of my research projects involved surveying the opinion of UK philanthropy sector colleagues, to identify the most outstanding historic and contemporary achievements that had been secured with the help of philanthropic support. The results highlight how crucial philanthropy has been across time, and how crucial it continues to be today:

The largest area of pre-1900 philanthropic achievement concerns the provision of a wide range of social and health services, paid for and provided by philanthropists long before the government took responsibility for the welfare of its citizens. In addition to the well-known tradition of the rich giving alms or poor relief direct to the needy, this includes the provision of housing for the poor, care for orphaned and abandoned children, and building hospitals and covering health care fees for those unable to pay. The single most frequently cited historic achievement was the philanthropic effort of those involved in financing and running the campaign to end the slave trade in the UK. The



Society for the Abolition of the Slave Trade was founded in 1787 by Granville Sharp and Thomas Clarkson, and the political leadership provided by William Wilberforce is widely remembered and admired. But many thousands of individual philanthropic women and men joined the campaign, ran local groups, raised funds, distributed pamphlets and worked collectively for decades to secure the successful passage of the 1807 Abolition of the Slave Trade Act and the 1833 Slavery Abolition Act.⁷

The most frequently cited modern achievement was the philanthropic response to famine and poverty in developing countries. Whilst international aid and development are often the focus of critical scholarship, usefully highlighting many issues in relation to neo-colonialism and the consequences of exacerbating north-south power imbalances and exploitation, the British public continue to be enthusiastic supporters of providing disaster relief and funding long term development projects. Examples include promoting Fair Trade, providing microfinance, funding healthcare infrastructure, and supporting the Jubilee Debt campaign which resulted in billions of pounds of unjust and unpayable debt held by the poorest countries being cancelled at the Millennium.

The second theme identified in modern philanthropic achievements is health research and pioneering health services. Examples include hospices to provide dignified and pain-controlled environments for the dying, the philanthropic response to the AIDS epidemic which provided preventative education and support for those infected before governments got involved, and the enormous scientific enterprise that resulted in the mapping of the human genome in which the Wellcome Trust, one of the world's largest philanthropic foundations and based in the UK, was a major partner.

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Since this survey was conducted, philanthropy has helped achieve another significant feat in the health field: the virtual eradication of polio. In the 1980s a thousand children each day were paralysed by polio. Now, after 2.5 billion children have been vaccinated, with funding provided by many big and small donors, including \$3 billion from the Bill and Melinda Gates Foundation, the type 2 and type 3 wild polio viruses have been declared eradicated, and only a handful of cases of type 1 persist.

The third area of modern achievement is the continuing use of philanthropically-funded campaigning to bring about significant social change. Examples include the campaigns that banned handguns in the UK after the Dunblane primary school massacre in 1996, and campaigns resulting in equalities legislation such as equalisation of the age of consent and same sex marriages. Many campaigns are aimed at government, either to change the law or provide additional funding. When critics state that there would be no need for philanthropy if only people and companies paid more tax, it is worth noting that the government would not use the money it collects to lobby itself. Whilst democracy ensures that every adult has a voice at the ballot box, it is philanthropy that often enables voices to be heard in between elections.

Whilst philanthropy obviously cannot claim sole credit for the achievements noted above, the contribution of philanthropic funding is frequently overlooked, and is worth highlighting in the context of growing attacks on the role and purpose of privately funded initiatives. Money is an essential elemen



in creating social change and bringing about social justice, yet those who voluntarily provide such funds are often at best ignored and at worst vilified.

Private action for the public good is only one part of a much wider, ongoing and probably unfinishable debate about how best to meet individual and social needs. Undoubtedly governments and markets could be better organised to achieve more equitable human welfare on a sustainable planet. But we cannot – and should not – stop people who wish to go beyond their duties as voters and their desires as consumers, to voluntarily use their own resources for the benefit of strangers and for future generations. Philanthropy is commonplace, complex, contested, crucial, and well worth defending.

1. Mancur Olson: *The Logic of Collective Action: Public goods and the theory of groups*. Cambridge: Harvard University Press, 1965. ↩
2. Henry Hansmann: *The Role of Non-Profit Enterprise*. In: Susan Rose-Ackerman (ed.): *The Economics of Nonprofit Institutions: Studies in Structure and Policy*. Oxford: Oxford University Press, 1986. ↩
3. Burton A. Weisbrod: *Toward a Theory of the Voluntary Sector in a Three-Sector Economy*. In: Susan Rose-Ackerman (ed.): *The Economics of Nonprofit Institutions: Studies in Structure and Policy*. Oxford: Oxford University Press, 1986. ↩
4. David Billis and Howard Glennerster: *Human Services and the Voluntary Sector: Towards a Theory of Comparative Advantage*. In: *Journal of Social Policy*, 27, 1998, p. 79-98. ↩
5. Avner Ben-Ner: *The Shifting Boundaries of the Mixed Economy and the Future of the Nonprofit Sector*. In: *Annals of Public and Cooperative* »

Economics, 73:1, 2002, p.5-40. [↩](#)

6. Beth Breeze and Theresa Lloyd: Richer Lives: Why rich people give. London: Director of Social Change [↩](#)
7. B. Kirkman Gray: A History of English Philanthropy: From the Dissolution of the Monasteries to the Taking of the First Census. London: Frank Cass & Co. Ltd, 1905. [↩](#)

Beth Breeze

leitet das Centre for Philanthropy an der University of Kent in Grossbritannien. Sie hat zehn Jahre im Fundraising und im Management von wohltätigen Organisationen gearbeitet, bevor sie zu lehren begann. Zuletzt von ihr erschienen: «In Defence of Philanthropy» (Agenda Publishing, 2021).

[Alles von Beth Breeze lesen](#)

