PHILANTHROCAPITALISM AS A BIOETHICAL ISSUE

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ABSTRACT

Philanthropy is one of the fastest growing industries in the global economy. Philanthropic billionaires have unprecedented power in creating education policy, directing the development of global agriculture and dictating trends in global health policy. According to its critics, instead of an altruistic aid, philanthropic capitalism is, in essence, an ultimate way of gaining profit under the guise of humanity. Large charities replace state institutions as social service providers. Due to the size of donations, financial power and political influence, philanthrocapitalists, such as Bill Gates, successfully embody their vision of global problem solving and by doing that they focus on the consequences rather than removing the causes. In this paper we will explain the basic settings of philanthrocapitalism and point out the issues it raises in society. Through the example of the Bill and Melinda Gates Foundation, we will explain the three basic negative aspects of philanthrocapitalism, namely antidemocracy, paternalism and amateurism, and we will explain why philanthrocapitalism should be a focus of bioethical discussions, since philanthrocapitalists have an increasing role in creating public policies.

Keywords: philanthrocapitalism, Bill and Melinda Gates Foundation, bioethics, antidemocracy, paternalism, amateurism

INTRODUCTION

We will begin our paper with a sharp criticism of philanthropy from the essay The Soul of a Man under Socialism by Oscar Wilde: They very seriously and very sentimentally set themselves to the task of remedying the evils that they see. But their remedies do not cure the disease: they merely prolong it. Indeed, their remedies are part of the disease. They try to solve the problem of poverty, for instance, by keeping the poor alive; or, in the case of a very advanced school, by amusing the poor. But this is not a solution: it is an aggravation of the difficulty. The proper aim is to try and reconstruct society on such a basis that poverty will be impossible. And the altruistic virtues have really prevented the carrying out of this aim. Just as the worst slave-owners were those who were kind to their slaves, and so prevented the horror of the system being realised by those who suffered from it, and understood by those who contemplated it, (...) the people

https://doi.org/10.5593/sgemsocialF2018/1.6
who do most harm are the people who try to do most good;(...) Charity creates a multitude of sins. There is also this to be said. It is immoral to use private property in order to alleviate the horrible evils that result from the institution of private property. It is both immoral and unfair [1].' Wilde, in his criticism of philanthropy, points to a paradoxical fact, that the people who do most harm are the people who try to do the most good. So it turns out that Bill Gates, who has been declared the greatest philanthropist in history by some media, is actually the man who causes the most harm to those he is trying to help. Over a hundred years after Oscar Wilde wrote, when neo-liberal capitalism was at its peak, Matthew Bishop and Michael Green wrote a book called *Philanthrocapitalism: How the Rich Can Save The World*, representing the richest people in the world as unquestionable saviours of mankind. The Philanthrocapitalists were led by Bill Gates, until recently the wealthiest man in the world, who founded his Bill and Melinda Gates Foundation in 2000 and initiated a new wave of philanthropy or, to be more precise, philanthrocapitalism. The paper will consist of two parts; in the first part we will briefly explain the emergence of the term philanthrocapitalism as well as its main designation, and in the second part we will outline as an example the work of the Bill and Melinda Gates Foundation, explaining the three basic negative aspects of philanthrocapitalism, namely antidemocracy, paternalism and amateurism, and we will explain why philanthrocapitalism should be a focus of bioethical discussions, since philanthrocapitalists have an increasing role in creating public policies.

**PHILANTHROCAPITALISM**

Philanthrocapitalism is a term that was coined in 2006 by Matthew Bishop in an article 'The birth of philanthrocapitalism' published in *The Economist* magazine and was later developed most comprehensively in a book *Philanthrocapitalism: How the Rich Can Save The World* first published 2008 by Matthew Bishop and Michael Green. The book was endorsed by Bill Clinton, who wrote in its foreword that this concept drives the Clinton Foundation quoting: 'I’ve tried to increase the momentum and impact of those in philanthrocapitalism through the Clinton Global Initiative (CGI). Since 2005, we’ve invited philanthropists, political leaders, business executives, leaders of nongovernmental organizations, college presidents and students, and citizen activists from around the world to meet in New York at the opening of the U.N. They discuss the big how questions, develop their own answers, and make specific commitments to implement them. To date, members have made more than 1,400 commitments valued at $46 billion that have already improved the lives of more than 200 million people in 150 countries. CGI is, in many ways, the laboratory in which the authors’ ideas about philanthrocapitalism are tested. At its best, philanthrocapitalism reinforces and amplifies the time, money, skills, and gifts given every year by people who are not rich, and it informs and enhances government policies [2].' According to Bishop and Green philanthrocapitalist is defined in the following way: "They apply their business methods to philanthropy, philanthrocapitalists are developing a new (if familiar-sounding) language to describe their businesslike approach. Their philanthropy is “strategic,” “market conscious,” “impact oriented,” “knowledge based,” often “high engagement,” and always driven by the goal of maximizing the “leverage” of the donor’s money. Seeing themselves as social entrepreneurial “philanthrepreneurs,” they love to back social entrepreneurs who offer innovative solutions to society’s problems [2]." One of the big differences regarding the
old philanthropy is the profit motive in philanthropy, about which Bishop and Green write: philanthrocapitalists are increasingly trying to find ways of harnessing the profit motive to achieve social good. This is controversial, to say the least: isn’t philanthropy supposed to be about giving away money, not making more of it? But as the philanthrocapitalists see it, if they can use their donations to create a profitable solution to a social problem, it will attract far more capital, far faster, and thus achieve a far bigger impact, far sooner, than would a solution based entirely on giving money away. Thus, their money can lever, in a good cause, some of the trillions of dollars in the for-profit business world. This is very different from traditional corporate philanthropy, which has often been ineffective: giving away small sums of money typically to generate positive publicity rather than change the world [2]. Bishop and Green, in their book, use the term 'hyperagents' to explain the role and importance of philanthrocapitalists in society. According to them: 'Philanthrocapitalists are “hyperagents” who have the capacity to do some essential things far better than anyone else. They do not face elections every few years, like politicians, or suffer the tyranny of shareholder demands for ever-increasing quarterly profits, like CEOs of most public companies. Nor do they have to devote vast amounts of time and resources to raising money, like most heads of NGOs. That frees them to think long-term, to go against conventional wisdom, to take up ideas too risky for government, to deploy substantial resources quickly when the situation demands it—above all, to try something new' [2].

On the other hand, critics disagree with this thesis about philanthrocapitalists as hyperagents. So, for example scholar Linsey McGoey fiercely criticises philanthrocapitalism in her book No Such Thing as a Free Gift about three main concerns raised by philanthrocapitalism. The first concern centres on the accountability and transparency of private philanthropic players – or lack thereof. McGoey take as example the Gates Foundation which provides 10 per cent of the World Health Organization’s overall budget. In the last few years, beginning in 2013 it emerged as the largest single donor to the UN health agency, donating more than the US government. According to its charter, the WHO is meant to be accountable to member governments. The Gates Foundation, on the other hand, is accountable to no one other than its three trustees: Bill, Melinda, and Berkshire Hathaway CEO Warren Buffett. Many civil society organisations fear the WHO’s independence is compromised when a significant portion of its budget comes from a private philanthropic organisation with the power to stipulate exactly where and how the UN institution spends its money [3]. McGoey’s second concern is that philanthropy, by channelling private funds towards public services, erodes support for governmental spending on health and education. Private philanthropy is no substitution for hard-fought battles over labour laws and social security, in part because philanthropy can be retracted on a whim, while elected officials, at least in theory, have citizens to answer to. The tension between private philanthropy and public spending has become clear in recent battles over public education in the United States. Often working in collaboration, three powerful ‘mega-foundations’ – the Gates Foundation, the Walton Family, and the Broad Foundation – are helping to build one of the fastest-growing industries in the United States: secondary and primary schools run on a for-profit basis [3].

According to McGoey, the third major concern is that many philanthropists, both today and in the past, earned their fortunes through business strategies that greatly exacerbate the same social and economic inequalities that philanthropists purport to remedy. The
great industrialists of the late nineteenth and early twentieth centuries were dubbed robber barons due to the widespread condemnation of their predatory business tactics. Today, some of the world’s most celebrated philanthropists, from Gates to George Soros, earned billions through business tactics that have compounded financial instability, eroded labour protections, and entrenched global economic inequalities [3]. In her book, McGoe quotes the opinion of Mitch Kapor, the billionaire co-founder of Lotus Software and a long-time business rival of Gates throughout the 1980s and 1990s: 'It’s incontestable that under Gates’s leadership Microsoft exercised its monopoly power to unfairly stifle competition. This was the main finding of fact in the US Department of Justice anti-trust case against Microsoft. The resulting Gates fortune, the majority of which is now being distributed by the Bill and Melinda Gates Foundation, was accumulated in some measure through ill-gotten means' [3].

BILL AND MELINDA GATES FOUNDATION

The Bill and Melinda Gates Foundation is the largest and most powerful philanthropic foundation in the world. According to the latest official data, the Foundation currently has 1,541 employees, the total Foundation Trust Endowment value is $50.7 billion and the total grant payments since its inception in 2000 (through Q4 2017) is $46.0 billion. In 2017, total direct grantee support was $4.7 billion [4]. The Bill and Melinda Gates Foundation has its roots in two of Gates’ earlier philanthropic foundations: the William H. Gates Foundation and the Gates Library Foundation. Formed in 1994 by Bill Gates and his wife, Melinda Gates, the William H. Gates Foundation was managed by Bill Gates’ father, William H. Gates Sr. who is now in the position of co-chairman of the Bill and Melinda Gates Foundation. The second of Gate’s initial two foundations was founded in 1997 as the Gates Library Foundation, in the foundation’s own words, to 'bring computers and Internet access to public libraries in low-income communities in the United States and Canada'. In 1999, the foundation then changed its name to the Gates Learning Foundation, prior to the merger into the Bill and Melinda Gates Foundation.

In 2000, Bill and Melinda Gates established the Bill and Melinda Gates Foundation which is based on the stated belief that 'every life has equal value', and which aims to 'help reduce inequities in the United States and around the world'. The Bill and Melinda Gates Foundation points out that its 15 guiding principles 'reflect the Gates family’s beliefs about the role of philanthropy and the impact they want this foundation to have'. Thus it is important to briefly examine these principles to get an idea of the type of work that the foundation believes it is engaged in. Many of those guiding principles suggest that the foundation respects the role of the community in dealing with social problems, thus they observe that: 'We treat our grantees as valued partners, and we treat the ultimate beneficiaries of our work with respect'; 'We treat each other as valued colleagues'; 'We must be humble and mindful in our actions and words'; and crucially they note that, 'Philanthropy plays an important but limited role'. Yet, as one might expect of the world’s largest foundation, there are limits to the respect they have for the beneficiaries of their work, as although they suggest that philanthropy should play a 'limited role' this is not borne out by the fact that in 2017 alone the Bill and Melinda Gates Foundation distributed over $4.7 billion [4]. Indeed, other principles that guide the foundation’s work which suggest their acknowledgement of a social engineering role for the foundation include: the foundation will be 'driven by the interests and passions of the Gates family'; 'We are
funders and shapers'; 'Our focus is clear'; 'We advocate — vigorously but responsibly — in our areas of focus'; and 'Meeting our mission ... requires great stewardship of the money we have available'. Thus, given the huge amounts of money involved, it is hard to reconcile the foundation's vision of itself as 'funders and shapers' with their final guiding principle, which is: 'We leave room for growth and change' [4]. It is evident from these few citations that the Bill and Melinda Gates Foundation is a powerful force for change, and, judging by the previous historical achievements of the major foundations, it is likely to be a rather antidemocratic, paternalistic, amateur and elitist force for change as we will see below.

**Philanthrocapitalism is Antidemocratic**

Scholar Eric Franklin Amarante in his paper *The Perils of Philanthrocapitalism* points out that: 'the traditional critiques of philanthropy, broadly summarized, are that philanthropy is antidemocratic by definition, paternalistic by tradition, and amateuristic by design. The antidemocratic nature of philanthropy is selfevident: when a wealthy person determines the best way to address a societal problem without the input of either society at large or the philanthropist’s beneficiaries, the result is a deficit of democracy. Philanthropy’s amateurism stems from the patently illogical belief that wealthy individuals ought to address some of the world’s most complex and intransigent problems simply because they successfully amassed a fortune in the private sector. Finally, the paternalism critique focuses on the assumption that

many of society’s problems are born out of personality faults of the beneficiaries of charity' [5]. Reporter Dale Roussakoff, in her acclaimed book *The Prize: Who’s in Charge of America’s Schools*, confirms this above-mentioned thesis: 'almost all philanthropy is by definition undemocratic, its priorities set by wealthy donors and boards of trustees, who by extension can shape the direction of public policy in faraway communities' [6]. For this statement, a perfect example is the Bill and Melinda Gates Foundation which is managed by the board consisting of William H. Gates Sr., Bill and Melinda Gates and Warren Buffett. Accusations against philanthropic foundations as antidemocratic institutions are not of recent date; moreover, Amarante in his work, mentions Jane Addams critical attitude. She lambasted the practice of philanthropy as incongruent with a democratic society. Addams' critique, forcefully argued in *Democracy and Social Ethics*, published for the first time in 1902, was not focused on the targets and means of philanthropy, but its very existence. Regardless of the outcome of a philanthropic endeavour (e.g., housing the homeless, feeding the hungry, or curing the sick), Ms. Addams objected to any institution in which an elite cadre of rich people wielded its wealth without the input of the beneficiaries [5]. Amarante points out that Addams is not alone in this view. Lawmakers in the early 1900s echoed this concern, perhaps best exemplified by Congressman Frank Walsh noting that: 'Even if the great charitable and philanthropic trusts should confine their work to the field of science, where temperament, point of view, and economic theory cannot enter, 100 many of us should still feel that this was work for the state, and that even in the power to do good, no one man, or group of men should hold the monopoly' [5]. Public education is one of the areas of special interest of philanthrocapitalists, where an anti-democratic practice of philanthropic foundations is particularly visible, as we will see in the next examples on the philanthropic effort to reshape the United States public education system. The problem is not that a few philanthrocapitalists have shown an interest in addressing the problems tormenting America's public education system. Rather, the problem is that these philanthrocapitalists
are not interested in small gestures. If they were simply providing school supplies or funding field trips, there would be little cause for concern. But these philanthropists and the foundation led by Bill and Melinda Gates, in conjunction with the Eli and Edythe Broad Foundation and Walton Family Foundation aim to redefine the very nature of public education, and their collective financial clout has resulted in an outsized influence. Indeed, the influence is so large that almost all voices are drowned out by the message of these few philanthropists. The result is that a small number of voices have dictated the discussion on education reform [5]. Amarante, in his paper, cites an example of the Bill and Melinda Gates Foundation’s effort to break up larger high schools. This was the Bill and Melinda Gates Foundation’s ‘first major education effort’, in early 2000 where it ‘granted $1.3 billion to redesign large comprehensive high schools and create smaller learning communities’ [5]. Without any definitive evidence that this effort would result in higher student outcomes, and, more relevant to this discussion, without soliciting input from administrators, teachers, or students in the targeted schools, the Bill and Melinda Gates Foundation leveraged its investment to position the small schools initiative as ‘a cornerstone of thinking in the minds of many educational reformers, planners and administrators’ [5]. The result of this investment was ‘the establishment of more than 2,600 schools in 45 states and the District of Columbia, reaching well over 750,000 students’ [5]. Unfortunately, the effort did not result in much success, with Bill Gates admitting that the program ‘did not improve students’ achievement in any significant way’ [4]. Faced with the lack of progress, the Gates Foundation abandoned the project, leaving ‘school districts ... with costlier-to-run small schools’ [5]. Thus, a philanthropist conceived and implemented an ineffective education reform effort that affected 750,000 students without the input, blessing, or counsel of the affected population. Setting aside the ineffectiveness of the initiative, the lack of democracy of an endeavour that affected 750,000 students is unsettling. From this example, it is clear that these philanthropists have enormous power in deciding on public policies, including decisions on how children will be educated. Their decisions directly affect the future of the students, and they are made without any democratic legitimacy, and this example once again confirms the antidemocratic nature of philanthrocapitalism.

**Philanthrocapitalism is Paternalistic**

That philanthropists have a paternalistic way of thinking is evident from their philanthropic action. This way of thinking is best seen in his essay 'The Gospel of Wealth' by Andrew Carnegie, one of the greatest philanthropist of the 20th century, in which he wrote that giving in one’s lifetime is ‘the true antidote for the temporary unequal distribution of wealth, the reconciliation of the rich and the poor’ [7]. Carnegie was a great supporter of philanthropy, and held that philanthropy is a cure for many illnesses of society stating that: ‘Under [philanthropy]’s sway we shall have an ideal state, in which the surplus wealth of the few will become, in the best sense the property of the many, because administered for the common good, and this wealth, passing through the hands of the few, can be made a much more potent force for the elevation of our race than if it had been distributed in small sums to the people themselves’ [7]. In his paternalistic way of thinking, Carnegie truly believed that poverty is evidence of immorality, stating that: '[t]hose worthy of assistance, except in rare cases, seldom require assistance' [7]. Concluding that the poor are immoral and incapable of caring for themselves, Carnegie firmly believed that they could not be trusted to make decisions on how charitable funds are spent. If the nation’s wealthy were to give money to the poor, ‘[m]uch of this sum ...
would have been wasted in the indulgence of appetite, some of it in excess, and it may be doubted whether even the part put to the best use' [7]. Carnegie concluded his thought in a dramatic tone: '[i]t were better for mankind that the millions of the rich were thrown in to the sea than so spent as to encourage the slothful, the drunken, the unworthy' [7]. According to Carnegie, better than give money to a person in need, 'the man of wealth' must serve as: 'trustee for his poorer brethren, bringing to their service his superior wisdom, experience and ability to administer, doing for them better than they would or could do for themselves' [7]. This, according to Carnegie, is the duty of the wealthy philanthropist: 'to administer [funds] ... in the manner which, in his judgment, is best calculated to produce the most beneficial results for the community because those in poverty cannot be trusted to spend money wisely' [7]. This paternalistic way of thinking is evident in the fact that most philanthropic donations are in-kind programs rather than in cash, with one study suggesting that a philanthropic shift from in-kind donations to cash transfers would help 18% more people. Regardless of this evidence, direct cash transfers represent only 6% of humanitarian aid. We can conclude that there is no reason for any loyalty to in-kind programs other than the tradition of paternalism and lingering distrust of those in poverty. As one supporter of direct cash transfers noted: '[t]he aid sector in general is bad at trusting people and reluctant to hand-over power and control. [Philanthropy is] fundamentally premised on the idea of the external experts deciding what is needed and providing it' [5].

**Philanthrocapitalism is Amateauristic**

The amateurism of philanthrocapitalists necessarily stems from their paternalistic ways of thinking, which, as we have seen in the previous chapter, starts from the premise that they know what is best for people in need. Amateurism is further reinforced by the conviction of philanthrocapitalists that if they could create enormous wealth like Mark Zuckerberg in monetising a social media website, or Bill Gates creating a monopoly in the software industry, it is transferable to other fields. With that in mind, Amarante points out that the conceit of philanthropy is that a wealthy person knows the best way to address a social ill for no reason other than the possession of wealth. This is blatantly irrational, but it is also the fundamental belief underlying the philanthropic regime [5]. Scholar David Callaahn in his book on philanthropy *The Givers* notes of philanthropists: 'These newcomers often know little about the complex problems they aspire to solve—yet may have too much hubris to recognize it—which raises an obvious risk of screwups. Making a bundle in software or short trading doesn’t mean you’ll know the first thing about, say, K–12 education, and it’s easy for misguided philanthropists to do a lot of damage (more about that later). Overconfidence is a dangerous thing when combined with great wealth and little in the way of accountability. The more active the rich have become in injecting their money and preferences into public life, the less that ordinary people may feel they can compete and the more they may tend to withdraw' [8]. This philanthropic amateurism takes many forms. For example, in the case of traditional philanthropists, it is often born out of simple lack of experience. But recently this amateurism has intensified through the philanthrocapitalist inclination to import business strategies to philanthropic endeavours. In the following section, we will analyse two consequences of this phenomenon: the attempt to monopolise the discussion and the willingness to accept the approach of trial and error. A good example of monopolisation of the discussion is education reform in the United States. Scholar David Bosworth points out that it is not an exaggeration to state that a few philanthropic foundations have provided the dominant (if not the only) voice.
in public education reform. By leveraging the strength of their wealth and the implicit threat of defunding, the Gates Foundation, the Broad Foundation, and the Walton Family Foundation have practically dictated the public education reform discussions. Policymakers and educators, in order to avoid offending philanthropists and the resultant negative financial repercussions, engage in self-censorship [9]. He concludes that this market dominance has resulted in a depressingly paltry intellectual debate with philanthropists 'monopolizing the market of ideas' [9]. Another example of amateurism is the market-based strategy widely adopted in modern philanthropy based on the entrepreneurial willingness to fail in order to reach the ultimate goal. As Gates once noted, 'success is a lousy teacher. It seduces smart people into thinking they can’t lose' [8]. Many philanthropists have imported this acceptance of failure from businesses to their philanthropic activity. As Callahan points out in his book citing Bill Ackman, a hedge fund investor and philanthropist, as being so 'comfortable with failure' that he admits 'there is some new mistake we haven’t yet made that we’ll make in the future. But as long as we learn from it, it’s fine' [8]. Unfortunately, this learning process often ends up with serious consequences for society as demonstrated by the Bill and Melinda Gates Foundation's small schools initiative.

CONCLUSION

In this paper, we have tried, through a brief analysis of the concept of philanthrocapitalism through the example of the Bill and Melinda Gates Foundation, to point out the underlying issues which are associated with philanthropy, both in traditional and new so-called philanthrocapitalism, namely its antidemocracy, paternalism and amateurism. Our philanthrocapitalism analysis has shown that philanthropic foundations such as the Bill and Melinda Gates Foundation are inherently antidemocratic, paternalistic and amateuristic institutions. In that sense, these issues should necessarily be a focus of bioethical discussions when we look at how philanthrocapitalists are presented to the public, as those who have offered the best solutions to public problems. When their solutions prove to be a failure, because of antidemocratic, paternalistic and amateur approaches as in the case of the Bill and Melinda Gates Foundation initiatives for small school reform, then the public is left to clean up the mess they have made and bear the consequences, while they (read Gates and others) continue with some new initiatives. On the other hand, bioethics as a science of life and respect for the value of life as a whole, among other things, addresses the problems of the public sphere and the influence of human activity on public institutions. Bioethics as a science needs to problematise the relationships of power created within the society that lead to inequality; bioethics should point to such problems, and ultimately try to offer solutions to issues of non-democratic practices such as philanthrocapitalists' philanthropic practices. Therefore, we conclude that as long as there is inequality in society, which philanthrocapitalists unsuccessfully attempt to remove, philanthrocapitalists endeavor that their philanthropic activity does not eliminate the causes of inequality (read neoliberal capitalist system), there will be a need for bioethical criticism of philanthropic activity. It is obvious that philanthropic activity, to some extent, serves to preserve the existing status quo in which philanthropists remain at the top of the global pyramid of power.
REFERENCES


