INTRODUCTION

There are two basic dimensions to the study of philanthropy. The first emphasizes the impressive magnitude of charitable donations, whether in money, property or time. There are 11 million American citizens engaged in the non-profit sector through their participation in 2 million tax-exempt organizations (Teegarden et al, 2011:7). Their 15 billion hours of work would correspond to 279 billion, if they were converted into salaries (Wing et al, 2010). At the end of 2010, the 100 million American foundations held assets amounting to US$ 569 billion (Stuckler et al, 2011:3). Internationally, the sector handles no less than US$ 2 trillion a year and employs 45 million workers, if volunteers are included; that is 4.5 percent of all the economically active individuals in the world. If the sector were a country on its own, it would be the world's fifth largest economy (Salamon, 2009).

It would be a mistake, however, to examine philanthropy from a sector-based perspective alone, as if it were a kind of segment apart from social life, albeit a highly important one. Charitable acts, donations motivated by conviction or compassion, local organizations set up for the sole purpose of opposing unjust situations, have been inherent to all social organization throughout history (Ambrose, 2005). The classic works of Mauss, Malinowski and Polanyiare are just a few of the innumerable examples that demonstrate the decisive role of donations in maintaining social cohesion. Far removed from the idea of heartfelt gratitude that philanthropy evokes at first thought, Mauss (1990:31), for example, studies archaic societies on the basis of the reciprocity of gifts and donations that create a constructive set of obligations establishing a form of order whereby the objects are never completely separated from the men who exchange them. In the same way, Malinowski (1984) shows how the Kula personalizes the ties between individuals that are nominally distant from one another, with no kinship relationship, but associated through the obligations it implies. Polanyi uses Malinowski’s example and counterpoises that reciprocity to the social logic that emerges from the generalization of mercantile relations, in what he does not hesitate to refer to as a Satanic mill. In doing so, he reaffirms an opposition – that is decisive in all classical social thinking from Marx and Weber to Mauss, Malinowski and Tonnies – between, on the one hand, social structures warmly supported by donations, personalized obligations and status, and on the other, those that supposedly merely respect the cold order of goods, contracts, and blind impersonal bonds among their components.

The work of Carrier (1995) and, from the mid-1980s on, the so-called new economic sociology (Smelser and Swedberg, 1994) rails against this separation of market and donations, work and home, economy and society, all unduly transformed into hostile worlds (Zelizer, 2005). The pure gift and the pure commodity, like the pure gift relationship and
the pure commodity relationship, are polar terms that define a continuum along which one can place existing transactions and relationships’ (Carrier, 1995:189). The new economic sociology was to insist on the embeddedness (Granovetter, 1985) of the economy in a social world in which the very market itself could be interpreted on the basis of requirements of a moral nature (Fourcade and Healy, 2007).

In that light, it is indeed crucial to understand philanthropy as a specific sector but without losing sight of the fact that sharing, giving without any mercantile counterpart being involved, and spending time for the explicit purpose of achieving goals that are socially valuable (and not individually instrumental) have been, and still are important aspects of the creation of wealth, not only in ancient societies but, increasingly, in our own times as well. The best examples of that are free softwares and the Wikipedia (Benkler, 2006), but they also include the efforts of big corporations to incorporate the diffuse contribution of public cooperation among their innovations (Lessig, 2008). Furthermore, the donation of time (and often money and property) by means of these new and increasingly widespread modes of cooperation is not conducted in a sphere apart from private business, but is to be found at the very heart of the dynamics of contemporary innovation (Benkler, 2011, Slavin, 2011).

The importance of non-state organizations is on the increase. They are not to be confused, however, with private companies as they are explicitly directed towards achieving public goals (Salamon, 2002). Often they are associated to big corporations or stem from the use of the fortunes of their main shareholders, as the recent appearance of the term philanthrocapitalism (Bishop and Green, 2009) shows; or they may be derived from organizations designed to enhance the role of the owners of great fortunes in formulating solutions to global problems (Hudson Institute and The Center for Global Prosperity, 2010; Yach et al, 2010). Actually such use of great fortunes to promote the most varied kinds of public causes (from education to founding libraries, from the museums and orchestras, to providing protection for refugees, combating unemployment, or the defense of ethnic minorities) has been going, in the United States at least, since as far back as the 17th century (Bremmer, 1988). In spite of the fascinating richness of the information available on that, this chapter is not about the history of philanthropy. It concentrates on gaining an understanding of philanthropy by addressing three central questions.

The first is one usually formulated by economists: what could explain the fact of private entities employing their time, money or property to satisfy the public interest? In that sense the challenge is to face what many economists refer to as the paradox of corporate philanthropy (Andreoni et al, 1996; Godfrey, 2005; Kulscar et al, 2011).

Two other important questions emerge from the spheres of sociology and social sciences: what are their principle organizational forms (DiMaggio and Anheier, 1990; Galaskiewicz and Burt, 1991), and why do their control and governance mechanisms resemble those of the private sector so closely, seeing that philanthropic organizations are not designed to make profits (Porter and Kramer, 1999; Constantine and Braverman, 2004)? This question is not only important in studying philanthropic initiatives rooted in corporations or the great fortunes of their shareholders but also in enabling an understanding of the way in which even the most nonconformist civil society organizations adopt professionalized forms of intervention and subject themselves to governance styles highly typical of the corporate world.
Apart from the aspects of its motivation and governance structure, philanthropy is studied in light of the social principles that explain it and the political power that underlies it. Domhoff (2009: 956), for example, insists on the ‘relevance of class-based organizational networks for understanding the role of many nonprofit organizations’. His five case studies illustrate a variety of situations. Sometimes philanthropic organizations help to reinforce grassroots social groups. On other occasions however there may be ‘ultraconservative members of the corporate community who help finance nonprofit right-wing organizations that try to overturn any gains that are made by liberal–labor and progressive activists during times of upheaval’ (Domhoff, 2009:956). Stuckler et al (2011), following a similar line, show that the links between public health foundations and private food and pharmaceutical corporations encourage us to view them more in the light of their strictly private interests than that of the universal causes in whose name they act. It is not unusual for beneficiary foundations to extol a reduction in government’s role in elaborating public policies in the name of expanding personal responsibility and the consumer’s supposed freedom of choice; and that in problematic areas like the use of tobacco and the consumption of soft drinks, alcoholic beverages and medicines (Rampton and Stauber, 2010; McKoy et al, 2009). At the same time, the bottom-up initiatives dedicated to promoting emancipating causes and that do not depend on corporate funding for support are of fundamental importance and highly emblematic of the current scene.

The following three items will present social science’s more important responses to the three questions.

OVERCOMING THE PARADOX

The attitude of two biggest names in 20th-century economics to what is known today as ‘corporate philanthropy’ is emblematic. In 1970 Milton Friedman declared that the idea of the socio-environmental responsibility of companies was nothing but ‘pure and unadulterated socialism’. To him, corporate philanthropy was an absolute contradiction in terms. The task of a corporate director is to run the business in accordance with the interests of those that entrusted him with the job, namely, the shareholders. Obviously, as an individual, he could have other responsibilities to his church, his family or his community. In these latter situations he is the master of his own resources and can act in regard to them as he sees fit. As the administrator of a company, however, he is the agent of those that placed on his shoulders the responsibility for making their assets yield good returns, and, accordingly, his mission is to obtain the greatest possible gains for the shareholders.

Friedrich Von Hayek (Hayek, 1945) uses a different argument but comes to the same conclusion. Imagining that companies and corporate structures are capable of dedicating themselves to social causes presupposes that they possess a certain kind of knowledge that they do not in fact possess at all. In a decentralized economy, the appropriate knowledge needed for decision-making by the social actors involved is always fragmented into millions of tiny separated units. It is exactly the practical experience of each individual that offers him the best ways of carrying out whatever he is dedicated to doing. Socio-environmental causes have no part in that particular knowledge, precisely
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because they involve a farseeing vision of the social world that is entirely incompatible with the information available to the individual producer.

Such skepticism about corporate responsibility is far from being a mere intellectual relic; it can be readily found in the contemporary literature. Henderson (2004), for example, argues that companies are vehicles for innovation and they have no need to worry about questions of public interest. Proponents of the Agency Theory (Jensen, 2002) and of running companies strictly according to the shareholders’ interests frontally contest the idea that a company could have multiple objectives because, in their view, it is an economic organization whose performance can only be measured by the profits it brings in (Sundaram and Inken, 2004).

Fortunately, within the field of economics and management sciences, there are several fairly solid explanations to be found for a phenomenon that only began to emerge at the beginning of the 1970s when Friedman first railed against it: corporate socio-environmental responsibility. Three of them deserve special attention.

The first is well expressed in the term ‘warm-glow giving’ that Andreoni (2007) coined to describe this model of altruism that can be explained by the satisfaction it provides to those that practice it. From the corporate point of view, philanthropy can be an important element in risk reduction and, as such, contribute to an improved performance of the company’s shares by enhancing its moral capital (Godfrey, 2005). An empirical corroboration of that idea appears in the work of Kulscar et al. (2011), who alleges that, ‘the higher the contribution to charitable giving of a firm, the less product failure it will suffer.’ In that light, philanthropy is entirely explicable in terms of conventional economics, that is to say, it fosters the interests of those that carry it out.

A second line of explanation diverges from the idea that self-interest is the necessary and sufficient reason for explaining human conduct. The work of Amartya Sen (1987) attempts to refute what is one of the most solid pillars of economic science and show that altruism, consideration for others, can also be a strong motivator of social action. The refutation appears in the very title of a collection organized by Zamagni (1995). The Economics of Altruism, is one of the pillars of a research program that is being organized around the idea of a civil economy (Bruni and Zamagni, 2007; Bruni and Sugden, 2008).

From the ethical angle, the idea of justice – fundamental to legitimizing philanthropic actions – does not accept that all of an individual’s objectives are exclusively related to his own well-being (Sen, 2009:287). In the same way, Margolis and Walsh (2003:282) show that corporate responses to social problems cannot be viewed exclusively in the light of the instrumental benefits they provide to shareholders. Incorporated legal entities also have moral obligations regarding the unjust situations they create, or from which they benefit directly or indirectly.

The third area of explanations for corporate philanthropy, within the sphere of economics and management sciences, concerns the relationship of a private company and the set of social actors with which it has dealings or on which it depends. The work of Porter and Kramer (2006) shows that consumer well-being, ecosystem resilience and the social consequences of private sector activities cannot be treated as the unforeseen or undesired consequences of what corporations do. That means that specific concern with socio-environmental issues must be integrated into business strategies (Porter and Kramer, 2011) in such a way that creating value becomes a process shared by different social actors and not strictly limited to the financial interests of the corporations. It is
essential to move beyond the conventional trade-offs that typify the relations between business and society (Freeman et al, 2004).

It is based on this double nature of contemporary philanthropy – the increasing embodiment by the private sector of socio-environmental objectives, which, up until a few years ago were not part of their mission and, at the same time, the functioning of philanthropic entities on the basis of organizational forms that are typical of companies – that their governance will be examined in the next item.

SMUDGING THE BOUNDARIES

Andrew Carnegie, in *The Gospel of Wealth*, states that the life of an economically successful man should consist of two parts: the accumulation of wealth followed by its distribution. While it is true that concern for transparency in the use of resources has been present in American foundations throughout their history (and the same can be said of the European ones), up until recently there was a clear separation of business activities and any charitable acts that were the expression of the proprietor’s personal inclinations. The main organizational feature of corporate philanthropy consists of overcoming that division in two basic ways.

Firstly, with the widespread demand for corporate socio-environmental responsibility, several of the themes that are dear to philanthropic organizations have become incorporated to the logic of business. Authors Porter and Kramer (2011:66) cited above, show that, ‘the competitiveness of a company and the health of the communities around it are closely intertwined.’ The expansion of the Grammen Bank and its recent association with Danone to complete the so-called ‘base of the pyramid’ corresponds to ‘the rise of social enterprise, low-profit corporate forms, and the idea that social venture capital is a valid alternative way to fund nonprofit organizations’ (Teegarden et al, 2011:20). The Brazilian venture capital fund Guardiam combines private capital and philanthropic donations with the specific aim of contributing to the sustainable development of the Amazon. Those are just a few examples of how the very legitimacy of the private sector is increasingly dependent on the direct results of the relations between economy and society. The distance separating human action and human design, so dear to the thinking of (Hayek, 1967), has, at least in part, been overcome: global consultants McKinsey (2008:12), for example, warn companies about new sources of risk, insofar as they may be held responsible for problems that lie far beyond the immediate outreach of the activities they perform, as for example, in the case of obesity and the foodstuffs industry. One example of the corporate world’s reaction to such pressure is the North American initiative ‘Benefit Corporation’, a group of companies that deliberately sets out to use the power of business to solve social and environmental problems.

Just as important in guiding private corporate management strategies as any of those changes (obviously still merely incipient and largely fragmentary) are the changes in governance taking place in the philanthropic sector itself. In the latter half of the 20th century, organizations coordinating philanthropic activities began to appear all over the world. Furthermore, philanthropy began to be guided by goals that were more typical of an organization engaged in professionalizing itself and started adopting corporate modes of management (OECD, 2003). The more they grew in importance, the more the
organizations incorporated effectiveness and performance measures (Salamon, 2002). McKinsey (2008) neatly expresses that transition when he states that contemporary philanthropy is ‘moving from check-writing to leadership, collaboration, and global efforts’. There is an interesting contrast between the current global nature of philanthropy and the situation twenty years ago described by DiMaggio and Anheier (1990), who found that, ‘non profitiness has little to do with transnational affairs’. The global nature of corporate philanthropy is now visible in the networks and alliances that are formed among companies, and, even more so, by the fact that according to McKinsey (2008) 58 percent of companies collaborate with other companies in this particular field of action. Organizations are being formed that seek out international expertise and authentic learning networks are being established among philanthropic organizations (Ambrose, 2005:4).

However promising this gradual suppression of the boundaries between private business and public socio-environmental aspirations may be, it would nevertheless be delusive to ignore the contradictions and the conflicts of interests and visions that underlie contemporary philanthropy. That is what will be examined next.

POWER, INTERESTS AND COMMUNITIES

There is an important body of critical literature on corporate philanthropy. On the one hand it questions the interests and visions of the world that this drawing closer of business and socio-environmental causes contains. On the other hand, it is important to underscore that public and non-state actions directed at socio-environmental problems are far from being limited to what organizations directly linked to the big corporations do. Even if philanthropy is studied in a sector-based perspective, it clearly goes way beyond the actions unfurled by private company shareholders.

There are actually two schools of critical thought regarding corporate philanthropy. The first holds that sporadic, local actions undertaken by charitable organizations to meet certain social needs actually undermine the political potential for revolt and transformation inherent to unjust situations. In that sense Nickel and Eikenberry (2009:975) do not hesitate to speak openly of ‘marketized philanthropy’, that ‘creates the appearance of giving back, but is based in tacking away’. In the same vein, Žižek (2004) calls on us to: ‘Consider how we relate to capitalist profiteering: It is fine IF it is counteracted with charitable activities – first you amass billions, then you return (part of) them to the needy’. Domhoff (2009:966) is in clear alignment with the same position when he states that charitable giving ‘makes further social change very difficult, because activists and the staffs of community organizations walk a tightrope between organizing for social change and delivering social services’. The second type of criticism is directed at the potential conflict of interests between private foundations and public causes. Stuckler et al (2011) study the composition of the activities portfolios of the five largest American philanthropic organizations: the Bill and Melina Gates Foundation, the Ford Foundation, the J. Paul Getty Trust, the W. K. Kellogg Foundation and the Robert Wood Johnson Foundation. Those five organizations hold more than 10 percent of all the assets held by the 100,000 private foundations in America. In the case of the Bill and Melina Gates Foundation, Stuckler et al (2011:4) show that their assets are strongly
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concentrated in the food and pharmaceutical industries, in companies like McDonald’s, Coca-Cola, Johnson & Johnson, Schering-Plough, Merck, and others. The example of the Foundation’s interests in Coca-Cola is emblematic. Soft drinks are mainly responsible for the rapid spread of obesity and diabetes in the developing countries. Even though ‘non-communicable diseases constitute more than half of all deaths in low- and middle-income countries’, only 3 percent of the Bill and Melina Gates Foundation’s resources are dedicated to those problems. Stuckler et al (2011) have identified similar conflicts of interest in the other four major American foundations they study. The examples cited by Rampton and Stauber (2010), showing the direct connection between American medical associations and the medicines industry, illustrate the same point.

It would be a mistake, however, on the basis of these conflicts of interests, to underestimate the transforming capacity of philanthropic actions or to view corporate philanthropy as merely an extension of the strictly private interests of the companies unfolding them. As Domhoff (2009) himself readily admits, in the contemporary world, non-governmental organizations play a fundamental role in variety of social movements, and very often those roles are supported by the resources of some of the biggest corporate foundations. Gunnar Myrdal’s (1996) important book on race relations in the United States, for example, was written with the support of the Carnegie Foundation. The Ford Foundation, in turn, financed a series of groups that played an important part in the struggle against the dictatorship that installed itself in Brazil in 1964.

Similarly, there is a vigorous movement in course to extend the power self-organizing capacity of different communities independently of the allocation of any philanthropic resources. Edgar Cahn (2004) is at the origin of an international voluntary movement based on the idea of reciprocity. The principle underlying his ‘Time Banks’ (that now exist in 22 countries on all six continents) is that for ‘every hour you spend doing something for someone in your community, you earn one Time Dollar. Then you have a Time Dollar to spend on having someone do something for you’. David Boyle defines the basic co-production principles that underlie the idea, which he does not hesitate to call the new philanthropy: ‘no more giving by wealthy, no more noblesse oblige and grateful recipients. Instead, it means reciprocal agreements with neighborhoods or traditional welfare groups that – if they are not exactly based on the market – they do certainly imply contracts and agreements’. The Hureai kippu are a ‘Japanese community currency created in 1995 by the Sawayaka Welfare Foundation so that people could earn credits helping seniors in their community’ (Wikipedia). Interestingly, the old people seem to prefer the services of those that are paid in that way to those of professionals that are paid in cash.

The network information society allows bottom-up grass-root organizations created by their users or by a group of volunteers to take on unprecedented, massive dimensions. The 21st century is witnessing the emergence of forms of collective action that are no longer based on price systems or on practices typical of companies or groups of companies. A new public sphere is being fashioned, not to be confused with the market or with public or private organizational hierarchies but, nevertheless, exercising a considerable influence over both. The ‘Penguin’ of Yochai Benkler’s (2011) book symbolizes this direct, voluntary and gratuitous form of human cooperation whereby the main source of gratification lies in feeling that the relations among people are fair, stimulate their intelligence, value their participation, widen their knowledge, base their support on communication, and open up spaces for the joint solution of problems.
expression ‘crowdsourcing’ synthesizes the most important aspect of this emerging production model. The term itself conjures up the idea that cooperative work performed in a network, that is, by the ‘crowd’, is a decisive source of prosperity and the ‘crowd’ endeavors to use collective intelligence not only in addressing problems but also to improve the quality of the goods and services offer.

CONCLUSION

However professionalized and specialized philanthropy may have become in the contemporary world, it is crucial to recognize that relations of reciprocity traverse the body of social organization as a whole, and they are not merely an archaic and traditional feature that the markets and the domination of the big corporations are going to overcome. Quite the contrary; the examples presented here show that today, the rigid separation between private interests and public causes is increasingly losing ground. Obviously the process is still only incipient, but social organization, cooperation among individuals and the new means available to reinforce them are all decisive elements in keeping up the pressure on corporations and they represent an immense potential (not necessarily guaranteed) for philanthropy to become a formative element of our very idea of justice.

NOTE


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