Philanthropy: from Charity to Prosocial Investment

By René Bekkers*

Philanthropy can take many forms. It ranges from the student who showed up at my doorstep with a collection tin to raise small contributions for legal assistance to the poor to the recent announcement by Facebook co-founder Mark Zuckerberg and his wife Priscilla Chan of the establishment of a $42 billion charitable foundation. The media focused on the question why Zuckerberg and Chan would put 99% of their wealth in a foundation. The legal form of the foundation allowed Zuckerberg to keep control over the shares without having to pay taxes. Leaving aside the difficult question what motivation the legal form confesses for the moment, my point is that a change is taking place in the face that philanthropy takes.

Entrepreneurial forms of philanthropy, manifesting a strategic investment orientation, become more visible. We see them in social impact bonds, in social enterprises, in venture philanthropy and in the investments of foundations in the development of new drugs and treatments. A reliable count of the prevalence of such prosocial investments is not available, but 2015 was certainly a memorable year: the first Ebola vaccine was produced in a lab funded by the Wellcome Trust and polio was eradicated from Africa through coordinated efforts supported by a coalition of the WHO, Unicef, the Rotary International Foundation, and the Bill and Melinda Gates Foundation.

Of course there are limitations to philanthropy. Some problems are just too big to handle, even for the wealthiest foundations on earth, using the most innovative forms of investments. The refugee crisis continues to challenge the resilience of Europe. NGOs are delivering relief aid in the most difficult circumstances. But these efforts are band aids, as long as political leaders are struggling to gather the will power to solve it together.

The Zuckerberg/Chan announcement revived previous critiques of philanthrocapitalism. Isn't it dangerous to have so much money in so few hands? Can we rely on wealthy foundations to invest in socially responsible ways? Foundations are the freest institutions on earth and can take risks that governments cannot afford. But the track records of the corporations that gave rise to the current foundation fortunes are not immaculate, monopolizing markets and evading taxes. Wealthy foundations can have a significant impact on society and influence public policy, limiting the influence of governments. It is political will that enables the existence and facilitates the fortune of wealthy foundations. Ultimately, the realization that the interests of the people should not be harmed enables the activities of foundations. Hence the talk about the importance of giving back to society.

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The sociologist Alvin Gouldner is famous for his 1960 article 'The Norm of Reciprocity', which describes how reciprocity works. He also wrote a second classic, much less known: 'The Importance of Something for Nothing.' In this follow-up (1973), he stresses the norm of beneficence: "This norm requires men to give others such help as they *need.* Rather than making help contingent upon past benefits received or future benefits expected, the norm of beneficence calls upon men to aid others without thought of what they have done or what they can do for them, and solely in terms of a need imputed to the potential recipient." In a series of studies I co-authored with Mark Ottoni-Wilhelm, an economist from the Lilly Family School of Philanthropy at Indiana University, we call this norm 'the principle of care'.

With the quote I return to the question about motivation. The letter to their daughter in which Zuckerberg and Chan announced their foundation reveals noble concerns for the future of mankind. It is not their child's need that motivated them, but the needs of the world in which she is born. This is the genesis of true philanthropy. Pretty much like the awareness of need that the law student demonstrated at my doorstep.

References

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