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Abstract:

The word philanthropy literally means “love of mankind.” Philanthropic acts manifest the generosity of the giver: the Derridian idea of asymmetrical responsibility for the other.

The main purpose of this work will be to critically investigate the existing nexus in capitalist economies between the creation of wealth (entrepreneurship) and the moral commitment of reconstitution of wealth (philanthropy). The American Experience will be the framework of my analysis.

In USA philanthropy has always represented part of the political and philosophical social contract that constantly revitalizes capitalist prosperity. Much of the new wealth created has been given back to the community to build up all the major social institutions that had and still have a positive feedback on future economic growth.

This entrepreneurship-philanthropy nexus has not been fully explored in political or economics fore by either economists or the general public. In this paper I will suggest that American philanthropists – especially those who have made their own fortunes created foundations that, in turn, contribute to widespread capitalist prosperity through knowledge and creation.

If we do not analyze philanthropy from a social, religious and ideological perspective, we cannot fully understand how economic and financial development occurred or the historical reasons and motivations behind American economic dominance. However, in my work I will criticize philanthropy through a Marxist analysis of capitalist economy claiming that philanthropists have never been concerned to really address the structural conditions of economic oppression of the masses existing in a capitalist economy (Negri, 2000)

Key Words: philanthropy, capitalism, globalization, foundations

Introduction:

It is generally recognized that much of the success of the American economy is due to its entrepreneurial spirit. Individualism, private initiative and creativity, are ineradicable parts of the American character. This crucial role of the entrepreneur in economic development has fostered efforts by government at all levels to promote entrepreneurship (Hart, 2001).

However, there is another crucial component of American economic, political and social stability within this ideological framework: ***the role of philanthropy.***

What always differentiate American capitalism from all other forms of capitalism (Japanese, French, German, and Scandinavian) is its historical focus on both the creation of wealth (entrepreneurship) and the reconstitution of wealth (philanthropy) and in this sense philanthropy remains part of an implied social contract stipulating that wealth beyond a certain point should go back to society (Chernow, 1999).

According to classical Protestant Ethics, Individuals are free to accumulate wealth; however, wealth must be invested back into society to expand opportunity (Acs and Dana, 2001). Andrew Carnegie spoke about “the responsibility of wealth” over a century ago, and this claim still inspires entrepreneurs today, though they usually express it in terms of a duty to “give something back” to the society that helped make their own success possible. In the new global economy philanthropy offers the promise to guide U.S.economy and global capitalism well

Even though it has been recognized that the philanthropists of the nineteenth century made possible the basis for wealth creation and social stability, this has not been placed within the framework of private and social costs and benefits leaving the entrepreneurship philanthropy nexus not fully understood by either economists or the general public. This is in part due to a narrow and constricted view of self-interest as a fundamental institution of capitalism.

Let us begin our enquiry examining the economics of philanthropy and altruism focusing on the role of individual behaviour.

The economics of philanthropy and altruism

Economists try to explain altruism as a sort of enlightened self-interest, but I am arguing that altruism is different. To quote Adam Smith, the founder of modern economics, in *The Wealth of Nations*: ***“It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest”*** (Smith, 1937 p. 14).

But economists have ignored the Adam Smith of *The Theory of Moral Sentiments*, which predates *The Wealth of Nations* by nearly two decades. Smith opens the former with the passage (Smith, 1969 p. 47): ***How selfish man may be supposed, there are evidently some principles of his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it, except the pleasure of seeing it.***

Simon defines altruism as “sacrifice of fitness.” ***It then becomes possible, in principle, to determine which choices are selfish and which are altruistic by examining the effect of a million dollar gift, for example, on the number of descendants of the donor*** (Simon, 1993, p. 158).

Simon concludes that economic theory has treated economic gain as the primary human motive, but an empirically grounded theory would assign comparable weight to other reasons, including altruism and the organizational identification associated with it (Simon, 1993, p. 160). I am claiming that the vitality of American capitalism is evidence to the importance of non-self-interest motivated behaviour; consequently an economic theory which ignores altruistic behaviour can not adequately explain the real world. Therefore, economic theory must explicitly introduce altruistic behaviour into its models of individual behaviour (Simon, 1993; Budd, 1956; Giddings, 1893) and from a capitalist perspective, U.S. history provides

an example of the superiority of altruism over enlightened self-interest, and this is crucial to U.S. economic prosperity.

Philanthropy and American Ideology:

The roots of American philanthropy in its nexus with bourgeois domination can be found in Calvinism and its ideology which taught that “the rich man is a trustee for wealth which he disposes for benefit of mankind, as a steward who lies under direct obligation to do Christ’s will” (Jordan, 1961, pp. 406–407).

The real founders of American philanthropy were the English men and women who crossed the Atlantic to establish communities (Owen, 1964) with their Puritan principles of frugality and humility which had a continuing impact on America (Tocqueville, 1966) making excessive profit-making as both a crime and a sin (and punished it accordingly).

Andrew Carnegie exemplified this ideal Calvinist. Carnegie put philanthropy at the heart of his “gospel of wealth” (Hamer, 1998). For Carnegie, the question was not only, “How to gain wealth?” but, importantly, “What to do with it?” *The Gospel of Wealth* suggested that millionaires, instead of making benevolent grants by will, should administer their wealth as a public trust during life (Carnegie, 1889). Both Carnegie (at the time) and Jordan (as a historian) suggest that a key motive for philanthropy is social order and harmony: capitalist order according to Marxists (Negri, 2000). It is undeniable that nowadays foundations and philanthropists are actively supporting Globalization and its exploitative strategies worldwide.

I am claiming that philanthropists like Carnegie took a longer term approach and realized that their economic interests necessitated assisting the worthy poor and disadvantaged: enlightened self interest as opposed to altruism, no concerns for class inequalities! After Andrew Carnegie, one of the greatest nineteenth-century philanthropists was George Peabody.

Peabody, a man of modest beginnings, who, through astute investment gained a fortune and through impeccable honesty, gained a reputation for unblemished integrity.

He developed a philosophy of philanthropy with a deep devotion to the communities in which he lived or in which he made his money and a secular vision of the Puritan doctrine of the stewardship of riches – his desire, in the simplest terms was to be useful to mankind. In his lifetime, he donated over \$8 million to libraries, science, housing, education, exploration, historical societies, hospitals, churches and other charities actively contributing to economic development, but certainly ignoring structural class inequalities in American society. (Parker, 1971,p. 209).

The American model of entrepreneurship and philanthropy in the nineteenth century was followed by a period of increasing role of government in the early twentieth century and then World War I. Though the period of the 1920s was one of technological change and prosperity, underlying economic problems resulted in the collapse of the world economy into the Great Depression of the 1930s.

What is interesting is that in the United States the rise of the welfare state did not coincide with a decline in philanthropy. Why did Americans continue to fund philanthropy at least at a constant level even as the Federal Government stepped into the business of social security?

Other countries may be content to let the government run most of their schools and universities, pay for their hospitals, subsidize their museums and orchestras, even in some cases support religious sects. Americans tend to think most of these institutions are best kept in private hands, completely trusting entrepreneurs in their commitment to economic progress.

Foundations and Capitalist exploitation:

Who is the Entrepreneur?

Entrepreneurs – *individuals who take risk and start something new* – appear indispensable to capitalist growth and prosperity. Entrepreneurship – *the process of creating a new venture and assuming the risks and rewards* - and innovation are central to the creative process in the economy and to promoting growth, increasing productivity and creating jobs strengthening masses oppression (Negri, 2000).

In this perspective, the re-emergence of entrepreneurship in the United States during the 1980s, and the positive channeling of it, must be seen as a triumph of American neo-liberalism and conservatism (Reganomics). The number of billionaires had increased there from 13 in 1982 to over than 200 today; the number of deca-millionaires stands at 250,000 and millionaires at 4.8 million (*Economist*, May 30, 1998, p. 19). However, while entrepreneurship is a *necessary* condition to the shift from industrial capitalism to an entrepreneurial society and economic development, it is not *sufficient* for economic opportunity, social progress and justice; leaving structural inequalities in the job market unchallenged (Dewey, 1963). Why, if this is the case, Americans are keeping foundations and philanthropy as key elements of their society? My work will not attempt to give final answer to these questions, but I am suggesting to the reader that as part of the Social Contract (Hobbes, Locke and their mystifications), charity to the poor must be kept alive.

Entrepreneurs, philanthropists and capitalist exploitation:

Edward Berman has written an important book that examines the existing link between philanthropy, entrepreneurship and elitism: ***The Influence of the Carnegie, Ford, and Rockefeller Foundations on American Foreign Policy- The Ideology of Philanthropy*** (State University of New York Press, 1983).

As Berman acknowledges, the interest shown by these foundations in creating and financing various educational configurations both at home and abroad cannot be separated from their attempts to evolve a stable domestic polity and a world order amenable to their interests and the strengthening of international capitalism: on

one side economic progress achievable through philanthropy, but the same must be a model supportive of capitalism.

To successfully facilitate the building of this consensus-project, the creation of right-thinking educational institutions was essential to generate a real powerful worldwide network of elites whose approach to governance and change would be efficient, professional, moderate, incremental, and no threatening to the ruling class interests of those who, like Messrs, Carnegie, Ford, and Rockefeller, had established the foundations.

I am not arguing that the individuals who launched foundation in education or other human endeavors were not seriously concerned with improving the lot of the poor and the oppressed: just that many of these people failed to tackle the root cause of injustice, that is, capitalism and differences between classes.

Therefore, as many philanthropists refused to recognize the roots of this mass misery, their particularly elusive palliatives focused more on attempts to reform the existing capitalist system and to adjust their clients to it, than to search for radical and alternative organizational structures that might result in a more equitable and class free society less destructive of the exploited multitudes (Negri, 2000).

The foundations' influence in foreign-policy determination and in the extension of their worldview into the domestic polity – and beyond – derives from their ability to allocate this capital to certain individuals and groups strategically located in the cultural apparatus (universities, the arts sector and the media), who in turn produce works frequently (but not always) supportive of the worldview of the foundations themselves, thereby providing an important source of legitimation for their perspective.

Berman suggests that one of the key projects supported by the major foundations to evolve a consensus for US foreign policy elites was the War-Peace Studies Project, which ran between 1939 and 1945, and whose “conclusions... present in

outline form the basics of United States foreign policy after World War II.” Two “major recommendations” from this project were integral to the propagation of US global hegemony: the first “involved American financial support for and control of” the World Bank and other financial institutions at the end of the Second World War; and the second foresaw the need for the development of bilateral assistance agreements, currently operationalized by the US Agency for International Development. In this regard, Berman writes that: Foundation officers have always recognized the importance of foreign markets and mineral resources for the continued health of the United States and the world capitalist economy, and... they designed their overseas programs with this in mind. The cornerstone of these overseas activities was the development of educational institutions, particularly universities, in those areas that foreign-policy architects determined to be of strategic economic and geopolitical importance to the United States. (p.66)

This means that a renewed Third World elite had to be developed and courted by the foundations and their philanthropic rhetoric via the use of educational exchange programs, “whereby students benefiting from their fellowships studied certain subjects at universities whose faculties could be counted on, to provide the **‘correct’ perspectives.**”

By way of supplementing and extending the influence of educational exchange programs foundations quickly moved on to provide direct support for “trusted” Third-World intellectuals, “enabling research to be conducted in Third-World countries on socially and/or politically sensitive topics that United States Policy makers(Western Liberal Democracies as well) considered important.” In some instances researchers worked based in the US, but more often than not, the foundations extended their philanthropic reach to the Third-World countries themselves by financing local research centers. Research findings generated by such regional research networks were then used to better manage those in Third-World periphery states for the benefit of the Empire (Negri, 2000).

These networks serve to encourage the production and dissemination of neoliberal ideas and data deemed important by universities and agencies in the metropolitan

centers. At the same time, this arrangement helps to deflect Third-World researchers from concerns that these same agencies are less anxious to have investigated. The foundations and their philanthropic activities are as effective in limiting the production of certain kinds of knowledge as they are in disseminating ideas that they consider important.

Concluding Remarks:

This work was concerned with an analysis of the relation existent in capitalist society between creation of wealth (entrepreneurship) and redistribution of wealth (philanthropy).

Although we may admit the relevance of Foundations and philanthropy for economic progress and financial stability, the reproduction of a particular kind of ideological capital has historically always been the primary activity of the Carnegie, Ford, and Rockefeller foundations through their philanthropic activities.

However, in a time of Globalization, there could be a possibility that some recipients of that cultural capital created from philanthropic activities will utilize part of their capital to examine and challenge the foundations' programs and their strong neo-liberal manifestos. Such investigations might reveal contradictions between the foundations' philanthropic public rhetoric and their institutional activities, thereby presenting an antagonistic perspective to their continuing cultural hegemony supportive of capital dominance and inequality.

It is obvious to say that the Carnegie, Ford, and Rockefeller foundations helped and they still are promoting economic development, but they remain also powerful institutions in supporting capitalist oppression. Nevertheless they are not omnipotent, nor are their continuing influence as strong supporters of neoliberal hegemony assured.

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