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Marriage of Philanthropy and Capitalism Looks to Remain Healthy in the Years Ahead

By Matthew Bishop and Michael Green

Philanthrocapitalism “may not survive the crisis.” That was the gloomy prediction in 2009 made by the British social-innovation guru Geoff Mulgan.

The boom in giving by the super-rich and do-gooding by corporations that we had described in our book *Philanthrocapitalism* just a few months before, he and others believed, was just a passing fad of the gilded era that was drawing to a close in the aftermath of a widespread financial collapse and economic slump. Nearly three years on, philanthrocapitalism is in robust health. If it weren't, it's doubtful that so many people in the world of philanthropy would still be debating its merits with so much vigor.

The argument we made amidst the post-crash turmoil, which has been proved right, was that the economic crisis was going to hit government budgets hard and, as a result, the need for real, cost-effective solutions to the world's problems would be greater than ever.

Philanthrocapitalism in all its forms—from the strategic giving of billionaires like Bill Gates and Warren Buffett and some of the more creative older foundations through to new innovations in using for-profit investing to benefit people and planet—was, we argued, going to become an even more integral part of solving social and environmental problems. We also said that the winners in society and the world's capitalist institutions needed to demonstrate that they accept their responsibilities to what we now know as the “99 percent” as an essential plank of an urgently needed new social contract.

The idea of philanthrocapitalism was an inspiration for many, but it also provoked concern among at least a section of the nonprofit world. It's worth examining the legitimacy of their criticism as these debates continue to erupt.

One of the most persistent critics has been Michael Edwards, who previously worked at the Ford Foundation and is now at the Demos think tank. The fact that philanthrocapitalism is a growing part of how the world tackles big problems bothers him so much that he launched a pre-emptive attack by publishing the pamphlet “Just Another Emperor?” ahead of *Philanthrocapitalism's* release.

Mr. Edwards recently told *Philanthropy Digest* that his “oppositional” take on philanthrocapitalism was just a “tactic.”

That tactic has included attacks on fine philanthrocapitalistic organizations such as Teach for America and Kiva. Thankfully he seems to be planning to use that tactic less often, even admitting to finding that, at least regarding Mr. Gates, Steve Case, and Pierre Omidyar, three leading philanthrocapitalists, “there is an attractiveness about that energy and about the grasp of new opportunities they have which I quite like.”

This is welcome progress, even though we wish he didn’t hide behind so-called tactics and instead admitted he was wrong to have been so hostile to philanthrocapitalism.

Another perennial critic who has been discussing philanthrocapitalism recently is Phil Buchanan of the excellent Center for Effective Philanthropy.

Mr. Buchanan hates being a hero of philanthrocapitalism because he does not like the connotation that the nonprofit world needs to learn from business, pointedly asking: [“Where are the guys from Lehman Brothers when you need them?”](#)

A good point, well made. But that is an argument against Lehman Brothers (you will find plenty more of those in our new book, *The Road From Ruin*), not for the status quo of the world of philanthropy, where nothing fails, ever, apparently. Actually, as Joel Fleishman and Tom Tierney, two big influences on our thinking, point out in *Give Smart*, too many foundations are stuck in mediocrity. That needs to change, as we think Mr. Buchanan believes, too. Sideswiping at philanthrocapitalism as he does, Mr. Buchanan sadly plays into the hands of those who think all is well in the giving garden.

In a more recent critique, Robin Rogers, a Queens College associate professor, wrote in a *Washington Post* opinion article this month about the specter of plutocracy, what she calls ‘philanthropicmaking,’ as the influence of philanthrocapitalists on public policy expands.

A similar theme was raised at the end of last year in a piece in *Alliance* magazine by Ed Skloot of Duke University, who warned that the Gates foundation is so powerful, it may “distort” the agenda on issues like global health.

Well, up to a point, Mr. Skloot. We’re sorry, but if philanthropy is not setting and changing public-policy agendas, then how is it ever going to have a large-scale impact? Take away the negative connotation, and “distort” sounds like a good description of the catalytic, change-making potential of philanthrocapitalism. Such influence, of course, means that wealthy donors need scrutiny and challenge to ensure their “distortions” are positive. That, indeed, is why we wrote our book.

The most important challenge of all was one raised by Kavita Ramdas as part of an exchange we had on the blog of the *Stanford Social Innovation Review* and then picked up by the Reuters blogger Felix Salmon: Does it work?

We can worry about capitalist barbarians corrupting the nonprofit world or billionaire plutocrats influencing policy decisions, but this is the only question that really matters. If philanthrocapitalism does not mean more lives saved, our kids better educated, our planet more sustainable, then it will have failed.

We take heart from one of the flagship campaigns of the philanthrocapitalists, the one on which we end our book: eradicating malaria.

A decade ago, malaria was a poor relation among global-development priorities. Though we had figured out how to stop this eminently preventable disease in the rich world, it was still killing a million people a year in poor countries. The United Nations had pledged to eradicate it in the 1950s but had long since given up. The businessman Ray Chambers, Bill Gates and other philanthrocapitalists took up this cause, using their own money, mobilizing donations from the public, engaging corporations, and lobbying governments to take malaria seriously. As a result, malaria deaths fell by 25 percent from 2000 to 2010, and as new innovations, such as vaccines, get going, the dream of ending deaths from malaria in another decade is within reach.

Philanthrocapitalism is here to stay. We are optimistic it can achieve the success it has had fighting malaria in a wide range of other causes. But to do so, it needs debate and challenge of the sort we are now starting to see. Bring it on.

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