



## PhiLab Blog Post for January 2018 - First Nations, Culture, Equality and Philanthropy

### Philanthropy and (In)equality: What We Know

By Kristen Pue, PhiLab

What does research tell us about the relationship between philanthropy and (in)equality? In this blog post, I discuss three elements of this question:

- the relationship between inequality and philanthropic giving;
- the effects of philanthropic funding on inequality; and
- philanthropy's effects on democratic equality.

#### **Inequality and Giving**

Philanthropy has different meanings, but its usage today typically refers to the use of private financial assets to help others, often through donations or the creation of philanthropic foundations. Anyone can practice philanthropy, but large donors dominate. In Canada, for instance, the 10% of people who made the largest donations contributed 63% of all donations (Turcotte 2015).

But it is also demonstrative of a wider point: philanthropic giving is, to a certain extent, a reflection of the political economy of the day. This is true for economic cycles: in times of economic downturn, charitable donations tend to contract (Mohan and Wilding 2009). But is there a relationship between philanthropic giving and inequality?

Although there are as yet no quantitative studies providing evidence of a correlation between philanthropy and inequality, the logical connection is straightforward. As the wealthy get wealthier, they have more money to give to philanthropic causes – which they might want to do for altruistic reasons, for reasons of prestige, or to fend off societal pressures for redistributive public policy. Viewed another way, economic inequality arguably creates the system that makes mega-philanthropy possible – since these vast sums may be accumulated by exploiting people and the environment.

Some observers today suggest that there is, and that the growing scale of global philanthropy in the present context reflects a “[new Gilded Age](#)” of philanthropy. The term “Gilded Age” refers to the period beginning in the early 1870s, an era of unbridled capitalism, rising inequality, and the creation of America’s first philanthropic foundations.

## **Inequality and Where Philanthropic Dollars Go**

Depending on how it is used, philanthropy can be a tool for levelling inequality or strengthening it. Philanthropy can be regressive when it funds quasi-public goods that primarily benefit well-off communities, rather than those that benefit the poor. For example, funding for an art gallery that is patronized primarily by the middle- and upper-class could have regressive effects (even if it still might be a worthy thing to fund). In contrast, redistributive philanthropy might fund, say, art programming in a homeless drop-in centre. But is most philanthropy regressive or progressive? There is, unfortunately, very little data on this question.

In their article on the subject, Hay and Mueller (2014) have offered theoretical reasons to expect that philanthropy is regressive. One reason, for example, is the sense of closeness that is involved in philanthropy. People give to causes that they feel close to: perhaps to research an illness that afflicted a family member, to support a school their child attends, or to support an activity they enjoyed whilst growing up.

Another argument suggests that foundations are unable or unwilling to address the causes of inequality, instead focusing on alleviating the symptoms of social problems. Erica Kohl-Arenas’ recent book (2016), [The Self-Help Myth](#), is a good example of this strand of research: she shows that American foundations have funded individualized self-help narratives of poverty, and in doing so diverted attention from poverty’s structural causes. I also enjoyed Andrew Fisher’s book (2017) [Big Hunger](#), which makes this point about America and emergency food aid, highlighting also the commercial interests that drive philanthropic choices.

There has been recent attention amongst Canada’s foundation executive leadership to addressing the “root causes” of social problems, which is commonly what they understand as the meaning of social innovation (Pue and Breznitz 2017). However, we simply do not know the extent to which these ideas are reflected in granting practice, and how they interact with other priorities to reflect regressive or redistributive effects.

## **Philanthropy and Democratic Equality**

Philanthropists have laudable intentions. But foundations tend to be secretive institutions, with limited external accountability (Anheier and Daly 2007). So, it bears asking: is philanthropy bad for democracy? Research on this question appears to be divided.

On one hand, philanthropy can erode democracy where it allows economic influence to translate into political influence (Pevnick 2013). Researchers suggest at least three ways that philanthropy allows the wealthy to translate economic influence into political influence. Philanthropy:

- can influence agenda setting;
- may steer, co-opt, or “colonize” the organizations and programs that it funds as well as the social movements with which these organizations are linked; and
- can act to reinforce hegemony by diverting protest and reconfiguring the dominant ideology.

Three recent books discuss the political power that philanthropists wield through their philanthropy. Jane Mayer’s book (2016) [\*Dark Money\*](#) provides a look that is rich in detail on how the Koch brothers, and other extreme-right mega-donors, have shaped Republican politics. But philanthropic influence is not a tool of the right alone: David Callahan’s book (2017), [\*The Givers\*](#), pulls back the curtain on power and America’s “new philanthropists”, many of whom consider themselves liberals or progressives. Another excellent read in this area is Linsey McGoey’s (2015) [\*No Such Thing as a Free Gift\*](#), which is on the Gates Foundation.

Canada is certainly no exception to philanthropic influence of this kind. For example, in 2016 there was some controversy concerning a [\\$200 000 donation](#) made by a Chinese businessman to the Pierre Elliott Trudeau Foundation after he had attended a fundraising dinner with Prime Minister Justin Trudeau. Although Justin Trudeau is not connected to this foundation – the Pierre Elliott Trudeau Foundation was established in the former Prime Minister’s name, but is not a family foundation – there was at the time some concern that the donation had been made in a bid to influence the Prime Minister.

Philanthropy, then, can undermine democracy where it allows the wealthy to use their economic power to access political power that is unavailable to ordinary citizens (Pevnick 2013). On the other hand, philanthropic organizations fund nonprofits, who play an important role in levelling the democratic playing field.

In addition to their role as service providers and nodes of community, nonprofit organizations are often argued to have a democratic function. Specifically, they play a role in representing their vulnerable “clients” or “constituents”. This function is based on a view, first articulated by Alexis de Tocqueville, that democratic rights require collective expression through organizations (whether or not nonprofits fulfil this function well in reality). The democratic role of nonprofits is arguably especially important for nonprofits in social welfare areas, since their clients are among the least represented in individualized democratic processes (as suggested by research on “[invisibility](#)” and the “[participation gap](#)”).

Especially since Canadian nonprofits rely on the government for some two-thirds of their funding, philanthropic institutions provide a potential source of independence for nonprofits, which allows

them to better fulfil this democratic function. And, in Canada philanthropic funders have helped by amplifying the voice of nonprofits both to business and at government policy tables.

There are several avenues through which funders can strengthen the democracy function of nonprofits. Philanthropic funders can create, fund, and maintain forums for multisectoral partnership, such as [EndPoverty Edmonton](#). This potentially improves nonprofit access to government, increasing their capacity as representatives of an underrepresented constituency (their vulnerable clients). Funders can also join advocacy coalitions, such as the [Canadian Alliance to End Homelessness](#), or sign onto the policy statements agreed by these organizations. Doing so can make nonprofit organizations feel freer to join those same advocacy groups, which gain influence as a result. Some funders also facilitate policy dialogue amongst the nonprofit organizations that they fund, which can aid in the transmission of knowledge and development of new partnerships. For a good review of research on philanthropy and nonprofits in the policy cycle, see Bushouse (2017).

## **Conclusions**

Philanthropy is a multifaceted phenomenon, as is its relationship to (in)equality. We know that there are at least three elements of this relationship:

- inequality can affect how much philanthropy exists in a given society at a given time;
- philanthropic funding can reduce inequality by being redistributive, but it can also increase inequality by funding causes that primarily benefit the middle-and-upper classes; and
- philanthropy can both improve and undermine democratic equality.

There is too little research on these questions, and because most of the existing research is American it is questionable whether the findings are applicable in countries like Canada, where philanthropy is smaller and the nonprofit sector receives proportionally more government funding.

## Bibliography

- Anheier, Helmut and Daly, Siobhan. (eds.). (2007). *The Politics of Foundations in Comparative Analysis*. New York: Routledge.
- Bushouse, Brenda. (2017). Leveraging Nonprofit and Voluntary Action Research to Inform Public Policy. *Policy Studies Journal* 45(1), 50-73.
- Callahan, David. (2017). *The Givers: Wealth, Power, and Philanthropy in a New Gilded Age*. Toronto: Random House.
- Fisher, Andrew. (2017). *Big Hunger: the Unholy Alliance between Corporate America and Anti-hunger Groups*. Boston: MIT Press.
- Hay, I. & Muller, S. (2014). Questioning Generosity in the Golden Age of Philanthropy: Towards Critical Geographies of Super-Philanthropy. *Progress in Human Geography* 38(5), 635-653.
- Kohl-Arenas, Erica. (2016). *The Self-help Myth: how Philanthropy Fails to Alleviate Poverty*. Oakland, CA: University of California Press.
- Mayer, Jane. (2016). *Dark Money: The Hidden History of the Billionaires behind the Rise of the Radical Right*. Toronto: Doubleday.
- McGoey, Linsey. (2015). *No Such Thing as a Free Gift: The Gates Foundation and the Price of Philanthropy*. New York: Verso.
- Mohan, J. and Wilding, K. (2009). Economic Downturns and the Voluntary Sector: What Can We Learn from Historical Evidence? *History and Policy* 85.
- Pevnick, Ryan. (2013). Democratizing the Nonprofit Sector. *The Journal of Political Philosophy* 21(3), 260-282.
- Pue, Kristen and Breznitz, Dan. (2017). The Social Innovation Strategies of Canadian Foundations. University of Toronto Innovation Policy Lab White Paper 2017-01, [https://munkschool.utoronto.ca/ippl/files/2017/05/Pue\\_Breznitz.SI\\_Strategies\\_Canadian\\_Foundations.IPL\\_White\\_Paper.4Apr2017.pdf](https://munkschool.utoronto.ca/ippl/files/2017/05/Pue_Breznitz.SI_Strategies_Canadian_Foundations.IPL_White_Paper.4Apr2017.pdf).
- Turcotte, Martin. (27 November 2015). Charitable Giving by Canadians. Statistics Canada, at <https://www.statcan.gc.ca/pub/11-008-x/2012001/article/11637-eng.htm#a10>.