Buffeting the Gates of Heaven:

Can philanthropy save the poor, or only the rich?

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by Peter Heslam

transforming business

Peter Heslam takes a look at the rise of a new phenomenon: philanthrocapitalism, otherwise known as 'social entrepreneurship', 'venture philanthropy' or 'performance philanthropy'. Though phlegmatic about its pitfalls he is sanguine about its potential.

Why should the world's second richest man in the world hand over most of his wealth to the world's richest man? Is it to save their reputations? Or their souls? Or is it, as they claim, to save people from the curse of poverty?

News that the billionaire investor Warren Buffet is giving $37bn (£20bn) to the Bill and Melinda Gates Foundation came shortly after Bill Gates announced that he will step down from running Microsoft in order to run the Foundation, which aims to fight disease and promote education, particularly in developing countries.

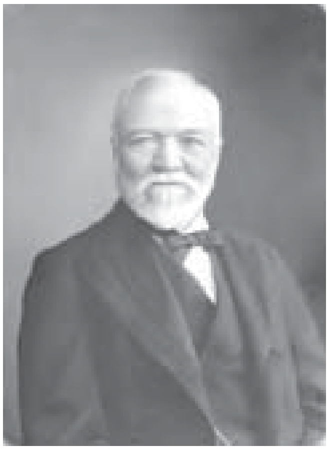
Buffet's decision to entrust his fortune to the world's foremost entrepreneur reflects a new movement amongst aid and development activists. It's one that despairs of the donated funds that are wasted through incompetence and inefficiency. It promotes, instead, a business-like approach that seeks to make donations work more like investments, even though the return may primarily be social rather than financial. The idea is to give people in poverty a hand-up rather than a hand-out, focusing less on relieving *symptoms* and more on investing in *solutions*.

This approach is stimulating the emergence of a philanthropic capital market offering investment opportunities not dissimilar to the ones that have proliferated in the commercial capital markets. There is even talk of launching a social stock market.

Warren Buffet with Bill Gates after the press conference

But what is driving the new philanthropy? In the US, where the movement is strongest, the classic American values of freedom, individualism and enterprise play a role. These feed the kind of 'can do' attitude of which Gates is a prime representative. 'There is no reason why we can't cure the top 20 diseases', Gates says about his Foundation. His optimism is reminiscent of the vision, in large part fulfilled, that he proclaimed when launching his company in 1975: to get Microsoft software into every office and home.

Also important is the way in which, in a meritocratic society with a relatively small welfare state such as the US, philanthropists are held in high esteem. One of them, the steel magnate Andrew Carnegie, argued in his essay on *Wealth* in 1889 that to address the inequalities that inevitably accompany wealth creation, the rich are to



Andrew Carnegie

redistribute their wealth. The person who dies rich, he insists, dies disgraced.

Religion also plays a motivating role. In the US, giving to religious causes amounts to 62% of total donations, and donations to such causes outweigh those to non-religious causes in every income group. This partly reflects the fact that amongst Christians and Jews the practice of tithing is more common in the US than in the UK.

Another factor, not restricted to the US and not necessarily tied to religion, is a growing 'spirituality of wealth' concerned primarily with meaning and purpose. Having achieved wealth, only to find it ultimately dissatisfying, people are increasingly turning to philanthropy in pursuit of these higher objectives.

Sir Tom Hunter, the Scottish entrepreneur turned philanthropist reflects this trend. 'I had achieved all my goals', he recently said, 'so I started to think, what shall I do now?' Likewise, BP Chairman Lord Browne admitted on a recent edition of Radio 4's Desert Island Discs that for him the attraction of earning a salary way in excess of what he was able to spend was that he could experience the joy of giving it to good causes.

In his new book on the new philanthropy, Charles Handy uses Abraham Maslow's hierarchy of needs to suggest that the self-made rich are reaching the highest level of need, which is for a purpose beyond themselves.[1]

Some of this may reflect an acquisitive mindset. In a culture in which everything is up for sale, philanthropy can be a means to buy transcendence. The Cambridge IT tycoon Peter Dawe admits that by engaging in philanthropy he is groping at perpetuity.[2]

But giving money away either to gratify oneself or to ensure one's name lives on after death, ought not to be dismissed too easily. While the former has explicit

Sir Tom Hunter

endorsement - 'God loves a cheerful giver' (2 Cor 9.7) - the latter reflects our creation in the image of an eternal and infinite God in whom our desire for eternal life will eventually be fulfilled. As St Augustine wrote: 'Thou hast made us for thyself, O Lord, and our hearts are restless until they find their rest in thee'.

There are dangers, however, with the rise of social entrepreneurship.

First, it could intensify the general hostility commercial enterprise encounters in the media, the public and voluntary sectors, and the churches. The only morally acceptable form of entrepreneurship becomes enterprise that has explicitly social goals. Social entrepreneurship generally relies on donations, however, rather than on funds generated through putting commercial investments to work. Philanthropic capital is thereby free to go where the market fears to tread because of the profit imperative. The Gates Foundation focuses, for instance, on the treatment of those diseases in which the market currently shows no interest. In doing so, it aims to provide market incentives that will eventually entice commercial drug companies into the field.

The second, related, problem is that social enterprise threatens to obscure the social significance of commercial enterprise. While the argument that all entrepreneurs are social entrepreneurs may go too far - some forms of entrepreneurship have a negative social impact - it is generally true that the jobs, expertise and wealth generated by commercial entrepreneurship deliver social benefits.

Thirdly, social entrepreneurship can encourage the attitude that, by engaging in it, business people are 'giving back' to society. While this idea can be very effective - Bill Gates was taught it by his mother - it begs the question what business people are 'taking' from society. It encourages, in other words, a form of dualism that could be used to justify unethical commerce because of the social dividends that will accrue once the commercial dividends are given over to philanthropy.

Social entrepreneurship, fourthly, has reached the headlines through the generosity of some of the world's richest men. There are two inherent dangers in this. One is that the rest of us are tempted to think that our attempts to help the poor are futile. The other is that it masks the fact that the poor give away a higher proportion of their income than do the rich. Poor widows are still giving their mite.

A fifth problem is that philanthropy is seen as a soft option to business. Business people who have become philanthropists often admit that the opposite is true. One of the difficulties is measuring success. While business has profits as a measure, philanthropy's 'social returns' are often harder to assess and the obstacles have often already resisted both intellect and money.

To allow such difficulties to encourage complacency towards the new philanthropy would be obscene, given its potential to save the poor from their plight. A suspicious attitude that puts it all down to ulterior motives is also inappropriate. Gates claims that the reason he became a philanthropist at the height of his career, rather than in retirement, is that, on reading a report by the World Bank, he suddenly saw how he could do something *now* in order to help.

This recalls the parable of the rich man and Lazarus. The story teaches that, when it comes to our duty towards the poor, it's not only what we do but what we don't do that matters to God. The rich man wrongs Lazarus not by his actions but by his inaction. He allows him to beg at his gates, but it doesn't occur to him that he could make his begging unnecessary. He accepts Lazarus' plight as inevitable.

The Parable of the Rich Man and Lazarus
Franz Francken the younger (Flemish, 1581-1642)

Wealth can blind us both to the needs of the poor and to our own ability to meet them. Those whose eyes are opened should be commended for their vision.

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Resources

Many relevant resources can be found on the website of Transforming Business (www.transformingbusiness.net)

Special features on philanthropy were published in *The Economist* of 25-02-06 and 01-07-06.

New Philanthropy Capital (www.philanthropycapital.org) and Geneva Global (www.genevaglobal.com) advise donors on the most effective projects to support.

Five Talents (www.fivetalents.org.uk) aims to 'fight poverty, create jobs and transform lives' by providing loan capital and training for entrepreneurs in developing countries.

Claire Gaudiani, *The Greater Good: How Philanthropy Drives the American Economy and Can Save Capitalism* (Owl Books, 2004).

The Global Business Network has published a major report on the new philanthropy, *Looking out for the Future* (www.gbn.com)

David Bornstein, *How to Change the World: Social Entrepreneurs and the Power of New Ideas* (Oxford University Press, 2004).

Danah Zohar and Ian Marshall, *Spiritual Capital: Wealth We Can Live By* (Bloomsbury, 2004).

The business schools of both Oxford (www.sbs.ox.ac) and Cambridge (www.jbs.cam.ac.uk) run programmes on social entrepreneurship.

Notes

1 Charles Handy, *The New Philanthropists* (William Heinemann, 2006).

2 Peter Heslam's interview with Peter Dawe can be found under 'Resources' at www.transformingbusiness.net