



Institute for Philanthropy

Philanthrocapitalism: Myth or reality?

Alliance Magazine Launch, 22 March 2007,
at *The Economist*, 25 St James's Street,
London SW1A 1HG

To mark the publication of the first issue of *Alliance* magazine by the Alliance Publishing Trust, *The Economist*, *Alliance* and the Institute for Philanthropy co-hosted a reception at the offices of *The Economist* on Thursday 22 March 2007. The event, which brought together several leading figures from the public, private and charity sectors, was held to consider the central themes of that first issue: the nature of the new philanthropists, and the implications that their emergence would have.

Five of *Alliance's* contributors were invited to share their views, in a panel discussion chaired by Caroline Hartnell, the magazine's editor. They were:

- **Matthew Bishop**, Chief Business Writer of *The Economist*;
- **Bina Rani**, of Connect for Change, which helps UK-based donors from the Asian diaspora to fund communities in their homelands;
- **Cathy Pharaoh**, a researcher and independent consultant, of Third Sector Prospect;
- **Olga Alexeeva** of CAF Global Trustees, which promotes private and family foundations and CAF services to wealthy individuals around the world;

- **Dr. Salvatore LaSpada**, of the Institute for Philanthropy, a UK-based charity which runs The Philanthropy Workshop, a training and networking programme in strategic philanthropy for wealthy individuals.

Their comments reflected both the real sense of excitement, and the reservations, that surround this rapidly evolving area.

Matthew Bishop had previously coined the term “philanthrocapitalism” to describe the approach of the new, business-minded donor to charitable giving: this subject was to form the basis of an upcoming book, which he would author jointly with Michael Green of the Department for International Development. In the course of this book's research, he had perceived that in each of the “golden ages” philanthropy, of which he suggested that the current period could be the fifth, “the philanthropy of the day mirrored the business climate of the day: so in the 18th century there was a concept of joint stock philanthropy that coincided with the development of the joint stock company. And, in today's philanthropy, the new philanthropists are reflecting perhaps the most spectacular period of success in capitalism's history, and the most extraordinarily innovative period in capitalism.” He was particularly intrigued by “how people who've created so much wealth in the past few years are translating that to really trying to build a better world. They're doing so at a time when the challenges are bigger and more global than we've probably ever seen before. And so the need for them to do that successfully and for us to have a political system in which they can operate effectively has never been greater.”

Bishop was also greatly struck by the “scale and ambition” of what the new philanthropists were trying to achieve, be it Michael Bloomberg's worldwide campaign against smoking or Bill Gates's quest to

eradicate unnecessary child deaths. What's more, donors such as these were pursuing their aims with a certain standoffishness towards the traditional NGO sector, which they found "alien in many ways"; a clash of working cultures which Bishop considered could be problematic in future. However, against that, he noted that the current definition of a good billionaire was that he or she should be a philanthropist, which he regarded as "a great step forward". The issue now, as he saw it, was whether the new philanthropists could make good on this initial promise, by not only giving of their wealth but also effecting positive change: "to make sure that this money is well spent, rather than wasted as it's often been in the past."

Bina Rani had over the last five years seen a marked increase in the sophistication of donors' efforts, and their scrutiny of the grant proposals that they received. Yet she had identified a "sting in the tail", feeling that whilst the new philanthropists were broad in their aims, they weren't sufficiently brave. "Once they want to go back to their roots," Rani observed, "they still don't want to tackle the tougher issues of international development around human rights, around corruption, around gender, around female infanticide. There are some of these issues that still don't get touched upon, and for me that's the issue I would still want to raise."

Olga Alexeeva spoke of the almost startling immediacy with which today's businessman could become tomorrow's philanthropist. She'd been speaking in Moscow "with a 36-year old gentleman with grey hair and five billion dollars of personal wealth. He said to me: 'I woke up this morning and I thought: 'I'm missing something. I've made so much money and I need to do something with it.' I said, 'spend it.' He said, 'I did that; no excitement. Why don't I give it? Why don't I give \$50

million?'"

Alexeeva related similar stories from South America and the Middle East; she had observed "a sea-change" in philanthropy, in that wealthy donors were now much more diverse in terms of both gender and nationality. She observed that "we tend to see countries in the East and South as recipients, as those who we support and those who cry that they need help. We have enormous wealth creators in these countries now, and this wealth looks into philanthropy now... [these donors] don't know where to give, they don't know how to do it, they have a very peculiar understanding of efficiency or sustainability, but there's enormous potential."

Yet, as she readily recognised, this raw enthusiasm had its downsides. Echoing the sentiments of Bina Rani, she said that these donors "play with philanthropy as a new toy. And [for them] social investment is also a new toy...it doesn't make this money more accessible. It doesn't make this money go to real issues, to the non-profit sector." Offering the most cautionary tale of any of the five contributors, she pointed out that "in Russia we have twenty-six private foundations who give over \$100 million a year, and the income to the non-profit sector hasn't increased."

Cathy Pharaoh said that her interest in the role of intermediaries began with a paper that she had been working on for the Skoll Foundation, in which she had been asked to write about "social capital" – a term devised by the American political scientist Robert Putnam, to help to describe the great value of networks of individuals within a society. However, Pharaoh "quickly realised that we weren't talking about social capital, we were talking about social finance, which is what the paper has become." She therefore felt compelled to ask a separate question: "what is social finance, finance that's being used in a

different way?”

Following this line of enquiry, she found that that the worlds of finance and social change were merging at a “tremendous” rate; though this, she considered, was not an untroubled marriage, with the potential for as much to go right as to go wrong. This was an area into which these sectors had introduced competing models, and she was interested to see whose model would win. Somewhat concerned that those from the finance world had stolen a march in this regard, she was nevertheless “amazed” and encouraged by the range and the degree of activity here. The greatest benefit she had so far seen was that intermediaries, who were much more public about their methods than the discreet, traditional trusts, were broadening the debate in this area like never before.

Dr Salvatore LaSpada suggested that the new philanthropy was “both old and new. With the old piece of that, I think of John D.Rockefeller who, in his own trajectory as a giver, went from sitting in his office responding to charitable requests for operations and bursaries to eventually getting to the point of understanding that he could create systems of public health, that he could cure illnesses, that he could create enormous social benefit.” This trajectory made him think of the new donors, “who come into that tradition and who are themselves also reinventing ways of doing this work using ideas such as expanding their financial capital - their contributions - to include their managerial know-how and their direct involvement in organisations, to expand that resource base and get us to a new kind of problem-solving.”

In this issue of *Alliance*, LaSpada had been most taken by “the notion that, increasingly, there’s the exchange of ideas, the exchange of innovation across borders, which gave

me hope; because I began to have a vision that maybe the social sector could match the private markets and really be able to move capital – in this case, social capital – across borders much more flexibly, to be able to take that innovation that’s happening in a local village in Africa and shoot it across to London...to see that kind of flow across borders is an eminently 21st century proposition.”

About Alliance magazine

Alliance provides news and analysis of what’s happening in the philanthropy and social investment sectors across the world. As well as news and conference reports, articles, book reviews and opinion columns, each issue has a special in-depth feature on some key aspect of philanthropy and social investment.

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About the Institute for Philanthropy

The Institute for Philanthropy works to increase effective philanthropy in the UK and internationally.

We do this by:

- Providing donor education and building donor networks
- Serving as a forum for new ideas
- Developing promising models for promoting philanthropy



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