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Book Review by James Piereson

DOING GOOD AND DOING WELL

Private Virtues, Public Vices: Philanthropy and Democratic Equality, by Emma Saunders-Hastings.
The University of Chicago Press, 256 pages, \$95 (cloth), \$30 (paper)



PHILANTHROPY IS SUPPOSED TO BE A virtue—the “love of mankind” could hardly be a vice. But at least since the 18th century, charitable donors have come in for intense scrutiny and criticism. The Anglo-Dutch philosopher Bernard Mandeville wrote in *The Fable of the Bees* (1714) about a society of bees that lives in harmony and prosperity until its members decide to throw off their habits of self-interest and live according to Christian virtues. Having lost their appetite for gain or profit, the bees at length reconcile themselves to living the simple life in a hollowed-out tree. Their once-prosperous honey-making enterprise, however, lies in poverty and ruin. Mandeville’s subtitle, *Private Vices, Public Benefits*, indicated that private selfishness was necessary for public prosperity, progress, and the rule of law. Adam Smith and other writers of the Scottish Enlightenment later picked up this idea and incorporated it into their moral and economic doctrines, passing it along in

turn to later generations of conservative and classical liberal thinkers.

EMMA SAUNDERS-HASTINGS, A POLITICAL science professor at Ohio State University, inverts Mandeville’s maxim in the title of her new book on philanthropy, *Private Virtues, Public Vices: Philanthropy and Democratic Equality*. For Saunders-Hastings, the private virtue of charitable giving leads to public vices of various kinds, much as the private virtues in Mandeville’s fable produce ruin for his community of bees. In particular, she argues, private philanthropy as currently practiced in the United States undermines the nation’s democratic ideals. “It is presumptively objectionable if outcomes of common concern and aspects of a society’s common life are subject to the control of the very rich.” It is wrong, she suggests, for philanthropists to trade their wealth for socio-political influence under the guise of charitable giving.

Thus Saunders-Hastings also objects when donations are made with “strings attached” for the purpose of changing the behavior of recipients or improving their performance. Donations in that form are made under the assumption that donors know better than recipients how to organize their programs. Today, many prominent donors (including software magnates Bill and Melinda Gates, Facebook founder Mark Zuckerberg, and real estate mogul Eli Broad, among others) have poured funds into promoting their preferred educational method—be it online learning, core curricula, or charter schools. Mr. Zuckerberg donated \$100 million some years ago to the Newark public schools to improve their performance, though his funds succeeded mainly in increasing the salaries for teachers and administrators, who were undoubtedly grateful for his philanthropy. Foundations have long made grants to colleges, universities, and think tanks to promote the teaching or



study of various subjects, from Russian languages or macroeconomics to feminist history or gender theory. Saunders-Hastings thinks that philanthropy of this kind is paternalistic, allowing donors to set the agendas for schools and charitable organizations when they have no particular qualifications to do so.

THESE ARE NOT NEW CRITICISMS; IN fact, they are very old ones. A century ago, industrialist Andrew Carnegie and oil magnate John D. Rockefeller sought to incorporate their philanthropic enterprises at the same time as their businesses were beset by disputes with labor unions. Critics said it would be anti-democratic for the law to “institutionalize” Carnegie and Rockefeller, allowing them to fund favored social purposes with wealth they should have used to support their workers. Those Gilded Age “plutocrats,” as Saunders-Hastings calls them, have descendants today in the persons of Gates, Zuckerberg, and others of great wealth. Nor is Saunders-Hastings the first to resurrect these arguments in recent years. In *Just Giving* (2018), Stanford University’s Rob Reich attacked “big” philanthropy as a system for converting private wealth into public influence. That same year, journalist Anand Giridharadas wrote in *Winners Take All* that contem-

porary philanthropy is mostly a pretense for wealthy people to gather in expensive enclaves to pool influence and resources. Philosopher David Callahan in *The Givers* (2017) argued that wealthy philanthropists accrue more influence than they deserve in a democratic society. Saunders-Hastings, though not quite so critical as some of these authors, nonetheless shares their view that philanthropy is at bottom a political enterprise that should be subject to greater public or popular control.

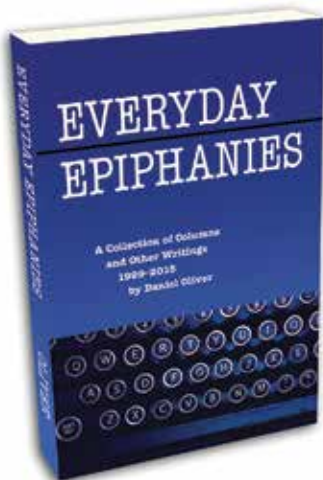
But Saunders-Hastings does not actually have much to say about how that popular control could be effectively instituted. She does not (thankfully) suggest that individuals should be prevented from accumulating wealth, or that it should be confiscated rather than donated to charity. She is not in favor of eliminating the charitable exemption on income taxes, as some have urged, because the same problems of wealth and inequality would recur even without the exemption. She suggests that the charitable exemption might be reserved for general-purpose grants only, but eliminated for grants awarded with conditions attached in order to rein in philanthropic paternalism. The legal definitions of tax-exempt charities might be tightened so that only socially constructive enterprises are accorded that benefit. She is sympathetic to increasing

the payout requirement for private foundations (currently 5% of assets per year) so that more funds flow to charities while the assets of foundations are spent down over time. Trustees might be given more freedom to revise the terms of gifts given through estates, either to make them less restrictive or to bring them in line with contemporary concerns, though courts are understandably reluctant to interfere with lawful bequests. Donor control over grants might also be restricted by allocating seats on foundation boards to representatives of recipient institutions—a reform favored by many critics of private foundations but resisted by trustees reluctant to open their organizations to a host of external pressures.

THESE PROPOSALS, ALONG WITH OTHERS like them, have been circulating for decades. Many of them have been adopted voluntarily by some donors and trustees of private foundations. Others, such as limiting the tax exemption to charities favored by reformers, would be controversial and difficult to implement. Some states, California in particular, have considered new laws that would require foundations to diversify their boards or spend more of their funds to address poverty. Those are misguided measures that foundations in the state have criticized. Rightly so: they would politicize philanthropy, undermine philanthropic freedom, and eventually bring philanthropy under government control.

In Congress, there is little consensus on any of these proposals. The current laws governing foundations date back to the Tax Reform Act of 1969, which was adopted in response to populist criticisms that some foundations—the Ford Foundation in particular—were guilty of spending funds on partisan political controversies. That law established the 5% payout requirement, limited expenditures on lobbying, and banned them altogether in regard to partisan elections. Leaders in the foundation world have little appetite for revisiting the experience of that law’s genesis, and with good reason.

There is no doubt that philanthropy has grown into a significant enterprise in America. It has been encouraged since 1917 by the income tax exemption, but it was also fueled by the growth and diffusion of wealth in post-war America, the stock market boom of the last four decades, and the charitable inclinations of millions of Americans. Philanthropy is an expression of America’s free-market system, which enables some to accumulate wealth by responding to the wants of consumers. The American economy has been spinning out innovations and wealth at unprec-

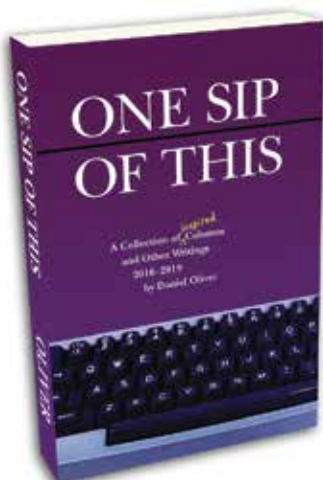


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edented rates over the past several decades. The stock market alone has grown by 40 or 50 times in real terms since the early 1980s, creating new wealth and countless wealthy families. It is much to the credit of those individuals and families that, after accumulating wealth, they wish to give some of it away to charity. Most Americans regard that as a positive development, not as something to be lamented because it might be in tension with egalitarian goals.

THROUGHOUT U.S. HISTORY, VOLUNTARY nonprofit organizations have operated as a check on government by providing private pathways to serve the public interest. Alexis de Tocqueville wrote in *Democracy in America* that voluntary associations strengthen popular government by bringing individuals into contact with one another in pursuit of shared purposes. According to data from the National Philanthropic Trust and the Giving USA Foundation, Americans—including both individuals and institutions—donated some \$485 billion to tax-exempt charities in 2021. That’s about 2% of Gross Domestic Product, a large sum in comparison to donations made in other countries. Two thirds of that total, or about \$327 billion, came from individuals, much of it going in modest sums to churches, synagogues, and local institutions such as civic associations, food banks, youth recreational leagues, and the like.

This looks like a democratic aspect of American philanthropy: it is widely dispersed; many people participate; the gifts are modest; the money flows to churches and local organizations. There is little in the way of paternalism associated with it. Yet many critics who worry about the influence of wealthy donors are *also* dissatisfied with this more populist form of philanthropy—mostly because it is not organized or directed by anyone, and therefore cannot be mobilized to bring about “change”; and also because much of the money flows to religious organizations. Yet, if the goal is to promote democratic philanthropy (rather than expand government), then this is a good example of it.

At the other end of the scale, large grant-making foundations such as the Ford, Rock-

efeller, and Gates foundations contributed \$91 billion in 2021, or less than 20% of all donations, on assets of around \$1.3 trillion. The assets of these foundations have expanded almost 20-fold since the early 1980s, even as they have donated at least 5% of those assets per year on charitable grants. The authors of these new books on philanthropy are worried that these large foundations act on behalf of wealthy donors. But the real problems lie elsewhere. Private foundations, with some exceptions, are certainly not run by “the wealthy,” however that term might be defined. They are controlled by self-perpetuating trustees and professional staffs, not by the entrepreneurs who started them. The mid-level administrators who manage the daily operations of these enterprises have college and university backgrounds; they are skeptical of free markets, profit-seeking, and middle-class standards. Their interests are in other areas: diversity, racism, sexual identity, climate change, inequality, and related subjects. They deploy the wealth of their organizations partly to redistribute wealth and political power in the direction of the groups they fund.

THERE ARE, TO BE SURE, A HANDFUL OF conservative foundations that defend free markets or hope to scale back government programs, such as the John M. Olin (now defunct), Charles Koch, Bradley, and Scaife foundations. These trusts have had a fair amount of success in supporting influential scholars and institutions. Notwithstanding that success, however, they are outspent every year by a factor of 20 to 1 (or more) by progressive foundations like Ford, MacArthur, Hewlett, Bloomberg, and others. The vast majority of major philanthropic institutions occupy the liberal or progressive end of the political spectrum, and have done so since the 1960s when, led by the Ford Foundation, they bought into the open-ended agenda of “social change.”

The new agenda called for foundations to scale back programs in research and education in favor of funding “advocacy” groups to pressure governments to adopt new programs, spend more money, and open up channels of power to new groups. Many race, gender, and

ethnic advocacy groups originated in this era with foundation grants, as did many of the urban and environmental groups still active today. “Diversity” is one of the operational watchwords of today’s foundation world, as it is also in universities, government agencies, and the Democratic Party. There are federal programs in operation today, such as the Public Broadcasting Service, the National Endowments for the Arts and Humanities, and various urban programs, that got their start as pilot programs supported by foundation grants. And *this* is where Tocqueville’s democratic vision of philanthropy meets its most pernicious challenge: not in a scarcity of government control but in an overabundance of it. Far from deflecting or opposing government intervention, many foundations operate as partners with government in pressing for new programs and maintaining support for old ones. Foundations have promoted a host of programs, from Planned Parenthood to the National Urban League, in loose cooperation with federal departments and agencies, such as the Department of Education and the Environmental Protection Agency, which operate their own grants programs.

And so in recent decades, many once-independent organizations have evolved into appendages of government. The publication *Giving USA* estimates that in recent years the federal government has supplied one third of all funds raised by nonprofit charities, a development long encouraged by large private philanthropies that donate to many of the same organizations. These are reputable institutions for the most part; among them are prestigious universities, hospitals, research organizations, and advocacy groups. But they no longer operate independently of government or as pillars of civil society. The expansion of government, which has extensively co-opted private philanthropy and voluntary associations, represents an extraordinarily potent challenge to democracy in America—and one for which there is no ready solution.

James Piereson is a senior fellow at the Manhattan Institute and president of the William E. Simon Foundation.

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