

Reviews

**Why Philanthropy Matters: How the Wealthy
Give, and What It Will Mean for Our Economic
Well-Being**

By Zoltan J. Acs

Review by Robin Rogers

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The “Just Right” Future

Review by Lucy Bernholz

The Nature of the Future: Dispatches From the Social-structured World

Marina Gorbis
256 pages,
Free Press, 2013

Near the end of the South by Southwest Festival (SXSW) held this past March, I read this tweet: “Somewhere between Musk and Morozov is where the rest of us will find our futures.”

Those few words say a lot about where the boundaries of enthusiasm lie when it comes to all things futuristic. Elon Musk—founder of PayPal, Tesla Motors, and SpaceX—is an unabashed proponent of the power of technology to better the human condition. He spoke at SXSW about the potential for building human colonies on Mars. Evgeny Morozov inhabits the other end of the futurist spectrum. An Open Society Foundation Fellow, he has established himself as the reigning curmudgeon of Twitter and a debunker of cyber-utopianism, “solutionism,” and Internet-centrism in every form. As the tweet noted, somewhere between Musk’s utopia and Morozov’s dystopia, the rest of us are trying to find our way forward.

In *The Nature of the Future: Dispatches From the Socialstructured World*, Marina Gorbis offers one such path. Morozov, no doubt, would find much to dislike about the book; Musk, for his part, would probably question its relatively measured tone. Gorbis runs the Palo Alto, Calif.-based Institute for the Future, where she spends her days helping people think about what lies ahead. That work requires enthusiasm about the future, of course, but Gorbis also brings to it a personal respect for the past. Amid her exposure to the shiniest new gadgets that Silicon Valley has to offer, Gorbis has honed her ability to spot patterns across disciplines while also weeding out (some of) the hype.

The key to understanding this book is that it appears to be about technology, but it is actually about people. The unfortunate neologism “socialstructured” refers to the role that social relationships play in economic and community life. Gorbis starts from a model that has nothing to do with high technology—her mother’s shrewd use of personal relationships to provide for her family when they lived in the Soviet Union. (Gorbis grew up in Odessa, Ukraine.) Bartering, service exchanges, mutual aid: These are age-old human practices that depend on no particular technology.

Gorbis argues that we have entered a transitional period in which those pre-modern practices are returning to prominence—and are doing so in larger, faster, and more inclusive forms. She notes that we are “living simultaneously in two worlds, one in which almost everything is still done through formal institutions, be they corporations, large R&D labs, banks, universities, or governments, and another in which people are joining up to create something new outside of traditional boundaries, in the process displacing these decades-old institutions.”

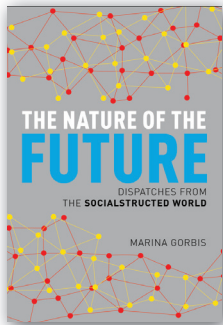
This is not a new observation. And Gorbis’s explanations for why it is happening (global connectivity) and why now (expansion of broadband and Wi-Fi) are neither surprising nor, in my opinion, complete. There are other factors—from regulatory structures and corporate protectionism to demographic shifts and wealth inequality—that help to explain why we use technology in the ways that we do. But Gorbis is less interested in “How did we get here?” than in “What does it mean now that we are here?”

And in that regard, she does a solid job of describing the huge middle ground that lies between Musk and Morozov—even as her dispatches are all positive and her description skews toward utopianism. When she extols citizen science, crowdfunding, and more-participatory government, Gorbis

comes across as similar to many other futurists. A few stories become “data,” three examples make a trend, and countervailing evidence rarely makes an appearance. Even at her most exuberant, however, Gorbis focuses on the human behaviors enabled by technology. She is careful to point out that new forms of inclusivity are not universal. She notes that gift exchanges, reputational economies, and voluntary behavior are not new, and they certainly did not spring forth from the Internet. (In fact, the writer David Bollier and others have argued convincingly that these practices are the mother of Internet culture, not the other way around.)

For social entrepreneurs and philanthropists, the book will be most relevant when it addresses the issue of scale. Gorbis, for example, notes the tension between big investors and crowdfunded startups. But in place of the usual binary choice between “too big” and “too small,” she presents a three-tiered approach to thinking about institutional size and scope. Think of it as the Goldilocks analysis. Some problems are simply too small for established institutional structures to solve; others are too big for those structures to handle. The emerging networks of a “socialstructured” world, therefore, might be “just right.” Gorbis doesn’t focus on the challenges inherent in this framework—such as out-of-sync regulatory systems and the power of incumbents—but neither does she imply that those challenges do not exist.

Gorbis’s modulated approach gives her room to explore stories that have a bit more nuance than the cherry-picked-to-make-a-point examples that often figure in books of this kind. In addition to her experiences as a futurist, Gorbis draws lightly on anthropology, sociology, and political science to help explain her observations. Ironically, the book’s greatest shortcoming (other than its clumsy title) may be the fact that it’s a book. Although Gorbis presents several examples from the future, the innately static quality of the book medium leads her to oversell the positive and to underplay the negative, and it leaves no room for engaging in a conversation about all that lies in between those poles. ■



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Philanthropy and Inequality

Review by Robin Rogers

Why Philanthropy Matters: How the Wealthy Give, and What It Will Mean for Our Economic Well-Being

Zoltan J. Acs
272 pages, Princeton
University Press, 2013

Philanthropy, which translates as “love of humanity,” is often presumed to be “good” by definition. It is also widely understood to be redistributive because it takes money from the wealthy and uses that money to improve conditions for those who are less fortunate. But what if philanthropy does not diminish inequality? What if it increases and further institutionalizes the gap between the rich and the poor? Would we still view philanthropy as being unconditionally good?

Consider this finding by noted economist Emmanuel Saez: Between 1993 and 2010, the average real incomes of Americans in the bottom 99 percent of the income scale increased by only 6.4 percent while members of the top 1 percent saw their incomes grow by 58 percent. “This implies that top 1 percent incomes captured slightly more than half of the overall economic growth of real incomes per family over [that] period,” Saez notes. (Italics added.) Even former US Federal Reserve Chairman Alan Greenspan, a devotee of the libertarian philosopher and novelist Ayn Rand, expressed concern that the United States is developing two distinct and diverging economies.

What is the relationship between philanthropy and inequality? Economist Kevin Laskowski has argued that private foundations are often primarily investment companies that use some of their excess cash flow for charitable purposes. The increase in foundation giving between the 1970s and 2000s, Laskowski has shown, correlates with an increase in the total income share of the top 1 percent. Correlation is not causation, of course. I doubt that foundation giving caused the increase in the share of income that went to the top 1 percent. It is much more likely that other factors have driven both developments. Still, the associa-

tion between increased economic inequality and increased foundation giving does undermine the assumption that philanthropy reduces inequality.

Complicating the question of what role philanthropy plays in inequality is the emergence of what is sometimes called “the new philanthropy,” also known as “philanthrocapitalism” or “mega-philanthropy.” At the risk of oversimplification, I will distinguish between traditional philanthropy—giving money to museums, hospitals, universities, and other established institutions—from the new philanthropy, which focuses on using extraordinary amounts of private money to fund efforts such as the training of school superintendents, the development of new agricultural practices, and the creation of new medical interventions. In the new philanthropy model, donors then try to leverage vast sums of public money and, in some cases, to create profit for affiliated businesses or for hybrid profit-non-profit organizations.

In *Why Philanthropy Matters: How the Wealthy Give, and What It Will Mean for Our Economic Well-Being*, Zoltan J. Acs argues that philanthropy will be the salvation of capitalism. Acs, a professor of economics at George Mason University, argues that as Bill Gates, Warren Buffett, Sam Walton, Eli Broad, and many other new philanthropists put their money behind innovative ideas, they open a space for new talent to rise.

With this book, Acs contributes a distinctive, if at times flawed, perspective to the ongoing debate about the importance of philanthropy in our society. Writers such as Matthew Bishop, Michael Edwards, Chrystia Freeland, Steven H. Goldberg, Michael Green, and Paul Schervish have all been important voices in this conversation, and that conversation needs to continue and expand. Philanthropy will be a central part of the new economy. What roles will it play? Whose interests will it serve? Will it increase or decrease inequality? In what ways can the new philanthropy be conducted to preserve freedom and democracy as well as to encourage innovation and economic growth?

At the heart of the book is an argument that deserves our serious attention: that

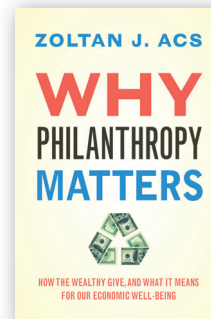
philanthropy *by its nature* reduces inequality and promotes social mobility through social disruption. Acs writes: “What is required to sustain American-style capitalism into the 21st century? A global philanthropic revolution! Through philanthropy, the unequal distribution of wealth can be channeled into creating opportunity for future generations through creating knowledge today.” The new philanthropy, Acs argues, promotes the kind of “creative destruction”—the evolutionary chaos—that Joseph Schumpeter famously attributed to capitalism.

I disagree. Acs’s narrative ignores the specific social context in which the great wealth gap is being generated. Consider, for example, how financial regulation and tax codes have changed over time. The

Glass-Steagall Act of 1933, which regulated commercial banking in the United States, coincided with the beginning of a period of relatively low inequality and considerable economic growth. In the 1980s, the financial industry was largely deregulated. Then came the Gramm-Leach-Bliley Act of 1999, which largely repealed Glass-Steagall, and by

the 2000s inequality was soaring. Today there are heated debates over the fairness of the American system of taxation, notably including the provision that allows a deduction for charitable contributions. None of this proves that financial regulation or changing the tax code will reduce inequality, but it does suggest that Acs’s focus on “creative chaos” lacks historical grounding and academic rigor.

Why Philanthropy Matters would not have to be a scholarly book to be a good book. Bill Clinton’s *Giving* (2007), Matthew Bishop and Michael Green’s *Philanthrocapitalism: How the Rich Can Change the World* (2008), and Antony Bugg-Levine and Jed Emerson’s *Impact Investing: Transforming How We Make Money While Making a Difference* (2011) are all profoundly smart and well researched, and they make clear cases for their positions. None of these writers positions himself as an academic scholar. Acs, in contrast, places his academic credentials front and center. He starts with the premise that philanthropy decreases inequality, and



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he concludes with the same argument—despite having offered virtually no empirical evidence for that argument in the interim.

The new philanthropy is built on the premise that the very, very wealthy—not just the top 1 percent, but the top .01 percent—are uniquely positioned to create social change by using their resources and networks to leverage public money and to create new infrastructure for public-policy design and delivery. But what are the pros and cons of a system built on that kind of largesse? How might an approach to philanthropy that places policymaking powers in the hands of an elite few affect democracy? If the government collects taxes to fund programs selected by mega-philanthropists, will it lose its legitimacy? At a more pragmatic level, what happens if these philanthropists are wrong? What if they select policies that don't work (as Bill Gates arguably did with his small-schools initiative)? Are they accountable to anyone for those choices? And what happens to important programs that lose favor with the very rich? ■

Conservation as an Investment

Review by Robert Jaquay

Nature's Fortune: How Business and Society Thrive by Investing in Nature

Mark R. Tercek and Jonathan S. Adams

272 pages, Basic Books, 2013

Conservationists and sustainable development advocates must collaborate with companies that seek to use environmental strategies to make their businesses stronger. So argues Mark R. Tercek, CEO of the Nature Conservancy. "The bigger the company's footprint, the bigger the opportunity for the company to reduce its impact by changing its behavior," Tercek observes in *Nature's Fortune: How Business and Society Thrive by Investing in Nature* (written in partnership with science writer Jonathan S. Adams).

The call for collaboration by environmental organizations with business is not new.

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It's consistent with the track record of the Nature Conservancy, a 62-year-old organization that operates in 35 countries and in every US state. Few other environmental organizations with global reach have embraced collaboration with business to nearly the same degree. No doubt, many fervent environmentalists will view Tercek as naïve—or worse, as a shill for greenwashing corporations. *Nature's Fortune* won't convince everyone, but members of the conservation community and the entire nonprofit sector will find much that is worth considering within its pages. It's also written in such an engaging and casual style that one is apt to forget that it is, in essence, a polemical work.

In the book, Tercek sets forth his practical philosophy regarding natural capital. "Viewing nature ... through basic business principles focuses more attention on the benefits of conservation," he writes. "You may not become a conservationist, but you will realize that conservation—protection of nature—is a central and important driver of economic activity, every bit as important as manufacturing, finance, agriculture, and so on." He

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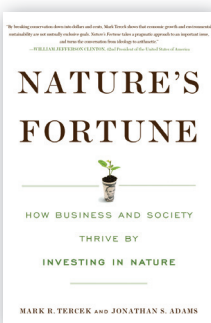


developed his perspective by drawing on his two decades as an investment banker at Goldman Sachs and by integrating that experience with a careful reading of writers such as E. F. Shumaker (*Small Is Beautiful*), Gretchen Daily (*The New Economy of Nature*), and Paul Hawken (*The Ecology of Commerce*).

Tercek makes the case for collaboration by presenting numerous examples of the Nature Conservancy's work with companies to reduce the environmental impact of their operations. Conservation, Tercek asserts, can help businesses "manage risks to their supply chains, keep costs down, identify new market opportunities, and protect essential business assets."

Early on, we meet Carlos Salazar, who runs the world's largest independent bottler of Coca-Cola. Tercek recounts a meeting at which Salazar seeks to understand the economics of preserving forests in Latin America. Salazar's goal is to provide his company with clean water, an essential

raw material for the production of soft drinks. Implicit in the questions that he asks is the view that conservation is an investment and that, as with any investment, he must ascertain its potential return.



Tercek writes: "Salazar, intense and focused as CEOs often are, sought answers from me and the conservation scientists he had invited to join the lunch. 'Tell me this,' Salazar said. 'If I want to produce water, should I protect an existing forest, or restore a forest that has been cut?' ... Most important, at least from a business perspective, Salazar wanted

to know this: 'How much water will I get from each dollar I spend on conservation?'"

Certain companies—those with an extensive environmental footprint—should receive serious attention and encouragement from conservation advocates, Tercek argues. He calls such enterprises "keystone companies." Biologists apply the term "keystone species" to any species that, relative to its abundance, has a disproportionately

large impact on its environment. Such species affect not only other species, but the structure of their entire ecosystem. Among the keystone companies that Tercek discusses are Cargill, Coca-Cola, Dow, Levi Strauss, McDonald's, Pepsi, and Xerox.

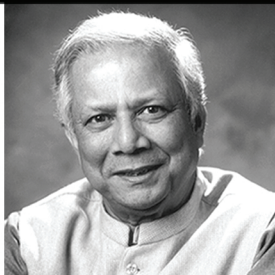
Despite the reference to "investing" in its subtitle, the book does not convey much in the way of financial detail. That omission is disappointing. The growing literature on the subject of mission investing suggests that many readers would be highly receptive to a well-grounded discussion of the ways and means of achieving conservation gains.

One strength of *Nature's Fortune*, meanwhile, lies in the model of social change that Tercek presents. Responsible stewardship of natural systems at the scale and complexity that he describes aligns closely with the collective impact model. Many of his examples, in fact, meet the essential conditions—shared measurement systems, mutually reinforcing activities, and so forth—that apply to other efforts to build multi-sector coalitions that leverage broader results than any single project could achieve. ■

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