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Book Review

by Keith Anderson

Why Philanthropy Matters: How the Wealthy Give, and What It Means for Our Economic Well-Being By Zoltan J. Acs. Princeton, NJ: Princeton University Press, 2013. 272 pp. ISBN: 9780691148625

Zoltan J. Acs, a professor at the School of Public Policy and Director of the Center for Entrepreneurship and Public Policy, believes philanthropy to be an underappreciated aspect of what he calls “American-style capitalism” and his new book, *Why Philanthropy Matters: How the Wealthy Give and What It Means for Our Economic Well-being*, aims to show how the vitality of American capitalism in fact depends upon it. His line of argument is actually quite simple. Entrepreneurial innovation – and for Acs, the American economy is fundamentally entrepreneurial – generates a high concentration of wealth which, in turn, must be “recycled” through philanthropy into institutions and programs designed both to advance innovation and create new opportunities for the broader middle-class to participate more fruitfully in economic life. By directing created wealth to these ends, philanthropy plays a key role in strengthening society’s entrepreneurial potential for the future. Arguing that this cycle of entrepreneurship, wealth generation, philanthropy, and opportunity creation has characterized the American economy throughout its history and is essential to its success, Acs examines each of its elements in detail. He contrasts the cycle with the patterns of philanthropy found in the more state-centred societies of East Asia and the “coordinated market economies” of Western Europe before ultimately offering it as a model for the world, a path to sustainable global development.

Targeted to “productive uses” that lay the “groundwork of new cycles of innovation and enterprise” (p. 10), Acs’ philanthropy resembles the “strategic philanthropy” advanced by proponents of business-case Corporate Social Responsibility (Porter & Kramer, 2002). However, Acs does not quite make a “business-case” for philanthropy. Rather than profiting the philanthropist, philanthropy, has “a positive long-term externality for society” (p. 4); it “creates a better society in the long run” (p. 4). This concern for society is one of the more intriguing aspects of Acs’ argument. Combining an appreciation of the competitive liberal market and small government with a sense of responsibility for the common good, Acs appears here more an heir of Andrew Carnegie than of Julius Rosenwald (Carnegie’s

contemporary who saw social need primarily as a profitable business opportunity and, according to Peter Drucker [1984], presaged the philanthropy to come).

While Acs may seem old-fashioned to Drucker here, he is still a close ally. Sharing with Drucker the Schumpeterian view of entrepreneurship as a revolutionizing economic force, Acs maintains that “creative destruction” (p. 47) – Joseph Schumpeter’s idea that old ways are endogenously destroyed and replaced by the new – lies at the very birth of America and “fuels the entrepreneurial spirit” (p. 9) of American capitalism. In this vein, Acs, like Drucker, celebrates the “entrepreneurial revolution” of the 1980s and the dismantling of the paralytic post-war “managerial” economy. Acs admits that creative destruction of this kind, exacerbating unemployment and wealth inequality, produces a certain tension, but the tension at issue is not between the winners and losers “sorted out” by the process, but rather between enhancing wealth creation for innovators and protecting opportunity for all. Insofar as philanthropy fosters increased opportunity, it relieves this tension, mitigating inequality and smoothing the “hard edges of the market” (p. 11). Unfortunately, Acs provides little evidence to support this claim. Can philanthropy address effectively the serious social dislocations that result from state and market failure? Acs’ argument for philanthropy remains but a proposal and a plea.

The dislocations that Acs construes in Schumpeterian terms are understood by others as the outcome of neo-liberalism’s political-ideological consolidation. While Acs disengages from the standard debate over government size, privatization, unions, and regulation, it is still possible to situate his perspective within the historical neo-liberal context. Neo-liberal think-tanks such as Canada’s C.D. Howe Institute have already taken an explicitly Schumpeterian perspective, emphasizing, like Acs, the creative, competitive power of innovation, education, and research (Howitt, 2007). But this is not merely guilt by association. Acs’ “American-style capitalism,” characterized by small, weak government, a free liberal market, and described as “antithetical” to the Fordist/Keynesian economic model, cannot but bear the imprint of neo-liberal hegemony.

This point is significant from a critical Social Economic perspective. Many of the philanthropic initiatives that Acs champions – especially “venture philanthropy” and social enterprise – are in fact particular Social Economic forms that have become more salient under conditions of neo-liberal restructuring. They function to fill the gaps opened by state and market failure. On this point, Acs aligns again with Drucker who praises the “Third Sector” – or the Social Economy – for its ability to experiment and innovate in meeting social needs, an ability denied to the state. Seeing philanthropy as an innovator in this same way, Acs, like Drucker, accepts the limits of the liberal market place and its existing power arrangements, and allows the Social Economy to function largely as a “support structure” for the neo-liberal economy (Fontan & Shragge, 2000, pp. 7–8; Lionais & Johnstone, 2010, p. 108).

Obviously, Acs is not one who cynically employs philanthropy to facilitate market-based wealth creation for its own sake. Indeed, much of his book’s power derives from his passionate belief that created wealth is a public trust to be utilized for the common good. His problem lies in the assumption that responsibility for addressing state and market failure rests with the wealthy and the institutions they establish for social ends. He argues that philanthropy “taps” into civil society and partners with “progressive tides”, but that is not enough (p. 12). His investor-/expert-driven approach overlooks the importance of the people themselves directing the

practice that responds to their dislocation and precludes more critical, radical approaches, which may in fact seek alternatives to the liberal market. That said, Acs does point out an issue facing all, even radical, Social Economic practices: Financing of the Social Economy remains largely dependent upon wealth creation in the mainstream liberal market. While Acs' approach affirms that dependence, it also inadvertently highlights the necessity of wealth creation even for the radical Social Economy, for the latter must develop independent ways to generate surpluses that will enable it to sustain itself and represent a real alternative to the liberal mainstream (Lionais & Johnstone, 2010). Thus, even radical Social Economic practice is impelled to innovate! A kind of entrepreneurial spirit is required. And this perhaps is one of the more provocative implications of Acs' new book.

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