

Does Philanthropy Excuse Inequality? Maybe Not: Books Review by Daniel Akst

Jan. 16, 2013 (Bloomberg) – Can the rich buy our love? Can the one percent purchase our indulgence for their impositions by means of philanthropy?

That’s the question at the heart of Robert F. Dalzell Jr.’s “The Good Rich (and What They Cost Us),” a brief and enlightening book that, while it falls short of its title, nonetheless offers a fascinating historical perspective on wealth and philanthropy today.

Dalzell, a historian at Williams College, accomplishes this by offering sensitive portraits—one from each of the last four centuries—of earlier Americans who got rich, made people mad along the way, and tried to restore themselves to the public’s good graces through good works. Modern concerns—about taxation, crony capitalism and social entrepreneurship, to name just three—echo throughout.

The Puritan merchant Robert Keayne was found to have overcharged for nails, a precious commodity in the Boston of his day, in an early example of public unease with profit. Allowing for inflation (and the defeat of Mitt Romney), George Washington was the richest president ever,ⁱ yet his wealth was built on the backs of slaves. The Lawrence brothers, a pair of philanthropic New England textile makers, depended on cotton picked by Southern slaves and on increasingly harsh conditions in Northern mills. John D. Rockefeller earned a reputation for utter ruthlessness in assembling his Standard Oil empire.

Making Amends

All made fortunes, and all gave away wealth, if not entirely in life than at least in death. Redemption wasn’t their explicit aim, but Dalzell certainly thinks the desire for it played a role; in his view, this may explain why Bill Gates has given away so much money while his late rival Steve Jobs hardly donated any.

Jobs was practically deified by Apple’s many fans, who regarded his products as gifts, while Microsoft, the business Gates founded, grew “big enough to be perceived as a profiteering monopoly,” Dalzell writes. “And it was in the face of that development that Gates embarked on large-scale philanthropy.”ⁱⁱ

The author notes that Oprah Winfrey, like Jobs also quite popular, was notably absent from the list of tycoons who’ve pledged to donate half their wealth.ⁱⁱⁱ (On the other hand, the revered Warren Buffett is a ringleader in the movement despite his near beatification in popular culture.)

Judging from *The Good Rich*, the author is no doubt a fine teacher. He’s learned, articulate and subtle, and he raises an important question. Is the generosity of the rich—and “wealthy Americans are less generous than we think,”^{iv} Dalzell reminds us—adequate to sustain a democracy in which inequality has increased to such epic proportions?

Dalzell takes the trouble to sketch just how unequal our society has become, noting that inequality in this country is worse than in Egypt, India or Pakistan?^v He cites studies showing that the richest 20 percent control 84 percent of U.S. wealth, and that the average real after-tax income of the top 1 percent grew by 275 percent from 1979 to 2007. The bottom fifth gained only 18 percent.^{vi}

Many Questions, Few Answers

Unfortunately, Dalzell never fully engages with the questions at the heart of his book. There is no effort to assess any empirical evidence on whether having a class of mostly self-made plutocrats who gobble up most of our income gains nonetheless results in a net benefit to society, perhaps through greater innovation or faster economic growth. Nor is there any effort to grapple with whether the functions now performed by philanthropy would better be filled by the state (which underwrites them, to some extent, through the tax deductibility of charitable gifts).

Should we maintain this deduction? Would we be better off with higher marginal tax rates on the rich? Is it even possible to change our economy in ways that deliver greater income growth to the 99 percent? Dalzell doesn't address these concrete questions, which flow naturally from any discussion of the costs and benefits of philanthropy.

Yet there is no point criticizing "The Good Rich" for what it isn't. The author's leanings aren't hard to detect—he clearly has real concerns about inequality, and doubts about the compensating value of philanthropy. So should the rest of us. Thanks to Dalzell, our thinking on the subject will at least be enriched by history.

"The Good Rich and What They Cost Us" is published by Yale University Press (216 pages, \$28.00).

(Daniel Akst writes for Muse, the arts and leisure section of Bloomberg News. The opinions expressed are his own.)

ⁱ Dalzell, 27

ⁱⁱ Dalzell, 149

ⁱⁱⁱ Dalzell, 150ff

^{iv} Dalzell, 159

^v Dalzell, 156

^{vi} Dalzell, 156