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Elites and Inequality

A Case Study of Plutocratic Philanthropy in the UK

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Overcoming Inequalities in a Fractured World: Between Elite Power and Social Mobilization

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Acronyms

ACF	Association of Charitable Foundations
HNWI	High net worth individual
NGO	Non-governmental organization
ODA	Official development assistance
STGL	Sunday Times Giving List
STRL	Sunday Times Rich List
UHNWI	Ultra-high net worth individual

Abstract

This paper investigates the role of elite philanthropy in the context of rising global inequality, asking whether large-scale philanthropic donations by elites are well placed to help tackle structural inequality. The challenges posed by such “plutocratic philanthropy” are explored through analysis of a network of the top 30 philanthropists in the United Kingdom and their connections to businesses and foundations, which shows their financial scale and connectivity. This new data is embedded into a review of the most recent social science literature on elites, which focuses on elite reproduction, how wealthy families perceive inequality, and how and why they engage in philanthropic activities. From this data, the paper develops an analysis of the current landscape of inequality, based on the work of British sociologist Mike Savage (2015), arguing that elite philanthropy as an ecosystem—made up of capital, people and institutions—is not well placed to systemically challenge inequalities, because the financial size of elites’ philanthropy tends to be dwarfed by their business activities, and the social functions of philanthropy help maintain the advantaged positions of elites. The paper concludes with informed policy considerations on the role of elite philanthropy in light of the results of the analysis.

Keywords

elite reproduction; foundations; network analysis; sustainable development; tax

Bios

Luna Glucksberg is a Research Fellow at the International Inequalities Institute (III) at the London School of Economics (LSE) where she works on inequality, elite reproduction, family offices and local wealth-building strategies. She is widely published and her recent work focuses on the intersections of gender, kinship and capital in the reproduction of dynastic elite families (Glucksberg 2018).

Louise Russell-Prywata is a Senior Atlantic Fellow for Social & Economic Equity at the London School of Economics. Her research explores the power and influence of elites, in particular that exerted through corporate and philanthropic networks. She is also Senior Programs and Policy Manager at OpenOwnership, an initiative combining policy and technology to increase transparency over company ownership globally. Prior to this she spent several years fundraising from and working with philanthropists, most recently at Transparency International UK.

Introduction

The United Nations 2030 Agenda for Sustainable Development puts tackling global inequalities at its heart, with Goal 10 pledging to "reduce inequality within and among countries" (United Nations Committee for Development Policy 2018), cementing a shift in the international narratives to acknowledge that tackling poverty alone is not enough. With this as context, this paper examines the role and ability of elite philanthropy to tackle rising economic inequalities.

Large-scale philanthropy undertaken by elites is becoming more important in the international policy landscape. Private philanthropy is recognized by key international institutions as an essential contributor to reducing poverty, financing international development and achieving the Sustainable Development Goals (OECD 2016). The dollar value of philanthropic funding has increased rapidly over the last decade, driven by large markets such as the United States and the United Kingdom (Milner 2018); in the United Kingdom, private bank Coutts concluded that philanthropy is experiencing a "boom time" (Coutts 2017).

In the context of government austerity policies and public budget constraints in many countries, large-scale philanthropy is increasingly providing funds alongside governments and multilateral organizations to tackle core inequality issues such as poverty and healthcare (OECD 2018). Although this growing funding stream is still small when compared to government official development assistance (ODA)—private foundations contribute an amount of development funding equivalent to 5 percent of global ODA (OECD 2018)—philanthropic funding is having a disproportionate impact, for example through driving provision of funds in key sectors such as health and influencing development agendas and donor priorities (OECD 2018). These philanthropic flows are closely connected to international public institutions and non-governmental organizations (NGOs), with almost all projects implemented through such institutions. The findings caused the OECD to declare that "private philanthropy is reshaping the development landscape like never before" (OECD 2019). In response to the increasing influence of philanthropy, there is growing concern that philanthropy is at odds with democratic governance and in essence plutocratic (Reich et al. 2016; Callahan 2017).

In this paper, we follow the work of Reich, Cordelli and Bernholz to question the dominant narrative that elite philanthropists are, through their large-scale philanthropic acts, simply "giving back" and acting against the structural inequalities that they themselves have benefitted from (2016). Taking our starting point as the individual members of the UK elite who are initiating and undertaking large-scale philanthropy, we situate their philanthropy alongside other areas over which they exert financial influence, in particular through business affiliations, and examine sociological literature investigating the mechanisms that elites deploy to maintain their advantageous positions in society. We explore what these factors mean for the possibilities for large-scale philanthropy to genuinely challenge inequalities on a systemic level.

The evidence presented in this paper concerns the business interests of Britain's top philanthropists and demonstrates the presence and importance of plutocratic philanthropy in the United Kingdom. Indeed, we show how the scale and influence of philanthropic giving in the United Kingdom is dwarfed by the scale and influence of philanthropists' corporate interests. This is important because these corporate and financial interests often drive the very inequality that much philanthropy is designed to ameliorate. We also show how philanthropy plays a role in helping elites legitimize their own wealth, and thus in legitimizing inequality. We therefore argue that these combined factors cast doubt over whether philanthropy in the United Kingdom is well placed to help fight inequality, and whether policy concerned with reducing inequality is thus best directed towards the promotion of elite philanthropy.

The paper proceeds as follows: we introduce the thinking of key inequality scholars by way of context. We then delve into the new, empirical data on UK philanthropists which forms the core of the article. To understand the importance of this information we consider the most recent sociological thinking on elite reproduction and the function of philanthropy in legitimizing elite families' wealth. We conclude with informed policy considerations on the role of elite philanthropy in light of our results.

Inequality, Philanthropy and the Rise of the Top 1 Percent

Social scientists, and economists in particular, have produced robust data showing the scale of the problems we face in terms of global and country-based economic inequality. For example, and amongst many others, Thomas Piketty's work has shown how inequality necessarily increases when, as is the case now, the rate of return on capital is higher than economic growth, meaning that inheritances and wealth accumulated in the past have become more important in shaping an unequal landscape in the present and in the future (2014).

The current global rise in inequality has been labelled, by various eminent academics, politicians and business people, as the defining challenge of our century, only matched by climate change in its scope and repercussions. We summarize here the main theoretical contributions made by the social sciences in this respect, with a view to establishing whether philanthropy may have a role to play in the amelioration of or decrease in global inequality.

Wilkinson and Pickett have examined the consequences of inequality from a social and epidemiological perspective, showing remarkably negative effects of economic inequality on all members of Western societies, not just poor or marginalized groups (2010). More recently they extended this work to focus on the damaging effects of inequality from a psychological perspective, highlighting how inequality damages the fabric of societies and collective wellbeing (Wilkinson & Pickett 2018). Dorling, a human geographer, has demonstrated how untenable and unjust UK society is becoming in terms of spatial and economic inequalities (2015).

This current of thought can be traced back to the work of Atkinson in the 1970s and 80s (summarized in Atkinson 2015), which provided grounding for the now famous work of economic historian Thomas Piketty, whose 2014 book *Capital in the Twenty-First Century* has captured the attention of the world by pointing straight at our crisis of rising inequality supported by a wide array of data, such as the striking U-curve, illustrating the increasing income share of the top 0.1 percent. One of the most important things that Piketty demonstrated is the growing importance of accumulated wealth, or inheritances, compared with income from labour, in the distribution of wealth in contemporary western societies. This reality is clearly in contrast with the continued neoliberal discourse justifying inequality on the basis of both meritocracy, and the hard work of "self-made" individuals.

Branko Milanovic, a respected former World Bank economist, has visualized this trend on a global level, with his now famous "elephant" curve (Lakner and Milanovic 2013). It shows how economic growth has been unevenly distributed over the globe in the last few decades, resulting in almost no growth for the middle classes of the advanced countries but a staggering degree of growth at the very top of the distribution curve for the global 1 percent (Milanovic 2016). This aligns with Piketty's data on the increased wealth of the elites of the world. Indeed, data from the first World Inequality Report shows how between 1980 and 2016, the top 1 percent of the population globally captured 27 percent of total income growth (Alvaredo et al. 2018).

Alongside this substantial literature examining inequality, there is a growing body of research on elite philanthropy. Throughout the paper, we use this term to refer to charitable giving at significant scales undertaken by wealthy individuals (following Ostrower 1997), as opposed to a broader definition of philanthropy that would include all charitable donations made by individuals. Elite philanthropy has been used to describe both high net worth individuals (HNWI; net assets of USD 1-30 million) often giving tens of thousands per year through philanthropy, and ultra-high net worth individuals (UHNWI; >USD 30 million in net assets) whose philanthropic giving may be millions of dollars per year (Hay & Muller 2013). As the number of individuals in both of these categories increases globally, elite philanthropy is becoming more widespread (Hay & Muller 2013).

This paper focuses solely on *ultra*-high net worth individuals with annual philanthropic giving of millions of dollars, as this is where concerns about elite philanthropy are primarily directed (Callahan 2017). The concept of philanthropy as plutocratic, meaning that it is economic elites—that is the very wealthy—who are dominating the field of philanthropy through the sheer scale of their giving, is rapidly gaining traction (Giridharadas 2018; Callahan 2017). However, the main empirical research so far has focussed on the United States, which is to some extent understandable given it is by far the largest national market for philanthropy (Leat 2016). In addition, there is a tendency in the research to focus mainly on the philanthropic activities of elites rather than situate them in the context of other financial activities such as business activity.

This paper takes steps to address the gap in the empirical study of philanthropy outside of the US. Philanthropy undertaken through UK foundations is estimated to be GBP 2.4 billion (USD 3 billion) annually, which although it is much smaller than the USD 52 billion annual foundation giving in the USA, is larger than most other western countries, and growing (Leat 2016). This paper brings together two components. First, we present original data based on analysis of the Sunday Times Rich List of the "most generous" UK philanthropists, using network analysis to visualize and study the extent of philanthropic giving in the context of the philanthropists' business interests. Second, we explore an emerging body of sociological research focusing on how elites think about inequality. We then assess how these findings can be harnessed in pursuit of the aforementioned goals of global development to specifically reduce economic inequality.

What is lacking, save for the few exceptions that are explored in this paper, is research that tells us how elites think about inequality and their role in it, and how they see their philanthropic endeavours in that context. In other words, whilst we know the trends that describe inequality, and the effects of inequality, we lack knowledge about the sociological processes that drive them and the roles that philanthropy plays in this. Piketty (2014), Milanovic (2016) and others have demonstrated the role of inordinate accumulation of wealth at the top in driving inequality, but solid, qualitative in-depth works on the worldviews and value systems of those elites that are at the top are few and far between. We review them after discussing the empirical data on top UK philanthropists.

The Top UK Philanthropists and Their Interests Mapped for the First Time

The empirical data we present here investigates two questions: what is the scope and extent of the financial influence of elite UK philanthropists; and how are business and charity connections situated alongside philanthropic giving? In our analysis we explore what our findings suggest for the ability of large-scale philanthropy—which is driven to a significant extent by elites in the United States and the United Kingdom—to deliver substantive impact on global inequalities, and help deliver on SDG 10.

Methodology

Social network analysis is used to situate the philanthropic activities of this sample of elite philanthropists alongside their business interests, rendering visible the extent to which elite philanthropists concurrently hold influential positions within the corporate world. The subjects of empirical study are individuals at the pinnacle of elite philanthropy (as described by Callahan 2017), who each gave a minimum of GBP 4 million (USD 5 million) in philanthropic donations within a one year period.

Social network analysis has been widely used to study links between institutions that are formed by individuals holding multiple board positions, known as “board interlocks” (see review by Lamb and Roundy 2016). Social network analysis allows the extent of connections to be studied amongst groups of elites rather than at an individual level; for example, it has been used to analyse elite Danish society to identify a national power elite (Larsen & Houman Ellersgaard 2017). This group level of analytical focus is valuable in moving the discourse beyond critiques of individual philanthropists towards analysis of philanthropy as part of a wider system of elite reproduction. This is also the level at which philanthropy is licensed and incentivized by the state, so understanding elite philanthropy at this level is essential to developing effective future policy.

In situations where it is not possible to obtain data for a complete network, social network analysis can still be usefully deployed. Analysis of the connections stemming from specific individuals—referred to as the mapping of “ego networks”—has been used to understand the role of individuals in influencing corporate behaviour (De Graaff & Van Apeldoorn 2017). The research presented