PHILANTHROPY DOESN'T CARE: A CRITIQUE OF THE NONPROFIT CARE ECONOMY

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Abstract

This paper uses a Marxian and feminist conceptual framework to critique philanthropy's role in the US care economy. It details the ways in which philanthropy has risen to prominence as a central tool for accumulation in U.S. neoliberal capitalism, by simultaneously enabling the accumulation of tax-exempt wealth, and concentrating political influence squarely in the hands of a profit-driven, capitalist class. This poses a unique crisis for democracy, as the political influence of top donors undermines the voting power of the populace. Although the scope of philanthropy's influence is vast, and impacts many different aspects of the global economy, this paper focuses primarily on the U.S. care economy. In recent decades, non-profits have become an increasingly popular funding structure in the care economy—most notably healthcare, education, and social services. As governments have begun to contract out social services to non-profits, resources are being directed away from the democratic process and towards the inconsistent, capricious, black box non-profit industry. This puts the care economy—and the workers that sustain it—in a uniquely precarious position. Allowing philanthropy to dictate the flow of funding in these industries seriously threatens the continued existence of not only academic freedom and access to healthcare and social services, but also the remuneration for care workers (who—in New York City, for example—are disproportionately women of color). The literature critiquing philanthropy is scant, and covers a wide range of academic disciplines and methodological approaches. Available data is disorganized and limited, which is to be expected given the shadowy nature of the sector. As philanthropy maintains powerful influence in many different aspects of the economy, including policy funding itself, it is imperative to critique this model and imagine alternatives, to guarantee the ongoing provision of care in our society. This paper aims to present a coherent conceptual framework, and provide an entry point to rooting a critical perspective on philanthropy firmly within the Marxian, feminist economic tradition.

Background

There was a time in recent history when the New York City government rejected austerity policies out of sheer terror that the masses would take the streets in protest (Phillips-Fein 2017). Throughout the 1970s, the threat of bankruptcy for the city paved the way for financiers to hold the city hostage, and threaten no-bailout if they didn't "tighten their purse strings" and cut as many social services as humanly possible (Fitch 2014, Phillips-Fein 2017, Reed 2023). This slaughter of New York City social services was the grand fanfare on which neoliberal capitalism rode in—firehouses closed, hospitals closed, pensions were cut, and CUNY established universal tuition for the first time in its 129-year existence. The public outrage was palpable at that time, but it did not endure. Today, the public library system is closed on Sundays and the possibility of closing them on Saturdays, too, is being discussed. There is ire online, record-low approval ratings for Mayor Eric Adams and his budget cuts (Quinnipiac University Poll, 2023), but there is no democratic action to reverse course. A crisis of democracy is apparent in the capital of US Philanthropy: there is no fear of the peoples' reaction anymore—the city is owned by the elite funders of Adams's campaign.

On a sweltering summer weekday in 2023, I tried to enter the Brooklyn public library—an official city "cooling center"--to cool off. If it had been a normal day, I could have sat in the atrium with the other patrons, enjoying the AC. Instead, when I walked up to the library entrance, I was greeted by at least a dozen women with strollers and furrowed brows. The library was closed. I asked one of them why it was closed, and she rolled her eyes as she fanned herself, telling me that she looked online to double check that it would be open before she made the journey, and it didn't say anything about being closed. I stood there for a moment watching other people walk up, discover the closure, and walk away with a look of confusion and frustration. In the middle of the week, on one of the hottest days of the year, the thousands of people who patronize the Brooklyn Public Library every day for the countless services they offer were turned away, because the institution was setting up an exhibit and private party for New York City's elites. At the time, it was a "secret" what exactly was brewing.

Turns out it was a private party to celebrate the launch of an unprecedented enormous exhibit at BPL—an homage to Jay-Z and hip-hop (Coscarelli, 2023). His lyrics covered the front of the massive building, and his face covered every square inch of the main atrium. Material minutia of his life, which fans might pay thousands of dollars for on eBay, were displayed lovingly in the library's main space—everything from a replica of his Honda civic, to a jacket he was wearing at "a pivotal moment in his career." Furthermore, it was unclear why this was happening at a library instead of a museum—and no clear picture was ever given on how much money Brooklyn Public Library was getting in exchange for housing this exhibit (Coscarelli, 2023; Hellgate, 2023). Why would the public library--which in New York is more of a center for social work and community resources than a house for books--close itself to the public for a day and transform itself into a museum-like shrine to wealth? Because public libraries--Andrew Carnegie's first major gift to New York--are the poster child for philanthropy, and the inequality that plagues American society is laid bare in the philanthropic universe.

The dwindling care economy—and the threads on which it survives in the U.S—is the lever that justifies the permanent existence and growth of philanthropy. As long as human beings need education, healthcare, and social services—and as long the capitalist profit motive turns its back on the care economy and the reproduction of the labor force—and as long as the government continues to deny the provision of these public goods on behalf of neoliberal austerity policies (and the interests of the financiers who support them)—philanthropy's existence will be justified. Capitalists may not pay workers enough, but they will set up a philanthropy and fund libraries, for example, so that nannies with three jobs can have somewhere to get help filling out a food stamps application. Philanthropists may not ever *solve* the problems they address, but they'll give it enough of a try to get their 5% donations out the door, and earn their tax-exempt status.

Theoretical Background and Overview

"A part of the bourgeoisie is desirous of redressing social grievances, in order to secure the continued existence of bourgeois society. To this section belong the economists, philanthropists, humanitarians, improvers of the condition of the working class, organizers of charity, members of societies for the prevention of cruelty to animals, temperance fanatics, hold-and-corner reformers of every imaginable kind…" (Marx & Engels, 1848, *The Communist Manifesto*)

- The care economy (educational services and health care services) is comprised of majority female workers (BLS 2015) and is thus a primary concern for feminist economics
- The care economy (both paid and unpaid) reproduces the conditions for our economy—producing knowledge in education and caring for the population in health care, and reproducing not just labor power but the capitalist society as a whole (Munro 2019)
- The paid care economy is underpaid (England, Budig, Folbre 2002, Folbre 2015), underfunded by government due to neoliberal austerity policies (Kotz 2015), and largely nonprofit (a tax status for organizations that can give and receive untaxable donations)
- Philanthropy is a tool for both (1) capital accumulation (through tax-exemption) and (2) the concentration of political influence—their material incentive is to amass as much untaxed wealth as possible and use funding "strategically," in a way that addresses society's grievances but maintains the status quo.
- Joan Roelofs (1995, 2003) calls philanthropy capitalism's "protective layer"(Roelofs 1995) and "buffer institutions"(Roelofs 2003), as it legitimizes and justifies the most egregious exploitation practiced by the most successful capitalists--most potently demonstrated by the first-ever philanthropists, Carnegie and Rockefeller, when they murdered their workers in the Homestead Strike of 1892 and the Ludlow Massacre of 1914. For example--Carnegie may have demonstrated complete moral bankruptcy to accumulate his vast wealth, but at least he gave public libraries to New York City
- The term *"Effective Philanthropy"* includes both "*Philanthrocapitalism*"(Bishop & Green 2008), taking a business approach to solving the world's problems by harnessing the profit-motive, and "*Effective Altruism*" which is essentially "optimizing" charitable giving to achieve maximum impact (Singer 2009)—these are terms coined by common contemporary advocates for philanthropy
- The notion of *"The voluntary state"(*Nickel & Eikenberry 2013) describes philanthropy as an elite circle of capitalists that decide who does and does not receive welfare

Methodology

I relied on all available data I could find to get an overview of the paid care economy, the nonprofit labor force (BLS), and philanthropic giving (Open990). There is not much available data, however, and that may be by design. This industry is notoriously shadowy, and due to the money-laundering-like convenience of philanthropic giving, much of it is illegal and politically motivated (an ongoing study by Bertrand et. Al. (2020) estimates that at least 6.3% of all philanthropic giving is strategically targeted to districts of congresspeople who can make key regulatory decisions for their corporate arms' industrial practices).

For this reason, effective economic analysis of philanthropy must go beyond the traditional neoclassical and purely quantitative realm. I thus rely on a blend of descriptive statistics, and narrative examples from books and investigative journalism to give a full picture of philanthropy's relationship to the care economy.

Research Question

How does philanthropy undermine the U.S care economy?

Observations & Analysis

Below is a table compiled with data from the Bureau of Labor Statistics on the nonprofit labor force in 2017. This data stopped being collected after 2017, and there is currently an effort to secure funding for the BLS to continue collecting this data (BLS 2024). It is not politically insignificant that this data is not available, nor that it has taken seven years to push a coherent effort through congress. From 2013 to 2017, however, the growth was negligible. A clear picture of the "nonprofitization" of the care economy requires more recent, comprehensive data.

Industry Title	Annual Average Nonprofit Employment	Total Annual Nonprofit Wages (in thousands)	Annual Wages per Nonprofit Employee	Average Weekly Nonprofit Wage	Percent employment 501(c)(3)	Wage Ratio
Educational Services	2,003,634	110,978,543	55,389	1,065	70.9%	1.50
Health Care and Social Assistance	8,306,650	454,724,478	54,742	1,053	43.0%	1.22
Grantmaking and Giving Services	131,273	8,682,301	66,139	1,272	91.5%	0.91
Social Advocacy Organizations	185,370	8,747,829	47,191	908	87.6%	0.86

Data source: Bureau of Labor Statistics 2024

Stories the data does not tell:

- Working conditions
  - Home Health Aides in New York City (who are often hired by city-funded nonprofit agencies) went on a hunger strike protesting their 24-hour work days, advocating for the passing of a bill called "The No More 24 Act" (Buckner March 2024)
- Wage inequality within nonprofits
  - The CEO of Success Academy (a New York City Charter school which compiles its funding from grants and donations, city funding, and fees from schools) was paid $782,175 in 2016 (NYPost, Klein, 2018) and $790,667 in 2021 (ProPublica Nonprofit Explorer)
  - Teachers make between $49,000-75,000 (Glassdoor 2024)
- Job Precarity
  - If grantees express political sympathies that are incompatible with funders—condemning the Israeli occupation and ongoing genocide of Palestinians, to cite a common example--they can either withdraw their support (see Velie and Pontone 2023 Hyperallergic, Schuessler 2023) or use their influence over the organization to have them fired—this has been especially prevalent lately in New York City public universities (Lennard 2024 The Intercept)
- The harm of venture-capital-like nonprofit initiatives in the care economy
  - The Bill and Melinda Gates Foundation started a "small schools" initiative that reorganized several Seattle public schools, but pulled out of the project after a couple years to "move in a different direction" with their education programming, opting instead for "online learning" platforms--and leaving families to figure out what to do for their children's education (McGoey 2015)

Foundation_Type	Income	Contributions	Assets
Arts, Culture, Humanities	7210351488	232643861	21640330888
Education	13491759457	1836924853	51845857776
Environment & Animals	2041961876	254773696	6859430899
Health	10700365712	1667056823	21666188005
Human Services	10427799616	511516648	18815306212
International Foreign Affairs	788471074	60769668	2348417968
Mutual Membership Benefit	548216155	15758552	846092784
Public Societal Benefit	388384325344	30346051023	833442768533
Religion Related	2014638624	154350265	5251986846
Unclassified	628608826	33167518	1556153961

Data Source: Open990

- The largest foundation class, Public and Societal Benefit, is comprised of big-name foundations whose large asset sizes make them outliers. The median asset size in that foundation class is $632,000
- The median grant size in 2017 was $3000
- The legal mandate is to disburse 4-6% of total assets annually, and in TY2017-2018 the median grant size was $3000, despite total foundation assets amounting to $1 trillion (Open990)
- This means nonprofit organizations often need to cobble together funding from a variety of sources, and rarely can guarantee financial support for more than a year at a time. Even if they promise ongoing support, funders can pull out at any time with no repercussions

The benefit foundations are receiving in tax benefits—they are exempt from property and capital gains tax, and instead only have to pay a 1-2% excise tax—far outweighs the cost society bears as a result of the lack of social services, or meager services provided by barely-scraping-by nonprofits. Instead, philanthropies are incentivized to keep the problem unsolved, so they can continue amassing enormous wealth at the expense of workers—most notably, nonprofit care workers.

Conclusion, Further Research Aims

- The underfunded care economy is a lever by which philanthropy justifies its ongoing existence--as long as the care economy receives budget cuts and faces government austerity, it will be reliant on philanthropy to secure additional funding
- Philanthropy has an undue influence on the activities of the nonprofit world, and is in no way materially incentivized to *solve* any of the problems they address with their funding
- The nature of the nonprofit structure creates precarity in both the provision of care (via home health aids, hospitals, nurses) and also threatens academic freedom, as scholars can lose funding (or not secure it in the first place) if their research is not palatable to their funders.
- There is no coherent statistical measurement of where philanthropic money is going, and no rigorous measurement of the nonprofit sector. If this data becomes available, perhaps a clearer picture can be painted.
- Philanthropy poses a crisis for democracy. Because it is charitable "giving," there is no democratic debate on where the money goes, and furthermore there is no legal barrier to a foundation withdrawing funding at a whim, if they decide to move in another direction or if a grantee exhibits political sympathies in contrast with their own

References—available separately

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