Philanthropy in European welfare states: a challenging promise?

Theo N.M. Schuyt¹
VU University Amsterdam, The Netherlands

Abstract
Philanthropy is growing rapidly in Europe and in most of the countries in the industrialized world. A well-known phenomenon from history, philanthropy has made a comeback in recent years and is finding new form and meaning in an emerging ‘civil society’. But how do we define this new ‘modern’ philanthropy? Does it differ from concepts such as ‘charity’ and the ‘third sector’? Has it already earned a place at the table of EC policymakers? Is this ‘old’ but ‘new’ phenomenon awakening scholarly interest? These questions are discussed in this article. Philanthropy is defined by applying theoretical insights on the concept of philanthropy. Scholarly interest is measured by using the attention paid to philanthropy in leading English-language political science journals between 2000 and 2008 as a yardstick. The results show that though philanthropy is a distinct concept, it receives very little scholarly attention in these journals. The article concludes by arguing that the growth of philanthropy today offers a promising challenge for policymakers in welfare states provided that ‘private actions for the public good’ can be incorporated in the welfare-state paradigm.

Points for practitioners
Philanthropy is playing an increasingly stronger role in welfare states. However, governments and public administrators searching for new ways to fund welfare services have still to fully recognize the potential of philanthropy. In addition to commercialization and the market, a non-profit sector based more on philanthropic revenue could be an interesting option for delivering services. Public administrators will therefore have to rise to the challenging task of creating a legal, economic and cultural framework that will stimulate and enhance philanthropy.

Keywords
administration in transition, citizen participation, outsourcing, partnerships, policymaking, public sector reform

Corresponding author:
Theo N.M. Schuyt, VU University Amsterdam FSW, Department of Philanthropic Studies, De Boelelaan 1081 1081 HV Amsterdam, The Netherlands
Email: tnm.schuyt@fsw.vu.nl
Introduction

During the past 20 years, philanthropy has made a remarkable comeback, albeit in a new guise. Western Europe – France and the UK – is witnessing the advent of Giving Campaigns. In 1998 the Blair government entered a partnership with the voluntary sector in the UK. This partnership – known as ‘The Compact’ (see www.thecompact.org.uk) – formed the basis for a special policy unit at the Cabinet Office. In 2006 this unit was given the official name of ‘Office of the Third Sector’ (OTS). Some years ago, former EC Secretary General Romani Prodi launched the idea of ‘civil society’. On 4 December 2007, the EC Directorate-General for Research initiated the European Forum on Philanthropy and Research Funding in association with the European Foundation Centre.

But more is happening on this front. Community Foundations are growing rapidly in Germany, with the current total at 234, the largest number outside the United States. (Sacks, 2000, 2008). Meanwhile, Western Europe is experiencing a boom in private and family foundations.

Philanthropy is reappearing not only in Western Europe, but all over the world. Giving Korea 2008 (2008), the launch of the Beautiful Foundation (also in Korea), the media attention bestowed on donors like Gates and Buffet, and Clinton’s book Giving (2007) all point to renewed philanthropic initiatives in industrialized economies.

How can this new form of philanthropy be described, analysed and understood? Does it differ from its traditional counterpart? Or does it bode regression to a bygone regime? How does philanthropy fit in with changing welfare state policies? Is it attracting the interest of political scientists in international journals? Could philanthropy contribute to the further development of Western European welfare states and, if so, what form should this contribution take? These are the issues that will be explored in this article.

History of philanthropy

In the past, the purpose of philanthropy was to relieve poverty, help the sick and the aged, and support widows and orphans. History is filled with examples of philanthropy, often called ‘charity’. From the beginning, philanthropy has played a key role in the Judeo-Christian tradition in Europe: in the Middle Ages people gave alms to improve their prospects of redemption and eternal life (de Swaan, 1988: 252). Meanwhile, on another level, philanthropy acted as a mechanism that retained status and class differentiation (Luhmann, 1975: 28). In plain terms, it affirmed social inequality.

In the sixteenth and seventeenth centuries many almshouses for the elderly were founded in the Netherlands. Charities from England and France visited the Netherlands around that time to find out more about this kind of philanthropy.

In England, Queen Elizabeth I passed a Charity Act in 1601 to protect philanthropic donations to poor relief, religion and education against fraud and to ensure
that they reached their rightful destination. ‘Socially, the European elites tried to use poor relief to stabilize the existing social order, which they presented to the poor as God-given, and hence legitimate and immutable’ (Van Leeuwen, 2000: 6).

Later, in the nineteenth and early twentieth centuries, when Western Europe became industrialized, philanthropy was again directly linked to differentiation in social status. Adam affirms this conclusion in his analysis of the philanthropic contributions to

...cultural, social, and educational institutions by upper-class citizens... I see philanthropy as an upper-class phenomenon, not simply as a charitable act. Philanthropy includes the establishment of foundations and limited-dividend companies, the creation of membership organizations for museums and art galleries, and the donation of money through bequests and gifts. (Adam, 2004: 16)

According to De Swaan, the transition from philanthropic poor relief (charity) to welfare state policies can be explained by growing interdependency and collectivization:

In the modern era, as city governments and states succeeded in exerting more effective control, they also began to intervene in conflicts among local elites over the management of the poor. This in turn contributed to the expansion of the state apparatus. (de Swaan, 1998: 219)

Western Europe has a long history of philanthropy and charity, stretching from the early Christian period, through the Middle Ages, all the way to the nineteenth and early twentieth centuries, the era of industrialization, rising capitalism and poverty. Take, for example, the Charity Organization Society in the UK. In his book Philanthropy, Patronage and Civil Society, Thomas Adam stresses the European roots of modern philanthropy. He concedes that, ‘Philanthropy has thus been widely seen as an American invention and as a distinct American approach to modern life’ (Adam, 2004: 3), but shows that ‘philanthropy is a European, not an American invention’ (Adam, 2004: 5).

In twentieth-century Western Europe, responsibilities in matters relating to poverty and social security, health care and education were taken over by welfare state regimes. Philanthropy did not disappear – it remained active in health, religion, welfare, culture and education – but it was sidelined by the expansion of the welfare state. Nowadays, official statements on the financial limitations of the welfare state, deregulation and even cuts in the welfare budget are prompting people to take a fresh look at philanthropy and the role it could play. However, ‘modern philanthropy’ differs from ‘traditional philanthropy’ in that it goes beyond poor relief, welfare and education, and encompasses a broad spectrum of public causes, including health and environmentalism. So, philanthropy is becoming more active within the public domain, the bespoke terrain of governments and government policies in European welfare states.
To the best of our knowledge, the shortest definition of modern philanthropy comes from Bob Payton, one of the founders of the academic study of philanthropy in the United States. Payton (1988) defines philanthropy as ‘voluntary action for the public good’. A broader definition is: ‘voluntary contributions (money, goods, time, expertise) given by individuals and organizations principally for the benefit of the public good’ (Giving in the Netherlands, 2009: 18).

The cast of philanthropic actors features individuals (donating money or time or making bequests), foundations, philanthropic organizations, and businesses that engage in ‘corporate giving’. In the organizational landscape of philanthropy we meet fundraising foundations (such as the Worldwide Fund for Nature), charities, endowed foundations (such as the Wellcome Trust in the UK and the Bertelsmanns Stiftung in Germany) and good cause lotteries.

**Philanthropy and welfare**

Modern philanthropy works in two ways: first, it provides income for non-profit organizations such as universities and hospitals; and second, it operates as a sector, acting in and from philanthropic organizations such as the Red Cross and the Cancer Association, which are run on the basis of their own financial resources (endowments, gifts, bequests). This makes philanthropic organizations part of the non-profit sector (more specifically, the third sector). However, though all philanthropic organizations are non-profit organizations, not all non-profit organizations are philanthropic organizations. In some EC countries, philanthropic organizations have formed umbrella organizations and do indeed function as a subsector of the non-profit sector. Take, for example, the European Foundation Centre (EFC) in Brussels and the European Fundraisers Association (EFA). In the Netherlands fundraising and grant-making philanthropic organizations have formed a national body called the Samenwerkende Brancheorganisaties Filantropie (Cooperation of Philanthropic Branches).

The first country in the world in which the macro-economic volume of philanthropy was systematically described is the United States. Every year since 1955 the American Association of Fund Raising Council (AAFRC) has published Giving USA, a research report on philanthropy in the United States, which contains a macro-economic estimate of giving by individuals, from bequesst, by foundations and by corporations.

In the USA, total giving for 2007 is estimated at $306 billion: this sum comprises $229 billion in individual donations, $23 billion in bequests, $38 billion from foundations and $16 billion from companies.

The most favoured public goals are religion ($102 billion), education ($43 billion), human services ($30 billion) and health ($23 billion) (Giving USA 2008, 2008: 13–14).

The Netherlands is the only Western European country in which similar, overall research has been conducted. Since 1993 the Centre for Philanthropic Studies of
VU University Amsterdam has published a biennial report entitled *Giving in the Netherlands*.

In the Netherlands total giving for 2007 is estimated at €4.3 billion: this sum comprises €2.3 billion in individual donations; €0.3 billion in bequests, €0.3 billion from foundations and €1.4 billion from companies.

The most favoured public goals are religion (€1.0 billion), human services (€0.6 billion), local sports and leisure (€0.7 billion), international aid (€0.5 billion), and health (€0.5 billion) (*Giving in the Netherlands*, 2009: 11–12).

Philanthropy as revenue has been studied in the Johns Hopkins Comparative Non-profit Sector Project. International research to map the third sector worldwide found that it was ‘largely invisible in official economic statistics’ (Salamon et al., 2004: 4). ‘For much of our recent history, social and political discourse has been dominated by a “two-sector model” that acknowledges the existence of only two social spheres outside the family unit – the market and the state, or business and government’ (Salamon et al., 2004: 4). The objective was ‘to document the scope, structure, financing, and role of the civil society sector’ (Salamon et al., 2004: 5). Hence, an inventory of the revenues of non-profit organizations was drawn up. In the project, which covered 34 countries worldwide, philanthropy (voluntary donations) was one of the three sources of revenue for non-profit organizations. The other two were government funding and charges/fees (income from the market) (Salamon et al., 2004: 30–33).

Fees are the main source of revenue. In the 34 countries for which revenue data are available, over half (53 percent) of the income for civil society organizations comes, on average... from fees and charges for the services that these organizations provide... An average of 34 percent... comes from the public sector.... Private giving, at 12 percent, accounts for a much smaller share... (Salamon et al., 2004: 30)

Salamon et al. identify different patterns of evolution in their analysis of distinct civil societies. These include ‘Anglo-Saxon clusters’ (UK), ‘Nordic welfare states’ (Finland, Norway, Sweden) and ‘European-style welfare partnerships’. Social movements in the early twentieth century elicited more government involvement in social welfare in the Nordic countries than in Anglo-Saxon countries. In Germany and the Netherlands the role of the church, particularly the Catholic Church, led to a state policy of ‘subsidiarity’ in which the provision of services was entrusted to private organizations (Salamon et al., 2004: 43).

When we look at the sources of revenue for non-profit organizations in the countries of Western Europe included in the Johns Hopkins research, we find below-average performance for philanthropy in all cases apart from Spain (see Table 1).

As stated in the Johns Hopkins comparative analysis, political discussions usually revolve around two alternatives: the government and the market. This applies in most Western European welfare states. Government represents solidarity, while
the market is associated with inequality. Our first question is therefore whether the debate on future social policy must inevitably imply polarization between the government and the marketplace and between solidarity and inequality. Is the market not in a position to create solidarity and does not state-run social welfare also promote, or at any rate perpetuate, inequality? The second question is whether there is nothing more to the welfare state debate than the roles of government and the market. Is it not possible to create solidarity via the social mechanisms of kinship and philanthropy?

That said, one should also be aware of the downside of philanthropy. After all, philanthropy may also be seen as a consequence of the uneven distribution of wealth in society. This would imply that inequality is a precondition of philanthropy. Operating in the public domain, philanthropic organizations are eligible for tax deductions and benefits but they are administered by private, independent boards. Philanthropy is co-funded from the public purse. This explains why the debate in US Congress always touches the issue of ‘deferred money’. Second, as private boards of philanthropic organizations are free to formulate their own policies and priorities (within the respective legal frameworks), the risk of ‘arbitrariness’ is significantly enhanced. Philanthropic organizations enjoy a considerable degree of independence. Anheier and Leat argue that foundations are ‘among the freest institutions in modern societies: free in the sense of being independent of market forces and the popular political will. This enables them to ignore political, disciplinary and professional boundaries, if they choose, and to take risks and consider approaches others cannot’ (Anheier and Daly, 2007: 4).

### Table 1. Sources of revenue for non-profit organizations (%)

<table>
<thead>
<tr>
<th>Countries</th>
<th>Fees</th>
<th>Government</th>
<th>Philanthropy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Italy</td>
<td>61</td>
<td>37</td>
<td>3</td>
</tr>
<tr>
<td>The Netherlands</td>
<td>39</td>
<td>59</td>
<td>2</td>
</tr>
<tr>
<td>Spain</td>
<td>49</td>
<td>32</td>
<td>19</td>
</tr>
<tr>
<td>UK</td>
<td>44</td>
<td>47</td>
<td>9</td>
</tr>
<tr>
<td>France</td>
<td>35</td>
<td>58</td>
<td>7</td>
</tr>
<tr>
<td>Germany</td>
<td>32</td>
<td>64</td>
<td>4</td>
</tr>
<tr>
<td>Belgium</td>
<td>18</td>
<td>77</td>
<td>5</td>
</tr>
<tr>
<td>Ireland</td>
<td>16</td>
<td>77</td>
<td>7</td>
</tr>
<tr>
<td>Austria</td>
<td>44</td>
<td>50</td>
<td>6</td>
</tr>
<tr>
<td>Finland</td>
<td>58</td>
<td>36</td>
<td>6</td>
</tr>
<tr>
<td>Worldwide (34 countries)</td>
<td>53</td>
<td>34</td>
<td>12</td>
</tr>
<tr>
<td>USA</td>
<td>57</td>
<td>31</td>
<td>13</td>
</tr>
</tbody>
</table>

*Source: Salamon et al. (2004: 33).*
Solidarity outside the state

As stated earlier, government policymakers in Western Europe have only recently turned their attention to new forms of philanthropy, with the UK as an important trailblazer. Governments are beginning to weigh up the potential of philanthropic contributions. They seek partnerships, sometimes unaware of the European tradition they can build on. Is this growing attention to philanthropy in European social policy reflected in the academic literature?

In his classic work *Society and Social Policy* (last English reprint, 1991), Mishra analyses the relationship between society and social policy. He poses the question: ‘How can we explain the fact that in some countries the citizens pay for social services while the government is barely active, whereas in other countries, corporations are very active in this area?’ Mishra applies a broad, general definition to his research topic: social policy ‘refers, in a generic sense, to the aims and objectives of social action concerning needs as well as to the structural patterns or arrangements through which needs are met’ (Mishra, 1991: x).

He adds: ‘Welfare must be seen as a social institution and not equated with any one type of social provision. Hence our analysis is not confined to the social services…’ (Mishra, 1991: 98). ‘The main types of arrangements through which needs may be met in capitalist society are:

1. social services (income security, health care, education, public housing);
2. fiscal benefits;
3. occupational welfare;
4. mutual aid;
5. charitable or voluntary assistance’. (Mishra, 1991: 100)

According to Mishra, the public good may be served by different structural arrangements. So, his approach allows space for diversity and alternative social amenities. Political scientists in Europe are no strangers to the three types of welfare state regimes in the Esping-Andersen typology: the social-democratic regime, the liberal regime, and the corporatist or conservative regime. The types differ with respect to the institutions that guarantee social security (the state, the market or the family); the kind of stratification systems (status and class differentiation); and the degree of decommodification, i.e. ‘the degree to which individuals, or families, can uphold a socially acceptable standard of living independent of market participation’ (Esping-Andersen, 1990: 37). The debate among political scientists has led to additional typologies. Van Kersbergen and Becker (2002: 197–98) have put forward several ideas to supplement Esping-Andersen’s typology: ‘Many amendments to the basic three-regime typology have been suggested, such as the addition of a type addressing the peculiarities of the Mediterranean world’ (Lessenich, 1994; Ferrera, 1996).

Others suggest that an Asian type of welfarism should be constructed (Goodman and Peng, 1996). The essence in both cases is that a fourth element
needs to be added to the chain that Esping-Andersen uses as the criterion for distinguishing welfare states. In the Asian case, the chain would be market–family–state–group/company, given the crucial role that neighbourhoods and companies – in particular – play in social security in Japan. In the Mediterranean case, the fourth element is the clientelist patron–client relationship as exemplified by Ferrera with regard to Italy (1996). In Italy, the *partitocrazia* channels large amounts of public resources to party factions and party-controlled companies, foundations and institutions that function as a sort of ‘undergovernment’ (*sottogoverno*) (Van Kersbergen and Becker, 2002: 197–198).

So far, the attempts to expand the Esping-Andersen typology have not included philanthropy. This seems remarkable if, as we argue, philanthropy can be regarded as a growing source of revenue for non-profit organizations, and given that philanthropic organizations wish to constitute a greater part of the third sector in general.

Is philanthropy a topic in leading English-language European journals on political science, and if so, what form does it take? We have attempted to answer this question by analysing the content of a number of journals which could be reasonably expected to address issues on European welfare state and European social policy. The first criterion was whether the journal covered European social policy. Our decision to limit our search to European journals proved more difficult to implement. What exactly is a ‘European journal’? Is it a journal with largely European interests or does it feature articles on general issues within a European editorial perspective? The third criterion was the ‘impact factor’: we expected authoritative scholarly journals to have leading political scientists on their editorial boards and to publish influential articles relevant to the political arena in Europe.

The journals we chose are listed in Table 2.

Having selected the journals, we scrutinized them for the keywords ‘philanthropy’ and ‘philanthropic’. We selected the hits in which one or both keywords appeared in the title or subtitle of an article. Our search covered all issues published between January 2000 and October 2008.

As Table 2 shows, our search delivered only one hit. Based on eight annual editions of six journals and an average minimum of ten articles a year, the estimated total number of articles is 480. We then broadened our scope, adding the terms ‘third sector’, ‘NGO’, ‘voluntary sector’ and ‘non-profit’. This search produced 19 additional hits, with the *Journal of Social Policy* alone counting for seven.

In the past seven and a half years, no articles referring to philanthropy appeared in the *Journal of European Social Policy* or the *Journal of European Public Policy* and only two articles appeared (in 2000 and 2008) with NGO in the title or subtitle (see Appendix 1). Notwithstanding the increase in philanthropy, the subject is receiving no attention as yet in English-language European journals on political science though some attention is being paid to the ‘third sector’ and the ‘voluntary sector’.
### Table 2. Number of articles with ‘philanthropy’ or ‘philanthropic’ and ‘third sector, ‘NGO’, ‘voluntary sector’ and ‘nonprofit’ in (sub)title

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>European Journal of Political Research</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Philanthropy/philanthropic</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Third sector/NGO/voluntary sector/nonprofit</td>
<td>1</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impact factor journal</td>
<td>1.916</td>
<td>1.679</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Journal of European Public Policy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Philanthropy/philanthropic</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Third sector/NGO/voluntary sector/nonprofit</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impact factor journal</td>
<td>1.027</td>
<td>1.183</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Critical Social Policy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Philanthropy/philanthropic</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Third sector/NGO/voluntary sector/nonprofit</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impact factor journal</td>
<td>1.222</td>
<td>0.868</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Journal of Social Policy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Philanthropy/philanthropic</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Third sector/NGO/voluntary sector/nonprofit</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impact factor journal</td>
<td>1.053</td>
<td>1.177</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Journal of European Social Policy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Philanthropy/philanthropic</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Third sector/NGO/voluntary sector/nonprofit</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impact factor journal</td>
<td>0.933</td>
<td>1.083</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Policy and Administration</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Philanthropy/philanthropic</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Third sector/NGO/voluntary sector/nonprofit</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impact factor journal</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.512</td>
</tr>
<tr>
<td>Total</td>
<td>3</td>
<td>1</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>–</td>
<td>2</td>
</tr>
</tbody>
</table>
Explaining the development of philanthropy

Economists at the Social Welfare Research Institute in Boston have been trying to assess the volume of capital that will be transferred between generations in the USA in the next 50 years. The lowest estimate is 41 thousand billion dollars; the highest is 136 thousand billion. They also expect the testators not to leave everything to their children or the state: in many cases the children are already pretty well-off and the tax benefits and other advantages of donating to ‘good causes’ are plentiful. This may go some way to explaining the phrase the ‘Golden Age of Philanthropy’ (Havens and Schervish, 1999, 2003).

A steady increase is expected in private philanthropic contributions in the years ahead. Taking only the US and Western Europe, what factors can explain the ‘revival’ of philanthropy?

The first factor is of an economic nature. The industrialized world has untold wealth, albeit unevenly distributed. The post-World War II generation in industrialized countries has become wealthy and is transferring its money to the next generation. A general increase in wealth is an important prerequisite for philanthropy (see Giving Korea 2008).

The second factor is demographic. Many ‘post-World War II wealthy generation’ countries are wrestling with the problems of a rapidly ageing population. At the same time, family sizes are shrinking. So, more is left to fewer. And age itself appears to be an important indicator of giving behaviour (Giving in the Netherlands, 2009; Midlarsky and Kahana, 1994).

The third factor is socio-cultural. Awareness of citizenship in industrialized societies, a trend towards DIY triggered by higher educational levels, a feeling of self-reliance related to a sense of interdependency in a global world (an awareness of nearness, evoked by travel and modern communication) are creating new expressions of the self as a ‘global citizen’, one of which is philanthropy.

In the light of these developments how can we explain the lack of scholarly interest in modern philanthropy? We have formulated some hypotheses to address this question.

Paradigm, path-dependency and power

The first and perhaps the most powerful explanation is intertwined with the welfare state paradigm itself. Politicians and social policy researchers may see philanthropy as a stage in European social development that is passé. Philanthropy is a concept that belongs to an era long before the welfare state. It has a medieval ring to it and clear associations with patronage, Christian values and charity. The welfare state and its facilities represent civil and social rights, the opposite of the inequality, paternalism and arbitrariness associated with philanthropy. If this is true, perceptions and attitudes will be steered by notions of civil and social rights. For 60 years
or more, welfare states in Europe have nurtured a mindset of ‘traditional’ philanthropy in European politics and political science. The word ‘charity’ is often used to describe what is — in effect — modern philanthropy. This mindset is preventing people from realizing that modern philanthropy has the potential to improve or strengthen the welfare state.

One could also suggest a ‘politico-cultural’ or ‘politico-institutional’ explanation in the form of path-dependency. At the end of the day, the ultimate question for European politics, polity and policies is: Which services should be provided by the government and which should be left to the market? And: How does one regulate the relationship between the state and the market? Philanthropy does not play a role in this bipartite scenario.

The third explanation originates from a theory of power. Politicians are unlikely to be amused when philanthropic foundations, wealthy philanthropists or leading businesses increase their influence in the public domain. Of course, they are welcome to fund government policies in a supplementary way; but pursuing their own private agendas could be perceived as a threat:

Philanthropy serves as a way to define social distinctions and social classes. The donor provides money, time and ideas for a project, which he or she alone, or in connection with other donors, attempts to control. Philanthropy always has something to do with power and the shaping of the future of society. (Adam, 2004: 4–5)

From welfare state to state of welfare

The opportunities presented by the availability of private wealth ‘outside’ the state in Western Europe are raising tough challenges for governments and the philanthropic sector. The two sides will have to find ways to come together and strengthen each other in serving the public good; they will have to resolve the ‘state or market’ and the ‘welfare state or philanthropy’ dichotomy and move towards a civil society without detracting from the important achievements of the welfare state; they will have to incorporate philanthropy in an egalitarian welfare state paradigm; and they will have to address the problem of arbitrariness in philanthropic efforts.

As mentioned earlier, the United Kingdom opened a new avenue when it established the Compact in 1998. Basically, the Compact is a verbal agreement between the government and the voluntary sector which aims to promote a culture and attitude of partnership:

...Government should recognise the legitimacy of the voluntary and community sector's diverse roles and its own responsibility to promote a healthy sector. It proposes a ‘concordat’ drawn up between representatives of government and the sector, laying down basic principles for future relations. (www.thecompact.org.uk)
In 2005, this process of cooperation resulted in the founding of the Voluntary and Charitable Giving Unit (VCGU) – now known as at the ‘Office of the Third Sector’ – at the Cabinet Office, thus according the philanthropic sector ‘a place at the table’.

This development may be analysed as follows: the cultural shift in the welfare state paradigm (the Third Way) of the Blair government, whereby private efforts were integrated into the public domain, led to the institutional recognition of voluntary, philanthropic contributions. The policy and politics of increasing partnerships became polity.

Are ‘contract’ and ‘covenant’ promising concepts for understanding, analysing and steering these developments? With the Compact, the UK government entered a gentleman’s agreement which can be equated with a public contract. Both parties promised to be open towards each other in the pursuit of public goals and to accept each other’s independence on the basis of mutual respect and honesty. In the Compact the government assures the philanthropic sector that it will not ‘substitute’: in other words, it will not respond with budget cuts if philanthropic contributions are made to certain goals. ‘Substitution’ was – and is – experienced as the main obstacle to cooperation in the philanthropy sector.

A contract provides the government with an opportunity to attack exceptional forms of arbitrariness. The exchange of information and the subsequent negotiations will pave the way for a deal that favours the public good: ‘We can afford this, if you do that.’ If this deal fails to stop arbitrariness, the government can still use its legal power to declare that the philanthropic contribution ‘does not serve the public good’, and withdraw the fiscal benefits.

Contractual agreements – besides delivering benefits for both parties – help to avoid over-regulation and state bureaucracy. Contracts bring new dynamics to relationships and open doors to fresh ideas and innovation. Additionally, a contract is flexible, it is valid for a specific period, it evokes extra attention and energy, and above all, it offers legitimacy to the parties involved. Transparency and accountability are key elements in public contracts.

Conclusion and discussion

As a source of revenue for European non-profit organizations and as a growing independent offshoot of the third sector, philanthropy embodies promises for the years ahead. As shown by the figures of the Johns Hopkins Comparative Non-profit Sector Project, philanthropy still has some ground to catch up in Western Europe.

The UK example of cooperating with philanthropy in a ‘third-way’ welfare state paradigm combines the opportunities of public efforts with private, philanthropic funding. This policy is not yet a full-fledged topic of academic debate.

Welfare states may see philanthropy as a supplementary or complementary source of income for the public good. Payton and Moody go a step farther and
stress the ‘advocacy’ and ‘civic role’ of philanthropy – clearly essential in democracies – as well:

We have argued that philanthropy plays an essential role in defining, advocating and achieving the public good. Philanthropic actions are a key part of the ongoing public deliberation about what the public good is and how best to pursue it. Both government and philanthropy provide public goods. Sometimes they do so in partnership – government money is a primary source of funding for non-profit organizations – and other times philanthropy steps in to provide public goods... when both the market and government fail to do so. (Payton and Moody, 2008: 156)

They continue: ‘Democracy needs philanthropy because democracy is not simply a political phenomenon’ (Payton and Moody, 2008: 157).

Government, market and philanthropy are three allocation mechanisms for achieving goals for the common good. Strangely enough, it appears that a monopoly of any one of these mechanisms does not lead to a viable society. A monopolist governmental regime – frequently described as ‘communist’ or ‘socialist’ – generates bureaucracy and restricts individual freedom. The market, on the other hand, enhances individual freedom but, as a monopolistic allocation mechanism, it generates intolerable uncertainty and widespread poverty. When philanthropy dominates, the result is paternalism and inequality. Perhaps the solution for the future lies in some form of interplay among these three mechanisms, in which the government guarantees a strong foundation, and the market and the philanthropic sector create space for dynamics and pluriformity. Such an arrangement would inadvertently revive the principles of the French Revolution: freedom, equality and fraternity. These developments are appropriate in the transition from a European welfare state to a ‘civil society’ in which more attention is paid to the contributions and responsibilities of individual citizens, societal organizations and businesses.

On the other hand, we must not ignore the limited reach of the philanthropy sector in the past. As far as we know, it accounts for only a small percentage of GDPs (Anheier and Leat, 2006; Dobkin Hall, 2006; Hammack, 2004). Our case for philanthropy as part of the welfare state paradigm must not lead to an overestimation of its promising but nonetheless modest role.

In this article, we have contended that the potential of modern philanthropy should be used to benefit from the European philanthropic tradition. Philanthropy should be recognized as an economic and societal force with the potential to enhance the vitality of European civil society. The commitment of citizens, foundations and companies to the public good could bring more equilibrium to the principles of the French Revolution. Shedding the state-or-market dichotomy will lead, politically, to a third way, as practised in the UK.
Notes
1. The literature search in political science journals was conducted by Sophie de Wijs.
2. The Statute of Elizabeth I (1601) is known officially as the Charitable Uses Act. It contains a non-limitative list of good causes. The Act was passed before the Union of the Crowns and applied only to England and Wales, but it was later used by courts in the USA as a guideline.

References

Theo N.M. Schuyt holds the chair in Philanthropic Studies at VU University Amsterdam; is director of the ‘Giving in the Netherlands’ (GIN) research project, director of the VU-Center for the Study of Philanthropy and Chair of the European Research Network on Philanthropy (ERNOP). Major research fields are philanthropy, welfare state, foundations, and corporate social responsibility.

Appendix 1: Results of searches in titles and subtitles, January 2000 to November 2008

European Journal of Political Research 1.679
Philanthropy: –
Philanthropic: –
Third sector: 2001
NGO: 2003
Voluntary sector: –
Non-profit: –

Critical Social Policy 0.868
Philanthropy: –
Philanthropic: 2004
Third sector: 2006
NGO: –
Voluntary sector: 2005
Non-profit: –

Journal of European Public Policy 1.183
Philanthropy: –
Philanthropic: –
Third sector:
Voluntary sector: –
Non-profit: –

*Journal of Social Policy* 1.177
Philanthropy: –
Philanthropic: –
NGO: 2000, 2002
Non-profit: –

*Journal of European Social Policy*
Philanthropy: –
Philanthropic: –
Third sector: –
NGO: –
Voluntary sector: –
Non-profit: –