

# The philanthropy of Warren Buffett

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This past weekend investor Warren Buffett, to a vast fanfare from the media, announced his decision to donate some \$37 billion worth of shares in his firm, Berkshire Hathaway, to five charitable foundations. The largest recipient (receiving some \$31 billion) will be The Bill & Melinda Gates Foundation, which specializes in global health and education projects.

That one solitary human being has nearly forty billion dollars to dispose of, with a good deal left over, is appalling in itself, at a time when 1.1 billion people, one-fifth of the world's population, live on less than \$1 a day and some 3 billion on less than \$2. The planet's three wealthiest individuals in 2005 (including Messrs. Buffett and Gates) had greater wealth than the combined gross domestic product of the world's 48 poorest nations.

There is, in any event, something intrinsically degrading and demeaning about philanthropy. A society in need of philanthropists is one rooted in inequality, in which the deprivation of the many is supposedly addressed by the largesse of the few. No one can seriously suggest that social problems will be solved in this manner. Especially in America, where an aristocracy has taken shape before our eyes over the past decade and the Bush administration is taking blind, reckless measures to eliminate all restrictions on the accumulation of personal wealth.

As for Mr. Buffett himself, there are no doubt immense personal contradictions in his life. If one takes the media accounts at face value, he seems an honest and civilized man. Among many unsavory, rotten types, he appears to stand out as something of an exception. He has liberal views on social issues and has put his money to use in a number of worthy causes. He lives modestly in a home bought decades ago.

It is worth noting that Buffett's lifestyle puts the lie to the claims by the media and the assorted apologists for corporate thievery that the fabulous sums paid to American executives are necessary to retain "the best and the brightest." For Buffett, at least, the accumulation of personal wealth seems not to have been the principal motivation.

There can hardly be any doubt about his abilities as an investor. Highly skilled at what he does, this is clearly a man who knows his way around money. And his success has earned him a devoted following.

While we have no intention of taking part in the current media adulation, there is no reason to demonize Buffett, as an individual, on account of his great wealth—or Bill Gates either, for that matter. In the final analysis, the issues raised by their fortunes don't go to their personal moral qualities.

That said, those tempted to get dewy-eyed on hearing of Buffett's billion-dollar donations to good works would do well to consider certain facts of economic life. Whatever his intentions, Buffett has played a part in recent economic processes that have had devastating implications for large numbers of people. Under consideration here is

not Buffett the individual, but the social process he embodies. Its terrible impact on the lives of workers may be painful to him and, in fact, "extremely demoralising," as Oscar Wilde suggested the burdens of possessing private property often are for the rich, but that is only a further argument for socialism.

Notwithstanding his evident personal decency, Buffett is one of those figures who have helped drive the ever more ruthless exploitation of the American working class. The very mechanisms by which he earned his billions, a portion of which he now intends to give away, have contributed to the growth of poverty and social inequality. An analyst, Jonathan Davis, describes Buffett's operations:

"His holding company Berkshire Hathaway is built around a core of cash-generative insurance companies; the cash they generate provides the capital that Buffett and his partner Charlie Munger then invest on their shareholders' behalf. Capital allocation is what Buffett and Munger see as being their 'core competence.'

"Buffett is well-known for his large 'semi-permanent' minority holdings in a handful of America's largest companies, the likes of American Express, Coca-Cola and Gillette. Yet these represent only one part (and a declining one) of the company's overall investment activities. In addition to his insurance operations, Berkshire Hathaway now owns outright a string of industrial and retail companies, many in deeply boring but lucrative fields of business. While many of these were originally family-owned companies, an increasing number are now former quoted companies that Buffett has acquired outright on the stock market."

Buffett's operations, his organization of mergers and acquisitions, are inevitably tied in with corporate structural reorganizing aimed at generating a greater return on investment. His business is to see that assets are deployed more effectively, i.e., more profitably, and his success indicates his brilliance at that. There is nothing sentimental in Buffett's approach. He can undoubtedly read a balance-sheet like few others.

Buffett's financial maneuverings have an objective character, i.e., his decisions are always understandable from a business point of view. His concerns for his employees may be very real, but, as "capital personified and endowed with consciousness and a will," in Marx's expression, he hardly has a choice. Buffett's goal is, of necessity within the capitalist market, to increase the per-share value of Berkshire Hathaway, at any cost. He may draw only a modest salary, but the werewolf-like investors must be satisfied.

Buffett has inevitably left a trail of closed facilities and ruined communities behind him. He may find it regrettable, it may play a role in his decision to give up tens of billions, but that should not blind anyone to implacable economic realities. On the contrary, the fact that a *decent* man is forced to destroy jobs and lives is the strongest argument against those, in the trade unions and in left-liberal circles, who would have workers appeal to the 'humanity' of the capitalists.

Buffett began cutting jobs at the age of 32, when he purchased Dempster, a windmill manufacturing company, and placed one Harry Bottle in charge. “Bottle cut costs, laid off workers, and caused the company to generate cash,” notes a commentator. The same year he discovered a textile manufacturing firm, Berkshire Hathaway, which was selling for less than \$8 a share. It became one of the springboards to his empire.

In 1985, Buffett shut down the Berkshire Hathaway textile operations in New Bedford, Massachusetts, throwing 425 people out of work. The closing came in response to increased competition from Japan and Taiwan, compounded by depressed prices and the strength of the US dollar.

In 1985, Buffett, together with Capital Cities Communications, put together a deal to buy ABC. At the same time, Laurence Tisch took over as chief executive officer of CBS and RCA sold NBC to General Electric. The results of this process: “The new corporate leaders found their properties losing audience and revenue to cable networks. Round after round of budget cutting and layoffs followed.”

One could go on. Big business is inevitably dirty business. In 2000, Buffett’s firm purchased a stake in US Gypsum (USG), according to one web site, betting “that the company’s legacy of asbestos litigation would soon be resolved through some agreed-on scheme of compensation for injured workers.” With no such measure forthcoming, USG sought protection in the bankruptcy courts from asbestos suits, behind which lie disease and misery for thousands of workers.

Buffett is no more a savior to workers than any other capitalist. In 2003, he declined to purchase bankrupt textile maker Burlington Industries after a bankruptcy court rejected a \$14 million fee Burlington would have had to pay if the deal fell through.

In August 2004, Fruit of the Loom, the underwear manufacturer now owned by Berkshire Hathaway, announced that its plant in Cameron County, Texas would close by the end of the year and that much of its production would be shifted to Honduras. The jobs of 800 workers were eliminated. Cameron County already had a double-digit unemployment rate and a 33 percent poverty rate, according to a piece in the *New Yorker* magazine.

“When Warren Buffett ... acquired Fruit of the Loom, the news sparked applause on the Cameron County shop floor. Buffett, workers had heard, was smart. They did not anticipate that a smart businessman might consider the global market and the opinions of his shareholders and take their workplace out from under them. The newly unemployed Fruit of the Loomers didn’t blame Buffett, whose company would soon report doubled profits. That was just the way the system worked.” (*New Yorker*)

In 2005, Buffett helped engineer the merger of Gillette, of which he was the largest shareholder, with Procter & Gamble. Buffett reportedly made \$645 million on the deal. From a news account: “This deal will spark off the M&A [mergers and acquisitions] frenzy for the year, and expect to see more consolidation, mergers and layoffs. P&G expects to cut about 6,000 jobs, or about 4 percent of the combined workforce of 140,000.”

American capitalists, even the most benevolent, dominate the workplace like colossi. An article in the *Montgomery* (Alabama) *Advertiser* provides some sense of this. It concerns the fate of workers at a Russell Corporation textile plant. The headline reads, “Russell Waits on Buffett,” and the piece begins: “What does it mean to be purchased by the world’s second richest man?”

“It’s a question Russell Corp. employees are mulling over this week

after Berkshire Hathaway, a holding company led by billionaire investor Warren Buffett, announced it would acquire the sportswear maker. The acquisition adds both uncertainty and hope to the lives of 3,700 Russell employees working at the company’s plants in Alexander City—where the company was founded in 1902—and other locations in Alabama.

“Just two months ago, Russell downsized its workforce by 700 in Alexander City and the company pledged this week to proceed with restructuring plans that would further shave the work force by the end of 2007.”

The article notes: “Buffett has a reputation for stabilizing company finances, but he also has proven his capacity for Machiavellian tactics like plant closures and layoffs.”

The *Advertiser* piece points out that the “turnaround” at Fruit of the Loom organized by Buffett wasn’t free of cost. “Just last month Fruit of the Loom shuttered a yarn facility in Rabun Gap, Ga., leaving 930 workers without a job. The company blamed the continued ‘onslaught’ from Asian imports for the closure.”

This is the work of a glorified asset-stripper.

Balzac argued that behind every great fortune lay a great crime. This does not mean that the fortune-maker, in his personal make-up, is disposed to depravity. No, his actions may very well be driven only by the soundest business principles. But no one accumulates billions with clean hands.

Buffett may not have directed the shooting down of workers, like his Robber Baron-philanthropist predecessors, such as Andrew Carnegie and Henry Clay Frick, but he has been one of the human instruments by means of which the destruction of decent-paying jobs has taken place, with all the human suffering that implies.

His wealth is bound up with the counteroffensive against workers’ living standards that began in earnest under Ronald Reagan and has never stopped, as well as the parasitic stock market boom of the 1990s. In 1983, Buffett’s net worth reached a respectable \$620 million. By 1989 it had increased more than six-fold, to \$3.8 billion; it has grown by a factor of more than ten since then.

Carnegie and Frick also distributed millions (billions in contemporary dollars) to charities and good causes. Carnegie declared, “He who dies rich dies thus disgraced.” Frick was more unrepentant. He and Carnegie had a bitter falling out; when, years later, Carnegie proposed a meeting for the purposes of reconciling, Frick allegedly replied, “Tell him I’ll see him in Hell, where we both are going.” Deservedly, the pair are remembered more for their crimes than for their philanthropy.

We live in different times, and Buffett has not been called upon to defend his billions through direct police-military force. Nonetheless, we are confident that history will render a harsh judgment on the period in which he made his billions and the means by which he did so.



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