

# The Gates Foundation and the rise of “free market” philanthropy

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A number of revealing details have surfaced in recent weeks concerning the Bill and Melinda Gates Foundation, the world's largest charitable concern.

According to a report published January 7 in the *Los Angeles Times*, the Gates foundation invests its assets in companies whose operations induce some of the health problems it seeks to combat. The report notes that 41 percent of the foundation's holdings are invested in corporations whose policies “countered its charitable goals.” It also claims that the foundation has holdings in over 60 of the highest-polluting companies in the US.

In one example mentioned in the report, a recent medical study found that half of the children attending a high school in Merebank, South Africa suffer from asthma and other respiratory disorders. The study attributed its findings to high concentrations of sulfur dioxide and other pollutants spewed out by nearby mills and refineries operated by BP and Anglo American.

Dr. Nonyenim Solomon Enyidah, a local health commissioner, told the newspaper that the immense amounts of pollution generated by these plants weaken local residents' immune systems and leave them vulnerable to polio and measles. Yet the Gates Foundation, which is ostensibly in the business of combating these diseases, continues to invest hundreds of millions of dollars in the companies that help to create them.

The Gates foundation is set up as essentially two independent organizations—an asset trust and a charity. The foundation's investments—such as those made in BP and Anglo American—are made with only one concern, profitability. By mandate, its investment decisions are completely isolated from its charitable activities.

The foundation spends about 5 percent of its endowment each year, an amount that essentially represents the return on its investments. This profit—and the vast accumulation of personal wealth that forms the backbone of its endowment—is made possible by the continued exploitation of workers and poor people worldwide. What the foundation gives with one hand, it takes with the other.

In response to criticism stirred by the *LA Times* report, the Gates Foundation replied bluntly: “We do not anticipate any

change in our approach.”

Another article, written by world health expert Laurie Garrett and published in the January/February edition of *Foreign Affairs*, raised the possibility that charities operating in sub-Saharan Africa—the Gates Foundation prominent among them—may be doing more harm than good by destabilizing the healthcare systems into which they infuse resources.

Noting that the world is short some 4 million healthcare workers (with the so-called underdeveloped countries accounting for the vast majority of this shortage), the article charges that non-governmental AIDS programs such as those operated by the Gates foundation compete with local health systems for skilled healthcare providers. The foreign organizations “frequently bring their employees' effective wages to a hundred times what they could earn at government-run clinics.” Operations set up by aid organizations thus attract the scarce supply of medical professionals, diverting resources from standard clinics and potentially reducing the care available to the local population.

“Instead of setting a hodgepodge of targets aimed at fighting single diseases, the world health community should focus on achieving two basic goals: increased maternal survival and increased overall life expectancy,” the article states. By diverting medical staff from overseeing births and battling childhood diseases, patchwork treatment of high-profile issues may reduce the overall health in impoverished nations.

The report also indicts the performance review methods—borrowed from the business world—used by organizations such as the Gates Foundation. This approach gauges success by one-dimensional statistics (number of antiretroviral drugs administered, etc.) instead of by overall social good (as measured by infant mortality and life expectancy) and produces only fleeting results—at best. The report continues, “If these targets are achievable only by robbing local healthcare workers from pediatric and general health programs, they may well do more harm than good, and should be changed or eliminated.”

The vast enrichment of the super-wealthy over the past several decades has not brought a corresponding increase in philanthropic giving. On an annual basis, Americans with incomes of \$25,000-50,000 give away a higher percentage of

their income than those who receive \$10 million a year or more. In fact, more than half of the families worth over \$20 million do not donate any money at all.

But even if all of Mr. Gates's peers were to give away significant sections of their personal fortunes, this would not resolve the world's great social dilemmas. The problems facing humanity are structural—they are rooted in the irrationality of capitalism and the irreconcilability of the nation-state system with globalized economic life. They cannot be patched over—even with Mr. Gates's billions.

This is exemplified by private efforts to combat AIDS. *Foreign Affairs* notes that there are now more than 60,000 non-government organizations related to AIDS, all of which operate independently and without centralized oversight. Apart from the extreme bureaucratic redundancy inherent in such an arrangement, there is no way of effectively coordinating work between foundations and rationally planning the deployment of resources.

The article states that “ministers of health in poor countries now express frustration over their inability to track the operations of foreign organizations operating on their soil ... and avoid duplication in resource-scarce areas.” Apart from these problems, a 2006 study by the World Bank estimated that about half of the funds donated to health initiatives in sub-Saharan Africa are diverted from their intended purposes. In Ghana, this figure jumps to about 80 percent.

In a recent analysis piece, the *Financial Times* applauded the “businesslike” executive habits practiced by the Gates Foundation, singing the praises of the foundation, and others like it, for increasingly integrating themselves into private enterprise and governing by the decree of big donors.

According to the newspaper, Warren Buffett's recent \$31 billion donation to the Gates Foundation “has highlighted above all the increasingly blurred line that separates the non-profit ‘third’ sector from business and government” and is indicative of trends that are making the philanthropic sector “more influential than ever.”

The article claims that private philanthropy, tinged with a “business ethos,” is playing an increasing role in providing humanity with the basic necessities of life, while government-funded social services are being scaled down around the world.

In one of the most prominent examples of what the newspaper dubbed “venture philanthropy,” Google announced that it would open a charitable arm, known as Google.org, which will not file for non-profit status. This will allow it to make profits and sell spin-offs to private enterprise.

Melissa Berman, the director of Rockefeller Philanthropy Advisors, told the *Financial Times*, “In the past, people saw philanthropy as an experiment to create results that would be turned over to the public sector for implementation. Now, if their research and development is successful, they think about turning it over to the private sector.”

The Gates Foundation's attitude toward its role is reflected in

the 15 guiding principles posted on its web site. The first of these reads, in its entirety, “This is a family foundation driven by the interests and passions of the Gates family.”

The foundation's endowment stands at over \$60 billion. This is greater than the gross domestic product of 70 percent of the world's nations. Gates and his family exercise control over this vast section of economic life like lords over a fiefdom. Their will is law, and those who benefit from the foundation's beneficence are to be grateful. The web site's section on “our values” reads, “To whom much has been given, much is expected.”

What exactly are the “interests and passions” of Mr. Gates and his wife? Bill Gates is the wealthiest man in the world. He made his fortune through his shrewd and brutal business practices, cashing in on the work of thousands of brilliant but nameless people to establish a monopoly in the computer operating system and office software sectors. His wealth, like that of the giant US drug companies, was made and preserved through the restriction and monopolization of intellectual property.

What happens when such a person opens a charity whose top priority is combating AIDS, a disease that kills thousands of people needlessly because pharmaceutical companies use their monopoly power to restrict the production of inexpensive generic drugs?

As Daniel Berman, deputy director in South Africa for Doctors Without Borders, explained to the *LA Times*, “The Gates Foundation is in a position to change the dynamic, to make sure that drugs get first to the places they are most needed. But this conflicts with the interests of Microsoft.”

What is inherent—but unstated—in the much vaunted rise of “venture philanthropy” is the transfer of social wealth and social power from the public sector—where at least, theoretically, some form of democratic control or influence is possible—to a wealthy elite accountable to no one but themselves. In the final analysis, this phenomenon is merely the byproduct of the staggering growth of social inequality, the vast accumulation of personal wealth by a financial oligarchy at the expense of the rest of humanity.



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