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Annual Report
2013

**THE FUTURE'S
SITTING PRETTY**
The Capital Bank 2013

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CHRISTIAN JAUK

CHAIRMAN
OF THE BOARD

Capital Bank has its roots in 1828, when Archduke Johann of Austria founded Grazer Wechselseitige Versicherung, or 'Graz Mutual Insurance Company'. With the idea of forming a single insurance company that with its collective strength would be able to safeguard the livelihood of farmers after a fire, his action was one of classic social entrepreneurship. Today the concept of bearing joint responsibility is more relevant than ever before. As an award-winning company we were Austria's first private bank to establish a non-profit private foundation called Philanthropie Österreich, or 'Philanthropy Austria' with the aim of providing help when it is most needed, together with our customers.

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Since 2009 we have carried on our business under the motto 'fair and honest'. Our motto heralds a return to the old values of banking. From this established foundation, we have now forged ahead and initiated a charity platform for ourselves and our customers. The goal is to create social engagement by providing help from the platform of a well-structured foundation; by doing this, we effectively create the room for manoeuvre, within which we can efficiently implement actions of intrinsic value and sustainably support non-profit organisations. By so doing, we jointly live out the principle of hope and together build a brighter future.

„Make a difference“ – easy to say, not always easy to put into action. The guest contribution in this annual report, written by Graz-based sociologist Manfred Prisching, deals with the topic of philanthropy in the Second Modern Age. Philanthropy, you ask? In the annual report of a private bank? Yes, exactly, because our bank is not just about monetary income, lucrative investments and the market forces. We also work on issues that affect social commitment, community engagement and the use of private resources for the general good of the public.

According to our guest author, the word philanthropy more often than not lurks on the periphery of normal European language usage. The meaning of the word has transformed from the general idea of 'philanthropic attitude' and gained a more specific meaning. Philanthropy is increasingly equated with private charity, whereby private resources are systematically and consciously allocated for the general good of the public. Philanthropy is not influenced by utility or power; the intention of philanthropy is to carry out an action of intrinsic value. Philanthropy ranges from personal altruism to the modern take on philanthropy found in philanthropic corporations; it also includes small donations of money as well as corporate volunteering. Although the term philanthropy encompasses so many facets, they all have one thing in common: A corresponding philanthropic action always requires an active decision on the part of the voluntary donor.

„We have the chance to improve peoples' lives. There is no better task than philanthropy,“ according to Bill and Melinda Gates, who together with Warren Buffet are the world's best-known philanthropists of the present time. To find out more about charitable engagement, emotional values, sustainability and the vision of a better world, as well as to learn about the roots of philanthropy, how modern philanthropic management is organised and what all of this has to do with Capital Bank, read this annual report.

Manfred Prisching, the author of our guest article is Professor at the Institute of Sociology at the Faculty of Business, Economics and Social Sciences of the University of Graz.

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INTRODUCTION

We have given our 2013 annual report the title “THE FUTURE’S SITTING PRETTY”. Since 2008 when the financial crisis first appeared on the horizon, we have grown used to rather depressing statements and alternately sober and panic-stricken commentaries. Our aim is to offer an alternative. Over the past several years we have breathed new life into private banking by going back to tried-and-tested values, and our efforts have resulted in our being named the best private bank in Austria and the second best in Europe by the Fuchs-briefe publishing house and the Institute for Quality Assurance and Assessment of Financial Services (Institut für Qualitätssicherung und Prüfung von Finanzdienstleistungen – IQF). Positive business results in 2013 as well as these more symbolic successes not only strengthen our resolve to continue on our chosen path, but more importantly they encourage us to tackle new projects that we believe will be vital in ensuring a more positive future.

This is why in 2013 we were the first Austrian private bank to establish a consulting service specifically devoted to philanthropy. Our service is targeted at private individuals, family businesses, foundations and companies with sufficient assets who are interested in philanthropic giving, regardless of any previous experience with charitable donations. The consulting services are free of charge for Capital Bank customers. The chosen projects receive 100% of the investment. To this end we have set up an umbrella foundation, and all the administrative costs are assumed by Capital Bank. As a reputable private bank, we draw our customers' attention to the topic of philanthropy and provide an array of services to support their investment in charitable organisations. We work to support our customers in their philanthropic activities and intend to be the leading Austrian provider of consulting services and instruments related to charitable giving. The guest essay in this year's annual report will give a general overview of the history of philanthropy, introduce a number of projects established around the world and scrutinise some of the criticisms directed against philanthropy.

The author of our guest essay is Manfred Prisching, professor at the Department of Sociology in the Faculty of Social and Economic Sciences at the University of Graz and an expert on social ethics. We hope you enjoy the piece and that it will inspire you to join us in building a better future.

By way of introduction: A potpourri of terms

Philanthropy: charity, humanity, humanitarianism; from the Greek philanthropia [Definition from the German Duden dictionary]

Philanthropy: dated; humanitarian impulse that is limited to the well-being of individuals without addressing the socio-economic roots of poverty and exploitation [German DWDS dictionary]; Caritas, humanity, brotherly love, social commitment, charity [German Open Thesaurus]

Philanthropy includes all types of private and charitable action for the purpose of improving the common good. [Centre for Philanthropy Studies]

Phi-lan-thro-py noun \fə-lan(t)-thrə-pē\: the practice of giving money and time to help make life better for other people. 1 Goodwill to fellow members of the human race; especially: active effort to promote human welfare. 2a: an act or gift done or made for humanitarian purposes. b: an Organization distributing or supported by funds set aside for humanitarian purposes. Late Latin philanthropia, from Greek philanthrōpia, from philanthrōpos loving people, from phil- + anthrōpos human being. [Merriam-Webster]

Philanthropy: charity, generosity, alms, alms-giving, altruism; assistance, benefaction, beneficence, contribution, dole, donation; endowment, fund, relief, gifting, good works, helping hand [Roget's 21st Century Thesaurus; thesaurus.com]; endaemonism, humanity, deliciae humani generis, common weal, universal benevolence; the greatest happiness of the greatest number [selection from Concept Thesaurus, ibid.]; social conscience, kindness, magnanimity, public spirit, selflessness; generosity, profusion, unselfishness; bounteousness, bounty, charitableness, goodness, high-mindedness; hospitality, largesse, munificence, nobleness [selection of connected words, ibid.]

A quick glance in German and English dictionaries provides some evidence of how extensive the field of philanthropy can be. Broadly understood, philanthropic action includes (1) any charitable, humanitarian, altruistic activity: tossing a coin into a street musician's donation cup; (2) any activity that is concerned with the common good, any investment in social well-being, any private, voluntary action for a purpose that is charitable or not for profit: joining the volunteer fire brigade; (3) (a more limited definition) the donation of material goods or finances: sponsoring a school trip; (4) (an even more limited definition) investments of large amounts in the interest of the public good: they are often combined with the establishment of a philanthropic organisation (or a charitable organisation¹).²

“Humanitarianism”: On nobles and barbarians

The early history of the “friends of mankind”

The business world would be very poor indeed if doing business was just about the numbers and the sole point of it all was just to increase wealth.

Is there anything we Europeans witness in our current society that we cannot also discover amongst the ancient Greeks? The concept of the philanthropist is but another example, as the word itself is Greek and means “friend of mankind”. We can find it used by Aeschylus, Aristotle and Xenophon. Prometheus is a very special example of a friend of mankind, one who closely resembles the way we understand the term today, because he gave fire to humankind even against the wishes of the gods. This was an action that not only resulted in the founding of civilisation, but was (as are most meaningful charitable actions today) in keeping with the concept of “helping someone to help themselves”. This is clearly a modern concept, one that those in power, the gods, wanted desperately to prevent because it would loosen their hold over the world. But

some of the Greek gods (most of whom were surprisingly rather mean, malicious and foul tempered) sometimes did things of benefit for humankind and hence were labelled “philanthropists” by no less than Plato. The context included the profligate transfer of knowledge and the entirety of artistic activity. When it comes down to it, the Greeks understood the philanthropist to be someone with a noble character, a “civilised” person, an upright and ethical individual, a benign ruler. The opposite was the “barbarian”, a term that we sometimes encounter even today. (Not in the sense of animal-skin-clad, lance-brandishing primitives, but rather as “barbarians inside the gates” – referring to those philistines who seem to predominate not only in the lower rungs of society, but right at the top, too, in the worlds of business, education and research as well as politics).

Philanthropy contributes to a number of attitudes and behaviours and is considered one of the characteristics of an ideal person. And even the Greeks knew that the number of these people, or the proportion they represented among the wider population, was quite small. We are not talking about the Rousseauian illusion here, that man is born good but corrupted by civilisation. Hobbes and his followers came closer to the truth: These untrustworthy beings, human men and women, are very much in need of the constraints that institutions can provide. The concept of noblesse oblige had already appeared by late antiquity. The wealthy and powerful were expected to act virtuously, and this concept brings

us a step closer to our topic under discussion here. If God is the original philanthropist, so to speak, then the emperor and the kings and all their underlings were expected to follow His example. It was obvious to most observers of human society that philanthropy was essentially an activity for a society's upper classes. After all, for most of history, the lower echelons barely lived above subsistence level. They could strive to lead lives free of sin, but they had too few assets themselves to be able to give alms to those even less fortunate than they.

Elites have sometimes practiced or even used charity to shore up their social position, as a form of legitimation, to show off, as an expression of a guilty conscience or as a demonstration of their power. They were often very well aware that power cannot be preserved by brute force alone; it needs a sense of "legitimacy", in whatever form. Social upheavals have proven this time and again throughout history, even up to today.

Augustine was even more forceful, to put it mildly, when he asked: "What are the wealthy who lack virtue but a band of thieves?" (St Augustine, City of God)

On charity

Given the way Christianity has shaped Western culture, there is no way to discuss philanthropy without making reference to the Christian ideal of altruism. The worship of God is impossible without loving your neighbour, which is to follow Christ's example. The influence of this religious concept stretches well into the modern period. Philosophers, even during the Enlightenment, considered man, in both his ancient and Christian forms, to be philanthropic in his disposition: devoted to his fellow man, predisposed to moral action, concerned for his neighbour – a “homo socialis”. One's own purpose in the world is enriched by the purposes of others. One should work to improve the lives of others, directly or indirectly. But it is increasingly recognised that the foundations of morality are not based on subjective decisions about others' purposes, but a common justification of these purposes instead.³

On institutionalisation

Classic charity or benevolence seeks to provide people in need with relief from their distresses. This may be done through donations, charitable gifts, alms: the coins we give to the beggar sitting in front of the church, the change we add to the jar or box near a business's till dedicated to raising money for a good cause, the tithe you pay in church to help finance the services the church provides the less for-

tunate, the money you place in the offering box for the upkeep of the church buildings, the donation slips that are sent out in bunches around Christmas, the monthly donations for organisations like the Red Cross or Doctors without Borders, or televised charity fundraisers like “Light into Darkness”.

In industrialised societies, one may be tempted to ask whether these extra efforts are even necessary given the social welfare net our societies provide. But even the best social welfare net will not catch everyone, regardless of the fact that its foundational concept of solidarity is intended to offer assistance in all cases of need. This is the paradox inherent in bureaucratic state systems. When we try to capture all of the possible situations that could befall an individual with exceedingly precise rules designed to prevent abuse, some cases will simply fall through the gaps. Thus altruistic actions, large and small, provide components that work to enhance the social welfare measures organised by the state. They plug holes, expand assistance services

Old, well-established philosophers are not the only ones to have the right ideas. We would also like to introduce here some more modern studies on the subject of happiness. These come to the conclusion that happiness from material wealth fades quickly.

for those people who land in between or just outside of certain legal categories, etc. In less developed societies, private charity is often the only means of alleviating poverty and misery. But even in more developed societies there are areas in which people might need a helping hand that are not “covered” by the systems already in place.

Since the Enlightenment, charitable and philanthropic activities have become a widespread cultural practice thanks especially to the work of voluntary organisations and individual altruists. People on the lower rungs of society are no longer routinely scorned and ignored, but are the object of initiatives designed to improve the common good. The institutionalisation of altruism aimed to help homeless children (orphanages), organise hospitals (which admittedly were already in existence, having been founded on religious principles), re-socialise prostitutes, abolish slavery and, as a result of industrialisation, alleviate the miserable working conditions of the industrial workforce. From the beginning, there were two debates that are both matters of perspective.

First is the debate between those who argued that these matters were the state’s responsibility and those who believed that private altruism was the best way to provide assistance. This latter perspective is still prominent in discussions in the US about the welfare state. In the English-speaking world, solidarity is generally considered to be a claim

against one's fellow citizens, which is why philanthropy is more strongly in evidence there. In continental Europe, solidarity is seen to be a claim against the state.⁴

Second, there are the social philosophical and pragmatic debates about the permissible extent of altruism if it is not to lead to laziness and idleness among its recipients. This is the origin of the popular debate about the difference between the “deserving poor” and the “undeserving poor”. It also poses a practical problem: Is it right to give money to a beggar standing next to the supermarket entrance, or are you rewarding shameless profiteering?

The history of the past centuries of altruism sounds almost too good to be true – and in the idealised form in which it's presented, it is. The Western philosophical tradition also features the realists, for whom this type of morality is an exception. The relationship between men in an unstructured state of nature is antagonistic, so that one man sees another not as a man, but as

a wolf. Because of this, we cannot assume that a philanthropic activity is something usual and natural. “Good people” are not the same thing as “normal people”. Even identifying a “good deed” requires a broader perspective and a more complex decision-making process because it is not really easy to give money to people properly. Money should not just be strewn about with no set purpose or system – money should be given to accomplish something. This is a problem present for many of us even today when we consider donating to a charity. Where can my money do the most? Will my money be wasted? Am I sure this is not a fraud?

On solidarity

Words such as fraternity and solidarity have always appeared in conjunction with humanitarianism in European history. Solidarity can take on several shades of meaning. In Anglo-American discussions about communitarianism, it is contrasted with the concept of individualism. According to this line of argument, individualism robs ageing societies of their strength as it turns into a form of self-centredness and isolation. And then when you finally need someone else, there is no one there. In continental European discussions, individualism and solidarity are considered to be complementary of each other, two elements that always belonged together. Individuality is not understood as a case of nomadic autonomous beings who have nothing

to do with their fellow man. And solidarity is not understood in the conventional socialist terms in which any form of individualism is seen as “dissent”.⁵ These terms have been seen as a fundamental component of core European values since the French Revolution. They are believed to interact with one another in a reciprocal manner and to be dependent on of one another. If you want to create a world in which *liberté* and *égalité* exist, then you need *fraternité* too. Almost all political parties in Europe profess a belief in solidarity, the social welfare state and the “social market economy”. The term is also used in a much broader way, however, in concepts like “international solidarity”, “solidarity with the third-world poor” and even “global solidarity” – with far less clear ramifications.

“Psychological research tells us that happiness comes from satisfying, affectionate relationships and reliable, trustworthy friendships, from the ability to enjoy the pleasures life offers us and from undertaking meaningful, socially relevant work.”
(Erich Kirchler, *Glück: The World Book of Happiness*, page 57)

On the welfare state

Philanthropy is not the abstract or formalised form of solidarity that the modern welfare state embodies. Solidarity in a welfare state fits for a society in which people no

longer know each other personally. Certain collective provisions are clearly needed when a society has no personal familiarity to check up on people. Occasionally people have argued that it is precisely the social welfare state that is undermining individual altruism. It is, however, unrealistic to assume that a late modern society can make use of the same tools as traditional societies. ⁶ The widespread idea in American debates that social insurance is most efficiently delivered by private, for-profit entities (insurance companies) is also absurdly unrealistic.

(a) The past several years (the economic crisis) have given ample evidence of the very real risks when it comes to market-based pension plans. A pension saved up over a person's entire working life can simply "disappear". Pay-as-you-go schemes are more resistant in spite of all of their quantitative problems.

(b) There is still no satisfactory answer to the problem of how for-profit, private health insurance companies beholden to the market can incorporate a requirement to set premiums based on the insured individual's income. These companies set premiums based on risk calculations which leads, as in the United States, to a substantial number of low-earning individuals being excluded from the system.

We could also look at the social welfare state from the other direction. If the welfare state is, broadly conceived, the expression of the people's political

And now a snippet from the history of advertising and marketing: “A penny saved is a penny earned.” This was the first advertising slogan used by the German Sparkasse bank. It had to be withdrawn from use after hyperinflation devalued savings to such a degree that it was no longer true.

will, then taking a look at the wide range of responsibilities it has assumed demonstrates that our late modern society, contrary to what many may claim, is one based on the concept of solidarity through and through. At least in continental European countries, a considerable sum of the value created every year is collected by the state and disbursed according to classic concepts of social welfare. But contributions are compulsory, as opposed to being the results of philanthropic giving on a voluntary basis. Feelings of solidarity are undergoing a shift in our society, though we will not go into this in further detail here.⁷

The existence and basic fundamental configuration of our welfare state has not been called into question, but its details are the object of closer scrutiny: “Even if the concept of the social market economy has been a successful response to the risks and inequalities created by an absolutely free and unregulated market, the welfare state’s intense preoccupation with redistribution now poses a considerable challenge to the very idea of fairness and puts our democratic political system at risk.”⁸

Defining philanthropy: “Opening oneself to the other”

Concepts have histories and their meanings often change over time. Charity and altruism – these words don’t just have an antiquated charm in the language of our late modern society.

“Philanthropy”, a word that has been somewhat marginalised in conventional (European) discourse, comes from the generalised term for “sympathy for one’s fellow man” but has developed a much more specific meaning. Philanthropy is increasingly connected to private acts of charity, those that direct private resources in a systematic and considered manner towards aims that are understood to be for the common good. This includes forms of selfless acts, from providing neighbourly help to certain social movements. Corporate Social Responsibility and Corporate Social Citizenship, depending on the form they take, may also be included under the concept of philanthropy.

Giving without expectations

“Giving”, according to the canonical sociological theorist Georg Simmel, “is one of the strongest sociological functions in existence. There would be no society if there were not continuous acts of giving and receiving, even outside of exchange. Giving is not a matter of one person having an effect on another. It is precisely what is required of a sociological function: it is interaction. Whether the other accepts or rejects, he evokes a particular reaction in the giver. The way in which the gift is accepted – with thanks or without, in a way that shows he expected it or was surprised, that he was pleased with the gift or not, or that he feels uplifted by the gift or shamed by it – give rise to firm emotional responses on the part of the giver, even if they cannot be expressed clearly in words or actions. And this is why every act of giving must be seen as an interaction between the giver and the recipient.”⁹ This also means that philanthropy must be the result of a personal, deeply held attitude (which must, however, also find expression in appropriate behaviour and through suitable institutions). And this attitude is as compatible with Catholic social ethics as it is with socialist impulses.¹⁰ In his writings, Georg Simmel discusses every form of “giving” and he compares it not with the imperfect act of barter or exchange, but rather an autonomous act. A closer look at the phenomenon of philanthropy will allow us to sketch out a few additional characteristics.

Firstly, no one can demand philanthropy. There may be expectations and standards attached to philanthropic activity, but there are no legal or economic duties regarding its practice. Any activity is the result of an active decision taken by a voluntary donor.¹¹ The giver is a free agent and the act of giving is one that is an expression of his own experienceable freedom. Georg Simmel writes that this activity embodies “a beauty, a spontaneous devotion and surge of feeling towards the other, a laying oneself bare to the other.”¹²

Secondly, philanthropy is not subject to the principle of exchange – certainly not in the form it assumes in market economics, in which it has the sense of being a specifiable case of *quid pro quo*. Nor is it subject to the principle of reciprocity, that somewhat more vague notion of mutual duties of giving. The recipient is under no obligation to do anything other than what common notions of decency require.¹³

Thirdly, no money may be earned from philanthropy, nor may any profit be generated or any monetary gains of any kind be realised. When these factors describe the situation, we are dealing with the normal business of trade. There may well be well-reasoned and beneficent aspects to lucrative investment decisions; after all, the work of the market has brought great benefits to the majority of people living in industrialised societies. But we are not dealing with philanthropy in cases where profit is expected. This is the weakness found in many of the current arguments dealing with business ethics. They repeat the assumption prevalent in development seminars that moral behaviour brings rewards. There are advantages to placing an emphasis on trust, reliability and seriousness. This is generally true. But this does not make a particular approach ethical, just clever. Anyone who acts in an unethical way when ethical action is clearly more profitable is just foolish. However, neither the simple avoidance of taking witless decisions nor the maximisation of profit thanks to reputable behaviour are “ethical” in and of themselves. Ethical behaviour is sometimes uncomfortable. Sometimes it has costs attached to it. Though ethical behaviour and profitability may frequently appear together in actual experience, any claim that one is realising a “moral gain” along with financial profit is more likely than not to be a trick.

Motivations for philanthropy

Philanthropy stems from a certain motivation, from an ethical outlook. It is not based on notions of utility or power. It aims to engage in activities that are grounded in values. You invest money because you think it is right and important to do so. It makes you feel better; it makes you feel like a decent person. Because you recognise how lucky you yourself have been.

As is always the case, the motivations behind philanthropy are attributable to an array of feelings. There is nothing wrong with “feeling better” as a result of philanthropic activity – that’s good! – or with an organisation’s image benefiting from that activity – why not, after all?

Slowly but surely we are approaching a topic that lies close to our hearts and in which we have invested quite a bit of energy in the past several years. Here’s a teaser: altruism should not be kept private and hidden.

(a) Half of the wealthy individuals in the US engage in some form of philanthropic activity. They do not limit themselves to donating money – they put their own personal know-how and abilities to use. They are rarely motivated by publicity. Bill Gates¹⁴ is not at all concerned with selling more software based on his foundation’s good

image. Besides, his foundation would hardly be the most efficient means of achieving that goal. Not to mention that he already has enough money to be able to support dozens of generations of descendants in luxurious comfort.

(b) What is wrong with Coca-Cola working with the WWF to promote a campaign to protect polar bears and Antarctica?²⁵ What objections could we level against campaigns in which companies' donations are tied to their customers' purchasing activity – from Subaru to American Express? Why should anyone be against Corporate Volunteering¹⁶? All of these may play a role in a company's campaign to improve its image. And it is perhaps overly optimistic to think that consumers will substitute one product for another because of campaigns like these. Maybe companies expect that they will become more attractive as an employer. But these types of activities definitely do play a role in any company's public relations concept, how the company wants to present itself to the public.

Not all philanthropic activities can be attributed to marketing. And there are individuals whose credibility is beyond reproach when we find them asserting: I have much more money than I need and I would like to do something meaningful with it. Wealthy people who have not gone through the same process of “rising above the others” that most go through when their bank accounts begin to fill up. There are large sums of money involved in these cases. To name some of the most famous examples: Bill Gates and Warren Buffett today are following the path first charted by John D. Rockefeller and Andrew Carnegie

in the early 20th century. There will be more to say about that later.

But those are just the “grandest” examples. Normal philanthropic behaviour appears in substantially more modest forms. The motivations behind all of these are the same, however. At its heart, this is about “transcending natural egoism” in order to “disrupt the boundaries of self-centredness”. One philosopher writes: “All social virtues are forms of altruism. However, it is clear that this transcendence of one’s self does, at the same time, deepen, broaden and enrich one’s own self, which prior to this was small and misshapen because it had been concerned only with itself. Those who are able to give consideration to the concerns and problems of others are those who profit the most from this ability. Their virtue is their own reward.”¹⁷

The French sociologist Marcel Mauss made a more sweeping assertion towards the end of his book on the “Gift”: There is “only one kernel of wisdom in all of human development, and we would be well advised to accept as a guiding principle for our own lives that which has always guided human behaviour and will continue to do so: We need to set aside our selves, to give, voluntarily and obligatorily. There is no danger in this.”¹⁸

Philanthropic organisations: “Private virtues, public benefits”

Community, volunteering, civil society

The communitarian concept that originated in the US alerted sociologists to the fact that we cannot understand society as an opposition between individuals on the one side and the state on the other. This is the predominant way discussions in Europe are framed. We spend a substantial portion of our lives in intermediary forms of communities, in clubs and societies, associations, and groups, and we frequently engage in volunteering work. These include sports clubs, bands and orchestras, museum membership organisations and support groups, helping in crisis intervention and with end of life care, in volunteer fire brigades and alpine rescue organisations, choirs and acting as a sexton for one's church, or as volunteers for charitable service providers or for the Red Cross. Volunteers abound in all of these areas of civil society, encompassing all unpaid

activities undertaken in the interest of improving the common good. Volunteer work is a (personal) category of activity that is parallel to philanthropy as a (material) category. You are engaged as an individual person in volunteer work, you take part in activities and provide services free of cost. Philanthropic activities provide (material) resources. You donate money, time or goods.

Institution-building

Traditional forms of charity are about more than just providing money. People have been creating institutions for this purpose since the earliest days of recorded history. Back then, religious donors were the most prominent providers of charity, followed by the nobility. Classic endowments not only aimed to create religious institutions (such as monasteries or rectories), but also to provide hospitals and almshouses, old people's homes and nursing homes, poor relief and education for children. There are still important and influential charitable organisations associated with religious institutions, including the Catholic Caritas and Protestant Diakonie organisations in German-speaking Europe. Hospitals affiliated with religious orders provide a notable share of hospital beds too (around 20% in Austria).¹⁹ There are many relatively unknown groups among the numerous benevolent societies and charitable organisations in our communities, but there are a great number of institutions that are well-known

Do you know what a “falling action” is? It describes the part of a classic drama in which the plot resolution is delayed and the opposite of the expected outcome appears to be possible again. This short text uses the description of the falling action in precisely this manner.

among the broader public here in Austria. These include the Arbeiter-Samariter-Bund, the Malteser-Hilfsdienst, the Johanniter ambulance service, as well as the water rescue, alpine rescue and mining rescue services. World Vision and Save the Children provide services for children while SOS Children’s Villages works with orphaned children. German Cancer Aid and the Deutsche Krebsgesellschaft work together. Misereor und Bread for the World, the anti-hunger organisation Welthungerhilfe and the children’s welfare organisation Deutsche Kinderhilfswerk are other well-known names. Animal welfare organisations can be found everywhere. In Austria specifically, other prominent organisations include: Nachbar in Not (Neighbour in Need), the Austrian Hilfswerk, the Volkshilfe and the Austrian Green Cross, among many others. The international CARE organisation has a branch in Austria, too: CARE Österreich.²⁰

Social goods

The market, for all of its well-known advantages, is clearly not an ideal instrument for delivering those goods that we describe as social or public. These are goods that are intended for use by all and which improve lives generally, but which are not provided by private companies because profits stemming from them may not be privatised. Furthermore, there can be no extra costs for additional use by other consumers, and additional use cannot in most normal cases be prevented or prohibited. It is normally the state that provides these goods (e.g. lighthouses, streets, parks, research funding and national defence). When private foundations also begin to provide these kinds of goods, the state's monopoly on their provision is challenged. There are then pluralist sources for the delivery of publicly useful services and products.²¹

Majorities and niches: Political economy teaches us that investment in social goods will proceed in accordance with the wishes of the majority of the voting public. If the majority want better motorways and only a minority prefer improved cycle paths, then the chances look good for motorways. If the majority want thermal spas and only a minority want more avant-garde art, then warm water looks set to win. Of course the state cannot completely ignore the wishes or needs of the minority, but private foundations have much more leeway in taking decisions. They are free to underwrite initiatives that

face significant political resistance and suffer from insufficient support as a result.

Diversity: Given the diversity of priorities among sponsors, there is a corresponding diversity amongst the goods they provide. Their own prejudices and preferences may take the organisations in a variety of different directions, which decentralises the decision-making process when it comes to providing social goods. This in turn contributes to civil society's diversity.

Innovation: A political system under strong pressure to justify its decisions will tend to take less risky ones. Projects need successes in order to justify themselves, and a string of missteps or failures will turn public opinion against them. This results in an inevitable drift towards more conventional methods and a tendency to avoid political experimentation. But it is especially the latter that can result in important innovations. The Hewlett Foundation asserts: “[The] solutions to serious problems are seldom known with anything close

to certainty. The Foundation must therefore be prepared to experiment and take risks in its grant-making. This, too, requires setting clear objectives and creating ways to measure success whenever possible. Without this information, it would be very difficult to know how the risk eventuated. This approach also requires a willingness to acknowledge and learn from failures.”²²

The two-levels problem

Philanthropic structures are normally comprised of two levels. On the one hand there are fundraisers and donors (typically in the institutionalised form of foundations, funds and trusts) and on the other, concrete actors engaged in projects on the ground (typically in the institutionalised forms of NGOs and non-profit organisations). In the case of research or art projects, it is relatively clear that the foundations do not engage in the funded activities themselves. These tend to be taken on by university research bodies and museums, for example. But the same is true for social projects such as development aid, educational initiatives and community projects. The providers and recipients of the funding are often different bodies and it is the latter which undertake concrete activities. Some large funders, for example, contribute financially to the Red Cross, which is active on the ground providing medical help, food aid, disaster relief and other services. Regardless, it is important to remember that both levels of engage-

ment constitute philanthropic organisations.

Increasing attention has been paid in the past few decades to a problem that is now referred to in organisational science as the principal-agent problem. The funder/principal is on the one side and the funded party/actor is on the other: How can the former ensure that the latter fulfils its obligations and uses the donated funds wisely? It would be impossible to limit yourself to checking bills and financial statements. There are numerous other things that are in the funder's interest, including: that the project funded is an efficient one (ensuring, for example, that development organisations do not set up base in a country's capital city, where life is more comfortable, but instead out in the countryside, where the needs are greater); that money is put to use in those areas and places that are in the greatest need (that is, that the organisation does not stick to simply doing what it has always done); that efforts are not devoted to problems that are being addressed by dozens of other

This often distinguishes it from earned assets. Assets are infrequently used in the second sense of the term. To draw on the work of another well-known philosopher: Aristotle stated that assets are the active potential to create something or to make something happen.

organisations (that is, choosing projects because they are easier to manage or successes are more easily achieved instead of choosing based on the criteria of importance). The players on the ground can build all sorts of Potemkin villages in their annual reports and project reports, and even cursory site visits are not always enough to gather the information necessary to appropriately judge a project's effectiveness.

Recognising this problem has consequences for the way foundations/donors go about their work. They need to put institutional precautions into place to be able to evaluate the active organisations, assess projects, rate the approach utilised and judge the outcomes. (Naturally any measures like this present their own complications. For example, when evaluation criteria are set, the affected organisations begin to operate in ways that will ensure a positive evaluation according to those criteria. They may then neglect certain activities that are necessary with regard to the situation they are supposed to be addressing. Or they may even attempt to tamper with the indicators being used to evaluate them.) Over the past several decades, elaborate systems of rules, procedures and routines have been developed to assist the principal in monitoring its "agents". We will touch on the new logic governing philanthropy in the next section.

Philanthropy by social groups

Small donations and grants do not attract much attention, even though they can add up to substantial sums. However, there are empirical studies that show that people belonging to the lower and middle classes donate more money proportionally than do the wealthy.²³ It is just that the latter's donations tend to be for larger sums and this is what wins them attention.

Wealth spoils people, many say. New empirical studies do not, as a matter of fact, put the wealthy in a good light with regard to their beliefs and actions. When a car blocks pedestrians at the zebra crossing, or doesn't stop to let people cross more often than not it is a big car. The wealthy are more likely to lie in job interviews and cheat during games or sport in order to win a prize. They even tend, in certain controlled experiments, to eat children's sweets if they can't be seen. Rich individuals have a strong belief that they deserve more than other people. Narcissism is more prevalent. These aspects of their personality promote their

sense that they deserve to be treated differently. They should not have to work hard to get the things they feel they deserve.²⁴ This “sense of entitlement” among the upper classes increases during times of rising social inequality and results in an “empathy gap”.²⁵ They simply ignore the consequences of their behaviour for people belonging to the socio-economic strata below them.²⁶ But we can see from these studies, too, that the wealthy have internalised Mandeville’s “private vices, public benefits” argument. After all, people are astonishingly good at finding moral and social arguments that put themselves at an advantage. Money changes people’s conceptualisations about how society functions.

These character aspects are not only an expression of abnormal personal traits. They also seep into our collective consciousness, and are highlighted by prominent events such as the financial crisis and the behaviour of certain groups leading up to and during it. All of these bits of information contribute to the way a society collectively interprets itself.

This is why it is particularly important that a “counter-story” be told as part of our public discourse. This story will focus on people who have not lost all of their contact with the social realities around them and who are in a position to critically examine their own personal situation. There are a number of individuals who fit this description, and they are justifiably recognised as role models.

Certain traditions are especially long-lived, which is why charitable activity is considered a suitable activity for the wives of leading politicians. American First Ladies, as is true for those in Germany and Austria, dedicate themselves to the establishment or support of philanthropic organisations. They use their influence to support cultural and scientific endeavours, too, in addition to charitable projects. “Stars” form a category unto themselves, by which I mean actors, singers and pop stars of all sorts. An increasing number of them enjoy using their money or their social prominence to work towards improving the common good. The easiest example of this is the sale or auction of tickets for a meeting or dinner with a star. In the past few years, George Clooney, Matt Damon, Ben Affleck and Lady Gaga have all engaged in this type of fundraising activity. There is also a website²⁷ devoted to celebrities’ charitable work and interests with the subtitle “The World of Celebrity Giving”. The site provides a variety of information with headlines including: Sting Announces

2014 Rainforest Fund Benefit Concert; Hillary Duff Supports March of Dimes; Steve McQueens's Charity Work supports Anti-Slavery International. But it also offers information of more substance. It tells visitors, for example, that Coldplay has supported 25 of the listed charities, Paul McCartney 37, Kanye West 19, Miley Cyrus 39, Bono 36, Bob Geldof 18, George Clooney 32 and so on.²⁸

Top charities on the list include UNICEF and the Red Cross, the Elton John AIDS Foundation, PETA, the Make-A-Wish-Foundation and Save the Children.

Philanthropic role models: “The man who dies rich dies disgraced”

Wealth, however, is
often hoarded.

Philanthropic activity became almost fashionable amongst the middle and upper classes in 19th-century America and German-speaking Europe. Andrew Carnegie came to symbolise the “generously-sized philanthropy” amongst the American nouveau riche. In his *Gospel of Wealth* (1889) he wrote about the duties of the wealthy and the importance of social justice.²⁹ His focus was on funding schools and universities as well as providing resources to public libraries in numerous English-speaking countries. Many members of this new elite, who had amassed their fortunes amidst very turbulent social changes, felt a profound sense of duty to contribute to the common good of the society to which they belonged. This is why I have titled this section with one of Andrew Carnegie’s most famous sayings: “The man who dies rich dies disgraced”.

Europe and the United States

Donors in the US frequently talk about wanting to “give something back” to society after being treated so well themselves and, they sometimes add, being undeserving of the fortune they have gained. This sentiment is less frequently heard from the wealthy in Europe.

The difference is partly attributable to a specifically American attitude, namely a distinctive distrust of the state and a preference for the provision of services by private entities. This is in contrast to the European mentality, which was influenced by the early role of the nobility and the church (as corporatist organisations that absorbed societal wealth) in creating a balance amongst the various social classes and exercising a responsibility to alleviate obvious social misery. Later, after the appearance of the welfare state, it was the state itself that assumed the responsibility to provide those things that were essential for a decent life and soon it was considered a waste of private assets since the public coffers did not mind paying for them. In the US, on the other hand, with its broad distrust of the government, people often think every dollar gobbled up by the government is a dollar wasted. Many in the US therefore consider it appropriate that even the wealthy do everything they can to pay less in tax, dedicating the money they save to privately held philanthropic organisations.

What can we do
about this? Do good
(and talk about it!)

The 19th century was a golden age for philanthropic organisations in German-speaking Europe as well, where a large share of the elite engaged in charitable activity in some form or another. “In Frankfurt am Main, for example, there were the Senckenberg Foundations (a public hospital and a medical research foundation with library), the Städel Foundation (art school and museum), the Polytechnic Society (training for workers and a savings bank for “the little people”), the Rothschild Jewish Hospital (which only treated paying patients), the Orphanage Foundation, as well as a soup kitchen that was financed and run by the bourgeois members of the Women’s Association. The Women’s Association also ran a school.”³⁰ The spectrum of analogous social welfare activities has grown even larger today. Social projects are still a primary focus, as they were back then: assisting the poor, the homeless, families, the elderly, people addicted to drugs, prisoners, people with disabilities and victims of crime, people living with HIV/AIDS, and immigrants and refugees. Additional projects

include ambulance and rescue services, crisis intervention and disaster relief. Other organisations frequently rely on unpaid volunteers and charitable donations, too, such as those concerned with the environment, conservation and animal welfare, development aid organisations, and civil rights and human rights groups. In the cultural sphere, there are historical preservation societies, circle of friends groups dedicated to museums, galleries, orchestras, theatres, opera houses and festivals, as well as membership organisations for libraries, sponsorship clubs for various cultural entities, and many other targeted initiatives.

You could even say that the US is experiencing a second “golden age” of large charities and foundations. The number of these types of organisations multiplied during the 1990s. The Gates Foundation and Gates Trust, for example, control assets valued at 65 billion dollars. If the foundation were a nation, it would rank 65th in the world in terms of GDP. The reputations of the people who establish foundations play no small role: Bill Gates and Warren Buffett count amongst the most admired Americans.³¹

An example should help illustrate what the current situation looks like.

The Bill & Melinda Gates Foundation

The co-founder of Microsoft made the first moves towards establishing his foundation in 1994 and succeeded in 1999 in creating the largest private foundation in the world.³² With its headquarters in Seattle, the foundation has about 1,000 employees, an endowment of about 36 billion dollars, and gives about 3 billion dollars annually in grant money. The foundation focuses on global development, health and education. Agricultural development is a key focus in the area of global development and includes support for the Alliance for a Green Revolution in Africa (which also receives funding from the Rockefeller Foundation), the Harvest Plus programme for the development of nutritionally enhanced crops, and projects aimed at developing drought-resistant corn and durable rust-resistant wheat. Other initiatives include the support of coffee growers and dairy farmers as well as helping to ensure market access for small farmers in Africa. In the area of health, the foundation supports initiatives that

What is the real truth about the distribution of earned capital?

care for AIDS patients and provide health services to children in India and Africa. The foundation also supports the development of vaccines to combat a variety of illnesses that are especially prevalent in the Third World. The foundation funds educational initiatives in the US, including scholarships for students from economically disadvantaged families.

Warren Buffet announced his intention in 2006 to donate several billion dollars, the equivalent of about 85% of his wealth. He also announced that he would leave 99% of his assets to philanthropic and charitable organisations following his death.³³ In addition to donating to the Gates Foundation, Buffet also supports the Susan Thompson Buffett Foundation, the Howard G. Buffett Foundation, the Susan A. Buffett Foundation and the NoVo Foundation. Buffett has spoken critically on numerous occasions about the polarisation of American society and even of a class war: “My friends and I have been coddled long enough by a billionaire-friendly Congress. It's time for our government to get serious about shared sacrifice.”³⁴

The Giving Pledge

In June 2010 Buffett and Bill Gates called a new campaign into life: The Giving Pledge. It was a public appeal for the wealthiest members of society to donate at least half of their wealth to charity. A number of billionaires, 40 at first, took the pledge. The German news magazine *Der Spiegel* wrote: “The list of billionaires who have pledged to donate a considerable portion of their wealth reads like a *Who’s Who* of the American super-rich: New York’s mayor Michael Bloomberg is on the list, as is Oracle-co-founder Larry Ellison, the oil tycoon T. Boone Pickens, and media mogul Ted Turner. Others include the billionaire real estate developer Eli Broad, the venture capitalist John Doerr, the media owner Gerry Lenfest, and the former CEO of Cisco, John Morgridge.”³⁵

Wellcome Trust

The Trust dates its founding back to 1936. It is based in London and controls assets worth 14.5 billion pounds. About 400 million pounds are made available for use every year. The primary focus of the trust is (basic) biomedical research, and the Trust is the second-largest funder in this area after the Gates Foundation. It also supports open access initiatives in the medical field as well as museums and exhibitions on medical science and the history of medicine (in the Wellcome Building, opened in 2007).

Hewlett Foundation

The William and Flora Hewlett Foundation is a philanthropic organisation that has been active in the areas of social policy and development policy since the 1960s. It has an endowment of just over 7.5 billion dollars and invests 200 to 400 million dollars every year in a variety of projects. A particular focus of the foundation is on educational projects, such as Open Educational Resources, MIT's OpenCourseWare and the Open Yale Courses programme.³⁶ A second area of key interest is the environment. The third cluster of funded projects is grouped together under the Global Development and Population Program, which tackles everything from education in the Third World to family planning services. The foundation's fourth focus is on the performing arts in the San Francisco Bay area.

Other institutions

The Howard Hughes Medical Institute, which has an endowment of more than 16 billion dollars, was founded in 1953 and is dedicated to medical research, on which it spends about 825 million dollars annually. The Ford Foundation, founded in 1936, has an endowment of 11 billion dollars and was for a long time the largest and most influential foundation in the world. It supports initiatives targeted at reducing poverty and inequality, supporting democratic values, developing human knowledge and creativity, human rights, freedom of speech, urban development and sustainability. The history of charitable donations also offers ample evidence of the broad aims the foundation has set for itself. The endowment of the J. Paul Getty Trust, founded in 1953, lies somewhere in the realm of 4 billion dollars. Its focus is on art institutions and artistic activities (especially the J. Paul Getty Museum in Los Angeles). The Mohammed bin Rashid Al Maktoum Foundation in Dubai

(10 billion dollars, focus on education), the Robert Wood Johnson Foundation (US, 9 billion dollars, focus on health) and the Li Ka Shing Foundation (Hong Kong, 8.3 billion dollars, focus on education and medical service provisioning). Ashoka, a not-for-profit organisation focused on supporting social entrepreneurship, was founded in Washington in 1980 and is now active in about 70 countries around the world. It supports social entrepreneurs who seek creative solutions to societal problems. Some 2,000 “fellows” in more than 70 countries receive support. The primary areas in which they are involved are education, citizens’ initiatives, health, human rights, the environment and economic development. The best-known Ashoka Fellow is Muhammad Yunus, the founder of the micro-credit concept.³⁷

These organisations have no resemblance to the charity donation centres of days gone by; they much more closely resemble modern businesses. Philanthropy has indeed transformed itself institutionally to an astounding degree.

Philanthropy's new logic

Many regard philanthropic activity as a perfect instrument for making the world just a little bit better. But modern philanthropy is no longer geared towards the aggrandisement of a religious institution or an individual. Efficiency plays an increasingly important role in its structure and aims. It is not enough to do good; the best possible outcome must be achieved using the available resources.

We have asked ourselves this question and decided to take the most logical step: Capital Bank is the first Austrian private bank to offer consulting services specifically related to philanthropy. Together with the Fundraising Verband Austria, we have created the not-for-profit private foundation Philanthropie Österreich as an umbrella foundation for our customers.

Philanthro-management

A new generation of philanthropists understand how to establish organisations, manage risks, and encourage innovation. It is sometimes believed that this new approach has superior potential for actually contributing to solving the world's most pressing problems. Some of the best-known philanthropic initiatives belong to this group. Pierre Omidyar and Jeffrey Skoll (the founders of eBay) donate millions to support socially

conscious businesses (Skoll has also underwritten films such as *An Inconvenient Truth*). Larry Page and Sergey Brin (the founders of Google) have established Google.org. The organisation describes its particular areas of interest as empowering women and girls, protecting threatened wildlife, improving computer science education, responding to crises, launching an impact challenge in Brazil as well as fighting human trafficking and child abuse.³⁸ None of these aims are new, and it would certainly be strange if institutions that claim to want to address the most pressing problems facing humanity came up with completely different goals. But “philanthro-corporations” is a phenomenon that has only really begun to evolve over the past several decades.

One prerequisite for this development is the emergence of a new class of the super-rich. The number of NGOs and not-for-profit organisations dedicated to the activities that are in demand has also risen considerably, and they have gained a remarkably influential voice in the public sector. In many cases, the difference between for-profit and not-for-profit organisations is as difficult to identify as the distinction between public institutions and those run by the private sector. The Internet has allowed even small organisations to benefit from entirely new marketing techniques, from ethical consumerism to crowd sourcing, in order to achieve a greater resonance. Similarly, the difference between charitable activities and political activism is not so easy to distinguish since a number of charitable organisations advocate

If you don't "have to", you "can". You can engage in charitable works.

for the rights of children or animals, for the emancipation of women, or for the environment. An entire array of auxiliary organisations has arisen to handle the marketing, evaluation, and certification of philanthropic institutions. The expansion of marketing and public relations activities has led to a blurring of lines between charitable and ideological work.³⁹ There are smaller donations, as always, but something new has also appeared that goes by a number of different names but is most often called (and not always in a well-intentioned manner) philanthrocapitalism.⁴⁰

Venture Philanthropy

Venture Philanthropy aims to make social investments in organisations that work for the common good and uses methods from the business world to do so. In 1997, the Harvard Business Review published an article entitled "Virtuous Capital: What Foundations Can Learn from Venture Capitalists",⁴¹ in which the authors criticised the behaviour of many philanthropic organisations.

The desired development in the sector seemed too slow in coming and familiar problems continued to plague projects. These organisations needed to learn how to deploy their limited resources more effectively. Large foundations were advised to pay attention to project design when giving money to non-profit organisations. Non-profits tend to concentrate most on the design of their programmes when it is most important for them to increase their institution's organisational capacity. Foundations were told to examine how venture capital firms do business: they provide capital, yet they also carefully supervise the organisations in which they invest whilst offering support to management.

In many cases, an organisation's effectiveness can be noticeably improved when organisational experts are brought in and the organisation's strengths are developed over the long term. On the other hand, it should not be a disadvantage if a non-profit organisation indicates in its funding applications that it needs or wants to improve its organisational effectiveness.

The European Venture Philanthropy Association (EVPA) seeks to increase the number of donors and foundations whilst at the same time creating dependable organisational frameworks, thereby improving the effectiveness of the resources being put to use. The EVPA's homepage defines the term for visitors: "Venture philanthropy works to build stronger social purpose organisations by providing them with both

financial and non-financial support in order to increase their societal impact. EVPA purposely uses the word societal because the impact may be social, environmental, medical or cultural. The Venture Philanthropy approach includes both the use of social investment and grants. As VP spreads globally specific practices may be adapted to local conditions, yet it maintains a set of widely accepted key characteristics. These are: high engagement, tailored financing, multi-year support, non-financial support, involvement of networks, organisational capacity-building and performance measurement."⁴² High engagement means that, in addition to financial capital, social and intellectual capital are provided. Tailor-made financing includes a variety of resource streams, from donations to loans to equity capital. Support over the course of several years ensures sustainable success, providing fewer organisations with funding for a longer period of time.

Non-financial support is provided in the form of collaboration and advising as well as the provision

of networks and access to investors, donors and experts. The expansion of organisational capacity places the focus on efficient and sustainable organisational structures. Finally, performance measures require transparent, evidence-based results, including the use of business plans and milestones. VP organisations can be fully financed or partially financed; there are also those that serve as acquisition agents for goods or as service providers and intermediaries. There are a few vital aspects in this respect. Risk management is an important component of normal business activities, and venture capitalists know that only two out of ten investments earn a good return. Others will succeed, but not earn a very large profit. And some will fail. Charitable foundations do not spend much time worrying about whether their projects will generate “profits”, where profits are understood to be non-monetary. But even altruistic projects have specific goals, and it is entirely reasonable to ask to what extent these goals have been met and whether the funding was applied in places where it could achieve the most.

Catalytic philanthropy

There are a number of initiatives in the same vein that are referred to by such names as “strategic philanthropy”, “collective impact philanthropy” and “catalytic philanthropy”. They emphasise effectiveness and achieving objectives and believe there is more to doing a good deed than donating money

for some important charitable purpose. The real goal is to make a difference.

One variety of this approach, in which the donor more actively monitors the project, thereby addressing the two-levels problem discussed above, is catalytic philanthropy.⁴³ This entails cases in which the donors themselves become involved personally in the project.⁴⁴ This concept stems from the recognition that the conventional system used by foundations that give money to a large number of different organisations makes it difficult to engage in a single, consistent “campaign” that can effectively Donors have their own agendas, and individual NGOs and non-profit organisations have programmes, targeted outcomes and horizons, as well as frameworks in which they are used to operating.

As a reputable private bank, we draw our customers' attention to the topic of philanthropy and provide an array of services to support their investment in charitable organisations.

The point of comparing various logics behind types of philanthropic programmes is not to find the perfect model that can then be applied to each and every case as a matter of routine. There tends to be some exaggeration, too, in

publications describing new aspects of organisational forms (including propagating new terminology and labels). In most cases, what is needed is an approach to design that is targeted towards a specific situation. The idea of a “campaign” is, for example, not very relevant or applicable in supporting artistic projects or scientific research.

Social Return on Investment

SROI is marketed as a new discovery, but it has always been there to see. It is simply common sense that a good deed does not end with giving a particular project funding. We must make certain that funding depends on evidence that the proposed programme is sensible, doable and efficient. Furthermore, this must be demonstrable by means of an objective evaluation.⁴⁵

There is one simple criterion for judging the success of market-based activities: the financial profit realised at the end of a project. A final evaluation is extremely difficult when it comes to charitable activities since many project goals cannot be operationalised. But the outcome must be evaluated nonetheless, if only by the amount of help provided. This outcome can of course only be measured against the goals set by the organisation or the project, and indicators may include economic, environmental, social and scientific ones. However, programmes operated according to the SROI con-

cept undertake calculations that are overwhelmingly financial-based.

There is an obvious criticism: there is a certain element of arbitrariness in any attempt to transform non-financial factors into financial ones, and there is a danger of distortion. The problem is that this creates a false illusion of measurability. One handbook for modern philanthropy has pointed out that critics argue “that an objective measure of effectiveness in a sector that is characterised by subjective judgements simply cannot be realised, and the assessment of cause-effect relationships is furthermore rendered impossible by the sheer number of different projects and programmes. Critics additionally find fault with the focus on quantifiable and demonstrable successes because risky or innovative projects with uncertain prospects will be disadvantaged before they even have a chance. They also regret the loss of the charity sector’s particular character to some degree as a result of a stronger market-based orientation. The result is that the charity sector increasingly focuses on

projects that produce positive effects that are easy to measure and prove, instead of funding projects that target the periphery.”⁴⁶

Online fundraising

This is also a new development, made possible by technological developments over the recent years. Betterplace.org, for example, is one open fundraising website. Organisations and individual projects can use the site to solicit donations of money or of someone’s time: “Our site brings together people who want to help with people who need help.”⁴⁷ The operation, which is incorporated as a non-profit company, does not solicit donations for organisations’ general operations or missions, but for specific projects only. Larger organisations, such as UNICEF, the German Red Cross and the German Kinderhilfswerk, also use the site. Everything is monitored in a way that has become typical for online services, through comments provided by individuals who know the project’s sponsor or have visited the project itself and who discuss proposals and rate them, with all of the advantages and disadvantages that a system like this brings.⁴⁸

Criticism of philanthrocapitalism

Citing the well-known American judge Richard Posner, Robert Reich has said that a charity organisation is an institution that is completely unaccountable. It is subject to no competition and responsible to no one, much like an absolutist monarch. It is actually something of a scandal.

Criticism 1: Authority to dispose of assets

Reich's reasons for his harsh judgement were less than convincing. He complained that foundations are not forced to organise democratic elections, and they do not submit themselves to economic competition: "A democratic society is committed to the equality of citizens, but foundations are the voice of the plutocracy."⁴⁹ This is correct, especially in the US, which has one of the highest levels of income and wealth disparity amongst developed countries. Reich's criticism takes aim at the fact that essential public

services and duties are subordinated to the right (and in many ways, the idiosyncratic decisions taken therein) of the wealthiest members of society to dispose of the assets they hold.

But at the same time, this type of criticism misses the target. It may be the case that a more democratic and egalitarian society is desirable, but things are the way they are. When it comes to the existing state of affairs, the decision is simply whether the “rich” will spend their money on a few more villas or private jets, use it to expand their financial investments, or donate a portion of their excess wealth to charities and foundations.⁵⁰ Only the latter option is commonly considered “acceptable”.

There are, however, two legitimate objections. The first is that there are foundations that support advocacy groups of various types and are therefore considered as engaged in politics.⁵¹ The second is that the resources being donated are not only resources belonging to the donors themselves. Had the donors not given the funds to these charitable institutions, then about half of this money would have gone to the state in the form of taxes.⁵² In other words, half of it is “public funds”, but the decision about how to dispose of these funds has been privatised.⁵³ In this way, potential tax revenue has been abandoned to private patrons. The benefactors enjoy public recognition for having “donated” the entire sum, when in reality they only contributed half.

There are however three arguments in defence of charitable institutions.

Firstly, there are forms of accountability other than democratic elections. One might ask how effective elections actually are in holding people accountable. It is also unclear why all problems should be solvable via some type of (broadly defined) “democratisation” in spite of practical experience that demonstrates otherwise. The other forms of ensuring accountability are reputation and scandal. When it comes to philanthropic organisations, there are not only “internal” measures (via donors, advisory boards, banks, fiscal authorities) for monitoring (which for their part must attend to legality and reputation). One should not forget the “external” means of monitoring as well:

(a) Insofar as foundations contribute to a donor’s reputation, the public’s judgement of the appropriateness of the foundation’s aims and expenditures is especially relevant. Many of these institutions therefore place great emphasis on transparency. If

the public believes that what is being done with the funding is nonsense, the reputation of the institution (and the donor) will be damaged.

(b) As long as there are investigative media, these will keep an eye on institutions' behaviour. Nothing can stop the media from reporting a scandal if bad behaviour comes to light.

(c) Appropriate organisations are increasingly involved in awarding certificates and seals of approval, and in performing evaluations. More on this in the next section.

Secondly, the freedom of charitable foundations to dispose of funding is an advantage when looked at from the perspective of the conformism that seems to be a natural result of both politics and competition, as mentioned above. Foundations can use the fact that they have a certain amount of freedom, especially in relation to their need to legitimate themselves, in order to distance themselves from the “mainstream”. They can occupy “niches” or attempt “experiments” that would otherwise be impossible due to concerns about political legitimation and economic profitability. That is to say, they can become places for innovation that stems from the new strategies and ideas that they have researched and put into practice, which would not have been the case had they not possessed the freedom to dispose of their funds as they see fit.⁵⁴

Thirdly, foundations have the advantage of being able to plan over a longer term than is possible for many political or market-based organisations. From this perspective, a lower level of accountability (to voters or to shareholders) can also have positive effects. Politics and the market hardly ever reward risky, long-term experiments; they are too beholden to legislative sessions and annual reports. Foundations can embark on activities equipped with a source of funding that (as is the case legally for charitable foundations) is designed to last “forever”.

Criticism 2: Unproven effectiveness

Many regard a focus on effectiveness with suspicion because they do not want to see charity contaminated by the “coldness” of calculations about means and ends. But inefficiency is no guarantee of human kindness. In addition to this emotionally based criticism, however, indicators of success come under fire. It is not always certain whether the

People can influence areas where they have a particular interest or goals in mind, where their families have long been active or where the social welfare state is not meeting its obligations. You decide yourself how and where you want to help. There have been rules regarding charitable donations since society's earliest days. Today the tithe takes the form of a donation. Or it finds a different way that fits better.

most appropriate indices are being used or whether conventional, business-oriented indicators are even appropriate for the types of problems that philanthropic organisations are supposed to address. In addition, the positive aspects of these approaches are exaggerated. There is little evidence and little analysis that supports the extensive positive claims that are made with regard to these methods. There are, however, several indicators that suggest the opposite.

The management perspective can tend to distort the particular character of these specific areas of activity, with their complex combination of politics, power and cultural and social relations. Things happen differently in this line of work from what people are used to in more market-based businesses. Those philanthropists who have sought to reorganise an aid organisation and the projects it engages in according to business logic do appear to have been rightly accused of knowing too little about questions of development, about concepts of social justice and about processes related to discrimination. Organisations that are “really” concerned with civil society are better placed to mobilise people, negotiate political solutions and provide empowerment to affected populations.

This critical stance was put forward in an article entitled “Just Another Emperor?”.⁵⁵ “In markets”, Edwards writes, “we are customers, clients or consumers, whereas in civil society we are citizens, and

each has very different implications. Markets process and deliver, while citizens' groups engage in co-creation, shared responsibilities and mobilizing people around a common cause.⁵⁶ The idealistic description of “citizens” who take their responsibilities seriously is nothing less than an idealistic description of philanthropic organisations.

Prominent supporters of this idea include Bill und Melinda Gates, who have said the following about their own activities: “We have the chance to improve people’s lives. There is no better task than philanthropy.”

In spite of or because of all of these criticisms, an orientation towards efficiency and monitoring/transparency is considered necessary amongst charitable organisations. Firstly, one can find little fault with the objective of putting resources to work where they are most needed or will accomplish the most. Many large programmes began with great hopes and promises, only to end with limited results and uncertain prospects. Sometimes failure is a result of external factors, but sometimes it is a matter of an institution’s limited capacities when it comes to planning and management.

Secondly, monitoring and transparency are indispensable.⁵⁷ This is not

a matter of investing money in undertakings that spend a large share of their resources on running their own organisation. The charities market is a market of emotions, and this means that there is plenty of potential for all sorts of fraudulent behaviour. It is certainly reckless to put donated money towards activities that are essentially nothing more than pretty decoration.

Criticism 3: The aid industry

The term “relindustry” is another manifestation of the public’s critical attitude towards being overly burdened by demands made on their sense of good will by charity programmes and the rise of company-like charities, including inflated bureaucracies.⁵⁸ The term plays on the fact that a large number of these organisations in the US are run by religious groups or are grounded in religious arguments. (It is important to remember that the religious sphere in America is quite fractured; gathering together any number of paying members allows you to establish a “church”.) It is not always clear what some smaller foundations or fundraising campaigns are actually collecting donations for.⁵⁹

Above and beyond that, the criticism is that the foundations created by the mega-rich have worked to create an aid industry that is incompatible with the democratic values according to which we are supposed to be living. The new capital available as

a result of these surplus resources ends up justifying the continued retreat of the state, which finds that it no longer needs to pay for the variety of assistance programmes it used to fund.

These arguments play a significant role in societies that are highly politically charged and in which funding for the welfare state has dried up, as we have seen in the past several years in the US and in the disputes between Occupy Wall Street and the Tea Party. This is not the case in European countries, though. In Europe, philanthropic organisations are smaller and the state is bigger, and most countries are still a long way from any sort of radical dismantling of the social welfare state model.

Working on problem areas: effective altruism

Though meant as a reproach, it is not entirely incorrect to regard philanthropic initiatives as “oddities” in a market economy. This does not, however, make them any less valuable. At the same time, several problem areas have been mentioned already that deserve some additional comment.

And as a subsidiary of a company that has been independently active on the market for nearly 185 years and that is founded on a core mission with social responsibility at its heart, we are the first point of contact for people wishing to engage in philanthropy.

Problem 1: Institutional self-reflection

Large, professional foundations have implemented guidelines, strategic regulations and reporting requirements that hold their activities accountable to objective conditions whilst also responding to political necessities. Thus the following papers can be found, for example, on the website of the Hewlett Foundation: Conflict of Interest Policy, Equal Employment Opportunity Policy, Policy Against Sexual and Other Forms of Harassment, Reporting of Financial Improprieties (Whistleblower

Policy), Social Investment Policy, Website Privacy Policy, Guidelines for Staff Service on Grantee Boards, Grantee References to the Foundation, Consultant and Vendor References to the Foundation, and External Use of Foundation Facilities Policy.⁶⁰ These policies need not be examined here in any detail; we mention them only to demonstrate how philanthropic organisations must be conscious of the fact that they are judged according to a variety of criteria, including “political correctness”. All of these play hardly any role in “day-to-day business”, but could be a cause for provoking a public scandal in certain cases.

Studies on the philanthropic sector itself are also a part of recommended institutional self-reflection. Let us take the Hewlett Foundation again as an example. This organisation considers the expansion and dissemination of information about philanthropy to belong to its remit, to say nothing of analysing philanthropic projects in order to improve sponsors’ decision-making processes. Relevant projects undertaken by universities and research institutions, consulting firms, institutions belonging to the philanthropic sector and other practitioners are therefore offered support, as are efforts to disseminate the findings.⁶¹

Problem 2: Observability

When it comes to “effective altruism”, the efficiency and effectiveness of the organisations receiving support play a crucial role since there are considerable differences when it comes to these factors. This is why those institutions that compile solid analyses and evaluate the philanthropic market on this basis are very useful.

These types of monitoring organisations are especially important when it comes to those institutions that operate on the edges of the philanthropic world (or are actively fraudulent: charity scams). Large-scale catastrophes (e.g. Hurricane Katrina or 9/11) result in a flood of initiatives and fundraisers that exhibit a criminal character.

The American Institute of Philanthropy, founded in 1992 and now known as CharityWatch, provides information about philanthropic organisations’ efficiency, accountability and governance. This is meant to encourage donors to support those organisations that are

working towards goals close to their heart and, at the same time, to guarantee the efficient and transparent use of donated funds. The group gathers information on the portion of the budget spent on fundraising and the amount spent on actual project work, as well as the remuneration received by three highest-earning employees of each organisation. In effect, it is something of a rating agency for charities.⁶²

This organisation is only one of several that engage in this kind of evaluation; others include Charity Navigator⁶³ and the Better Business Bureau/Wise Giving Alliance.⁶⁴ A comparative study,⁶⁵ however, questions whether the criteria being used are the same and whether they are reasonable in all cases. The study also criticises the fact that many of the criteria are too simplistic, that in many cases financial efficiency is given more weight than the effectiveness of the actual charitable work being undertaken and that it is difficult to assess the competence of the evaluators themselves. Some of the organisations offer “seals” for a completed or successful evaluation, which can create a conflict of interest. Other agencies engaged in evaluation in the philanthropic sector include Give Well,⁶⁶ Giving What We Can⁶⁷ or The Life You Can Save.⁶⁸

This type of meta-organisation exists in the German-speaking world too. The Deutsche Zentralinstitut für soziale Fragen (DZI-German Central Institute for Social Issues) is an independent foundation headquartered in Berlin. It evaluates German

charitable non-governmental organisations according to their use of donated funds and awards a seal of approval. This is meant to guarantee that the relevant organisation has been found to be trustworthy and transparent, that it has sound financial reporting and transparent fundraising practices, and that donated funds are used responsibly and in accordance with the stated aims.

We have demonstrated with our “declaration of independence” that we intend to act responsibly and in accordance with tried and tested values. Our clients’ trust shows that we are on the right path: intelligibility, accountability and transparency are the foundations of a well functioning partnership. We are taking a further step in this direction with our consulting services for philanthropy.

Problem 3: Quasi-philanthropy

Charitable organisations are subject to an array of restrictions when it comes to utilising their funds. It is precisely the increasing similarity between charitable activities and market-based activity that blurs the line between them. This is all the more true when philanthropic organisations have grown into large companies themselves. This naturally excludes organisations that turn a profit, but it is not always clear to what degree an organisation may dedicate its operations to keeping itself in existence. (One of the uncontested findings of organ-

isational research, after all, is that an organisation's need to ensure its own existence takes precedence over its other activities.) Luxurious executives' expense accounts, too, are something that would call an organisation's trustworthiness into question.

It is the relationships between philanthropic organisations that is of interest here, between those higher up and those lower down on the "money chain". Normally larger foundations give funding to small NGOs or CSOs (non-governmental organisations or civil society organisations). Large donors or foundations are able to vet "lower" organisations that are "implementing" the charitable project. It is much more difficult for small funders and donors to gather reliable information on the trustworthiness of organisations. Even simple fundraising campaigns are advised to evaluate the intended recipient.

The organisation The Life You Can Save provides an excellent illustration of how one thing leads to the other. The Life You Can Save is devoted to getting people to commit to reserve 10% of their income for supporting global charitable efforts (improving the lives of the world's 1.2 billion poorest people). One result is the related task of providing recommendations of organisations deserving of funding for those people who do want to donate money. And that requires differentiating transparent and efficient organisations from those that are not.

In this case, the organisation has chosen the easiest way to provide access to information – they list ten recommended projects online: Deworm the World; GiveDirectly; Against Malaria Foundation; Oxfam; Proven Impact Fund/ Dispensers for Safe Water; The Fistula Foundation; Seva / Fred Hollows Foundation; Project Healthy Children; Nyaya Health; Population Services International. This provides a guarantee of the quality and efficiency of the listed projects.

Problem 4: Priority ranking

The most significant areas of funding for philanthropic institutions are the same as those that have been listed by the Rockefeller Foundation, for example: health and safety; education; arts, culture and heritage; human and civil rights; economic security; and the environment. This may encompass a great deal, and the question naturally arises as to which areas are more in need of sponsors right now. But there is no objective answer to this issue.

Peter Singer believes that it is possible to rank priorities among various areas and projects.⁶⁹ Someone may choose to donate 100,000 dollars to build an addition to the local museum to allow for the better presentation of its collection, or the same amount could be donated to an organisation treating and preventing conjunctivitis amongst African children. This amount of funding could prevent 1,000 children from going blind. This kind of comparison is of course quite compelling – but also unfair. There will always be horrible conditions somewhere in the world as a matter of course that could take precedence over donations for cultural, educational or spiritual activities. If altruistic behaviour were to be defined so starkly, then even one's personal lifestyle would necessarily have to “downsized” to such a degree that it would itself not be unenjoyable. After all, even for those living in modest circumstances in developed countries, one would have to forego most expenditures since every 100 dollars could be better spent preventing blindness.

We are left then with a dilemma: meaningful areas for philanthropic funding can be defined, but there can be no real, purely “objective” way of ranking them. And this is as it should be, given what we have already said about the diversity of goals and methods.

The culture of giving: “In giving a gift, you give of yourself”

Late modern culture is not very hospitable to philanthropy. It is often described as individualistic, egocentric, narcissistic and consumerist. Such assessments draw on a number of larger trends in contemporary society, but a wealth of theoretical analyses and practical observations do indicate that there is an increasing egocentrism. Is philanthropy outdated?

The public aspect of philanthropy

Do good and tell others about it – this reads like a saying one would find on a wall calendar, something that sounds like it is based on sound research, like much in today’s self-help materials. These types of sayings are half-truths, though. Philanthropy tends to have names and faces attached to it, and this aspect is a matter of contentious debate. There is a donor or funder; this is not a matter of an anonymous fundraising campaign. There

are two good arguments to be made when it comes to the publicising of philanthropic activities, one for and one against.

The argument against publicising is that doing something for one's fellow human beings is a commandment of sorts, and there is more than a little embarrassment attached to depicting or promoting oneself as being a "good person". It is somewhat less embarrassing when companies justify their altruistic or charitable activities by pointing to the additional advantages bestowed on the company's image by such undertakings and that therefore these "must" (in a broad sense) be seen as related to their marketing or public relations activities. The charge of self-promotion is somewhat more potent when it comes to small businesses or private individuals as they are not held to the same standards of public accountability and there is always a fine line in publicising these types of activities. There is also the question of how it is done and how credibly it is done.

The argument in support of publicising philanthropic activities is that donations or the intent to donate on the part of private individuals or by companies provides an impetus for other people and organisations to follow their example. If egocentric and egotistical behaviour has become the norm in late modern societies, then impressive philanthropic donations and projects may provide a counterweight to an egotistical, calculating mind-set.

The Life You Can Save organisation writes in its mission statement:

“The Life You Can Save is a movement of people fighting extreme poverty. We hold that an ethical life involves using some of our wealth and resources to save and improve the lives of those less fortunate than us. For this reason, we spread knowledge of what all of us can do to reduce poverty and we encourage people to publicly pledge a percentage of their income to highly effective aid organizations.”⁷⁰

This speaks to the sense that there is a public effect of self-promotion. As was the case in the 19th century as the social welfare state was being formed, philanthropy may embody an element of concern for promoting social stability. That is, it may seek to prevent protest, alleviate social conflict and legitimate one’s own position. But it is the example that is more important. When a society considers altruism to be a manifestation of “mental confusion” because a healthy dose of egocentrism (in terms of maximising the use of something or increasing profits) is considered “appropriate”, there is some advantage to being

presented the “opposing view”: signs of altruism, acts of selflessness, symbols of humanitarianism. Let me conclude with two additional comments, one somewhat abstract and the other concrete.

The abstract remark has to do with the sociologist Georg Simmel, who noted that every act of socialisation was based on the effects of the relationships enduring and continuing beyond that moment in which they were created. This is true for giving and receiving, for the act of gift-giving and the feeling of thankfulness.

This creates an emotional element in the world that is not dependent on relationships between concretely distinguishable individuals. The “good deed is not only the passing of material from one person to another. Instead we thank the artist and the writer, neither of whom knows any of us. This fact creates myriad connections – idealised and tangible, loose and concrete – among those who share a thankfulness towards this giver. We not only thank someone for what they have done. This same sense describes too the feeling that marks our reaction to the very existence of a person’s character. We give them thanks simply because they are there, because we get to have the experience of knowing them.”⁷¹

The concrete observation is that people discover how the world is constituted not least (and with ever increasing intensity) through media channels. If only the one side is represented there – the display of profit, greed, prizes, bonuses, privileges – then the world is given a different face over the course

of time. “Standards of normality” change. These types of images of the world take root in people’s heads and people become different themselves.

If society is not to become a sphere characterised by egocentrism and egoism, then altruistic behaviour must be “depicted” too; it must become visible, grow more intense and finally dominate society.

Charitable acts must also find a place in the media so that people experience them as completely normal, not simply the actions of naïve people on the edges of society. A society would be in a bad state if paying attention to the common good was only seen as bizarre.

Ability to be personally self-reflexive

A philanthropic attitude is founded on an ability to be self-reflexive: seeing oneself with others’ eyes. We can see this kind of self-reflexion in those wealthy individuals who withdraw to the simplest manifestation of the things we have been

discussing: They do not really need so much money. They can't do anything sensible with it.

This self-reflexion begins with looking at their own requirements: What do they really need? This question is not a hidden appeal for a puritanical lifestyle but rather a request to think about all of those foolish things that are commonplace in a wealthy (consumerist) society: the expensive car, the luxury watch, the fifth apartment, the trip around the world. Verena Winiwarter, an environmental historian and Scientist of the Year, explains it in a succinct way: "At heart we know that a Porsche isn't going to make us more potent or happy."⁷²

The question can also be looked at from the other side: we should be irritated that an expensive car – a really expensive car – has not long turned into an anti-status symbol. After all, it indicates a rather limited worldview when someone needs to give themselves value via these kinds of symbols. The majority of luxury products could even be regarded as a worrisome indication in that they make us wonder what psychological flaw the owner or user of such an item is trying to compensate. Each one of these products is a warning sign: a childish show-and-tell betrays an immature personality. To put it another way, upstarts, social climbers, parvenus and C-list celebrities need to demonstrate who they are by means of what they own. And they are nothing more than what they can show off.

And the old saying sounds better when slightly reworked: "Waste not, rather donate."

When you wander through the endless fields of the superfluous, you will find a staggering number of products that can be found in the average home in wealthy western countries, products that are never used and will inevitably be thrown away. And this doesn't stop at all at average income level, since there are all different standards of living in the highly developed countries, and those who earn above the average income level have a great deal of latitude to fill their lives with conveniences. Statistics tell us, however, that there is a large group of people who earn an income that vastly exceeds the amounts that are necessary to provide for a comfortable life. They possess considerable assets that are, simply put, not necessary – or that are just spent on fripperies.

The alternative to this type of "life full of fripperies" is not a "cheap life", depriving oneself, praising functional and aesthetic inexpensiveness. Ugliness is not the basis for any claim to morality. There is also that a rather wise saying: "I don't have much money, so I can't

afford anything cheap.” A dignified lifestyle is noble, but not wasteful. It provides evidence of a person’s sovereignty and competence, not just the money at his disposal. It is concerned with quality, not quantity – and quality is not necessarily something that can be measured with money. There is a serenity in the dignified lifestyle; it takes no part in this consumerist frenzy. If we take these benchmarks as our guide, then the group of people who can afford to engage in notable philanthropy is not actually so small after all.

ENDNOTES

¹ *What is referred to here is a not-for-profit organisation that works in the interest of the common good. The objectives may be charitable, educational, religious, scientific, artistic or anything else that serves the public interest or ameliorates conditions related to the common good.*

² *In the following text, certain “word packets” will be used without further specification of their exact meaning in every case in which they are used, though each one may have several different nuanced meanings according to the objective or subject-specific context in which it is used. In spite of these nuances, there is insufficient space to differentiate between charitable organisations, foundations, not-for-profit organisations, charities, civil society and social welfare organisations as well as trusts, for example, when all of these are philanthropic organisations, even though they may take different legal forms and possibly have different objectives. These groups may also take the form of clubs, societies, cooperatives or similar types of organisations. Therefore, I use the word “foundation” throughout not to refer to a particular legal form of organisation, but in a more general, practical sense: an organisation in which assets are put to use for shared, social purposes. Something has been “endowed”. These include foundations established to benefit family members, for example. [The word “Philantropie” used in the original German-language version of this text is far less commonly used than the equivalent “philanthropy” in English. The German concept of “Philantropismus” (philantropism) again means something entirely different. It is related to a pedagogical reform movement started by Johann Bernhard Basedow that was embodied in the Philantropinum, an eighteenth-century school, the name*

of which lives on today in the name of the Gymnasium (secondary school) located in Dessau. Our discussion here has nothing to do with this movement or meaning.]

³ Rescher 1975.

⁴ *Claims made on the state may result of course in expectations that exceed the financial means that are available. This is due not least to the fact that the general public has no realistic or reasonable conception of the magnitude of the figures being discussed.*

⁵ Bayertz 1998; Brunkhorst 2002; Hondrich and Koch-Arzberger 1992.

⁶ *Wolfgang Kersting writes, “What we understand under a mutual support group is [...] a compensatory system of mutual social care that is particularly concerned with the needy, disadvantaged and aged populations, the ill, those who have experienced failure, those who have fallen on hard times and victims. Modern versions of mutual support societies are abstract, whereas traditional types take more concrete form. In concrete mutual support societies, people help people. In abstract versions, a centralised bureaucracy distributes a growing proportion of the legally collected tax revenue to those with legitimate claims to it. Abstract mutual support societies give altruism a state-based form and transform Samaritans into civil servants. These developments were admittedly necessary. The processes of socio-economic modernisation resulted in the progressive weakening of the ameliorative capabilities of the more concrete forms of mutual support societies. This is why new, modern organisations dedicated to mutual support needed to take the place of the more traditional forms.” (Kersting 2000, p. 12)*

⁷ Prisching 2010, 2003.

⁸ Kersting 2000, p. 15.

⁹ Simmel 1983, p. 444.

¹⁰ Matthias Zimmer outlined the boundaries of feelings of responsibility stemming from a sense of solidarity: "The legal figure in the concept of sovereignty shares an etymological root with the modern concept of property, and there must be no doubt that solidarity has clear limits when property is involved. All systems of solidarity that are involuntary in character impinge upon one's property, whether in the form of taxes or other financial duties. Solidarity, in those contexts in which it is legally required, must be weighed against property rights. This begins with property in the sense of one's own person: there can be no legal compulsion to donate one's organs, for example, regardless of whether one is alive or already deceased. Consent is required in every case. The sanctity of one's own body is a fundamental principle of human freedom and a central negative right in terms of being free from the state or societal demands. Property limits solidarity in other cases, too, in terms of both material and intellectual property. If I were to have discovered a drug that could cure AIDS, for example, the concept of solidarity cannot place any legal obligation on me to share my discovery without compensation. This may be regrettable, but this principle is logically derived from the concept of intellectual property. In addition, I cannot be forced to share my home with other people. There is similarly no legal obligation to make my property available to others without limit in accordance with a concept of solidarity. [...] The degree to which the state may make a claim on individuals' material or intellectual property in a normal democracy differs from country to country. There is however one basic condition: there is a point after which claims on individuals' property no longer conform to the concepts of justice, and these claims must therefore be seen to be illegitimate" (Zimmer 2011). Furthermore, solidarity tends to decrease as the distance between

people grows. Solidarity is connected to the notion of reciprocity: mutual responsibility is based on reciprocal expectations. Finally, the obligations attached to solidarity must be sustainable, otherwise any sense of solidarity between generations will grow increasingly limited.

¹¹ The attitudes surrounding expectations and standards may assume a certain powerful effect. There are expectations about appropriate activities and behaviour. Savings banks in less densely populated areas, for example, are often expected to support local clubs and initiatives. People expect certain contributions from companies at Christmastime or to mark particular anniversaries.

¹² Simmel 1983, p. 446.

¹³ People may disagree on the specifics when it comes to general requirements regarding proper behaviour. One may offer thanks or provide reports on how the funds are being used. There is some contention regarding the question of whether one must refrain from voicing criticism related to a donor. (This becomes a topic for discussion when companies sponsor schools or universities, for example, or when companies have cooperative arrangements with media outlets.)

¹⁴ Following a four-year absence, Bill Gates was again ranked as the world's richest person in 2014. Forbes lists 1,645 billionaires, of which eleven are Austrian. With his assets of 55 billion euros, Gates relegated the Mexican telecommunications tycoon Carlos Slim to second place. He is followed by the founder of the Spanish fashion chain Zara. The founders of Aldi and Lidl are listed among the top few dozen. The US is home to the greatest number of dollar-billionaires, followed by China and Russia.

¹⁵ See [secure.corporate.coke.at/content/at/corporate/wwwf.aspx\[140301\]](http://secure.corporate.coke.at/content/at/corporate/wwwf.aspx[140301]).

¹⁶ Corporate volunteering involves voluntary work taken up by the entire company or the encouragement of and support for employees individually engaging in volunteering work. In this way, a company's human resources are devoted to charitable work that is separate and distinct from the company's core business activities. Employees (or a portion of their time) are deployed to engage in charitable activities (this can be simple physical work or the use of employees' know-how) or, alternatively, their own volunteering work is encouraged. This can take the form of dedicated days (e.g. the erection of a playground), a systematic mentoring (e.g. providing advice for organisations) or pro-bono service provision (e.g. an attorney advising an immigrants' rights organisation). When employees of a company are deployed to another organisation for a set amount of time – generally three months – to offer their professional experience, this is called secondment.

¹⁷ Hösle 1997, p. 370.

¹⁸ Mauss 1990, p. 165.

¹⁹ The following orders and congregations act as trustees of Austrian hospitals: the St John of God Hospitalier Ministries (Barmherzigen Brüder), the Franciscans (in several varieties), the Order of St Elisabeth, die Barmherzigen Schwestern, the Vincent de Paul Group (Vinzenzgruppe – comprised of a variety of orders), and several projects run by Diakonie, the social welfare organisation of Austria's Protestant churches.

²⁰ "After WWII, Austria lay in ruins and people were starving. This made the one million CARE packages distributed throughout the country all the more important. Some forty years later, Austria ranked among the richest countries in the world and was thus in a position to provide aid to others. CARE Austria was founded on 14

May 1986 as the eighth member of the global CARE aid organisation. [...] In 2012, EU public funding accounted for 55.74% of the financing for CARE Austria's projects; domestic funds accounted for 15.99% and private donations made up 27.82%. Of this, 86.82% of the funding was directly used to fund programmes and projects while 10.61% was dedicated to fundraising and general public relations efforts. Only 2.57% was spent on administrative costs. The focus of CARE Austria's projects in 2012 was overwhelmingly Africa, which received 33% of the funding raised, 19% was used for projects in Asia and 30% in the Middle East. Projects in Eastern Europe received 18%." (www.care.at/ueber-care/care-in-oesterreich [140301])

²¹ See Reich 2013.

²² www.bewlett.org

²³ In the European context, the top fifth or 10% of the wealthy are generally spoken of, which counts among the rich anyone with a monthly net income greater than 4,000 euros – which is certainly not what people generally think of when they use the term. In these upper ranges, things really only begin to get “interesting” when you reach gross annual incomes of 250,000 or 300,000. Only then are we discussing people who are actually wealthy, up to and including top managers from the worlds of industry and finance with annual incomes in the millions. Robert Frank (2007) came up with an amusing descriptive word for the phenomenon, which also served as the title of his book: This is the borderless country of the super-wealthy, fully removed from the world, where everything has much more to do with your assets than your income. Having freely disposable assets of around 500 million dollars is what separates the super-wealthy from the merely wealthy. This global inner circle includes 100,000 UHNWIs (ultra-high net worth individuals) with assets of between 30 and 500 million, 1 million HNWIs (high net worth individuals) with assets of about 35 million and around 10 million people with assets of between one and five

million dollars. This last group of people frequently includes highly qualified service providers who serve the other top asset holders. Among the truly asset-rich, there are those whose capital is inherited from one generation to the next, nouveau riche entrepreneurs from the technology sector or financial services as well as the growing elite from non-Western countries – and a few Western countries – whose assets have been drawn from corrupt privatisation schemes. The polarisation between income and assets over the past several years has contributed to the development of a plutocracy in Western societies which is bringing the “exceptional half-century”, the second half of the 20th century, to an end (see Hans Jürgen Krysmanski in his (German-language) *Telepolis* interview <http://www.beise.de/tp/artikel/31/31762/1.html> and his book Krysmanski 2009).

²⁴ Kraus et al. 2009; Kraus et al. 2012; Piff et al. 2010; Piff et al. 2012a; Piff et al. 2012b; Twenge 2006; Twenge and Campbell 2009.

²⁵ American studies on fundraising demonstrate that while the wealthy donate large sums of money, these represent only 1.3% of their income, while the poorest members of society donate 3.2% of their income to charities.

²⁶ Billionaires, removed from reality as they are, are prone to make outrageous comments (much like provincial politicians). The American billionaire Tom Perkins, for example, talks about “a war on the rich in America”, a war aimed at the 1%, which he compares to the Nazi persecution of the Jews and *Kristallnacht* (*Der Standard*, 28 January 2014).

²⁷ www.looktothetstars.org

²⁸ Of course, the number of organisations that receive support says nothing about the degree or volume of that support. But a list of the pertinent organisations gives us some sense of the dimensions of the “philanthropic market”. Using Bob Geldof as our example, the following

organisations appear on the list: 21st Century Leaders, 46664, Aegis Trust, Amnesty International, Bottletop, Cinema For Peace, Elton John AIDS Foundation, Estamos, Live 8, Make Poverty History, Mo Farah Foundation, ONE Campaign, Population Services International, RADD, Raisa Gorbachev Foundation, War Child, Whatever It Takes, Willow Foundation.

²⁹ Carnegie 1901.

³⁰ Original: *de.wikipedia.org*, keyword "Non-Profit-Organisation". [140223].

³¹ The ten largest donors in the US are: Warren Buffet (estimated donations of 40 billion dollars); Bill & Melinda Gates (27 billion); George Kaiser (bank CEO; about 3 billion); George Soros (7 billion); William Barron Hilton (hotel chain; 1.7 billion); the Walton family (Walmart; 2 billion); Herbert & Marion Sandler (savings bank; 1.4 billion); Peter Peterson (Blackstone; 1.2 billion); Donald Bren (real estate; 1.3 billion); Michael Bloomberg (1.5 billion). Spiegel Online 04 August 2010, with information taken from Business Week [140223].

³² With reference to volume alone, the Stichting INGKA Foundation in the Netherlands is somewhat larger, but it was created by Ingvar Kamprad for the IKEA chain and spends only between 65 and 82 million euros annually (2011 and 2012) for charitable purposes. The money is donated to organisations such as UNICEF, UNHCR and UNDP.

³³ Buffett comes up with other ideas as well to raise money for charitable causes: "Millions for a meal with Warren Buffett. The legendary investor once again auctioned off the opportunity to have a meal with him, which went for 3.5 million dollars. – The legendary investor Warren Buffett auctioned off a lunch date with him and broke his previous record by an astounding margin. On late Friday

evening (local time), an unnamed bidder won the annual auction, securing a lunch date in New York with the third richest man in the world. The 106th and final bid was for 3,456,789 dollars (2.77 million euros). Last year's winning bid was 2.6 million. The winner and seven of his or her friends will join Buffett for lunch at the New York steakhouse Smith & Wollensky. The bid will go to support the charity GLIDE, which works with the homeless and other disadvantaged people in San Francisco. The lunch is regarded as a huge accolade in the financial sector. Buffett, who will be 82 in August, is a living legend in the investment world. Though he is ranked as the third richest person in the world by Forbes thanks to his 50 billion dollar fortune (40.1 billion euros), he lives relatively simply and donates large sums of money." (APA 9 June 2012; Der Standard 9 June 2012, *derstandard.at* [140223])

³⁴ Warren E. Buffett: "Stop Coddling the Super-Rich", New York Times, 14 August 2011. [140223]. Buffett can justify his argument: "Our leaders have asked for 'shared sacrifice'. But when they did the asking, they spared me. I checked with my mega-rich friends to learn what pain they were expecting. They, too, were left untouched. While the poor and middle class fight for us in Afghanistan, and while most Americans struggle to make ends meet, we mega-rich continue to get our extraordinary tax breaks. Some of us are investment managers who earn billions from our daily labors but are allowed to classify our income as 'carried interest', thereby getting a bargain 15 per cent tax rate. Others own stock index futures for 10 minutes and have 60 per cent of their gain taxed at 15 percent, as if they'd been long-term investors. These and other blessings are showered upon us by legislators in Washington who feel compelled to protect us, much as if we were spotted owls or some other endangered species. It's nice to have friends in high places. Last year my federal tax bill — the income tax I

paid, as well as payroll taxes paid by me and on my behalf — was \$6,938,744. That sounds like a lot of money. But what I paid was only 17.4 percent of my taxable income — and that's actually a lower percentage than was paid by any of the other 20 people in our office. Their tax burdens ranged from 33 percent to 41 percent and averaged 36 percent. If you make money with money, as some of my super-rich friends do, your percentage may be a bit lower than mine. But if you earn money from a job, your percentage will surely exceed mine — most likely by a lot."

³⁵ *www.spiegel.de* on 04.08.2010 [140223].

³⁶ The foundation's website lists the following objectives: "The Foundation's programs have ambitious goals that include: helping to reduce global poverty, limiting the risk of climate change, improving education for students in California and elsewhere, improving reproductive health and rights worldwide, supporting vibrant performing arts in our community, advancing the field of philanthropy, and supporting disadvantaged communities in the San Francisco Bay Area." (*www.bewlett.org*)

³⁷ Yunus won the 2006 Nobel Peace Prize and is described on the Nobel Prize Committee's website as "Banker to the Poorest of the Poor": "Mubammad Yunus and Grameen Bank were awarded the Nobel Peace Prize for 2006 for their work to 'create economic and social development from below'. Grameen Bank's objective since its establishment in 1983 has been to grant poor people small loans on easy terms — so-called micro-credit — and Yunus was the bank's founder. In 1972, following studies in Bangladesh and the USA, Yunus was appointed professor of economics at the University of Chittagong. When Bangladesh suffered a famine in 1974, he felt that he had to do something more for the poor beyond simply teaching. He decided to give long-term loans

to people who wanted to start their own small enterprises. This initiative was extended on a larger scale through Grameen Bank. According to Yunus, poverty means being deprived of all human value. He regards micro-credit both as a human right and as an effective means of emerging from poverty: Lend the poor money in amounts which suit them, teach them a few basic financial principles, and they generally manage on their own, Yunus claims." (www.nobelprize.org [140204])

³⁸ www.google.com/giving [140227]. They point out with regard to disasters: "Since 2005, we've donated more than \$ 9 million to relief and recovery efforts around the world, including Hurricane Sandy, Hurricane Katrina, Northern India flooding, the Oklahoma tornado, the Japan earthquake and tsunami. In addition to critical crisis response tools, we provide grants that support first responders and long-term rebuilding efforts." In the area of community grants they note: "Google has offices in 70 cities and more than 40 countries around the world. Wherever we are, we give to nonprofits that are working to make these communities better, with initiatives ranging from robotics training in Germany to park rehabilitation in New York to historic conservation sites in the UK." The site's key take-away is: "Each year, we donate \$100,000,000 in grants, 60,000 hours, \$ 1 billion in products."

³⁹ Critics are sceptical about the various results of this process: "Crammed with large and small private foundations, charities and multi-billion dollar public institutions with huge, complex and unwieldy bureaucracies, each competing for funds and attention, the industry offers a quagmire of goals and purposes, supported by powerful public relations campaigns, lobbyists and political allies. As HELP has expanded, it conflicts with the democratic values we live by, choices of our representatives, and checks and balances. Peopled with saints and charlatans, self interested and devoted, and, on the side, professionals hired to raise money, earning a

percentage of all money raised, academics hired to support policies that many consider questionable, consultants and employees who fight for their own agendas, to preserve their job or advancement, the industry has become an unwieldy mess." (Wortman 2014)

⁴⁰ Bishop and Green 2008.

⁴¹ Letts et al. 1997.

⁴² evpa.eu.com/knowledge-centre/what-is-vp/ [140203]

⁴³ Kramer 2009.

⁴⁴ One project that is offered as an example of this type of catalytic approach is Thomas Siebel's anti-methamphetamine campaign. Methamphetamine is an addictive and highly dangerous drug that can lead to psychological problems and all sorts of destructive behaviour. Its use is widespread in rural America. Living on his Montana ranch in 2005, Siebel learned of the especially high incidence of use in that state. A preliminary study showed that not only adults, but especially younger people, had little idea about the harm the drug posed. Siebel hired an advertising firm to develop a first-class comprehensive campaign (print, online, posters, TV) including using some of the best directors in Hollywood. The result was a shocking campaign with disturbing photos. (The campaign also happened to win 43 international advertising awards.) The whole thing was exceedingly professional in approach, including the use of focus groups to ensure that it would reach teenagers. Siebel established a 2 million dollar annual budget. After three years, meth use in Montana had fallen 45% amongst teenagers and 72% amongst adults, while crime associated with the use of the drug was reduced by 62%. Knowledge about the dangers posed by the drug has risen from 25% to 93% among young people. Following the initial phase, "reminder campaigns" are initiated from time to time, too. (Kramer 2009)

⁴⁵ There are two corresponding forms of SROIs: prognostic and

evaluative analyses. These are distinctly related to social accounting and cost-benefit analyses. All the same, SROI analyses aim to establish a financial quantification in accordance with normal business accounting practices, with financial proxies if need be. See the homepage www.thesroinetwork.org.

46 Issuu.com/csspcompany/docs/formendermodernenphilantropie_cssp, p. 31 [140204].

47 www.betterplace.org [140204]. According to the website, more good projects are made available to choose from, transparency and a sense of connection are created and – thanks to the “web of trust”, the interactive messages provided by users – a significant level of reliability is achieved. “Our ‘Web of Trust’ provides you with a greater number of evaluations from more differentiated perspectives. Nowadays, everyone has their own criteria for determining what makes a good social project. One may support a small, local project in Kenya because a friend recommended it after having travelled there. Another may support a German aid organisation because it has done good work for decades now. Others may only trust organisations with a “donors’ seal” or Ashoka, the largest organisation for social entrepreneurs. We are able to reflect all of these individual perspectives and assessments in this ‘web of trust’ that is being spun around all of the projects included on betterplace.org.”

48 This is a variation on that model for creating and disseminating information that is derived from information-poor connections on the internet – it is meant to compensate for this by creating a sense of trust. You can find similar opportunities to provide reviews on travel sites, Amazon and eBay as well as with many companies. This way of providing reactions and responses functions less well in those areas that place a great emphasis on “discourse”, such as in the opinion columns offered in many daily

newspapers. In these types of fora, little else receives attention aside from the unbelievable malice, pessimism and hypocrisy we can find in our fellow human beings.

49 Reich 2013.

50 This argument only becomes convincing when the fact that wealthy individuals dedicate a portion of their assets to philanthropic activities is used to justify not spending time or effort to ensure a more just societal distribution of income because the money will in fact be redistributed via secondary or tertiary channels.

51 In this case, however, we will have to look at concrete examples. If the term is understood in its broadest sense, then everything a foundation does has “political” significance. But it is something else entirely, of course, when the Hewlett Foundation, for example, supported a lawsuit against the state of California that sought to improve the state’s schools (with respect to school infrastructure and the quality of teachers). The Pew Charitable Trust explicitly supported a lobbying campaign to improve legal standards related to energy efficiency. (Kramer 2009)

52 Another may support a German aid organisation because it has done good work for decades now.

53 Robert Reich summarised this well-known issue as follows: “Philantropy in the United States is not just the voluntary activity of a donor. Philantropy in general, including the work of foundations, is generously tax-subsidized. The assets transferred to a foundation by a donor are left untaxed in two respects: the donor makes the donation more or less tax-free, diminishing the tax burden she would face in the absence of the donation; and the assets that constitute a foundation’s endowment, invested in the marketplace, are also mostly tax-free. The details of the subsidy have varied over time, but philanthropy in the United States has long

involved subsidizing the exercise of individual liberty.” (Reich 2013) These types of state contributions did not exist during the first golden age of foundations.

54 Reich 2013. Increased innovation brings with it increased risk, which also means a higher rate of failure. But failure is to be avoided at all costs in both politics and in the financial markets, which is why there is a tendency towards less innovation in the mainstream.

55 Edwards 2008.

56 Edwards 2008, p. 62.

57 Robert Reich encourages transparency: “Transparency might increase accountability. But apart from fulfilling the payout and tax-filing obligations, foundations can, and frequently do, act secretly. They need not have a Web site or office, publish an annual or quarterly report, or articulate any grant-making strategy. They need not evaluate their grant making. If they do, they need not make such evaluations public. Foundations sometimes do act transparently, providing all of the above information and more. You can find similar opportunities to provide reviews on travel sites, Amazon and eBay as well as with many companies.” (Reich 2013)

58 Wortman 2014.

59 See Reich 2013.

60 Similar documents can be found at other foundations as well. See www.fordfoundation.org, for example.

61 www.hewlett.org

62 www.charitywatch.org

63 www.charitynavigator.org

64 www.bbb.org

65 National Council of Nonprofit Associations: Rating the Raters. An Assessment of Organizations and Publications That Rate/Rank

Charitable Nonprofit Organizations
(available at www.donorsforum.org) [140223].

66 www.givewell.org

67 www.givingwhatwecan.org

68 www.thelifeyoucan.save.org.
*Some of these organisations, like the one named here, have grown out of different aims – Peter Singer wrote a book entitled *The Life You Can Save* in 2009, which is the origin of this group.*

69 Peter Singer, “Good Charity, Bad Charity”, *New York Times Sunday Review*, 10 August 2013. Jake Hildner provided a reply: “Is There a ‘Better’ Worthy Cause?”, *New York Times Sunday Review*, 12 August 2013 (www.nytimes.com, [140223]).

70 www.thelifeyoucan.save.org
[140203]

71 Simmel 1983, p. 444. The French anthropologist and philosopher Marcel Hénaff similarly argued in his book on the price of truth that it was misguided to think of the category of giving as simply an antecedent of the economic exchange of goods – it created social cohesion (Hénaff 2009). But it also indicates a challenge: it is an act of generosity in the game of recognition. When one gives, one gives something of oneself too. (See also Bedorf 2010.)

72 Interview in *Der Standard* from 7 January 2014. This succinct sentence manages, in its banality, to hit the target, as depth psychologists have continually speculated on the degree to which cars in general, and powerful cars more specifically, may act as symbols of sexual potency. There are good reasons to believe, however, that a particular object in the garage cannot exert much influence on the pertinent biological functions. But the parties involved seem to believe it does.

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IMPRINT

Published by

CAPITAL BANK – GRAWE GRUPPE AG

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THE XACT BRAND DESIGN NETWORK

Concept: Ekkehard Schitter

Text: Manfred Prisching, Hannes Luxbacher, Constantin Veyder-Malberg

Translation: Interlingua Language Services

Cover image: © www.thinkstock.com

