A special report on global leaders

They work for us

In democracies the elites serve the masses

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IN SEPTEMBER last year Bill Gates and Warren Buffett sat down with 50 of China’s richest tycoons to a sumptuous dinner of nothing at all. The point the two philanthropists were making was that those who have more money than they can ever spend on themselves should consider spending it on others.

Philanthropy has a long history. What is new is that philanthropists now have more money to give away than ever before. They are often young, energetic and intellectually gifted, too. Bill Gates was only 39 when he set up his charitable foundation, so he could end up spending more years managing his charity than he did running Microsoft. Mark Zuckerberg, the founder of Facebook, was only 26 when he gave $100m to schools in Newark.

Modern philanthropists are typically self-made, so they are used to getting things done. Rather than simply handing sacks of cash to charities that already exist, they often prefer to build their own institutions, observes Paul Schervish, the director of Boston College’s Centre on Wealth and Philanthropy. The way they measure their success is not by how much they disburse but by the return they earn on their charitable investment, measured in lives saved or improved.

The super-rich philanthropists of a century ago, such as John D. Rockefeller and Andrew Carnegie, were equally driven but less numerous. Today there are well over 400 billionaires in America alone, many of them in fine fettle and eager to embark on a second career. Such people are often workaholics and have no wish to retire.

The charitable rich do their bit to soothe the social tensions that arise from growing inequality. Yet their work should be seen in perspective. Even in America voluntary transfers of wealth are dwarfed by public spending. Americans gave away $217 billion in 2009, estimates Mr Schervish. Government spending on health care and pensions was ten times that.

By and large, global leaders change the world more by doing their day jobs than in their spare time. Even Mr Gates, who was widely reviled for his business activities, probably did more good by amassing his fortune than he is doing by giving it away. The computer revolution he helped to bring about transformed the way people handle information. Perhaps his foundation will spur some equally momentous change, but it seems unlikely.

Tying Gulliver down

Recent history bristles with examples of the elite causing mischief. In 2008 clever but reckless bankers sparked a global meltdown. Governments are quite rightly taking steps to rein in their excesses; tougher regulations may reduce the risk of a repeat, but will not eliminate it. On a smaller scale, the world’s brainy citizens are not necessarily being altruistic even when they claim...
to act for the common good. American lawyers, in punishing doctors’ mistakes, make medicine more costly. Students in Europe riot to demand that others, including those not fortunate enough to attend university, pay for their tuition.

The elite are most likely to do harm when they rely on the coercive power of the state: for example, when they persuade it to grant them special favours. In autocratic countries such as China and Russia the most influential people devote a disproportionate amount of energy to such rent-seeking. In liberal democracies ordinary folk are better defended. Elections force politicians to take the public’s wishes into account every few years. Competitive markets force business leaders to heed their customers’ demands all the time. And the law applies to rich and poor alike, even if the rich can afford better lawyers.

All these curbs require continual refinement: greater transparency in government, vigorous enforcement of antitrust rules, efforts to make justice swift and fair. Yet by and large in liberal democracies the powerful get on by pleasing others. In short, they work for us.

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