https://doi.org/10.6092/issn.1971-8853/12435
Sociologica. V.15 N.2 (2021)
ISSN 1971-8853
https://sociologica.unibo.it/

Excess Profits, Taxpayer-Subsidized Philanthropy, and the Coronavirus Crisis: Charitable Giving of the Tech Elite in Response to the Pandemic

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Submitted: February 19, 2021 – Revised version: July 19, 2021
Accepted: September 1, 2021 – Published: September 30, 2021

Abstract

This paper addresses how the tech elite has benefited financially from the Coronavirus crisis, as well as how they have sought to give back some of their gains in order to help the broader population. We have gathered data on the stock prices, corporate revenues, and profits of the Big Tech firms and on the incomes and wealth of the tech elite, and we compare these winnings with their philanthropic giving during the pandemic year of 2020. We note that tax policies undergird both the explosion of tech profits and the growth of philanthropic giving in response to the crisis. We find that the winners among the tech elite have benefited dramatically from the pandemic without necessarily donating large amounts of money relative to their wealth. We argue that tax reforms are necessary to ensure that more of the social product comes under the democratic control of the public treasury.

Keywords: Coronavirus pandemic; tech elite; inequality; philanthropy; tax reform.

Acknowledgements

The Ralph Bunche Institute for International Studies; Project Title: "Excess Profits, Taxpayer-Subsidized Philanthropy, and the Coronavirus Crisis", Years: 2019–2021.

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1 Introduction

On December 31, 2019, the government in Wuhan, China, confirmed the treatment of dozens of people who had been infected with a new and unfamiliar respiratory virus. Eleven days later, the first patient died. In the meantime, the Covid-19 virus has spread across the entire globe and, as of May 20, 2021, had infected over 168 million people and killed more than 3.4 million (Worldometers, 2021). "We are all in this together" was a widespread response to the onset of the global Covid-19 pandemic, as the virus seemed to endanger the health of all equally. From the UN to members of the British royal family to locked-down next-door neighbors and stressed-out health care workers, all of whom were at risk of illness and death from this novel pathogen, the pandemic appeared at first to be a "great leveler" (Scheidel, 2018). But as the months have passed, it has become clearer that the economic and health damage from the virus has mostly affected those who are forced to work (or not to work) in the "touch economy," who tend to be less educated and less well-paid than those in the virtual or remote economy. Moreover, the coronavirus pandemic has not only exposed existing inequalities; it has accelerated the already widening gap between the digital haves and have-nots around the world (e.g., Beaunoyer et al., 2020; Stiglitz, 2020; van Deursen, 2020).

As hardship hit substantial segments of populations around the world, however, many philanthropic givers responded with intensified concern about the financial and economic challenges facing the less well-off. For example, in Europe, while public welfare services were overextended in the face of sharply rising case numbers and economic shutdowns, celebrities such as tennis players Roger Federer and Novak Djokovic, TV entertainer Michelle Hunziker, and the Duke and Duchess of Cambridge donated, collected, and distributed money for family, medical, and mental support (Conway et al., 2020). The US Council on Foundations (2020), an umbrella organization for philanthropies, issued a "Call to Action" pledging signatories to "contribute to community-based emergency response funds and other efforts to address the health and economic impact on those most affected by this pandemic." Under the circumstances, the better-off had more money to donate to philanthropic causes. Having always had greater disposable wealth, they were, in turn, the major source of the decline in consumer spending in the early months of the pandemic. This decline in spending disproportionately hit low-income workers in high-income ZIP codes because the well-heeled stopped spending as they previously had, especially "on services that require[d] in-person interactions" (Chetty et al., 2020, p. 2). In other words, it was non-essential businesses in the entertainment, restaurant, leisure, travel, hospitality, and related sectors that were hardest hit by the pandemic. One commentator has thus aptly characterized the condition of the economy caused by the pandemic as an "affluence recession" (Ehrenfreund, 2020).

The economic inequalities generated or exacerbated by the Covid crisis invite the question whether rich and liberal societies need to renew the social contract between the pandemic's winners and losers. In this study, we address this question by focusing primarily on the winners and their behavior, while also indicating who has been most economically vulnerable to the vicissitudes of the pandemic. We focus specifically on "Big Tech" because the companies grouped under that rubric have increasingly come to dominate the economic landscape, even though there are also many non-tech billionaires that one might examine as well. Our findings suggest that the overwhelming majority of the tech elite gained wealth during the pandemic in 2020. Billionaires in other sectors, such as retail, casinos, and real estate, lost money, probably due to pandemic-related restrictions and preferences for social distancing. A few outliers in the technology industry did lose net worth. For example, Laurene Powell Jobs, whose fortune

https://doi.org/10.6092/issn.1971-8853/12435

comes from Apple and Disney, experienced a dip in assets as a result of philanthropic endeavors through her Emerson Collective, acquisitions of multiple magazines and sports teams, and political and social welfare spending. Powell Jobs is an extremely private person with a distaste for wealth accumulation, so it isn't surprising that her net worth would decline (Gelles, 2020). For the most part, however, technology billionaires are still the winners of the 2020 pandemic, with rising market valuations.

We seek here to systematically capture the extent to which digital giants in Silicon Valley, Seattle, and elsewhere have profited from the Covid crisis, and to provide a sense of the experience faced by those hardest-hit by the economic fall-out from the pandemic. We then seek to determine whether the winners have felt obliged to give back any of their gains, and whether their taxpayer-subsidized charitable donations have had a significant impact on the suffering caused by the coronavirus. Finally, following previous work in this vein by Marr (2015) and Ghiridharadas (2018), we discuss alternatives to tax-subsidized private giving that might offer a more democratic alternative to the current philanthropic approaches to distributing the excess profits generated by the pandemic.

2 Data and Methods

The global adoption of digital information and communication technologies (ICTs) over the past few decades has created and concentrated enormous wealth in the hands of a small number of entrepreneurs. Still, precise quantification of this wealth is not easily achieved. Data on individual wealth and tax-exempt charities are not readily available. Income surveys do not cover the super-rich, governments do not provide tax data on this disaggregated level, and, although the philanthropic activities of the extremely wealthy are often publicized, burnishing the public image of the donors and companies involved, there is no comprehensive database for this information. Accordingly, in order to conduct this study, we needed to make use of multiple data sources: rankings, official and non-governmental statistics, and special survey information.[1]

To track the wealth of the richest tech entrepreneurs, we used the Forbes Real-Time Billionaires List (2020). As of June 16, 2020, we identified 262 billionaires whose fortunes were made in the tech sector. Sixty of the companies they founded and/or owned are listed on NASDAQ or the New York Stock Exchange. We track the stock market profits and losses of those enterprises during the pandemic. We use the R package quantmod to scrape data from Yahoo!Finance. Market capitalization of these firms is calculated by summing the product of volume and closing-day prices on December 1, 2019.

This list of the wealthiest people in tech was also used to assess their philanthropic generosity. The Forbes Billionaire Tracker amalgamates anecdotal data about Covid-19-related donations (Cuccinello, 2020). We linked this list to a database called "Foundation Maps: Philanthropy's response to coronavirus (COVID-19)" from the nonprofit organization Candid.org. The organization was formed in 2019 from a merger of the two organizations GuideStar, the "largest source of information on U.S. nonprofit organizations," and The Foundation Center, the "largest source of information about philanthropy globally" (Candid, 2020). The database included 32 Americans from among the 262 tech billionaires on the Forbes 400 list whom we had previously identified. We downloaded this data on January 11, 2021.

1. Our approach is not unlike that used in the World Inequality Database (2021), which also makes use of varied sources of data.

We sought more detailed information from other sources as well. While information about philanthropic contributions was readily available for some of the people we have identified as members of the tech elite, for others there was often little or no data. For example, some Americans like Sergey Brin and Larry Page are well known for not making their donations public (i.e., they donate anonymously). In other cases, philanthropic donations were reported towards the beginning of the pandemic but not subsequently updated.

We analyze this data as a series of case studies and focus primarily on the largest enterprises (Google, Apple, Facebook, Amazon, Microsoft, collectively known as GAFAM). Given their huge size and market dominance, they provide prominent examples reflecting the general flow of philanthropic funds among the tech elite.

General statistics on disaster giving, and survey data on charitable giving during the Covid-19 pandemic, complement our database. To describe the situation of people who lost their source of income during the pandemic, meanwhile, we turn to official unemployment statistics from the Bureau of Labor Statistics.

3 Winners and Losers

3.1 Excess Profits

Lockdowns, school closures, and business shutdowns imposed by governments during the pandemic forced people around the world into sudden, involuntary, and extended isolation. Public health officials urged people to "social distance" — that is, to maintain roughly six feet of space between themselves and others — in order to slow the spread of the virus and to "flatten the curve" of hospitalizations and deaths. While some objected that the virus was not a serious cause for concern (or, indeed, was a "hoax"), others believed that interaction with strangers could result in infection and thus voluntarily distanced themselves from them out of fear of contagion. The concern with distancing put a premium on technologies that allowed people to work, communicate, and shop at a remove from others whose infection status was unknown, not least because a substantial proportion (some 40%) of those infected were asymptomatic.

The result was a massive increase in the use of such platforms as Microsoft Teams, Amazon, and Zoom (the one non-member of the GAFAM, it was initially overwhelmed by the demand for its services). The substantial uptick in use of these risk-mitigating digital technologies led to enormous increases in their creators' revenues and in the wealth of their stockholders. As a result of the surge in demand for products and services that can be consumed at a distance, according to the Economist (2020c), "the MSCI index of world stock markets rose by 11%" during 2020 and the "market value of the five biggest Silicon Valley firms has risen by 46% in 2020, to reach $7.2trn" (The Economist, 2020a). In August 2020, Apple became the first tech company to surpass the $2 trillion threshold (The Economist, 2020a). Figure 1 shows the enormous increase in wealth of the five GAFAM firms. The red bar in the graph marks the first announcement of a safe and effective vaccine on November 9, 2020.

During this period of extraordinary profitability for large tech companies, the "combined wealth of the world's ten richest people grew by 57%, to $1.14 trn" (The Economist, 2020b). Amazon founder Jeff Bezos alone added some $74 billion to his fortune between March and December 2020. The period witnessed an enormous growth in wealth for the super-rich in general.

Figure 2 displays the global share prices of 60 tech firms of the richest US-based tech billionaires during the Covid-19 pandemic. As of the end of 2020, these firms have increased in

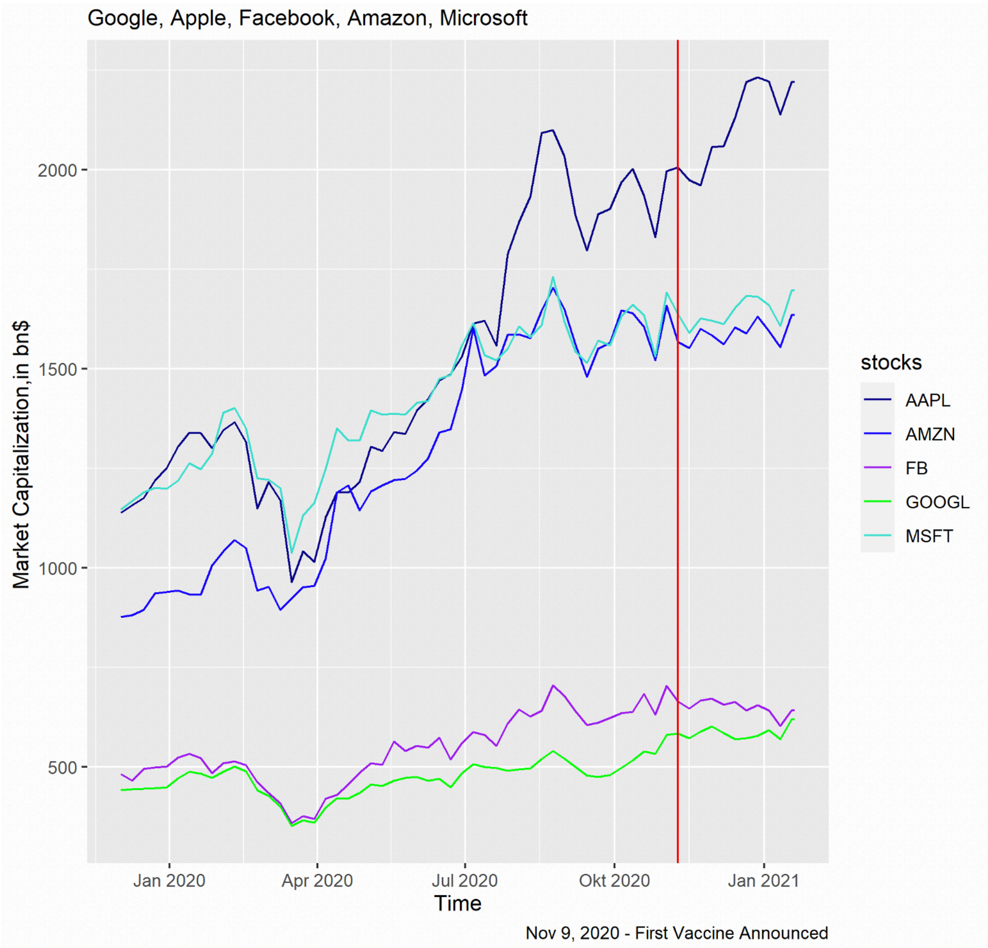

Figure 1: The Wealth of GAFAM
Note: The data refer to Yahoo!Finance. Market capitalization is the multiplication of stock price and shares outstanding. We used closing prices and shares outstanding on December 1, 2020.

value substantially (68%) as a result of the crisis. In contrast, the S&P 500 as a whole increased "only" 19% between December 2019 and December 2020.

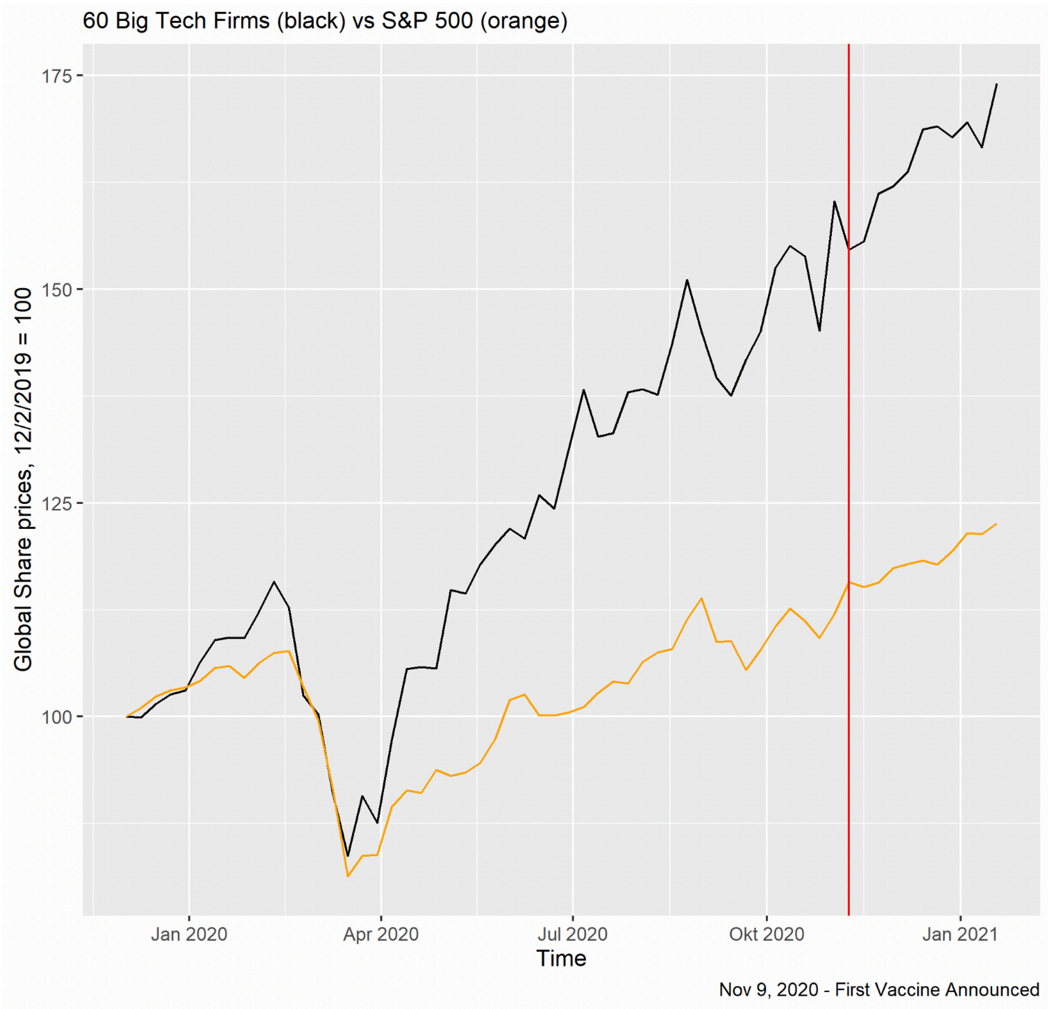

Figure 2: Tech Stock Prices during COVID-19 Pandemic

The tech giants also reported strong sales and profits during the first months of the pandemic. Amazon reported record revenues of $96.2 billion in the third quarter of 2020, and profits nearly tripled to $6.3 billion (Mattioli, 2020). Still, not everything can be purchased online. With the previously noted drop-off in consumer spending by the better-heeled, savings rates in the United States soared, although these rates are unequally distributed across the population. The rate of saving rose among the top quartile of the American population, but declined among those in the lowest quartile of the income distribution (Gailey, 2021; U.S. Bureau of Economic Analysis, 2021).

These gains by the tech companies are viewed by many as "excess profits," which can be defined as profits "created unexpectedly by events over which the beneficiary had no control" (Magalhães & Christians, 2020, pp. 9–10). In fairness. one might add here that business owners generally have little control over anything beyond their own behavior, rendering questionable the notion of "excess profits." Still, one might properly regard these profits as "excess" in the same sense in which deaths in the coronavirus crisis are best measured not in terms of very

https://doi.org/10.6092/issn.1971-8853/12435

uncertain causal attributions to the virus but rather in terms of the number of deaths above the average of a series of immediately preceding years (see Torpey, 2020). In other words, one might try to calculate how much above some recent annual average the profits of these companies turned out to be during the pandemic year of 2020 and define these as "excess profits."

3.2 Those Who Have Suffered Economically from the Pandemic

In contrast to the enormous gains that have landed in the laps of the creators and purveyors of digital technologies, those in the lower rungs of the social structure have taken harsh blows to their well-being as a result of the Covid pandemic. Low-paid workers have been the most negatively affected by the pandemic in economic terms. As "frontline" workers, they put their health at risk to provide irreplaceable services in such fields as health care, food production and processing, delivery services, retail sales, and maintenance.[2] Wages in these sectors are often low (ILO-OECD, 2020), with the result that those facing the greatest risks of infection also tend to earn the smallest incomes. Surveys conducted by the Federal Reserve show that 63% of workers with at least a bachelor's degree have been able to work entirely from home, in contrast to just 20% of those with a high school degree or less (Board of Governors of the Federal Reserve, 2020). Similar findings have been observed in other countries as well (see Foucault & Galasso, 2020).

But many in the touch economy didn't find themselves endangered by interacting with clients and customers; instead, they simply lost their jobs. As employment in non-essential businesses fell off a cliff, unemployment rates skyrocketed. According to the United States Bureau of Labor Statistics, in January 2020 unemployment rates in the United States were at 3.5% (leading many to believe that, had Covid not intervened, US president Donald Trump would have skated to victory in the November 2020 election). By March, however, COVID-19 had become an urgent concern in the United States, and governments, especially in hard-hit New York City and its environs, sought to "flatten the curve" of infections so that their medical systems would not be overwhelmed by Covid-sufferers. By April 2020, the national unemployment rate had risen to 14.8%, and some 20 million people had lost their jobs. With the onset of summer, however, the unemployment rate declined slowly but steadily until it reached 6.7% in December 2020 — still almost twice the level before the beginning of the pandemic, but not nearly as dire as had been the case in its early dark days (Figure 3; Bureau of Labor Statistics, 2020).

A further breakdown of the data by industry sectors reveals that from December 2019 to December 2020, unemployment rose most sharply in mining, quarrying, and oil (from 3.8% to 13.1%), leisure and hospitality (5% to 16.7%), and transportation and utilities (2.6% to 8.4%). The least affected workers were those who produced durable goods (2.5% to 3.5%), government workers (1.8% to 3.2%), manufacturing (2.7% to 4.3%), education and health services (2.4% to 4.1%), and financial activities (2.3% to 3.1%) (Bureau of Labor Statistics, 2021).

Nor was it only in the United States that the employment situation went downhill quickly at first; the plunge took place in developed and developing countries around the world. The sudden drop in employment and working hours during the first quarter of 2020, amounting in Mexico and Italy to nearly 40%, hit low-wage workers, young and temporary employees, and those employed in the informal economy particularly hard (ILO-OECD, 2020). The United

2. "Frontline" workers should be distinguished from "essential" workers, a much broader and almost infinitely more flexible category encompassing physicians, truck drivers, professional wrestlers, software engineers, and White House press secretaries (see Lakoff, 2020).

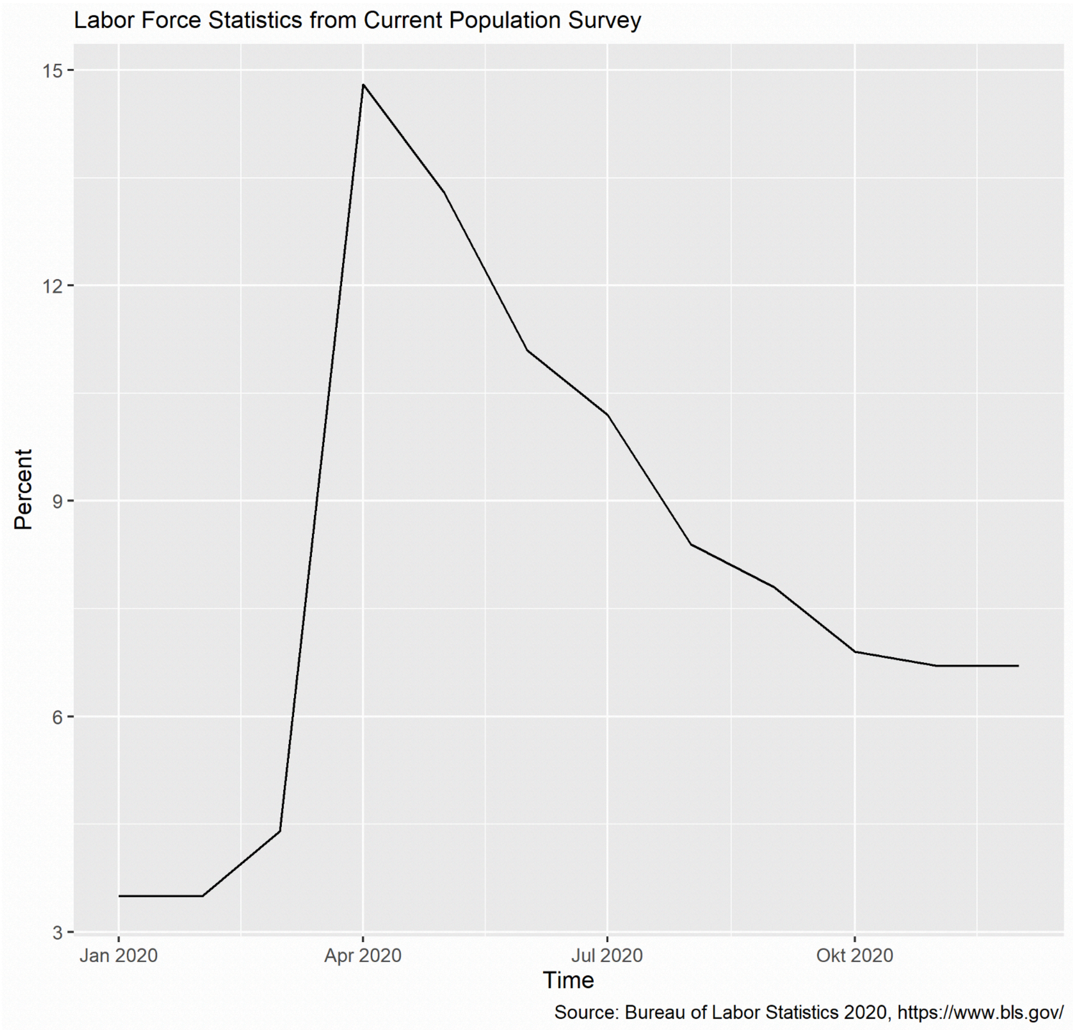

Figure 3: US Unemployment during the COVID-19 Pandemic

Nations calculated that the pandemic could push over 200 million people into extreme poverty by 2030 (UN, 2020), even as the revenues of firms using internet technologies or providing remote solutions such as delivery services soared (Abay et al., 2020).

4 Covid-Related Disaster Philanthropy

How have the tech elite responded to these extraordinary developments and the disproportionate suffering of the least-paid and most vulnerable workers? The Center for Disaster Philanthropy (CDP) has collaborated with the philanthropy-tracking website Candid to measure philanthropic giving during the COVID-19 pandemic (Center for Disaster Philanthropy, 2021). In late August 2020, Candid posted statistics on COVID-related giving from the first half of 2020. It found that, between January and June 2020, $11.9 billion had reportedly been donated to help relieve the consequences of the pandemic. The nearly $12 billion donated for COVID-19 purposes dwarfed the next largest amount ever given for disaster relief, namely the $342 million donated in the first six months after Hurricane Harvey hit the southern United States in 2017, wreaking havoc over a large swath of the South. As of January 28th, 2021, CDP and Candid calculated a combined total of $21.9 billion in COVID-19 pandemic-relief contributions (Center for Disaster Philanthropy, 2021). Candid.org attributes $11.9 billion of these pandemic relief donations to philanthropists from the United States, and of that total $8.7 billion was donated by the tech elite. The 2020 coronavirus pandemic, in other words, has already attracted vastly more private charitable giving from corporations, foundations, and individuals than any other single disaster in recent history (Moore & Colar, 2020).

The picture in regard to foundations is perhaps unsurprising. The Bill and Melinda Gates Foundation was the most generous independent foundation in 2020. According to Gates Foundation CEO Mark Suzman, as of December 9, 2020, the organization had donated a total of $1.75 billion in response to the pandemic. The Foundation committed $250 million for the delivery and distribution of vaccines and drugs for the treatment of COVID-19; the majority of the other $1.5 billion went towards the development of such medications, as well as toward the distribution of medical equipment such as ventilators (Suzman, 2020). Furthermore, the Gates Foundation's efforts are accompanied by the founding, in cooperation with The Wellcome Trust and Mastercard, of the COVID-19 research company Therapeutics Accelerator. Bill Gates has been very active in the whole process, often contributing his own writing and speaking widely on the issues. In September 2020, Gates penned a three-part plan to eliminate COVID-19 (Gates, 2020).

While the Gates Foundation has been one of the most active in donating to efforts to address the COVID-19 pandemic, the charitable organizations of other tech billionaires have contributed as well. The Chan-Zuckerberg Initiative (CZI), not strictly speaking a charitable foundation, is one. Its mission statement says modestly that it is committed to "supporting the science and technology that will make it possible to cure, prevent, or manage all diseases by the end of this century"; in keeping with this mission, the CZI website now has a section specifically concerning CZI's COVID-19 response (see https://chanzuckerberg.com/covid-19/). Yet little information about donation amounts is supplied (Chan Zuckerberg Initiative, 2020). In March 2020, CZI awarded a $25 million donation to the Therapeutics Accelerator, the aforementioned entity created by the Gates Foundation, Wellcome Trust, and Mastercard. The Candid Foundation Maps Database records a total of $43.9 million in grants from the CZI as of January 29, 2021, through 24 individual awards. The CZI website has reported donations of $1.5 million to local institutions, including the California Immigrant Resilience Fund and $13.6

million to the Bay Area Pandemic Consortium in collaboration with the Chan-Zuckerberg Biohub in response to the coronavirus pandemic (Candid Foundation Maps Database).

Finally, individuals among the tech elite have made large donations as well. Jack Dorsey of Twitter famously gave $1 billion of his personal wealth early on in the pandemic (Moore & Colar, 2020), one of the first among his peers to contribute to COVID-19 relief in such large-dollar terms. Dorsey gave the $1 billion to a fund he created called Start Small LLC. The funds will go at first toward COVID-19-related causes and gradually transition to focusing on girls' health and education as well as on universal basic income (Dorsey, 2020). But one of the largest donors to pandemic relief efforts — perhaps the largest on an individual basis — has been MacKenzie Scott, the ex-wife of Amazon CEO Jeff Bezos and the wealthiest woman in the world. On December 15, 2020, Scott announced that she had donated over $4.1 billion to COVID-related causes (Scott, 2020).[3] As a signatory of the Giving Pledge, which commits signatories to giving away half of their wealth during their lifetimes or upon their deaths, her Covid-related philanthropy will help her meet that goal.

MacKenzie Scott's former spouse, Jeff Bezos, one of the two or three wealthiest persons in the world, has only announced one relatively small pandemic-related donation of $100 million to the anti-hunger organization Feeding America (Liao, 2020). Bezos does not typically talk about his donations, however, so it is uncertain whether he has donated more. It seems likely that he has, however; in February 2020, for example, he created the Bezos Earth Fund, for which he promised to distribute $10 billion in the fight against climate change. The first $791 million of the fund was granted to 16 organizations in November 2020 (Calma, 2020).

Ultimately, however, records concerning those from the tech world who donated as individuals are hard to come by, as most funding appears to have come from companies or charitable foundations (or their comparable vehicles, such as CZI). As the billionaire for whom each foundation is named may not be heavily involved in the decision making processes, it is hard to say whether the choices made by these entities represent the specific preferences and goals of the billionaire in question. As noted previously, Jack Dorsey, CEO of Twitter and Square, is one of the few active tech CEOs who has made donations in his own name.

While some members of the tech elite have thus donated substantial sums, either individually or through their charitable vehicles, to ameliorate the suffering caused by the coronavirus pandemic, their relative generosity remains rather small compared to the excess profits the tech industry has earned in 2020. Take the case of MacKenzie Scott: her $4.1 billion in pandemic-related donations are only a fraction of her latest capital gains. After her divorce in 2019, it was reported that Scott had received $36 billion in Amazon stock and funds from her husband. The separation gave her a 4% stake in Amazon. At that time, 1 share of Amazon was worth about $2000. As of September 2020, the value of a share had risen to around $3500. Despite selling a portion of her stock during that time, then, Scott's fortune rose to $67.4 billion, almost doubling her net worth at the time of the divorce in 2019 (Hinchliffe, 2020). Scott thus confronts a problem that is widespread among the extremely rich: she may be finding it difficult to give her money away fast enough to reduce her total wealth (on this point, see Reich, 2018).

More generally, taxpayer-subsidized philanthropy suffers from a variety of shortcomings as a way to address social problems. First, it is able to marshal only a tiny fraction of the funds that the government can muster to address the needs of the population. For example, the US government spent at least $3 trillion to fight the pandemic in 2020, and the American

3. In June 2020, unrelated to Covid relief, Scott had also given $1.7 billion to a number of HBCUs (Historically Black Colleges and Universities) and to LGBTQ organizations (Cramer, 2020).

Rescue Plan (https://www.whitehouse.gov/american-rescue-plan/) announced by the Biden administration immediately after he took office in 2021 mandates spending another $1.9 trillion to provide further economic relief to the American population, with still more to come in the American Families Plan (https://www.whitehouse.gov/briefing-room/statements-releases/2021/04/28/fact-sheet-the-american-families-plan/). Second, philanthropic funds are allocated in an uncoordinated, often earmarked, and thus highly inefficient manner as compared to the government's ability to shift deployment to more advantageous purposes. Third and perhaps most important, the decisions about what to do with the funds generated by philanthropy are made in a highly undemocratic fashion, mobilized according to the idiosyncratic if well-meaning preferences of the wealthy people who donate them. Taxation is arguably a better way to achieve the goals of philanthropy.

5 Taxes and Philanthropy in the U.S. and Beyond

5.1 Taxpayer-Subsidized Philanthropy

But why give away your money in the first place? Charity is indubitably a virtue; there is no reason to disparage the generosity of individuals who seek to make the world a better place with their giving. Philanthropy can be found in all societies, but it is central to the Anglo-Saxon model of civil society in which private actors and private organizations keep state power in check (Carnie, 2017, p. 105). For example, it is a remarkable fact that the Bill and Melinda Gates Foundation has over the past several years given roughly the same amount of money to the World Health Organization as the United States Government itself — in some years in the $600 million range (McPhillips, 2020). The Gates Foundation has thus contributed enormously to medical and health care efforts for people around the world. The Foundation is heavily engaged in coronavirus-related efforts as well, as we have seen — to the point that their activities are the focus of conspiracy theories involving Bill Gates' alleged secret desire to use the coronavirus crisis to control the world.

As it currently exists in the United States and, increasingly, in other rich countries, however, there are reasons other than magnanimity to give philanthropically: namely, because doing so is taxpayer-subsidized. That is, philanthropic giving provides the giver with a reduction in his or her taxable income or wealth. Across Europe, governments have cut back on social services and programs since the 1980s and legislated for tax-exempted giving-schemes and philanthropic activities. "European philanthropy is as diverse as European societies" (European Foundation Centre [EFC], 2021), but all governments have turned to tax changes that promote more private giving in the non-profit sector (Carnie, 2017, p. 89). Under these arrangements, the country forgoes the tax revenues that would otherwise flow into the treasury simply because certain taxpayers choose to direct some of their income to endeavors defined by the government as worthy of support. These may be the World Health Organization, the Society for the Prevention of Cruelty to Animals, or any one of thousands of tax-exempt organizations thought by the government to be devoted to the public good.

This designation excludes most overtly political contributions, however. In England, Greenpeace "is not allowed to register as a charity because of its political campaigning activity." Thus, the organization circumvented the loss of tax-privileges by establishing the Greenpeace Environmental Trust as a separate charity which engages in research and other non-political activities (Carnie 2017, p. 91). In the US, many so-called 501(c)(3) organizations (a reference to the relevant section of the tax code) are thinly disguised political lobbying efforts that only barely avoid being categorized as non-charitable endeavors. Charitable giving on this relatively small, individual scale amounted in 2019 to some $310 billion, according to the annual accounting provided by *Giving USA 2020* (Giving USA, 2020). Of course, charitable giving on a larger scale also brings in considerable amounts of money, and a variety of mechanisms and schemes can be used to reduce the donor's taxes.

In addition to the charitable giving of individuals, the wealthy often create private foundations as vehicles for their philanthropic activities. Since even before their inception, these private foundations have received considerable scrutiny because of the peculiarities of their terms of existence. The legal basis for today's private philanthropic foundations in the US goes back to the pre-World War I era, when robber baron John D. Rockefeller sought to endow a foundation with some of his profits from Standard Oil and other businesses. The Rockefeller Foundation became a reality in 1913, the same year the United States adopted a federal income tax, but it was a matter of intense controversy at the time. In 1910, when Rockefeller first sought a federal charter for his foundation, Congress turned him down. A few years later, a federal Commission on Industrial Relations urged that the foundation be shut down entirely and its assets distributed to the unemployed, "since presumably the reason it had all that surplus money was that the Rockefellers had been too cheap in paying their workers" (MacFarquhar, 2015). In view of the decades-long disparity in the distribution of the national product (https://www.nytimes.com/interactive/2017/08/07/opinion/leonhardt-income-inequality.html), in which the richest in the US have taken the largest share of income, one might imagine that there may be a similar connection between Amazon's pay and benefits practices and the size of Jeff Bezos's fortune (Corkery & Weise, 2021).

The chastising recommended by the Commission on Industrial Relations did not happen, of course. Instead, private charitable foundations went on to be a major player in the American institutional landscape, with such venerable names from the first Gilded Age as Rockefeller, Ford, and Carnegie, and now with those of the current plutocratic era such as Gates, Schmidt, and Benioff. (As noted previously, the Chan-Zuckerberg Initiative is not a private foundation, but a limited liability company, allowing it to give donations to political causes and invest in for-profit businesses; it is a leading example of so-called "philanthrocapitalism.") In 2017, for the first time, the total assets of private foundations in the United States exceeded $1 trillion (DiMento, 2019). Needless to say, this is a substantial sum of money, especially given the lack of public accountability such entities enjoy.

In his recent study of American philanthropy, Stanford scholar Rob Reich (2018) concluded that private foundations were the most undemocratic entities in the democratic institutional landscape in the sense that they were created to achieve their founders' personal aims in perpetuity, with little chance that those aims could be revised. They are zombie organizations, in other words, although those who actually guide them may take them in directions unimagined by their founders and to such an extent that the founders' descendants may wash their hands of them, having lost control over their direction and come to regard them as just what they are — largely unaccountable organizations (Macfarquhar, 2015). An infamous example of the perverse outcomes that may ensue from this zombie quality is the mid-1980s lawsuit of the San Francisco Foundation against the Buck Trust. The Trust consisted of some stock left by a childless widow, Beryl H. Buck, to assist the poor of Marin County, California. Over time, however, Marin had become one of the wealthiest counties in the United States and the trust's assets had grown from $10 million at the time of Buck's death to some $600 million, with an annual yield of $30 million. In response to this anomalous state of affairs, a number of Bay Area charities sought to break the will of Ms. Buck, arguing that the poor of other Bay Area counties would be the losers if the terms of the will were not abrogated. The lawsuit failed (see N.A., 1986).

5.2 Taxation and the Tech Plutocracy

Tax policies determine who contributes how much to the activities of government (some of which, of course, involve redistribution of those same funds to the less wealthy). The tech boom occurred historically in tandem with a decline in tax rates on the wealthy that had been raised significantly during the post-World War II era. In the 1950s and early 1960s, top marginal income tax rates — the amount deducted by the government for each additional dollar above a certain threshold — reached as high as 90% in the US, although those rates affected only very few people. Meanwhile, effective corporate tax rates, which affected most holders of shares in corporations, were around 50% in those years (Saez & Zucman, 2019, pp. 43–44). In the meantime, corporate taxes have been reduced to 21% and top marginal rates for individuals have been reduced to 37% as a result of the Trump tax reform of 2017 (Biden seeks to raise them again). While these rates on wealthier people declined in previous decades, by contrast, taxes on workers have become much more regressive because so-called payroll taxes — Social Security and Medicare — are flat rates that weigh heavily on ordinary workers, whose median wages have stagnated for more than a generation (Saez & Zucman, 2019).

Outside the US, in Europe and in other affluent countries, globalization (Genschel & Schwarz, 2011), an emerging knowledge economy, and the diffusion of neoliberal ideas (Swank, 2016) have also shaped tax policies, and lowered the tax burden on the incomes, capital, and assets of the rich (Hope & Limberg, 2021).

On the basis of extensive analysis of tax data from a number of countries over an extended period of time, Thomas Piketty (2017) has found that the economies in the rich world are reverting to pre-World War I patterns of inequality, as returns to capital have come consistently to outpace those to labor. In the United States, the labor share of national income has been declining, according to McKinsey (2019), since the mid-1960s, but especially sharply since the turn of the millennium. Despite growing equality across countries — largely due to economic growth in China and India — inequality *within* countries has tended to grow in recent decades (Milanovic, 2016). The political consequences of these developments have been seemingly unavoidable; the wealthy increasingly control the political agenda. Indeed, Martin Gilens (2015) has found that the concerns of the middle and lower classes are only taken into account by politicians if and when those concerns overlap with those of the wealthy. The terms "plutocracy" and "oligarchy" have once again come to be applied to American society, and can hardly be unrelated to the turbulent politics we have witnessed in the recent past.

In a recent study of American life from the Gilded Age to our time, Robert Putnam (2020, pp. 54–61) has shown that tax progressivity in the United States rose gradually from the early twentieth century, when personal income taxes were first instituted on the federal level, continued to rise through the Second World War, remained relatively high until the 1970s, and then gradually declined over subsequent decades. The claim that higher personal and corporate tax rates undermine economic growth have a difficult time making sense of this period; the post-World War II period was one of steady, widely distributed growth that fuelled the creation of a broad, prosperous middle class in the United States. The early postwar period also bore witness to a major expansion of public higher education — partially on the strength of the GI Bill of Rights and urgently advanced after the Sputnik launch by the Soviet Union in 1958

— that helped seed the creation of a variety of "knowledge industries" that would in time become the core of a new "knowledge society." In 1973, the sociologist Daniel Bell published his path-breaking study, *The Coming of Post-Industrial Society*, which presciently documented the growing displacement of manufacturing by the manipulation and transmission of information in American society.

Despite the important government role in creating the knowledge society" and its institutional and research infrastructure (Mazzucato, 2015), by the 1980s the "Reagan revolution" took hold and disparaged the role of government while privileging market forces as the solution of most problems. As Reagan famously put it in his 1981 inaugural address, "government is not the solution; government is the problem." The critique of government as a stifling force was advanced by "neoconservatives" who attacked the material foundation of government — namely, taxes. Grover Norquist, a prominent conservative activist, summed up the new anti-government animus with the comment, "I don't want to abolish government. I simply want to reduce it to the size where I can drag it into the bathroom and drown it in the bathtub." Norquist was the founder of Americans for Tax Reform, an organization that urges Republican political candidates to sign a pledge promising to oppose all tax increases. George W. Bush (the elder), a Yankee patrician and moderate Republican, would thus feel compelled to tell his 1988 presidential campaign audiences, "Read my lips: no new taxes," as this stricture had become a central plank in the Republican Party program. It would remain so even as Donald Trump dismantled other shibboleths of traditional Republicanism such as free trade, support for low-wage immigration, and fiscal conservatism (at least when Democrats held the Oval Office).

Yet the government, with its deep pockets and ability to stay the course for the long haul, had been largely responsible for funding the creation of the new knowledge industries, at the heart of which lay the superconductor and the personal computer. These were the essential technologies that fueled the shift from manufacturing to the manipulation and analysis of symbols. Eventually, when the coronavirus pandemic struck in early 2020, it would be possible for millions of people to use these technologies to continue working and socializing from a safe (known, paradoxically, as "social") distance. And their use of these technologies would, with lower corporate and personal income taxes, both make their creators phenomenally wealthy and put them in a position to behave philanthropically on a very large scale if they so choose.

Against this background, it should be noted that popular support for increased taxation of the wealthy is well-documented. Even the American Enterprise Institute concedes that "a majority of the public supports higher taxes on the very rich, including a wealth tax" and "have long favored raising taxes on those with high incomes," even if they "generally don't object to the existence of the very rich" (Bowman, 2020, p. 1933). Raising taxes on the wealthy has proven difficult, however, other than in times when the wealthy are seen as not contributing their fair share, particularly in terms of military service; only then has the political will been summoned to take them on successfully (Scheve & Stasavage, 2016). Of course, given the plethora of wartime language that has been invoked to characterize aspects of the pandemic and the inclination to see it through a wartime lens, one might argue that this is indeed precisely such a situation. As we have shown above, the wealthy have been disproportionately advantaged by the pandemic both economically and in health terms, while "frontline" workers have borne the lion's share of the risks despite generally low pay for what they do. Meanwhile, many in the "touch economy" have simply been deprived of a living and their temporary unemployment has grown increasingly long-term. The philanthropic giving of the rich may be well-meant, but it cannot begin to compare with the resources and capacities of the government to address distress and suffering. But the government's efforts need to be funded, and ideally not by deficit spending. Taxation of the wealthy is thus a key element of an equitable economic recovery. As Collins (2021) puts it, "Tax reform that ensures the wealthy pay their fair share [...] would transform a good chunk of those huge billionaire gains into public revenue to help heal a hurting nation."

6 Discussion

As we have seen, the tech elite and other extremely wealthy people have reaped enormous rewards from the pandemic. According to research by the Institute for Policy Studies, "The collective wealth of all [660 or so] U.S. billionaires has increased over $1.1 trillion since mid-March 2020, a nearly 40% leap" during the first 10 months of the Covid crisis (Collins, 2021). Under the circumstances, these profits might reasonably be regarded as "excess profits." The tech elite have also donated substantial sums of money in response to the pandemic, even if the amounts given do not begin to dent the wealth of the people in question.

Yet private philanthropy, particularly in the midst of a disaster and however generous and well-meant, is simply no match for the state's capacity to plan, orchestrate, and invest in a country's sustainable future. The Coronavirus Aid, Relief, and Economic Security (CARES) Act, the first major American government financial response to the coronavirus crisis and signed into law already in late March 2020, amounted to nearly $2.2 trillion of economic support for the American population. The measure has been widely regarded as an unusually rapid and successful response to the economic crisis that helped millions of struggling individuals and families, even by some who have not typically been kind to Trump-era economic policy (see Krugman, 2020). Toward the end of the year, Congress passed another economic recovery bill worth more than $900 billion and including support for small businesses, stimulus checks to individuals, expanded unemployment benefits, recovery rebates, funding for schools, transportation spending, money for COVID testing and vaccines, and other spending and tax cuts (Wall Street Journal, 2020). Finally, as previously noted, newly installed President Joe Biden has pushed through another economic rescue bill of $1.9 trillion to finance a broad range of programs designed to deal with the coronavirus pandemic and to assist people harmed by its economic consequences.

As an approach to addressing social problems, philanthropy is by comparison a highly undemocratic process, subsidized by taxpayers, and commonly leveraged as an image-making tool for billionaires. The wealthy make personal decisions, not publicly deliberated ones, regarding how much and where to allocate their charitable giving. However thoughtfully approached, these methods are unorganized and undemocratic. Where a government agency would make a concentrated effort towards specific endeavors seeking to ensure they succeed, a handful of billionaires making random and sporadic decisions does not generate the same prospects of success. Private philanthropy typically forces recipients to undertake endeavors that appeal to the preferences of powerful private actors rather than to the democratically determined needs of the country. Even well-meaning megadonors such as Bill Gates or MacKenzie Scott make individualized choices without any necessary public consultation. They donate large amounts of money to their desired beneficiaries, but if the decisions of the grantee are out of tune with the preferences of the donor, substantial amounts of funding for an organization could be lost (sometimes referred to as the "Gates effect"; see Parry et al., 2013). Philanthropists have no obligation to see a project through to its completion, and many donations are one-time affairs that may chiefly serve to enhance the donor's reputation in the public eye. Also, the rapid rise of celebrity philanthropy since the 1990s and its social media presence demonstrates that social giving can hardly be disentangled from self-serving status aspirations, economic interests, and self-promotion (Jeffreys & Allatson, 2015). But the concentration of power, attention and money in the hands of a few famous winners, instantaneous sharing, and cross-merchandising via Facebook, Twitter, Instagram, and other social platforms undermine altruistic intentions.

Finally, it is unlikely that the concerns of the wealthy line up with the most urgent needs of the Western societies hard-hit by the coronavirus. Disruptive change and short-term, limited engagements are insufficient guarantees for common goods like public health, economic, or social stability. The magnitude of the pandemic has plunged the neoliberal state and market ideology into uncertainty; collective action and new forms of redistribution are called for. An "excess profits tax" could, for example, collect excess profits from tech and other industries and redistribute them to businesses that policymakers forced to shut down during the pandemic (Magalhães & Christians, 2020). After all, a tax on the excess profits amassed by the 660 or so billionaires in the United States at present could cover the entire cost of Biden's $1.9 trillion coronavirus rescue package without making them any "worse off" than they had been before the pandemic hit in early 2020 (Collins, 2021). Like the idea of excess profits itself, an "excess profits tax" could be tied to specific economic conditions that depart dramatically from a previous five- or ten-year period; it need not be instituted once and for all time.

More fundamentally, recent research has found little evidence to support the notion that tax cuts for the rich enhance economic growth; instead, it appears only to strengthen economic inequality in the US and in other rich countries (Hope & Limberg, 2020). Hence the post-pandemic state will have to tax wealth and large incomes more heavily to use the funds to rebuild trustworthy public institutions. Tax reforms are best if they make people happy (Brockmann et al., 2016). Empirical research can show how that might be possible. Pure altruism and the "warm glow" of giving are enjoyable (Harbaugh et al., 2007). So why shouldn't the wealthiest enjoy contributing the most to having a "civilized society" — the reason we pay taxes at all, as U. S. Supreme Court Justice Oliver Wendell Holmes, Jr. once put it?

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