

Mark Zuckerberg, philanthrocapitalism and parasitism

By Nancy Hanover
8 December 2015

Last Tuesday Mark Zuckerberg, co-founder of Facebook and the 16th richest man in America, and his wife Priscilla Chan announced they would be donating 99 percent of their Facebook shares, currently valued at \$45 billion, to charity during their lifetime.

The gift was announced in the form of a letter to their newborn child announcing the formation of the Chan Zuckerberg Initiative (CZI), a Limited Liability Company (LLC) dedicated to “advancing human potential and promoting equality” by means of “philanthropic, public advocacy, and other activities for the public good.” “Our initial areas of focus will be personalized learning, curing disease, connecting people and building strong communities,” the billionaires wrote.

The intended and immediate media reaction was gushing praise. The *Guardian*, for example, referred to Zuckerberg as a “generational superman” and stated, “The rest of us can probably agree, twitticisms aside, that a \$45bn donation—more than double the Ford, Rockefeller, and Carnegie foundations put together—is pretty generous.”

“His previous extraordinary philanthropy gives plenty of reason for optimism,” continued the British newspaper, “whatever mis-steps there have been along the way. What will he do now? Can he manage his great gift without letting the political seep into the charitable? How will he change the world next?”

NPR enthused, “The letter has a sweeping vision, traversing social and political issues that are controversial.” It quotes Zuckerberg’s concern for those who “wonder whether you’ll have food or rent, or worry about abuse or crime potential,” and report his assurances that “investments in technology in particular can solve these problems.”

On a more somber note, the *New Yorker* hinted at the nervous worries of the ruling elite, baldly claiming, “Charitable giving on this scale makes modern capitalism, with all of its inequalities and injustices, seem somewhat more defensible.”

To all of this, the WSWS can only reply: far from it! Technology cannot solve the problem of social inequality. The journal *Science* just week published a study entitled “Democratizing education? Examining access and usage patterns in massive open online courses” which confirm the fact, well known to public school teachers, that economic class -- not technological access -- is the overwhelming factor in determining educational success. *Science* goes even further to state, “Our findings raise concerns that MOOCs and similar approaches to online learning can exacerbate rather than reduce disparities in educational outcomes related to socioeconomic status.”

Access to the Internet does not obliterate class society. And it is absolutely indefensible that “curing disease,” the ability to receive a good education and access to communication technology should become objects of charity.

The phenomenon of “philanthrocapitalism”, the brain-child of “social investors” seeking to “do well by doing good”, has become a credo among some members of the young billionaire set. It is predicated upon what the WSWS has described as the return of the aristocratic principle

—the notion that if the population is to have basic rights, it will be at the whim of the very rich.

Inseparable from the staggering growth of financial parasitism and social inequality, from which Zuckerberg and his ilk benefit, is the repudiation of the social rights of the working class. Moreover, Zuckerberg’s latest announcement calls into question any democratic input, much less control, over the resources created by the collective labor of society.

Instead of massive public works projects addressing the social problems of our day, we are told that the financial elite—good, caring people—can “get things done,” bypassing the annoying traditional legal and governmental bodies!

The fact is, and always has been, that charity aims to degrade and demoralize its recipients and undermine class consciousness, while pleasantly easing the conscience of its wealthy patrons. As the great Marxist Frederick Engels put it, such donations amount to “giv[ing] back to the plundered victims the hundredth part of what belongs to them!”

Zuckerberg’s business arrangement, however, was not primarily targeted at convincing the 84 percent of the world’s people who subsist on less than \$20 a day, or the three-quarters of the world’s working population which cannot secure a permanent and stable job, or even the 40 percent of young people of Zuckerberg’s generation who lack full-time work, of the wonders of capitalism and the beneficence of its elite.

This time around, it is more about cold, hard cash-management and future business opportunities. As the *New Yorker* notes, philanthropists “Zuckerberg and [Bill] Gates are placing some very large chunks of wealth permanently outside the reaches of the Internal Revenue Service.” The magazine adds that, “The size and timing of the tax benefits to Zuckerberg and Chan are uncertain, but they are likely to be large.”

Despite this, the liberal editors of the *New Yorker* add, “by all means, let us praise Zuckerberg and Chan for their generosity. And let us also salute Gates, who started the trend.”

Jesse Eisinger of *ProPublica* (the investigative journalism web site), however, has aptly pointed out that the “emperor”—or “the generational superman”—has no clothes. Eisinger explained that Zuckerberg’s decision to create a limited liability company for his Facebook shares was essentially “mov[ing] money from one pocket to the other.” Analyses of the Chan Zuckerberg “gift” by business commentators have confirmed this.

- It reduces taxes for the billionaire family. American tax law provides a deduction for stock sales based on “fair market value”. As Facebook stock is presumed to appreciate in value, at the time CZI donates stock to a charity, it will write off—not the cost of the stock when they received it from Zuckerberg—but at its price at final sale. Therefore any gain in value is never taxed. *Forbes* reported that Zuckerberg “can potentially use that to shelter billions of other income.”

Judged by past practice, Zuckerberg’s interest in this aspect of the deal

cannot be insubstantial. He already uses a donor-advised fund (the Silicon Valley Community Foundation), a relatively new and wildly popular device that generates an immediate tax deduction but has no requirement for charitable contribution. He also reportedly employs the “Double Irish” loophole to shift profits to the Cayman Islands. Gabriel Zucman, a tax haven specialist at UC Berkeley, dryly remarked, “I applaud their emphasis on ‘promoting equality’ but that starts with paying one’s taxes. A society where rich people decide for themselves how much taxes they pay and to what public goods they’re willing to contribute is not a civilized society.”

- The LLC has no legal responsibility to help anyone. There are no transparency requirements or rules regarding the disbursement of its assets. It is exempt from the “5 percent rule,” which stipulates a minimum of 5 percent of the holdings is to be donated each year. All decisions regarding the new business entity will be under the control of the Chan-Zuckerberg family.

- In fact, commentators have indicated that the LLC appears to be designed to function as a conduit for projects that contribute directly to Facebook’s future success. The company aims to “connect the world so you have access to every idea, person and opportunity,” and make a strong emphasis on the advancement of the “Internet” and “personalized learning”—all goals which tied into Facebook’s interest in better Internet connections and further personalization of the online experience. The education market is now being inundated with companies peddling such ed-tech tools promising individual learning.

- The entity will be entirely free to funnel billions into “education reform,” e.g., opening up the K-12 market by lobbying for legal changes and supporting pro-market politicians. Lobbying, dubbed “participating in policy debates,” is part of CZI’s core mission. Had the entity been set up as a traditional tax-exempt foundation—a 501(c)(3)—it would have been legally barred from these political activities. Zuckerberg has already established himself as a key operator in undermining public education and bringing in profit concerns to the K-12 “market.”

- CZI will invest in for-profit companies and participate in joint ventures, also leveraging Zuckerberg’s efforts to penetrate the highly lucrative “education business.” Last September, Facebook teamed up with a charter school network, Summit Public Schools, to refine its personalized learning plan. Two thousand students and 100 teachers in Summit were involved, but with Facebook on board, the effort is now set to expand. CZI also previously invested in AltSchool, a for-profit private school chain (\$20,000 a year tuition) run by venture capitalists and other investors.

Five years ago, Zuckerberg made a similar grand announcement of a cash infusion (the “previous extraordinary philanthropy” referenced by the *Guardian*, above) into the impoverished Newark, New Jersey school system. Almost 30 percent of the money went into the development of charter schools, which now enroll more than one-third of the city’s schoolchildren. Millions more went to consultants. The school “reform” movement that Zuckerberg financed worked with the American Federation of Teachers local to impose merit pay and scapegoat educators for the problems created by poverty. All in all, there was no improvement in Newark’s education system.

Characterizing the announcement not as a “gift” but as “an investment vehicle,” ProPublica’s Eisinger concluded, “Instead of lavishing praise on Mr. Zuckerberg ... this should be an occasion to mull what kind of society we want to live in. ... The point is that we are turning into a society of oligarchs.”

Precisely. The real gift involved has been zero interest rates and quantitative easing—the injections of trillions of dollars into the stock market by the US Federal Reserve—which has fabulously enriched the financial oligarchs and sent the stock market soaring. With the tech-centric NASDAQ hitting all-time highs this year, not just Facebook

but all of Silicon Valley is awash with billions of dollars. In a development reminiscent of the dot-com bubble, there are now over US-based 100 “unicorns”—start-ups valued at \$1 billion or more—with some “decacorns” valued at \$10 billion or more. Private equity firms and venture capitalists control more liquidity than they know what to do with.

A glimpse of this milieu is pointed to in *Vanity Fair’s* recent article “Unicorns and Rain Clouds,” which warns that the stock euphoria has created a debauched culture that harkens back to the dot-com collapse of 1999. They note that the skyline says a lot. There’s a new, recently occupied Facebook building, designed by Frank Gehry, with a rooftop park and what it claims is the largest open floor plan in the world. A new, glassy Salesforce Tower is under construction, slated to become the tallest building in San Francisco. And on it goes.

The reporter, Nick Bilton, observes, “Shortly after the Facebook IPO, I learned about a secret group within the social-network company called “TNR 250”; it was an abbreviation of ‘The Nouveau Riche 250’ comprising Facebook’s first 250 employees, many of whom had become multi-millionaires. The members of TNR 250 privately discussed things they wanted to buy with their windfall, including boats, planes, Banksy portraits, and even tropical islands. ...

“A prominent Facebook employee’s birthday party was orchestrated like an elaborate wedding, with ice sculptures, chocolatiers, and half a dozen women who walked around with card tables hanging off their waists so that guests could play blackjack while staring at their chests.”

Bilton sardonically notes, “In the past, they’ve suggested, [these] people were just trying to get filthy rich. Now they are trying to ‘make the world a better place.’”

Not only is social inequality at levels unseen since the days of Louis XVI, but so is the hubris and hypocrisy of the parasitical elite. But the deeper significance of the Chan Zuckerberg Initiative is its illustration of the open subordination of all aspects of US society to the capitalist market and the caprice of the new financial aristocracy that rules America.

It is becoming more and more obvious that the obscene wealth of the super-rich is inseparable from the nature of capitalism, a dying system which is conducting a deep-going social counterrevolution: dismantling public education, destroying the cities, water systems, housing, roads and all public infrastructure, systematically impoverishing millions, raping the planet’s resources—and, above all, visiting a perpetual state of imperialist war across the globe.

This demonstrates, once again, the utter incompatibility of present-day capitalism with the most fundamental principles of democracy. Neither charity nor philanthropy is needed from this decadent and outlived capitalist system. The rights of the working class will only be secured by the struggle for socialism.

The author also recommends:

A further comment on Paulson’s gift to Harvard: Public education and American democracy
[6 June 2015]

Facebook founder’s gift to Newark schools: The return of the aristocratic principle
[28 September 2010]

To contact the WSWs and the
Socialist Equality Party visit:

<http://www.wsws.org>