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THE CHRONICLE OF PHILANTHROPY
OPINION

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MY VIEW

It's Time for Humble Philanthropy

By William A. Schambra

American philanthropy today seems to have nothing but contempt for its traditional task of making charitable grants to support worthwhile nonprofit organizations. It now aspires instead to leverage, lobby, and lure the much larger worlds of business and government to do its bidding.

Foundations often explain this effort as an acknowledgment of their limitations, i.e., they are too small to do much by themselves, so they must recruit allies from outside philanthropy. But in fact this is a breathtakingly audacious undertaking. Events of the past year should have made that clear and introduced a new humility to philanthropic endeavors.

Trying to steer the marketplace toward charitable ends has been particularly fashionable of late. As Matthew Bishop and Michael Green put it in their book, *Philanthrocapitalism*, people who take that approach to giving "are increasingly trying to find ways of harnessing the profit motive to achieve social good," by "using their donations to create a profitable solution to a social problem."

Their money "can lever, in a good cause, some of the trillions of dollars in the for-profit business world."

Bill Gates is the chief exemplar of this approach. Dubbing it "creative capitalism" in his speech to the World Economic Forum at Davos last year, Mr. Gates argued that businesses in the future should be driven by "making profits and also improving lives for those who don't fully benefit from market forces." For instance, Microsoft had begun to make its products more accessible and affordable to the developing world, and pharmaceutical firms had developed "tiered pricing" of vaccines, which would allow them to market to poor countries at lower rates.

Michael Edwards, a former Ford Foundation official who wrote a book examining the flaws of philanthrocapitalism, has pointed out that "few of these experiments are self-sustaining, 'mission-drift' is common, and failure rates are high." And that was before the recent economic downturn. The hidden assumption of philanthrocapitalism seems to be that profit-making has become as easy as rolling off a log, leaving plenty of leftover energy, imagination, and wealth for other, higher, nonprofit related purposes.


Now that even the largest corporations and financial institutions are struggling simply to stave off bankruptcy, no one is likely to be quite so cavalier about making profits. No matter how earnest the moral pleas or generous the subsidies from foundations, philanthrocapitalism will now probably lose its appeal to businesses newly sensitized to the vagaries of the marketplace.

Trying to steer government policy toward ends preferred by foundations has also been given a bold and imaginative try over the past year, with equally discouraging results. After decades of philanthropic reticence about political activism, two of the largest foundations involved in education policy — the Bill & Melinda Gates Foundation and the Eli and Edythe Broad Foundation — resolved to spend up to \$60-million during the 2008 presidential election cycle to put a spotlight on their proposed ideas for change.

In what *The New York Times* described as "one of the most expensive single-issue initiatives ever in a presidential race," the "Ed in '08" campaign hired prominent public figures and seasoned political consultants to manage the effort, and flooded the primary states with celebrity endorsements, field operatives, expensive campaign paraphernalia, and cutting-edge communications gimmicks. After 16 months, and with only \$28-million spent, the effort was "dead in '08," apparently undone by the public's determination to focus instead on other issues like the economy and the war in Iraq.

It's difficult to dispute the evaluation rendered by John I. Wilson, executive director of the National Education Association, who told *The Chronicle*: "The lesson learned from this is that you can't buy your way into the conversation. It has to be something that is really at the top of the agenda of the American people."

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Apologists argued that the campaign failed to reach that agenda due to the unpredictability of developments during the campaign. But the ability to respond and adapt to unstable circumstances is not an unanticipated and unfair test of political campaigns, but rather the central challenge that makes some successful and others not.

Events over the past year should have taught philanthropy that even the most lavishly supported and best intentioned efforts to purchase leverage outside its own sphere are not enough to guide or deflect the powerful forces and trends that dominate politics and markets. After all, if philanthropy's resources are so slight that they cannot make much of a direct impact on society's problems, as we so often hear, why should they nonetheless be sufficient to master such grand social forces?

While it is too much to expect the largest foundations to change their behavior in the face of these humbling developments, it may not be too much to hope that their inflated rhetoric of leveraging and lobbying will lose its appeal for the rest of philanthropy.

We may now be able to reconsider the basics of philanthropy, to remind ourselves that, after all is said and done, what foundations do best and most reliably is simply to make grants to worthwhile nonprofit organizations. This may not be as glitzy and sophisticated as attempting to harness and ride whirlwind social forces like masters of the universe. But right now, nothing could be more important.

As we know from the daily news, it is becoming more and more difficult in our communities to provide the most basic charitable services — feeding, clothing, and housing the poor and displaced, and keeping the lights on in local museums, orchestras, libraries, and other expressions of civic life.

While some nonprofit groups will no doubt tap into the new and substantial flow of federal funds, they will probably be those that are already large, well-connected, and least vulnerable to economic hard times. Small, grass-roots organizations, lacking sophisticated fund-raising and grant-seeking capacities, will be left to search for money elsewhere.

Happily, small foundations (those with less than \$10-million in assets) account for about 105,000 of America's 110,000 foundations, according to the most recent figures available. Surveys by the Association of Small Foundations suggest that almost two-thirds of giving by its membership is directed to local projects and that some 65 percent is directed toward practical and immediate concerns like education, health, and human services. Their members tend to do better than the largest foundations in terms of the share of assets distributed, and since most are managed by a volunteer CEO who is also a board member, not much of the grant budget is diverted to salaries and other staff expenses.

It is unlikely that such foundations send representatives to the annual meetings of the large philanthropy associations, but even if they do, it is safe to assume that they are not likely to be carried away by the prideful, exhilarating rhetoric of leveraging and lobbying so much favored by their larger brethren. Along with community foundations, they tend instead to take seriously the need to attend to the particular, concrete, urgent needs of their own local communities, which right now are more pressing than ever.

By being responsive to the pleas of local community institutions, small foundations also help remedy one of the larger social or moral problems of our times: the sense among everyday citizens that they are helpless before the enormous social and economic forces that seem to have turned their worlds upside down. Supporting local civic institutions, whatever their specific functions, which cultivate and sustain morale and pride within communities, is one way foundations can sustain civic engagement and democratic aspirations in a dark time.

By helping to restore the spirit and cohesiveness of local communities, foundations will also thereby be helping to restore a sense of balance to American values and beliefs. For too long, we have tended to celebrate only the most daring feats of financial success and the flashiest lives of fabulously wealthy and powerful global elites.

It's time to remind ourselves that true worth is to be found instead within our families, neighborhoods, houses of worship, and voluntary associations, where Americans everyday exhibit the solid and modest virtues of citizenship and compassion that built our nation.

If anything good for foundations can come from today's difficulties, it would be the realization that it is time for humility — to forget about grand forays into adjoining parts of society, and to return to the basics of making sensible grants to solid, local nonprofit groups that meet immediate human needs and nurture everyday civic virtues. In that new modesty, foundations may yet contribute to a great and urgent national task that is beyond the reach of government or market — the restoration of the moral underpinnings of American democracy.

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