THE CHRONICLE OF PHILANTHROPY
OPINION

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Raising Some $25-Trillion Questions

By PABLO EISENBERG

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It's hard not to be ecstatic about recent projections that indicate that $25-trillion or more could be donated or bequeathed to charities and foundations over the next 50 years. Such numbers are breathtaking -- more than anybody ever dreamed would go to philanthropy.

Too few people, however, have begun to grapple with the obligation to insure that this Niagara-sized bounty is used to improve the lives of all Americans -- especially those left behind by the current economic boom. If the new donors give in old ways -- and some early indications are that they will -- then those trillions of dollars may not make much of a difference in shaping a better future for our society.

Traditionally, giving by both individual donors and foundations has been safe, convenient, and conventional, with individuals giving to their places of worship, alma maters, and favorite cultural groups, and foundations giving overwhelmingly to well-established institutions in the health, education, arts, and social-services fields. Very little philanthropic money has supported local and small grassroots social-services organization. Even less has supported organizing, public-policy work, and advocacy by groups that represent low-income people, minorities, and other disadvantaged constituencies.

Partly as a result, substantial poverty and other social woes undermine the fabric of our society. Faith in the benefits of government wanes. And the issue of race and racism continues to divide us. To be truly effective, a substantial part of the philanthropic assets of the forthcoming transfer of wealth must be used to deal with those vital issues and needs.

Now that the federal government is shifting more and more power and money to states and cities, the capacity and willingness of philanthropy to make resources available to local non-profit organizations will help determine the success of "devolution." Many local charities and government agencies are in desperate need of funds to become more competitive and effective at both the local and state levels.

Like today's foundations, many of the new large foundations are likely to give mostly to national or international groups, claiming that distributing small grants is not cost effective. At the same time, they will be reluctant to provide large grants to non-profit intermediaries for regranting to smaller local organizations.

However, there are ways that large amounts of money can be distributed to local communities. Gifts to community foundations, for example, are an easy and effective means of accomplishing that task. So are gifts to other national and regional organizations that are experienced in distributing the funds to local groups. Or, the donors could take part of their funds and create a number of smaller new regional foundations in areas that are underserved by philanthropy.

But even if they do so, some nagging questions remain.

The new foundations will represent staggering amounts of money. The Bill & Melinda Gates Foundation is now worth more than $17-billion, the David and Lucile Packard Foundation is now worth $13-billion, and the William and Flora Hewlett Foundation, which is valued at $2.3-billion, is soon expected to triple or quadruple in size. Indeed, it is not inconceivable that during the next three or four decades, U.S. foundations could reach $50-billion to $100-billion in assets -- more than the economies of many nations.

Consequently, it may be time to re-evaluate the role that philanthropies play in a democracy. At what size, for example, do foundations -- institutions that are cushioned from the electoral process and the market's bottom line -- begin to arrogate too much power and influence over the nation's policies and priorities? What actions should be taken to insure that the boards of the large foundations are representative of the nation and its diverse interests? When, if at all, should anti-trust measures be invoked?

In our democracy, representative government has the responsibility for determining public policies and priorities. It grants tax advantages to philanthropy so that the country's charities and other institutions of civil society can be maintained and strengthened. If we determine, however, that the public's best interests are not being served, then we have to alter these institutions.

For example, to get the most from philanthropy, the government might need to consider applying antitrust measures. It is hard to say how big a foundation can reasonably be without violating the public interest, but that is something the government and its citizens will have to study and decide. If foundations are found to be too large, they will have to be broken up into smaller institutions that are governed by separate and representative boards of trustees.

Making would-be mega-foundations smaller will not be enough to insure accountable and enlightened philanthropy. Who serves on foundation boards will be crucial. Trustees should not be just family members or friends of the family. Nor should they be other foundation staff members. They should include people with experience in running non-profit groups, community representatives, civic leaders, and others who can bring to the boards a keen perspective and understanding of public needs. Boards that are more diverse in terms of class, race, and temperament are likely to lead to better grant making.

Thinking about such issues now is crucial. It's not good enough for us to lay back and wait for the gold to pour into our philanthropic coffers. We must begin now to discuss and debate where the money will go. Those conversations will provide some much-needed guidance to the nation's future big donors, as well as help many of today's foundations figure out how to become more effective and relevant.

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THE CHRONICLE OF PHILANTHROPY
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New Giving Reflects Old Priorities

By PABLO EISENBERG

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The recent spate of giving by new young philanthropists, many from the world of technology, appears to have done little, if anything, to change the priorities of American philanthropy. By and large, the young wealthy givers are focusing their attention almost entirely on the environment, education, and children's programs while charities that serve the poor or fight for social change continue to receive the crumbs of the philanthropic pie.

To be sure, such projects as helping to eliminate the "digital divide" (the gap separating the haves and have-nots in access to technology) and strengthening educational programs for disadvantaged children are important strategies for reducing poverty. But they are limited. Other strategies that are essential and deserve support include the creation of jobs, support for community organizing and development, provision of low-cost housing and of legal assistance, and support for public-policy advocacy.

For a variety of reasons, however, those strategies don't seem to appeal to the new millionaires. One reason is that many of them are still very young and do not have much exposure to anything beyond their colleges, businesses, and comfortable communities. Few have spent time in inner cities or in poor rural areas with hungry and homeless people, and few are familiar with community-organizing groups or those that engage in public-interest advocacy. For most, this is a world they have yet to discover.

What's more, the booming economic expansion in recent years -- especially in technology, with its low employment and high return on investments -- has pushed any discussion of poverty off the national radar screen. Our political leaders have done their best to not even mention the word. The "invisible" poor, so starkly etched by Michael Harrington in his 1962 book *The Other America*, are still largely invisible in the year 2000.

Some think that it is only a matter of time before new money finds its way to poor and marginalized constituencies. Paul Shoemaker, a former Microsoft executive who is now director of Social Ventures Partners, a Seattle network of some 250 venture philanthropists, believes that many of today's young wealthy donors are on a philanthropic learning curve. They begin, he says, by giving to fields and organizations that they know and understand. At a later stage in their philanthropic lives, he believes, they will expand their reach to include other types of programs.

But people who are locked into a life of poverty, joblessness, deplorable housing conditions, and few opportunities for progress cannot wait for the new donors to mature and enter a second stage in their philanthropic lives. Those disadvantaged people are in desperate need now of services, programs, policy changes, and advocacy support. For anyone concerned with social- and economic-justice issues, the challenge is to help those donors shorten that process.

One way is for donors, grant recipients, and the news media to publicize the names and philanthropic institutions of the new donors, which for many groups continue to be a mystery. Although Social Ventures Partners is open about who it is and what groups it supports, other networks and grant makers are not. As one executive director of a medium-sized charity said about the new donors, "We know they are out there, but we don't know who or where they are."

Even when the new donors are known, access to them can be a serious problem. Typically, access is regulated by so-called gatekeepers -- family members, friends, and personal and professional advisers who influence how the donors operate and distribute their money. The professional groups include the Philanthropic Initiative, in Boston, which advises wealthy donors, and the Philanthropy Workshop of the Rockefeller Foundation, which provides extensive training to new philanthropists on the art of giving. Unfortunately many gatekeepers -- both the formal and the informal ones -- limit outside contacts with the donors. In many cases, access becomes simply a question of whether one knows the gatekeeper.

The education of the new philanthropists, and their demystification to charities, could be facilitated by a broad consultation process. If one is to judge by newspaper reports and the feedback from many non-profit organizations, however, such a process is not occurring. The Bill & Melinda Gates Foundation, according to the press, has consulted with a number of chief executives of large foundations, including Vartan Gregorian, president of the Carnegie Corporation, who has become an important adviser to the fund.

But has the Gates Foundation talked to others who might have pointed out how it could perform better than its colleagues? Or has it consulted with a wide range of non-profit groups, including those that deal with poverty in the United States, about the fund's future directions and priorities? If it has, its broad consultations have been a well-kept secret on the philanthropic and non-profit circuit.

Limited consultation also seems to be a trademark of many of the other millionaires who are entering the world of philanthropy. Most seem to be relying on their peers and on gatekeepers. Some, too, are beginning to ask academic centers for information and advice. The Social Venture Network, for example, recently sponsored a briefing of its members by representatives of the Hauser Center for Nonprofit Organizations at Harvard University.

This is a positive step forward. But such consultations are not a substitute for exposure to and meetings with non-profit workers who are in the front line of non-profit activity. They are the ones who most clearly understand the needs of communities and can best articulate the day-to-day problems that they face.

The new foundations also could -- and should -- use their boards as a means to broaden their outreach and perspectives. But to do so, they will have to buck their natural tendencies to select friends, peers, and established foundation executives. Vartan Gregorian is a good man, but he represents only one point of view. The new philanthropies need to appoint others to their boards, and to their pool of close advisers, who can provide them with different points of view.

For their part, non-profit groups, especially those that are fighting poverty, must become more aggressive in their efforts to identify and gain access to the new wealthy donors. State associations of non-profit organizations, regional associations of grant makers, and local and regional management-assistance groups could be helpful partners in this exercise. While Mr. Shoemaker may be right that the new philanthropists are on a learning curve, they still have a long way to go, and charities must work to make that curve less steep.

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