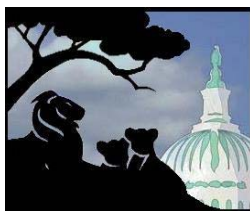


–EDITED TRANSCRIPT–



HUDSON INSTITUTE'S

BRADLEY CENTER

FOR PHILANTHROPY AND CIVIC RENEWAL

presents

Too Close for Comfort? Obama and the Foundations

Tuesday, February 23, 2010 • 12:00 to 2:00 p.m.

Hudson Institute • Betsy and Walter Stern Conference Center • 1015 15th Street, NW • Suite 600

“It is nice to be able to say that you look forward to working with your own government to make the world a better place – independent of it, surely; at times critical of it - but feeling you have a partner, not an adversary. Maybe demonstration projects we fund in philanthropy that actually demonstrate something will no longer be like the proverbial trees that fall in the forest with no one to hear them.” So spoke Atlantic Philanthropies president **GARA LAMARCHE** shortly after President Obama was sworn in, capturing a widespread feeling that the new administration was opening itself in unprecedented ways to partnership and collaboration with philanthropy, and was prepared at last to “scale up” – with federal dollars – innovative foundation approaches to problems in education, welfare, and health. But as Mr. LaMarche’s statement suggests, we look to philanthropy for more than close partnerships with government. We also expect it occasionally to be a critic and adversary. How is that tension likely to play out in the context of the Obama administration? In the first flush of enthusiasm for a closer foundation/government relationship, is there a danger that the two can become too close for comfort?



On February 23, Hudson Institute’s Bradley Center hosted **Mr. LAMARCHE** as well as **CHESTER FINN** of the Thomas Fordham Foundation, the Chicago Community Trust’s **TERRY MAZANY**, and **LEWIS FELDSTEIN** of the New Hampshire Charitable Foundation to address these and other questions. The Bradley Center’s own **WILLIAM SCHAMBRA** moderated the discussion.

PROGRAM AND PANEL

- 11:45 a.m. Registration, lunch buffet
- 12:00 p.m. Welcome by Hudson Institute’s **WILLIAM SCHAMBRA**
- 12:10 Panel discussion
 - GARA LAMARCHE**, Atlantic Philanthropies
 - TERRY MAZANY**, Chicago Community Trust
 - LEWIS FELDSTEIN**, New Hampshire Charitable Foundation
 - CHESTER FINN**, Thomas Fordham Foundation
- 1:10 Question-and-answer session
- 2:00 Adjournment

FURTHER INFORMATION

This transcript was prepared from an audio recording and edited by Krista Shaffer. To request further information on this event or the Bradley Center, please visit our web site at <http://pcr.hudson.org>, contact Hudson Institute at (202) 974-2424, or send an e-mail to Krista Shaffer at Krista@hudson.org.

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Panel Biographies

Lewis M. Feldstein is president of the New Hampshire Charitable Foundation www.nhcf.org, a statewide community foundation which finished 2008 with \$370 million in total assets, received more than \$25 million in contributions, and distributed more than \$34 million in grants, scholarships and initiatives. Feldstein worked with the civil rights movement in Mississippi and served for seven years in senior staff positions to New York City Mayor John V. Lindsay. Prior to coming to the Charitable Foundation, Feldstein served as provost of the Antioch/New England Graduate School. Among his singular achievements were seven-year tenure as the MC of the International Zucchini Festival, and a stint as wine steward and personal assistant to John Wayne on his yacht in the Mediterranean. Feldstein serves on several boards, including the Boards of Directors of the Independent Sector and Civic Ventures. He co-chaired with Robert Putnam the Harvard University three-year Executive Seminar Civic Engagement in America (www.ksg.harvard.edu/saguaro). With Putnam he is a co-author of the book *Better Together: Restoring the American Community* published in the fall of 2003.

Chester Finn, Jr. is a scholar, educator and public servant who has been at the forefront of the national education debate for 35 years. He has served, inter alia, as a professor of education and public policy at Vanderbilt, counsel to the U.S. ambassador to India, legislative director for Senator Daniel Patrick Moynihan, and assistant US secretary of education for research and improvement. A senior fellow at Stanford's Hoover Institution and chairman of Hoover's Koret Task Force on K-12 Education, Finn is also president of the Thomas B. Fordham Foundation. The author of 18 books and more than 400 articles, his work has appeared in such publications as *The Weekly Standard*, *Christian Science Monitor*, *Commentary*, *The Public Interest*, *The Wall Street Journal*, *Washington Post*, *New York Times*, *Education Week*, *Harvard Business Review* and *Boston Globe*.

Gara LaMarche is president and CEO of The Atlantic Philanthropies. Before joining Atlantic in 2007, LaMarche was vice president and director of US programs for the Open Society Institute (OSI) from 1996 to 2007, and associate director of Human Rights Watch and director of its Free Expression Project from 1990 to 1996. He was director of the Freedom-to-Write Program of the PEN American Center from 1988 to 1990, when PEN played a leading role in campaigns to lift Iran's fatwa against Salman Rushdie and challenged restrictions on arts funding in the United States. He was the associate director of the ACLU's New York branch from 1979 to 1984 and the executive director of the American Civil Liberties Union of Texas from 1984 to 1988. LaMarche is the author of numerous articles on human rights and social justice issues and is the editor of *Speech and Equality: Do We Really Have to Choose?* He teaches at New York University's Wagner School of Public Service, and has been an adjunct professor at New School University and The John Jay College of Criminal Justice.

Terry Mazany is president and CEO of one of the nation's largest community foundations with assets of more than \$1.5 billion and grant making exceeding \$100 million annually. In response to the economic recession and an invitation from Mayor Daley of Chicago, he provided leadership to organize the Recovery Partnership involving over 50 foundations to support the distribution of over \$1 billion in American Recovery and Reinvestment Act funds in Chicago. Mazany joined the Trust in 2001 as director and senior program officer for the education initiative of The Chicago Community Trust. In this capacity, he led the design and implementation of the Trust's \$50 million, five-year commitment to support literacy, teacher and principal quality, and the creation of new schools in Chicago. Based on the success of this initiative, the Trust renewed its funding for a second five-year \$50 million commitment focused on expanding system wide improvements across all curriculum content areas, developing more high quality principal and teacher leaders, and supporting innovation at the local school level. Preceding his work in the public sector, Mazany enjoyed his first career as an archaeologist and dendrochronologist – using tree-ring chronologies to date human settlements and develop past climate records.

Proceedings

WILLIAM SCHAMBRA: Good afternoon! My name is Bill Schambra, and I'm director of the Bradley Center for Philanthropy and Civic Renewal at Hudson Institute. Krista Shaffer and I welcome you to today's panel discussion entitled "Too Close for Comfort? Obama and the Foundations."

My friend Ruth McCambridge points out that we plagiarized the title from an article in the winter edition of her journal the *Nonprofit Quarterly*.¹

I'm hoping that she will forego litigation in this matter if I point out that the *Nonprofit Quarterly* is in fact a terrific journal, and would be at the top of my list for plagiarizable material, if we resorted to that sort of thing.

As is so often the case in philanthropy, this question – are American foundations becoming too close and comfortable with the administration? – is of course hardly a new concern. As historian Judith Sealander notes in her terrific volume *Private Wealth and Public Life*,² the question came up almost as soon as the first modern large foundations had been established.

Beginning in 1906, John D. Rockefeller's General Education Board became so enthused about the US Agriculture Department's program for teaching farmers the basics of scientific agriculture through "demonstration farms" that it undertook to expand that federal program with its own private funds.

So from 1906 to 1914, the General Education Board spent almost \$1 million to supplement the salaries of some six hundred Agriculture Department demonstration agents. Weekly activity reports were filed both at the GEB's office in New York, as well as at the U.S. Department of Agriculture.

So perhaps we're fretting too much about *today's* relationships between foundations and the executive branch, given ties that are obviously far less direct and explicit than those between the federal government and the GEB.

But let's not become too comfortable with that conclusion. The Rockefeller brand took a nose dive in April 1914 because of its association with the infamous "Ludlow Massacre." A Rockefeller subsidiary, Colorado Fuel and Iron Company, bore the blame for a bloody confrontation between state militia and strikers, in the course of which some thirteen women and children perished in the flames of their burning encampment.

¹ Tagle, Richard and Rachel Gwaltney, "Too Close for Comfort? Big Philanthropy and the White House," *Nonprofit Quarterly*, Winter 2009, pp. 39-40.

² Judith Sealander, *Private Wealth and Public Life: Foundation Philanthropy and the Reshaping of American Social Policy from the Progressive Era to the New Deal* (Johns Hopkins University Press, 1997), 368p.

Suddenly, Congress “discovered” the relationship between the GEB and the Agriculture Department. It had never been a secret agreement, but you know how Congress is about these kinds of things. This prompted Senator William Kenyon (R–Iowa) to denounce the Rockefellers as the agents of a “silent empire,” who wanted to “establish an invisible government – through gifts to education.” Thomas Gore (D–Okla.) demanded a “divorce of the Government and the General Education Board,” because Rockefeller money was, as he put it, “red with human blood and dripping with human tears.” And indeed, legislation was passed that effected that divorce.

So over a hundred years ago, we already encounter major concerns about foundations and presidential administrations becoming “too close for comfort.” And although today’s foundations are not likely to be accused any time soon of being “red with human blood and dripping with human tears,” there perhaps remain valid reasons for trying to insure some distance between donors and government.

To discuss our topic today, we have a distinguished panel from four foundations, and we’ll open it with Gara LaMarche, president and CEO of The Atlantic Philanthropies; we’ll then go to Terry Mazany, president and CEO of the Chicago Community Trust, followed by Lew Feldstein, president of the New Hampshire Charitable Foundation; and we’ll conclude with Checker Finn, president of the Thomas B. Fordham Foundation.

Gara?

GARA LAMARCHE: I’m always glad to take part in Hudson Institute events organized by my good friend Bill Schambra, although I was slightly wary of today’s topic, because I had a sense that I might expected carry the flag for excessively close partnership between government and philanthropy. In fact, as I told Bill, my feelings on that subject – informed not just by the experience of the last year of engagement with the Obama administration, but of many years of involvement in and observation of government, as well as philanthropy engagement at various levels in the United States and in a half-dozen other countries – lead me to take a much more nuanced view of the matter, which I’ll take a couple of minutes to elaborate on. So let me apologize in advance for letting anyone down who expected from me a full-throated call for philanthropy and government to walk down the aisle together to a life of connubial bliss.

A year into a new presidency seems like a good moment to share some thoughts, though, on the relationship between philanthropy and government – relationships that Atlantic has considerable experience with in each of the countries in which we operate.

In the just society in which we all wish to live, government, business, and the nonprofit sector all have roles to play. We operate in a societal ecosystem where the economic and social health of all will be damaged by weakness in any of these elements. In the United States in recent years, in my view, there has been a growing imbalance in this ecosystem, with government failing to provide a sufficient safety net for members of the community who fall upon hard times, and derelict in providing sufficient regulatory oversight for consumer protection from institutions like banks and insurance companies or for health, safety, and the environment.

Government has experienced a steady loss of confidence in the last few decades, some of it well earned, borne of failing schools and opaque and unresponsive bureaucracies. A good deal of it, though, is the consequence of sustained attack from conservatives like Grover Norquist, who boasted of shrinking government to the size where it could “drown in a bathtub.” That unfortunate metaphor came to life, we saw, as the floodwaters of Hurricane Katrina overtook New Orleans.

There is debate – and there always will be – about what government should and should not do. I think most people agree it should save people from drowning, protect them from economic exploitation, try to shield them from terrorist attacks, and assure that the bridges that their cars and trucks must drive over don’t collapse. But whatever government does, we all share a stake in its effectiveness. Atlantic wouldn’t need to support programs like SingleStop (<http://www.singlestopusa.org/>), which helps low-income families get counseling to obtain the benefits to which they are legally entitled, if government always worked as it should. And we wouldn’t need to spend resources on making sure the State of Florida actually implements the restoration of voting rights for former prisoners, if government always worked as it should.

Foundations, for their part, can innovate, demonstrate, spur, fill in gaps, foster knowledge, identify talent, and do many other things that contribute to the betterment of society. But they cannot, with their own funds alone, begin to feed hungry, care for the sick, or educate for participation in contemporary society many millions of young people. By definition, their role must be – it is hoped – catalytic. Since the federal budget alone dwarfs the combined endowments of America’s foundations – to use just one measure, last year’s much-debated stimulus package was more than twenty times the annual spending of all foundations put together – no foundation concerned with the education, health, employment, or any other core human undertaking can afford to be unconcerned with government policy. Government is the only institution that is both democratically controlled and can deliver, to use a philanthropy buzzword, at “scale.”

In my first few years at Atlantic, which has offices in seven other countries around the world in addition to the United States, I learned a lot about models of working with government from Atlantic staff in other geographies, and they illustrate to some extent the relationships between government and philanthropy in the United States. In Ireland, there’s little tradition of investigative journalism and few think tanks to influence policy. Some of our work there aims to fill these civil society gaps. Government is very centralized, so we form relationships with civil service that pay off in co-investments by Atlantic in youth development programs and the appointment of key ministers to advance the concerns of older adults in both the Republic of Ireland and Northern Ireland. In South Africa we negotiate with the national Department of Health to support some of the costs of upgrading nursing training facilities, and partner with the Department of Land Affairs to provide legal advice and support to farm workers who face illegal eviction.

Here in the United States, Atlantic’s relationship to government has taken two forms. The first is in a sense adversarial. We fund organizations that monitor, criticize, and sue the government, like civil rights groups fighting draconian restrictions on immigrants cropping up all over the country and civil liberties lawyers challenging torture, extraordinary rendition, and warrantless

wiretapping. Of course, this oppositional relationship is not unique to the United States; our grantees, like the Treatment Action Campaign in South Africa (<http://www.tac.org.za/community/>), played a key role in forcing the government to provide access to anti-retroviral drugs.

The second form is an attempt at partnership, from working with the US Labor Department during the Bush Administration to provide more employment opportunities for older adults in economically challenged regions of the country, to the State of New Mexico and the cities of Oakland, Chicago, and Baltimore to match our investments in integrated services for middle school students.

While Atlantic is a nonpartisan institution, when Barack Obama was elected president we saw opportunities to assist our grantees in moving forward more rapidly and broadly in a number of areas that are central to our mission. Within the first few months of the inauguration, the president signed children's health legislation that had been vetoed by President Bush despite bipartisan support. The president also signed a national service bill that contained significant provisions for tapping into the idealism and energy of older adults, something our grantees have long been pushing. I was pleased to attend the signing ceremony and watch Senator Orrin Hatch (R-Utah) assist his good friend, the late Senator Edward Kennedy (D-Mass.), for whom the bill was named, in his shaky steps to and from the podium.

We were relieved to see the president declare an end to torture, and call some of its manifestations, like waterboarding, for the illegal and abusive practices that they are. And as a foundation concerned with health, which had long supported a public education campaign called HCAN – Health Care for America NOW! (<http://healthcareforamericanow.org/>) – to prod all presidential candidates and members of Congress in both parties to pledge to repair the gaping hole in the US safety net. We were encouraged by the president's commitment to take on this issue as the signature effort of his young administration.

Here we are, a little more than a year later. On the plus side, children's health coverage and national service have become law, although our grantees face years of diligent effort to assure effective implementation. More comprehensive health care reform, which looked like a sure thing for many months, seems to be on life support at this moment, thanks to last month's election in Massachusetts, and to some costly missteps by the administration and its allies. The president has had a difficult time keeping his promise to close Guantanamo, and our human rights and civil liberties grantees, seeing an insufficient discontinuity with the practices and policies of the Bush administration, continue to sue and complain. Promised immigration reform has yet to emerge, and tough Homeland Security enforcement policies have dismayed many whose hopes were raised for more fundamental change.

Now, where are foundations like Atlantic in all of this? To be sure, we talk more with various administration officials – a number of whom have emerged from the ranks of our grantees – more often in recent years, and this is useful in getting a view of the administration's priorities and views, though it rarely differs from what is available in the public press now that a twenty-four-hour blogosphere is trained on the minutiae of government. Our grantees also have more regular access than they have enjoyed in prior administrations. This has not, as I note above,

always translated into better policies, and despite the relationships we enjoy, we try not to pull our punches.

For example, a few days after I met last fall with Cecilia Munoz, a former Atlantic grantee and board member who is now director of intergovernmental relations and a key figure in immigration policy, I wrote one of my biweekly *Atlantic Currents* columns sharply critical of the Obama administration's immigration enforcement policies.³ Having been on the outside herself, as a vice president of the National Council of La Raza, Cecilia understands better than most the need for those on the outside to push and hold accountable those on the inside.

Those we fund have often been scathing – usually in sharper terms than I would employ, but that's their prerogative – with regard to President Obama's action or inaction on civil liberties, immigration reform, health care, financial reforms, jobs, lesbian and gay rights, and a host of other matters. That is as it should be in a healthy democracy. Access and communication are not inconsistent with vigorous scrutiny and criticism; in fact, they demand more of it.

Atlantic has been a leader in encouraging foundations and nonprofits to engage in policy advocacy to the full extent that the law permits, and we stepped up the pace and scale of our efforts in light of the opportunities that seem to be at hand in the new, more progressive White House. We made some big bets on health care and immigration reform, and, more broadly, on the idea that a transformational moment might be at hand to address long-overdue social challenges and strengthen the appropriate role of government.

As Sarah Palin might ask, how's that hopey-changey thing working for ya? (Laughter.) In fact, the past year has been sobering – among other things, it has been a civic lesson in how Senate rules, the institutional rivalries between legislative chambers and branches of government, and a take-no-prisoners partisanship can combine to frustrate reform. But it is too soon to tote up the scorecard and to assess the role played by nonprofit organizations in whatever victories may be achieved. Assigning causality is always a tricky business, calling for healthy skepticism and strong doses of humility. We will be careful to study the experience of engagement during the past year and learn from it.

It seems evident to me that the campaigns and civil society organizations that have been built and strengthened by the support of Atlantic and other foundations have improved the climate for more progressive policies and help keep the administration accountable to its professed values and goals. But in the end game of policy, particularly where huge economic interests are at stake as in health care and financial reform, this is far from determinative.

What I've had to say so far focuses on the realm of advocacy and policy, but in closing I want to address the other major realm in which the Obama administration has engaged with philanthropy and the larger nonprofit sector. That is its efforts to change the way government funding works, moving to base policies and programs on a sound evidentiary basis. The establishment of the White House Social Innovation Fund, inspired by the rigorous approach to evaluation and

³ Gara LaMarche, "Hate Campaigns Can't Block Overdue Steps Toward Fair Treatment of Immigrants," *Atlantic Currents*, October 1, 2009. Online at http://atlanticphilanthropies.org/about/atlantic_currents/archive/hate_campaigns_can_t_block_overdue_steps_toward_fair_treatment_of_immigrants

evidence promoted in recent years by foundations like Edna McConnell Clark, Gates, and Hewlett, is the most visible example of this commitment, although it can be seen on an even greater scale in the Race to the Top Fund of the Department of Education, newly flush with stimulus funds, and in numerous other government agencies.⁴ The foundations mentioned and several others have been quite closely engaged with this, and the Social Innovation Fund represents a welcome and audacious effort to take a strong philanthropic trend of the last five to ten years and employ it in government, which as I've noted is a much larger funder than private philanthropy.

Now, there are plenty of reasons why the Obama administration's evidence-based initiative might not work out: the money being offered is relatively modest; the matches required of intermediaries and nonprofits are fairly steep; the number of qualified intermediaries may not be high enough for the necessary critical mass; normal politics may at any point raise its head and compromise the effort; and so on. Of course, what can be considered "proven" is hardly uncontested territory, and at times the (inaudible) of this movement seems to be unmoored by larger values. But I don't see who could argue with the goal of having government funds well spent, or who would have a reason not to wish the effort well.

So a year into an administration whose policies and objectives track more closely than its predecessor did with the strategic objectives of America's largest foundations, there have been disappointments and setbacks. Political leaders always disappoint, and they rarely do the right thing in the right measure unless pushed and prodded by civil society organizations and social movements.

But in looking at our recent experience and adjusting for the years to come, foundations also need to look into themselves. Most move far too slowly to capitalize on actual opportunities to achieve long-sought goals once they're at hand. Many are too skittish about engagement in policy advocacy. Few have a strategic vision broad enough to fit the key issues together into a coherent narrative. Dominant funding practices imprison their grantees in silos, reinforcing interest group politics. And the lack of multi-year core support in most cases hobbles foundation beneficiaries in the effort to plan, prepare, and seize the moment for change when it arises.

I doubt that foundations and the Obama administration are too close for comfort. But comfort is not the goal. Engaged and critical discomfort is more likely to produce the best results for society, foundations, and our political leaders.

TERRY MAZANY: I know there has been a sense of a Chicago influence here in Washington. I can't claim that that translates into the snowfall that you've had. But it did look an awful lot like Chicago when I landed this morning, with the cover of snow.

I also wanted to acknowledge my colleagues from the Council on Foundations, here. It's a very important organization for the independence of this sector.

⁴ The Bradley Center held a panel on the Social Innovation Fund on October 19, 2009, featuring Rick Cohen, Stephen Goldsmith, Cheryl Dorsey, and Matthew Spalding. A commissioned essay and complete transcript of the discussion can be found online at http://www.hudson.org/index.cfm?fuseaction=HUDSON_upcoming_events&id=718.

I'm going to talk about the special role of community foundations. We are often and rightfully grouped into the larger philanthropic sector, but at the same time there are important distinctions that I think cast a different light on the question that we're addressing today.

This is a primer: There are over seven hundred community foundations across this country. There is an additional 1,100 across the world; I think it has been one of the most successful but untold exports from our country to the rest of the world. A Council on Foundations study showed that over the past decade, community foundations have grown by over 400 percent, and the assets collectively for our field right now are about \$50 billion resulting in about \$4 billion a year in grants. At the same time, as we are a public charity receiving dollars, we brought in collectively about \$5 billion in gifts for that.

John Gardner described a community foundation as “in a position to think more or less continuously about the community as a community.” A community foundation is not only in a good position to think about the community as a whole, it is in a position to persuade others to do so. We are typically led by boards of directors that have explicit authorization from civic appointment, and that confers a measure of representational legitimacy on our leadership as well as a clear moral obligation in our DNA to uphold the common good over any individual interests for that body.

The roots of all of this go back to the founding of this country and the observations from Tocqueville when he traveled across the country and was amazed by this thing called “the association,” and he recognized that it was addressing the core paradox in our system that encouraged individual achievement but also required an effective citizenry working in concert to balance the role and power of government. And it's that fulcrum point that I think foundations play a vital role to maintain the independence, to hold – as best we can – our government accountable, being an association of interests.

On the ground, community foundations are focused on a particular geography, and so public-private partnerships – working with government – is how we get things done. In Chicago, this meant the transformation of public housing through the demolition of 25,000 units of public housing and the rebuilding mixed-income communities. With the leadership of the MacArthur Foundation we organized the Partnership for New Communities, which focused on elements that were not being addressed by (inaudible) funding, but in fact it was all of the social glue and cohesion, the research and evaluation, that dealt directly with real people, real lives, and their circumstances when they were moved from public housing and then brought back in and reintegrated in that.

My personal story here began back in 2001, when I first began work at Chicago Community Trust. I had breakfast with a young man who was then chief of staff for Paul Vallas of Chicago Public Schools – his name was Arne Duncan. We had a great time talking about, gee, if we were in charge of Chicago Public Schools, what would we do? A month later he was selected as CEO of Chicago Public Schools, and as I was new to my position heading up our education grantmaking, I didn't have a full grant portfolio to manage, and so my boss, Don Stewart, allowed me to spend half time embedded within the Chicago Public Schools working on Duncan's strategic planning team, at that point, to create a very vibrant plan for that.

So I think it was no accident that the Chicago Public Schools' priorities of literacy, human capital, and choice looked a lot like our community foundation's priorities of literacy, teacher quality, and alternative models of schooling. We put that together and had a very effective eight years of collaboration during that time. And the wonderful thing was, it was the posture of Arne's administration to open up an opportunity for foundations to collaborate, which grew out to a group of about forty foundations in the Chicago area able to align their focus with the priorities of the system – and again, collectively having about \$50 million a year of philanthropy in the system to move a \$5 billion system. Clearly, this was not something that we (inaudible), but the opportunity presented itself for that.

Foundations have also provided a critical impetus to formalize a plan to end homelessness in Chicago, with the mayor's work going on at a national level. They also have supported Chicago's leadership on a climate action plan, as well as a digital excellence plan which has proven to be shovel-ready for some of the stimulus dollars that are moving forward here.

In response to the economic crisis, almost to the day a year ago I got a call from Mayor Daley asking that we convene foundations to address how Chicago can best utilize the stimulus dollars from the American Recovery and Reinvestment Act (ARRA) of 2009, roughly a billion dollars in (inaudible) coming to the city. We met together and organized what was called the "Recovery Partnership" – fifty foundations working together on almost a weekly basis in the areas of basic human needs, energy, housing, workforce development, education, and infrastructure.

Out of that, we recognized that our stimulus dollars provided the worst-case scenario of bad grantmaking – dump a lot of dollars quickly on organizations and expect them to ramp up and deliver, and then also let them know that in two years these dollars will be taken away. And so what we were able to do is to effectively prepare and support organizations. These were the human service agencies that had just laid off staff or were anticipating laying off staff; they needed to rebuild capacity to deliver needed services. We were able to help them ramp back up. And right now we are doing an analysis of the cliffs (?) so that we can structure a gentle glide rather than a sharp fall-off.

In the course of doing this work, because foundations were at the table, there was a sense of increased transparency at the city that brought to light several problems in terms of the slow contracting process, the procurement process, and the payment process for the city. We were then able to bring in extra teeth, which has enabled the city to improve its process of getting contracts quicker to nonprofit agencies and getting payments within thirty days – the major impediment to nonprofit sustainability because of the lag in cash flow that they had. We were also able to identify a number of existing plans already on the books that provided direction for the use of these funds, able to identify and recruit high-performing organizations that we knew from our grantee relationships would be best able to manage this increase in the resources and able to fund the data collection, reporting, and evaluation, which to me is painfully absent in the entire ARRA stimulus package. I'm not sure what we'll be able to collectively learn about the good or not good that these dollars have done there.

And because we're all grantmakers and we know what good proposals look like, we were able to mobilize teams to make Chicago highly competitive for the competitive rounds that came after the initial tranche of funding. In addition, if you're following the news, I think that Illinois ranks number one as far as states in severe economic crisis with our budget. So we've mobilized a human services commission at the state level – in fact, my vice president of programs is co-chair of that. And it has been quite a tussle to put good data on the table for making good policy recommendations for the governor.

We also participate in the economic recovery commission for the state, and because of a cash-flow problem we were able to support the high-speed rail summit of eight states coming together to sign a joint memorandum of understanding, which I think was important in making the Midwest case for high-speed rail investment.

At the same time that we are collaborating there, much the way Gara (LaMarche) had talked about it, we also support Illinois Partners for Human Services, large human service agencies advocating for stable funding. We also support the Better Government Association and Change Illinois, which are very intent on bringing integrity to state and local government there.

And then, in collaboration with the Knight Foundation, we are part of a group of twenty-one community foundations focused on the information needs of our community, and I've got to really tip my hat to Alberto (Ibargüen) at the Knight Foundation for elevating the importance of community information to the level of a basic human need in a democratic society. They've provided the key funding that has allowed us to take a run at that and make that one of our foundation priorities as well.

What is different in this era? To me, it essentially boils down to access. And that is the change in administration. But I think what we've learned in this year is that access does not necessarily translate into action, and we've been kind of lulled into a sense that we're at the table but in fact sometimes we were more effective when we weren't at the table. With the access, where the lines get blurry, for me, is, okay, we're at the table, but who is setting the agenda and who is leading that agenda?

We are, I think, benefiting from an awareness of the sector. I was able to work personally with both President Obama and Michelle Obama on various community initiatives; their roots are deep in understanding how this sector works. And so you don't have to educate individuals in the administration about the independent sector. That is already pre-established.

But I am perturbed by the fact that the historical equation for foundation-government relations has been turned upside-down. It used to be that philanthropy provided the innovative edge and then government took it to scale. Now, government programs are looking to provide seed money for philanthropy to take it to scale.

I do welcome the heightened standard of evidence that has been brought in here, however, and deploying more resources for that philanthropic mission.

I think our challenge, as Gara (LaMarche) said, is that the public has lost confidence in government and public institutions to solve problems, and I am afraid of a danger of contagion – of too close of a relationship. If we lose that recognition that philanthropy is a useful public good that can solve problems – that’s a concern.

I want to end by talking about the Social Innovation Fund. I agree with a number of Gara’s comments. From our view as a community foundation, the match is just too daunting. To be able to assemble a three-to-one match to support this, well, we typically don’t have that reservoir of unrestricted dollars that can be applied. There are opportunities to partner with national foundations on that type of work. But it does create a challenge for that.

At the same time, I think that there can be a recognition that community foundations are an excellent network and distribution system. One of the ideas that we brought forth is, if you take the assemblage of 700 community foundations and ask us to identify the most promising social innovations in our community, virtually overnight we could assemble a stellar list of opportunities, pretty effortlessly and at low cost. Those are, I think, opportunities that we can move forward for that as we deal with this.

But I am concerned that it may signal a trend of general offloading of responsibility for them common good from government to philanthropy, which brings me to my next point: Our common concern has got to be the ineffectiveness of government right now in the face of very real and pressing problems. Whether we’re not close enough or too close, it is definitely the case that we need to be very vigilant about ways in which we can help government address some of the big issues not only for us but for future generations.

LEWIS FELDSTEIN: Good afternoon! Two caveats, as I begin this. First of all, I am one of the community foundations that Terry (Mazany) has spoken about. I’m from New Hampshire. Those of you whose ears are unclogged will immediately recognize by my accent that I am a different kind of Yankee. (Laughter.) And it will come out in many ways.

And second, I’m not going to go through my formal remarks because I’d much rather draw off and have some fun with what Gara (LaMarche) and Terry (Mazany) have already said – I’m setting myself up for (inaudible). (Laughter.)

(Cross talk.)

LEWIS FELDSTEIN: So while I get my shots in, I want to go after Bill (Schambra). And this is a great exercise – you know, he has posed the question. He sets the agenda, in his gentle, lovely, humorous, graceful, and skillful way, right here (points to Bill). And he poses the question that I don’t think has any basis that we should be worrying about it. (Laughter.) The question he poses is based on the presumption that somehow we’re supposed to be neutral; we’re supposed to be independent of government, and we’re supposed to be checking on government, to hold it accountable.

Who says? We all have an agenda! That’s the way the charitable laws in this country are set up, right? Donors make it, and as long as it’s charitable, you do what you need to do. Very, very few

foundations are set up where it says in the bylaws, this is set up to hold government accountable and to be neutral.

Now, the reason we hold government accountable is because we have something else we want to do. And if you listened to the numbers that both Gara and Terry have told you, you can't get it done unless you do something to move government. But it doesn't say, your job is to hold government accountable.

But you are so clever, Bill (Schambra)! (Laughter.) He has managed to get himself inside my head by asking the question and forcing us to deal with it, he's done it! I've got this little fly buzzing around me and I can't get rid of it! And he is putting this question on the agenda. He has moved the whole field. The whole field of philanthropy now has to ask (Feldstein's voice drops to a whisper), is our foundation too close to the Obama administration? Too close to government?

It's a question, but it's not a central question. It's not why we're there. Bill, mazel tov!

PANELIST: You've got to say it in German. (Laughter.)

LEWIS FELDSTEIN: You've succeeded! Is it a prank? A game? No! It's very, very skillful. We could learn again and again, as we always do from Bill, how he poses these things.

But I want to say, one more time, that there is nothing in the tax laws that says that our job is to hold government accountable. The great virtue of foundations in philanthropy is that they do have a point of view. They want to get something done. We exercise our skills to try and move it along. There are certain limits on what we can do; you all know the tax code. But there aren't many, and we have a lot more room. And if there is a concern that I would raise, and I'm sure, knowing some of you around the room, you've heard it many times, the problem is not that philanthropy is too close to Obama or too close to government, it's that as an institution, for the most part we're silent. We're non-players! We're marginal. We could do a huge amount more to move the public sector than we do. That's the real failure.

And why we do it is not so much a legal question, which is implied by the question before us today, it's a political question. It's trying to get something done. What's the best way to do it? What's the best way to move government? And the only reason you try to move it is because we don't have the muscle by ourselves to make society change. We've got to move that bigger engine, and that bigger engine that is the private sector as well. That's where it is.

So I've got a political question in my mind – can I move government? And then it's a question of carrot and stick. We're a tiny little fly – we're back to this fly image again – buzzing around government, trying to get their attention. If you're Gara (LaMarche), you get a lot more attention than if you're a little fisher like me in New Hampshire. But you're still looking for ways to move the big guy. And I'm trying to find the way in which I want to do that. And sometimes it's by being sweet and talking nice and being very pleasant, and sometimes we've got to be willing to criticize. And shame, shame, shame how few of us do it well. Many of them are here today.

The sad this is that you couldn't do more than put another two or three dozen here, and you still wouldn't have anybody who really works hard and skillfully at moving government in philanthropy. I'm overstating a little bit. But out of the 100,000-plus foundations, there are a tiny, tiny few who do this. And that's this country's loss. And so we take courage in the major leaders who do this for us and show us how. But rarely, rarely do you hear of a major voice in philanthropy either criticizing government or, on the other side, praising them in some way where they catch a lot of attention for that.

Oh, by ourselves when we're with our peers, we have a beer or a latte or whatever, and we swagger and talk about what government is doing and how I told so-and-so. (Laughter.) But we don't do squat publicly. In the mirror, when we put our ties on in the morning, we're tough, you know? And then we just don't do it publicly. And that's the sad thing about it. That's the real shame of the issue that this puts before me.

And it's hard to think of many instances in the last year where many of us stood up and said anything very strong criticizing this government. But it's no different. It's not as if it's a particular affinity for the charm of Barack Obama that suddenly silenced us all, because in previous administrations we didn't do it either, even when some of us were more uncomfortable about what government did, or by people on the other side who switched back and forth. There are rarely instances when philanthropy is as outspoken as it should be.

And to the extent that we do it, often it's through intermediaries where we're not generating the ideas; they come to us and ask for support, many of you in the room, here. And we've supported people. But it's not that philanthropy itself is taking the big step.

That's the principle point I want to make in this. It is about pursuing our agenda as smart and as cleverly and as skillfully as we can, and if it means working through government, fine.

I do want to say – to make two other points related to this, and then I want to say one word about the state and local scene, where I've spent most of my time.

First, if anything, the events of the last six months or a year, particularly the recent Supreme Court decision, made clear that we need to have more lobbyists, more visibility, and a greater presence.⁵ This country needs it desperately, now; it's going to be even harder for many of the views that people represent to be heard. So we've got to find ways to step that up – and not just through funding. There are a lot of other tools that philanthropy has that we don't use: the voices of individual leaders, the voices of our boards, the connections we have, the social capital and connections. And we have to be willing to wield them, but we need more lobbyists, more muscle in the game. I can only think of what it will feel like after the full effect of the Court's decision becomes clear.

And then finally, I just wanted to say something about the difference of what this means at a state and local election. I am in a tiny state with a million-plus people, 1.3 million people. I am a

⁵ The Bradley Center held a discussion on the *Citizens United v. the Federal Election Commission* on February 16, 2010. A complete transcript can be found online at http://www.hudson.org/index.cfm?fuseaction=HUDSON_upcoming_events&id=747.

full-time, registered lobbyist. I don't know how many community foundation presidents in the country are full-time lobbyists. We have seven lobbyists on the staff – out of a professional staff of about twenty-five or so; so one out of three people, almost, are lobbyists. And we've made a call to do that.

We lobby – I give this more as an example of what's possible – in a state where the political views of some of us are not always accepted, but you have a chance in a small state to do something that may be harder, ordinarily, in a state as large as Illinois or California or New York. One of the benefits of a small state is that everybody knows what you do. It's also one of the problems. But you can build connections there on a personal basis that you can't elsewhere. And more of us ought to take advantage of it, and we don't.

Here's a funny anecdote: When I first took the job, I went over to see the then-governor of New Hampshire, John Sununu. And I wanted to present my credentials – it was like a diplomatic seat, you know? And I said, "Governor, I know that our views are not always going to be the same, but I'm hoping that we're going to get into public policy, and I want you to know that in advance, and I'm hoping that we can find some issues to work on together." And the governor looked at me and said, "Feldstein, I know all about you and your work in Mississippi and with Lindsay in New York. And if you're as smart as everyone tells me you are, within ten minutes you'll know that I'm right and you're wrong; otherwise, it'll take you six months to realize it." (Laughter.) And he still thinks that way; that's quintessential John Sununu.

His successor, Steve Merrill, attorney general under Governor Sununu and then a two-term governor whom I see often – he's a major lobbyist, often introduces me to people he's with, and he almost always uses the same line: "This is Lew Feldstein. He ran the foundation in New Hampshire, and he always voted for my opponent because he couldn't find Karl Marx on the ballot." (Laughter.)

But my point, beyond the joke, is to say that in a small state, you have opportunities to do things that many of us don't avail ourselves of – because you're still a person; you're not a caricature; you're not a wooden figure; and you can get in the game and even as you disagree on views you can still maintain a personal relationship.

I'm saying all that because I'm saying that more people and more foundations need to be in the game, and if they then choose to be close to the administration or not, that's a political call. And I have regularly, in my role – we've opposed Democratic and Republican governors in the legislature on major issues, and we've publicly and privately talked about differences. And it's possible.

But that's the issue. It's not whether we're too close or not too close. It's getting in the game. And too few of us are. So that's my point in this.

Thank you.

CHESTER FINN: I'm going to refrain from telling Sununu anecdotes, although it's tempting. (Laughter.) I think my role here is partly to say, "on the other hand," and I'm going to do some

of that, although a bit of what I have to say has been foreshadowed by what my colleagues have said earlier.

Let me admit that the phrase “public-private partnership” has begun to give me the willies. More and more, it seems to me that it signals a reduction in the freedom and independence of the private sector and a push to align the use of private resources and energies with those of government. Some people obviously think that’s a fine and desirable thing. In many circumstances, I think it’s pretty troubling.

Let me be clear with a couple of distinctions. I do not have any issue with the privatization or outsourcing of various public services to private providers and operators, whether it’s collecting the trash or running schools or providing foster care services or operating hospitals. There are innumerable public functions that are not best delivered by government agencies or staffed by government employees. And there are innumerable goods and services that government needs to procure that are best supplied by the private sector. Well and good.

Private firms and organizations, nonprofit or for-profit, exist at least in part to handle these things, and have been doing so for many decades. They generally have to play by government rules and they are generally accountable to government for their performance. But it’s the government’s resources they’re using and the government’s business they are helping to get done.

Today’s notion of public-private partnerships, however, usually mean something very different. It means private organizations applying their own resources to the same ends as government is applying its resources, a kind of joint venture with pooled resources. That is not always a bad thing. Some of the best hospitals and universities and charter schools, for example, represent a co-mingling of government and private resources. The KIPP program, for example, needs a thousand or two thousand dollars a year per student more than most states supply their charter schools, so this additional money comes from the private sector. The University of Virginia now gets only about 8 percent of its operating budget from appropriations by the Commonwealth of Virginia.

I’m still okay with this, because you have essentially independent organizations pulling resources from multiple sources, both government and private, to carry out a mission that is both public and private – in this case (KIPP), educating young people in a private or quasi-private way. There is no clear bright line here.

But what gives me the willies is when politicians and elected officials and their appointees ask private organizations to dig into their own budgets and their own pocketbooks to advance the ends of government. And what really alarms me is when those private organizations – especially private foundations – cheerfully agree to do this. Stripped to its essence, what’s going on here is government seeking to do more than it can afford to do with its own resources. Instead of higher taxes or a deeper deficit or a change within the budget priorities, government is trying to leverage other resources toward its ends.

This has two bad effects. First, it depletes the supply of private resources available to do other things for society, including especially the important things that government cannot or will not do. Obviously, every dollar that a private foundation or corporation contributes to, let's say, Arne Duncan's public-private STEM initiative,⁶ or to projects devised by the White House Office of Social Innovation, that's a dollar no longer available for genuinely private activity.

Second, this kind of partnership inexorably and inevitably reduces the private sector's independence from government, its freedom to criticize government, and its capacity to tell the truth. It's another version of the nascent corporate state not unlike what is going on with the auto industry and parts of the finance industry. It points in my mind to a future day when the Ford or MacArthur foundations or maybe even the mighty Gates Foundation will be no more independent of White House decision making than General Motors or AIG is today.

Let me be clear, though. The initiative for this sort of thing doesn't always come from government. In the world of education policy and education reform, where I spend most of my time, recent months have brought plenty of examples of the private sector taking the lead in such joint ventures, voluntarily deploying their resources on the government's behalf. Many of our major foundations, including some for which I generally have very high regard, have with the best of intentions acted as if their foremost mission is to instruct federal and state officials on what to do, tug the strings of public policy in directions that they favor, and spend their own money in ways that complement or foreshadow outlays of government funds.

What's more, the flow of human traffic between foundations and government offices – in both directions, by the way – suggests not only that there is much overlap between private and public agendas, but also that some of those same folks are working both sides of that street in alternate months. In K-12 education, much of this has centered on Secretary Duncan's billions of Race to the Top dollars and his earnest effort to deploy those moneys to stimulate worthwhile reforms – reforms *I like*, by the way – not just to backfill recession-drilled holes in state and local education budgets.

Because the changes that Duncan favors in education – national standards, better data, performance-linked evaluations of teachers, alternative certification, charter schools, and so forth – more or less align with the priorities of many non-government donors and analysts, myself included, it's no surprise that those outside government have been tempted to lend a hand to make it happen. Duncan and company have understandably encouraged and welcomed such help. There have, as a result, been innumerable powwows and projects and technical assistance grants and jawboning underwritten and abetted by well-known reform-minded philanthropies.

And why ever not? After all, Uncle Sam has so much more money than even those deep-pocketed philanthropies. Improving the targeting of those public funds would do so much good in education, catalyzing or accelerating greater and perhaps more durable activity at state and local levels than the private sector alone could hope to effect. Indeed, it's tempting, nigh irresistible. And it's tempting in the opposite direction, too, if somebody like Arne Duncan can

⁶ The STEM initiative is for students in Science, Technology, Engineering, and Mathematics. The "Educate to Innovate" campaign, as it's also known, can be found online at <http://www.whitehouse.gov/issues/education/educate-innovate>.

leverage resources beyond his own to accomplish his ends by persuading others to bring their private dollars to bear on the same work.

Possibly in retrospect we will conclude that this intimacy did some good and produced some healthy offspring. But there's a problem, too – the possibility of a Faustian bargain that in the throes of short-term passion fails to notice the long-term risk. The great advantage of and principal rationale for a healthy philanthropic sector in a country like ours is its independence from government, its unique capacity to do what government cannot or will not do. That's a far different thing from serving as a guide dog, a tug boat, or an aide-de-camp to government itself. And I think that's the distinction we risk losing as foundations rush to help do government's work.

What private dollars can do uniquely and best is stand apart from government; fund activities that are politically or constitutionally beyond government's reach; underwrite critics, evaluators, and analysts of public policies and programs; pay for inquiry, research, and advocacy that would be inappropriate for the public sector to undertake; and generally distinguish its work from that of government in a truly independent sector. In a newspaper interview a few months ago, Eli Broad made clear that his foundation, for one, believes in what he called "venture philanthropy to jumpstart worthy change and not wait for government to do it."

He's right. And at least in education, recent history contains abundant examples of that distinctive private sector role and the good that it can do in this sphere. Do you think Teach for America would have gotten any traction if it had relied from the beginning on public dollars? No – it wouldn't even exist. Would KIPP have started if it had relied from the beginning on public dollars? It might have gotten two schools, in Houston and New York, but it wouldn't have grown without Don Fisher. Would E. D. Hirsch's Core Knowledge Foundation exist? Would the National Council on Teacher Quality have been able to put big-city teacher contracts online if it depended on government funding to do that?

Would the National Alliance for Public Charter Schools even exist? What about the journal *Education Next*? What about the New Teacher Project? What about New Leaders for New Schools? Would we at Fordham been able to examine and reveal the unevenness of school proficiency ratings under No Child Left Behind or the less-than-terrific effects of No Child Left Behind on high-achieving youngsters if we had had to depend on government to pay for that kind of analysis? Of course not – it wouldn't happen.

Would Rick Hess have been able to probe the potential and limits of private-sector entrepreneurship in education? Would Joel Klein have been able to launch a fleet of charter schools in New York City if he had only had public dollars to work with? Would Michelle Rhee be able to bargain seriously with the Washington Teachers' Union over the evaluation, retention, and compensation of educators in this city if she had had only public dollars to spend? Such lists could go on and on.

It's not that the private funding that made these things possible was antithetical to sound public policy. It's that the private dollars enable things to be done around, outside, and often in tension with government and politics – things that over the long haul tend to make for better education

and sounder public policy. There are things that do to politics and interest groups and procurement rules and equity considerations and so forth – as well as plain old red tape and inertia, things that government could not pay for itself or would not pay for itself. And the private sector could pay for them only because it didn't much care what government thought. It had truly independent ideas of what would be good for education. And as my examples suggest, more than a few of these ideas turned out to be sound ones. Some indeed led eventually to government doing things it might not otherwise have done, such as supporting TFA and KIPP. Others stopped government or discouraged government from doing things it would have done.

I believe this health tension only works when the private sector remains truly autonomous, even aloof; when it can thumb its nose at politicians, government, and public officials; when it can say, we're going to do this, like it or not, because we believe it's good for American education and we don't have to pay attention to the many constraints that you in government labor under; and indeed, when private sector is free to be oppositional, even confrontational, when necessary.

I respectfully suggest that that's a very, very hard thing for philanthropists to do while also sharing a bed with government, whether that involves connubial bliss or not. It isn't totally impossible, but it's mighty hard, if only because elected or appointed officials at whatever level are apt to say, we can't work with the XYZ Foundation because it has a history of criticizing us or paying for studies that embarrass us or funding people to give us grief. Stalwart philanthropists ought not be intimidated. Perhaps my colleagues at the table are not. But many are, because it's always nicer to be thanked and taken seriously.

Because it is so tempting to think that one's relatively meager private dollars are being multiplied by the government's zillions – and never more so than today, when private resources are down and public spending seems boundless – there is a strong temptation to bite one's own tongue and hug government tighter. Perhaps no harm will come from this romance and others like it in sectors outside of education. Conceivably some good will follow. But I'm worried. I think American society would be better off if the two sectors waved cheerily at one another but then slept in separate beds. (Laughter.)

Thank you very much.

(Applause.)

WILLIAM SCHAMBRA: We're off to a roaring start! Why don't I just let our panelists have at any topic that was raised in each other's comments. Gara (LaMarche), did you have anything to say in response to what you've heard?

GARA LAMARCHE: I regret introducing the sexual metaphor into this.

(Laughter.)

GARA LAMARCHE: But I guess I made my bed and now I have to lie in it. (Laughter.)

I'm a little confused by Chester (Finn)'s remarks, spirited though they were. I find myself agreeing with a lot of it. I think the independence of philanthropy is something that's important as a value in the society. And yet it seems to me – I'm a little confused by some of the examples that were used. While it's true that a lot of innovative things were started by private philanthropy that would have been hard to do with government funds only, like Teach for America, which I funded at the Open Society Institute and we fund at Atlantic, or KIPP, which indeed we are funders of, by definition over time all of these things are seeking engagement with the public system. So I don't get the kind of bright line.

I said myself that I think one of the best roles of philanthropy is to try to be catalytic, and it can do things that provide a model that is then picked up. Not everything has as its end game government funding. Some of the stuff we do – a lot of it, as I mentioned – has nothing to do with government funding; it's kind of oppositional and critical. And I'm not quite getting that point.

Now, I do think Chester (Finn) makes an interesting argument. I don't share his enthusiasm for privatization, for the outsourcing of government functions ad infinitum. I don't think we're looking for Blackwater, private prisons and so on, as if that's a tremendously encouraging record. So we have some differences of opinion on that. I do think he has raised a good concern, though, about where things like the Social Innovation Fund might be going in this sense: I think, maybe I'm not remembering my facts right, but it's rarely the case that philanthropy is the recipient of funds from government, that a big portion of philanthropy spending comes from government money – although I think we're on the cusp of something like that with the Social Innovation Fund. And that does, in my view, make a rather interesting question about philanthropic independence – because Chester, I think you're absolutely right; the more dependent you are on a revenue stream, the more likely you are to bite your tongue. Sometimes you're biting your tongue because the people giving you the money want you to bite your tongue – in fact, they want to cut your tongue off. We had that with Reagan and the gag rule and the Giuliani administration. So a lot of it is actually coming from government.

But I have no doubt that there's a bit of a chill the more you have a dependency on money, particularly in times of – so, I hadn't thought about that much. But I think if we're looking a year or two out and we find that Social Innovation Fund money and other kinds of government funds are flowing through foundations, and we wake up one morning and the X Community Trust has a substantial amount of what it is spending flowing through government, that would be a world that is, I think, something to be a little concerned about, or at least to think through the implications of that for the independence of government.

But I think that actually Lew (Feldstein) really had it right. We're living in a world where there is so little philanthropic outspokenness that you could hardly curb it much more than it is.

But I think that Chester (Finn) is onto something important. And – my last observation – much of the rest of it I found a little confusing.

WILLIAM SCHAMBRA: Terry (Mazany), I was struck by the fact that, actually, one of the things you said was that you were concerned about the fact that the roles between foundations

and government seem to have been reversed. In the old days – you were quite right – foundations had always looked to develop programs and have government take them over. And yet you seem to be echoing some of Chester (Finn)’s concerns about the fact that government is now taking the lead and in some ways seeking to offload programs onto the private sector. Did I get that right?

TERRY MAZANY: In fact, a colleague of mine on the Council on Foundations board, Michael Balaoing, framed it very well. At the point when you look at this embrace by government, and government embracing the banks and the auto industry, there’s a notion of being ever vigilant. Part of that is, we play an important role to help insure the efficient, effective use of public resources, and in some ways, I think to Chester’s point, having that money through nonprofits to deliver those essential community services is a good model for that.

We are at a point where there is the potential of public dollars flowing to and through community foundations. I would like to believe that we would be good stewards of those. But to Gara LaMarche’s point, all of a sudden if our grant budget is elevated by 20 or 30 or 40 percent, and now we have a vested interest in maintaining that level of throughput into the community, it changes our relationship with government in a way that I don’t think will be healthy in the long run.

Finally, the other side of this, the issue we hadn’t talked about, was the Obama administration looking to limit the tax deduction for charitable contributions as potentially an assault on the independence and growth of this sector – again, directing more dollars into government control and limiting the dollars that might flow into independent hands.⁷ That’s a very critical issue to watch if you’re looking at the growth of big government.

GARA LAMARCHE: Can I just add, if you don’t mind, that I find myself in a bit of disagreement with Terry (Mazany) on the last. I think there’s nothing sacrosanct about the level of charitable deduction as set by Congress. That wasn’t handed down from Mt. Sinai or indeed the Founding Fathers. Those are very different points and different times. The argument that somehow philanthropic independence is compromised by changing the levels so that you can, for instance, do more for the public good – provide health care or whatever – is not one that I find very compelling. I’m a little disappointed that so many in institutional philanthropy have risen to the defense of the current level of the charitable deduction. Even to use the language – that big government is somehow oppositional; I thought government was democratically controlled, that government is *us*.

I understand there’s a lot of concern about big government. We can hardly ignore the fact that we’re living in a world where there are these assaults on the notion of government. But to me, the whole debate over Obama’s tax proposal in the last year or so has been troubling, because it found a lot of people in the charitable sector making this I’ve-got-mine argument that money should remain in private hands and not be democratically controlled. I have a difference with most of my philanthropic colleagues on that point. But I would feel derelict if I didn’t point that out.

⁷ The Bradley Center held a discussion on this topic on March 30, 2009, entitled “The Deduction Reduction: Threat to American Giving?” A complete transcript can be found online at http://www.hudson.org/index.cfm?fuseaction=HUDSON_upcoming_events&id=667.

CHESTER FINN: Let's just be clear that if your goal were to reduce the size and influence of the philanthropic sector in the United States, you would do three things. One, you would reduce contributions to it through tax law or whatever else; secondly, you would channel public dollars through it in ways that would bring dependency and tongue biting; and thirdly, you would seek to get the foundations to spend their own private money on your government priorities. If you did all three of those things, you would have a slam-dunk reduction in the scale and independence of the independent sector.

GARA LAMARCHE: We have a tail-and-the-dog issue, here.

WILLIAM SCHAMBRA: Let's go to our audience for questions.

CYNTHIA BUTLER: I'm an attorney, and I'm also on the advisory board of a nonprofit NGO. I get the sense that there is an understanding that certain agendas can be hijacked by the government – by any administration on one side or another. In the last administration, a lot of people were really unhappy with the prosecution of the war, torture, and all that. And in this administration, some people might be unhappy with putting abortion in health care. So, whichever interest group has a beef against any administration has an understanding that there is a need to have an oppositional presence that can bring justice to what otherwise would be the hijacking of the popular will or whatever the ethical norm should be, on a normative level.

So, has anybody really done a study – a real, systematic sort of study – on any particular position, like torture? That's what I'm really interested in, actually, and I'm amazed that it's somehow still controversial. Has anybody studied how these oppositional groups have compromised their independence or not as a function of government expenditures or infiltration into their financing and budgeting?

LEWIS FELDSTEIN: I have a slightly different response, but the historical study makes me think of the experience this country had – and it goes to Chester (Finn)'s comments about the historical lessons. I want to think a bit about it. If you look back in the early twentieth century to a lot of the changes that were purely privately created but which have become American institutions, the equivalent of Teach for America and KIPP and others – let's take pasteurized milk, the playground movement, and kindergarten, each one of these was begun as a purely private institution and met all of the tests that he described, saying how important they were. Every one of the changes I mentioned is now heavily public. So we've lost something – and I'll take kindergarten as an example – but I think in the end we've also gained a bit. So it's not nearly the cloak of night coming down and something disastrous as we gradually move from a purely privately created venture to one that ultimately becomes wrapped into our daily life.

Kindergarten is an example. It was begun entirely by the private sector in the late part of the nineteenth or early twentieth century. It was totally voluntary, and had a lot to do with helping a lot of people for different reasons – people concerned with working the farm, going to work in the mills, taking care of their kids, immigrants coming over, and protecting our country from dangerous elements and so forth. But all private – entirely private. And then, of course, it succeeded. So gradually this country adopted kindergarten into the public schools, and with that

came some down sides as well as good sides. But the good sides are, it suddenly provided publicly supported jobs for people who had been entirely privately supported, and it provided a service that was never there before – publicly supported. It also provided certification for teachers, with all of the limits and the plusses on that. And it provided controls over teachers and what they could teach and so forth. So as it got wrapped into the public sector, what was purely a private exercise – like KIPP and TFA and so forth – gradually became part of the (inaudible) society. It’s not a horrible thing.

I understand the value and the power of the examples that you’ve described, either/or, Chester (Finn). But still, I’d like to go forward twenty –

CHESTER FINN: Either/and!

LEWIS FELDSTEIN: Okay – I like the either/and! It’s the public sector *and* the private sector. I like the notion – I’d like us to think –

(Laughter.)

PANELIST: I don’t think that was the point!

(Laughter.)

LEWIS FELDSTEIN: I want us to think forward twenty years to these purely private ventures and think about them woven into our lives. That’s what it’s all about. And so you can accomplish that, and history shows we’ve been able to do it without disastrous effects.

WILLIAM SCHAMBRA: Let me ask the panel this question. When we talk about philanthropy and its relationship to government – and Terry (Mazany)’s remarks reflected this – philanthropy works marvelously in partnership with government when the ultimate goal of both entities seems to be to expand the public sector. The offloading of private programs onto the public budget is accepted as the model of what philanthropy should do. But it’s a much more controversial thing when philanthropy suggests that some of these public programs aren’t so good. And it seems to me – and I’m asking the panel for your reaction – that in this new era, when we have the State of Illinois and the State of California and various state institutions absolutely maxed out in terms of their budget and desperately trying to figure out how to get things changed, is there some obligation on the part of foundations to say, look, all right, enough is enough! We really do need to look at the pensions and benefits for retired state employees! We’ve got to do something about this.

Or do we continue to fund nonprofits that are advocating to protect their budgets, basically? Let’s face it: Most foundation funding for nonprofit advocacy – we can just call it advocacy – is for protecting or expanding state programs. Aren’t we in a new era with state budgets in a terrible situation, as Mr. Mazany suggests? Is there a new role for foundations in this context?

TERRY MAZANY: If I can jump in on that one, just yesterday the Civic Federation in Chicago (www.civicrofed.org) released a comprehensive analysis of the Illinois state budget that was

funded by four foundations. We met prior to the holidays and said, we need to try to get a report out there with objective data on the dire state of the state's budget and get it ahead of the governor's state-of-the-budget presentation for the fiscal year 2011. In the report, we addressed the three *r*'s, basically: it's having to *reduce* the cost of government, *reform* pensions, and *raise* some taxes – but only if the first two tests are met and more is needed. And so we're looking very consciously at that.

And part of that is coming out very firmly against, say, the institutionalization of persons with disabilities, which costs \$146,000 per individual in state institutionalized care whereas the price is \$50,000 if that person is in community care. With the Human Services Commission we've put out an analysis of the growth in the state's budget for prisons and the incarceration of a large number of Illinois citizens for offenses that are non-violent; it is just unconscionable. There are alternatives there. So it is that type of pushing to actually find ways and point out opportunities to reduce the size of government services while protecting the essential safety-net components of food, shelter, and support for education.

GARA LAMARCHE: Well, I think there is a role for foundations to engage in that space, and in fact, many are. The Peter G. Peterson Foundation, a very big player that has recently come on the scene, seems to be entirely dedicated to a view of fiscal responsibility that I don't necessarily share. But it is certainly spending a lot of resources on it. So there is a role – of course there is. Pluralism in philanthropy means that there ought to be a range, just as there is on this panel, of people supporting organizations and institutions that promote a variety of different public policy.

Having said that, I don't entirely accept the premise of the question, at least if California is an example. To me, California's problems are partly a result of one of the early successful conservative ideas, which was to starve the state of its ability to raise the necessary revenue to run itself. It has set up political rules that make it almost impossible to raise the necessary revenue.

And on top of that – Terry (Mazany), you mentioned the criminal justice system, which is a big suck on public resources. In California, I think the largest political contributions still come from the prison guards union. So it's not mothers and children and nutrition programs that are overrepresented in the California state legislature.

That leads back to a set of issues that we touched on here but didn't really go into much – and that has to do with the role of money in politics – who speaks, and how money operates in politics. It's hard to ignore those issues, it seems to me, when you're talking about the fiscal crisis of some of the states. That's contested ground, obviously; we could end up in a big argument about that. I'm just saying that I don't necessarily accept the premise as you laid it out, Terry.

DAVID COHEN, Civic Ventures: I want to pick up on Gara LaMarche's last point. The three of you really discussed various forms of relationships with government – pushing, negotiating, protesting, advancing ideas. There's not a clear, bright line. But clearly there's value in independence and autonomy. As foundation leaders, I'd like you to reflect a little on why you think foundations have, for the most part, shied away from looking at our instruments of self-

governance on any kind of a sustained basis and really ignored whatever the perspective is – and I have a perspective, and it would be highly critical of the Supreme Court decision on *Citizens United* and the way money is used in politics. But why has there been a shying away from looking at these questions, including questions of core ethics, conflict of interest, money in politics – how it funds elections and what its effect is on the freedom for acting?

WILLIAM SCHAMBRA: While our panel is thinking about their response, I should add that we did a panel just last week on the *Citizens United* case.⁸ And I was surprised about the degree to which there was a lot of agreement across left and right. There was some criticism of the decision, but granted that, there was a lot of eagerness on all parts to exploit the new opening for 501(c)(3)s and (c)(4)s. Obviously, (c)(3) activity will require some alternation of the IRS regulations in order to proceed. But everyone seemed to think that as terrible as the corporate presence in election funding is, this is a great opportunity for nonprofits to now step forward. And it is an interesting question for you all as well – other words, should the proper role be pushed back against this? Or is it okay that this is the new set of rules, and we should take full advantage of it?

TERRY MAZANY: One of the projects we're engaged with is providing resources for work on redistricting following the 2010 census. Illinois is particularly gerrymandered, and it would go a long way if we're able to establish a set of good, objective principles for the organization of voting districts there.

We're also working, on the transparency side, to make more public information available through the internet, on the web site. And then we have a large number of municipal jurisdictions, and we are working in a direction of creating regional forms of governance. They're far from perfect at this point in time, but we're looking at a broader set of regional interests that help to knit regions together around principles of good, transit-oriented development, good distribution of resources, and good environmental practices. But that's just from a community foundation perspective. The larger issues that you're talking about I think are really the domain of the large, national foundations.

But to the point that has been made about the deafening silence, sometimes, from foundations on these issues, I know that a number of my colleagues at the community foundation level and I would welcome being able to participate in dialogue with national funders on some of these things, much the way we have with the Knight Foundation to focus on how we help to spur more information in the hands of community members.

CHESTER FINN: I think the large question on the table is, why are foundations so seldom scrutinizing or critical of government and politics in so many domains. Several people have actually made that point up here. And certainly in the state I watch most closely, which is Ohio, most of the foundations don't want to make waves. They want to get along. They want to be thanked. They want the governor to like them. They want the local school board to like them. They want to help the superintendent of schools rather than confront him or her. They don't want

⁸ The Bradley Center held a discussion on the *Citizens United v. the Federal Election Commission* on February 16, 2010. A complete transcript can be found online at http://www.hudson.org/index.cfm?fuseaction=HUDSON_upcoming_events&id=747.

to disturb the peace. And that would even go to scrutiny of state budgets. I think Terry (Mazany) was just describing in Illinois a kind of honest, foundation-fueled, independent look at the state's economy. That would be much harder to pull off in Ohio – with Ohio foundations, anyway – because it might lead to criticism that might cause somebody to think ill of them. I think this is a real issue of timidity, wanting to be nice, and wanting to be thanked. I'm not sure those are healthy things.

GARA LAMARCHE: Everything that Chester (Finn) just said kind of resonates with me – so I want to put that on the record. (Laughter.) But I was also taken with what Lew (Feldstein) said earlier. I worked in Texas, running the ACLU there for a number of years. Now, Texas isn't a small state, but the state legislature there is like a small town itself. And I found, actually, that you can have a lot of impact by developing relationships that are more intimate in a small place. And so I think both things are true.

I was going to say two things about this question, and one of them was essentially along the lines of what Chester (Finn) just said.

Beyond that, as we know, despite some of the advances in recent years, there is a continuing skittishness that a lot of foundations have in general about engagement in policy and advocacy. They don't understand how far they can go. They've conservative general counsel. They've got all kinds of things they are pushing. They don't listen to the Alliance for Justice (www.afj.org), some of the staff of which is sitting in audience. So there is that overall landscape.

And the final thing that I would say, which nobody has mentioned but I think is apparent, is that most foundations increasingly are trying to be very focused and strategic. And that tends to lead them to try – the general trend is to adopt issues which you can make an impact on over a certain period of time, and that usually manifests itself in something that's highly specific and focused. It might be something in education or health care or whatever. That tends to cut against involvement in issues that are more systemic and cut across those issues – campaign finance reform, media policy and regulations, budget transparency – things that are really important and need investment, but don't so easily fit into some silo. A lot of foundations have a hard time dealing with those issues, I think.

LEWIS FELDSTEIN: I'd only add that there isn't some magical transformation that happens when "normal" people become a foundation and – voila! – they're a new person. They don't go through an identity change.

GARA LAMARCHE: You get a lot more friends.

(Laughter.)

LEWIS FELDSTEIN: Yeah, yeah, more friends – but most of us live our lives not wanting to go around insulting people. Think about your friends. You know the one person in your group who is always carping and telling you that you don't look good and you should change your outfit, and counting the number of times you've been late for a dinner party? You don't like that person! If more of those people became philanthropists, we'd be okay.

(Laughter.)

LEWIS FELDSTEIN: No, no – it’s not magic! Otherwise, the people who are philanthropists are *us*. And “us” likes to be liked! There are just a few deviants who are willing to cull out people like Chester (Finn) here, and that’s the quality.

(Laughter. Cross talk.)

LEWIS FELDSTEIN: You can’t just imprint on them “PHILANTHROPY” and suddenly they become outspoken.

(Cross talk.)

GARA LAMARCHE: Maybe some of Pablo Eisenberg’s DNA could be cloned, you know? (Pablo Eisenberg is seated in the audience.)

PANEL (agreeing): Right! (Laughter.)

WILLIAM SCHAMBRA: Yes, Bill (Treanor)?

WILLIAM TREANOR, *Youth Today*: Could the panelists speculate on the prospects for success between now and, let’s say, November 2012, for the Social Innovation Fund and the replication of the Harlem Children’s Zone? Those are the two real areas where this topic has an intersection.

TERRY MAZANY: We’re looking closely at the Harlem Children’s Zone. There are a number of communities within Chicago that are exploring that. What becomes painfully apparent is that that was a twenty-year “overnight” success, and that the ingredients that it took to get there cannot be easily replicated. Within this now three-year time frame, you can at best jumpstart some initiatives, and I think you can align some resources, but the unknown is, can you actually accelerate the evolutionary path to arrive at and end like that, or is it really *sui generis* to the local conditions? We’re seeing enormous challenges with just the preexisting political realities within a community that have stood in the way of advancements in the past and are still there. And without a charismatic leader like Geoffrey Canada (president and CEO of Harlem Children’s Zone), who has the vision and the ability to mobilize – well, a lot of it boils down to leadership. And as Gara (LaMarche) said, it’s sometimes just foundations having a gut feeling about investing in a particular individual that then leads to positive results.

PABLO EISENBERG: A number of you have talked about holding governments accountable. I wonder what your view is on holding yourselves and the nonprofit sector accountable. We have a spate of growing scandals. Every day, a local newspaper comes up with some nonprofit that is guilty of malfeasance, conflicts of interest, etc. In the long run, that is harming the potential of nonprofits to raise money because of an increasing lack of confidence.

The agencies devoted to holding the nonprofit sector accountable have virtually no money. The tax-exempt unit of the IRS has 836 people to hold over 1.2 million charities accountable. The

state attorneys general have almost no money, except maybe in four or five states. So, why aren't foundations concerned about what's problematic on the inside, about holding yourselves accountable and worrying – as you should – about the relationship with government? It seems to me that's a priority that you ought to consider.

LEWIS FELDSTEIN: I'm about to cross myself off Pablo's list for good. Why isn't the answer, Pablo, that we've made a very smart investment? Nonprofits and charities continue to have the highest rating of trust of the public generally? Investing a lot more money – the added value that you would have to put in to police 1.7 million agencies – is just not worth the purchase. There's occasional aberrant behavior – it's there, and it's going to happen anyway. You'd have to put so much more money into it to close down those handful; it's probably not worth it. I mean, should I get Guido from the Bronx to go visit them? How do I shut them up? How do I avoid those few problems? I'd rather just take the hit and spend the money elsewhere.

TERRY MAZANY: I'd like to add two points on this. One is, the community foundations themselves have created national standards and a certification process for members; that is out there, and it's supported by the Council on Foundations. So I think that there is a move in that direction for our field's accountability.

The other point is, I'd like to take your nonprofit accountability a step further. One of our fundamental values for our community foundations is diversity and inclusion. We're very concerned about the lack of diversity and inclusion on nonprofit boards and in executive positions. And we're doing something about it: It's required reporting for our grantseekers, and our board has declined to make grants to organizations that have not shown movement in the direction of building leadership that reflects the diversity of Chicago – which is a very diverse community. And I think that's another type of accountability to the sort of community standards and norms that we would like to see.

GARA LAMARCHE: I don't follow it as closely as Pablo (Eisenberg), but I don't have a sense that the nonprofit sector is so rife with scandal – although where there is scandal and lawbreaking, it ought to be dealt with. And Pablo makes a good case for beefing up the regulatory resources.

But Pablo, the other horse that you like to ride I'm more along with you on. I think there's a broader issue of accountability, and it has to do not so much with whether people are stealing money or doing things that obviously are beyond the pale. Rather, it's the relative lack of scrutiny for the programmatic and policy initiatives in foundations. *The Chronicle of Philanthropy*, the *Nonprofit Quarterly*, and a couple of others – *Youth Today*, God knows! – do a good job of throwing a spotlight on what big players are doing. But there is in general a less-engaged press about philanthropy – less people watching what's going on. In my own view, the potential abuses of power that have to do with big foundation initiatives that are unaccountable and nobody has the courage to say it and so on are more serious than the garden-variety scandals – and I don't mean to dismiss the ethical things. But I think that, in the scheme of things, is a less-important question than speaking truth to power. We don't get enough of that.

CHESTER FINN: I think I might have found something where I agree with Gara (LaMarche). (Laughter.) I don't know any sector in this society or any other society that is completely free of scandal and corruption. But I think the far larger problem is incompetence and ineffectuality. And that is pervasive in the public sector, the nonprofit sector, and the for-profit sector. And the best remedy for that, I think, is transparency and scrutiny. I don't think that a new regulatory apparatuses, which inevitably go back to government in some way, are the solution. Take your average urban public school. It's not corrupt, but by God, it's a failure! What do we do about that kind of scandal?

SARA FRITZ, *Youth Today*: One of the most effective programs I've seen in terms of foundations or nonprofits holding government accountable is something like OMB Watch, which puts out government data that is otherwise unattainable. And that kind of project is one of the reasons that entitlements are such a big issue now. They would not have been that kind of issue before, because they were never disclosed. And since there are four people here who give out money, I would encourage you all to think about – the one way you can stimulate criticism of government without necessarily criticizing it yourself is to make sure that there is more information available to the regular voter.

NAN ARON, Alliance for Justice: Looking at barriers to advocacy – and I'm not looking for a self-serving answer, but I am curious – particularly for the community funders, what are the barriers to funding more organizations doing community organizing and advocacy? Is it the donors who are giving money to your foundations? Is it fear? Is it not enough knowledge of what the benefits are?

So much has been written! If you just look at Gara (LaMarche)'s grantees, you see that the field has really expanded and matured in terms of groups doing a lot of advocacy.

Five years ago, we looked at New Orleans community foundations right in the aftermath of Katrina and found very little funding from the community funders for community organizing advocacy. That was a real problem, an obstacle to restoring the community afterwards. I would love to hear your views, particularly on what the situation is at a community foundation, but Gara (LaMarche) and Chester (Finn), please join in, too.

GARA LAMARCHE: I'm incapable of giving a non-self-serving answer, so – (laughter).

TERRY MAZANY: Taking a direct response, there are two challenges that I see. One is the long time horizon for this in an era when we want instant results. That leads a lot to donor fatigue and a general lack of donor education about the opportunities for that. Two, there's the tendency of advocacy organizations to be very small and narrow in their focus, a lot of small, individual groups with their own ideas and vision. One of the ways that we try to counteract that is, we've created an award for collaborative community advocacy in partnership with the Wieboldt Foundation in Chicago, which has done a lot of community organizing funding. It's that community organizing collaborative award that has led to some remarkable things, like the Developing Justice Coalition (DJC).

So, I think there are some ways around, but I think it is helpful to take the principles of community organizing and build a critical mass of energy for some of the larger initiatives in the community.

LEWIS FELDSTEIN: Nan, it's an area I feel we've failed on. I don't know why we haven't been able to create more – well, there's a “yuck” factor among donors; they think it's dirty and messy. And the point that Terry makes is a good one – about the time horizon. There's a lack of a skill base. There are a lot of people who say that they don't want to get into that business; they want to give to charity and help people. So there are all of those factors.

We've changed the guidelines to encourage it, and sent people and done workshops. But we don't do it well enough, and I don't feel good about it. If you've got a set of communities where you've built up a good base, I'd be interested to know more about it; we could probably learn. I know we could learn. We've invested without much success.

RUTH McCAMBRIDGE, *Nonprofit Quarterly*: I wanted to represent for a second for the authors of that article “Too Close for Comfort” in the *Nonprofit Quarterly* that Bill (Schambra) mentioned at the beginning,⁹ because I feel that there's a question that was touched on a little bit, but not very much, by the panel – that is, the question of what a consolidation of resources is going to do to innovation at the community level. I've been very distressed by some of the language around the Social Innovation Fund. Someone back here (in the back of the room) called it the “Social Engineering Fund” just now. The idea is, you've got this fund, and the managers aren't just sitting and saying that they're going to fund what they see as being worthwhile innovations, but rather that they want to eat up this additional money in the sector. Moreover, these innovations will be chosen by large institutions, and they're going to be chosen for scale, to some extent, as you can already tell from some of the language. And what are these innovations? “Proven” innovations. Hello?! What are we doing here?

(Laughter.)

RUTH McCAMBRIDGE: Are we not recognizing that we're in this period of intense change where innovations could be extraordinarily exciting, and that we need to be on the ground funding some of the smallest, most interesting stuff that has the most to do with the way communities really function? I don't get it.

And so the concern of the authors of the article – two practitioners running a middle-school education program (Higher Achievement, <http://www.higherachievement.org/>) – was that things like the Gates relationship with the Obama administration and other kinds of consolidations like that in fact are going to edge out some of the very interesting local efforts that have a lot to teach a movement. One of the reasons why it most concerns me is, we had the opportunity not too long ago to interview somebody who had done an evaluative research study for one of the large networks, one that is poised to receive a lot of money in the near future in the education field. And his experience was that he did the study, came out with some findings that the organization did not like and were not very favorable, and was immediately iced out. The director of that

⁹ Tagle, Richard and Rachel Gwaltney, “Too Close for Comfort? Big Philanthropy and the White House,” *Nonprofit Quarterly*, Winter 2009, pp. 39-40.

organization didn't even talk to him again, never invited him to come and present the findings so that anything could be learned from it. If that's what we're looking at in terms of an active learning process about what really works in communities, I think that we're in trouble.

So I would tend to want to see philanthropy retain that very independent position, where they don't get so tied in that they basically neuter themselves in relationship to government.

CHESTER FINN: Here, here! (Laughter.)

GARA LAMARCHE: I thought that was great, and I think it would have been better to have you up here, Ruth (McCambridge)!

WILLIAM SCHAMBRA: We've had her up here.¹⁰

GARA LAMARCHE: She's had her say? Well, all right. (Laughter.)

I guess that, while not disagreeing with those concerns, I think that it's not as if the world of existing philanthropy is busily funding an audacious and bold experiment. So I guess that's why I'm not quite sure I accept the dichotomy you set up. I'm a little allergic to the word "innovation" because I don't think there's much actual innovation around, but I'm all for it. Jane Addams was an innovator. There *is* innovation. But coming back to the future, most innovations are really reinvigorations of something that somebody else thought of a long time ago. And that's fine. So you can either have a Social Innovation Fund that is truly venturesome – you know, that is making bets on things. But as Chester said, I'm not sure government is ever well set up to do that. So we end up trying to scale up proven programs, but that's a very different kettle of fish.

The question that you raise, Ruth (McCambridge), which we really all need to wrestle with a bit, is whether or not matching grants, in a world of finite philanthropic resources, sort of suck up a lot of money that might otherwise go to truly innovative things. I don't know. Big foundations have a different reason for having challenges in finding small, innovative things; they tend to have the tools of big grants. This is why you look to local foundations and smaller, grassroots foundations. So, Ruth, you have your finger on something.

But for the relatively little money at stake, by the way, I don't think we need to fear that the Social Innovation Fund is going to transform the world of philanthropy and suck up every dollar that otherwise would go to something else. Some of those dollars aren't going to the right places now, anyway. I don't think you disagree with that, but I'm kind of –

RUTH McCAMBRIDGE: I'm just very concerned about the (inaudible). We could lose things that are happening that are just too small to survive, as a result of (inaudible).

¹⁰ McCambridge was on a panel discussing a new edition of Michael Edwards' 2004 book *Civil Society*, held on November 16, 2009 (online at http://www.hudson.org/index.cfm?fuseaction=HUDSON_upcoming_events&id=730) and a panel discussing *Taking Philanthropy Seriously* (2006), edited by William Damon and Susan Verducci, on March 22, 2007 (online at http://www.hudson.org/index.cfm?fuseaction=HUDSON_upcoming_events&id=378).

WILLIAM SCHAMBRA: And there's the question of – you're quite right, Gara, that the Social Innovation Fund isn't very large. But it certainly reorients the energies of philanthropy. There's no question that foundations that get that prize – by participating in social innovation – well, it's a much sought-after prize, and it does in fact change the orientation of foundations and make them look more toward winning that prize from the government. Whether or not they do is less important than the fact that this is now consuming an enormous amount of energy and wealth in the philanthropic field, I would say.

TERRY MAZANY: I'd like to make the point, though, that it probably is not helpful to look at philanthropy as a monolithic field. The Gates Foundation is a sample of one, and it's going to behave as it's going to behave, but it's not reflective of the entire rest of the field. Then there's another tier of ten foundations or so that are going to behave another way. The Chicago Community Trust cracks the top-fifty foundation list, but we behave very differently as well. It's simply that there are a lot of different actors behaving in different ways. I don't think we can draw general conclusions based on the behavior of just a small subset.

ANDREW SCHULZ, Council on Foundations: I want to take this back to the original question, the inherent assumption – basically, are foundations getting too close to government? And what I've heard over and over again is that the model is, foundations do innovation, but because of the tremendous resources of government, we turn over projects to take them to scale – which necessarily means that government will always have to get bigger. What about turning it on its head and saying, why do we have to accept that system? What if, instead of compelling every American to give 20 percent of his or her income to government, we said that you have to give 20 percent of your income to charity, and that which you fail to turn over the government gets to keep, and we turn that table. Why are we just accepting the system as it is? What if the public sector had to come to us for us to take their ideas to scale?

And the last thing I want to say is that my views are mine, and not necessarily those of my employer.

(Laughter.)

GARA LAMARCHE: I've very glad to hear that.

(Laughter.)

CHESTER FINN: Can we have another panel?

(Laughter.)

CHESTER FINN: Who's going to fund the Navy?

(Laughter.)

WILLIAM SCHAMBRA: You can either answer that question or just make final comments, but we need to wrap it up in two minutes. So, final comments, thoughts, or answers to the last question?

GARA LAMARCHE: Well, packed into all of this, of course, are fundamental questions about what you believe is the right role of government in the first place, which we've touched upon. So, there's a spectrum of belief about that, obviously, out in the audience. And that's for another day.

TERRY MAZANY: Andrew (Schulz) echoes a notion that I've had, as we look to the "new normal" and whether or not that includes a return to consumption to fuel our economy or a return to contribution, where more people are giving back to their communities and looking at their charitable giving to address the problems in the local communities that more and more states in particular will not have the resources to effect.

WILLIAM SCHAMBRA: Well, as Chester (Finn) pointed out, people in philanthropy really like to be thanked. So, let's thank our panelists for a terrific panel.

(Laughter, applause.)