

Policy Perspectives

Sparking Conversation and Innovative Thinking

Is philanthropic independence in danger?

NO

by **Ralph Smith**

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Solutions for the most pervasive and enduring problems, like the problems themselves, resist confinement within the boundaries of either the public, private or social sector. Instead, the most promising responses to the challenges of our time seem to inhabit the borders and the intersections of those sectors. Thus the large and vocal constituency advocating for the privatization of various aspects of our national defense, the exploration of space, the provision of essential services, safety net programs, student loans, and even public education is unsurprising. What is curious, however, is that many who argue passionately for a mix of markets and policies confess to fear and trepidation when philanthropy and the federal government make common cause for problem solving.

Philanthropy's engagement with the White House has a respectably bipartisan history. President Reagan's efforts to celebrate private markets and free enterprise and embrace lower taxes and capped entitlements as the drivers of economic growth were supported by strategically aligned and complementary funding by foundations that shared that point of view. President George H. W. Bush also garnered similar support for his visionary effort to launch a new era of volunteerism and a renewed commitment to improving public education through the Points of Light Foundation and the New American Schools Development Corporation, respectively. Aligned and complementary funding, especially by the C.S. Mott Foundation, was critical to the success of President Clinton's 21st Century Schools Initiative. President George W. Bush's ambitious effort to mobilize "armies of compassion" through the Office of Faith and Community-Based Initiatives was similarly well received and supported by philanthropy.

YES

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The enthusiasm with which so many foundations have greeted the possibility of close partnership with government is understandable. After all, for eight years, they had been producing a steady supply of cutting-edge demonstration projects with seemingly no hope that they might be scaled up or replicated. Small wonder, then, that a survey of presidential campaign contributions by the *Chronicle of Philanthropy* found that fully 98% of foundation executives had given to the Obama campaign, which had promised to spread the most promising social interventions across the nation with federal funds.

But foundations do their best work when they're at arms length from government. If our major social service systems are to be reformed, some outside force – free of the vested interests in the status quo brought to it by government agencies, interest groups, and public sector unions -- needs to exert pressure on the way things have always been done.

Given their independent sources of revenue, foundations traditionally have been prime candidates for that role. They've been able to fund the independent inquiries that highlight problems with the system, as well as private sector alternatives to its failed programs. More recently they've begun to mobilize outside political pressure for change.

Education is of course the great example here. For over a decade, scores of private foundations have invested in the growth of choice and charter schools around the country, offering parents an alternative to the failed public system. That has, for the first time, brought outside pressure to bear.



NO continued....

For the past 18 months, foundations have responded to President Obama's quest to find and scale up "new solutions for old problems" with the same strategy employed in all of the examples noted above: to provide for aligned and complementary deployment of philanthropic dollars when what is proposed is consistent with their mission and established priorities.

This history suggests that the answer to the question of whether philanthropy and government are getting "too close for comfort" is not as interesting as the question itself. Why is this question being asked now? No one, especially the leaders of the foundations that have worked closely with the Obama Administration, should rely on precedent or the "they did it, so we can too" defense. Instead, we make the affirmative case. Foundation philanthropy is in the solutions business, and has been for a very long time. Accordingly, foundations must become increasingly adept at working the borders and intersections of the public, private, and social sectors. And they must be unafraid to form relationships with for-profit enterprise or governmental agencies to pursue promising solutions.

For many, this sector agnostic approach is unsettling. Some leaders of nonprofit organizations are concerned that philanthropic partnerships with the private sector (even public benefit corporations) will lead to fewer dollars for struggling service and advocacy organizations. And critics on both the left and right worry that excessive entanglement with the federal government could inhibit philanthropy's willingness to criticize the public sector and take the risks needed to spur innovation. This latter set of concerns about the threat to philanthropy's independence is creating a buzz and garnering ink. But it shouldn't become a self-fulfilling prophecy.

The critics of government-foundation partnerships have yet to produce any evidence that philanthropy's independence has been compromised. Even the possibility, however, is sufficient reason for vigilance. The good news is that commitment to vigilance has become a routine aspect of the due diligence that is accorded to government-foundation engagement and transactions. Even better news? Solutions that seemed improbable and out of reach a mere two years ago are now very much in play.

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This is not work for the faint of heart. The teachers unions in particular are not amused. But it's precisely the independence of foundations – the fact that they can ignore the picket lines outside the door -- that makes this reform work possible.

But once foundations make public-private partnerships their goal, then suddenly they're likely to become part of the status quo rather than challengers to it. Seeking the prestige of having a prize project adopted and replicated by the Obama administration, foundations will be eager to prove that they are avid and committed team players, and avoid actions that might seem to rock the administration's boat.

But foundation grants made within the established lines of the status quo are likely to disappear without discernable impact. Recall the way the public system gulped down the Annenberg Challenge's \$500 million several years ago, without so much as a burp.

The American public supports a vibrant philanthropic sector because it understands that it delivers something different from government or the marketplace. If it becomes apparent that foundations are nothing but trail-blazers for government expansion, then the public will soon have second thoughts about philanthropy, especially in a time trust in government has plummeted to historic lows. This is no time for foundations to surrender their status as outsiders, their ability to bring extra-systemic pressure to bear for real change.

About GCYF

Grantmakers for Children, Youth, and Families (GCYF) is one of the largest national philanthropic affinity groups, with members ranging from small family foundations to large independent foundations.

With a diverse membership base of local, regional and national grantmaking organizations across the country—including trustees, vice presidents, executive directors, and program officers and associates—GCYF is uniquely positioned to lead and provide assistance to all types and sizes of foundations and their staff who are committed to working on behalf of children, youth, and families.

For more information on GCYF, visit www.gcyf.org

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