

## **Philanthropy: ‘The Good, the Bad and the Ugly’**

Internationally renowned philanthropy expert Barry Gaberman addressed a well attended forum at the Hawthorn Town hall on Thursday night.

Speaking at an event hosted by Swinburne University’s Asia-Pacific Centre for Social Investment and Philanthropy, the veteran grant-maker and former Vice-President of the Ford Foundation, covered vast terrain.

He began by tracing the evolution of civil society. Drawing insight from his years working across the globe he argued that civil society has emerged as the principal defence against authoritarianism.

Citing the Latin American experience in the 1970s, Eastern and Central Europe in 1980s, and Asia in the 1990s, he observed that the key variable ‘that prevents regression to authoritarianism’ was no doubt the development of a robust and independent civic sector.

He added that just as the legislative, the executive, and the judiciary once constituted the core of the system of checks and balances, and the media also acted as a fourth estate through its monitoring function, civil society now acted a fifth estate.

Yet he was not totally sanguine about civil society. Mr Gaberman noted that most definitions rely on strictly functional criteria: independence from government, voluntary participation, a formal governance structure and non-profit distribution etc. On these grounds any number of organisations can be included in civil society including those of a regressive incline.

Adding a normative dimension to definitions protects against this. The key point of differentiation between what is conventionally thought of as civil society, and, for example, a militant group such as Hamas, is the renunciation of violence.

Equally, he added, not all nonprofit organisations should be included in civil society: only those that build social capital. That is, civil society is a space that is defined by values, its participatory nature, tolerance and trust-building as well as structural criteria of independence from the state, non-profit distribution etc that form the basis of technical and legal definitions.

### *Philanthropy: big and small*

Moving beyond ‘civil society in a broad sense’, Mr Gaberman discussed philanthropy at the individual and organisational levels.

He began by outlining modern philanthropy’s origins in the ideas and writings of industrialist, Andrew Carnegie. He proposed that Carnegie set the tone by moving beyond charity to philanthropy (with clear strategic connotations).

‘Fast forward 100 years’ he identified Ted Turner’s US\$1billion grant to seed the United Nations Foundation as a key turning point. By ‘throwing



the gauntlet down' Turner motivated others such as Gates to follow suit. This in turn, inspired Warren Buffett's investor style decision to use his wealth not to establish a new institution but to leverage off an already effective private foundation, the Bill and Melinda Gates Foundation.

Although Buffett did not transfer his wealth he effectively combined his US\$30 billion with the Bill and Melinda Gates Foundation's existing US\$30 billion to create an annual payout of some US\$3 billion – dwarfing the annual grant distributions of the Ford Foundation, long the largest foundation in the US.

He then discussed the growing strength of celebrity philanthropy. Noting that there been a shift from the 'embarrassingly ignorant' to the effective Mr Gaberman argued that celebrities such as Bono have demonstrated clear nous in straddling both the music and the political stages and using this for effective leverage with decision-makers and the public.

Parallel to the development of celebrity philanthropy and the giving of the mega-rich – who receive all 'the limelight' – he argued that it is the poor that are the biggest givers – at least as a proportion of assets and income.

Gaberman saw the rise of 'giving circles' as akin to 'stock clubs' that teach participants the strategies and benefits of philanthropy and small-scale givers as a much under appreciated player in the philanthropic sector, albeit one with an enormous, yet often uncelebrated, impact.

#### *The strengths and weaknesses of private foundations*

Mr Gaberman also had much to offer on the primary vehicle for institutionalised philanthropy, the private foundation.

He outlined five factors that ostensibly give these institutions a comparative advantage: an endowment that enables them to take risks that the state and private sector cannot; opportunity to tackle sensitive issues (e.g. contraception); the ability to take a long term perspective (or long-term investment horizons in the language of venture capital), and a flexibility not extended to institutions with more restrictive accountabilities such as the state and business through the discipline of the market.

Unfortunately, he opined, foundations often do not capitalise on their comparative advantage. Most play it safe; avoid sensitive issues; follow fads rather than taking risks; and far from being flexible, become overly bureaucratic and cumbersome in their decision-making.

On the popular topic of the migration of business concepts to philanthropy, often seen as a remedy to the foundation's risk aversion, he saw pluses as well as minuses.

On the one hand, he observed, the rise of new models of philanthropy such as strategic philanthropy that stress symptoms over causes are 'exciting'. On the other, such innovations 'have demeaned charity'. The 'charity side is now lower down the food chain'.

He asserted that the strategic and venture approaches were 'never meant for all institutions'. The 70,000 small, familial, community

foundations that operate in the US through conventional 'cheque-book philanthropy' might do more to build social capital than the 3000 or so large-scale foundations that dominate the public imagination and have the 'capacity' to try new approaches. The danger in privileging strategic philanthropy is that the intangible impact of the small, local and the community will be lost.

Nonetheless there are benefits to 'business ideas'. 'One of the constant themes of philanthropy', since its modern emergence over a century ago, Mr Gaberman noted, is the avoidance of 'dependency'. Developing sufficient exit strategies, 'strong business plans alongside a strategic plan' and new models and opportunities for 'capturing wealth' are all welcome and important initiatives for tackling dependence.

#### *The Good*

Moreover he cited the enabling elements of technology, such as the rise of peer-to-peer platforms like Kiva as the 'ultimate democratisation of philanthropy' as well as programme related investments, commonly associated with the new philanthropy, as sitting firmly in the 'good' camp.

Business ideas are, however, not a 'panacea'.

Another instance where he saw limitations in business ideas is the area of evaluation and assessment – the 'Achilles' heel' of the new philanthropy. While he described evaluation as essential – particularly in justifying the tax benefit that foundations receive courtesy of the state (and the taxpayer) – the 'focus on what is quantifiable' has similarly 'demeaned qualitative data' – in particular the insights that can be gleaned from rich case studies.

#### *The Bad*

He ended his address on a cautionary note.

Returning to the blossoming of civil society that occurred with increasing intensity in the early years after the collapse of communism, labelled by doyen of philanthropy and civil society studies, Lester Salamon, as a 'global associational revolution', he argued that in some respects we can see a global associational *counter*-revolution.

Mr Gaberman noted that there was evidence of growing 'funder fatigue' with civil society building'. He observed that the civil society infrastructure was like the 'plumbing: crucial but not visible' and increasingly neglected.

#### *The Ugly*

However the most disquieting development was 'the challenge to the enabling environment', particularly in the post-September 11 era. The political and policy environment that permitted civil society to flourish – freedom of association, tax structures with incentives, resources for the nonprofit sector and accountability structures – were threatened not just in the US but across the developed and developing world.

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