

The New Mission for Philanthropy

Shocking amounts of charitable giving are gravely misdirected and wholly ineffective. A report from a commission chaired by Lamar Alexander points the way toward a reformation of American philanthropy.

"Giving Better, Giving Smarter," a report by the National Commission on Philanthropy and Civic Renewal, is the most significant work on the value of private charitable efforts since the report of the Filer Commission in 1975. Supported by the Lynde and Harry Bradley Foundation, of Milwaukee, Wisconsin, the NCPCR aims to assess "how private giving in America can help revive our poorest communities and promote self-sufficiency and independence among our citizens." Its members include: Lamar Alexander (chairman), Reed Coleman (vice chairman), Elayne Bennett, Kenneth W. Dam, the Rev. Henry Delaney Jr., Kimberly O. Dennis, Chester E. Finn Jr., the Rev. Jerry E. Hill, Constance Horner, Sister Jennie Lechtenberg, William H. Lock, Pastor Juan Rivera, and Sam A. Williams. Its Web site is www.ncpcr.org.

America is the richest, most generous nation on Earth. In no other country do individuals, communities, foundations, corporations, and other private philanthropies give so many billions of dollars to such a wide variety of worthy causes and organizations. Yet among all these commendable activities and missions, helping people in need has always played a special role. For many Americans, it defines the essence of charity.

Today, however, far too much of the private largesse intended by its donors to improve the condition of the poor is mispent or misdirected. This gap between the generosity and good intentions of Americans and the actual impact of their giving on those in need is the central concern of the National Commission on Philanthropy and Civic Renewal.

Since our founding last year, we have focused on private efforts to help the poor, by which we mean organized, non-governmental attempts to aid the hungry, the homeless, the chronically unemployed, the addicted, the severely disabled, and anyone whose life has been made miserable by the effects of long-term poverty. We chose this focus knowing full well that an immense world of private philanthropy also supports, to name just a few examples, hospitals, education, cultural institutions, and the environment. We value these, too. But we chose not to make them our concern.

There is good reason to believe that philanthropy for people in need demands more urgent attention today. For many years, the United States has seen a vigorous public debate about the reformation of welfare policies. It is in this area where govern-



The faces of effective giving (from left): A participant in Best Friends' teen abstinence program; a Catholic school grad on a Student/Sponsor Partnership scholarship, with mom, sponsor (left), and academic mentor; Nancy Reagan at D.C.'s Clean and Sober Streets drug-rehab center.



ment's role is now undergoing the greatest (and, we think, long-overdue) upheaval and where private giving and private institutions will be dramatically affected.

Hence we have made it the heart of our report. We have concluded that much of the private philanthropy designed to help our poorest citizens and most distressed communities is gravely flawed; well-intended, to be sure, but often ineffective, inefficient, even misguided.

Our hope is that private charitable activity, if pursued in the right way, will play a greater role in reviving troubled neighborhoods and assisting individuals who cannot make it on their own. It is our secret weapon. Yet it would be an error to assume that today's philanthropy establishment is ready—or even willing—to shoulder that important role. Far too much charitable giving is wasted on efforts that make scant difference in the lives of individuals or the well-being of communities. True, the same criticism could be and has been made of countless government social programs. But we believe private giving should be held to an even higher standard. We have therefore come together not to assess what government has done or should do, but instead to recommend how private giving might renew itself.

We believe there is an urgent and singularly valuable role for such giving, distinct from government efforts to aid the poor and from the appeals of large, national charities. This is the philanthropy of individuals who want to use their time and money to make a difference by helping people in need and rebuilding their communities. These donors—both today's effective donors and, we hope, tomorrow's typical donors—should be as exacting in their charitable activities as in other domains of their lives. They need not be the wealthiest givers or richest foundations. These are ordinary people, many of whom already give to charity and volunteer their time.

To what should they give? Examples abound of

worthy recipients in communities from coast to coast. These organizations share many traits, including the fact that they are often overlooked by large philanthropic organizations, in part because of their local focus, in part because they practice an entrepreneurial approach to helping the poor that is radically different from the government-sponsored social-service model that has also become the model of many large charities.

Our goal is to make sure that more of our money is spent in more of the right places, to reorient American philanthropy toward the independent, locally based, results-oriented organizations, and to magnify the impact that such organizations have on individuals and communities.

How Much Money?

Less money than you might think is contributed by private givers to aid people in need. And that giving must be understood in context. The federal government continues to play a sizable role, of course. In 1996, means-tested federal entitlement programs totaled \$103 billion (excluding Medicaid, which accounted for another \$93 billion). This figure equals the entire gross domestic product of Norway. State and local governments spend billions more.

By comparison, Americans gave an estimated \$144 billion to philanthropic causes in 1995. That's

a very big number, too, but it dwindles rapidly when we focus only on the portions most likely to aid the poor and people in need. About 44 percent of American philanthropy, or \$63 billion, went to religious institutions (mostly churches). About \$18 billion went to educational institutions (mostly colleges and universities), and \$13 billion went to health organizations (mostly hospitals).

Just \$12 billion of private giving went to "human service organizations," a category that includes most of the organizations aimed specifically at helping the poor. How significant is that amount of money? Compare it with the sums that Americans spend on more self-indulgent pursuits: In 1993, for example, we spent \$6.4 billion at the movies, \$6.9 billion on videotape rentals, \$3.4 billion on health-club memberships, and about \$3 billion on bowling. There is good reason to believe that the amount Americans donate to help the poor will grow considerably in the years ahead. We are entering a watershed period in U.S. philanthropy, as members of the World War II generation leave substantial sums to charity and even larger portions of their accumulated wealth to their children, people now in their 40s and 50s. We will shortly experience the largest intergenerational transfer of wealth in our nation's history. The "baby boom" generation of givers has the potential to change the pattern of philanthropy dramatically. Joining them will be new givers who have little inherited wealth but who have earned enough to make them consider more active giving for the first time.

Tax laws have encouraged them to set up their own foundations at a rapid pace. A growing body of literature advises people on estate planning and novel forms of sharing both their wealth and their time. New financial organizations and instruments offer many more options for structuring one's giving. All these developments provide unprecedented opportunities for new private philanthropy, including giving to help the poor.

We believe this diverse generation of donors can establish new strategies and patterns of charity and can find new routes for giving time and wealth back to their communities. This is a good thing, because, a new, even path-breaking, approach is needed. At a time in American history when private giving is about to play a greater role in every community, it is critical that this money be well spent. We cannot afford to waste it.

The Moral Advantage of Charity

Government spends far more money on the poor than philanthropy does, and we assume it always will. Despite the furor over "welfare reform," most government entitlements for the poor (and the not-so-poor) continue growing. The biggest policy mistakes we could make would be to confuse

government programs with private charity, or the work of charitable organizations with the responsibilities of government, or to see them as interchangeable activities or as elements of a "zero-sum" calculation in which every dollar lost in government spending must be replaced by a dollar of private spending. This equation is deeply misleading.

Properly understood, government and charity are two distinct enterprises, sometimes complementary, but with different forms, different purposes, different strengths, and different effects. Just as it would be disastrous for government to try to usurp the role of private philanthropy or voluntarism, it would similarly be foolish for charity to take on the role of government.

This distinction between government policy and private initiative is well grounded. After decades of reforms and experimentation in federal and social-welfare spending, it is clear that the essential purpose of government programs is largely related to "income maintenance." In essence, welfare, food stamps, Medicaid, and similar programs are forms of cash assistance, raising the purchasing power of the poor to a basic level. To be sure, such programs have been fraught with bad incentives and are open to misuse. But their problems do not alter their essential nature: They transfer funds from mainly middle-class taxpayers to the poor.

Private philanthropy, on the other hand, can reasonably aspire to quite a lot more. Income maintenance is not an adequate way of reviving neighborhoods, promoting self-sufficiency, and rebuilding the civic institutions that safe, well-functioning communities depend on. That is where the private sector comes in. Philanthropy and voluntarism cannot match the raw buying power of annual government appropriations. Yet they have the potential to be far more influential in changing the character

Civic entrepreneurship can be far more influential in changing the character of impoverished neighborhoods than government spending.

of impoverished neighborhoods, reshaping individual lives, and reconnecting citizens to their communities. Unburdened by federal or state rules, local private organizations can address the problems of poverty in ways that government programs never have and almost certainly cannot.

Only private philanthropy can truly provide accountability, responsiveness, flexibility, adaptation to local circumstances, and constant innovation. Only private philanthropy can insist on individual results, rather than enforcing uniform eligibility requirements. Only private philanthropy can isolate the special characteristics of a tiny neighborhood within a large metropolitan area. Only pri-

vate philanthropy can link the interests of churches, schools, businesses, and families in a single community. Only private philanthropy can set modest but achievable goals and be content to solve one problem at a time.

Above all, private charity is able to recognize that the chief difficulty in aiding the poor is as much moral as material, and in the long run is more moral than material. Government is ill-suited to provide or even supervise that type of support. Indeed, in a free society we don't really want government interfering with morals, values, individual responsibility, and behavior, let alone with the religious basis of much of morality.

This is where the private sector can play a unique and irreplaceable role: It can help people learn to live virtuously. It is this capacity for moral leadership that confers on private philanthropy its greatest comparative advantage vis-à-vis government. Individual donors and members of private and corporate philanthropies ought never to lose sight of this. For the characteristic that distinguishes private aid to the poor from government programs is precisely what also distinguishes effective giving from wasted philanthropy.

The Mythical Spending Gap

The present transformation of 60-year-old government welfare policies presents a tremendous opportunity, and an historic challenge, to what Peter Drucker has called "the social sector"—that array of social entrepreneurs and private organizations that engage in philanthropic activity. As government programs to aid the indigent are altered, American charitable and philanthropic organizations will invariably aspire to do more and to do it better. As states and localities look to revive their poorest communities, there will also be a demand for a more engaged "civic sector."

That is why we are dismayed whenever the reform of federal and state welfare policies is perceived by private organizations themselves as a threat rather than an opportunity. The head of one prominent national charity recently asked, "Where will the money come from to save those people from starvation, illness, or death?"

These sentiments, expressed in various ways, have constituted the core criticism facing those who believe, as we do, that "less from government and more from ourselves" is the best formula for aiding the poor and bringing civic renewal to our cities. The criticism implies that, because private charities cannot reasonably be expected to fill the gap left by shrinking government programs, welfare reform is doomed to fail and efforts to promote a greater role for philanthropy are (at best) naive and (at worst) cold-hearted.

This argument displays a deep misunderstanding of the true issues at stake in the debate over the

future of American giving. Our commission does not believe that, in purely fiscal terms, private philanthropies can make up the difference in so-called "shortfalls" in government spending. But neither should they be expected to. It is a fundamental error to think of the private sector as simply "filling gaps" created by shrinking or changing government programs.

Those who ask, "How will the private sector ever provide the dollars once spent by government on helping the poor?" are asking the wrong question. The question the country should ask—and this commission is asking—is, how can private philanthropy, in the wake of welfare reform, better fulfill its own distinct mission?

In trying to answer that question, our commission has deliberately bypassed a number of high-profile questions of national policy. Some readers may be disappointed that we have not staked out

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positions on, say, estate-tax reform or charity tax credits, or the future shape of the Internal Revenue Code. These are all important issues, to be sure, and, to the extent that policy can encourage individuals to give more time and money to the poor, we welcome them. But our chief concern is how citizens and private organizations can use their time and money to have a substantial and beneficial impact on poor communities. Regardless of what changes government policymakers may pursue, the private sector must reform itself if it is going to play a substantial and effective role in aiding individuals and reviving communities.

What's Wrong with American Giving?

Much of American philanthropy is ineffective, sometimes wrongheaded, and occasionally counterproductive. Our criticisms apply to individuals, foundations, corporations, and the recipient organizations themselves. Some of our key observations:

Individual giving is haphazard, misdirected, and misspent. Few Americans make plans or set goals for giving to charity or for volunteering. Rather than ascertaining where their money or time could have the most impact, most Americans wait until they are asked to contribute. Then they give to whatever cause did the asking.

Private foundations and philanthropies conduct too much study, too little direct service, and too little hard-nosed evaluation of what they get for their money. After decades of public and private experiments in ways to help the poor, wealthy

donors and large foundations continue to expend sizable sums to “study” or “pilot-test” various programs aimed at systemic change, rather than using that money to provide help directly. Yet those innumerable studies yield surprisingly little of the rigorous analysis that would enable the country to determine what effect, if any, these well-intentioned programs have on those who are intended to benefit from them.

Many large philanthropies and charities compete with deserving local organizations, creating more distance between the donor and the ultimate recipient. Large national charities have been very effective at fundraising, as have local United Way chapters, but they have also created conditions in which donors are too removed from the work that their dollars ostensibly support. Without intending it, these large, umbrella charities make it harder for donors to form a bond with recipients. Charities that are national in scope also tend to discourage local giving specifically aimed at strengthening civic organizations and caring for one’s neighbors. The donor is given no incentive to seek out the best organizations in his or her own city.

Some charities have themselves become dependent on government. Rather than seeking independent, entrepreneurial, and locally based efforts to help the poor, some philanthropies have used their resources to build what are now widely termed “public-private partnerships.” The all-too-frequent result is that the nonprofit sector becomes bureaucratic, dependent on government, and incapable of imagining solutions that do not involve government spending. Many of these organizations—typically the large, national ones—spend considerable time and effort lobbying government or addressing issues of federal social policy. They are perpetually distracted by the annual budget cycle in Washington, D.C., rather than by the immediate needs of their communities.

Large foundations have started to act like government. Many large philanthropies, and the programs they fund, see their missions as extensions of government policy. They consciously fund projects that try to replicate (or pave the way for) government programs. Rather than acting as pioneers to create new, entrepreneurial, and unorthodox private efforts, these large philanthropic programs develop a fully symbiotic relationship with government and, in the process, surrender much of what makes the private sector different and valuable.

Many foundations expend a lot of energy talking to one another, rather than addressing problems directly. As the philanthropic world has grown by leaps and bounds, so has the professional world of philanthropy expanded and become more self-absorbed and self-referential. The landscape of contemporary philanthropy is now cluttered with seminars, forums, cooperatives, working

groups, task forces, coalitions, partnerships, and studies on how to help the poor. “Collaboration” has become not merely part of the professional philanthropic jargon but a full-time activity itself.

Established philanthropy prefers the grand theory and the abstract cause over the simple solution to a tangible problem. Many philanthropies and foundations suffer from hubris. By targeting deep-seated and intractable (and sometimes irrelevant) sources of problems and scorning immediate actions that would both ameliorate today’s problems and address yesterday’s causes, they often overlook local organizations whose immediate goals are to provide for the direct needs of individuals. Like government policymakers, many of these organizations try to address broad social conditions, often referred to as “root causes”—poverty, crime, inequality—rather than treat the manifestations of these conditions, such as welfare dependency, teen pregnancy, abuse, hunger, or addiction, with direct action in pursuit of rapidly observable results.

Redirecting American Giving

Together, this cluster of problems saps the vitality and potential of American giving and hinders the renewal of American communities. In an era in which we are rethinking the scope and mission of government social policy, private initiatives to help the poor risk becoming a smaller and less influential part of American life because they have taken on many of the least desirable characteristics of government programs.

Yet this need not be so. Philanthropy in the United States was once energized by the conviction that government should do as little as possible precisely because the needs of individuals and communities are better met through effective private efforts. It was taken for granted that such private efforts are more efficient, yet also more humane, than anything government can do; that they contain essential elements of morality, faith, responsibility, and discipline that governmental ef-

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forts can seldom muster; and that they are inextricably entangled with the well-being of real communities in which people live, not some imaginary national community. It’s the erosion of that conviction, and the slackening of the private-sector virtues and philanthropic assumptions that accompanied it, that give urgency to our call for reform.

American philanthropy today, taken as a whole, is doing a good job at just one thing: moving money from donors to recipients. In this one re-

spect, it imitates government far too well. Philanthropy is not doing nearly enough to ensure that this money is used effectively or that the huge amount of nonmonetary contributions by many citizens—volunteer time above all—is productively employed in assisting people in need and in reviving their communities. Philanthropy, in other words, is not fulfilling its own vital responsibilities. It is surrendering its own singular strength and most distinctive asset.

We believe that Americans themselves can help restore a greater sense of purpose to philanthropy and thereby make a tremendous difference to those who need it most. The message of this report is consciously directed at individuals and organizations that want to use their time and money to help change the lives of their fellow citizens and renew the most afflicted communities. We believe there is a need for a new type of American donor—a “civic entrepreneur”—who wants to help the poor and rebuild community institutions and who is prepared to be as exacting in his charitable activities as in the other domains of his life. One might visualize donors who are as careful in selecting recipients as in selecting their children’s school or physician or in choosing their home or automobile. Private charity should be a strategic activity. It demands the seriousness of a long-term investment.

These new American donors need not be the wealthiest givers or best-endowed foundations. Millions of ordinary people already give to charity. Millions volunteer their time. We want all of them to be able to direct their money and energy into efforts that actually improve the conditions of the poor and the quality of life in communities. We want them to be more directly involved in choosing how their money is used and which charitable organizations truly deserve their support. That requires providing more than a list of worthy recipients. It requires donors to rethink the aims of their generosity and the channels through which it flows. It requires also that they discover the independent but purposeful organizations in or near their own communities that view charity as more than just a supplement to a welfare check.

The True Value of Volunteering

What is true for financial donations is also true for volunteerism. The recent attention given to volunteer activities, including the highly publicized “Volunteer Summit” in Philadelphia, will no doubt spur many to make new efforts to spend time in poor communities. This we can only applaud. But there are worrisome strains of thinking—some heard in commentary during the Philadelphia summit—that threaten to corrupt or distort the character of traditional American volunteering.

The first is that volunteerism is made necessary

only by a lack of government initiative to help the poor. This argument misses the importance of individual leadership and involvement in poor communities, things that government dollars can never provide. It conflates what salaried professionals do with what unpaid amateurs do and why they do it. It also overlooks the moral and religious nature of much voluntary activity, spheres of life that are blessedly free of government interference.

Another worrisome mode of thinking that we have detected is the increasing appeal of volunteer programs sponsored and sanctioned by govern-

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ment. These kinds of programs, often discussed under the rubric of Big Citizenship, encompass mandated community service in schools and colleges and the spread of “volunteer” programs (like AmeriCorps) funded, organized, and regulated by government. We think these types of programs are both unnecessary and unwise.

Ninety-three million Americans volunteered in 1995, and nearly all of them did so without the exhortations of public officials or government bodies. They do not wish that a government program was doing the work instead. They do not need or want the government to structure their volunteer efforts. The purpose of volunteerism, in part, is to connect an individual with a part of his or her community. It is as important to the person doing the volunteering as it is to those who benefit from his or her efforts. Government welfare programs have done just the opposite, replacing individual and personal initiatives with bureaucratic and impersonal processes. We worry that Big Citizenship, for all its sentimental appeal, will fall prey to the same problems as it looks to government for initiative, direction, financing, and legitimacy.

Volunteering, like virtue, must remain its own reward. Americans need not view volunteering as a formal civic obligation akin to paying taxes or driving on the right side of the road or sending their children to school. People should volunteer because they believe that their skills and talents will benefit communities in which they live.

If the era of Big Government is indeed over, then this vision for American giving and volunteering is not merely a proposal. It is a necessity. If there is a limit to what government can achieve in aiding the poor and fostering independence, then we must accept a greater role for the civic sector and the generous individual. No one else will solve the manifold problems that come with poverty. It is a responsibility that Americans must now accept.

The Get Rea

By *Tod Lindberg*

From the height of Republican ascendancy two years ago, how could things have fallen so far so fast?

Conservative observers love to catalogue the horrors of the 105th Congress. Start with the personalities: A House Speaker, Newt Gingrich, who seems to have lost the ability to articulate a conservative agenda, the respect of congressional Republicans, and the interest of the American people; the Speaker's backstabbing subalterns in the House, who have begun maneuvering to succeed him; a new Senate leader, Trent Lott, whose conservatism may prove to be as much a matter of tactics as principles.

Then there are the issues: The Balanced Budget Amendment fails in the Senate yet again; the conservative agenda on such issues as racial preferences lies moribund; a bill to provide disaster relief for flood victims brings political disaster upon Republicans; and, of course, President Clinton and congressional leaders strike a balanced-budget deal that most conservatives regard as, at best, a huge disappointment.

Lastly, look at the themes, the inspiring articulation of the principles that separate liberal from conservative, rally the troops, and frighten the enemy: There are none. The man Gingrich brought in as communications guru for the 105th Congress was gone five months after he arrived.

Now, compare this record of nonachievement with the first nine months of the 104th Congress. Conservatism was triumphant. It had a face, the face of Newt Gingrich, and that face and those of his surrogates appeared on public-affairs programs every day to explain the intellectual and political bankruptcy of liberalism and the principles of the conservative and Republican "revolution." Under their new majority leader, Dick Armey, House Republicans united to pass their "Contract with America" legislation with disciplined energy, speed, and authority. Outside groups were ener-



gized, eager to bring their resources in the service of the revolution. It was the moment for conservative ideology to step out of the think tanks and into its governing stance, by means of the GOP congressional majority.