

THOUGHT PROVOKING IDEAS OF THE GLOBAL ESSAY COMPETITION 2023

Philanthropy: it is not what we own, but what and how we give

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Building on the legacy

John Rockefeller was the richest person in American history. At the height of his wealth, it was equivalent to 1.5% of the U.S. GDP (Nicholas & Fouka, 2014), and if translated into the modern context, this would mean he owned three times as much as Bill Gates, or five million times as much as what the median U.S. household is earning annually ("Bloomberg Billionaires Index", 2023). However, more often than not, he is celebrated as a prominent philanthropist for his devotion to giving rather than as a business tycoon for the vast corporate empire he had created. People think of his Rockefeller Foundation, rather than his Standard Oil Company, even though the latter was one of the largest corporations to ever exist in history (Irene, 2019). This is because it was his philanthropic giving that accelerated

the development of modern public health, and enabled the founding of Harvard, John Hopkins, and the 's medical schools, ultimately changing the lives of billions ("Our History", n.d.). The same is true for Andrew Carnegie. His legacy was not the immense wealth he amassed, but more so the fact that he gave most of it away to support meaningful causes, from the discovery of insulin to the building of more than 2,000 free public libraries, which benefitted all of humanity and many generations to come ("Carnegie Medal of Philanthropy", n.d.). His remarkable contributions earned him the title of the father of modern philanthropy (Stebbing, 2021). It is obvious that the most valuable legacy is not what we own, but what we give.

"It is more blessed to give than to receive" (Acts 20:35)

The word 'philanthropy' comes from the ancient Greek phrase 'philanthropia', which means 'love of mankind' ("History of US Philanthropy", n.d.). Although 'philanthropy' today refers to generous giving to the creation of far-reaching and meaningful social changes (Buck, 2020), the spirit of altruism remains. And it was the efforts and goodwill of Carnegie and Rockefeller that propelled and accelerated this new wave of modern philanthropy (Lienhard, n.d.). In particular, proactive giving during lifetimes is strongly advocated. Carnegie's famous quote "The man who dies thus rich dies disgraced," is a succinct summary of this philosophy. Their philanthropic achievements have thus become an enduring legacy that has not only advanced humanity but also inspired and produced many successful philanthropists in the generations after them.

Today, worldwide philanthropy has exploded. The total volume is now equivalent to 3% of global GDP with monetary donations amounting to a staggering \$550 billion according to research by Citi (Thompson et al., 2022). The percentage of wealthy individuals engaged in philanthropy has increased. Furthermore, around 10% of global billionaires have committed to 'The Giving Pledge', an initiative in which billionaires pledge to donate most of their wealth to charitable causes ("The Giving Pledge", n.d.; Schmitz, 2022).

With the increased participation and contribution from the wealthy, modern philanthropy has achieved many successes that have transformed and saved millions, if not billions of lives. Some notable examples include the eradication of polio, halving the number of malaria deaths, the rapid rollout of the

COVID-19 vaccine, and the legalization of same-sex marriage in the United States (Ditkoff & Grindle, 2017; "Funding commitments to fight COVID-19", 2022; Hodgkin, 2023). The transformative power of philanthropy was also highlighted recently by many delegates at the World Economic Forum, who remarked that the effective use of philanthropic capital would be very helpful in mitigating the increasingly critical impacts of climate change, especially given how long it could take for public institutions such as development banks to approve funds (Ng & Choi, 2023).

Indeed, we see time and again how expeditious philanthropic capital can be deployed. One example is MacKenzie Scott donating over \$14 billion to 1,600 non-profit organizations in less than four years. It is even said that in some cases, MacKenzie could write a cheque as large as \$15 million to a non-profit without asking for post-funding reports or updates, because "they trusted them" (Connelly, 2023). This begs the question of whether it is the right way to effect change. In MacKenzie's case and likely in many others, how do we judge if the donations are being appropriately used? If we take a step back, is it even appropriate for the philanthropist alone to decide what causes to support and how much to deploy, especially since many philanthropic donations are tax-deductible, which, in other words, would be our public expenditure forgone (Riper, 2019; Reich, 2018)?

Philanthropy's shortcomings

As it can be seen, philanthropy is not without controversy. The sheer scale of philanthropic giving, and thus the influence it can exert, as well as the lack of procedural democracy, transparency, and accountability have drawn criticisms

and challenges in recent years (Callahan, 2017). Even good-hearted donations do not always lead to desired results, as exemplified by K12 educational reform in the United States (Strauss, 2020; Reich, 2018), not to mention political donations that prioritize and promote controversial ideology that may be contrary to the public good (Lemann, 2022). So if the philanthropic outcome ultimately harms the public good, who should be held accountable? On top of that, with the advent of donor-advised funds ("DAF") a tax-advantaged structure with no distribution requirements, where donors part ways with their money but retain control over when, and which foundations or entities to contribute to, or they can simply let the funds sit forever in the structure - how can we ensure that 'philanthropists' are truly donating to support legitimate causes or just exploiting loopholes (Gelles, 2018)? While philanthropy gives donors the freedom to give out their money, it costs the public at least \$50 billion in lost tax per year, as donors enjoy immediate tax benefits, even in connection with donations to DAF (De Witte, 2018). With so much at stake, what would then be the right way to preserve philanthropy and thereby the legacy of goodwill giving that was spearheaded by the generation in the Gilded Age?

As Laurie Styron, executive director of CharityWatch has pointed out, "one person can't govern themselves. There is no board. There is no independence. There are no checks and balances against conflict or competing interests." (Thompson, 2022). Effective philanthropy must therefore be designed to incorporate an appropriate level of checks and balances to ensure that giving decisions are thoughtful and informed by the relevant stakeholders. A two-pronged framework is thus proposed

for governments and the public to keep tabs on philanthropy.

A two-pronged approach, the stick and the carrot

Firstly, governments should consider establishing guidelines that include mandatory disclosure of the giving status of philanthropic entities, be it foundations or DAF, and forming an expert committee that conducts periodic sample evaluations of philanthropic strategies and activities (Reich, 2018). The requirements imposed on all forms of philanthropic organizations should be consistent, including requiring DAF to meet the threshold of 5% of annual asset distributions for charitable purpose. Because DAF currently does not have such a requirement, this opens up a loophole where donors could benefit from tax deductions without making true donations (Reiser & Dean, 2023). Entities that do not meet the threshold should have their status revoked and their tax deductions clawed back. Both the disclosed materials and the review results of philanthropic entities should be made available to the public. In addition, for donations that exceed a certain threshold (e.g. \$100 million), or that can have a substantial impact on the public sphere, prior public disclosure and consultation should be encouraged. As a matter of fact, many private foundations operate in an opaque manner. Over 90% of the approximately 100,000 foundations in the U.S. do not have a website, let alone provide information on their charitable activities (De Witte, 2018). With disclosure requirements and regular reviews, it invites more public participation and scrutiny while ensuring that donors take public feedback into account when formulating their decisions. In this way, philanthropic activities will become more democratic and transparent, aligning with the original

mission of the government regulatory, the National Committee for Responsive Philanthropy, which was set up in the 1970s (Pfeiffer, 2022).

That said, regulating philanthropy could be difficult and face strong opposition from the wealthy, which is why the government is also recommended to lead the development of a public, bipartisan platform that engages philanthropists, the public, non-profits, and beneficiaries. The platform will provide four key benefits. First, it should establish a marketplace to link up prescreened philanthropists and non-profit organizations or charitable opportunities. Second, it should introduce a framework that guides and encourages these parties to provide regular disclosure of the deployment and use of the donation. Third, it should have a forum that welcomes public discussion and scrutiny of these activities. Last but not least, it should provide regular forums and seminars to educate all stakeholders and promote the exchange of philanthropic ideas. Such a platform should mitigate the main problems of philanthropy mentioned earlier, namely, the lack of transparency, democracy, and accountability (Reich, 2018).

A public marketplace and forum

To expand on the above, firstly, the setting up of a marketplace that connects philanthropists and worthwhile social causes leads to a more efficient discovery process. There is a large funding gap between big and small charities because of the difference in terms of networks and resources for fundraising ("Big vs Small Charities: The Funding Gap", 2019). The platform could therefore enable donors to discover small but meaningful opportunities that match their preferences, and by extension, expand

the funding networks of non-profits. Besides, it could streamline the grant application process and save non-profits significant administrative costs, as a centralized portal, they could reuse many materials and information for each new application (Nowski et al., 2020). Next, the introduction of a standard disclosure framework enables both parties to provide the right level of information to facilitate mutual due diligence and ongoing grant monitoring. This will ensure that the donations are used diligently. In addition, the government could collaborate with third-party data solutions such as Resilia, Candid, and GivingTuesday to provide external data and technical assistance to the non-profits onboarded to help them comply with the ongoing disclosure requirements (Kim, 2022). Subsequently, opening the platform to the public, including academic institutions and the direct beneficiaries, could not only increase the legitimacy of the donor's grant-making decision but also allow them to hear diverse voices and not be trapped in a limited view of the world (Pfeiffer, 2022). Given that some leading foundations are already diversifying their decision-making process by including members of different backgrounds to participate in their board of trustees (Beatty & The Associated Press, 2023), it would be crucial to leverage the public's knowledge in formulating an informed giving thesis and making sure the donor's interests are aligned with those of the public (Birn, 2021; Piper, 2019). It goes without saying that, this will provide an invaluable learning opportunity for all stakeholders, as they will all have a stake in the philanthropic decision. Moreover, the platform could host regular forums such as conferences and seminars, inviting prominent philanthropic and non-profit leaders, or even leading critics to exchange their thoughts. This cross-

pollination of ideas would not only raise awareness of and bring people together on critical social and environmental issues, but also helps ensure opposing views are heard and considered. That is essentially what a pluralistic, diverse democratic society should look like.

Although participation in the platform is voluntary, it is expected to gain traction over time by partnering with a number of committed philanthropists at the outset. Similar to the founding of The Giving Pledge a decade ago, nearly 10% of the world's billionaires have signed on today, pledging over \$600 billion in total

(Rogers, 2019). Together, these two initiatives will mitigate the current shortcomings of philanthropy and ensure the preservation of this wonderful, altruistic legacy.

To quote Aristotle, "*To give away money is an easy matter and in any man's power. But to decide to whom to give it and how large and when, and for what purpose and how, is neither in every man's power nor an easy matter*". And hence, the success of philanthropy requires the active participation of all concerned.

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