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## The Gates-Buffett Giving Pledge Won't Do Much Good Unless It Changes Philanthropy



Pablo Eisenberg

*By Pablo Eisenberg*

Most of the nonprofit world seems to be agog over the news that Bill and Melinda Gates, along with their friend Warren Buffett, are joining together to ask fellow billionaires to sign a pledge to give at least one-half of their fortunes to charity.

That could lead to an enormous increase in the amount of money available to nonprofit organizations. *Fortune* magazine estimates that if the people on the Forbes 400 list of the wealthiest Americans all made the pledge, an additional \$600-billion could flow to nonprofit groups—twice the amount Americans gave last year.

- When will this money be distributed to charities? Mr. Buffett has said that he plans to give away 99 percent of his fortune while he is alive or at his death, and he has made clear in his gifts to the Gates Foundation that he wants the money to be distributed quickly rather than left to sit in the foundation's coffers. But will other donors do the same, or will they put their money into foundations that give only a small percentage of their assets every year?

- Who will provide the leadership to increase the quality of philanthropy, not just the amount of money given? So much of the giving wealthy donors and foundations now do is lackluster and does not involve risk taking or innovation. Nor does it seek to solve urgent public needs. Will the new pledges mean more of the same?
- What steps will be taken to ensure public accountability? Will the funds that are steered into new or existing foundations follow the Gateses' approach, namely grant-making institutions governed by a very few family members that, in a real sense, are not really publicly accountable? Do we want an explosion of these tax-exempt oligarchic entities with huge assets that can help set public priorities without public discussion or a political process? Would this be a healthy development for democracy? If not, what can be done to mitigate the potential undemocratic nature of these new mega-foundations?

Perhaps the most troubling issues posed by the Gates-Buffett crusade is its potential to intensify the inequities that exist both in the nonprofit world and in the rest of society.

Foundations, corporations, and other forms of institutional philanthropy tend to favor the nation's most-privileged citizens and neglect the neediest people and organizations. An outsize share of the money from those institutions goes to established colleges, hospitals, and arts and cultural organizations. Only a small amount finds its way to organizations that serve vulnerable children, low-income people, minorities, women, the disabled, and other disadvantaged constituencies. A tiny portion of philanthropic money is channeled to groups that seek to influence public policies.

Very wealthy individuals have an even more unbalanced record when it comes to philanthropy.

They give their biggest donations almost exclusively to universities and colleges, hospitals and medical centers, and arts institutions. They rarely make large gifts to social-service groups, grass-roots organizations, or nonprofit groups that focus on the poor or minorities.

While a few wealthy people have made big gifts to advocacy or activist organizations, such donations are rare. Even in these trying financial times, most big gifts from individuals go to colleges and universities or to their own foundations, far surpassing their big gifts to other institutions.

It can be argued that philanthropy not only perpetuates inequality but also, in recent years, has actually increased the inequities that we find in the nonprofit world and indeed across the United States.

The financial gap between large and small nonprofit groups appears to be growing. Regional disparities in grant making have widened, especially in already starved rural areas. Private organizations now raise money for public schools in many of the nation's wealthy school districts, a practice that makes a mockery of the principle that all children in public schools deserve equal financial support.

And while the collapse of America's financial institutions and the global economic downturn have created mass unemployment, an increase in hunger and homelessness, and reduced nonprofit budgets and programs, particularly at the local level, foundations and wealthy donors have done little to shift their grant-making priorities.

The infusion of additional great sums of money by very wealthy individuals is likely to increase societal inequities, the gap between large and small nonprofit organizations, and the disparity between privileged and disadvantaged citizens.

Several ideas have been floated to reduce the disparities. In *The Chronicle*, Roger Colinvaux, a former Congressional aide and an associate professor at Catholic University of America's Columbus School of Law, suggested that perhaps Congress would consider offering special tax incentives to spur contributions to antipoverty and social-change organizations. But this solution would run into tricky definitional problems and face enormous political hurdles. It has been previously tried and rejected. Nor would such a tax break ensure that wealthy donors change the way they conduct their charitable business. A few additional tax deductions are unlikely to change philanthropic habits and preferences.

The Gateses and Mr. Buffett are well-intentioned and deserve appreciation for their efforts to encourage the wealthy to support good causes. But before rushing out and lavishly celebrating a new era of "big giving" by billionaires, we should carefully calculate the potential for both good and bad and devise ways to avoid what might be unintended consequences of what appears at first blush to be a noble endeavor.

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