Analytic Note #5:

Philanthropy as a Force for Educational Reform or Improved Performance

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By definition, philanthropy is the practice of contributing material resources to the benefit of others. Generally speaking, we often assume that philanthropy has as its object of beneficence the (materially) poor or the (socially and politically) oppressed. But this is not necessarily the case. Philanthropy can be designed to benefit everyone – rich, middle-class, and poor. Think, for example of the philanthropy that supports the arts, or libraries, or even sports. Or, for that example, the philanthropy that goes into supporting both arts and sports programs in schools. What makes contributions to such activities count as philanthropy is not that they aid the worst off in society, but that they involve acts by individuals that benefit others than themselves – regardless of the status of those individuals.

We also often assume that philanthropy refers to individuals or associations that have very large endowments and give out large grants of money. Think of the Ford Foundation, or the Gates Foundation, or the Carnegie Foundation, or Eli Broad. But the idea of philanthropy could extend to all those individuals who make small contributions to their favorite charities. In fact, when one looks at the total amount of financial giving in the United States, by far the largest aggregate amount is the amount that individuals contribute to their churches. The sum of giving by large foundations represents only a small part of that total.

It is also important to understand that the world of philanthropy is changing. For a while, one could think of the philanthropic world as one in which individuals – with either small or large incomes or wealth – gave to social purposes they deemed important. But in recent decades, many “intermediaries” have developed that play the role of aggregating individual contributions into larger funds. Some of these then offer the service of advising individuals about the possible “investments” they could make in particular charitable enterprises, or take the responsibility of deciding which are the best investments that could be made for a local community. Fidelity Investments, for example, manages a charitable fund to which individuals can make contributions, get tax benefits, and then decide later for themselves or with advice from the company about which charitable enterprises might be best for the individual donors to support. Community Foundations, on the other hand, also offer to accept individual donations in varying sizes, but usually aggregate them in one large fund which the Board decides to allocate. The Community Chest follows a mixed strategy. It began essentially as a quality control device to ensure that charitable contributions went to reliable charities; it gave money only to those charities that could meet certain standards. Then, it allowed individuals to earmark their contributions to particular organizations. Increasingly, it is working hard to develop a capacity like that claimed by community foundations to decide how the charitable funds they aggregate from individual contributors might best be spent for the welfare of the local communities in which they are operating.

Many of these changes reflect an important change in the idea of philanthropy. In the past, philanthropy tended to be led by the organizations that sought philanthropic assistance. They did the hard work of developing a concept of an important social cause that was being neglected, and then asked for money from various donors. Donors could choose from among many charitable enterprises, but it was customary to make a gift to a particular organization and let them do with it what they wished. Donors were also willing to have their individual desires and judgments about what was worth supporting subordinated to some degree by the judgment of other considered to be more technically expert about the needs of the community, and the best organizations to support in those efforts.

Now, donors are seen as playing a more active role in charitable activities. They are seen as active investors rather than passive givers. They initiate organizations as well as support existing ones. They insist on their rights to have the organizations to which they give file reports and be accountable to them. They take positions on the boards of organizations to which they give in order to more closely monitor and influence performance. This is called “strategic philanthropy,” and it has the effect of making the donors’ values and preferences for particular social results more important than the preferences of those who built charitable organizations out of sweat and desire of themselves and the quasi-volunteers they employed.

In a world in which public funding for schools is being reduced, the role of philanthropy in shaping the role of the K-12 educational system is becoming larger. It includes creating endowments for independent private schools. It includes creating associations and funds to support particular public schools. And it includes the efforts of large scale strategic philanthropists to shape the structure, conduct and performance of the publicly financed K-12 school system. It is this last part of philanthropy that attracts our attention in these classes, but the others should not be forgotten.