

## GIVING AND GETTING

Dennison W. Griffith – February 20, 2007

***King Solomon once said: "A generous man will prosper; he who refreshes others will himself be refreshed." (Proverbs 11: 25)***

This paper is a rumination on generosity. The motivations for sharing with others are as legion as are the causes begging for our attention. My goal is to outline some of these motive forces, some history and trends, and some contemporary developments both good and bad.

I have a couple more quotes to start us off. The first is from California businessman Nelson Henderson:

***The true meaning of life is to plant trees, under whose shade you do not expect to sit."***

The second from Sir Winston Churchill:

***"We make a living by what we get. We make a life by what we give."***

Most of us learned as children that sharing is a good thing. We didn't know we were practicing philanthropy—we just knew that giving to other people or important causes made us feel good. For generations, people have tended to give to the organizations that touched their lives, such as churches, hospitals and schools. Religion, health-related causes and education are still the most popular recipients of charitable giving and today there are more than 600,000 charities and foundations operating in the United States, representing, it seems, every conceivable cause on the planet.

Charitable giving in 2002 in America totaled nearly \$241 billion, according to the American Association of Fundraising Counsel. Who's doing the giving? Not as much the huge corporations and foundations as you might think, but an amazing number of individuals, whose gifts represented about 76 percent of the money raised by charities in the United States in '02.

At its core, philanthropy is anything that represents a direct effort to help others—ideally, effort expended without expectations of getting something in return. Many organizations directly benefit people who need help; others, such as conservation nonprofits contribute in ways that indirectly but significantly affect us and our children and our grandchildren. We are free to give our money to charities that assist causes we believe are important.

Andrew Carnegie said this about giving: ***"The man who dies rich, dies disgraced."***

And Confucius wrote in the Sixth Century BCE:

***"A man of humanity is one who, in seeking to establish himself, finds a foothold for others and who, desiring attainment for himself, helps other to attain."***

Every major American city boasts museums, libraries, concert halls, and parks that exist only because private citizens gave the money to build and maintain them. Thousands of colleges and universities have labs, dorms, sports complexes and libraries donated by grateful alumni. Harvard's endowment, now over \$30 billion is the greatest one of any private institution in the world, yet there are over 50 American colleges and universities with endowments worth over a billion dollars.

No other city in the world boasts the abundance of private wealth put to public use as does New York. A stunning array of institutions – from the Metropolitan Museum, the Frick, the Guggenheim and MOMA to the New York Public Library, the Morgan Library, the New York Historical Society and the American Museum of Natural History were founded or in substantial part endowed with private money and gifts of art, books, and so on by the city's wealthiest families over the last two centuries.

What are the sources of this great American tradition of giving large sums to adorn and improve the future? It's not found in Europe, which has few institutions of similar nature perhaps because wealth there was concentrated, at least until recently, in the hands of an aristocracy that may have taken its wealth and social prominence for granted. The US on the other hand has never had an aristocracy and went from being an underdeveloped country into the richest nation on the planet in less than 100 years.

We can look to our founding fathers for some clues, and in fact my pursuit of this topic for my paper goes back to a revelatory presentation I heard last year by author Claire Gaudiani who was brought here by the Columbus Foundation for its *Celebration of Philanthropy* recognition of our own Don Shackelford and his incredible wife Teckie.

In her book *"The Greater Good: How Philanthropy Drives the American Economy and can Save Capitalism"* Gaudiani notes the closing words of our very Declaration of Independence in which "we pledge each other our lives, our fortunes, and our sacred honor". There is a social contract therefore through which we make strategic investments in the civic realm and the betterment of our society. We understand – or should – that narcissism, greed, and disengagement from civic matters jeopardizes this social contract. Philanthropy, which has been America's unique approach to investment in upward mobility, has made a huge contribution to our distinctive brand of successful capitalism. In many ways philanthropy has shown the way to government (which often as not follows philanthropy's lead as to what needs to be built, where to invest in innovation and in the meeting of human needs).

Historically, Abolitionists and Freedman's Societies brought attention to the evils of slavery. Suffragettes, as Gaudiani notes, saw to women's rights. During the Progressive Era thousands of citizens fought for decent jobs and working conditions; health care, urban development, and, later, for widely available college education which government later endorsed with the enactment of the G.I. Bill. The civil rights movement was supported by citizen generosity as well as volunteerism as, more recently, were penalties

for drunk driving and environmental pollution. So the generosity that individual citizens practice in their pursuit of happiness and their commitment to civic improvement (and one could argue, upward mobility) has helped to change laws and improve the balance between democracy and capitalism. Yet without the success of our market economy and the acquisition of material wealth available in our capital markets, plus the powerful incentives of our tax structure we would not be where we are today.

So where are we today?

Using the household as the economic level at which giving decisions are made, average charitable giving per household in 2005 was estimated to be 2.2 percent of average household disposable (after-tax) income. Parenthetically, this is exactly at the 40-year average: 2.2 percent.

Giving USA, an Illinois-based foundation that tracks philanthropic activity and trends reported that giving from four sources of contributions increased in 2004 by 4 to 9 percent, depending on the category—individual (living) donors; bequests by deceased individuals; foundations; and corporations. Individual giving, the single largest source, rose by an estimated 4.1 percent in 2004 to reach \$187.9 billion of the total.

Americans' contributions rose to \$260 billion for 2005, growth of 6.1 percent, or 2.7 percent adjusted for inflation. 2005 saw an extraordinary philanthropic response to major natural disasters such as the 2004 Indian Ocean tsunami and hurricanes Katrina, Rita, and Stan. About half of the \$15 billion increase in total giving from the \$248 billion in the prior year is attributable to disaster relief giving. The other half reflects donors' commitments to other causes that matter to them.

Even with overall growth in charitable giving, some sub-sectors grew more than others. The sub-sectors for arts, culture and humanities and for health saw inflation-adjusted giving decline. Both are sub-sectors that historically experience variations in giving with changes in economic conditions, the number of capital campaigns underway and with competition from other causes. Arts giving, in particular, has shown dramatic swings, often connected with major donations or estate gifts. Giving for health care has shown inflation-adjusted declines or slow rates of growth since 2000, with the exception of 2003.

Giving in '05 grew by more than 10 percent in the sub-sectors for human services, environment and animals, and international affairs. Human services charities reported an astounding 15 percent increase in charitable receipts before adding donations for disaster relief. This reverses a prior three-year decline in gifts to this sub-sector when inflation was taken into account. With disaster relief giving added, giving to human services rose by more than 32 percent, to \$25 billion.

In international affairs, there appears to have been some "crowding out," so that organizations not directly engaged in disaster relief work saw their contributions fall. The net effect without disaster giving was a drop of 1.9 percent for international affairs

organizations. With disaster relief giving included, this sub-sector reported growth of 19.4 percent and gifts of \$6.39 billion.

This is a dynamic time in the history of philanthropy worldwide, playing a greater role in society than ever before. The practice of philanthropy is taking a turn, to one of strategic or social-change giving, with the long-term goal of “funding change, not charity.” Institutions and individuals that support social-change funding are continuing to increase in number as they seek how to more effectively address issues at their root causes.

However as our own Allen Procter noted in November 17<sup>th</sup> article in Business First, well-intentioned philanthropic gestures can go awry. Donors seeking to do good have the freedom to set the terms of their gifts. Directors of development and major gift officers, not to mention nonprofit CEOs routinely field inquiries or offers of support that have very clear expectations – strings, if you will – attached. It’s up to the potential beneficiary to closely review the terms and conditions attached to a gift offer to determine if or whether the donation advances the core mission of the institution. And as Allen accurately noted in his article, it is not only the use to which funds may be put but the performance measures sometimes required as a stipulation of a gift that can generate problems for the recipient. Seed grants and challenge grants are made as a kind of inducement or even as venture capital for new initiatives. The upside is that these can assist a not-for-profit to diversify its programming and seek new sources of income. The downside is that if not managed carefully or carefully integrated against the foil of the organization’s core work, such gifts can stress the infrastructure, direction, and very life of the nonprofit.

Foundations can be traced back to the time of Socrates. In this country, foundations blossomed after the Civil War, when new wealth was being accumulated and there were new problems to fix. Millionaire George Peabody used his and others’ money to help newly- freed slaves. By the beginning of the 20<sup>th</sup> century, the first truly modern foundation was created by a woman named Margaret Olivia Sage who inherited money from her husband Russell, a notoriously stingy man. In 1839 he started a wholesale grocery business, which earned him enough money to start a Hudson River shipping trade. He served in Congress (1853–57). Sage invested successfully in the La Crosse Railroad in Wisconsin, and he eventually acquired an interest in more than 40 railroads, serving as director or president of 20. He helped organize the Atlantic & Pacific Telegraph Co. We can’t help but wonder how old Mr. Sage would’ve felt if he knew that his hard-earned money would be used to benefit others. This trust was in many ways groundbreaking, and Mrs. Sage was soon imitated by the Rockefellers, Henry Ford and Andrew Carnegie.

*“The Gospel of Wealth”* was an essay written by Andrew Carnegie in 1889 that described the responsibility of philanthropy by the new upper class of self-made rich. The central thesis of Carnegie’s essay was the peril of allowing large sums of money to be passed into the hands of persons or organizations ill-equipped mentally or emotionally to cope with them. As a result, he noted, the wealthy entrepreneur must assume the responsibility of distributing his fortune in a way that it will be put to good use, and not wasted on

frivolous expenditure. The very existence of poverty in a capitalistic society could be negated by wealthy philanthropic businessmen.

Andrew Carnegie effectively softened some of the harshness of the theory of social Darwinism. He preached that ostentatious living and amassing private treasures were wrong. Carnegie professed the virtues of a *laissez-faire* system in which the government did not interfere with a corporation's right to do as it pleased. His "gospel of wealth" earned much praise, but did not win many converts. Carnegie made it clear that the wealthy were responsible for the recirculation of their money back into society where it could be used to support the greater good. He claimed that, in bettering society and people here on earth, one would be rewarded at the gates of Paradise.

Carnegie based his philosophy on the observation that the heirs of large fortunes frequently squandered them in riotous living rather than nurturing and growing them. Even bequeathing one's fortune to charity was no guarantee that it would be used wisely, since there was no guarantee that a charitable organization not under one's direction would use the money in accordance with one's wishes. Carnegie disapproved of charitable giving that merely maintained the poor in their impoverished state, and urged a movement toward the creation of a new mode of giving which would create opportunities for the beneficiaries of the gift to better themselves. As a result, the gift would not be merely consumed, but would be productive of even greater wealth throughout the society.

Carnegie put his philosophy into practice through a program of gifts to endow public libraries in cities and towns throughout the United States, with the idea that he was thus providing people with the tools to better themselves. In order to ensure that his gifts would not be wasted, he stipulated that the municipality must pass an ordinance establishing a tax to support the library's ongoing operating costs after the initial grant provided the costs for building and equipping the library. After several communities squandered their grants on extravagant buildings, Carnegie established a system of architectural guidelines that mandated simplicity and functionality. When it became obvious that Carnegie could not give away his entire fortune within his lifetime, he established the Carnegie Foundation to continue his program of giving.

Last June Warren Buffett took a significant step when he pledged \$31 billion to the Gates Foundation, and another \$6 billion to other charitable foundations. Buffett's pledge, set alongside the nearly \$30 billion given by Bill and Melinda Gates to their foundation, has made it clear that the first decade of the 21st century is a new "golden age of philanthropy." On an inflation-adjusted basis, Buffett has pledged to give more than double the lifetime total given away by two of the philanthropic giants of the past, Andrew Carnegie and John D. Rockefeller, put together. Bill and Melinda Gates's gifts are not far behind.

Philanthropy on this scale raises many ethical questions: Why are the people who are giving doing so? Does it do any good? Should we praise them for giving so much or criticize them for not giving still more? Is it troubling that such momentous decisions are

made by a few extremely wealthy individuals? And how do our judgments about them reflect on our own way of living?

A recent Sunday New York Times article cited a famous story about Thomas Hobbes, the 17th-century English philosopher, who argued that we all act in our own interests. On seeing him give alms to a beggar, a cleric asked Hobbes if he would have done this if Christ had not commanded us to do so. Yes, Hobbes replied, he was in pain to see the miserable condition of the old man, and his gift, by providing the man with some relief from that misery, also eased Hobbes's pain. That reply reconciles Hobbes's charity with his egoistic theory of human motivation, but at the cost of emptying egoism of much of its bite. If egoists suffer when they see a stranger in distress, they are capable of being as charitable as any altruist.

Followers of the 18th-century German philosopher Immanuel Kant would disagree. They think an act has moral worth only if it is done out of a sense of duty. Doing something merely because you enjoy doing it, or enjoy seeing its consequences, they say, has no moral worth, because if you happened not to enjoy doing it, then you wouldn't do it, and you are not responsible for your likes and dislikes, whereas you are responsible for your obedience to the demands of duty.

Perhaps some philanthropists are motivated by their sense of duty. Apart from the equal value of all human life, the other "simple value" that lies at the core of the work of the Gates Foundation, according to its Web site, is "To whom much has been given, much is expected." That suggests the view that those who have great wealth have a duty to use it for a larger purpose than their own interests. But while such questions of motive may be relevant to our assessment of Gates's or Buffett's character, they pale into insignificance when we consider the effect of what Gates and Buffett are doing. The parents whose children could die from rotavirus care more about getting the help that will save their children's lives than about the motivations of those who make that possible.

Interestingly, neither Gates nor Buffett seems motivated by the possibility of being rewarded in heaven for his good deeds on earth. Gates told a Time interviewer, "There's a lot more I could be doing on a Sunday morning" than going to church. Put them together with Andrew Carnegie, famous for his freethinking, and three of the four greatest American philanthropists have been atheists or agnostics. (The exception is John D. Rockefeller.) In a country in which 96 percent of the population say they believe in a supreme being, that's a striking fact. It means that in one sense, Gates and Buffett are probably less self-interested in their charity than someone like Mother Teresa, who as a pious Roman Catholic believed in reward and punishment in the afterlife.

### **So by giving, what do we "get"?**

Generosity means different things to different people. For some it's a fixed sum, a payment of moral dues; an act of charity. For others it's qualified; a negotiated transaction: I will do this for you now if you will do that for me later. For still others it is

a frame of mind, an ethical condition, a sustained discipline. For them giving may be pleasurable, but it is never optional. In a world with unfathomable disparities in fortune, generosity to some is simply justice.

Perhaps the best example of selfless giving I came across was this: In Vietnam in the mid-1960s, some 200 civilians were at one point trapped between battling South Vietnamese and Vietcong forces and seemed to be doomed to die in the crossfire. Suddenly a band of 18 monks and nuns appeared — unarmed and politically unaligned — and walked into the combat zone. The shooting stopped. They escorted the civilians to safety. The Buddhists had given the right gift to the right people at the right time and asked nothing in return. If there is such a thing as a perfect gift, that is it.

Nearly 1,000 years ago, Rabbi Moses ben Maimon, known to the Greeks as Maimonides and to Hebrew scholars as Rambam, gave great thought and study to the notion of righteousness. Out of his philosophical exploration came what is known as the Ladder of Charity, an elegantly simple half-page of wisdom spelling out the eight steps of giving.

He proposed that one may give in the following ways:

- Begrudgingly, to escape from an unpleasant situation (what I call the panhandler solution)
- Reluctantly, to escape from the burden of guilt or obligation
- Intentionally, in order to gain recognition, tax relief or material returns
- willingly in response to other people's request for help
- generously, without being asked, to meet other people's needs
- sacrificially, without being asked, to meet other's needs
- sacrificially and consistently for a larger cause
- and finally, one may give oneself and one's life sacrificially for a larger cause and the benefits of humanity

These directives do indeed point us in the direction of fulfillment and even possibly enlightenment or salvation, depending upon your theological persuasion.

After meditating awhile on the pursuit of the sublime through acts of charity my journey for this paper turned to more mundane matters as I reflected on the mechanics of philanthropy's execution. Philanthropy today is big business as noted in the gargantuan sums of money cited earlier in this paper. The business of "development" or "institutional advancement" is far more than simply passing the metaphorical plate.

Campaign consultants, prospect researchers, grants writers, major gifts officers, data entry personnel and special software programs to record and track donor records are all part of today's fundraising industry. There are direct mail campaigns, and the dreaded phonathons. There are profit-making businesses that work to help non-profits obtain what they might not be fully staffed to do. From Girl Scout Cookie sales to charities

starting businesses in the hopes of earning profits to be reinvested in their missions, the field is evolving at a frenzied pace.

In the January 11<sup>th</sup> issue of *the Chronicle of Philanthropy* there was an interesting article noting that over the last decade, the number of charities running for-profit businesses has exploded. In enterprises as diverse as day-care centers for dogs, used-car lots, organic farms, specialty restaurants and pest extermination businesses, non-profits are seeking new sources of revenue.

For example, Peter Kilde director of a Wisconsin social-service agency runs a company called *Ideal Auto* that sells used cars to low-income people to help them solve the basic transportation issues that are crucial to their struggles with poverty and efforts to become self-sufficient. It marks up the wholesale cost on each vehicle \$1,000 compared to the \$2 - \$3,000 or more that commercial dealers routinely add, and if clients have jobs and meet certain income requirements they qualify for a zero-interest, forgivable loan of \$1,500 to use for a down payment. Further, the charity helps participants acquire five-year, low-interest loans at local credit unions, and by agreeing to pay off the remaining principal if a client forecloses on a loan, has lenders competing for the business.

In an inversion of this idea, the founders of Google announced last year they have set up a philanthropy, giving it seed money of about \$ 1 billion and a mandate to tackle poverty, disease, and global warming. But unlike most charities this one will be a for-profit, allowing it to fund start-up companies, form partnerships with venture capitalists and even lobby Congress. It will also pay taxes.

The organization, called Google.org plans to develop an ultra-fuel-efficient plug-in hybrid car engine that runs on ethanol, electricity, and gas, with the goal of exceeding 100 miles per gallon. The goal of the project is to reduce dependence on oil while alleviating the effects of global warming. In another project it is trying to develop a system to detect disease outbreaks early. The emphasis with both of these projects is not necessarily to make a profit – although they hope to do so – but to achieve social returns not economic ones.

Then there's Paul Newman's enterprise, "Newman's Own", a series of products from popcorn to salad dressings. Paul Newman and the Newman's Own Foundation donate all profits and royalties after taxes for educational and charitable purposes and have given over \$200 million to thousands of charities worldwide since 1982. The company's motto is "shameless enterprise for the common good".

A more sinister dimension of the contemporary philanthropic world is the practice of fraud. There are many examples of those who falsely represent charities in order to obtain contributions from unsuspecting donors to line their own pockets.

In O. Henry's short story "The Chair of Philanthro-mathematics" there is the tale of two con men that strike it rich and develop "philanthropitis." Jeff Peters and Andy Tucker are



a bit uncomfortable after scoring a really big scam. So they retreat to the middle of nowhere, go into “retail philanthropy”, and found a free university, with a faculty of six professors hired by mail order. They are instant heroes, and live the high life for a while until the money runs low. Salvation comes in the form of a mysterious seventh professor, James Darnley McCorkle, chair of mathematics, who knows the right kind of math – involving a gambling operation to fleece the university students to refill the accounts of the swindlers.

Less about swindling is Garrison Keillor’s 1982 story “*Jack Schmidt, Arts Administrator*”. In it, Jack, a former gumshoe, is an arts fund raiser, a hustler who has found a reasonably lucrative way of making a living raising money for artists. Ably assisted by his sultry secretary, Bobby Jo, Jack maneuvers around creditors, old and rich Mrs. Groveland, and Groveland’s two hungry-looking Dobermans in an effort to fund artists who make pots that “wobble when you put them on a table,” and poets “who dribble out little teensy poems in lowercase letters.” He has about reached the end of his rope when an unexpected philanthropic windfall reinvigorates his creative juices, and his survival in what he calls the “arts funding game”.

Fraud in philanthropy became so pervasive that in 2003 the Federal Trade Commission announced "Operation Phoney Philanthropy" - a law enforcement and public education campaign by the FTC and state charities regulators to stop fraudulent fundraising. Fraudulent solicitors prey on the good will of donors and misrepresent who they are and what they do with the money they raise. They often pick the most popular charitable causes - support for police or firefighters and their families, veterans, and terminally ill children - to finagle funds from sympathetic and community-minded individuals. Howard Beales, Director of the Federal Trade Commission's Bureau of Consumer Protection noted that “by diverting donors' charitable dollars, these scam artists undermine the public's confidence in legitimate charitable fundraising, and injure legitimate nonprofit organizations that are competing for charity dollars,"

Not fraudulent but certainly suspect are the telemarketing businesses who charge an arm and a leg for their services. Almost \$500,000 was donated to the New York Vietnam Veterans Foundation from a statewide telemarketing campaign in 2001, a sizeable amount for a small charitable organization.

The group itself received only \$67,000 of those donations, about 10 percent of the total. The rest of the money went to Milwaukee- based American Trade and Convention Publications Inc., a professional fundraising company hired to conduct the organization's fundraising drive.

Critics might say that a 90 percent cut on a charity fundraiser is deceptive to donors who think their funds are going to help a needy group like the Veterans Foundation, which helps Vietnam veterans and their families receive compensatory benefits and financial aid. But for people like Harold Schaefer, president of the Veterans Foundation, it's making the best of a bad situation. He indicated that the Veterans Foundation lacked the staff and

resources to undertake a telephone campaign, so “some return was better than none at all.”

In another example, records obtained by "Good Morning America" showed the American Deputy Sheriffs Association took in almost \$6 million in 2004 and spent less than 3 percent on charity. So what was the charity spending its money on? Fundraising.

In spite of the tales of woe – whether fiction or fact – the happy news is that America is committed to philanthropy and has been since before our founding fathers essentially wrote it into our Declaration of Independence. The largesse of others continues to sustain our society, amplifying the arts and culture, expanding research of all kinds, assisting those in need, and beautifying our civic realm.

I'd like to close by reading you a great story from a series that Newsweek magazine did last year called “*15 people who make America Great*”. One of those fifteen is Aaron Dworkin a violinist whose life is introducing the music he loves to inner-city children.

Growing up in rural Hershey, Pa., Aaron Dworkin was something of a double oddity: a black kid with a violin in his hand. There was only one other African-American family in town, and they looked nothing like Dworkin's household. He was adopted and raised by Jewish parents. His birthmother is Irish Catholic; his father is African-American. Diversity is literally in his blood. So picking up a violin at the age of 5 was just one more thing that made him different. It wasn't until college, though, that he realized how special it made him.

At the University of Michigan, a music professor introduced him to the work of African-American composer William Grant Still. “I was overwhelmed,” says Dworkin who is 35. “No one ever told me this music existed. I realized it would enrich so many people in the minority community.” Suddenly, his mission in life emerged: diversifying America's symphonies—and their musical repertoires. “You can't complain about something,” he says, “unless you're doing something about it.” So in 1996 he founded the Sphinx Organization, a Detroit-based nonprofit aimed at drawing young black and Latino kids into the world of classical music. From a shoestring start, Sphinx now has a yearly budget of \$2 million. It has helped about 45,000 students in 100 schools and awarded \$800,000 in scholarships. Two years ago kids from Sphinx played Carnegie Hall.

Last year Dworkin won a “genius” grant from the MacArthur Foundation. With the help of an eight-person staff, he runs a weekend camp for urban kids, teaching them music theory, history and basic instruction on a variety of instruments. Sphinx also pays for 40 exceptional young musicians to attend an intensive music camp in New England.

“Playing an instrument improves test scores and teaches discipline,” he notes. The organization's signature creation is its annual string competition. Winners can earn up to \$10,000, tour the country, perform with the New York Philharmonic and get airtime on PBS and NPR. Alumni of the competition have landed jobs at big-city orchestras.

From the roughest parts of Detroit to center stage at Lincoln Center—it seems hard to imagine. Says Dworkin, “Even what I was envisioning back then is not what it’s become.” That’s because he didn’t settle for dreaming. He made it reality.

And that, gentlemen, exemplifies the essence of giving and getting.