

ON GIVING:

**THE FUTURE OF
PHILANTHROPY
IN A DEMOCRATIC
SOCIETY**



**A PROJECT OF THE INTERACTIVITY FOUNDATION (IF)
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INTRODUCTION

The United States has a long and storied history of private giving to support public goods. From early lending libraries to volunteer fire departments there are many examples of citizens organizing services and charitable relief when government was not capable (or willing) to step in. It was often the case that individuals acted collectively to provide public goods in settings with lower population densities and smaller scales than we are faced with today. But then as now, it was often well-off individuals who cultivated a sense of civic obligation and moral values that supported these early collective, but non-governmental, efforts. Some might go as far to say that the American Revolution was itself an exercise in giving—of blood, financial resources, and societal energy—that went beyond the capabilities of governments of the time.

Fast forward over two centuries and we face different issues, but still deal with the fundamental questions of how we actualize the values “of the people, by the people, and for the people” through government, philanthropic groups, and partnerships between public and private sectors. The Interactivity Foundation first started asking these questions at an On Giving Summit that brought together many non-profit leaders in the Midwest. It continued those questions in project working groups in Washington, DC and Madison, WI, and in test discussions in the Southwest and Northeast.

This discussion guidebook is the result of that developmental work. It suggests a number of starting points for discussion that are rooted in the questions that project participants asked themselves again and again:

- What is the public good and how do our notions of ethics shape our vision of the public good?
- What have been the impacts of large donors—for good and ill—on society?
- Do our “giving systems” (tax exempt status and tax deductions for giving) maximize the public good and how might we better measure the social impacts of giving?
- What sorts of “gaps” exist between donors and donees and how might those gaps be bridged?
- Are our philanthropic systems stuck in the past and how might we bring them forward into the future?
- And, finally, what sorts of other questions and policy directions might you want to suggest and discuss?

POLICY POSSIBILITIES

1. **Do Good**—
Foster Ethical Giving
2. **Broaden the Base of Giving**—
Participatory Philanthropy
3. **Expand Giving**—
Everyone can be a donor
4. **Boost the Public Good**—
Measure the Social Benefits
5. **Bridge Server and Served**—
Open Leadership to Affected Communities
6. **Non-Profits for the Next Century**—
Foster Innovative Models
7. **Design Your Own Possibility**

The Basic Idea

Philanthropy is all about doing good. But what if doesn't? What if charitable actions cause harms? How do we keep the philanthropic sector focused on the good? Or what if charitable activity springs from an unethical source? This policy possibility focuses on fostering and sustaining a greater ethical awareness about giving.

What are the ethical concerns that surround giving? How can we better assure that actions intended to do good don't end up causing greater harms? Philanthropic activity often springs from great wealth, but what about the ethics of that wealth? There's a saying that "behind every great fortune is a great crime." What if the sources that feed charitable activity are tainted by morally questionable gains of the past?

To answer questions such as these, this policy possibility would:

- Create a strong ethics component in training and career development for charitable organizations as part of maintaining their tax-exempt status.
- Deal with misrepresentations in the philanthropic sector in the context of consumer protection.
- Scrutinize shifts in charitable purpose, providing safeguards to monitor and prevent scams.
- Require forums to explore openly the ethical implications of the sources of wealth that lead to philanthropy.
- Establish a restorative justice approach to repair harms caused by the original sources of wealth that lead into philanthropy.
- Require independent impact reviews for charitable activities to anticipate and address ethical concerns surrounding charitable activities.

Questions for further discussion

- What ethical considerations should we have in mind for philanthropy?
- How might we foster ethics for philanthropy?
- What ethical responsibilities are there for the sources of charitable funding?
- How should we deal with concerns about the sources of funds when they may originate from activities that would not meet the ethical standards of today's society?

Some Potential Consequences

- Some donors may decide to avoid the scrutiny and regulation that may come with more rigorous attempts to enforce ethical standards by declining to participate in philanthropic efforts.
- Policymaking about the nature of ethical standards and a shared vision of the public good will likely prove contentious and, perhaps, partisan in ways not seen in the past.

The Basic Idea

How can we address concerns that philanthropy policies give an outsized voice in shaping society to extremely wealthy donors and corporations who benefit financially from their philanthropy? Philanthropy can function as a tool that lets some donors shape public policy while gaining a financial advantage. Tax breaks for donors can end up pulling funds away from public coffers, depleting funds that could be spent by public consensus through an open governmental process. Instead of such an open process, a donor currently can attach strings and steer the public agenda according to their private interests. Policy possibility 1 calls upon us rely on ethical standards that look to a public good. This policy possibility addresses the public good in two ways. First, it would broaden the base for giving, encouraging the power of many smaller donors and capping the power of the largest donors. Second, it would revitalize the role of the public sector in responding to public needs—reaffirming the role of government to address the common good.

Broadening the Base

This policy possibility focuses on broadening the base of contributors toward the common good. The rationale behind this is to recognize a greater range of voices in our society about how to address the good of society. More everyday people would have a say in charitable giving. The policy possibility could do this by encouraging more giving by people at the middle and lower ends of the economic spectrum rather than at the top. This could be done, for example, by providing a tax credit rather than a deduction for givers up to a certain capped amount. A capped tax credit provides persons of every economic status an encouragement for charitable giving, since they don't have to reach the threshold of itemized deductions to receive a tax benefit. Donations above that cap—the domain of large wealthy donors—would earn no favorable tax treatment.

This approach would also broaden the types of charitable organizations receiving support. Every citizen could essentially select the areas of need that most justify their support. Current tax policy gives more of a say to wealthy donors to set the agenda for the public good. In contrast, this policy possibility would provide more of a say to the many smaller donors rather than the voices of the few.

Revitalize the Public Sector

A key feature of this policy possibility is to revitalize the core mission of government to address public needs through public, rather than private, means. Tax breaks for wealthy donors has hampered the public sector by pulling away needed tax dollars to address public needs. At the same time, that favorable tax treatment has empowered wealthy donors to set the public agenda free from the democratic input of other citizens. By capping the tax benefit for philanthropy, this policy possibility would return needed funds to the public sector where public bodies could then determine where and how to direct those funds through open governmental processes. Additionally, this policy possibility would establish a more progressive tax code overall to enable the government to carry out its responsibilities to address the needs of the public.

Some possible features:

- Create ground-level participatory mechanisms for all levels of donors and recipients.
- Replicate models from other advanced economies to use public funds to address societal needs through open democratic processes rather than through tax breaks to private philanthropy.
- Use a research-based approach and development studies to shape and prioritize public needs and operations.
- Create models to provide equitable responses to disasters, infrastructure repair and development, public health initiatives, and longer-term economic development.

Questions for further discussion

- Where do we draw the line between what should be a public responsibility, a responsibility of the government, and what should be a private responsibility?
- What are the consequences of drawing this line in different ways? For example, what are the implications if we leave it to private philanthropy to take care of the public good?

Some Potential Consequences

- Prompt a wide discussion of what services we really expect to be delivered by government.
- Leave new holes in the safety net as some “essential”, but “unpopular”, functions are not funded by the government or the widened donor pool.

The Basic Idea

Philanthropy sometimes seems to be dominated by the extremely wealthy. Some see charitable giving as something for those with enough disposable income that they can afford something extra. How could we reimagine philanthropy to engage all of the population? How could we honor and encourage the spirit of giving that can be in every person, regardless of their financial status? Policy possibility 2 addresses these issues through expanding the pool of givers and realigning our public sector to provide adequate social supports. This policy possibility expands our notion of “giving” to include more than financial contributions. It would recognize and support the many different ways that each person can give, such as gifts of time or gifts of sharing.

Other Ways of Giving

This policy possibility recognizes and supports that there are many different non-financial ways of giving that can help meet charitable needs. It provides a structure to help support these charitable actions so that more people might be moved to give what they can. This structure could include:

- Providing tax credits for time-banking and social accounting to recognize the gift of time and labor for charitable activities.
- Promoting economies of sharing, where more resources are available through cooperative and community entities.
- Promoting a philanthropic ethic of citizen responsibility for giving and enlarging the sphere of what is considered “giving” (e.g. volunteering, sharing, offering services, etc.).
- Encourage charitable organizations to team up with partnerships with these citizen donors to enhance capacity.
- Support a requirement of these partnership possibilities in grant proposals.
- Create databases and clearinghouses of perspectives partners and activities.
- Use social media platforms to connect people-to-people activities for helping out.

Questions for further discussion

- How might we assess the economic value of non-monetary gifts? What issues might come up in sustaining such an approach?
- What other possibilities do you see for expanding giving beyond monetary donations?

Some Potential Consequences

- Creates opportunities to enlarge the concepts of the gross domestic product and social value that are currently ignored in both economic policy and participation in social benefits like Social Security.
- Political jockeying about covered activities could dilute the meaning of giving and sharing and take them far from the public good.

The Basic Idea

Typically, we offer favorable tax treatment to people or organizations who contribute to the public good. We provide tax exemptions for charitable organizations and tax deductions for donors. But what are we getting in return? How do we know they are contributing to the public good? How do we know they are making things better? Policy possibility 3 anticipates a wider description of giving and makes it important to ask these questions. This policy possibility would create a process to 1) evaluate the impact of charitable giving and use that evaluation as part of an effort to 2) establish an accreditation process to qualify organizations to be worthy of tax-exempt status in terms of their positive social impacts.

For Whose Good?

How do we know that philanthropy or charitable giving is really doing good for the affected communities—for those it is supposed to serve? We know that donors can do well by giving (for example, by reducing their tax burden). But what about the recipients of aid? This policy possibility would create regulatory oversight of the philanthropic sector to ensure that the financial benefit that donors receive (through favorable tax treatment) is justified in terms of the societal benefits of their giving. Ultimately, we need a way to assess the beneficial social impacts of giving, a way to show that targeted communities or individuals are benefiting. Annual financial reports for tax purposes do little to demonstrate the actual impact of philanthropic contributions.

Accrediting Givers

The assessment of positive social benefits would form the basis of an accreditation system for philanthropy. If donors or philanthropic organizations are to receive favorable tax status, if they are to be tax-exempt, then we need a way for them to justify how they are worthy of these tax benefits. There needs to be some independent oversight and examination of the social benefits they have created. This oversight would require a greater role for the perspectives of those who are served by philanthropy, since their voices will be pivotal in determining benefit. This in turn would necessitate a greater role in the oversight of philanthropy for typically underrepresented individuals or communities.

This oversight approach could be embodied in a number of different ways:

- Create a public body, such as a “Department of Philanthropy,” to provide regulatory oversight through open governmental processes.
- Create an independent body outside of government to remove accreditation from partisan political influence and with accreditation leadership carefully chosen to remove ideological and financial biases.
- Develop community-based external review boards to evaluate the benefits of philanthropic organizations or activities, to determine whether they deserve tax-exempt status.
- Develop advisory boards at different levels of philanthropy to review practices and make recommendations for maximizing social benefits.

Questions for further discussion

- Why should there be tax exemptions for charitable activity? What goals do we have in mind? How do we know we are meeting these goals?
- What conditions should there be for getting and retaining tax-exempt status for charitable activity?
- How long should tax-exempt status for charitable organizations last?

Some Potential Consequences

- Spur the development of improved quantitative and qualitative tools that help determine what works in philanthropy and what is most helpful in areas of critical societal needs.
- Cultural institutions and arts programs could be left behind as assessment measurements get increasingly focused on “social utility.”

The Basic Idea

Who gets to lead philanthropic organizations? Major donors typically represent the upper strata of society. Likewise, the leadership of charitable organizations is drawn from the social and economic elite. This is especially the case when charitable causes are considered the place to serve for social and economic advancement. The upshot is a gulf between the non-diverse, socially and economically elite leadership of charitable organizations and the diverse communities they intend to serve. How can this gulf be bridged? This policy possibility would bridge this divide by developing pathways for those from impacted communities to take part in, and be better represented by, the leadership of charitable organizations.

Leadership of Charitable Organizations

This policy possibility 5 looks anticipates measuring the social benefits of charitable activity. But who decides on what those social benefits mean to the intended recipients of such giving? This policy possibility promotes greater diversity in the leadership of charitable organizations and the development of leaders who come from impacted communities. This would make the leadership of the serving organizations more reflective of the communities of the served. There are several ways this could be implemented:

- Require all charitable organizations to have a leadership recruitment and development plan related to their target population as part of the application for and subsequent renewal of their tax-exempt status.
- Require all charitable organizations to have a majority of the Board of Directors (or Trustees) qualify as independent directors, with requirements for diversity among the Board, and requirements that independent directors represent populations served by the charitable organization.
- Promote community engagement with public conversations on the needs of the impacted communities or populations, with further testing of deliberative polling, citizen juries, and participatory budgeting in those communities.
- Create educational programming that involves students in service-learning tied to various aspects of the charitable organization's operations and service delivery.

Questions for further discussion

- What's the importance of diversity in the leadership of philanthropy?
- How can charitable organizations best stay attuned to the populations they claim to serve?

Some Potential Consequences

- Strengthen community trust in the charitable organizations that work to serve people in those communities
- Replacement of informed professional assessments of "what's needed" with the easy path of determining "what's popular"

The Basic Idea

So many of our models for philanthropy seem to be held back by adherence to past practices. Philanthropy can be hampered by a lack of imagination and a commitment to playing it safe with old strategies. How could we create a nimbler philanthropic sector for the 21st century? This policy possibility would embrace technological and financial innovations that can help charitable activity leap ahead and address needs more efficiently and equitably.

Innovate & Experiment

This policy possibility 6 would encourage innovation and experimentalism in giving by looking to advances in technology and in the development of novel financial instruments to address charitable needs. It would seek ways to amplify the successes of venture capital-based models, or “venture philanthropy,” using technology and other emerging digital tools. For example:

- Create virtual charitable organizations. Organize donors into new forms of online charities with a lighter footprint than traditional brick and mortar organizations, enabling more funds to go directly to needed services.
- Encourage leaner, more nimble giving groups that mobilize through social media.
- Work with media platforms to provide templates for effective giving and person-to-person charitable activity.
- Use digital tools to provide better synchronization and coordination of charitable activities, better anticipation of needs and challenges, better delivery of services, and fostering better awareness of the ethical, social, or environmental impacts of these activities.
- Use the capacities of big data to address charitable needs more efficiently and to make research-based decisions to target the underlying causes of need.
- Use the capacities of the venture capital sector to incubate novel charitable organizations
- Coordinate innovative technical and financial tools to meet complex emerging needs, bringing together the know-how of the for-profit financial sector to help the philanthropic sector.

Questions for further discussion

- How could the cutting edge of technological and financial innovation improve philanthropy? How might it go wrong?
- What other areas come to mind when you think of philanthropy of the future?

Some Potential Consequences

- How to preserve what’s good about the old way of doing business in the rush to adopt the new.
- Lowers “barriers to entry” for new forms of philanthropy and related social entrepreneurs.

The Basic Idea

The above policy possibilities represent many dozens of prior hours of citizen discussion. That does not mean that they cover everything that can be said (or thought) about the topic of giving. There are many examples of citizen discussions that are launched by discussion guides and then inspired to make connections and devise policy responses that the designers of those guidebooks did not anticipate. Such is the beauty of democracy and citizen discussion.

Discussion participants may often be intimidated or simply draw a blank when asked to “build their own possibility”. It’s not as challenging as you might think. Often in the back of your mind, you have already been unconsciously assembling the building blocks of such a possibility. Like so many things that we do, it begins with questions:

- What approaches seem to be missing from the discussion you just experienced?
- Is there a societal interest that hasn’t been taken into account?
- Are there matters of scale or size of the guidebook’s approaches that don’t match up with how you see things working in your world?
- Do you feel that other governance reforms or societal changes are needed as foundations to make it feasible to tackle the guidebook’s policy possibilities?
- Was there something that another discussion participant said that has been in the back of your mind as an unresolved question?
- And... ? The list can go on.

Developmental Note: A citizen discussion in Arizona produced a policy possibility they framed as “Fix a Broken Non-Profit” along with an extensive checklist of “best practices”. It was less conceptual and more practical than what we usually do, but did draw upon the draft guide for much of its inspiration.

SOME REAL LIFE CASE STUDIES

Some Real Life Case Studies

Ethical Giving

Many observers see the “old philanthropy” model as dominated by “feel good” giving. Some would like to see us refocus on “doing good”. But what does that mean? Few charitable endeavors lack some public benefit. A growing number of philanthropy activists believe that “doing good” rests on asking key questions: who benefits, by how much, is this most effective option, what are the odds of success, and is this a neglected need? They believe that effective giving is ethical giving and that “vanity projects” and “monuments to the dead” are suspect from an ethical point of view.

[The Correspondent](#)

Participatory Philanthropy

Nine philanthropic groups combine forces to encourage “girl power” based on the social science findings that when the status and conditions of girls and women improve, so does the overall well-being of society. In this program, teenage girls from around the world were asked to select girl-led initiatives to fund. Since 2014 it has funded girl-led groups in 60 countries.

[Solutions journalism](#)

Measure Social Benefits

It’s sometimes hard to know whether a “good cause” is delivering on its promises in cost effective ways. Or whether it is top heavy with management. Or if those considerations have enough nuance. Impact Matters tries to disentangle the many variables that go into smart giving-- quantitative measurements and qualitative ones. Not only how many trees were planted, but what other outcomes were generated by that effort, and what would have happened at that location had that activity not occurred.

[New York Times](#)

SOME REAL LIFE CASE STUDIES

Open Leadership to Affected Communities

Among the stereotypes philanthropy must deal with and change is that large charitable efforts are “funded by old white men and run by their wives”. The data suggests that this is indeed sometimes the case. Changing that takes a conscious and well thought out plan. The Solutions Project did that in the area of renewable energy by building in standards for participation by women and minorities in its programs.

[Fast Company](#)

Foster Innovative Methods

Giving often seems like a world of grant-making, endowments, and direct aid. But there is a developing sector of social entrepreneurs who hope to “do well by doing good”. Tackling some of our toughest problems is sometimes outside the expertise of traditional philanthropy groups. Prizes and awards may reward a new set of problem-solvers.

[BBC](#)

Consider Labor as a Gift

Sometimes potential givers are intimidated by what they see as the relatively small size of their gifts, compared to the immensity of needs. Other times cash gifts seem too impersonal or remote. Yet for many people the best gift they can is their time. There have been increasing efforts to better recognize volunteer labor as an important feature of giving—extending from stream clean-ups to health care worker assistance in public health crises. But these types of efforts can also deal with complicated “systems problems” too. Toyota quality improvement engineers tackled the bottlenecks in New York City’s Food Bank services and reduced wait times.

[New York Times](#)



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