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The Challenges Posed by an Era of Mega-Gifts

By Leslie Lenkowsky

Although Warren Buffett's pledge of most of his fortune to the Bill & Melinda Gates Foundation was, by far, the biggest gift of 2006, large-scale philanthropy is no longer as rare as it once was.

Billion-dollar foundations are much more common — today the United States has more than 50 — than they were just 20 years ago, when only a few were as well-endowed. Moreover, during 2006, at least 14 groups (besides the Gates Foundation) received pledges of \$100-million or more from individuals. Before the mid-1990s, it was unusual to see more than a handful of such gifts each year, if that many.

Americans of modest means still contribute a greater share of their income to charities, but nonprofit groups are increasingly depending upon the generosity of the rich.

Indeed, perhaps as much as two-thirds of total giving, a new study of affluent donors says, now comes from the wealthiest 3 percent of American households. If forecasts by Paul Schervish, a Boston College sociologist, and other scholars prove correct, a large share of the trillions of dollars in assets accumulated by baby boomers will wind up going to charities over the next few decades.

What's remarkable about this is not that the importance of gifts from the wealthy is increasing — given the growth of the economy in the past decade, it would have been surprising if that had not occurred — but rather how little concern they have aroused.

That was not always the case in the past, and the fact that big gifts are more acceptable today than they used to be is not without risks for philanthropy.

Indeed, throughout American history, charitable donations by the wealthy have often prompted criticisms. Henry David Thoreau, for example, regarded philanthropy as "overrated" and viewed the generosity of wealthy merchants as an attempt to put doing good ahead of being good in business matters.

Nineteenth-century schoolchildren learned from *McGuffey's Reader* to be wary of the kind of ambitious philanthropy that aimed to tackle big and distant problems (such as those many of today's donors are trying to solve), and instead to prefer more modest efforts that sought to do "a thousand little, snug, kind, good actions."

Andrew Carnegie's proposal that the rich should give away their "surplus" during their lifetimes to assist the less well off was criticized by a prominent minister, William Jewett Tucker, in 1891 for mistakenly expecting charity to do the work of social justice.

And when John D. Rockefeller developed the prototype of today's foundations, he ran into strong opposition, chiefly reflecting concerns — among Midwestern Republicans no less than Southern populists — that it would make Rockefeller more powerful than he already was.

During the 20th century, several Congressional panels investigated grant making by the wealthy, climaxing in the passage of legislation in 1969 that came close to compelling foundations to give away their assets and go out of business.

Instead, Congress required foundation to give away at least 5 percent of their assets, on average, every year, while also imposing restrictions on the kinds of grants they could make and assets they could hold.

Though not as damaging as some people in philanthropy had feared, the new law was taken by most foundation donors and executives as a sign that they were in big trouble. In a widely read article in 1978, John D. Rockefeller III warned that the nonprofit world was "eroding before our eyes" and that philanthropic giving "has steadily lost ground in recent years."

Thirty years later, the outlook appears much healthier. Nothing like the outcry accompanying the creation of the Rockefeller Foundation followed Bill Gates's announcement that he was planning to set up a philanthropy, let alone last summer's news about Warren Buffett's big gift to it.

Congressional interest in philanthropy has been mostly confined to allegations about donors taking advantage of the tax laws, rather than expressing populist suspicions about the influence of the wealthy and their foundations.

Part of the reason for this change is that today's donors are able to cloak themselves in an impressive record of accomplishment by

their predecessors. Whatever one thinks of more-recent giving, the effectiveness of grant makers in fostering medical and scientific innovations, or underwriting important cultural and educational institutions, has done a great deal to quiet doubts about what philanthropists were really doing.

But today's grant makers will be hard-pressed to build on this record, since many of the problems they wish to solve are extraordinarily complex and controversies often exist about what to do. Moreover, because of the vastly larger amounts of money at their disposal, expectations for what grant makers should be able to achieve are high as well, perhaps unrealistically so.

In addition, the role of philanthropy in American society has changed. When foundations came of age, the ambitions of American government were small and its resources limited, giving grant makers plenty of scope for tackling public concerns.

As today's big donors embark on their philanthropic careers, American government's aspirations remain high, but its appetite for providing the necessary financing has diminished. Furthermore, since even with tighter budgets government remains an important force in education, health care, and virtually every other problem of concern to philanthropy, donors have little choice but to work with it.

As a result, philanthropists have become a more inviting target for government officials seeking support, as the Council on Foundations discovered this year when Sen. Max Baucus, Democrat of Montana, complained to its annual meeting that his state was not receiving enough money from foundations. Since he is the new chairman of the Senate Finance Committee, which is responsible for legislation affecting philanthropy, his concerns are sure to be taken seriously.

The chief risk philanthropists face today is not that their greatly increased wealth will provoke a new wave of resentment and mistrust, but rather that they will be smothered by the public's embrace. Such an outcome could pose a threat to the tradition of American philanthropy that values having many ways of promoting social improvements, not just those that can pass the test of political acceptability.

With the growth of big philanthropy, the potential for such innovations may be greater than ever. But if newfound wealth leads foundations and other donors to become too ambitious in their goals and too responsive to public pressures, they will impair their

ability to accomplish much at all, even with lots of money.

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