

"Killing Me Softly ..."

The Other Side of the Philanthropy Debate

by Mark Bagshaw

As the never-ending calls for "increased giving" yet again hit the airwaves, it's worth thinking for a moment about the role of philanthropy in our modern society, and about the often ignored - and perhaps unintended - effects that the charity model have on the structure of our society, and on the people it is intended to help.

How could we even question the notion that wealthier members of our society giving some of their wealth to less fortunate members of our society is a good thing? Surely it's ungrateful in the extreme to bite the hand that feeds us? Rich people don't need to give away any of their wealth, after all. And there's no doubt that in most cases philanthropists and those who donate to charity in any form do so with the best intentions. Many even feel that, as the lucky ones, they have a responsibility for sharing at least some of their wealth with those who haven't been so lucky.

But that's not actually the point. Surely if we genuinely believe that the primary reason we have a society at all is that by working together, maximising each other's strengths and minimising each other's weaknesses and, as a result, we all lead better lives, we need to be asking to what extent philanthropy and charity contribute to achieving this?

A few facts to put philanthropy in perspective: it has been estimated that total "giving" in the US in 2003 (including corporate, individual, foundation, and bequest giving) was \$240.7 billion. That's about the same as Wal-Mart's total revenue in the same year, and the equivalent of 11% of total US government expenditure in that year¹. In Australia, individuals contributed \$7.7 billion in 2005 (\$575 each on average). In the same year, Australian businesses contributed \$3.2 billion (\$6,084 each)². It's difficult to make an apples-to-apples comparison between Australia and the US, but on the surface it would seem that we are not doing too badly. It is also fair to say that, while these numbers add up to substantial amounts overall, they won't exactly break the bank of companies or individuals.

To understand why there might be a problem providing help to those who need it under a charity model, we need to try to understand how it feels to be a recipient of charity. It's disempowering. It makes people feel like second-class citizens. It takes away many people's motivation, damages their self-esteem, and for some it creates resentment and anger. And it reduces the community's expectations of those who receive charitable support, creating for many people a never-ending cycle of dependence and disadvantage.

¹ *U.S. Philanthropy by the Numbers*, The Future of Philanthropy Project, The Monitor Group, Cambridge, Massachusetts, 2005

² "Giving Australia" report, October 2005. Extracted from Philanthropy Australia website

Then there's the problem that the amount of support provided to various "causes" through charity and philanthropy is dependent on the giver's perception of what constitutes a worthy cause. It is very doubtful that the majority of people who donate money do so after giving broad consideration to all of the things that need support, and how they stack up against each other in terms of the amount of support they actually need relative to everything else. As a result, the causes that often get the most philanthropic support are the ones with the best marketing campaigns and that carry the most palatable imagery. That's hardly a sound methodology for social investment.

For the organisations that depend on philanthropic support, often for their survival, one of the greatest challenges is their lack of control over their investment cycle. Business and government enterprises use a "closed loop" investment cycle - the decisions about the level of investment required to maintain and grow the enterprise, and the return that those investments will create, are made by those who run the enterprise. And the investors decide whether or not to invest in an enterprise based on expected future returns (well, as taxpayers we don't get too much choice!).

But under a charity model the vast majority of "investors" (those who donate) don't expect a direct return on investment. In most cases (particularly when small amounts are involved) "investment" decisions are made without really having an understanding of what the money will be used for, or whether it would be better to "invest" in something else. And the enterprise is constantly faced with the vagaries and "flavour of the month" dynamics of the charity model. Many spend more time scraping together a few dollars than they do actually delivering programmes and services.

The challenge is particularly great for those organisations whose beneficiaries are truly aspirational in their expectations of overcoming the disadvantages they face. Particularly enlightened organisations see their overall business objective as ultimately going out of business altogether - that the people they support no longer need their help.

Dependence on charity is a particularly significant challenge for those organisations. On one hand they are trying to deliver a message to the community that the people they represent can and want to achieve far more in their lives than they currently do - that with the right support they will no longer be "disadvantaged". On the other hand they have to tug on the heartstrings of decent people to maximise the charitable dollar. It's a tough marketing gig.

The solution? Get the government to do its job. Fund these services properly. Let those we elect to make decisions about the allocation of resources to things that don't operate under a closed loop investment cycle do what they are there for. And ... horror, horror ... raise taxes if we need to. "Intervene in the market".

Dirty words, some would say, but in the end this is all still about investment. Investment in Australia's future.