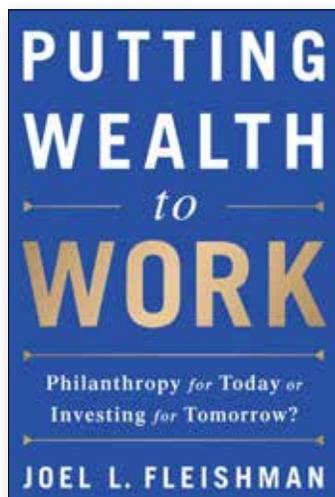


books

Short Donation Spans

Giving while you live can improve society long after you're gone

BY JOANNE FLORINO



In his latest contribution to the study of American foundations, philanthropy scholar and practitioner Joel Fleishman takes his readers on a grand tour of our civil-society institutions, celebrating the independence and vibrancy of these hallmarks of pluralism, especially focused on the dramatic changes that have influenced the charitable sector since the 1990s. Given the author's vast knowledge of, and experience in, organized philanthropy, readers have much to gain from his insider survey of the field—the book is replete with personal observation and colorful opinion.

In his recap of organized philanthropy's evolution, Fleishman looks favorably on the changing habits of older foundations, as well as new vehicles developed for charitable giving by the new billionaires and others of less wealth. For example, Detroit's Grand Bargain shows foundations more willing to assume atypical levels of fiscal and reputational risk, to tackle issues typically left to government, and to collaborate with other funders, including public and corporate entities. Foundations are increasingly willing to build organizational capacity as an essential component of programmatic success and to engage in public-policy advocacy. In response to rock-star advisers like Peter Drucker, Jim Collins, and Tom Tierney, many foundations have developed a more disciplined focus on mission that has boosted overall effectiveness. But Fleishman does caution that preoccupation with mission leads frequently to an obsession with measurable impact "at the expense of firsthand observation, learning, and interaction with people on the front lines."

Unlike a number of philanthropy critics, Fleishman welcomes with refreshing candor the newer vehicles for giving that serve the wealthy and not-so-wealthy alike. LLCs, like those created by Pierre Omidyar, Mark Zuckerberg, and Laurene

**Putting Wealth
to Work:
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for Tomorrow?**
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Powell Jobs, offer flexibility to make gifts to both nonprofits and for-profits to advance social benefit, and criticisms of such tools are "based on a lack of knowledge about the new possibilities." Donor-advised funds offer a wide range of givers both convenience and flexibility and have aggregate payout rates significantly higher than those mandated for private foundations. He writes that singling out Fidelity and other commercial hosts for more restrictive regulation is an idea generated "by a combination of ideology-grounded, envy-based resentment of the rapidly growing success of the commercial entrants into the field." Social media also gets a cautious nod from Fleishman for its potential to boost awareness, giving, and volunteering.

Throughout the book, Fleishman remains a staunch defender of private giving and philanthropic freedom. The charitable deduction, he writes, "permits the diverse values of millions of individual American citizens to balance and temper the collective judgment of majorities, as well as elites, about how best to advance the public good." He warns those who suggest revisions in the tax code to favor charities serving disadvantaged populations that such a structure would be "challenging analytically" and disruptive to the "richness and complexity" of the charitable landscape. Although his personal political ideology surfaces from time to time, Fleishman is even-handed in his praise for foundations that, in his opinion, have used their resources wisely and successfully—the Atlantic Philanthropies (where we both have worked) for its advocacy efforts on behalf of the Affordable Care Act and the John M. Olin Foundation for its role in creating the Federalist Society.

Not all is rosy in Fleishman's philanthropic universe, however, and one particular trend has caught his eye. "Ever since 1990," he notes, "prospective donors appear to be favoring either the creation of a time-limited foundation with a lifespan roughly concurrent with their own or the direct disposition of substantial gifts during their lifetimes without the involvement of a foundation at all." Why are these donors choosing the present over the future?

Fleishman is concerned that donors are making this choice for the wrong reasons. Surveying the many justifications for giving while living, he dismisses some as a function of youth, ignorance, and competitiveness—a preference for "high visibility 'big bets' that will pay off in the short run rather than many years into the future." To donors who choose limited life to avoid burdening a family already

prone to conflict or simply disinterested in philanthropy, Fleishman describes this as “a poor proxy for the more intimate choice of whether to involve one’s children in philanthropy or not.” In his view, the worst argument of all for choosing limited-life philanthropy is out of fear that foundation trustees will violate the donor’s intent, or water it down through inattention and drift after the donor’s death.

It is important to note that Fleishman nowhere suggests that donors should be restricted by law from choosing giving while living, nor does he denigrate the importance of donor intent. In fact, he provides specific and sound advice to donors on structuring a philanthropic vehicle that will remain true to the donor’s principles. That advice echoes many of The Philanthropy Roundtable’s recommendations with one notable exception: the Roundtable’s suggestion that philanthropists “strongly consider a sunset provision, perhaps a generation or two after your death.” That last precaution, Fleishman insists, is simply unnecessary.

Julius Rosenwald made strong arguments for time-limited giving before World War II, saying permanent foundations just served the interests of staffers, and that serious donors should attack national problems with their maximum resources today, and let tomorrow’s donors solve tomorrow’s problems. But Fleishman claims it wasn’t until Henry Ford II “created a myth about wayward foundations and frustrated founders that continues to reverberate to this day” that philanthropists began to move away from permanent foundations. The myth, he says, is that the left-wing philanthropy of the Ford Foundation during the 1960s and ’70s was not consonant with Henry Ford’s triumphs through free enterprising. The foundation, says Fleishman, was just “correcting negative social by-products” of capitalism, and thus “strengthening the capitalist system” in a way that ought to have pleased Henry Ford.

There’s no question, though, that Henry Ford II’s resignation from the Ford Foundation was a red flag for donors like

John Olin. Already favorably impressed by the philosophy and accomplishments of Julius Rosenwald, Olin was also disturbed by the Vietnam-era turmoil at his alma mater, Cornell University. That combination of factors led to two critical decisions: first, to devote the resources of the Olin Foundation to building an intellectual infrastructure for conservative ideas, and second, to sunset his foundation over several decades to avoid mission drift.

Fleishman is generous in his praise for the way the Olin Foundation went about its business, acknowledging that its agenda demanded the sharply focused, accelerated spending of a limited-life foundation. He makes no comment regarding Olin’s determination to protect donor intent. While Fleishman may see that motive as superfluous and incidental to the foundation’s achievements, we should not be surprised if donors who seek to emulate the success of the Olin Foundation see donor intent as

a critical component, and choose to employ sunset in their philanthropic strategy. For a donor committed to a well-defined mission, the distinction Fleishman makes between a breach of donor intent and “donor remorse” may be too fine to warrant taking any chances.

Because he sees perpetual foundations as “the primary engines of peaceful social change in America’s civic sector,” Fleishman worries that a sharp rise in donors who choose to give during their lifetimes will diminish our tomorrows. Yet he acknowledges that many such donors—even those like Sean Parker who have brashly characterized much of the foundation world as bloated and bureaucratic—have generously funded institutions and initiatives whose achievements will reach well into the future. In its final years of grantmaking, for example, the Atlantic Philanthropies made its largest grants to Cornell Tech, whose New York City campus will not be completed

until 2037; to the Global Brain Health Institute, a joint venture between American and Irish universities that will train 600 specialists over 15 years to address the challenge of dementia; and to the Atlantic Fellows, a 20-year program to empower emerging leaders around the world. Even limited-life foundations can be the “patient investors” that Fleishman admires.

The far greater threat to the future of civil society may in fact be one that surfaced only in recent weeks: although the total dollar amount contributed to nonprofit organizations continues to increase, a declining share of U.S. households are making charitable donations. Reporting on a longitudinal study of giving by over 9,000 individuals and families, the Indiana University Lilly Family School of Philanthropy noted that between 2000 and

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2014, charities became increasingly dependent on giving by those with incomes of \$200,000 or more and on households led by adults over 40. The explanation appears to be both economic and cultural. While contributions to international and environmental causes have increased, giving to religious causes has dropped significantly. If tax-reform legislation accelerates these trends, what will become of our dynamic civil society? Knowing that individuals account for 80 percent of total charitable giving to nonprofit organizations, while foundations provide only 15 percent, readers may well conclude that we have far less to fear from time-limited foundations than from the deteriorating giving habits of our neighbors.

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