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## The Problem with Billionaire Philanthropists

It was an uplifting moment last week when forty of the nation's richest people announced that they would give away at least half of their wealth. The pledges mean tens of billions of dollars more for charity in coming years. Yet the news was also troubling, since it is hard to see how all this new giving won't exacerbate the growing civic inequities in American life.

A strong nonprofit sector, fueled by tax-deductible donations, is one of the great things about the United States and it's hardly new. What is unnerving is the scale of philanthropy today and the growing clout of super rich donors. The Bill and Melinda Gates Foundation gives away six or seven times as much money every year as the Ford Foundation, which just a decade ago was the largest foundation in the United States. And there's plenty more where that came from: In 1982 the combined net worth of the richest 400 Americans represented 2.8 percent of GDP. Now that figure is around 10 percent.

While government has been downsized in recent decades, the charitable sector has boomed since the late 1990s, roughly doubling its assets to over \$2 trillion. The billionaires' pledges promise to accelerate this trend.

Philanthropy is vital to fill the gaps in a fraying safety net and keep arts organizations afloat, especially in hard times. But this giving can also bankroll sharply ideological groups or fund large-scale efforts to revamp public policy - allowing the rich to exert influence on top of the vast sums they already spend to sway elections. In 2006, for example, *Education Week* named Bill Gates the single most influential person in education of the past decade - more so than President George W. Bush, who had passed the No Child Left Behind law. (Gates had just spent over \$2 billion to promote the creation of small high schools, with much of this money wasted by his own account). Eli Broad, another billionaire - and strong charter school fan - has also spent a vast fortune to influence public education, long thought of as one of America's most democratic arenas.

Elsewhere, a handful of wealthy gay funders, most notably the software entrepreneur Tim Gill,

have helped to legitimize same-sex marriage through tens of millions dollars in targeted philanthropy and political giving. In the environmental field, the successful California investor David Gelbaum has pumped some \$200 million into the Sierra Club - while the industrialists David and Charles Koch have spent millions to loosen environmental rules through such organizations as the CATO Institute.

When deep pocketed activists share your beliefs, they can seem like heroes. When they don't, it is hard to believe that it is legal for wealthy individuals to have so much clout in the world's oldest democracy, where policy outcomes are supposed to reflect the ideal of one person, one vote.

What is so confusing is that, unlike money in politics, philanthropy is almost universally seen as a good thing and few would argue that we shouldn't encourage the wealthy to give more. Clearly, though, new rules are needed for the dawning era of turbo-charged philanthropy. More transparency would be a good start, making nonprofits reveal who their funders are and individuals disclose where their giving goes. Shadowy "donor-advised funds," a popular way for the rich to give money without leaving fingerprints, should be subject to many of the same rules as foundations. And the IRS division that oversees the philanthropic sector, now too small and weak, needs to be beefed up.

Pushing foundations to spend funds faster is also important, so the fortunes of today's super rich don't exert sway into perpetuity. Congress should double the required annual spend out rate for the biggest foundations, from 5 percent to 10 percent.

Philanthropy is a dynamic sector that shouldn't be hemmed in by too many rules. But it is also subsidized by lavish tax breaks and the public has a right to shape its direction. To head off greater regulation, the billionaires pledging to give away their wealth should also pledge to be responsive to public needs - not just by acting transparently, but also by ensuring that their giving supports social services and marginalized communities - areas now badly neglected by wealthy donors who too often feather their own nests with donations to elite cultural and educational institutions.

Make no mistake: The swelling river of new charity is a good thing. But it has to be managed in ways that strengthen, not weaken, our democracy.