

Opinion

Bruce Sievers



Questions reporters should have asked about the Buffett donation

Warren Buffett's recent announcement of his intention to give most of his fortune (some \$30 billion) to the Gates Foundation generated a spate of laudatory press coverage. While few would disagree that Mr Buffett's donation – the largest in history we were repeatedly reminded – is a magnificent act of charity, reporters covering the story seemed so filled with awe and admiration that they failed to ask important questions about the implications of this enormous transfer of philanthropic funds.

The questions that might have been asked have to do with its possible consequences for the non-profit world, the practice of philanthropy, and the democratic process – in short, issues concerning the role and oversight of mega-philanthropy in modern society. Clearly, Mr Buffett made his decision with the best of intentions, and, as he pointed out in his repeated references to Andrew Carnegie, the contribution is consistent with an important tradition in American philanthropy. However, both the size of the gift and its effect of doubling the size of the largest foundation in the world give it unique philanthropic significance, and it is this unprecedented influence that suggests the need for further inquiry.

My list of questions that I think should have been asked when Buffett announced his donation therefore include the following:

1 How are decisions made at the Gates Foundation and who will be making them?

In the classic tradition of private philanthropy, it is the donor and donor-selected board who make the fundamental decisions about a foundation's direction, priorities and guidelines. In this case, the board will apparently consist of three people: Bill Gates Jr, Melinda Gates and Warren Buffett. Acknowledging the brilliance of Mr Gates and Mr Buffett in the computer and financial worlds respectively, that brilliance may or may not translate well into the social arenas in which the Foundation is active. Senior staff will also play an important role in determining use of the funds, but they are ultimately hired by and answerable to the board. Which raises a second question:

2 What is the information base for making decisions?

As a private foundation, the Gates Foundation is free to develop, use or ignore whatever information they may find useful in pursuit of their goals, and there is no requirement for them to make this a public process. Such knowledge of this process as we have suggests that the board and senior staff do draw upon broad expertise in the fields in which they work and delegate some grantmaking to intermediary organizations. However, the Foundation is also well known to be inaccessible to the outside world and fairly unresponsive to input from the grantee communities; indeed, it is quite directive in carrying out many of its programmes. Ironically, this behaviour is very different from practices in the business world, where the

market provides rapid and powerful responses. Since the social world does not have a market test, it is up to the foundation staff and board to determine what is working and what is not. This leads to a third question:

3 How is 'success' defined?

Mr Buffett gave as a primary reason for his decision his admiration for the 'enormously successful' programmes of the Gates Foundation. As far as I can tell, there is little evidence as yet for assessing the success of the Foundation one way or the other. In academic and scientific life, ideas and research are published and critiqued, and in business, as noted, the market provides direct feedback. But in the absence of such processes in the philanthropic world, each foundation is free to make its claims. Certainly in the realm of education, it is unclear what effect the enormous sums allocated by the Foundation to improving public education are having, and, to my knowledge, the Foundation is not claiming any particular dramatic success in that field at this point. So what is the basis for Buffett's judgement?

4 What about the Tiger Woods analogy?

When asked further about his rationale for giving his money to the largest foundation in the world controlled by the richest man in the world (and his wife), Mr Buffett told reporters: 'What can be more logical, in whatever you want done, than finding someone better equipped than you are to do it? Who wouldn't select Tiger Woods to take his place in a high stakes golf game?'

Bruce Sievers is a Visiting Scholar at Stanford University and former Executive Director of the Walter and Elise Haas Fund. Email brsievers@onemain.com

But is Bill Gates Jr the Tiger Woods of philanthropy? As my previous question suggests, we don't have any good evidence that this is the case.

5 And the model of Andrew Carnegie?

Mr Buffett also invoked Andrew Carnegie and his *Gospel of Wealth* as a model. Carnegie, we are reminded, enjoined his fellow holders of great wealth to view themselves as stewards of that wealth and to give their money wisely to charitable causes before they died – hence his memorable injunction: ‘The man who dies thus rich dies disgraced.’ As admirable a figure as Carnegie was in pointing the way in the late 19th century to the establishment of the modern foundation, the *Gospel of Wealth* is also known for its heavy-handed paternalism, emphasizing the desirability of the wealthy directing the expenditure of such funds for social purposes, since the poor were unable to do so intelligently themselves: ‘The man of wealth thus becoming the sole agent and trustee for his poorer brethren, bringing to their service his superior wisdom, experience, and ability to administer – doing for them better than they would or could do for themselves.’ The spectre of paternalism still haunts philanthropy at the beginning of the 21st century, and it grows commensurately with the size of the foundation.

6 What will be the impact on other philanthropic giving and government support?

A much-discussed issue in the field of non-profit studies is whether significant philanthropic support to an

area of social interest tends to attract or ‘crowd out’ support from other foundations and/or from government. There is no conclusive evidence about this effect, but, given the enormous sums that will be dispensed by the Gates Foundation (several times the entire UNESCO budget, according to one estimate, and as much as 10 per cent of all foundation giving in the US), there may well be a ‘crowd out’ effect in one of more areas of the foundation’s activity. And then there is the danger of ‘monopoly’ power exercised by a huge player in a field – no stranger to Microsoft – which goes against the grain of the highly pluralistic nature of philanthropic practice. These are at least topics worth exploring as the Foundation moves forward.

7 What is the succession plan for the Gates Foundation?

As a private foundation, it is up to the board to determine who will control the Foundation as the torch is passed to future generations. Since the Gates Foundation is likely to remain the largest foundation in the world for the foreseeable future, the question of board succession will take on increasing importance over the course of the 21st century. Is there a plan to broaden participation over time, or will board membership remain within the two families? In the upcoming decades, all of the previous questions will be relevant not only to the three current board members but to their successors as well.

8 Does the public have a stake in this?

I would suggest that it does for two reasons: the huge public

subsidy provided – around 40 per cent of the total gift as a result of tax deductions – and the potentially determinant impact on the public agenda in the areas in which the foundation is active. These factors, of course, apply to all private philanthropy, but they are magnified by the size of the Buffett-Gates pool of funds. I am not arguing for the desirability of greater government regulation, which has its own problems, but rather a need for the foundation to be aggressive and creative about seeking wide public input.

Underlying all of these queries is the more fundamental question: what is the proper role of private wealth in filling social needs and setting social agendas in a democratic society? An inherent tension – one that is both necessary and beneficial – characterizes our modern philanthropic system: a balancing act between the free exercise of private wealth and the public responsibilities of meeting societal needs. We value the creativity that accompanies personal acts of philanthropy, but we also value democratic controls over the public agenda. The unprecedented concentration of philanthropic wealth (more than \$60 billion in current dollars) that will be controlled by three people and directed towards their particular understanding of public purposes deserves to be the subject of ongoing scrutiny, discussion and critique by all those who will be affected by their decisions – which is to say, by all of us.