

**PHILANTHROPY AND EQUITY:
FORMING A MORE PERFECT UNION**

**AMBASSADOR JAMES A JOSEPH
PRESIDENT EMERITUS
COUNCIL ON FOUNDATIONS**

**COMMUNITY FOUNDATION OF GREATER FLINT
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This visit to Flint brings back many memories from my fourteen years as President of the Council on Foundations, especially the work with Bill White and the C.S Mott Foundation in developing community foundations around the nation and around the world. In 1989, we published the book *An Agile Servant* which described the essential role of community foundations as “making a community more of a community,” that is, strengthening its sense of itself as a community, helping forge the ties that bind it together as a community, assisting in overcoming the forces that divide it as a community and helping to release the powers of diversity that can strengthen and enrich it as a community.

More recent reports on challenges facing foundations tend to focus, quite correctly, on issues like accountability, transparency, efficiency, ethics, asset growth and the emergence of alternative forms of giving, but continuing public support for these large concentrations of wealth will depend increasingly on how we answer questions about the way we determine priorities and who benefits. More and more people want to know what value is added to society by the public incentives provided for the foundation form of private giving. It seems like a good time, therefore, for us to step back and ask what assumptions, what social analysis lies behind our grantmaking, what theory of change informs our investments and priorities, how often is equity a consideration in what we conclude is successful, and finally do we have an organized and disciplined way to determine what truly works in closing social gaps.

We need also to make the case to our colleagues that the concern with equity is not simply a moral imperative. It is part of the larger struggle for the soul of our democracy. I have spent enough time living and working overseas to conclude that the best way to demonstrate the efficacy of our democracy to critics abroad is to demonstrate that it can work equitably for all of our citizens at home.

I am often asked what difference I see in the approach to racial diversity and equity in South Africa and the United States. The answer is simple. In South Africa, race is on the table. It is a central part of the national conversation about the role of a democracy. In the United States, race is under the table, if it is any where in the room. We will not make any real progress unless we are willing to talk openly and honestly about the continuing role of color, class, culture and privilege. If organized philanthropy is to contribute to the dream of our founders of forming a more perfect union, our vision for the future must be to help move the nation beyond the tolerance of difference to valuing diversity; to an understanding that opportunities and outcomes are interrelated and to a commitment to give new life to the promise of equality in the workplace, the schoolhouse and our civic institutions.

The fact that we are addressing the subject of equity today in this very important public forum is an indication of the progress that has been made in some

communities. Yet, while there is much to feel good about, there are still too many similarities in far too many communities to a cartoon I recall from the sixties. There was a picture of two groups of people clustered on opposite sides of a boat with a hole in the middle and each group saying, “Gee, that’s a nasty leak, thank God it’s on the other side of the boat.” It is time for us to look across the many factors that divide us and acknowledge that we are all in the same boat and a hole in the middle could drown us all if not soon repaired. Not surprisingly, this is the best rationale I know for urging philanthropy’s engagement with issues of equity. Our destiny, our wellbeing as a people are now tied together; and if we do not act now, generations of youth will be under prepared, our capacity to thrive in a national and international economy will suffer, the progress we have made will be unraveled and the values we have affirmed will be eroded.

The question many may now ask, however, is how can organized philanthropy make a difference when our resources are so small, both in comparison to other sectors and in regards to the challenges before us. We have only to look to our history to begin to provide an answer. The methods of foundations are as diverse as the conditions they address, but if we have learned anything it is that there are many circumstances and conditions where small is not only beautiful but sometimes the most effective. It is not only the large donors like Bill Gates and Warren Buffet who are deliberately seeking to solve major social problems, but there has been a proliferation of smaller donors as well who have set out to address major social ills. To borrow the five Fs that once made the rounds in organizational theory, small units in some settings can be faster, more focused, more flexible, more friendly and even more fun. Make no mistake about it, we need large public institutions to meet large public needs, but philanthropy can be used to help hold them accountable, introduce new ideas and inspire and motivate citizens at all levels to take action. Given my own experience in various forms of philanthropy, I want to point to five forms of capital that is available to a foundation in developing strategies to promote equity.

Conventional Capital

The first is conventional capital. The phenomenal growth in foundation assets has far exceeded any thing I could have imagined when I entered the field almost forty years ago. The opportunities to use these resources creatively are enormous and extend far beyond traditional grantmaking. Many foundations are considering mission-related investments that seek to further the mission of the foundation through the way in which it invests its assets. But using conventional capital effectively also requires that we look beyond individual endowments to the almost half a trillion dollars controlled by the foundation world. With that amount projected to grow to over two trillion dollars over the next generation, we have enormous opportunities to influence the larger financial markets as well. One foundation executive said recently that how foundations invest these assets can even influence financial markets, helping them to become “less indifferent, in some cases less hostile and in some cases a downright ally to bringing about the kind of investments that can make for a fairer, safer and maybe a more prosperous country.” (Doug Nelson, CEO of the Annie E. Casey Foundation)

Using conventional capital to help make a community more of a community should have special meaning for community foundations as they seek to increase their unrestricted assets. Those of us who are donors will need to give more discretion to foundation boards and staff to objectively assess and objectively address community needs. As President of the Council, I helped established community foundations around the world and my family and I have established a donor advised fund. Yet, I

have grown increasingly concerned about the imbalance between restricted and unrestricted assets. There is a need to solicit gifts that not only keep on giving, but allows for the assessment of which interventions are likely to have the most impact. How and what assets we accumulate is as important as how we make grants.

It is also time for us to pay more attention to the potential of micro-lending in jump-starting self-help among the economically marginalized. The Nobel Prize was recently awarded to Mohammad Yunus, the founder of the Grameen Bank in Bangladesh. He demonstrated in the midst of many doubters that micro loans could energize the entrepreneurial spirit in low wealth communities around the world. His micro credit scheme has been called “economic and social development from below.” He introduced the concept in 1976 with just \$27 from his own pocket. Thirty years later, the bank has 6-6 million borrowers, of which 97% are women who have gained a great measure of independence and self-sufficiency through the infusion of very small amounts of capital. A collaborative program-related investment strategy by a large group of foundations that used some small portion of their assets for micro-loans could far exceed the impact of the Grameen Bank.

It is also critical that we make a distinction in the use of conventional capital between philanthropy and charity. The most often cited example of charitable relief is the story of the Good Samaritan. We are told that a traveler finds someone badly beaten along the side of the road and stops to help. Suppose that same man traveled the same road every day for a week and each day he found someone badly beaten at the same spot on the road. Compassion requires that he give aid, but eventually compassion requires that he ask, “Who has responsibility for policing the road.” What started out as an individual act of charitable aid leads to a concern with public policy? The first response, as was the case of the hurricane disaster on the Gulf, is to ameliorate consequences, but the second response must be necessarily aimed at eliminating causes. Relief is good, but reform is just as critical.

Social Capital

The second set of strategies for promoting equity has to do with social capital. Robert Putnam has popularized the concept and used it to refer to the idea of networks, norms, social trust and voluntary cooperation for mutual benefit. But Putnam, like Alexis deTocqueville and Robert Bellah before him, has not sought to apply the concept to foundations.

Communities throughout the United States have been experiencing a population shift that has brought new neighbors who are fueling the economy and a new middle class of color that provides the potential for a new, but stronger, civic culture. While there is a tendency to think of these groups only in relation to the demand side of philanthropy, many are now in a position to contribute to the supply side. Today's wealthy includes growing number of women, blacks, Latinos, East Asians and South Asians who bring to philanthropy their cultural traditions as well as their assets. But before we can fully engage them in a common effort to make our communities more of a community, they must be made to feel that they belong, that their traditions are respected and their contributions recognized.

At the same time, however, philanthropy has never been, and should not be seen, as only the province of the wealthy. Studies of the helping traditions and practices of low wealth communities are now identifying the many ways in which the poor help each other. A project that I have helped oversee at the University of Cape Town has just published a book entitled *The Poor Philanthropists* that highlights practices very similar to those I first encountered as a kid growing up in the deep

South. The role of a community foundation, therefore, should be to help unleash and inform the philanthropic impulse that lies in all of our citizens and communities.

Consider for a moment how deep and enduring are the giving and helping traditions of some of the groups that are changing the face of our civic culture. As early as 1598, Latinos in the Southwest formed mutual aid groups, “mutualistas” and “confraternidades,” to assist members with their basic needs by serving as vehicles for self-help, social cohesion and a positive group identity.

Long before deTocqueville became the most quoted, and probably the least read, expert on American civic life, Benjamin Franklin had become so enamored of the political and civic culture of the Native Americans he met in Philadelphia that he advised delegates to the 1754 Albany Congress to emulate the civic habits of the Iroquois. Many of the early tribes engaged in “give aways,” which reached its most advanced form in the potlatch ceremonies of the tribes of the Northwest as well as in the custom of Chippewa mothers who used to tell their young daughters to take a dish of food to a neighbor simply to teach the child to give and share.

Long before Martin Luther King wrote his *Letter from a Birmingham Jail*, African Americans had formed so many voluntary groups and mutual aid societies that several states enacted laws in the nineteenth century banning black voluntary or charitable organizations. Long before Robert Bellah wrote *Habits of the Heart*, Neo-Confucians in the Chinese community were teaching their children that a community without benevolence invites its own destruction. The point I am making is while the benevolent traditions of the new groups are deep and enduring, many of the newcomers have a limited knowledge of the techniques of organized giving in perpetuity. The whole of the community can benefit from targeted efforts both to activate the latent charitable impulse and to provide information on the many incentives and options for organized giving.

The time has also come for increased collaboration with those equity philanthropy seeks to benefit. If philanthropic strategies are to be effective, then the people affected must be included in both planning and implementation. The old question what can we do for them, or about them, must change to what can we do with them, how can we work together. If racism was the original American sin, the persistence of paternalism may be its most enduring counterpart.

Intellectual Capital

A third set of strategies should grow out of how a foundation uses its intellectual capital. Foundations have access to information, ideas and practices that can help shape community discourse and help strengthen community development. We need to help make the case to the larger public that diversity need not divide, that pluralism rightly understood and rightly practiced is a benefit and not a burden, that the fear of difference is a fear of the future. Many of the nonprofits we fund are engaged passionately in public life, but like Thoreau at Walden Pond, many build castles in the sky and then set out to put foundations under them (No pun intended). Foundations can help them to ground their passion into persuasive evidence by providing not just money but knowledge. I find that when I use foundation studies about the high costs of being poor, how people in low wealth communities pay more for what their higher wealth counterparts pay less, for example, people listen more attentively.

I know that many in philanthropy are advised that it is unwise, illegal or too risky to get involved in support of advocacy groups that seek to inform or enrich the public policy process, but I served on the Treasury Department’s Task Force that struggled with how to define lobbying and I can tell you that there is much that

foundations can do to objectively inform and influence policy. Moreover, the effects of their engagement in public policy throughout the nation are engraved widely and deeply in legislation, in court decisions, in public attitudes, and in social changes across a wide front.

One way or another, the American foundation has pointed to shortcomings in public policy. On the eve of World War II, for example, the Carnegie Corporation gave birth to a scrupulously documented, deeply analytical, study – Gunnar Myrdal’s *An American Dilemma* that focused a new spotlight on the massive failure of public policy in the field of racial justice.

Reputational capital

The fourth form of capital is one we rarely think about and is one of the most overlooked contributions of foundations. It is what Robert Putnam has called reputational capital. Like conventional capital for conventional borrowers, foundations can use their social capital as a kind of collateral for those whose formal credentials and written proposals under state their potential and reliability. A grant is a good housekeeping seal of approval that says to other potential funders that the foundation has done due diligence and find this organization credible, accountable and effective.

This is especially helpful to groups that are often marginalized because of the past of those who lead them and the pathologies of those who are served by them. Their leaders may be most effective in working with high school drop-outs, former drug addicts and the formerly incarcerated precisely because they were once victims of the same predicament; and because they greatly value their support from more established community groups they acquire an additional incentive to perform responsibly.

A foundation can also use its credibility with influential decision makers to highlight an area of local need overlooked or neglected by the larger community. In that regard, I hope that community foundations, in particular, will use their credibility at the local level to help educate the public on the policies and practices needed to make our society work for all of its citizens; but it is not enough to be simply advocates who speak in behalf of the marginalized groups in our communities. We must help empower them to speak for themselves.

Moral Capital

The fifth form of capital that a foundation can use in promoting and advancing equity is its moral capital. We are custodians of values as well as resources. My good friend Paul Ylvisaker, who was for a time the moral voice of our field, liked to describe philanthropy as a salt that cannot be allowed to lose its savor, as a distinctive function that like religion stands eventually and essentially on its moral power. In a memorable speech in Atlanta in 1987, he warned against allowing an alien spirit to attach itself to philanthropy. To foundation trustees, he said “Guard the soul of your organization, even from your own pretensions ... Be willing to open up the black box of philanthropy to share with others the mysteries of values and decision-making.”

To foundation managers, he said “Guard your own humanity ... If you lose your own soul – whether to arrogance, insensitivity, insecurity, or the shield of impersonality, you diminish the spirit of philanthropy.” To all associated with philanthropy, he said, “never lose your sense of outrage ... There has to be in all of us a moral thermostat that flips when we are confronted by suffering, injustice, inequity, or callous behavior.”

Paul was constantly engaged in the battle for the soul of philanthropy. And that may once again be our common calling. So let me now conclude with a final

word about helping make a community more of a community. I learned many years ago that when neighbors help neighbors, and even when strangers help strangers, both those who help and those who are helped are transformed, that when that which was “their” problem becomes “our” problem, new relationships are established and new forms of community are possible. I learned many years ago that when you experience the problems of the poor or troubled, when you help to maintain excellence in theater or dance, when you help someone to find special meaning in a museum or creative expression in a painting, when you help someone to find housing or regain their health, you are far more likely to find common ground and you are likely to gain a sense of self worth in the process. Those of you, who have been involved in your community, either here in Flint or elsewhere, know exactly what I am talking about because, like me, you have seen how philanthropy can be used to make a community more of a community.

The Flint Community Foundation is part of a global movement of people who recognize that a good society depends as much on the goodness of individuals as it does on the soundness of government and the fairness of laws. But the potential of a foundation goes much deeper than the resources it provides. Vaclav Havel once said, “I am not an optimist because I do not believe that everything ends well. Nor am I a pessimist because I do not believe that everything ends badly. But I could not accomplish anything if I did not have hope within me. For the gift of hope is as big a gift as life itself.” When you find yourselves forced as donors to exercise triage because the needs far exceed the resources, when you are worried about how to make the community more of a community, it is important to remember that foundations provide hope as well as help and the gift of hope is as big a gift as the gift of life itself.

The Honorable James A. Joseph was President of the Council on Foundations from 1982-1995 and U.S. Ambassador to South Africa from 1996-2000. He serves presently as Professor of the Practice of Public Policy Studies and Executive Director of the United States – Southern Africa Center for Leadership and Public Values at Duke University.