

PHILANTHROPY AND EQUITY
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Every day in America, in communities around the nation, we are reminded that we are a divided people; that the commitment of the framers of the constitution to forming a more perfect union remains at risk. I welcome this opportunity, therefore, to talk about philanthropy and equity, to consider how philanthropy might respond to the enormous equity gaps that are sapping our national strength and diminishing our national ideals. Our vision for the future should 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. We cannot make any real progress unless we are willing to talk openly and honestly about the continuing role of color, class, culture and privilege.

I am often asked how race relations in South Africa compare to or differ from race relations in the United States. My answer always begins with the fact that in South Africa race is on the table, a central element in the public discourse about the strength and well-being of their new democracy.

In the United States, it is under the table. It may have determined who is at the table, and even how the table is arranged, but it is not on the agenda because many Americans have convinced themselves that race no longer matters, that the legacy of segregation which was an intentional under development of a people is no longer a factor in forming the more perfect union of which our founders dreamed.

The South Africans are saying that they will not be able to move beyond race until the old barriers created because of race are removed. They are reminding us that if color was used to create a problem, color will have to be taken into consideration in resolving the problem. It is as true for them as it is for us that you can not break a person's leg, put him on the starting line of a hundred yard dash and claim he has an equal opportunity. Moving beyond the broken leg comes only after the broken leg has been mended.

The question you may now be asking is how can organized philanthropy make a difference when our resources are so limited, 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 philanthropy has always been an important problem-solving tool in America and we are witnessing resurgence in public understanding of this fact. 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. Given my own experience in various forms of philanthropy, I want to share with you six observations that I believe might be helpful for anyone contemplating the challenges and opportunities for promoting equity through strategic philanthropy.

1. We need to clarify the distinction between philanthropy and charity.

A lot of good work has been done in this regard, but it still does not register with many Americans. That is why I like to use the story of the Good Samaritan to demonstrate the differences. We are told that a traveler finds someone badly beaten along the side of the road and stops to help. But suppose this Good Samaritan traveled the same road every day for a week and on each day 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 private compassion leads to a concern with public policy. One is charity. The other is strategic philanthropy.

I serve as chair of the Louisiana Disaster Recovery Foundation established by the Governor of Louisiana and I have concluded that the public response to hurricanes Katrina and Rita should be a case study on the limitations of a paradigm of compassion that begins and ends with the parable of the Good Samaritan. Private donors have provided billions of dollars for relief and the government is providing billions of dollars for recovery, but neither sector has provided much for reform. Responding to tragic portrayals of the plight of the victims is laudatory, but for foundations this should be simply the beginning of the process; not the end. By the time we go from relief and recovery to reform, private donors tend to say I have already given. Yet, we all know now that it would be a tragedy to simply rebuild New Orleans as it was. And that is why the Louisiana Disaster Recovery Foundation has chosen a grant making strategy that includes support for community organizations that seek to ensure:

1. That disparate community voices are heard;
2. That new jobs and opportunities will be shared fairly;
3. That new housing will serve all income levels and sustain the integrity of all communities;
4. That the cost of development is shared fairly; and
5. That the need for leadership renewal, community healing and reconciliation are also addressed.

I know that many in philanthropy are advised that it is unwise, illegal or too risky to get involved in public policy, 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 can be done to objectively inform and enrich policy without being politically partisan. Moreover, the effects of private philanthropy’s engagement with public policy in the affairs of 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. In the post-Civil War era, the Slater, Peabody and Jeanes fund supported schooling for blacks in the South, addressing a need to which officials, to say nothing of public sentiment, were indifferent or downright hostile. On the eve of World War II 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.

The point I am making is that philanthropy has often been most effective when it has dared to go beyond charity. In the 1965 report on private foundations, the U.S. Treasury Department recognized the special nature of philanthropy by describing foundations as “uniquely qualified to initiate action, experiment with new and untried ventures, dissent from prevailing attitudes and act quickly and flexibly.” Philanthropy is a wonderful asset when used creatively and wisely.

2. Philanthropy should invest in the empowerment of those who are economically and socially marginalized.

Philanthropy can 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 and act in behalf of the marginalized groups in our communities: we must help empower them to speak and act for themselves. If racism was the original American sin, the persistence of paternalism may be its most enduring counterpart. One of the most striking and fundamental lessons coming from around the world is that when we empower the historically excluded to be active participants in the programs designed for their advancement, we are likely to have not only new ideas and wider ownership of strategies, but increased effectiveness as well.

We have all too often asked the wrong question in dealing with those who suffer from prejudice and poverty. We have been asking what can we do about their predicament or what can we do for them when we should have been asking what can we do together. Self-help is a principle all groups admire and often desire, but too many people assume it means that those disadvantaged by condition or color should be able to lift themselves by their own bootstraps, even when they have no boots. I like the concept of assisted self-reliance or participatory empowerment where the affected groups provide leadership but they are supported by outside resources.

3. Philanthropy should invest in boundary-crossing leadership; people who can unite other people; people who appeal to our hopes rather than our fears.

Strategic investments in a new generation of leaders can help bring new talent into mainstream institutions, equip our sector and the larger society to deal with the new demographic reality and cultivate civic and social entrepreneurs who are the agents of progress in the struggle to form a more perfect union. Although the present leadership climate may appear at first glance to be a leadership vacuum, it is more likely that we have been simply looking in the wrong places for leadership. If we have learned any thing from those who are building new societies in Eastern Europe and Southern Africa, it is that the next generation of leaders is not likely to fit the traditional mold, nor is those leaders likely to be found in traditional places. The days of looking for leaders with the right endorsements and the right credentials as defined by established elite may be coming to an end. The leaders of the future are not likely to come riding out of the sunset on white charges – heroes without heroism. Many will instead be ordinary people with extraordinary commitments. Their styles will be different. Their accents will be different and so will their color and complexion.

When I completed my tour of duty as the United States Ambassador to South Africa, I traveled around that country and the United States meeting with policymakers, opinion leaders and just ordinary people to solicit their thinking about what concerned them most when they looked to the future. Some spoke of the need for political leaders who seek power to disperse it rather than simply dominate it. Others spoke of the need for civil servants who understand that bureaucracies can be both efficient and humane. Some talked about the need for business leaders who understand that ethics is good business; that running a morally sensitive corporation can contribute directly to the bottom line. Others talked about the need for civic leaders who understand both the potential and the limits of civil society.

What I kept hearing was the need for a new approach to leadership development, one focused as much on what it means to be responsible as what it means to be efficient. So I decided to commit my own future to identifying and helping to train a generation of leaders who understand the difference between proclaiming moral absolutes and clarifying moral ambiguities, a generation committed to using ethics to heal rather than hurt and to bring people together rather than divide them. I have been living and working in South Africa either full or part time for more than a decade and one of the most important things I have learned is that reconciliation requires leaders who are themselves prototypes of the kind of society they seek to build. While we in the United States have been obsessed with the micro-ethics of individual behavior, the private virtues that build character, the South Africans have been concerned with the macro-ethics of our aggregate existence, the public values that build community. In the leadership program I developed, we seek to bring both forms of ethics into the balance that is needed for a world that is integrating and fragmenting at the same time.

4. We need to invest to unleash and inform the philanthropic impulse that lies in all of our citizens and communities.

While there is a tendency to think of historically disadvantaged groups only in relation to the demand side of philanthropy, many are now in a position to contribute to the supply side. When I did research for my book *The Charitable Impulse*, I found that where there is a sense of belonging there is likely to be a sense of mutual obligation and responsibility. The new groups must be made to feel that they belong before they are willing to transform their own traditions of sharing and helping into organized giving in their new communities.

Few Americans realize how deep and enduring are the giving traditions of some of the groups 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.

Long before Martin Luther King wrote his *Letter from a Birmingham Jail*, African Americans had formed so many voluntary groups and mutual aid societies in the nineteenth century that several states enacted laws 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. Long before the first organized acts of charity by the European settlers, Native Americans 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.

In the African American community in which I grew up in Southwest Louisiana, the rivers of compassion ran deep. When we were hungry, we shared with each other. When we were sick, we cared for each other, but we did not think of what we gave to others as philanthropy because sharing was an act of reciprocity in which both the giver and the receiver benefited. We did not think of what we did for others as volunteering because caring was as much a moral imperative as an act of free will.

The point I am making is twofold: 1) The early manifestations of civic feeling among the racial minorities who are destined to play a larger role in the civic life of the nation were remarkable, not simply in how they served the poor and dispossessed in their midst but also in the consistency of the civic values they affirmed with the ideals and aspirations of the larger society; and 2) While the giving and helping 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. All of our people will benefit from targeted efforts both to activate the latent charitable impulse and to provide information on the many incentives and options for organized giving.

5. Our concern with equity must begin with how our own institutions operate and what we do to try to level the playing field.

We need 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 of learning what truly works in advancing equity and closing social gaps.

We need also to make the case to our colleagues and trustees that the concern with equity is not simply a humanitarian gesture or even 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 increasingly convinced that we may need a new language of community and national self-interest in order to attract and motivate a national constituency committed to eliminating these continuing deficits in our democracy.

6. A foundation seriously interested in promoting equity should think creatively about how to use all of its assets for this purpose; not just conventional capital, but its social, intellectual, reputational and moral capital as well.

I want, thus, to conclude by pointing to the five forms of capital that are available to foundations interested in promoting equity.

Conventional Capital

The first is the most obvious, the use of conventional capital for grantmaking. But there are many other ways a foundation can have an impact through the grantmaking process. How many foundations, for example, require a diversity profile of nonprofits applying for a grant? That may seem like a small step to some. Yet, I have sat on the boards of large and influential nonprofits where the CEO or other board members were much more assertive on equity and diversity when they were able to say that a potential or actual donor intended to include the organization's performance in this area as part of its guidelines for deciding whether to make a grant. Quite frankly, as a board member it has often helped to put teeth into my own urging

in that regard. Conventional capital can be used to promote equity in other important ways as well. A foundation can invest some of its endowed assets for the same social purpose as its grantmaking.

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 group of foundations that used some small portion of their assets for micro-loans could far exceed the impact of the Greene Bank.

Social Capital

In addition to conventional capital, foundations also possess a great amount of social capital that can be used to build a culture of collaboration in grant making as well as in learning. The government sector is too often paralyzed by politics and the business sector is all too often preoccupied with profits. The unique calling of philanthropy demands that we engage in a new fusion of expertise, a combination of public and private institutions willing to engage deeply in a problem and of private donors skeptical enough to look around the outer edges of what these institutions think they see. It is this kind of partnership that Peter Drucker has called the fourth sector and it is this kind of partnership that must be the new reality for philanthropy in the 21st century

The many existing vehicles for partnership created over the last several decades tend to be more deliberative than functional, but while what we can learn is magnified by our efforts to learn together, what we can do can also be magnified by the impact of funding together. Through effective collaboration, we can develop a new competence and build a larger capacity. An equity and inclusion funding collaborative, for example, could have a much larger impact than an equity and inclusion conference. One additional way of increasing effectiveness is for collaboration of national donors with local racial and ethnic organizations that not only share their commitment and mission, but also have the advantage of proximity, local knowledge, local experience and local trust.

Intellectual Capital

The third asset of a foundation that is often under utilized is its intellectual capital. Many nonprofits are like Thoreau at Walden Pond. They build castles in the sky and then they set out to put foundations under them. Foundations can help them ground their passion into persuasive evidence by exposing them to the best information, ideas and practices that can help shape both community discourse and community action. Studies and polling conducted directly by foundations or supported by foundations provide data and insights that can change attitudes and develop new insights. 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, I am often able to dispel the notion held by some that the poor are poor because of poor work habits, sick because of poor health habits and marginalized because of poor social skills.

Promoting equity means focusing not simply on the poor who are unemployed, but also the working poor who find themselves falling behind rather than getting ahead. More parents than ever are working – 2.5 million people

transitioned from welfare to work over the last decade – but the working poor still face significant obstacles to getting out of poverty. Simply participating in the workforce is more costly in low wealth communities where the poor often lack affordable transportation, affordable childcare, affordable health care and affordable housing. But these are not the only ways the poor end up paying more. They pay more for financial transactions whether it is interest on a mortgage, the cost of tax preparation or simply cashing a check. They pay more for basic need items of lower quality and they are victims of predatory lending and often low credit ratings that cause them to pay more for goods and services than higher income workers in more affluent locations. A recent study by the Brookings Institution called this a “ghetto tax.” Foundations are uniquely positioned to use their intellectual capital to both educate the public about why many of the poor remain poor and what needs to be done to level the playing field so that equal opportunity is something we practice rather than simply something we affirm.

Reputational Capital

The most overlooked contributions of foundations may be the provision of 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.

Moral Capital

Another important asset of a foundation is its moral capital. There has to be at all levels, both board and staff, a moral thermostat that flips when we are confronted by injustice, inequity or callous behavior in our foundations, the foundation community or in the larger society. Equity cannot be simply a program area we fund. It has to be something we practice, something we live. There is nothing more reflective of a foundation’s values than how it treats those who seek its support. Promoting equity must include providing respect. It is important for us to understand that how we give is as important as what we give. There is a story told about the exit of the British from one of its former colonies. On the day in which colonial officials departed, the Governor General was heard to say, “When we came here these people had few roads, few hospitals and few schools. We built new roads. We built new hospitals and we built new schools, but now they show no appreciation. Why?” A peasant, on hearing this conversation, interrupted to say, “It is easy to understand, Your Honor. Every time you look us you have the wrong look in your eyes.” Philanthropy aimed at advancing equity must begin with a look at its own policies and procedures. Unless we have a new look in our eyes, our efforts will not only be in vain, but if left unattended could damage our image, diminish our influence and defer the dreams of those who gave birth to the vision we now seek to advance.

All of this may seem like a long and difficult agenda for philanthropy and equity, but in the final analysis, it may be that the most important role of philanthropy is to help provide hope for the many that remain hopeless. It must be the kind of hope Vaclav Havel had in mind when he said, “I am not an optimist because I do not believe that every thing ends well. Nor am I a pessimist, because I do not believe that every thing ends badly. But I could do not accomplish any thing if I did not have hope within me for the gift of hope is as big a gift as the gift of life itself.” An increasing

number of Americans are living without hope, so please remember in all you do to promote equity that the gift of hope is as big a gift as the gift of life itself.