

Oxcarts and Entrepreneurs

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Even without inflation, there is a retro feel to those ads picturing a Third World urchin alongside the claim that you could feed her family for pennies a day. For one thing, we now know that the sponsoring organizations – Save the Children, Feed the Children, NGO's Gone Wild, whatever – didn't actually dispatch an oxcart full of cornmeal to the child's mud hut every time a check for twenty-five bucks arrived in the mail. While they *said* you were adopting Carmina from El Salvador or Mahatma from the Indian subcontinent, operations more closely resembled the supply chain for a Stop, Shop and Save than a Third World amalgam of Meals on Wheels and Big Brother/Big Sister.

In other words, while raising money called for playing up the ego-stroking sentimentality of a sharing and caring moment, actually feeding large numbers of children required the cold-blooded sophistication of a large organization.

Or did it in fact require *either* of the two, the one-on-one giving or the mass logistics? The answer is, sometimes one-on-one is good, sometimes mass logistics is good, and sometimes neither is, because we have asked the wrong question. In the decades since those Save the Children ads first ran in American magazines, our thinking about poverty and social breakdown has migrated away from matters of mere logistics. We have shifted our gaze, and some of our money, to more useful, egalitarian and culturally respectful questions about sustainable social and economic structures.

Those fundraising ads featuring mournful urchins first appeared during the post World War II decades when, to conventional American thought, the international political landscape had three parts: the Free World, the self-described Communist world and the hapless Third World. The function of residents of the Third World, according to this view, was twofold: to supply bit players in Cold War clashes between the U.S. and the USSR and to supply a pool from which Save the Children could select poster children for its fundraising ads in *The New Yorker* and *The Atlantic Monthly*.

Therein lies the retro element, the anachronism. Events of the last twenty-five years -- good and bad -- have put the lie to the perception of Third Worlders as passive, back-of-the-bus extras incapable of independent agency. Not only have we discovered that citizens of poor countries can walk and chew gum at the same time, but we now know that they also can keep pace with every triumph -- and every folly -- of the self-congratulatory First World. And so the caring *us* giving to the grateful *them* model clashes not only with today's self-regarding multicultural sensibilities, but also with the reality in many former inhabitants of the land of Wobegon -- consider, for example, South Korea, Chile, Iran and Venezuela.

Still, those ads are, in a critical sense, not dated at all. Save the Children exploited a powerful tradition in this country of charitable giving, and that tradition continues. Giving, always much higher per capita in the US relative to other prosperous nations, has grown in recent decades and will grow further as retiring baby boomers begin to consider charitable outlets for some of the unprecedented wealth they have accumulated.

What are some possible lessons to consider as this tradition of private and governmental charitable giving evolves? First, there is the Chinese adage about giving a man a fish so he'll eat for a day and teaching him to fish so he'll eat for a lifetime. A fish or two will have to do when there is no time to teach fishing, but teaching pays off bigger in the long term. We have, in that spirit, managed to shift institutional biases away from the meals on wheels model and slightly toward teaching. It's not enough for some, but the trend is apparent.

Second, we have changed our habits of mind in understanding how things get done, the way big ideas get translated into action. How long has it been, for example, since the Organization Man model of the fifties has been spoken of with respect rather than horrified derision? Business mythology has shifted away from that grey suited careerist in favor of flattened organizational charts, venture capital-funded entrepreneurs and customer driven product development.

Norms in the nonprofit sector reflect a corresponding shift. Historically, all but the largest givers were best served by sending a yearly check to the United Way, which in turn parceled out the cash to its approved charities. Indeed, the United Way and others operating on the same model -- Associated Catholic Charities, Associated Jewish Charities and Associated Black Charities -- are, to this day, immensely effective in generating donations and in insuring that those donations are prudently and honestly spent.

In addition, wealthy benefactors organized and staffed private foundations which channeled funds to charities favored by the sponsors of the foundation. Private foundations tend to be more idiosyncratic in their choice of recipients than the United Way, but they are expected to perform similar grant administration functions. Private foundations have served as a kind of United Way-lite, a private United Way for the well-heeled.

But the foundation end of the charitable giving spectrum has traveled down market. Donor-advised funds, also called community foundations, allow smaller donors for whom setting up a foundation is not cost-effective to engage in substantial, repeat philanthropy without the expense or administrative burden of a foundation.

An example: Jane Baby Boomer donates \$100,000 to a donor-advised fund and indicates to the fund that she, Jane, really, really would like the money to be spent on a series of grants to a health clinic where Jane has been volunteering

for several years. It is understood that the donor-advised fund, though not legally bound to follow Jane's direction, will in fact administer a program of grants to the designated health clinic.

Jane gets the \$100,000 charitable deduction in the year she gives the money to the donor-advised fund, even if the grants are paid to the clinic over more than one tax year. In addition, the donor-advised fund takes care of whatever paperwork, due diligence and oversight are appropriate to administering the grants to the health clinic. In the same sense that foundations are a kind of United Way-lite, donor-advised funds are a kind of foundation-lite, virtual foundations for the well-, but not really well-heeled.

There is a correlation, albeit an indirect one, between the advent of donor-advised funds and that shift described earlier to more egalitarian and culturally sensitive programs of giving. One need not succumb to a romanticized view of entrepreneurship to find the link in the experience of the business owners and managers who are about to give all that money away.

Business magazines and MBA programs today abound in articles and case studies on aligning authority with responsibility and on pushing both -- authority and responsibility -- lower into the organizational chart, towards front line employees. B-School profs and business magazine editors love to talk about a feedback loop of planning, execution and accountability, because that's what businesses strive to achieve every day in offices and on factory floors.

Donor-advised funds provide a comfortable entry into philanthropy for this large new cohort of business-minded donors. The habits of mind of seasoned managers -- planning, execution and feedback -- match up well with the "advice" component of the donor-advised world. And the idea of sustainable systems, as old as the Chinese adage about learning how to fish and as new as the newest Internet-based organic food co-op, saturates the rhetoric (if not always the practices) of the modern business world.

And so long live Carmina, Mahatma and cheap eats in the poorer regions of the world, and long live the aging idealists in their rent-controlled digs on the Upper West Side who stroke the twenty-five and fifty dollar checks for them when the spirit moves.

But long live as well the more sophisticated do-gooders now entering philanthropic center stage. They were born too late to even be considered an Organization Man, and it's a good thing, because they would have done an awful job of fitting in. For the boomers out there with serious money, the wisdom purchased at the cost of failed, stalled and burned out anti-poverty programs will combine with a distinctive individualistic ethos to dramatically improve the effectiveness (dare I say return on investment?) of the nonprofit sector. That's good for the nonprofit sector, and good news for donor-advised funds, whose

expertise and administrative capacity will leverage the energy and wealth of the coming generation of philanthropists.