

# Democratizing Philanthropy

## Challenging Foundations and Social Justice Organizations

By Christine Ahn

"We're not content with tweaking Armageddon," Ruthie Gilmore told more than 800 social justice activists convened at the 2004 conference, *The Revolution Will Not Be Funded: Beyond the Nonprofit Industrial Complex*. "Social movement has to be about acquiring power," said Gilmore, but instead social justice organizations have lost sight and "focused far too long on longevity and not on liberation."<sup>1</sup>

This packed conference and subsequent gatherings speak of the growing angst among social justice organizations on how reliance on foundation funding has produced a nonprofit sector more focused on fundraising and self-perpetuation than on building mass movement organizations and political power.

This conversation continued during the 2006 Raising Change Conference organized by Kim Klein and the *Grassroots Fundraising Journal*, in a debate on whether nonprofit organizations working for social change must receive a majority of their funding from a broad base of individual donors or if they should also seek foundation funding.

The question emerged again this June at the U.S. Social Forum in Atlanta, where several hundred crammed into the session about the new book, *The Revolution Will Not be Funded*, which was released by South End Press based on the 2004 conference. "There was a lot of deeply felt anger in the room—righteous anger that needs to be heard and respected," said Marjorie Fine, project director of the Linchpin Campaign at the Center for Community Change and board member of the National Committee for Responsive Philanthropy<sup>2</sup>. "Whether you agree or disagree with the facts and perspectives," writes Pablo Eisenberg about *The Revolution Will Not Be Funded*, "their passionate message and convictions carry disturbing seeds of truth and resentment."<sup>3</sup>

Although an age-old issue, this conversation has emerged today as a critical one, as wealth inequality continues to reach obscene levels and nonprofits are unable to take on greater responsibility in fulfilling basic human needs once provided by government.

Without a doubt, it is healthy for the social justice movement to take stock of how effective—or ineffective—it has been over the past thirty years.

So, what now? It's a no-brainer that social justice organizations should build broad-based political power through grassroots fundraising, but what about foundation funding? It is common knowledge that the current model of philanthropy is not working, with the overwhelming bulk of foundation funds going toward perpetuating institutions that service the elite. But to simply look for alternatives to foundation funding is to miss a tremendous political opportunity to transform frustration into action. Now is the time to democratize philanthropy and push for fundamental tax reform to ensure that massive wealth isn't accumulated in the first place.

### WHY GO AFTER FOUNDATION FUNDS?

In 2006, Warren Buffet pledged to donate more than \$30 billion to the Bill and Melinda Gates Foundation. Three trustees—Bill Gates, Melinda Gates and Mr. Buffett—and two other key players—Bill Gates Sr. and Gates Foundation CEO Patty Stonesifer—will decide how to allocate the \$3 billion the foundation is required to pay out each year.

While it is impressive that Mr. Buffet, or Bill Gates for that matter, chose to donate their excess wealth to the Gates Foundation, the reality is that foundations are made partly of dollars that, were it not for charitable deductions allowed by tax laws, would have been public funds to be allocated through the governmental

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process under the controlling power of the electorate. According to the Joint Committee on Taxation, these charitable deductions cost the Treasury Department \$40 billion in lost tax revenue in 2006.<sup>4</sup>

In fact, it is estimated that at least 45 percent of the \$500 billion that foundations hold in their coffers belong to the American public. As Akash Deep at Harvard University and Peter Frumkin at University of Texas note, “When a foundation is created today, the burden of lost tax revenue is borne by citizens today in the form of a tax expenditure,” with the promise that it will be paid out in the future.<sup>5</sup>

This is best illustrated by investigative journalist Mark Dowie, who wrote in his seminal book, *American Foundations: An Investigative History*, a story about a meeting of the trusted inner circle of the Open Society Institute (OSI), a private foundation started by the international businessman George Soros. During a protracted argument that kept the group’s discussion going in circles, a frustrated George Soros exerted his authority, slammed down his fists, and said, “This is my money. We will do it my way.” This interjection silenced the room, except for a courageous junior member who raised his voice in objection to tell Mr. Soros, “No, it isn’t.” The young dissident went on to say, “Half of it is ours. If you hadn’t placed that money in OSI or another of your 25 foundations, sir, about half of it would be in the Treasury.”<sup>6</sup> We need to have the same courage to reform American philanthropy to salvage democracy.

The considerable tax benefits that Mr. Buffett will receive for his generous donation translates to more than \$10 billion that we, the American public, have agreed to entrust to five individuals to determine, based on their worldviews, which causes and organizations are worthy to receive a portion of this largesse.

The danger that this poses was seen last fall when the Gates and Rockefeller Foundations committed \$150 million to the Alliance for a Green Revolution in Africa (AGRA). This biotechnology initiative, according to the Bill and Melinda Gates Foundation web site, will develop genetically altered seeds to “attain the best yields in the diverse environments of Africa and work to make sure these high-quality seeds are delivered to farmers who need them most.”<sup>7</sup> In the eyes of the Gates Foundation trustees, biotechnology in agriculture in Africa is the silver bullet to hunger and malnutrition.

There are many problems with this Gates Foundation initiative, which the Institute for Food and Development

Policy thoroughly assessed in a 2006 report.<sup>8</sup> These include a suite of social and environmental problems, much like those experienced during the first Green Revolution, such as the widening gap between rich and poor farmers, degradation of agro-ecosystems, farmers’ exposure to environmental risk, and the loss of biodiversity, among many others. Another major critique of the Green Revolution is the dependence that farmers develop on genetically engineered seeds, which are patented by corporations that sell them. For centuries, farmers have saved seeds, but with genetically engineered varieties, farmers have and will continue to be dependent on biotech companies for their seed supply. Furthermore, as governments around the globe ban the importation of food containing genetically modified organisms, why would the Gates and Rockefeller Foundations want to impose this ethically questionable form of agricultural practice on an entire continent?

This example embodies the problem of the Gates Foundation having more wealth than the GDP of



(AP Photo/John Bazemore)

Protesters march past the Capitol in Atlanta, Wednesday, June 27, 2007. Immigrants, Native Americans and refugees from the Katrina-ravaged Gulf Coast gathered Wednesday in Atlanta to kick off the U.S. Social Forum, a five-day forum covering a host of issues from racial justice to globalization.

dozens of African countries combined. Just because Gates Foundation trustees believe the solution to problems of low agricultural productivity rests on technology doesn't mean it's the one shared by millions of peasant farmers whose lives and livelihoods will be affected most by the Green Revolution. At the 2007 World Social Forum in Nairobi, 70 African civil society organizations from 12 African countries issued a statement that, "AGRA is putting over \$150 million

color—soon to be the majority of the population in the United States—to serve on their boards. Their participation in the decision-making process in allocating grants will help ensure that the public benefits more broadly from the grant pie.

Nonprofits increasingly are expected to take on responsibilities traditionally held by government, such as providing health care to the poor and elderly, job training and providing emergency food. But there simply is not enough money given out by foundations to fund all these programs. Foundations must fund social justice organizations because these are the groups that will advocate for policies that go to the root causes of social problems and that seek to end government off-loading of social

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towards shifting African agriculture to a system dependent on expensive, harmful chemicals, monocultures of hybrid seeds, and ultimately genetically modified organisms," and that these initiatives "underrepresent the real achievements in productivity through traditional methods, and will fail to address the real causes of hunger in Africa."<sup>9</sup>

Furthermore, as foundation dollars are removed from the tax base, every level of government has less revenue to operate, which translates to billions of dollars of budget cuts in social services and environmental protection. When public funds are so desperately needed today, why should foundations use public money to forward their own private agendas and protect their own financial and political interests?

Social justice organizations must pursue foundation funds, or rather, quasi-public dollars, because half is essentially theirs. As stewards of equity and democracy, social justice organizations have the responsibility to challenge this philanthropic system in which an exclusive, strictly chosen group of wealthy individuals controls hundreds of billions in tax-exempt assets. This is not an arrangement that benefits democracy. On the contrary, it is anti-democratic. We need to advocate for philanthropic reform that ensures that foundation boards are more representative of the American public. Foundations should be mandated to have community leaders, working-class men and women, and people of

services.

According to Karen Topakian, executive director of the Agape Foundation in San Francisco, the more foundations give to social justice organizations to advocate for systemic change, the less we'll need social service organizations in the long-term. "If I fund organizations working for universal health care, the less I will have to fund community health clinics."<sup>10</sup> Just as right-wing foundations funded \$1 billion for conservative ideas in the past 30 years, \$1 billion toward funding social justice organizations can go a long way toward restoring democracy, equality and genuine opportunity.<sup>11</sup>

In addition to the need for philanthropic reform, there also is the broader issue of tackling the byzantine tax code that enables the extreme rich to accumulate their wealth. As Kim Klein says, "The money exists to solve almost every problem in the world, and it is not hard to figure out where it is. It is a question of creating policies to distribute it."<sup>12</sup>

Some exciting initiatives are brewing that can curb extreme concentrations of private wealth and narrow the gap between executive and worker pay. One initiative from the Program on Inequality and the Common Good at the Institute for Policy Studies proposes raising the top marginal federal income tax rate on ultra-high incomes.

Thanks to massive tax cuts to the wealthy legislated by the Bush administration and the Republican-dominated Congress, our nation is facing the most regressive tax sys-

tem seen in more than 50 years. In 2004, taxpayers with incomes over \$5 million paid on average 21.9 percent of their incomes in federal tax; in 1952, they paid 51.9 percent. According to the Institute on Taxation and Economic Policy, if the federal income tax rate on all incomes above \$10 million was raised to 70 percent and incomes of \$5 to \$10 million were taxed at 50 percent, federal revenues in 2008 would increase by \$105 billion.<sup>13</sup> This money would go a long way toward reforming our failing health care and education systems. Foundations can, and should be, partners with social justice organizations in advocating for a government that uses taxes in the way that they are intended—for the welfare of all people.

Even Warren Buffet is an avid opponent of more tax breaks for the ultra-rich. In response to a 2003 Senate tax cut on individual dividends, Buffet wrote in an op-ed, “When you listen to tax-cut rhetoric, remember that giving one class of taxpayer a ‘break’ requires—now or down the line—that an equivalent burden be imposed on other parties. In other words, if I get a break, someone else pays. Government can’t deliver a free lunch to the country as a whole. It can, however, determine who pays for lunch.”<sup>14</sup>

Mr. Buffett also is an advocate of foundations paying out more now rather than holding their assets in a way that has led Pablo Eisenberg to call them “warehouses of wealth.”<sup>15</sup> When he made his gift to the Gates Foundation, he added a clause that required the foundation to spend each increment within the year. “I wanted to make sure,” he said, “that to the extent I was providing extra money to them, it didn’t just go to build up the foundation size further, but that it was put to use.”<sup>16</sup>

Let’s set the record straight: many foundations are created not only from wealth that was made off the backs of hardworking people, but from a social compact they accepted as a result of major tax breaks their donors received. “It is essential that foundations fund radical, movement-building work that can address root causes, such as the labor exploitation that enabled their benefactors to make their profit in the first place,” says Ari Wohlfeiler, the young fundraiser with Critical Resistance, the abolitionist organization working to deconstruct the prison industrial complex. We have a right to take back the dignity that was stolen from our families and our communities through decades of exploitation by the rich, and to demand that these foundations fulfill the social

responsibilities they took on. But this requires democratizing philanthropy, and a new courageous attitude from social justice nonprofits.

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