

# Philanthropy Thought Leaders: "Seven Scary Things"

07.12.22 | Linda J. Rosenthal, JD



We're at a crossroads, many philanthropy thought leaders point out.

Society's challenges are deep and urgent. There are existential choices: not way off in the future but right now.

Philanthropy's traditional role in shaping "how the nation's organizations address the issues of the day" is often described as "foundation-led grantmaking." But this characterization is a bit more passive and benign than the true influence of the mega-funders. In any event, this model is now competing with the "brave new world of billionaire disruptors, bulging donor-advised funds, politicized funding, and forceful structural critiques."

"What does the future of philanthropy look like in the United States?" That's the question posed by Philip Rojc, a senior editor at *Inside Philanthropy*, in his recent article, [\*Seven Things That Scare Us About the Future of Philanthropy\*](#) (June 9, 2022).

His follow-up query: "And do we like where that road might lead?"

## ***Seven Possible Outcomes***

"...[I]t's pretty safe to say," Mr. Rojc writes, "we're living in 'an era of intense philanthropic churn.'"

Our "New Gilded Age" reality is "shaping up to be just as formative for a new era of charitable giving as the last."

At *Inside Philanthropy*, they track and report on grant making activity in the sector. But they view their mission also to include "....trying to get a sense of the big picture of who is funding what and why."

Sometimes those trends are “crystal clear, and often ... encouraging. Other times it’s like staring into a black hole — one that could bring forth any number of terrifying outcomes, intended or unintended.”

So, the *Inside Philanthropy* senior editor explains that – (setting aside for the moment their more hopeful and optimistic predictions about the future of philanthropy) – they compiled the scarier list of “... those possible outcomes that we are most concerned about regarding where philanthropy is headed next.”

### ***Billionaires: Too Many? Too Few?***

The first two items on that list appear, at first blush, to be mutually exclusive opposites. But they are not.

#### ***1. Billionaires doing too much***

The number of billionaires is already higher than ever and growing. And their fortunes, notwithstanding some rocky days at the stock market exchanges, are growing as well; far more quickly than they can shovel philanthropic money out the door.

And while “bulging billionaire pocketbooks will mean more money for philanthropy in the end,” there are two critical drawbacks to this trend.

First, the uber-rich know a lot about making money but that “doesn’t imply an aptitude for making the world a better place. As the obscenely wealthy deploy their fortunes and suck up fundraiser attention, we’ll likely see an ever-expanding series of bad bets, vanity projects and gifts to already well-heeled organizations.”

Second, these “billionaire super-citizens” already have vast and oversized power “to promote their interests in a political system tilted in their favor.” Private individuals and families are “reshaping entire corners of the nonprofit sector to their will” and “[c]ombined with a weakened democracy, the endgame — whether you agree with the goals of individual donors or not — might well be a literal plutocracy.”

For additional commentary along the same lines, see, for example: *Dear MacKenzie and Dan: Advice for America’s Biggest Donors* (May 25, 2022) David Callahan, *Inside Philanthropy*; and *The unchecked power of philanthropy* (June 24, 2022) Marc Gunther, *Nonprofit Chronicles*.

#### ***2. Billionaires doing too little***

“The polar opposite of ill-advised giving” is “wealth hoarding.” The latter remains the order of the day for much of the nation’s stratosphere, including the vast majority of billionaires who give little to charity.”

Mr. Rojc characterizes the charitable giving habits of the mega-wealthy as tax avoidance or deferral efforts, citing as an example their heavy use of minimum payouts from DAFs. And “among billionaires who do give at scale, only a handful prioritize philanthropic force multipliers like policy advocacy and democracy giving. The majority continue to favor conventional causes.”

### ***Secrecy & Politicization***

#### ***3. Black box***

Although lip service in the philanthropy community is given to “transparency,” a lot of energy is going into hiding from it.

Already, explains Philip Rojc in connection with scary-prediction three “... what we know about philanthropy is just the tip of an iceberg floating in a pitch-black sea.” Under the guise of “protecting donor privacy,” the few laws favoring transparency have been upended.

The nonprofit sector – in contrast to the business world – already suffers from a dearth of up-to-date data. “As more funders move their money through even less transparent mechanisms like DAFs, LLCs and 501(c)(4) entities, the funding world will morph into an even more opaque black box than it already is.”

This lack of accountability is a significant problem for a variety of reasons. Most notably, it erodes trust in philanthropy and the nonprofit sector. It also creates a vacuum of information from which can sprout wacky and dangerous “conspiracy theories” and falsehoods.

#### ***4. Rampant politicization***

“Politicized philanthropy, as well as nonprofit funding conducted through 501(c)(4)s, LLCs and the like, have gained wide traction in recent years.” At *Inside Philanthropy*, they are “actually quite torn on politicization.”

On the one hand, many grantmakers have been “politics-shy” although they are allowed to engage in a certain amount of “advocacy giving and more overt expressions of their political values.” By doing so, they could “magnify their impact.” But those funders’ being too timid “has arguably contributed to current backsliding on civil rights and democracy, and to inaction on climate and poverty.” See, for example, David Callahan’s prescient article in *Inside Philanthropy* from four years ago: *Powerless: How Top Foundations Failed to Defend Their Values—And Now Risk Losing Everything* (March 13, 2018).

On the other side of the political spectrum, though, “political giving” is ubiquitous. “With politicized philanthropy as one weapon in their arsenal, uber-rich super-citizens can set the terms of public debate — and by dint of what they don’t fund, diminish causes they dislike. What can average citizens do if they disagree? Not much.”

#### ***5. Talk Instead of action***

The fifth scary item is a continuation of one of the most common traits of the philanthropic community; namely, engaging in endless rounds of well-meaning talk and planning. The danger ahead is a “... future in which nothing changes.” While that may have “superficial appeal,” argues Philip Rojc, it will harm “... the communities that might otherwise have benefited.”

And “reactionary wealthy donors,” he says, “will not be guilty of the same hesitation and hedging as they fund the ever-present backlash to demands for racial justice” for example.

#### ***6. Reforms beaten back***

Philanthropy reform, according to a recent survey, is quite popular within the sector, but anti-reform forces are strong. The sixth frightening prediction is that reform efforts may wither away. “...An unwillingness to embrace even modest reforms will exacerbate pretty much all the dangers outlined above.”

The philanthropy world is changing; we need to be “open to updating the laws and norms that govern” it.

### 7. Reform politicized

“As much as we like the idea of greater oversight of philanthropy, this is also an area where we should be careful what we wish for.”

In our highly politicized atmosphere, an overzealous person or faction in Congress could unleash “a witch-hunt that deeply rattles the sector – and, perhaps, has its intended effect of getting funders ... to back away from pro-democracy work.” For example, a current candidate for federal office recently suggested: “Why don’t we seize the assets of the Ford Foundation, tax their assets, and give it to the people who’ve had their lives destroyed by their radical open-borders agenda?”

### **Conclusion**

This list of seven scary possible futures for philanthropy is “not an exhaustive list,” Philip Rojc says, “but it does reflect some of the key frailties of a sector that remains very much the province of the wealthy, the powerful and the well-connected — and hardly a bastion of democracy.”

Since “change is not only desirable but inevitable, making the right choices about which changes we pursue and which changes we fight” will be critical.

– Linda J. Rosenthal, J.D., FPLG Information & Research Director