

Thanks for Your Generosity, But ... (Part 2)

06.19.19 | Linda J. Rosenthal, JD



The devastating fire at the Cathedral of Notre Dame sparked a massive outpouring of financial support that reached \$1 billion in a matter of days after the event on April 15, 2019. The fundraising drive was given a boost by immediate pledges from four French billionaires. So much money was raised in the first week or so that officials in Paris faced the unusual dilemma of having received a larger sum than French economists predict will be needed to rebuild the medieval landmark.

With these huge donations came questions and criticisms: Was it fair and right that so many people, including several mega-donors, flooded the French capital with such a deluge of contributions that there was no need even to organize a fundraising drive? Why did donors react so generously to this event while ignoring other recent disasters including the cyclone in Mozambique and failing to deal with ongoing desperate societal needs like poverty? See [Thanks for Your Generosity, But ... Part 1](#), posted yesterday.

The debate about the overwhelming – almost too generous – shower of help to cover the damage to the Cathedral was still going on when another act of generosity here in the United States also set off a lively public debate about the nature and purposes of philanthropy. On May 19, 2019, billionaire businessman Robert F. Smith took the stage as the commencement speaker at [Morehouse College](#) in Atlanta, Georgia, and shocked everyone there with his announcement that he will pay off the student-loan debt of each and every graduating senior.

Robert Smith's Generosity

The estimates are that the gift will total at least \$40 million; the exact amounts hadn't been calculated in advance because Smith told no one about it before the graduation ceremony – not even the Morehouse College president. Smith, himself, hadn't thought out all of the details; he had made the decision to make this grand gesture just days before the event. During the speech, he put it – simply – this way: “My family is going to create a grant to eliminate your student loans!”

The Morehouse gift, though not long in the planning, is a logical continuation of Robert Smith's philanthropic activities and goals. He is the richest black man in the United States and was the first African-American signer of the Giving Pledge. He is a leading philanthropist, having donated widely but primarily to black causes and for higher education. A few years ago, he gave \$50 million to his alma mater, Cornell University, to establish a fellowship program for black and women students at the College of Engineering. He has also pledged to cover the educational costs for 24 Chibok girls, including 21 released by Boko Haram.

The May 19th announcement was the largest gift ever to Morehouse College or any other HBCU. But this time the donation is meant to somewhat bypass the college and go straight to relieving a crushing financial burden on the individual graduates. And it will benefit many more people than the graduates themselves. This direct cancellation of the educational debt will help three generations of a family: the student, his parents, and his future children. Without the massive student loans to pay off over many years in the future, these young men will be freer economically to succeed in their careers and lives. It will also enable them to “pay it forward” to others over the years.

Critics Take Aim

In *A Pledge to Pay Morehouse College Students' Debt Prompts Elation, Envy and a Host of Questions* (May 22, 2019), New York Times reporters describe the mixed reaction to the Smith generosity: “Days after ... [the pledge]..., euphoria was not the only emotion in the air.”

Quickly after the announcement, “...on Morehouse’s Atlanta campus and beyond, administrators, students and parents – and no shortage of philanthropy experts – have spent the subsequent days wondering exactly how Robert F. Smith, ... would fulfill his promise: ... “both an extraordinary gift and a complicated one.”

The debate and discussion that followed focused on several points. First, the gift provides full relief for these graduating seniors, but doesn't help many others including those Morehouse classmates who had to drop out before graduation for lack of funds. And – of course – many of the other college graduates around the U.S. will continue to have massive student-loan debt.

Second, the student-loan debt crisis is unlike a disaster or accident; it is an otherwise preventable failure of government and academic policy. In many other countries around the world, college graduates step out into the world debt-free. In *We Are Applauding the 'Gift' of an Affordable Education. Something Has Gone Wrong* (May 20, 2019) the NYT Editorial Board presents compelling arguments that philanthropy should not have to rescue government malfeasance.

These journalists make pointed historical reference to other examples of massive generosity in the United States (including – for instance – over 100 years ago, Andrew Carnegie’s building of 1,689 libraries around the nation) still “celebrated as monumental works of philanthropy.” Instead, the Editorial Board argues, “they should be seen as monuments to the failure of public policy” because the “Gilded Age plutocrats” amassed their fortunes before any income tax was established. If there had been an income tax, the U.S. could have used the revenue to build the libraries directly.

“Now history is repeating itself. A new generation of plutocrats has amassed great fortunes, in part because the federal government has minimized the burden of taxation. Americans once again are

reduced to applauding acts of philanthropy necessitated by failures of policy.”

Third, without careful advance planning for such a huge transfer of money, there may be adverse tax consequences to the graduating seniors, according to tax experts. Smith’s eleventh-hour spurt of generosity was a wonderful gesture, but such a gift requires careful consultation and coordination.

Conclusion

The Morehouse announcement has some similarities to the Cathedral fire fundraising in that critics legitimately worry about the concentration of philanthropy funneled to one or another specific projects while many other needs and requests for help are left unmet.

But there is concern, too, about the wisdom of criticizing other people’s philanthropic acts – particularly if the end result is that philanthropists, stung by the rebuke, step back from making generous gifts.

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