

Special Report

Is Charity Ending At Home?

As the economy tumbles and gift-giving declines, Soros, Gates, & a new breed of “social investors” are changing the rules about how money is used.

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The Early Indicator

Stocks, housing, sales, and the job market aren't the only victims of the economic avalanche that's still tumbling down upon us. One of the biggest losers may turn out to be one of the most vulnerable and needy—and the one industry least responsible for the financial debacle: Charities.

Philanthropic gifts actually began declining before the crisis struck. Indeed, they were an early-warning sign of the collapse. In May, for example, pledges at the annual gala of the Robin Hood Foundation, a New York-based social justice agency that has always attracted major gifts from well-heeled Wall Street/showbiz types, topped \$56 million. It was a seemingly impressive amount. But it was \$16 million less than the year before, a drop of 21% from givers whose own net worth already was beginning to skid.

Mainstream charities also saw serious drops in income by mid-2008. Donations to the Salvation Army, Red Cross, Catholic Charities, and United Jewish Appeal were all down compared with the year before. Even gifts of used clothing and furniture fell.

Once A Major Industry

Philanthropy in America began the 20th century as a burgeoning enterprise that attracted everyone from the super-rich to the middle/working class. By the beginning of the 21st century, charitable giving had become one of the nation's major activities. According to Giving USA, a foundation that monitors both fundraising and fund-giving, charitable donations in 2006 topped \$295 billion—more than 2.2 percent of GDP. To put that figure in perspective, Newsweek's Senior Editor Daniel Gross compared it with Wal-Mart's annual sales of \$350 billion.

That level of philanthropic success was bound to change. As Gross points out, "Like every other industry, philanthropy is tethered directly to the

health of the overall economy, and in particular to the health of the upper-middle-class consumer."

An executive whose firm advises non-profits on fundraising notes, "In the mind of some, philanthropy has now become a luxury. You pay your bills first and then start making charitable gifts."

Some Still Give

The Council on Foundations, an association of America's largest grant-makers, is urging its 2,000 members to focus on helping charities that are in trouble because of the slipping economy and to offer special assistance to cities like Washington, where the loss of philanthropic support is especially acute.

And many wealthy individuals and corporate givers will continue to make contributions. For example, one major company has a well-established "corporate culture" of giving. The company has no plans to reduce its support of employee contributions of time and money to charities or of cutting its match of employee gifts to non-profits.

The New Breed Of Donors

Still, experts see a major change in giving patterns. For philanthropists of the past, charity was often a matter of simply giving money away. But Matthew Bishop, New York Bureau Chief of The Economist, and economist Michael Green say that old-fashioned philanthropy is being increasingly replaced by a new generation of billionaires who shape the way they give to match their ideological commitments.

In their book *Philanthrocapitalism* Bishop and Green say this new breed of givers was largely trained in the corporate world, and as a result they use big-business-style strategies in their giving and fundraising. And like business leaders, they expect results and demand accountability. Bill Gates, who is devoting billions to wiping out diseases that kill Third World children, is a model

of these new “social investors.”

Based on interviews with Gates, Bill Clinton, George Soros, movie star Angelina Jolie and rock singer Bono, among others, Bishop and Green report that a web of wealthy, motivated donors has set out to change the world, and their efforts have huge implications. “In a climate resistant to government spending on social causes, their focused donations may be the greatest force for societal change in our world, and a source of political controversy.”

It may also be one of the styles of philanthropy that will best survive our current crunch.