

# The power of money

Stephen Pittam

Six months after I had started working for the Joseph Rowntree Charitable Trust (JRCT) a close friend said to me, 'you have changed – you expect people to listen to you.' It was a good reminder of the best piece of advice I received on getting the job. Eric Adams of the Barrow Cadbury Trust told me, 'keep your feet on the ground and you will be alright.'

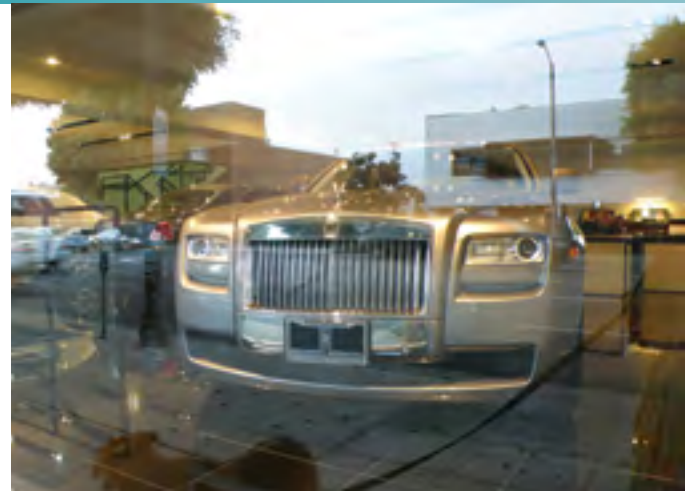


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It is difficult to keep your feet on the ground when working in a foundation because you are inevitably placed in a position of power. When meeting grant applicants I was always conscious that for them the meeting could mean someone's job was at stake. With money comes power. And, as the saying goes, power corrupts. As time went on, I grew more accustomed to living with that power but I also grew increasingly uncomfortable about some of the manifestations of the power relationships that philanthropy engenders. There are many sides to this topic. It is great to be able to explore some of them, both positive and negative, in this issue of *Alliance*.

It is not often that foundations talk about the power of money. One time it did happen was in 1988 when JRCT's endowment more than doubled following the takeover of the Rowntree company. This provoked a fascinating debate among the trustees. The debate was basically about power. Some trustees welcomed the fact that the foundation had doubled in size and were comfortable with the increased power this brought. Others felt that the trust already had significant resources; they suggested splitting the increased endowment in two so that a new and possibly younger group of trustees could have the chance to try different ways to achieve the social change for which all were striving. The outcome was perhaps inevitable: once given power it is hard to give it up. The endowment remained intact and the debate was soon forgotten.

Of course foundations have many different forms of power, as is well described in several of the articles and especially that of Linda Guinee and Barry Knight. But what they have in common is the power of controlling money. JRCT remains a medium-sized foundation but the debate held within JRCT does raise an important question. Can foundations grow too powerful? The



questions that have been posed about the four trustees of the Gates Foundation wielding such immense power are not likely to go away. In fact it is likely that philanthropy in general will come under increasing scrutiny in the years to come.

## Who holds power within foundations?

Research in 2005 by the Carnegie UK Trust<sup>1</sup> suggested that foundation boards wield great power and that this is often the reason why foundations are not more adventurous in tackling injustice. A more recent study has suggested that the position is more complex, and that boards do not have to be a drag on creative foundation executives. One lesson that came through strong and clear from the 'From Good to Great' session at the 2013 EFC conference in Copenhagen was that the most effective foundations are likely to be ones where leadership is shared throughout the organization, from a highly engaged board to enduring executive teams and a staff team with ambition for the cause and a blend of humility and professional will. It is a challenge to build this kind of inclusive approach within an organization that wields real power.

## Philanthropy and inequality

The power that philanthropy wields touches on the theme that has made me most uncomfortable in recent years. It has become increasingly obvious that philanthropy thrives at times of inequality. This was as true for the first burst of early 20th-century philanthropy as it is for what some are now describing as the second golden age. A century ago Seebohm Rowntree faced the embarrassing discovery through his pioneering research on poverty that some of the workers in his own family's company (part-owned by its foundations) were paid insufficient wages to keep them out of poverty. After a generation of relative equality in the second half

of the 20th century, in the Global North at least, we are now back facing the very same dilemma – and at a time when philanthropy is growing once again.

And yet for many, perhaps most, of us working in philanthropy, promoting social justice and a more equal society is what we are about. There is now research, some funded by philanthropy,<sup>2</sup> which shows that more equal societies are better places to live, even for the wealthy. I wouldn't be so concerned that philanthropy is growing more influential if we could demonstrate that it has the capacity to make a real difference in tackling inequality. There is no doubt that philanthropy can play an important role in showing ways out of problems of social injustice. The problem is that it is beyond philanthropy's capacity to make the kind of structural changes to society that will be needed to make a real difference. These can be achieved only through the power of the state, often in response to demands created by an active civil society supported by philanthropy. Michael Edwards made this point in a 2008 article in *openDemocracy*:

'Over the last century far more has been achieved by governments committed to equality and justice, and social movements strong enough to force change through, and the same might well be true in the future. No great social cause was mobilised through the market in the 20th century. The civil-rights movement, the women's movement, the environmental movement, the New Deal and the Great Society – all were pushed ahead by civil society and anchored in the power of government as a force for the public good.'<sup>3</sup>

### The role of a strong state

A strong and independent civil society is often dependent on philanthropy, and this in turn is most effective when there is a strong and courageous state to interact with. At the moment we are missing the latter, and sadly in our age of globalized economic power there are few signs of this changing any time soon. While the economy has gone global, our governments have remained national and local, and have struggled to keep up. The issue of taxation demonstrates well the problems caused by this development. It is now estimated that over half of world trade passes through tax

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havens. Companies in which foundations are invested, and which often operate their own philanthropic arms, are engaged in all kinds of practices designed to lower their tax liabilities. Tax is never a popular subject and yet it is tax that provides the glue which holds societies together. The power of the state is weakened when its tax base is eroded. The Tax Justice Network (TJN) is an excellent example of the kind of challenging civil society organization that can raise issues and create change. Its campaigning has put the issues of tax havens and corporate tax evasion on the global agenda. TJN has been supported by foundations, but in his challenging article Richard Murphy takes the logic of TJN's argument beyond the corporate sector to look at whether philanthropy itself is flourishing partly at the expense of building the capacity of the state and other actors to make the real changes that are needed if our aim is to promote a more just and equal society.

TJN has always suggested that the Millennium Development Goals would be met within two years if multinational corporations paid taxes in the countries of the Global South in which they do business instead of syphoning off the profits through tax havens. There is a growing interest in Africa in the power of multinational corporations in relation to tax justice issues. Perhaps it is no coincidence that Africa is also the continent where the debate about power and philanthropy has to date been articulated most clearly, particularly within the discourse of the African Grantmakers Network. This discussion is brought alive through Halima Mahomed and Bhhekinkosi Moyo's article, and through the interview with Theo Sowa.

### Philanthropy and civil society

This leads us on to the bigger questions of power relationships between foundations and the organizations they support. Here I have to state where I am coming from. I was really grateful to Luc Tayart de Borms for his description of the different styles of philanthropy practised within Europe in his book *Foundations: Creating impact in a globalised world*. This gave me an explanation of the conundrum I faced as I started to become involved in philanthropy at the pan-European level. The more I engaged with philanthropy beyond the borders of the UK, the more Anglo-Saxon I felt in my approach. I have to apologize to those who view philanthropy differently, but for me the strongest justification for philanthropy is that it plays a different role to that of either the state or the market. It is about supporting a strong civil society to act as a counterweight to the state, to strengthen our democracies both by demonstrating innovative approaches and by holding the state

to account. These are some of the characteristics that Luc ascribes to the Anglo-Saxon style of philanthropy.

At its best this kind of philanthropy's role in supporting civil society can be transformative, as Michael Edwards writes in the same *openDemocracy* article:

'The best philanthropy does deliver tangible outputs like jobs, healthcare and houses, but more importantly it changes the social and political dynamics of places in ways that enable whole communities to share in the fruits of innovation and success. Key to these successes has been the determination to change power relations and the ownership of assets, and put poor and other marginalised people firmly in the driving seat, and that's no accident. This is why a particular form of civil society is vital for social transformation, and why the world needs more civil-society influence on business not the other way around - more cooperation not competition, more collective action not individualism, and a greater willingness to work together to change the fundamental structures that keep most people poor so that all of us can live more fulfilling lives.'

### Does philanthropy know best?

Philanthropy can facilitate this 'particular form of civil society' but it can never become it. I fear that as money has grown more influential in our monetarized societies, there has been a tendency for philanthropy to think it knows best. I have recently been challenged by leaders of NGOs working in migration, climate change and human rights who have grown increasingly worried that foundations are stepping over some imaginary line and beginning to think that they are civil society. If those with wealth are using their power to act as if they are civil society, and are playing an increasingly influential role in the policy debate, then where will this lead? In the long run it is likely to weaken civil society and the NGO sector, and eventually to weaken our democracies. We are all aiming to be catalytic in our work, but engaging more as players without analysing power relationships is unlikely to lead to fundamental change. It is more likely to lead to power being retained by an elite.

It is difficult for those who rely on philanthropy to be honest about the relationships with those that fund them. Shami Chakrabarti, the inspirational leader of

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the UK human rights organization Liberty, hints at what the power relationship feels like for those seeking funds from philanthropy. But it may be easier to hear the message from one of 'our own'. Just listen to the words of Rien van Gendt in his acceptance speech for the Compass award he was presented with at the 2013 EFC conference, which he so richly deserved:

'First of all, through the eyes of the NGOs, the grant-seeking organizations that I work with, I get a different perspective on what used to be my own world of endowed foundations, the grantmakers. The point I would like to emphasize here is that very often foundations have a very limited insight, to put it mildly, into who their clients are. We like to refer to ourselves as social investors - it gives us as endowed foundations a progressive touch - but the reality is that an average investor in a private market context would have more insights in his clients than foundations have. What do we really know about the problems, challenges and expectations of our grantees? A lot of work is more supply push than demand pull. I am often struck, in representing the grantseeking organizations, by the arrogance of the foundation community.'

### Operating or grantmaking?

Of course, within the broad spectrum of philanthropy, there are many different operating models. There have always been foundations set up to undertake their own work as operating foundations, and others that mix operational activities with grantmaking. Many have been extremely successful in achieving policy change through an operational approach and have built fine reputations for independent research and analysis. I am sometimes surprised that questions about the power and influence of such foundations are not raised more often. Issues of accountability are crucial, and the most successful have been rigorous in their research, using their convening power to sensitively engage with a broad range of stakeholders and to build consensus around agendas for change.

What troubles me more is that there appears to be a trend among grantmaking foundations to move more in the direction of using their own power to determine what to do rather than building power within civil society organizations, which tend to be better rooted and to have a better idea of what's needed. Most foundations are more than grantmakers, but I would urge colleagues to be aware of the arrogance that Rien van Gendt warns of and to promote 'power with' rather than 'power over' the organizations that need their resources to achieve the transformation that Michael

Edwards describes. This is the message that comes through many of the articles in this special feature.

### Changing power relationships

And there are many good examples. Some come from the world of community foundations, with their focus on bottom-up change. Jenny Hodgson rightly points out that community foundations do not always manage power relations well, but at their best they can balance and bridge the interests of different constituencies in a unique way. Albert Ruesga describes compellingly how the Greater New Orleans Foundation addresses the fact that the power of wealth lies so predominantly in one part of the community while the need for transformation is so glaringly obvious in a different part. Avila Kilmurray describes how the Community Foundation for Northern Ireland has taken big risks to ensure that former paramilitaries from both sides are fully engaged in the peace process in Northern Ireland. Whatever else philanthropy is capable of, it is well placed to support the challenging work of building power in communities that need a voice.

Diego di Risio and Terry Odendahl describe how the Global Greengrants Fund has turned the concept of philanthropy on its head so that decisions on the allocation of resources have been handed from the Global North to those in the Global South who understand how money can best be used for transformation. The need for decision-making power to be firmly in the hands of local actors is also at the heart of Carolyn Hayman's description of Peace Direct.

I am sure it is no coincidence that it is a women's fund that has pioneered one of the most remarkable examples of participative philanthropy. When Ana Criquillion first described to me how the Central American Women's Fund works, involving grantees in the decision-making process, I realized that this model had taken the notion of power sharing or power building to a different level. Ana describes how this model has been successfully adapted by the young feminist fund FRIDA on a global scale. And this example is one among many that Sophie Pritchard explored in her quest for a funding model that would break down the usual power dynamics for the new Edge Fund. These articles describe experimental work that could well show new ways for philanthropy to develop.

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But the issue of power is one that all foundations face, whether they articulate it or not. And progressive change is not the prerogative of those working from a bottom-up philosophy. In fact it usually comes from a combination of bottom-up and top-down approaches. Suzanne Siskel and Anna Pond highlight the importance of foundations identifying their role within an evolving social change ecosystem. As well as supporting civil society advocacy and empowerment through bottom-up philanthropy, foundations can use their convening power to build partnerships with both public and private agencies to influence more equitable policy and flows of public sector resources. This chimes with the special role that the King Baudouin Foundation plays, holding in balance, as it does, the many interests of Belgian society. In Luc Tayart de Borms' forthright interview he describes how the foundation uses its power to act as a catalyst and to build alliances of all stakeholders to tackle some of the challenging issues of the day.

### Does any of this matter?

Does any of this discussion on power matter? If we are in a second golden age of philanthropy, shouldn't we just celebrate the fact that philanthropy appears to be growing and having an increasing impact and enjoy it? Well, we certainly should celebrate the potential for change that increased philanthropy brings. But we would be ill advised not to pay attention to the downsides of the changing relationships that result in the growth of philanthropy. And the question of how philanthropy uses the power that increased resources bring is a central one.

Geoff Mulgan is a friend of philanthropy and has benefited from it. He is also an influential writer on social and political issues. His message about 21st-century philanthropy rings true and is a good one to end with:

"The key questions to be asked of any philanthropy are:

- ▶ does it reinforce or reduce inequalities of power and wealth?
- ▶ when the hype and self-promotion is peeled back, what of substance remains?

'At some points in the past societies have reached sceptical answers to these questions and turned against philanthropy, seeing it as a symptom of the problems not as a cure: as too unequal, paternalist, disempowering, and at odds with a world of rights. It's perfectly possible that similar conclusions will be reached once again with the current wave of philanthropy. The philanthropists assume that recipients will be grateful. Experience suggests this is wrong.'<sup>4</sup> @

<sup>1</sup> Steven Burkeman and Alison Harker (2005) *Stepping up the Stairs* Carnegie UK Trust.

<sup>2</sup> Kate Wilkinson and Richard Pickett (2010) *The Spirit Level* Penguin.

<sup>3</sup> openDemocracy, 20 March 2008.

<sup>4</sup> openDemocracy, 10 April 2008.