PAVED WITH GOOD INTENTIONS:

MORAL QUESTIONS FACING MODERN PHILANTHROPY

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As administration and faculty of Saint Mary's University of Minnesota, I have evaluated the

<u>FINAL CAPSTONE PAPER:</u>

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and recommend that the degree of Master of Arts be conferred upon the candidate.

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Chapter One

Introduction

Purpose

All signs point to an accelerating amount of private resources channeled towards charitable causes in the coming years. Schervish (2006) reports:

> We estimate that in 2002 dollars, an unprecedented $5 trillion to $150 trillion in wealth transfer just from estates of final descendents will occur over the next five decades and that this will produce between $7 trillion and $27 trillion in charitable bequests. In a separate projection for the same period, we estimate that lifetime giving will provide an additional $15 trillion to $28 trillion in charitable contributions. Taken together, charitable bequests and lifetime giving will range from $22 trillion to $55 trillion, with between 52% and 65% of this amount being contributed by households with $1 million or more in net worth. (p.487).

The rapid growth in the amount of money committed to philanthropy has led to a situation in which private monies are growing to rival government funding in certain key areas. Speaking of international aid, Edwards (2009) notes that:

> At a conservative estimate, private aid flows already amount to over $25 billion a year, and the trend is rising, so at some point in the future private aid may exceed official development assistance from donor governments. (p.237).

At the same time, with the advent of globalization and the deployment of ever more complex information technologies, the geographic reach of philanthropic institutions has grown. Korf (2007) points out that:

> [S]patial distance has become much more fluid . . . The modern media provide detailed images of remote places and bring these distant places closer to us – at least on the TV screen. Our ability not only to be compassionate about distant suffering, but to act across those distances and alleviate suffering has increased tremendously. . . (p. 371).

The increase in the amount of private funds contributed to philanthropic causes, combined with the expanding ability of private donors to reach beyond the borders of their own communities, has allowed philanthropy to assume a position of power in the global order. Private funds, whether they come from individual philanthropists or charitable foundations, today exercise a large and growing influence on subjects ranging from international development assistance for health (Stepping, 2010) to social change agendas (Guthman, 2008).

Schervish (2006) calls the ability of private donors to shape public agendas "hyperagency:"

> Whereas most of us are agents who attempt to find the best place for ourselves within existing situations, hyperagents, when they choose, are founders of the institutional framework within which they and others will work (p. 488).

In an earlier paper, Schervish (2000) described hyperagents by noting that "their choices have the capacity to fashion the choices of others." (p.30).

Most in the philanthropic community welcome this increase in the capacity of private donors to shape the world around them. It is important to note, however, that the growing preeminence of philanthropy does not in itself guarantee improved social outcomes. As Schervish (2006) himself notes, "There is, of course, nothing in world-building hyperagency that requires virtue and wisdom . . . An expanded quantity of choice does not guarantee that there will be a finer quality of choice." (p. 491). Karoff (2004) notes that philanthropic practitioners are drawn to questions of "process," but are not "always confident about what actually constitutes 'good' philanthropic practice" (p.16). It is important first to understand what constitutes "good" philanthropy before judging the current wave of it.

So, is the growing influence of contemporary philanthropy a good thing? The purpose of this paper is to investigate this question through research on moral questions concerning the practice of contemporary philanthropy. Understanding the nature of challenges raised against developing philanthropic practices – particularly in the last few years – will improve the sector's capacity for reflection and, if necessary, corrective action.

Research Question

What are the significant moral questions facing contemporary philanthropy?

Background

Although the projected increase in the amount of private monies contributed to charitable causes has understandably been welcomed by those within philanthropic

institutions, researchers from a variety of disciplines have raised a number of concerns

regarding the impacts and moral orientation of contemporary philanthropic practice. This

paper does not seek to offer an exhaustive review of such critiques, but rather to review

those questions which have been put forward repeatedly and by a variety of sources. The

literature review included research on: the effectiveness of current philanthropic

practices, the negative side-effects of philanthropic interventions, the moral theories that

serve as the foundation of philanthropic practice, the motivations of private donors, and

recent developments in philanthropy that claim to improve the performance of the sector.

Interestingly, much of the research concerned international aid. A great deal of

research has been done on the effectiveness of development assistance of both the public

and private kind. Although much of this research concerns itself with only a small slice

of philanthropy, or even with government-initiated aid, the questions raised are

nonetheless applicable to contemporary private philanthropy in general.

Several broad questions emerged throughout the course of the research. Each of

these questions is introduced below. In Chapter Two, the literature surrounding each

question is thoroughly investigated.

Question One: Does the sector's increasing emphasis on "donor-centered" philanthropy
compromise its ability to do good?

Ostrander (2007a) writes about the "growth and apparent widespread acceptance

of donor-controlled philanthropy," noting that "[t]rends have further and further shifted to

the supply side, raising donor influence and directly running counter to a mutual and

reciprocal framework between donors and recipient groups." (p. 359). She identifies

three potential problems with the trend towards "donor-centrism." This paper reviews the literature regarding each of these three issues in Chapter Two.

Ostrander's first concern is that the influence of large donors might compromise organizational effectiveness because it will diminish "discretionary judgment by nonprofit recipients." (p. 358). In other words, when a non-profit defers to the wishes of its donors, it may no longer be able to effectively take advantage of the expertise of its own staff. Does deference to the wishes of external donors conflict with and override the expertise on non-profit staff, to the detriment of their ability to do good?

Ostrander's second concern is that the "needs and concerns of the clientele, constituencies, and beneficiaries" (p.358) will not be adequately heard when excessive attention is paid to the needs of donors. Korf (2006), using post-Tsunami relief as an example, claims that, as a result of the increasing influence of donors, "aid practices [are] . . . tailored towards the donors . . . not towards the local recipients" (p. 378). Does "donor-centrism" hinder non-profits' ability to respond to the real needs of their communities?

Ostrander's third concern is that donor-centrism "undermines the vitally important contributions that philanthropy and non-profits can make in providing for democratic forms of civic engagement." (p. 358). As Chapter Two makes clear, numerous studies have investigated the link between the provision of aid and the development of democratic forms of government and / or civil society. Does an orientation towards the needs of donors undermine a non-profit's contributions to civil society?

Question Two: Does philanthropy create unintended, negative consequences that outweigh its positive impact?

As will be demonstrated in Chapter Two, the literature is filled of examples in which aid, provided with the best of intentions, resulted in negative impacts to the intended beneficiaries and to society as a whole. Writing in *The New Yorker,* Gourevitch (2010) speaks of the "groaning shelf of books from the past fifteen years that examine the humanitarian-aid industry and its discontent . . . In case after case, a persuasive argument can be made that, over-all, humanitarian aid did as much or even more harm than good." (pp.102, 105). Although Gourevitch is writing specifically about international aid, the research also points to similar domestic examples. Are these cases simply examples of bad actors, or is their something inherent in the system of contemporary philanthropy that makes these kinds of outcomes unavoidable? The research identified several types of negative consequences that tend to accompany philanthropic interventions. Each of these problems is introduced below and the research concerning each is thoroughly reviewed in Chapter Two.

The first problem is the potential for private philanthropy to address specific problems at the expense of addressing the root causes of those problems. Edwards (2009) claims, for example, that:

> [P]hilanthrocapitalists tend to emphasize investments that increase poor people's immediate access to material assets, goods and services, as opposed to efforts . . . to affect the long-term transformation of the social, political and institutional landscapes that determine poverty and inequality (p.238).

The potential harm here is not merely that money is used ineffectively to solve "surface" problems, when it could be used more efficiently to change the fundamental orientation of society. The more serious question is whether philanthropy diverts attention from systemic problems in order to justify investments in relatively less important issues or agendas.

The second problem is the possibility that philanthropy undermines the efforts of individuals or communities to help themselves. Ellerman (2007) states the problem thusly:

> There is a conundrum: How can the helpers supply help that furthers rather than overrides or undercuts the goal of the doers helping themselves? . . . If the helpers are supplying help that is important to the doers, then how can the doers really be helping themselves? Autonomy cannot be externally supplied." (pp.561, 562).

As demonstrated in Chapter Two, a number of sources investigate how "foreign" solutions implemented by well-meaning non-profits or NGOs have crowded out "domestic" solutions to problems, with often disastrous results.

The third and most serious problem is the potential for aid to be captured by ill-meaning actors, and in this guise actually give rise to new and more serious problems. Polman (2010) and Maren (1997), for example, both deliver withering critiques of the international aid industry, charging that it is complicit in the very violence and oppression it ostensibly seeks to solve. Does the possibility that philanthropic aid will be co-opted by incompetent and / or malicious individuals and organizations undermine its moral legitimacy as a whole?

Question Three: Do the systems, processes and procedures associated with philanthropy result in philanthropic projects that do less good than possible or cause outright harm?

Just as the environment for private philanthropy has undergone remarkable changes over the past decades, so too the non-profit sector has developed in new directions. Although it is not within the scope of this paper to survey the nature and extent of the changes within the non-profit sector over the past decades, the question of whether those changes have increased or decreased the positive social impact of the sector is relevant. Do the techniques of contemporary philanthropy, in the words of Guthman (2008), "fundamentally [shape] the thinkable and hence actable?" (p. 1242). If so, do those techniques shape the programs of the sector in positive or negative directions? Once again, the research identified several categories of issues surrounding this question. Those issues are identified below and the literature concerning them is thoroughly reviewed in Chapter Two.

The first issue is how the developing interest in concretely measuring the impacts of philanthropy influences the sector's ability to do good. Does it lead, as Guthman suggests, to engaging in work that is "doable rather than most needed?" (p. 1245). Does it engender a neglect of projects that have a long time horizon? (Stepping 2010). Are the metrics used by the sector useful or misleading?

The second issue is whether the increasing self-conception of non-profits as market-based institutions, and their subsequent engagement in traditionally for-profit activities such as branding and marketing, strengthens or weakens their capacity to address social problems. Does awareness raising, particularly through the media,

prejudice donors towards particular causes, and away from others? (Franks 2006). Do attempts to practice philanthropy with a business and marketing mindset inhibit organizations from working together or sharing knowledge (Karoff, 2004)? Do the marketing techniques of modern fundraisers, by attempting to "invigorate compassion and emotions" (Korf 2007, p. 370) in donors, create asymmetry between donors and beneficiaries "born from a feeling of superiority?" If so, does this asymmetry cause harm to the beneficiaries in ways that outweigh the benefits of the charitable action itself?

The third issue is whether philanthropic professionals, coming from a position of power and privilege, have the capacity to truly address issues such an inequality; or do they rather, in the words of Arnove and Pinede (2007), "engage in ameliorative practices to maintain the social and economic systems that generate the very inequalities and injustices they wish to correct?" (p. 393). As the philanthropic sector professionalizes and shifts towards a market-orientation, the staff of the sector will come to increasingly resemble, both in expertise and outlook, the staff of the businesses and professional organizations the sector seeks to emulate. These individuals will, more likely than not, come from backgrounds of relative privilege. Will these products of a particular social order be able to conceptualize new means of social organization that more equally benefit all members of society? If they can conceptualize such means, will they pursue them, even if it means undermining the very systems that led to their own privilege?

Question Four: Does the recent emergence of market-oriented major donors within the philanthropic sector improve its ability to act as a positive moral force?

Philanthropy is not, of course, a static institution in society. Therefore, any study of the moral questions facing the institution must also investigate the latest trends within the sector and ask whether they address the moral deficiencies of previous iterations of philanthropic practice. The research did not seek to identify each and every development in contemporary philanthropy, seeking rather to discover whether broad trends within the sector have had a positive or negative impact on its social performance. The single largest trend identified by the research is the emergence of what this paper will refer to as "market-oriented major donors," variously described elsewhere as "philanthrocapitalists," "venture philanthropists," or "social entrepreneurs." According to Bishop and Green (2009), such donors are distinguished primarily by the application of "business techniques and ways of thinking to their philanthropy." (p. x). Presumably this will "greatly increase the productivity of the non-profit sector" (p.xi). The research reveals two primary areas of moral concern regarding the development of these market-oriented major donors. These concerns will be introduced here and the literature surrounding them will be thoroughly reviewed in Chapter Two.

First, does the increasing market-orientation demanded of non-profits by such donors compromise their ability to advocate for meaningful social change, or otherwise serve their clients effectively? Karoff (2004), critiquing the "over-emphasis on 'business plans,'" imagines a scenario in which an organization succeeds in implementing a program via a market-orientation, "only to discover that it promotes a treatment program or an approach that may actually cause harm." (p. 15). Is such a scenario plausible or even probable when organizations are compelled to structure their programs according to "business techniques?"

The second issue surrounding market-oriented major donors is their almost complete immunity from any recognized form of accountability. As Bishop and Green (2008) note:

> They do not face elections every few years, like politicians, or suffer the tyranny of shareholder demands for ever-increasing quarterly profits, like CEOs of most public companies. (p. 12).

Does such freedom increase or inhibit their capacity to create social value through philanthropic activities? Edwards (2009) puts it in terms of a concrete example when he asks, regarding the Gates Foundation, "[I]s it desirable that a foundation governed by a board of three family members is able to play an influential role in setting global health policy?" (p.249).

Question Five: Could philanthropic practice be adjusted to meet the moral challenges raised by its critics?

Finally, the literature review in Chapter Two will present suggestions from the research about the ways in which philanthropic practice could be improved to address whatever moral deficiencies currently exist within the sector.

Significance

The present study is significant for at least three reasons. First, the economic policies that have led to such a drastic increase in the resources available for philanthropic purposes have also led to a growing inequality between the global rich and the global poor. According to Arnove and Pinede:

> Between 1969 and 1999, for example, the gap between the richest one-fifth of the world's people and the poorest increased from 39-to-1 to 74-to-1; at the same time, the world's 200 richest people doubled their wealth to more than $1 trillion, equivalent to the total resources of more than 40 percent of the world's population. (p. 395).

The question of whether such a distribution of "winners" and "losers" is justified is an inherently moral question. The social value created by private philanthropy is a frequent justification for the growing chasm between the world's richest and poorest. Indeed, it is in many ways the oldest such justification, dating back at least to Andrew Carnegie's "Wealth" in 1889 (Bishop and Green, 2009). Does the good created by such immense private fortunes outweigh the negative impacts of our world's wildly unequal distribution of wealth? The present study aims to help answer this vital question by exploring the nature and extent of philanthropy's social value.

The second reason to regard the present study as significant relates to the increasing importance of philanthropy itself within the global order. According to Karoff (2004):

> American philanthropy represents the largest pool of private capital available in the world that is free from the constraints of governments or the marketplace . . . [T]his intersection of freedom and enormous wealth has a profound effect on American culture and, increasingly, on the world beyond our borders." (pp. 15-16).

Edwards (2009) likewise points to the power of private philanthropy, noting that "its impact will touch the lives of increasing numbers of people across the world." (p. 249).

Yet despite the developing consensus regarding the growing influence of private philanthropy, remarkably little has been written about its ultimate moral value (or lack thereof).

Regarding foundations, Schramm (2006) has observed that, "at present . . . the foundation appears to lack any coherent theory of its role in society and the economy." (p. 356). Regarding emerging trends in philanthropy, Edwards (2009) notes that "[t]his movement tends to eschew traditional, democratic modes of accountability, and has thus far escaped any scholarly or public scrutiny." (p.237). Regarding the increasing scope of philanthropy, Korf (2007) asks whether "this new dynamic in scale and distance is reflected in our ethical reflections and theories that debate our obligations towards distant sufferers." (p.371). These and other writers point to the need for a comprehensive survey of the moral questions implicit in current philanthropic practice. Without such reflection, the sector's increased capacity may fail to translate into benefits for the individuals, communities and societies philanthropy claims to help.

The third reason the present study is significant is due to its ability to inform the practices of development professionals, the very individuals responsible for soliciting and stewarding the increasingly large amounts of private funds offered by today's donors. Schervish (2006) claims that:

> [W]orking with donors to freely and intelligently discern their capacity and moral compass, and offering opportunities that fulfill donors' desire simultaneously to increase their own happiness and the happiness of others is the sterling new vocation . . . of development and advancement professionals. (p. 491).

Crafting opportunities that "simultaneously increase" the happiness of donors and of others requires more than a knowledge of the latest fundraising techniques. It also requires a deep understanding of the moral tensions inherent in the act of giving, and the negative impacts that such an act can create. The present study aims to equip development professionals with the knowledge of philanthropy's strengths and limitations necessary for them to fulfill their "sterling vocation."

Definition of Terms

Moral Question: one of the definitions of the word "moral" in Merriam-Webster's Collegiate Dictionary (2009) is, "conforming to a standard of right behavior." (p.807). This paper uses this sense of the word "moral." A "moral question," therefore, is a question as to whether a subject is or is not conforming to standards of right behavior.

Contemporary philanthropy: the institutions, individuals, procedures, policies and systems that collaborate in order to devote private resources towards the solution of social ills in today's world.

Non-profit organization: an institution that, as a consequence of its legal incorporation, cannot distribute profits resulting from its operations to owners or shareholders. Depending on the legal jurisdiction in which they operate, such institutions may enjoy tax privileges. In contemporary philanthropy, non-profits are generally (but not always) responsible for administering donated funds.

Non-governmental organization (NGO): an organization that maintains a governance structure independent of strictly public measures of decision making and accountability, usually through having an independent board of directors. Although this definition could

technically refer to many organizations, including private corporations, in general use it refers to socially-oriented organizations – most, though not all of which, are also non-profits – that exist to address social ills. The term "NGO" is especially in use outside of the United States, where it often has a meaning essentially identical to non-profit organization, above.

Social value or social impact: the net results, considered holistically, of human activity on the entirety of society. It is important to note that an activity can have a positive impact on a distinct group *within* society, while nonetheless having a negative social value or social impact overall. The issue of what constitutes "positive" or "negative" social value is contentious, and depends largely on the ideological, political, religious and social values of the individual asking the question. For the purposes of this paper, "positive" social value is defined in the broadest and vaguest sense possible, as results that, considered holistically, improve society.

Market-oriented major donor: an individual or institution that employs business and / or market techniques in the process of making and / or evaluating a philanthropic contribution.

Civil society: the aggregate of voluntary – that is, non-compulsory – associations between private individuals and institutions.

International aid: private or public funds transferred from within one country to another for the purposes of affecting change in the recipient country. Generally, international aid is implemented with the help of non-profit organizations or NGOs. The concern of this paper is with private international aid specifically, although much of the research reviewed either does not differentiate between the two or is concerned exclusively with

public aid. The paper will justify the inclusion of research on public aid where the

reasons for inclusion are not self-evident.

Chapter Two

Literature Review

Introduction

The literature reviewed is organized under the following headings.

    1. The impact of the sector's increasing emphasis on "donor-centered"

philanthropy on its ability to do good.

    2. Unintended, negative consequences of philanthropy.

    3. The moral impacts of the systems, processes and procedures associated with

philanthropy.

    4. The emergence of "market-oriented" major donors and their influence on the

moral impacts of philanthropy.

    5. Suggested improvements to improve the moral performance of philanthropy.

The impact of donor-centered philanthropy on the sector's ability to do good

    Ostrander (2007a) launches her critique of modern, donor-centered philanthropy

by noting that, although it is always "donors who control the supply of funds . . .

[v]ariation . . . does occur in how much and what kinds of power donors have:"

        [D]onors do not always or inevitably dictate the specific terms and use of

        their gifts . . . [W]hen donors do so, it is an active choice among other

        options available (p.357).

    She argues that current philanthropy has moved "further along a continuum" from

donor-centered philanthropy to what she calls "donor-controlled philanthropy" (p. 361).

In donor-controlled philanthropy, "the new donor actively and intentionally determines

what he or she is most interested in supporting and then sets out to create a new

philanthropic project or to influence a new direction for some existing project" (p. 362).

She points to three aspects of modern philanthropic practice that have created donor-

centered philanthropy: donor exclusivity, donor intermediary, and donor oversight.

"Donor exclusivity," by which term Ostrander refers to giving circles or giving

networks, is troubling to the author because it involves "little or no direct interaction,

dialogue, or on-going connection between donor and grantee:"

> [Giving circle practice] rarely includes the other major party to a
>
> philanthropic relationship: potential or existing grantees, recipients or
>
> beneficiaries or anyone who might speak for or about them with wealthy
>
> donors. Paths for recipient groups to gain access to giving circles are
>
> generally non-existent (p. 363).

"Donor intermediary" is the term Ostrander uses to refer to "the increased use of

philanthropic advisors who offer various services . . . that begin first and foremost with

donors' personal values, interests, and concerns" (p. 364). Ostrander faults these

intermediaries because their giving advice "consistently and resolutely begins with the

donor's private and personal goals and objectives" (p.365):

> Here, philanthropy is dictated by the donor's innermost cherished values
>
> and experiences and by what he or she most wishes to achieve. The path
>
> to funding decisions begins in the deepest and innermost regions of the
>
> self and culminates in the donor's self-generated private vision of public
>
> good. Philanthropy is primarily offered as an opportunity to embark on a
>
> personal journey and to fulfill a private vision for society (p. 366).

Such advisors, according to Ostrander, give limited advice about how to assess the needs of society at large or of particular beneficiary groups.

"Donor oversight" is the term by which Ostrander refers to "high-engagement" donors who "involve themselves as partners with recipient groups in close relationships that go far beyond providing financial support" (p. 367).

The development of these forms of donor-controlled philanthropy, according to Ostrander, has been helped both by the increasing needs of the non-profit sector in the face of economic pressures and reduced government services, and by the increasing insistence of "development professionals" that "recipient organizations comply" with the conditions of donors (p.369). The core problem with all of the afore-mentioned forms of donor-controlled philanthropy, according to Ostrander (2007b), is that they "fail to provide these donors, however well-intentioned, with systematic opportunities to learn about the needs and interests of recipient groups" (p.381).

Karoff (2004a) similarly points to the increasing number of options available to donors in terms of how and what they give, noting that "[w]here there was one choice for a donor in 1990, there are now a dozen" (p. 9). He particularly notes the growth of private foundations and donor-advised funds. He sees philanthropy (2004b) as attractive to individual donors because of its "independence:"

> Not having to wait or ask permission, the option to invent and reinvent, to make up the rules as you go along, makes for pure entrepreneurial individualism at work. If you are looking for an arena where original and creative thinking coexists with almost unfettered action, philanthropy is that place (p. xxi).

In addition to the increase in choice and independence available to donors today, Karoff (2004a) notes the proliferation of new mechanisms for donors to give: "giving circles, learning circles and collective and collaborative approaches to funding are coming of age both domestically and globally" (p. 10).

The research identifies several potential problems with the increasing emphasis on donor-centered or donor-controlled philanthropy: first, that such philanthropy ignores the expertise of non-profit staff. Second, that it does not effectively respond to the needs of the recipients of charitable support. Third, that it undermines the democratic engagement of recipient groups. This literature review will examine the research on each of these problems in turn.

The research suggests that large donors can and do exercise control over the decision-making process of nonprofits, often contravening the expertise of more knowledgeable staff. Maren (1997), for example, explains how a tendency to value the agenda of institutional donors – many of whom did not have an appreciation for the facts on the ground – compromised the international mission in Somalia:

> [For the] UN . . . Somalia had long ago stopped being about Somalia. It was . . . about carving out a brave new world of peacekeeping . . . The few people within the bureaucracies who were conversant with the important details of Somalia's clan system resigned, complaining that no one was listening . . . the Westerners tended to see the [clan relationships] as if they were corporate organizational charts . . . What they never seemed to understand was that the Somalis themselves never thought in terms of organizational charts (p. 252).

Brest and Harvey (2008) note that the donor / organization relationship is "founded on an imbalance of power" (p. 83). They also argue that the "metaphors we bring to a situation can have a powerful framing effect" (p. 42), with a deep influence on the ultimate solution adopted regarding a particular problem. Non-profits or their donors may "mistake symptoms for the problem itself" or "define the problem or solutions too narrowly" (p. 40). Framing the correct problem requires research, knowledge, collaboration and patience. The implication of this argument is that donors can create problems by using their power to drive their own agenda, ignoring the possible contributions of staff and recipients to the understanding of a social problem.

They go on to suggest that donors who promote their own agenda over the plans of an organization can lead to a situation where an organization's plan and sense of mission becomes "fragmented and distorted" by the requirements placed upon the organization by various donors. An organization's "ability to innovate and its very integrity depend on . . . having control over a substantial portion of its budget" (p.109).

Stepping (2010), after using game-theory to analyze the interaction between both small- and large-scale donors and non-profits, found that non-profits should be able to conduct "more effective" interventions in the long-run when supported by small-scale, as opposed to large-scale donors. This is because funding from small-scale donors comes with less donor control, allowing the non-profit the "freedom to identify the important issues and develop a plan of action" (p. 17). Stepping found that donations from large-scale donors, on the other hand, give non-profits an incentive to either focus on short term objectives to fulfill the donor's desires, or to at least "pretend to act" in the donor's interests "while the organization is actually pursuing its own objectives" (p. 23). Unless a

large-scale donor's priorities are aligned with the non-profit's from the outset, therefore, Stepping argues that the non-profit's priorities will "shift to the donor's preferences:"

> Under the assumption that the organization cares about the intended beneficiaries, we hypothesize that the higher the dependence on a large-scale donor, the less effective are the programs and projects. The extensive focus on the donor's preferences endangers the development and maintenance of helpful [interventions] (p. 25).

Karoff (2004a) cautions against "a tendency to look outside an organization for solutions when the answers are frequently right under our noses, in the hearts and heads of our colleagues" (p.16). He is skeptical of the wisdom of relying on the expertise of donors or others from the business community to address complicated social problems.

The research similarly suggests that donor-centered philanthropy can indeed fail to appropriately address the needs of beneficiaries. Korf (2007) provides an example of how donor-centered philanthropy can undermine the effectiveness of non-profit activity. Writing of the aid provided to individuals and communities in the wake of the 2004 tsunami, he notes that there was a "lack of involvement and consultation of people receiving aid." Donations were driven not by a "formal assessment of needs" but by "television coverage" (p.367). Korf argues that the gift-giving practices in the wake of the tsunami, characterized as they were by a deference to the giving preferences of donors, rather than the needs of recipients, caused significant psychological damage:

> Nature does cause misery, but it cannot humiliate. Aid – gift giving – has the potential to humiliate . . . [T]he practices of gift-giving after the

tsunami have developed a humiliating force for those who were at the

recipient end of the gift chain (p. 367).

This humiliating force developed, according to Korf, because "aid practices were

tailored towards the donors in the West, not towards the local recipients" (p. 368). Non-

profits and NGOs attracted donations through highlighting the generosity of Western

donors. Donors in effect became "consumers of generosity – they wanted to see their

generosity flourish and materialize in a consumption good." This led non-profits and

NGOs to "compete for public attention . . . [and] produce these images of unconditional

gratefulness" (p. 369). As a result, they sought out highly visible and marketable

projects, regardless of whether those projects actually fulfilled local needs. Western non-

profits furthermore documented "rituals of gratefulness," which created a "symbolic

domination" of the victims of the tsunami by their generous Western benefactors:

> These kind of performances reproduce images of gratefulness and
>
> reinvigorate symbolic domination: it is foreign agencies that fix the
>
> disaster, that help helpless beneficiaries, that demonstrate their superiority
>
> and by this reproduce images of 'underdevelopment' as a lack of
>
> indigenous potential (p. 370).

The orientation of aid agencies towards their donors in post-Tsunami efforts had

more than symbolic impacts: according to Korf, they ignored social realities in the race

to please their donors, and as a result created "social jealousy and . . . potential tension"

among tsunami victims (p. 370).

Maren (1997) illustrates how, in the case of Save the Children, a devotion to the

interests of donors in a particular child can undermine more general development efforts

that would be broadly beneficial (p. 140). He illustrates how organizations that assume an orientation focused on donors may do well financially, but may also be forced to prioritize the donors' needs above the needs of their beneficiaries (p. 160). In such organizations, programs exist "to fuel the fund-raising machine, to send back the images and information that become the public image of the charity" (p. 161), but not necessarily to positively impact the lives of beneficiaries.

Maren also demonstrates how a form of donor-centered aid – food aid given by industrialized nations – creates significant harm in recipient countries. The kind of aid given is "primarily influenced by prospects for commercial exports of [donor nations'] food surpluses rather than being determined in accordance with the needs and objectives of recipient countries" (p.170). This wreaks havoc on recipient nations' domestic food markets, creating a disincentive for individuals to invest in producing food, and thereby lessening a nation's capacity to produce food. Unsurprisingly, this can lead to an increase in the frequency and severity of famines.

Polman relates how organizations funded by religious individuals "distributed Bibles along with meals" in Afghanistan (2010, p. 56). Simmons (2004) describes how other international donors undermined efforts to convince Afghan farmers to produce wheat instead of opium when they supplied free wheat to the local economy. The resultant collapse in wheat prices caused farmers to return to growing opium poppies (p. 207). Maren (1997) recounts how wells drilled for the benefit of nomads in Ethiopia actually created a situation in which, paradoxically, the nomads eventually died of thirst. The drillers of the wells did not understand that they would attract larger than normal groups of nomads, with their attendant livestock; and that, as a consequence, local food

sources would be completely depleted, leading to the starvation of animal herds and, eventually, people.

Why does donor-centered philanthropy have the potential to create these negative consequences? Ostrander (2007b) suggests it is because donor-centered philanthropy does not allow "for the special knowledge of recipient groups to become a regularized part of the philanthropic transaction" (p. 381).

Karoff (2004a) argues that "nothing makes sense in philanthropy" unless it is oriented towards the needs of the community before the needs of the donor. As for learning what those needs are, he suggests that "real learning . . . takes place when stakeholders are brought together in a safe space and through convening learn from one another" (p. 18).

Jones (2004) argues that successful philanthropy "is based essentially on the ability of the grantee and grantor to communicate. Ultimately this is a process of getting to know one another." Beneficiaries of philanthropic activity are too often removed from these conversations, and seen "as the objects of philanthropy rather than as the agents of change" (p.54). She suggests that philanthropic actors, rather than proscribing activities based on their own idea of what would be effective, should reach out to beneficiaries through conversations, and should redirect their resources to organizations that are "more organically connected with the communities they serve" (p. 57). Change, she argues, "cannot be imposed by politicians, or experts, or academics, or even well-intentioned persons such as those who run important philanthropic institutions" (p.58). Because of this dynamic, "[p]hilanthropy that aims to improve society must be rooted in

that same fundamental identification with others, including those who may be leading very different lives" (p. 59).

Batson et al. (2003) provide a possible explanation for why a structured interaction between donors and beneficiaries may be important. Their research suggests that imagining one's self in another's position may stimulate moral action. Their research suggests that this process "may provide a corrective lens for the specific moral myopia to which a position of advantage is prone" (p. 1200). Participants in their experiments who were asked to imagine themselves in the position of others were "more likely to give up their position of advantage in favor of an equal distribution" (p.1199). They also suggest that individuals of means or advantage may seek to avoid precisely such exercises.

> Persons of privilege, aware of the potential power of imagining themselves in the place of the less advantaged, may not simply neglect to adopt this perspective. They may actively resist it (p. 1200).

Applying this research to the issue of donor-centered philanthropy raises a few questions. If donor-centered philanthropy reduces the contact between donors and beneficiaries, as Ostrander suggests, then does it serve as a way for donors to avoid imagining themselves in another's position? If so, will donors stimulation to act morally be reduced due to the fact that they will not be presented with the opportunity to imagine themselves in another's position?

Edwards (2009) suggests that philanthropic interventions on an international scale are effective when driven by the "determination to change power relations . . . and put poor and other marginalized people firmly in the driving seat" (p. 247). He argues that only through empowering those most affected by injustice can we arrive at solutions to underlying social problems. The assumption in favor of donor-driven philanthropy, then, is that the goals of the donor "are supportive of more-broadly shared visions of the ends and means of development and social change" (249). But, Edwards points out, if the goals of the donor are not, in fact, aligned with the "broadly shared visions" of social change, then philanthropy can actually work against development.

Ellerman (2007) argues that, in order to craft effective helping interventions, "it is necessary to acquire a deeper knowledge of the present institutions. This is done by, in effect, learning to see the world through the eyes of the leaders and people in a community" (p. 574). This can be achieved best through dialogue and interaction with members of that community.

Writing of international giving, Simmons (2004) emphasizes the importance of listening to those "who are 'on the ground' before developing a strategy for intervention" (p. 206). This involves meeting with and listening to beneficiaries. Skipping this activity can both limit the effectiveness of philanthropic projects and, she argues, produce unintended but clearly negative consequences.

The research, then, supports Ostrander's claim that, in order to be effective, philanthropic interventions must take into account "the special knowledge of recipient groups," and not rely entirely on the intuitions of the donors. Indeed, Villadsen (2007) observes that philanthropy has in the past developed mechanisms to ensure that such

knowledge was included in the philanthropic practice. Philanthropic "pioneers" were often not merely a source of donations. They "simultaneously distribut[ed] household relief . . . and carr[ied] out a detailed study" of the character of beneficiaries, spending large amounts of time with them in the process.

On a contravening note, Schervish (2007) suggests that the concern over donor-centered philanthropy ignoring the needs of recipients is misplaced, noting that donors who "initiate philanthropic endeavors" rather than "simply respond to fund-raisers" are most likely to "create effectiveness and significance." This is because those donors "want to do things that work" and gain personal satisfaction from their donations only in the event that they really do meet the needs of beneficiary groups (pp. 374, 375, 376). Schervish furthermore points out that almost half of charitable giving consists of donations to institutions – churches, educational institutions, and health care organizations – in which "the donors and recipients are the same people" (p. 377). In such cases, Schervish argues, the donors clearly do understand the needs of the beneficiaries.

The research also supports the notion that donor-centered philanthropy is damaging to the ability of nonprofits to contribute to civic engagement and other democratic processes. Ostrander (2007b) points out that, even if "the philanthropy of wealthy donors is meeting true needs," there is another problem:

> [H]ow [can a] democratic society reconcile a small number of very wealthy individuals determining the use of a very large amount of public resources for private good (p. 382)?

Although she concedes that "philanthropy can probably never be entirely democratic,"
she finds donor-controlled philanthropy especially worrisome on this subject because it
fails to "[raise] the influence of recipient groups to the maximum level possible" (p. 382).

Schervish (2006) presents the concept of donors as "hyperagents," or individuals
with the ability to create and / or completely modify institutions:

> Hyperagency refers to the institution-building capacity of wealth holders.
> Most people spend their lives as agents living within the established
> workings of the organizational environments in which they find
> themselves . . . [Hyperagents] are capable of forming rather than just
> working within institutional settings (p. 488).

The anti-democratic nature of hyperagency is clear to Schervish: "[W]hat takes a social,
political or philanthropic movement for agents to accomplish, hyperagents can
accomplish relatively single-handedly" (p. 488).

Stepping (2010) concludes that "large-scale donors have more leverage" on
decisions made by non-profits because they "have the potential to threaten the [non-
profit] and are not confined to passively observe" the impacts of their gift. Small-scale
donors, on the other hand, can only react "to the perceived behavior of the intermediary"
(p. 11).

Fleishman (2004) notes that the majority of Americans participate in philanthropy
by giving to "advance or defend the interests they care about." Only "foundations and a
small number of very wealthy people" give with the intention of causing "measurable,
fundamental change in society" (pp. 108-109).

The research is therefore clear that donor-centered philanthropy allows a small amount of wealthy individuals and institutions to exercise disproportionate influence on nonprofit programs and organizations. At the same time, other research suggests that donor-centered philanthropy may undermine the ability of nonprofits to represent the interests of their community in a broader sense.

Arnove and Pinede (2007) highlight how large donors – in their case, "The Big Three" foundations – undermine democratic accountability:

> Decisions that should be made by publicly elected officials are relegated to a group of institutions and individuals who can not conceive of changing in any profound way a system from which they derive their profits and power (p.422).

Their conclusion that "The Big Three" foundations are "corrosive of democratic processes and preemptive of more radical, structural approaches to social change" (p.423) has potential applications for donors and philanthropic institutions in general.

Maren (1997) suggests that international NGOs, which are oriented towards their donors, have effectively no accountability toward the recipients of their assistance, who as a result "have no voice" in the large and politically relevant activities of those organizations (p. 121). In this sense, Maren suggests that international aid – both aid driven by states and aid driven by private donors – represents a form of modern-day colonialism (p. 12).

Guo (2007) suggests that the reliance of a non-profit on a small number of funding sources may impact their ability to represent the interests of their community. Although his research focused on government funding, it has clear implications for any

nonprofit that pursues funding from a few large sources. After conducting a study on non-profit governance, Guo concludes that "the democratic function of nonprofit organizations may be seriously constrained" (p. 458) by a large reliance on government funding. This occurs because the boards of such organizations are selected according to their ability to initiate and maintain relationships with the principal funder, and not according to their ability to represent the community in the governance of the institution:

> The adoption of a co-optation strategy in response to government funding dependence leads to an increase in the number of corporate, professional and social elites – who are more likely to have linkages with public funding agencies, as well as expertise in grant writing – on the board of directors. The limited number of slots on nonprofit boards, however, means that such practices virtually 'crowd out' community representatives (p. 461).

The process of "managing their dependence" on government contracts poses "potentially serious challenges to their representational capacities" (p. 468). Might the process of managing an organization's dependence on a few major donors pose similar challenges?

On the other hand, some research suggests that donor-centered philanthropy may not undermine a nonprofit's ability to represent the will of the community.   Brown (2004) indicates that in some cases the control of philanthropic resources by the wealthy may not undermine the will of the community, because "the needs and expectations of shareholders are aligned in substantive ways with the needs and expectations of . . . communities with regard to critical issues facing society" (p. 162).

Schramm (2006) defends the freedom from democratic accountability of at least one kind of donor – the private foundation – on the grounds that such independence is necessary for foundations to pursue their role as social entrepreneurs and promoters of "pluralism." Foundations exist, according to Schramm, to challenge "other institutions to continuous renewal" (p. 360), and in order to pursue their role effectively they need to be free from the need to report to constituents. In instances where democratic accountability has been forced on foundations, the result has been "to favor local rather than national interests, immediate rather than long-term future benefits, and politically palatable rather than unpopular or minority interest positions" (p. 386). In other words, a foundation's ability to override the will of communities may be more genuinely representative of the community interest in the long run.

Unintended, negative consequences of philanthropy

The research suggests cases in which philanthropy – though performed with good intentions – results in negative consequences. First, philanthropy may divert resources and attention to symptoms of problems, rather than problems themselves. Second, philanthropy may undermine the ability of communities to help themselves. Third, philanthropic dollars may be captured by ill-meaning actors to the detriment of the intended beneficiaries. This literature review will survey the research surrounding each of these phenomena.

The research suggests several ways in which current philanthropic practice pays attention to relatively minor issues at the expense of larger, more pressing problems.

Goldmark (2004) argues that current philanthropy fails to "address frontally the newly global dynamics of our present situation" (p.24), preferring to devote its attention to more localized issues. Writing specifically about climate change, he suggests that responding to man-made environmental changes will involve "rethinking our economic models and the largest part of our contemporary industrial system" (p.33), and that philanthropic effort should be focused on these kind of large-scale, potentially catastrophic problems. To the extent that modern philanthropy ignores these larger issues, it will fail to achieve its potential as a source for positive change.

In a similar vein, McVay (2004) highlights the dangers posed to humanity and the biosphere from our newly "planetary" impact (p. 73), and suggests that much philanthropy, rather than address these crucial issues, instead takes the "path of least resistance" (p. 78). Sievers (2004) shows how the majority of philanthropic funding allocated to international issues goes to "specific problems in areas of population, the environment, health and economic development," rather than broader issues such as the "issues of improved understanding across cultures." He suggests that such understanding is a "necessary, if not sufficient, condition" for progress on a global level (pp. 145, 146).

Gourevitch (2010) suggests that modern humanitarian aid grew out of a desire to engage in a non-ideological way with the needy and the suffering, "not to be a bystander, and, at the same time, not to be identified with power: to stand always with the victim, in solidarity, with clean hands" (p. 104). Gourevitch argues that this is actually impossible, since "humanitarian crises are almost always symptoms of political circumstances, and there's no apolitical way of responding to them" (p. 106).

Polman (2010) agrees, arguing that "[h]umanitarian crises are almost always political crises, or crises for which only a political solution exists" (p.173), and that philanthropy's insistence on addressing the symptoms of those crises through humanitarian and not political intervention is at best ineffective. As an example, Arnove and Pinede (2007) show how a significant downside of the Rockefeller Foundation's "Green Revolution" has been the increase in inequality between "those farmers that have access to the credit and irrigation necessary for high-yield crops and those who do not" (p.407). In this case, the philanthropic intervention addresses a symptom, such as lack of food, without looking for potential underlying issues, such as political inequalities that restrict access to agricultural resources.

The research similarly suggests that many philanthropic interventions have the unintended consequence of compromising the ability of individuals or communities to help themselves. Ellerman (2007) points out that "where development has been most successful – as in East Asia – the official aid agencies have had little to do with it, and where the aid agencies have focused much of their assistance – as in Africa – that help has not been crowned with success" (p. 561). He suggests that this is because most assistance undermines "the budding capacity for self-help and thus ends up being unhelpful" (p.562).

Ellerman indicates that a donor can "thwart [the] autonomy" of recipients by either consciously imposing his or her own will or ideas or by "inadvertently" replacing the donor's motivation with his or her own. In the former case, a donor might offer a specific policy or prescription for dealing with a problem regardless of the recipients' own ideas. In the latter case, a donor might "inadvertently [supply] the motivation for the

doer to be in or remain in a condition to receive help" (p. 564). In either case, the actions of donors have the potential to create harm in terms of reducing the beneficiaries' willingness or ability to create solutions on their own:

> Again and again, one finds well-meaning programs to "do X" being defended on the grounds that the doers should indeed do X . . . But there seems to be little to no real recognition that if the doers do X only to receive aid, then the motive will falsify the action, the reforms will not be well implemented, and the changes will not be sustained. Hence all arguments about the beneficial nature of "doing X" miss the point (p. 565).

In this formulation, philanthropy has negative moral implications not because the causes which donors are supporting are immoral, but rather because their very support prevents the beneficiaries from owning the process and therefore the results.

Ellerman goes on to suggest that effective philanthropic projects depend upon the empowerment of the beneficiaries:

> The key is for the doers to embark on projects or program motivated by themselves. This means that money *cannot* be the leading edge of the helpers' assistance – a truth that "money-moving" assistance organizations are loath to admit. The direct link between money and motivation must be broken. Money can only play a role as a secondary or background enabler for what the doers *independently* want to do (p.567).

According to Ellerman, if philanthropic assistance is not provided in this manner, "it will be the magnet which sets all compasses wrong" by distorting the natural orientation of societal actors and "essentially subsidizing the costs of not changing" (p. 567).

Ellerman is also concerned with the possibility of aid creating a situation of moral hazard, relieving beneficiaries from the burden of taking otherwise normal steps to improve the situation in their communities:

> Eleemosynary aid to relieve the symptoms of poverty may create a situation of moral hazard that weakens reform incentives and attenuates efforts for positive change to eliminate poverty (p. 571).

By making the present situation even incrementally more tolerable for communities, philanthropy may "soften the incentives for people to help themselves" (p.577) and, in effect, harm the intended beneficiaries of a philanthropic activity.

Other theoretical research supports Ellerman's conclusions: Writing of humanitarian intervention in armed conflict, Rauchhaus (2009) theorizes that the intervention of a third party in a conflict may lessen incentives for the other parties to show restraint, and decrease the costs of war. Although his research is limited to international intervention, the model he uses could apply to philanthropic interventions as well. Jones (2004), writing of her work with The Boston Foundation, notes that "no amount of 'giving' could do for the community what the community could do for itself. "We came to reject the notion that solutions could be superimposed on communities by outsiders" (p.53). Similarly, Villadsen notes that modern social workers face a dilemma in providing "help" to individuals: "Their problem is how to stimulate a genuine individual willpower emanating from within the client" (2007, 319).

The research identified a tremendous amount of data and examples to validate these theoretical concerns. Polman (2010) reports that local communities have little say in the policies and implementation of international aid programs, as the vast majority of decision-making staff in such programs are "white Westerners" (p. 49). At the same time, the presence of Western aid agencies often distorts the local economy, driving up the costs of housing, food and fuel.

Maren (1997) argues that international aid, through creating political distortions and market inefficiencies, has undermined pre-existing methods for dealing with famine throughout Africa, and has resulted in a number of nations that are "chronically hungry" (p.21). Furthermore, he argues, aid creates incentives for otherwise entrepreneurially-minded individuals to enter the NGO sector. This both diminishes the power and legitimacy of actual NGOs, and channels talented individuals away from economic productivity (p. 166).

In Somalia, international food aid undercut traditional farmers and legitimate importers. "An entire segment of the business community vanished as high-quality American and European cereals were sold at 50 to 60 percent less than they could have been purchased for" (p.169). In addition, aid forced traditional farmers out of business because they could not compete with the free or subsidized food offered by international aid efforts.

Stiles (2002) presents evidence from Bangladesh that assistance provided to indigenous NGOs created tensions within the sector. The influx of aid forced the NGOs to hire "accountants, bookkeepers and even ghost grant writers" (p.838), changing the culture and operating procedures of those organizations. External aid also made domestic

NGOs accountable to foreign donors, and not to their own constituencies. Finally, NGOs supported by foreign donors often abandoned their "mass movement tradition" (p. 843) and political engagement. Stiles concludes that external support to indigenous NGOs has produced "counterintuitive and largely negative outcomes" (p.839).

After conducting a thorough review of empirical data, Djankov, Montalvo and Reynal-Querol (2006) considered the relationship between international aid and the development of democratic political institutions. They found that, far from supporting the creation of democratic societies, aid actually damaged democratic institutions:

> If the average share of foreign aid over GDP in a country were 1.9% over the period 1960-1999, then the recipient country would have gone from the average level of democracy . . . to a total absence of democratic institutions (p.3).

Although this remarkable research relates specifically to foreign aid provided by government and international institutions, the mechanics of foreign aid that create this negative dynamic exist to at least some extent in much private philanthropy.

The authors point to several such issues: the first issue is that most aid is provided without an explicit requirement that the recipient government exercise a certain level of democratic governance. Similarly, private donors usually do not require that the organizations to which they direct donations represent, in any formal way, the beneficiaries they nominally serve. The second issue is that aid encourages "rent-seeking" activities – that is, activities to appropriate as much of the funding as possible for private and not public aims. The analogy in the private philanthropic sector would be egregiously high administrative costs charged by implementing organizations. The third

issue is that in certain cases, where a variety of actors are competing for limited foreign aid, these rent-seeking opportunities can engender civil conflict. In the philanthropic space, this issue might create competition among various groups in civil society who would be more effective if they were able to collaborate. The research furthermore showed that even countries with well-developed democratic institutions were not immune from the negative consequences of foreign aid (p. 17). The question this raises for philanthropy is whether major philanthropic gifts have the potential to undermine even well-developed non-profit organizations in a similar way.

Some research also supports the notion that philanthropic programs can be diverted by ill-meaning actors. Polman (2010) suggests that aid "has become a permanent feature of military strategy," with warring factions using it both to reward their allies and punish their enemies. (p.10).   She provides a depressingly long list of examples: the head of the UN mission in southern Afghanistan estimates over one-third of the support provided in 2006 ended up in the hands of the Taliban; aid intended for Tsunami victims in Sri Lanka went to support the Tamil Tigers; in the former Yugoslavia, aid for refugees was diverted to Serb armed forces; houses, apartments, drivers and offices provided to international aid agencies are often owned by members of the ruling elite; in Darfur, 4.47% of one organization's budget was stolen or extorted by the government, and the presence of aid frees up money the government would otherwise spend on refugees for use in the ongoing military conflict; refugee camps across the world provide shelter, funds, training opportunities, recruiting grounds and medical treatment to active combatants.

In what is perhaps the most disturbing example, aid provided to Hutu refugees in the aftermath of the Rwandan genocide camps was used by the Hutu government to "continue its campaign of extermination against the Tutsi enemy back in Rwanda." The government taxed humanitarian relief to pay its army, recruited new soldiers in the camps, and used the organization in the camps to more effectively spread anti-Tutsi propaganda (p.27). INGOs estimated that "on average militias stole 60 percent of all aid supplies" (p. 30). Polman suggests that "without humanitarian aid, the Hutus' war would almost certainly have ground to a halt fairly quickly" (p.37). In a similar story, Maren (1997) recounts how rebel factions in Western Ethiopia were fed and conducted recruitment in donor-funded refugee camps in neighboring Somalia (p. 118).

Polman (2010) suggests that food aid is particularly vulnerable to diversion. "Famine is rarely caused by a lack of food. It far more frequently occurs because people are denied the right to food" (p. 119). Yet food aid organizations often have no understanding of the political nature of the conflicts in which they intervene. This allows "warring parties" who "know the advantages of the hunger weapon" (p.120) to use the provision of aid itself as a military tactic.

The research shows that not only governmental, but also private aid, is vulnerable to capture by ill-meaning actors. Polman (2010) describes how the $104 million raised by the "Live Aid" concerts was diverted by the Ethiopian government to force a relocation of hundreds of thousands of villagers from the north to the south of the country. In the course of the evacuation approximately 100,000 lost their lives.

Polman concludes that:

The growing number of aid organizations and the rising value of the aid

supplies they deliver to warring countries make humanitarian aid an

increasingly important supplement to war chests. The number of

organizations and the amount of money they come to spend in countries

with no other sources of income turn the aid industry, supposedly neutral

and unbiased, into a potentially lethal force the belligerents need to enlist

(2010, p. 105).

Maren (1997) suggests that the majority of foreign aid going to a country ends up either in the hands of government bureaucrats, or as a means for maintaining those bureaucrats' power (24). Often, he argues, aid diverted in this way will go to nefarious purposes such as ethnic cleansing or retaliation against political enemies. Speaking of the famines in Ethiopia in 1984 and 1985, he writes:

The government had launched a cynical campaign: First you starve them,

then attract them to central areas with food, then cart them off to where

you want them. That had been the government's plan, carried out with the

assistance, unwitting sometimes, of local foreign charities using monies

donated . . . (p.51).

The moral impacts of the systems, processes and procedures associated with

philanthropy

Guthman (2006) suggests that "the techniques of neo-liberal governance – some of which are deeply inscribed in the norms of philanthropy – fundamentally [shape] the thinkable and hence actable" (p. 1242) when it comes to non-profit activity. Her

argument is that philanthropy creates morally questionable outcomes not because of any incompetence or malevolence, but rather because the systems, processes and procedures of modern philanthropy predispose donors and organizations to certain projects, which may not be the most moral or effective. She notes that the general thrust of philanthropic practice is to channel non-profit activity "into more organized, less militant directions" and to "professionalize" the staff involved in such activity (p.1243). She presents a compelling case study related to the development of an agricultural development project in California, demonstrating how the outcomes of the project were deeply shaped by the process employed by the philanthropic actors who supported the activities. The question her research poses is whether a similar impact exists in the philanthropic sector as a whole.

This literature review considers three nonprofit systems that have developed in the recent past, and investigates, first, whether they have predisposed nonprofits to certain kinds of philanthropic actions, and second, what impact such predispositions have upon the performance of the sector. The three systems under consideration are: measurement, or the process by which nonprofits emphasize the tracking of concrete and quantifiable results; marketing, or the process by which nonprofits have adopted the branding and / or marketing techniques of the for-profit sector; and professionalization, or the process by which nonprofits recruit and train their permanent staff.

The research suggests that the development of an emphasis on producing and tracking measureable and quantifiable results has several potential impacts on nonprofit activity. Karoff (2004a) claims that "strategic philanthropy, once the province of only a few large foundations, is fast becoming the norm for thoughtful donors" (p. 13). As part

of this shift, philanthropic practice includes more of an emphasis on measuring the impact of philanthropic interventions. Many other authors, including Collins (2004), Sievers (2004), and Schroeder (2004), likewise note an increasing tendency towards measuring concrete results of philanthropic activities. Collins (2004) notes that "philanthropy has willingly, almost desperately, embraced the metrics of the for-profit sector" (p. 65).

Guthman (2006) suggests that the obsession of the non-profit sector with measurements has undermined its ability to achieve real social change:

> [A]ccountability measures not only take effort away from the "real work,"
> but, in effect, create governability rather than substantive change . . .
> [Measuring] is performative because it gives the impression that
> something is being done . . . it is depoliticizing because it suggests that
> social change can occur with technocratic modeling exercises, as opposed
> to hard fought struggles that characterize successful social movements (p.
> 1251).

Ellerman (2007) suggests that the efforts of foundations and donors to measure the impact of their gifts has been matched by "better mimicry" on the part of non-profits, allowing them to access those funds. He suggests that the combination of measures to distinguish "genuine" from "money-seeking" projects on the part of foundations and the efforts of non-profits to successfully evade those measures creates a "tacit social contract or 'norm' of mutual self-delusion to accommodate the needs satisfied on both sides by moving the money." Far from achieving its goal of making philanthropic intervention more effective, the attempt to distinguish real from surface change via measurement

regimes may be counter-productive, "sponsoring learned disability and aid addiction" (p. 567). Maren (1997) similarly points to the tendency of non-profits to utilize specific phrases or buzzwords in reports and proposals to funders, while changing nothing "in the day-to-day operation" of projects (p. 47).

Karoff (2004a) points out that a weakness of a philanthropic sector driven by measurable impacts is that it naturally funds those projects most easily measured, and pushes donors away from causes or organizations that deal with "more complicated issues and problems that defy . . . linear evaluation" (2004a). The drive to measure success can also make donors "risk-averse," and discourage them from investing in "really tough projects" (p.15).

Collins (2004), in a similar vein, argues that the drive to measure outcomes will lead donors to avoid "funding to address big, complicated, messy, seemingly insoluble problems." He notes that much of the so-called "new philanthropy" exhibits an "enthusiasm to fund projects and activities that are easily quantifiable and highly visible" that "do little to change the underlying causes of the problems at issue" (p. 65). An overreliance on metrics will not only lead donors into dubious projects; it will distract them from what, in Collins' view, is a more essential role of the sector: to "contribute in meaningful and essential ways to pluralism" through experimentation and innovation. He suggests that foundations in particular are eliminating their own independence from the "ballot box or a shareholder vote" (p. 68) – an independence which is crucial to their ability to innovate – through "overdependence on metrics" (p. 69).

Fleishman (2004), while acknowledging the downside of much traditional philanthropy, which has been hesitant to "evaluate rigorously" the impact of its activity,

nevertheless warns against an "overdose of strategic philanthropy," noting that

philanthropy which pursues "only easily evaluated courses of action" abdicates its wider

role as "providers of the social venture capital on which our society depends for its

renewal" (pp. 105, 106).

Sievers (2004) suggests that paying excessive attention to measureable outcomes

"may distort an organization's program or actually cause more important, intangible aims

to be overlooked." As an example, he illustrates how the drive to use test scores as a

measure of school quality has led to a situation in which teachers "'teach to the test,'

ignoring the broader purposes of a good education" (p.134).   He argues that foundations,

in order to achieve "measurable outcomes," will narrow their program focus and become

"more proactive, setting its own agenda rather than responding to diverse requests from

other engaged in the fields in which it operates." This focusing rests on the assumption

that "human action can be understood in terms of linear, sequential steps . . . [like] the

impressively efficient production line of an auto assembly plant." The reality of social

change, Sievers suggests, is "stochastic (non-linear, incapable of precise prediction), self-

referential and multi-variant." By focusing on achievable and measurable objectives,

therefore, foundations (and other donors, for that matter) will "bypass vital areas of social

concern that do not fit easily into a linear framework of analysis" (p.135).

Sievers goes so far as to suggest that the "adoption of narrowly-targeted

guidelines . . . measurable outcomes, and concrete deliverables" actually reduces "the

potential social impact of foundation dollars:"

> The reason is that techniques that are designed to increase management
>
> and control can actually steer people working in our field away from areas

in which they have the greatest potential for achieving significant social change. The complexity, size, and downright messiness of some social issues deter funders who seek quick, tangible results from their investments. If effective grantmaking is thought to be validated primarily by precise increments of numerical change . . . foundations are unlikely to find such validation when they work on issues of large-scale social change or transformation of values (p. 138).

Sievers brings up social movements such as the civil rights movement and the environmental movement as examples of philanthropic targets of support that "have transformed American life in ways that lie beyond any calculations of 'return on investment'" (p. 138). He identifies five "issues with especially profound significance for the current and future state of the world" that "are largely ignored by contemporary philanthropy" because "they are diffuse, value-laden, change resistant problems that do not lend themselves to straightforward cost-benefit calculations" (p. 139): media, the political process, civil society, ethical choices, and inter-cultural understanding.

Sievers suggests that an analogous practice among individual donors is the use of "simple financial ratios" to determine the effectiveness of non-profit programs and organizations. Such an emphasis "ignores several realities of nonprofit life," the most important of which is that "there is no demonstrated relationship between low administrative expense and overall program success" (p. 137). In addition, by insisting on low administrative expenses, Sievers argues that donors often undermine the long-term sustainability of organizations.

Schroeder (2004) frames the tension surrounding measurements in philanthropy as a choice "between picking easy targets that lend themselves to measurement and finding proxy measures for wider social change, neither of which may give a satisfactory status report" (p. 186). The situation is complicated by the difficulty of demonstrating cause and effect and attributing credit, especially when working in areas where a number of philanthropic actors are present (pp. 190-191).

Stepping (2010) finds that non-profits, in their need to attract donations, have a "strong incentive . . . to focus on measurable results" at the expense of long-term, and potentially more effective, programs (p. 12).

Maren (1997) recounts how international aid organizations, in a desperate drive to increase the size of their projects, spend large amounts of energy measuring the number of aid recipients, but relatively little (or none) investigating whether the aid the recipients received had a beneficial impact. He furthermore argues that most evaluation is done not out of a genuine desire to monitor progress towards objectives or evaluate the soundness of a strategy, but rather as an elaborate show of accountability in which both donors and organizations are complicit (p. 97). Finally, he suggests that the urge to measure outcomes often prevents organizations from taking what is, in certain circumstances, the most useful step: walking away from a particular program or intervention (p. 251).

 Edwards (2009) wonders whether the "technocratic, short-term, metric-driven" accountability demanded by foundations might be "eroding the slow, long-term, 'subterranean' work of institutional development" (p. 248). Brest and Harvey (2008) underline the fact that certain kinds of non-profit activities – particularly advocacy work that attempts to change public policies – are long-term in nature and highly resistant to

any attempt to measure immediate impact. "The time frame for serious reform can be decades long, and attempts at quick fixes are unlikely to reap much beyond raised, then dashed, hopes" (p. 27). The authors argue that the emphasis placed by philanthropy on immediate and direct results has therefore led the sector to "underinvest" in "risky large-scale projects with long time horizons" (p. 28).

Collins (2004) questions the accuracy of measurements in the philanthropic sector, due to the fact that most of the problems which philanthropy addresses "are human ones – in people, their organizations, and communities – and the inevitable human complications render the outcomes of our interventions unpredictable" (p.64). This makes attributing the improvements in a particular situation, of "proving cause and effect," extremely difficult.

Brest and Harvey (2008) also point out that measuring impact in the social sector, particularly for projects that are broad in scope, is incredibly difficult. "[R]arely [can one] calculate impact and probability with any degree of precision" (p.160). They also point out that tracking specific measurements of impact may be able to establish a correlation between a program and a change in social circumstances, but causation is much more difficult to establish. For these reasons, they recommend that measurement of social impact is positive when pursued as "the essence of an attitude" rather than as a specific set of rules (p. 16).

Sievers (2004) argues that philanthropy pursues "public goods" that "are not reducible to the same kinds of categorization that define profit margins." According to him, attempts to provide equivalent measures of social impact – such as Social Return on

Investment (SROI) can not "account for the complex and intangible human dimensions" of philanthropic aspirations (p. 133).

Fleishman (2004) questions the wisdom of mimicking the for-profit reliance on measurements, noting that "for-profit corporations have several bottom-line metrics . . . by which the performance of their executives and boards may continually be measured. Not-for-profit organizations have none" (p. 113).

Maren (1997) demonstrates how charities can organize data in ways that mislead attempts to evaluate performance. For example, charities can create the impression that they spend a greater proportion of their overall expenses on programs (as opposed to administration), simply by classifying many administrative tasks as "program expenses" (p. 142). He also shows how certain metrics focus on concrete objectives at the expense of broader, more meaningful achievements. As an example, he points out that food aid programs track the number of people fed, but do not "seriously study what all that food was doing to the individuals or the societies" where it was employed (p. 173). This emphasis on a concrete, understandable metric gives food aid programs the impression that they are being extremely successful, when in many cases their aid is creating grave problems in the very societies they aim to help. A similar phenomenon can occur when tracking the efficiency of programs, he argues. He cites *AmeriCares*, which distributes corporate in-kind contributions to the developing world, and can make the legitimate claim that 99.1% of donations go to recipients. Maren wryly notes that "No one asks if the needy want those donations or need those donations" (p. 269).

Just as it demonstrates potentially severe impacts on the sector from an overreliance on metrics, so too much of the research reflects skepticism about the impacts

of the sector's move to embrace for-profit marketing practices. The research shows how

the use of these marketing techniques can create problems for the philanthropic sector.

Stride (2006) suggests both that the non-profit sector is increasingly adopting marketing

"techniques developed in the for-profit context" (p. 117), and that this adoption has raised

concerns about the commercialization of the sector. She illustrates the tensions involved

in non-profit adoption of for-profit marketing, noting that for-profit values are "flexible"

and used to "ensure survival in an external environment," whereas non-profit values are

"not optional or negotiable but are integral to the organization itself" (p. 118). This limits

the branding strategies that should be acceptable to non-profits. They should not, Stride

argues, change their brands in "response to changing fashions and fads in the wider

commercial marketplace" (p. 119). They must also be cautious about using a brand to

"manipulate audiences" (p.120). Using the brand as a lens, however, and thereby

"projecting the non-negotiable values that underpin a charity's mission," seems more

appropriate and effective to Stride. Development professionals often employ branding

and marketing in inappropriate ways, Stride suggests, because they "resort to adopting a

'sound bite' approach supported by negative images, while service providers and

campaigners are more likely to want to portray beneficiaries positively and communicate

the cause in holistic terms" (p. 122).

Similarly, Maren (1997) argues that charities which employ for-profit marketing

strategies will necessarily distort the truth about the situations they are facing, taking

"credit for every positive development" while minimizing or neglecting entirely negative

impacts of the charity's work (137).

Much of the research raises questions about the ways in which nonprofits use and take advantage of media coverage for fundraising purposes. Polman suggests that "coverage of disasters on television is crucial to humanitarian operational management" (2010, p. 41). Humanitarian organizations achieve positive fundraising results through news coverage and mass-marketing, media that privilege certain forms of aid over others, and that generally downplay the complexities of a particular situation.

For example, Polman (2010) recounts how, in the aftermath of the Rwandan genocide, donors that supported Hutu refugees in Goma didn't understand the dynamics of the situation in which they were intervening:

> The refugees they saw on the news, trudging out of the country, were clearly fleeing from something horrific. Television viewers assumed these were the survivors of the slaughter. In fact, they were the perpetrators of the genocide. The stream of refugees included the entire Rwandan Hutu army and tens of thousands of members of extremist citizens' militias that had helped carry out the killings in Rwanda . . . Most journalists presented the story in heartrending terms as a humanitarian drama. Either they failed to understand the political context or they ignored it (p.17).

These reports and media images soon became the material around which INGOs created a massive fundraising campaign, which presented the Hutus to the public in the West "mainly as innocent victims." Private sources provided $1 million in aid each day to the camps (Polman, p. 19). This was certainly a triumph of marketing, but as research

previously reviewed by the Capstone showed, these funds were often diverted to support the Hutu government's ongoing campaign against Tutsis in Rwanda.

Polman (2010) furthermore suggests that the system of collecting aid through television coverage and marketing prioritizes "high-profile" disasters (p. 160). She suggests that this fact has led certain parties – for example, the warring factions in Sierra Leone – to increase their brutality as a way of attracting increased amounts of aid (p.167). "Without violence and devastation, no aid. And the more ghastly the violence and the more complete the devastation the more comprehensive the aid" (p.169).

Franks (2006), in a review of a report from CARMA International, suggests that reporting of humanitarian disasters is uneven, dependent more on the perceived interest of Western audiences than on the scale of the disaster itself. Disasters with no significant economic impact on Western nations received little coverage. Disasters where Western governments "exerted pressure for intervention" (p. 282) also received coverage. "Suffering in itself," however, was not enough to generate press interest (p. 282). Franks also reports that disasters which are "unambiguous" received news attention, whereas "crises which are complicated and need subtle and involved explanation . . . are less likely to have appeal in news values." Finally, Franks notes that media coverage of disasters rarely extends beyond "the immediate aftermath of a disaster" (p. 283).

The research indicates that many marketing techniques that raise funds may also undermine the image of beneficiary groups in the public at large. Polman (2010) points out that fundraising materials for humanitarian interventions in Africa portray Africans as perpetually impoverished, malnourished, and at war. Maren (1997) suggests that efforts to raise funds for causes in Africa have created an image of Africa as "poor and

helpless," and of Africans as continuously in a state of starvation. "The starving African is a Western cultural archetype like the greedy Jew or the unctuous Arab" (p. 2). The difference, according to Maren, is that "trafficking" in such an archetype is not seen to be wrong; to the contrary, such archetypes are used "to mobilize our good will and awaken us from our apathy" (p.3).

Maren furthermore suggests that the impact of such messages is to produce the impression that hunger and poverty, far from being intractable social and political problems, are easy to solve: "The relentless message is that it is all so simple. It's easy. Just send money" (p.23). As a result, few donors ever spend the time to educate themselves about the real causes of human suffering and possible solutions. In this sense, charity messaging has been harmful towards a proper accounting of the problem.

This is particularly damaging because, Maren suggests, the real issues at stake in a humanitarian situation are deeply complex. Speaking of the media coverage of Somalia, Maren observes:

> Reports conflicted on the severity of conditions in Somalia. A careful reader would have noticed that the situation in Baidoa was improving, while the situation in Bardera was getting worse. These details, and the questions they might have raised about the localized impact of the famine, were lost in the overall impression that the entire country was starving. Television cameras continued to seek out and broadcast the worst cases (p. 210).

Maren suggests that Western media, often with the active help of charities, will focus on the worst aspects of a situation in a country, often going so far as to edit footage to present a particularly horrific picture to audiences (p. 213).

Maren argues that another serious harm of charity advertising – particularly around causes in Africa – is to make communities or even countries seem desperate and unstable, thereby reducing the likelihood that foreign companies will invest in those areas (p. 158).

Doddington, Jones and Miller (1994) found that the aggressive marketing techniques of organizations that served disabled children in the United Kingdom, while effective in increasing the desire of members of the general public to donate, unfortunately increased the perception that disabled people were incapable of functioning independently in society. This message was "degrading to people with learning disabilities and reinforce[d] the image of dependency" (p. 218). The authors concluded that "future charity campaigns need to consider very carefully the images that they present, and that they need to behave responsibly towards the people they portray" (p.220). Maren (1997) also suggests that members of communities that received assistance often felt stigmatized by the ads charities used to raise funds (p. 157).

The research also demonstrates a concern with the increasing professionalization of the sector. The trend towards professionalization has in many cases reduced the diversity of the sector, by insisting that staff of nonprofits possess a relatively limited set of skills and perspectives. Arnove and Pinede (2007), for example, argue that although the trustees of "The Big Three" foundations (Carnegie, Rockefeller and Ford) are more diverse now than in the past in terms of gender and ethnicity, they nonetheless are "well-

connected members of the establishment" (p.416) who are comfortable inside current economic and political systems. The foundations themselves are, according to Arnove and Pinede, "ultimately elitist and technocratic" (p. 422).

Edwards (2009) notes that, in the case of international aid, most grants are made to or thorough so-called "Northern" NGOs or international agencies, and not directly to institutions or organizations constituted by the communities that receive the assistance. This has had a negative impact on the development of civil society in countries which are the recipient of aid:

> Many Northern NGOs have internalized functions that should have been distributed across indigenous organizations, franchising their global brands instead of supporting authentic expressions of civil society, and crowding out Southern participation in knowledge creation and advocacy in order to increase their own voice and profile (p.243).

Edwards goes on to suggest that the reluctance of Northern NGOs to collaborate with their Southern colleagues may "block any significant increase" in the ability of NGOs to advocate for meaningful change in the future.

Fleishman (2004), remarking on the inherent subjectivity of the grantmaking process, argues that "most foundation giving will continue to benefit those whose needs most closely reflect the values and perspectives of the socio-economic elite" (p. 124), because it is representatives of those elite who most commonly sit on the boards of foundations.

Maren (1997) cites the professionalization of the aid industry, and its population by "young professionals with graduate degrees," as a source of many of the problems

with development assistance (p. 33). This is due in part to the fact that they view

assistance as a "career" and may therefore have less connection to or interaction with

actual beneficiaries, especially when compared to volunteer staff (p. 40).

He makes a distinction between aid workers that accept the current model of

development assistance, and those that realize that:

> . . . charity and development work are political, that doing relief and
>
> development work in the context of oppression is counterproductive. Any
>
> real commitment to development requires political action, speaking out
>
> against the powers that keep populations from developing themselves (p.
>
> 88).

The emergence of "market-oriented" major donors and their influence on the moral

impacts of philanthropy.

Cognizant of many of the moral challenges facing philanthropy, a new wave of

market-oriented major donors have made significant innovations in the way they pursue

their personal philanthropy. These new donors apply, according to Bishop and Green

(2009), "business techniques and ways of thinking to their philanthropy." This literature

review reviews research on two related questions regarding the impact of these new

donors: first, is the market-oriented approach they preach a positive influence on the

philanthropic sector? Second, is their relative freedom from accountability a problem for

the moral practice of philanthropy?

Most of the research is skeptical of the application of market-oriented thinking to the nonprofit sector. Karoff (2004a) notes that, increasingly, the philanthropic sector is home to for-profit organizations and professionals, with an increasing array of service companies offering their clients specific products, among them advice in making philanthropic decisions and mechanisms for making those gifts more efficiently or with greater tax benefits. The focus of these for-profit actors, however, "is almost always around process, and seldom includes the thoughtful examination of programmatic substance concerning social issues" (p.11). According to Karoff, nonprofits, too, have increasingly adopted a for-profit orientation. He suggests that this process has its downside, noting that it emphasizes "'business plans' without equally well thought out 'programmatic plans.'" This may result in nonprofits creating sustainable and even profitable services which are ineffective or downright harmful in achieving broader social progress (p. 15).

Maren (1997) argues that, for many humanitarian organizations, the provision of aid is a business like any other, and famine is a "growth opportunity" (p. 9). He acknowledges that the intentions of aid programs may be praiseworthy, but also stresses the extent to which the activity of providing aid has become an industry. He brings up Save the Children as an organization which prioritizes fundraising over quality programming, concluding that "Save seems to be less of a development agency than a professional fund-raising operation" (p. 151).

Ellerman (2007) suggests that, if viewed as a business or industry, philanthropy will most likely encourage "neediness, disability, incapacity and helplessness" in order "to make [its] living." Such an orientation, therefore, may encourage the adoption of

strategies that "perpetuate the continuing need for helping" rather than those "that would foster the doers' autonomy" (p. 565). Although he concedes that specific interventions of this kind are sometimes effective (his example is vaccinating children), he contends that similar philanthropic projects undermine "real assistance" such as "culture change, capacity building, and sustainability" (p. 566).

Eikenberry and Kluver (2004) caution against the "marketization" of civil society, arguing that, although it "may be beneficial for the short-term survival needs of nonprofit organizations, it may have negative long-term consequences," particularly on the ability of non-profits to "create and maintain a strong civil society" (p. 132). Although they concede that marketization holds benefits for non-profits, they also underline the unique role non-profits have in representing the public interest. Such a role is threatened, they argue, when "for-profit partnerships, the generation of commercial revenue, and social entrepreneurship activities emphasize profit at the expense of a nonprofit organization's mission" (p. 136). An emphasis on business-oriented activities may lead nonprofits to: provide services to those able to pay rather than those in need; address individual rather than societal needs; emphasize measurable outcomes; de-emphasize public education and advocacy; and eliminate unprofitable activities.

Furthermore, they argue, marketization deeply impacts the way in which a non-profit interacts with its community, and, thereby, the value created by the nonprofit:

> In the past, a nonprofit organization's long-term survival depended to
> some degree on its capacity to sustain relationships with core
> constituencies, such as private donors, members, community volunteers,
> and other community organizations, thereby creating a network of social

trust around the organization . . . Yet, when nonprofit organizations rely

on commercial revenue . . . [S]takeholders who were once donors or

members become consumers or clients, and the focus of the organization

shifts from creating networks of trust to creating opportunities for selling

more products or services (p. 137).

The authors argue that the value of nonprofits in creating social capitol needs to be taken

into account when assessing the benefits and harms of marketization.

Edwards (2009) argues that philanthropic interventions by market-oriented major

donors "emphasize investments that increase poor people's immediate access to material

assets," in contrast with "efforts by NGOs and traditional foundations to affect the long-

term transformation of the . . . institutional landscapes that determine poverty and

inequality" (p.238). He argues that older, traditional funders place a heavy emphasis on

"democracy and civil society . . . and institutional development," whereas market-

oriented major donors tend "to focus on economic intervention, service delivery, and

short-term material outputs" (p. 244). Edwards also points out that market-oriented

major donors insist on greater control of their projects, which can lead to several issues,

such as "a top-down approach to planning and evaluation, the use of misleading metrics

created to satisfy donor requirements, and an impatience for results."

As an example, Edwards points out that, while the Clinton Global Initiative and

the Gates Foundation undoubtedly succeeded in reducing the prices of HIV drugs and

improving the methods used for their delivery, they failed to take into account the

"strength and sustainability of national health systems" (p.246) with which they compete

for talent and infrastructure.   Edwards points to microfinance as another example of a

program that, while successful in creating small improvements in the lives of clients,

does little to address the "deeper issues of dispowerment that keep certain people poor"

(p.246).

Regarding the market orientation of these modern philanthropists, Edwards notes

that:

> [W]hile it is perfectly possible to use the market to extend access to useful
>
> goods and services, few of these efforts have any substantial, long-term,
>
> broad based impact on social and political structures. The reason is that
>
> systemic change involves building, changing and sustaining the capacities
>
> and institutions that NGOs and others have long recognized as crucial to
>
> development, whether articulated through social movements, formal
>
> politics or the State (p. 247).

Thus Edwards suggests that market-oriented major donors may actually harm the

situation by diverting resources "away from attempts to lever structural change."

Sasse and Trahan (2006) argue that the ability of businesses to contribute

meaningfully to social causes is overestimated, and that the involvement of businesses in

the non-profit space is often attended by significant harms. Corporations which engage

in social projects harm both their own and others' interest because they lack the

experience and ability to provide social goods and services:

> Businesses lose by acting more like inefficient governmental bodies and
>
> civil society is damaged by the loss of effective voting controls in
>
> determining public policy . . . Corporations are not built to analyze the
>
> social tradeoffs involved in addressing questions of broad social

objectives; rather, such difficult social problems are appropriately

addressed in a political venue through the democratic process (pp. 35, 36).

Furthermore, the philanthropic programs supported by businesses are vulnerable to

changes in the profitability of the business, which can eliminate such programs in times

of financial distress.

In a study of the Corporate Social Responsibility (CSR) policies of several

companies and their moral basis, Frederiksen (2010) notes that the companies – which

are obvious examples of market-oriented major donors – often fail to think about and

present the "underlying moral principles" of their CSR policies (p. 361), relying instead

on a sort of moral intuition which – not surprisingly – privileges local over global

dilemmas, fiduciary responsibility towards shareholders over responsibilities to the

community, and assistance to those who are in "social proximity" to the company (p.

369).

One example of incredible market growth that has not necessarily resulted in

better outcomes is the explosion of the humanitarian aid industry. Polman (2010) notes

that less than 50 International NGOs (INGOs) were active in refugee camps set up in

Thailand in 1980. By the time of the humanitarian intervention in the former Yugoslavia

fifteen years later, 250 were active; and by 2004 more than twice that were present in

Afghanistan. These INGOs are pursuing opportunities in a $120 billion industry,

"competing with each other in one humanitarian territory after another for the biggest

achievable share of the billions" (p. 10). The competitive atmosphere of the growing aid

industry puts pressure on individual organizations to participate in any and all

humanitarian interventions, regardless of the merits of the intervention itself. Otherwise, they risk losing "contracts for the implementation of aid projects" (p.40).

The research also suggests that the increasing orientation of nonprofits towards for-profit behaviors inhibits cooperation between nonprofit organizations. Karoff (2004a) suggests that an emphasis on for-profit thinking encourages nonprofits to compete rather than collaborate with other organizations in the same space, often to the detriment of beneficiaries.

Polman (2010) suggests that the growing market for international humanitarian aid has spurred the development of what she refers to as "MONGOs . . . 'My Own NGO'" (2010, p. 50). Though generally well-intentioned, these organizations struggle to cooperate with other organizations. As a result, they often collect and deliver unwanted gifts to victims of disasters, including outdated medical equipment, expired drugs and inappropriate clothing. MONGOs also often provide overlapping, redundant or even harmful services.

She also argues that the increasing competition between INGOs make it more difficult for aid organizations to respond to the abuse of aid by recipients or governments. A "'me-first mindset' makes aid organizations vulnerable to manipulation and abuse by warring parties" (p.176). The international aid system would work better if organizations collaborated instead of competing, something that is very difficult so long as market-oriented behavior is rewarded.

Fleischer (2007) sounds a different note, describing an important role for market-oriented philanthropy in providing start-up capital for urban businesses that struggle to access traditional sources of capital. He argues that traditional philanthropy is ill-suited

to this kind of intervention. Non-profits, in his view, "suffer from a lack of accountability . . . because nonprofit managers are agents without principals. Without the profit motive to guide behavior, there's a greater risk that nonprofit managers choose suboptimal projects" (p.97). He suggests "for-profit philanthropy" as an alternative, defining it as an "investment guided by traditional, for-profit principles of accountability . . . but where the primary motivation for the investment is altruistic" (p. 99). This motivation, he argues, will encourage investors to accept greater risk and thereby increase their willingness to invest in economically disadvantaged areas.

The research is more mixed on the question of whether the relative lack of accountability to which market-oriented major donors are subjected is a problem for the philanthropic sector. Bishop and Green (2009) deliver a strong defense of market-oriented major donors, particularly wealthy individuals practicing what they call "philanthrocapitalism," in spite of the relatively low accountability with which they operate.   Philanthrocapitalists have, according to them, made positive innovations in their giving practices – innovations that address many of the moral issues surrounding the "old" philanthropy.

Philanthrocapitalists, because of their global connections, their convening power, and their familiarity with numerous countries and cities, are more likely to have personally encountered intractable social problems, and also more likely to have connections with experts to educate them in their giving (pp. 48-49). They have at times funded aspects of projects that governments were politically unable to fund (p. 58). Their large gifts often draw attention to problems and thereby leverage the support of the public sector (p. 63). They demand a high level of accountability, and focus on a set of

problems rather than spreading their money over a great number of subjects. They

donate not only money, but also their time, business expertise, and connections, to causes

and organizations (p. 85). They address issues on a global scale and have the resources to

tackle large, intractable problems such as governance. They can and often do provide the

needed capital to allow a small but successful organization to grow and professionalize.

At the same time, Bishop and Green note several complaints raised against the

practice of philanthrocapitalism. In its focus on solving specific problems through

innovation, it often ignores or worsens broader social issues (p.67). Philanthrocapitalists

tend to assume a great deal of knowledge and expertise because of the success they have

enjoyed, and this can lead to arrogance and heavy-handedness in dealing with the non-

profit sector (p. 91, 92, 135). Many fear that they may lower the quality of policy

conversations surrounding particularly complex problems such as poverty and war (p.

209).

They acknowledge that the rise of market-oriented major donors raises serious

questions about accountability. Philanthrocapitalists are "hyperagents" that escape

accountability from the ballot box or the shareholder's meeting. They point out,

however, that such donors have been key in "democratizing" philanthropy through the

development of organizations like *Kiva* and *Global Giving*, "making available to

everyone the sort of transparency, evidence of impact, and direct engagement between

donors and those they are trying to help that used to only be available to the wealthy" (p.

xiii). They also defend philanthrocapitalists by pointing out that it has been precisely the

abdication by the state of key social responsibilities that has "made space for the

philanthrocapitalists of the golden age" (p. 28).

Suggested improvements to improve the moral performance of philanthropy

The research produced few concrete suggestions to improve the performance of the philanthropic sector in meeting the moral challenges highlighted in this literature review. What few innovations were proposed are summarized here.

Korf (2007) suggests that many of the problems created in disaster aid by donor-centered philanthropy could be solved by a renewed emphasis on the entitlement of victims of disaster to assistance:

> Caring about the entitlements of fellow human beings is something
> different than caring for and acting benevolently on behalf of vulnerable
> victims . . . They do not receive a gift, but an entitlement – a claim which
> is independent of the generosity – and thus the virtuous acts – of the donor
> (p. 374).

By reemphasizing the extent to which aid recipients – by means of their fellowship in the human race – are simply entitled to assistance, Korf argues, the focus of philanthropic activity will shift towards fulfilling the real needs of the beneficiary, as opposed to the psychological needs of the donor.

Korf struggles to imagine how such a giving ethic might be institutionalized, however, noting that "we will need an institutional form that separates aid from the generosity of donating." He suggests the creation of a "global emergency fund" from which aid would be given solely based on the "needs of the sufferer" (p. 376).

Rauchhaus (2009) suggests that many of the unintended consequences of humanitarian interventions in violent conflicts could be mitigated by increasing monitoring of warring factions after intervention, or identifying "signaling mechanisms" (p. 881) that would indicate the trustworthiness of factions prior to an intervention. Further research may demonstrate that similar suggestions – better monitoring of philanthropic projects, or the development of an understanding of "signs" that generally point to the appropriateness of such projects – would improve outcomes for philanthropic interventions. Indeed, Villadsen (2007) notes that the identification and use of signs to distinguish, on cursory inspection, good projects from bad has a long history in philanthropy: philanthropic visitors to poor families in the 19th Century would use "exterior signs" such as the cleanliness of the home to determine which families were capable of rehabilitation and which families were lost (p. 315).

Ellerman (2007), despite his widespread skepticism towards "helping," nevertheless suggests several ways in which it could be improved. In order to eliminate the moral hazard involved in philanthropy, for example, he suggests that donors offer beneficiaries "co-payments" or similar systems in which the funds provided by donors match or compliment the funds provided by beneficiaries. This will result in a situation in which beneficiaries "show commitment" to a particular program before philanthropic dollars are brought to bear (p. 572).

Ellerman likewise suggests that efforts to help others must "start from where the doers are" (p.573). That is, rather than starting from scratch, donors should work with existing systems and institutions – no matter how flawed – towards "evolutionary and incremental" change (p.573).

Fleishman (2004) suggests that the flaws with the current emphasis on measurement of impact could be addressed through the development of "better measures of social impact" (p. 121). Such measures would allow donors to more wisely choose between competing philanthropic priorities.

Brest and Harvey (2008) suggest a means of tempering the current emphasis on measurement of impacts to take into account the long-term, uncertain nature of much social change: they suggest that funders and organizations ask themselves "what [they] would measure if all the empirical evidence [they] could possibly want was available" (p.72). By focusing on what projects *would* measure, and not necessarily what they *will* measure, organizations will adopt the appropriate focus on achieving impact without needing to search for spurious or ill-informed methods to demonstrate that impact.

Chapter Three

Conclusions and Recommendations

Introduction

The final chapter contains conclusions based on the literature review conducted on the subject of moral challenges facing the modern practice of philanthropy. Included also are recommendations for areas in need of additional research.

Conclusion

The literature review confirmed the existence of several significant moral questions facing contemporary philanthropy. As mentioned in Chapter One, the review was not intended to be exhaustive, but was rather designed to identify those moral questions that are mentioned by a variety of sources.

The first moral question facing philanthropy concerns the growing emphasis on donor-centered philanthropy. Ostrander's concerns about such philanthropy – namely, that it undermines the expertise of nonprofit staff, often fails to respond to the needs of beneficiaries, and limits the role that nonprofits play in developing civic engagement – were echoed by a variety of other voices.

The research demonstrated that donor-centered philanthropy can push a nonprofit away from priorities or projects it would have established on its own towards projects that are preferred by the donor. To the extent that the donor is in tune with the needs of the community, this may not pose much of a problem. In fact, advocates of donor-centered philanthropy insist that donors, through their drive to make a positive difference,

have a positive impact on nonprofits, forcing them to think of new approaches or programs that they would not have otherwise pursued.

The extent to which this is true depends to a large degree on the amount of knowledge donors possess about the problems faced by the targets of their benevolence. The research strongly suggested that effective philanthropy requires knowledge of and engagement with the recipient individuals or communities. It is unclear how much exposure donors have to the communities towards which they direct their charitable activities; if, however, they have not had the chance for in-depth explorations of the challenges facing the community, it is difficult to see how their aid, however well intentioned, could produce sustainable and positive results. Example after example from international development showed how a lack of knowledge about local circumstances doomed philanthropic interventions to irrelevance or worse.

The research also suggested that donor-centered philanthropy, quite aside from the potential effects it has upon the programs carried out by nonprofits, has the potential to undermine the role of nonprofits in developing civic engagement in their communities. Even supporters of donor-centered philanthropy concede that it enables "hyperagency," a means by which individuals can shape the institutional landscape of communities outside of the democratic process. Indeed, according to some research, this hyperagency – and the freedom to use it – is the very thing that makes philanthropy valuable, because it can create programs that are politically unfeasible but nonetheless necessary. At the same time, some research suggested that, by relying on the preferences of a few large funding sources, non-profits would lose their ability to properly represent their communities.

It is clearly not realistic to expect nonprofits to cease soliciting large donations from institutions or individuals. Nor is it realistic to expect them to cease accepting conditions upon these grants or gifts. Nonprofits must therefore take pains to manage or avoid the damaging consequences of donor-centeredness. Some potential steps suggested by the research might include: developing policies that lay out the limits beyond which no donation – no matter the size – can induce them to move; educating donors more effectively by creating opportunities for them to interact with potential beneficiaries; adopting policies giving beneficiaries a say in policy formulation; and ensuring adequate community representation on their governing boards.

The second moral question facing philanthropy is the demonstrated fact that many well-intentioned philanthropic interventions create negative consequences. The research demonstrates that philanthropic interventions have the potential to distract resources from systemic problems by focusing on less intractable, easier-to-solve issues. Philanthropy also has a long track record of undermining the efforts of local communities to help themselves. Finally, the research shows the propensity of philanthropy to be misused or "captured" by ill-meaning actors. All of these negative consequences of philanthropy are especially well documented in the international context, where cultural divisions and misunderstandings make it particularly difficult to craft effective philanthropic interventions. Nonetheless, the principles at work behind the negative consequences of international development pertain to domestic and local philanthropic activity as well.

Unlike the question of donor-centeredness, which may be addressed through reasonable safeguards and policies adopted by nonprofits, the question of unintended, negative consequences is somewhat endemic to philanthropy. The research illustrates

that it is in the very nature of philanthropy to intervene in otherwise "normal" societal processes, in the hope of influencing a better outcome. Given the unpredictable and chaotic nature of societies, it is unsurprising that many interventions produce results that are the very opposite to what was intended. Indeed, the research fails to address a key question in this regard: given that there will inevitably be negative consequences of philanthropic activity, how do those consequences compare to the positive consequences of the same activities? Does the good outweigh the bad?

Although some negative consequences are probably unavoidable in philanthropy, the research implies some steps that could be taken to minimize such consequences. Firstly, donors and nonprofits should persistently ask themselves if they are addressing problems at the deepest possible level. The research was full of cases where philanthropic interventions were counterproductive because they advanced technical or economic solutions to what were deep-seated cultural, social or political problems. The research points to the need for donors and nonprofits to develop a much greater appetite for engaging with those deeper problems.

Secondly, donors and nonprofits should make extra efforts to understand the context in which they are intervening. If there is one crystal clear implication of the research, it is that context matters, and an intervention that works in one environment may be absolutely harmful in another.

The third moral question facing philanthropy is the extent to which the systems it is currently adopting – concrete measurement of impact, aggressive marketing of needs, and professionalization of governance and staff – predispose the philanthropic

community to undesirable moral outcomes. The research on this question is somewhat mixed, but nonetheless a few conclusions can be drawn.

On the issue of the measurement of impacts, the research showed both a general understanding of the theory behind such measurement, and a sharp criticism of the way in which nonprofits are currently conducting it. The measurement of impact is a worthy goal to work towards, but the research shows that the sector currently lacks the theoretical and practical framework to conduct such measurement with any sort of precision. In such circumstances, the research suggests that plowing ahead with plans to measure impacts is counter-productive, because it pushes nonprofits away from crucially important projects that defy our as-yet primitive understanding of social change. The current emphasis on measurement in effect incentivizes nonprofits to pursue easy-to-accomplish and relatively benign projects at the expense of larger, more intractable, and arguably more vital initiatives. Donors can improve the situation by accepting that the precise measurement of social impact is a goal to be strived for, and not an immediate possibility. At the same time, donors and nonprofits can work together to develop more sophisticated and accurate metrics of social change.

The research showed that the adoption of for-profit marketing techniques presents some problems for nonprofits. Although it is undoubtedly effective in attracting additional philanthropic resources, such marketing can have a negative impact on the effectiveness of philanthropy by oversimplifying the problems philanthropy is trying to address, and thereby lessening the appetite of donors to confront complicated social problems. Similarly, the research demonstrated how charity advertising can have adverse and negative impacts on the beneficiaries of philanthropy by creating or legitimizing

negative stereotypes. The research suggests that nonprofits should adopt stricter standards for their marketing efforts, even if it means a reduction in their effectiveness for fundraising purposes.

Finally, the research highlights one potential downside of the professionalization of nonprofit staff. Although such professionalization undoubtedly increases the capacity of nonprofit organizations in important ways, it also narrows their focus by limiting the diversity of their staff in terms of professional background. The research suggests that, as they professionalize, nonprofits maintain some mechanism for incorporating diverse viewpoints.

The fourth moral question is the extent to which the rise of market-oriented major donors has addressed or exacerbated the moral challenges facing philanthropy. The research is skeptical of the benefits that accrue to nonprofits by adopting the market-orientation urged upon them by such donors. A market-oriented focus may distract a non-profit from its core mission and towards the provision of services that establish and maintain profitability. Furthermore, a for-profit orientation may threaten the traditional role of nonprofits as a hub for social capital, because it will replace their need to reach out to diverse constituencies for support with the need to bring profitable services to market. The research did identify areas in which a for-profit orientation would positively impact the sector, of course, and so the lesson here seems to be less that there is no place for the marketization of the sector, and more that such marketization should occur with a clear knowledge of the tradeoffs, and with one eye firmly on the aspects of a nonprofit's mission that do not translate well to the market.

Recommendations for further study

Much of the research on this topic is theoretical in nature. More empirical research needs to be conducted to see if many of the theoretical critiques of philanthropy bear fruit in reality. Additionally, much of the research that has been conducted focuses on institutional or government giving. The analysis should be repeated with individual donors as the subject, in order to determine whether the impacts of donations on program effectiveness vary according to the source of the donation, and, if so, how. Similarly, research that has demonstrated clear moral issues with international development should be reproduced for domestic philanthropic projects, to see if similar issues result.

For example, Djankov, Montalvo and Reynal-Querol (2006) produced empirical research suggesting that foreign aid had a negative impact on democratic institutions. Their research furthermore identified mechanisms through which this impact was realized (primarily, rent-seeking activities by elites in the recipient country). This research has potential applications to the philanthropic sector. Do philanthropic gifts similarly undermine the democratic aspects of non-profit organizations? If so, what are the mechanisms by which they create this influence?

More empirical evidence is necessary to either justify or dismiss many of the moral concerns raised in this literature review. For example, future research could quantify the extent of the relationship that exists between large donors and the beneficiaries they seek to impact. The research in this review presupposes that little such contact exists. Is that indeed the case? Similarly, although it is certainly the case that some philanthropic interventions create negative consequences, it is not at all clear at what frequency such consequences occur. Do one out of ten interventions result in

negative consequences? One out of two? Or one out of a thousand? Obviously the answer to that question will seriously change the extent to which philanthropic professionals should worry about such consequences.

Additional work also needs to be done to test the hypothesis – expressed by the research in this review – that an overemphasis on measurement has negative impacts for philanthropic programs.

Summary

For years, philanthropic professionals have trumpeted the increase in private resources being brought to bear on the public problems of our day. Although this is understandable, such professionals should be concerned about the moral implications of current philanthropic practice before celebrating the fact that such practice is soon to be amplified. If aspects of philanthropy are morally questionable or negative, nonprofits should seek to engage in them less, not more.

This literature review has identified serious and substantive moral questions facing the modern practice of philanthropy. Although the extent to which these questions apply to the entire sector is unclear, given the limited state of the research, enough evidence of morally questionable processes and outcomes exist to give any reasonable individual working in the sector pause. The research is clear in identifying the need for a thorough, serious, and ongoing reexamination of the issues involved in the philanthropic act, and in the systems built to support and encourage that act.

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Annotated Bibliography

Arnove, R. and Pinede, N. (2007). Revisiting the "Big Three" Foundations. *Critical*

Sociology, 33, 389-425. The authors – respectively a Professor of Education and

a Director of Communications at Indiana University – trace the changes in

rhetoric and program activity at "The Big Three" foundations (Ford, Rockefeller

and Carnegie) over the past twenty-five years. They find that, although the

rhetorical emphasis of the foundations has shifted to draw more attention to the

global disenfranchised, that the foundations still administer programs that support

rather than challenge the existing political and economic system. This study is a

useful example of how philanthropy may serve to ameliorate rather than overturn

global inequalities.

Bishop, M. and Green, M. (2009). *Philanthrocapitalism: How Giving Can Save the*

World. New York, NY: Bloomsbury Press. The authors, a journalist for the

Economist and a manager of international aid programs in the UK, respectively,

survey the recent development of a new generation of global philanthropists.

They coin the term "philanthrocapitalism" to describe how successful

businesspeople are donating both their time and their money to charitable causes,

and taking a much more hands-on approach with their giving. Although they

occasionally present opposing points of view, their survey is for the most part

extremely positive regarding the advent of philanthrocapitalism. This book is a

very useful defense of the morality and effectiveness of modern philanthropic

practices.

Brest, P. and Harvey, H. (2008). *Money Well Spent: A Strategic Plan for Smart*

Philanthropy. New York, NY: Bloomberg Press. The authors, both Presidents

of private foundations, describe the framework and process of "strategic

philanthropy," providing what is essentially a "how to" guide for institutions or

individuals with significant philanthropic resources. In the course of doing so,

they both critique and suggest improvements to current philanthropic practice.

This book is an extremely useful survey of current thinking on the effectiveness

of current philanthropy, particularly as it is practiced by foundations.

Djankov, S., Montalvo, J.G., & Reynal-Querol, M. (2008). The curse of aid. *Journal of*

Economic Growth, 13(3), 169-194. The authors – respectively an economist at

the World Bank, a Professor of Economics at the Universitat Pompeu Fabra, and a

Research Professor of Economics at the Universitat Pompeu Fabra – examine the

link between the provision of foreign aid to a country and the development of that

country's democratic institutions. Using data from many countries and decades,

they demonstrate that foreign aid in fact harms the development of democratic

institutions. The authors theorize that this damage is caused by the tendency of

politicians in aid-receiving countries to act inappropriately in order to expropriate

as large a share of aid resources as possible. Although this study does not focus

specifically on philanthropic aid, it nonetheless is important in demonstrating that

the unintended negative consequences of aid can in fact outweigh its positive

impacts.

Edwards, M. (2009). Why 'Philanthrocapitalism' is not the answer: private initiatives

and international development. In Kremer, M., van Lieshout, P., & Went, R.

(Eds.), *Doing Good or Doing Better* (pp. 237-254). The Hague, Amsterdam:

Amsterdam University Press. The author, a Distinguished Senor Fellow at Devos

in New York, and a Senior Visiting Fellow at the Brooks World Policy Institute at

Manchester University, explores the costs and benefits of private, international

development assistance in general and "philanthrocapitalism" in particular. After

examining the scope of international giving by private entities, the author explores

the effectiveness, respectively, of private NGOs and of institutional philanthropy.

The author argues that NGOs have, for the most part, been effective in pursuing

positive change. With the exception of older foundations, however, the author

finds that institutional philanthropy, particularly as it is practiced by

"philanthrocapitalists," largely fails to address the structural impediments to

development. The author cites, among other things, philanthrocapitalism's

obsession with measurement, its insistence on donor intervention, and its faith in

market-based solutions as impediments to effective, long-term development

assistance. The author goes on to express misgivings about the relative lack of

accountability involved in contemporary philanthropy, particularly on an

international scale. The article concludes with a few suggestions of how the new

wave of donors might increase the effectiveness of their giving. Although the

article relies on theoretical arguments rather than empirical evidence, it

nonetheless raises serious concerns about the ability of philanthropic institutions

in their current form and mindset to effect long-term, sustainable change. At the

same time, it raises important moral questions about the role of philanthropy in

addressing poverty and injustice. Although this article is focused on

contemporary philanthropy as it is practiced internationally, many of its

arguments apply to domestic or community philanthropy as well. As such, it is a

highly useful article for any investigation of the moral issues surrounding

philanthropy.

Ellerman, D. (2007). Helping self-help: The fundamental conundrum of development

assistance. *The Journal of Socio-Economics, 36* (4), 561-577.   The author, a

visiting scholar at the University of California at Riverside, highlights a paradox

of development assistance in particular and of philanthropy more broadly:

namely, that most help undermines the capacities of the recipient of help, and

thereby does more harm than good. Drawing heavily on the work of John Dewey

regarding education, the article outlines that various ways in which assistance

undercuts the autonomy of the very individuals it tries to help. The author goes

on to suggest common errors made in the delivery of help, and suggests best

practices for providing truly beneficial help. This article provides an extremely

useful framework for evaluating the effectiveness of "help" of any sort, including

philanthropy.

Fleischer, V. (2007). Urban Entrepreneurship and the Promise of For-Profit Philanthropy.

Western New England Law Review, 30 (1), 93-102. The author, an associate

professor of law at the University of Colorado, suggests that so-called "for-profit" philanthropy, in which financial return is a motivation alongside charitable intent, has greater potential for increasing the success of urban entrepreneurs than traditional non-profit activities with the same goal. This brief article is helpful in defining "for-profit" philanthropy and showing how it could address some of the deficiencies of traditional philanthropic activity.

Frederiksen, C. S. (2010). The Relation Between Policies Concerning Corporate Social Responsibility (CSR) and Philosophical Moral Theories – An Empirical Investigation, *Journal of Business Ethics, 93,* pp. 357-371. The author, a PhD student at the Copenhagen Business School's Center for Corporate Social Responsibility, investigates empirically the moral principles upon which three Danish companies base their CSR policies. Through qualitative interviews with executives responsible for implementing CSR policies, the author finds that the companies in question subscribe to three moral principles: the physical proximity principle, the fiduciary responsibility (to shareholders) principle, and the social proximity principle. Although limited to a select few firms, the research is nonetheless useful in empirically identifying the moral theories that undergird CSR giving.

Guthman, J. (2008). Thinking inside the neoliberal box: The micro-politics of agro-food philanthropy, *Geoforum, 39,* pp. 1241-1253. The author, Associate Professor of Community Studies at the University of California at Santa Cruz, traces the

development and implementation of a particular philanthropic project: The Vivid

Picture Project of the "Roots of Change Fund." Through research on the

tendencies of funding organizations, combined with her personal observations as

a quasi-participant in the project, the author argues that those particular aspects of

current philanthropic behavior implicitly shape the types of social change

initiatives implemented by grantees. The author points to philanthropy's

developing interest in accountability and measurability, as well as its tendency to

engage in "visioning," as features that limit the possible scope of civil society's

efforts, and thereby hinder philanthropy's ability to create real social change.

This paper is extremely useful to any investigation of the moral challenges facing

contemporary philanthropy, because it suggests mechanisms through which

specific professional and administrative practices – normally thought of as

"neutral" on the content of philanthropic projects – actually limit the possibilities

for grantee organizations to create meaningful change.

Korf, B. (2007). Antinomies of generosity: Moral geographies and post-tsunami aid in

Southeast Asia, *Geoforum, 38,* pp. 366-378. The author, Assistant Professor of

Geography at the University of Zurich – Irchel, challenges the virtues of post-

disaster aid, using the particular case of the 2004 Indian Ocean Tsunami.

Through research in geography, philanthropy, development, ethics and related

fields, and through analysis of reports assessing the effectiveness of post-tsunami

aid, the author suggests that the provision of gifts through aid brokers to victims

of disasters creates a "humiliating force" for aid recipients. Furthermore, he

suggests that because aid brokers are operating in a competitive environment with other aid brokers, they focus on their accountability to their donors, rather than on their accountability towards recipients of aid. As a result, aid brokers often ignore local concerns or expertise in administering aid.   The author argues this is a result of our conception of aid as a gift, in which the donor's act of generosity is central. He suggests that this creates an asymmetrical relationship between the donor and the recipient of aid in which the recipient is humiliated. He furthermore suggests that a conception of "aid-as-entitlement," in which donations are viewed not as an expression of a donor's generosity, but rather as a recipient's right, would reduce or eliminate the asymmetry present in the act of giving. This article is an excellent introduction to several of the moral problems inherent in philanthropy: its evident asymmetry, and its tendency to create unintended and potentially negative consequences. The article presents a particularly intriguing challenge to the practices of international relief agencies, the marketing practices of which, the author argues, bear special responsibility for the negative effects of philanthropy.

Maren, M. (1997). *The Road to Hell: The Ravaging Effects of Foreign Aid and International Charity.* New York, NY: The Free Press. The author, an aid worker and journalist in Africa throughout the 1970s, 80s and 90s, constructs a withering critique of international aid agencies and their activities in Africa, particularly in Somalia. Based largely on the personal experiences of the author as a Peace Corps volunteer, a USAID employee, and a journalist, the book argues that international charity actually perpetuates the problems it is intended to solve

through undermining indigenous institutions and methods of self-help. The book

likewise critiques individual non-profit organizations, drawing attention to their

questionable fundraising tactics, their tendency to negatively portray the countries

in which they work, their manipulations of journalists, their aggressive and

dishonest marketing practices, their attachment to meaningless metrics as a way to

prove their success, and the extent to which they prioritize the growth and

survival of their organizations ahead of the needs of the beneficiaries they

supposedly serve. Central to the author's argument is the contention that

international aid creates massive incentives for corruption on the part of local

elites, and undermines genuine political development. Although the book

specifically critiques the actions of international charities in Africa, the author's

arguments apply to the aid industry in general, and, to a certain extent, to

philanthropy as a whole. Incredibly useful as a case study of the evils that can be

and have been perpetuated in the name of philanthropy, this book is indispensable

in challenging the core assumptions that underlie so much of charitable giving,

particularly on a global scale.

Ostrander, S. A. (2007). The Growth of Donor Control: Revisiting the Social Relations

of Philanthropy, *Nonprofit and Voluntary Sector Quarterly, 36,* pp. 356-372. The

author, a Professor of Sociology at Tufts University, explores the increasing

prevalence of "donor-controlled philanthropy." She focuses particularly on three

recent philanthropic relationships: giving circles, professional intermediaries

between donors and beneficiaries, and so-called "high-engagement" philanthropy.

Through the use of academic sources and a review of contemporary philanthropic

literature, she argues that the extent to which donors now control philanthropic

activity is unprecedented. Relying largely on a "social relations approach" to

philanthropy, she argues that the lack of interaction and balance between

recipients and donors imperils philanthropy in three ways: through diminishing

its impact upon the public benefit; through inhibiting democratic values in the

sector; and through inhibiting the effectiveness of contributions in meaningfully

addressing social problems. This article represents a serious and profound moral

challenge to many of the widely accepted beliefs of fundraising professionals, and

as such in indispensable to any study of the moral nature of contemporary

philanthropy.

Schervish, P.G. (2007). Is Today's Philanthropy Failing Beneficiaries? Always a Risk,

But Not for the Most Part, *Nonprofit and Voluntary Sector Quarterly, 36,* pp. 373-

379. The author, Director of the Boston College Center on Wealth and

Philanthropy, responds in this paper to the arguments presented by Ostrander

(2007). The author suggests several aspects of major donor philanthropy that

mitigate Ostrander's concerns, pointing out that donors seek self-fulfillment

through creating positive social change, and that as a result they do indeed seek

out information about social needs and the best way to address them. He also

shows that donors do indeed often meet with beneficiaries, and even when they do

not, that there are other ways for donors to assess the needs of beneficiaries. This

brief paper is useful in laying out the framework for a response to Ostrander's

concerns about the moral problems posed by excessive donor control.

Schervish, P.G. (2006). The Moral Biography of Wealth: Philosophical Reflections on

the Foundations of Philanthropy. *Nonprofit and Voluntary Sector Quarterly, 35,*

477 - 492. The author, Director of the Boston College Center on Wealth and

Philanthropy, outlines a theory of philanthropic giving in which the use of a

donor's material wealth helps define that donor's "moral biography," or the way

in which they "conscientiously combine . . . personal capacity and moral compass

or bearing." The author argues that holders of great wealth must set

commensurately lofty expectations for the moral purposes they can achieve with

that wealth. This comes partly from their ability to be "hyperagents," or

individuals who can actively shape the institutional framework within which we

all live. The author claims that activity on the part of such donors must be

preceded by a period of self-reflection in which the donor identifies his or her

own personal beliefs and values. The article concludes by suggesting that

development professionals should and must actively assist well-to-do donors in

discerning their moral biography. This paper is helpful in offering a theory of the

moral foundations of contemporary philanthropy. Interestingly, that theory is

based exclusively on the attitudes and beliefs of the donor, and not on the needs of

the prospective beneficiaries of philanthropic contributions. As such, the article

represents, describes, and to a certain extent justifies the donor-centered mindset

that has come to characterize much of contemporary philanthropy.

Schramm, C. J. (2006). Law Outside the Market: The Social Utility of the Private

Foundation, *Harvard Journal of Law and Public Policy*, *30*(1), 355-416.   The

author, President and CEO of the Ewing Marion Kauffman Foundation, and

Batten Fellow at the Darden Graduate School of Business at the University of

Virginia, puts forward a comprehensive theory explaining the existence and utility

of private foundations. His central argument is that the foundation, through its

invulnerability to market forces that buffet every other American institution, has a

unique role to play in the continuous development of democratic capitalism.

Drawing on a wide array of sources, the author explains the evolution of

foundations in the context of the history of American political, social and

economic development, and draws attention to the key defining characteristics of

private foundations. He enumerates threats to the continued independence of

foundations, and identifies foundations' key assets in effectively fulfilling their

role in society. This article ably demonstrates both the potential in and the

challenges facing contemporary foundations. As such, it is at least tangentially

important to any larger investigation of the ethical issues involved in

philanthropy.