

PHILANTHROPY AND THE RENEWAL OF DEMOCRACY

IS IT TIME TO STEP UP OUR GAME?

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A handwritten signature in black ink, reading "Daniel Kemmis". The signature is written in a cursive style with a large, looping initial "D".

The interpretations and conclusions contained in this publication, unless expressly stated to the contrary, represent the views of the author and not necessarily those of Philanthropy Northwest or the Kettering Foundation, their directors, or their officers.

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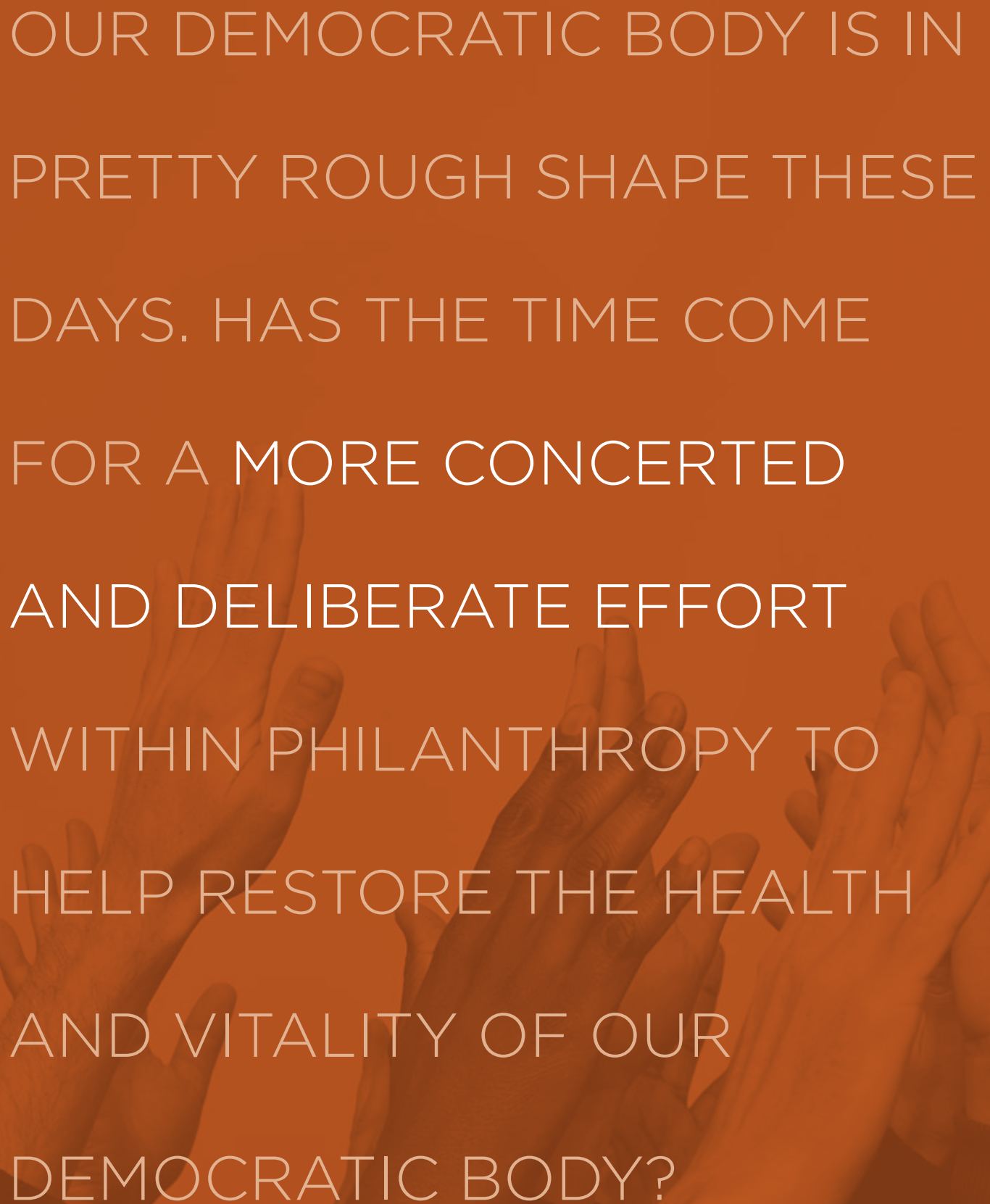
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HELP RESTORE THE HEALTH
AND VITALITY OF OUR
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EXECUTIVE SUMMARY

The relationship of philanthropy to democracy is multi-layered, longstanding, and ever evolving. At the heart of the relationship lies a social compact – a bargain, in effect, between philanthropy and the larger society. As we would expect in a democratic society, that compact is subject to periodic re-examination. We are engaged now in another round of just such re-examination, focused for the moment on proposals to place a cap on the rate of charitable deductions. Whenever the social compact is revisited, the basic question is always: “Is society getting enough good in return for the special treatment it has chosen to bestow on philanthropic activities?”

One cluster of benefits often overlooked or undervalued are those that help keep democracy itself healthy. These benefits are of special interest now, in a period of acute and widespread uneasiness about the health of our democracy. The key question raised by this paper is whether the time has come for a more concerted philanthropic effort to help restore the health and vitality of our democratic body. That question will be examined against the background of a brief survey of various key junctures in the history of philanthropy and its ongoing or emerging contributions to democratic vitality.

Philanthropy’s democracy-strengthening work may be pictured as a pyramid, with a broad base of mission-driven philanthropic activities unintentionally strengthening democratic citizenship; intervening layers of more intentional contributions to community-building, civic engagement, and collaborative, deliberative, and public policy work; and culminating in a layer of philanthropic investment in efforts at democratic reform. At each level, philanthropy now has an opportunity to make a timely and crucial contribution to restoring the health of our democracy.

PHILANTHROPY AND THE RENEWAL OF DEMOCRACY

A WOUNDED DEMOCRACY

We find ourselves in the midst of an extended period of acute and widespread uneasiness about the health of our democracy. Such anxieties ebb and flow over time, of course, and it seems to be a constant of democracy (and generally a sign of health) that few democratic citizens ever think that their institutions are operating at their full capacity of effectiveness or responsiveness. For these reasons we should be careful not to overstate the intensity of contemporary public discontent.

Still, both the breadth and depth of dissatisfaction are now at an unusually high and generally increasing level. In October 2013, the Pew Research Center reported that, “For the past eight years ... no more than about three-in-ten Americans have said they trust the federal government to do the right thing always or most of the time.”¹ This assessment came with an emotional charge: the survey also found that “Public anger at the federal government is as high as at any point since the Pew Research Center began asking the question in 1997.”² The approval of Congress had fallen particularly sharply over a period of many months of fiscal brinkmanship. “Views of Congress remain historically negative,” according to the report: “Just 21% have a favorable opinion of Congress while 70% view it unfavorably.”³ And the report found that the loss of confidence had begun to reach into some new quarters: “The Supreme Court’s favorability rating has edged below 50% for the first time in nearly three decades of Pew Research Center polling.”⁴

Citizens, of course, are not just making this up. By almost any measure, our institutions are falling short. Seemingly unrestrained partisanship, for example, is making it increasingly difficult and sometimes impossible to solve big problems, like controlling the national debt and bringing budget deficits within bounds, or addressing the challenges of climate change, immigration, poverty, or growing inequality. Deeply rooted institutional barriers also get in the way of problem solving, and they are intertwined with the problem of uncontrolled partisanship. The way congressional and legislative redistricting gets done, for example, helps to entrench partisanship and ideological polarization.

Some of our institutional structures undermine democracy not so much by causing gridlock as by producing a debilitating sense of disenfranchisement. The way the Electoral College

operates, for instance, focuses all the attention of presidential candidates on a handful of swing states, leaving citizens of other states feeling that they don't count. The creation of safe legislative districts through reapportionment has the same disenfranchising effect.

Most citizens feel that money also plays too large a role in elections and has too much influence over policy, and that this was made even worse by the Supreme Court's *Citizens United* decision of 2010.⁵ The outsized influence of money in public life is bad in itself, and it too leaves ordinary citizens feeling that they don't really count.

Watching the ongoing gridlock and inaction on issues of great importance, many citizens conclude that their elected officials care more about their own reelection or keeping their party in power than about the common good. One lever citizens have sometimes grasped in their frustration is to impose term limits for legislators, but this only weakens the effectiveness of their legislatures and further undermines the people's capacity for self-government.

Reasonable people might disagree about the historical significance of these phenomena, but the indices of dysfunction and discontent are high enough to justify serious inquiry into what any of us can or should be doing about the situation. Perhaps the old image of the "body politic" can help us understand the challenge. Our democratic body is in pretty rough shape these days, assaulted by factors like excessive partisanship within government institutions and increasing polarization both among elected officials and citizens.

As individuals, most of us have, at one time or another, recognized that we have let our health decline in one or a number of ways. What, then, do we do? We take a deep breath and then call on our various internal resources to start getting ourselves in better shape: by exercising more, eating healthier food, maybe drinking less, perhaps doing yoga or meditating. These personal campaigns sometimes flag or even fail, of course, but often they do produce significant, even enduring improvements in our well-being.

In a similar vein, many individuals and organizations are now engaged in a variety of efforts to heal one or another of the injuries to the body politic. Several factors would lead us to expect that at least some philanthropists would be actively involved in such efforts. These include the general orientation of philanthropy to improving the human condition, the field's access to substantial resources for that work, and the freedom and flexibility that philanthropists enjoy in deciding how to deploy those resources. In fact, philanthropists do contribute to efforts to heal democracy in a rich variety of ways, many of which will be highlighted in the following pages.

The central question that this paper invites us to consider is whether the time has come for a substantially more deliberate and concerted effort within philanthropy to help restore the health and vitality of our democratic body.

This is an open question, and one to which different readers may supply different answers. My purpose here is to open a few doorways into that discussion. One set of doorways will be historical. To ask whether this is a particularly opportune time for some philanthropists to pay closer attention to and become more deliberate about investing in democratic health invites us to think about the nature of this moment in the ongoing history of philanthropy's role in democracy. Because I don't believe that we can intelligently assess our contemporary challenges without remembering some key features of that history, the paper will make several journeys back in time to help set the context for our current situation.

What we will see along that historical trail is that philanthropy's relationship with democracy is multi-layered, many-sided, longstanding, and ever evolving. Clearly, that relationship faces new challenges today, as well as new opportunities. This paper offers analysis and suggestions on both sides of that challenge-and-opportunity equation, not pretending to the last word on any front, but inviting a vigorous discussion on all. While I hope to provide a perspective that is useful to a broad range of people engaged in philanthropic work, I am well aware of the particularity of my own experience and point of view, and I will try to make them explicit when that seems appropriate.

GETTING OUR DEMOCRATIC FEET ON THE GROUND

The metaphor of the body politic may serve to remind us that we can rarely heal a sick or wounded body in a sustainable way unless we know something about what makes or keeps it healthy in the first place. Even if we start, then, with the concern that our democratic body has been weakened and wounded, we know that this is not the whole story. Significant sources of strength still operate within the body, and many of these have long been sustained by philanthropic activities. We will examine several of those philanthropic contributions to democratic vitality later on, but I want to begin with one particular way in which philanthropists have been contributing to the strength of the body politic for a good long time – but without actually meaning to.

As part of a recent foundation gathering in Missoula, I had been asked to conduct a walking tour of our downtown riverfront, to visit and discuss some of the improvements that have been made there in the last couple of decades. I love taking people on this “Old Gray Mayor's Tour,” primarily because I'm so proud of what the community has accomplished there along the Clark Fork River. Almost all of those accomplishments have been the result of very active civic engagement, much of it involving public-private partnerships of the kind that have become increasingly ubiquitous in our communities. Without that thriving civic engagement and those productive partnerships, I wouldn't have been showing off the kayak wave in the heart of the city or the hand-carved carousel, the world-class skateboard park, or the whole complex of riverfront trails and parks, none of which had existed a few years back.

As I showed all this to my philanthropic friends that day, it occurred to me that Missoula owed far more to the field of philanthropy than I had ever quite realized before. Many of those projects had benefited directly from philanthropic contributions from foundations, businesses, or individuals. But beyond that direct contribution to particular projects or initiatives lay a much more subtle, wholly unintended philanthropic contribution to these community amenities. Many of the citizens who had conceived, planned, and brought to completion the projects I was bragging about were either staff or board members of Missoula's hundreds of nonprofit organizations. Much of the know-how and confidence that they brought to these public projects had been acquired or deepened in the course of the good work they had been doing on affordable housing, micro-enterprise development, arts events, or environmental advocacy.

Few philanthropists had set out to strengthen the civic capacity of our community when they made grants or donations to these organizations or gave them technical assistance to build organizational capacity. Both they and their grantees were motivated primarily by the particular social concerns that were reflected in the terms of the grants or the missions of the nonprofit organizations. But it now dawned on me that without the philanthropic support and nurturing of hundreds of these nonprofits over several decades, Missoula's civic capacity would have been a mere shadow of the thriving body politic that I have had the pleasure of working with for so many years. Especially during my years as mayor, I had become acutely aware of what a tremendous public resource that vibrant civic capacity had matured into. It enabled public officials like me to leverage scarce public resources far beyond what city government could ever do on its own.

The “density of connections” woven among them over the years played a crucial role whenever it was time for the community to take on one more big challenge.

The visiting philanthropists got a closer look at how this all worked the next day, when we asked a group of local nonprofit leaders to join us for a luncheon discussion. We invited people who had worked for years in environmental, arts, social service, and community economic development organizations. In a town this size (around 70,000) they all knew each other, and before long they were talking about some of the work they had done together, not as nonprofit

staff but as civic leaders working with others to bring to fruition important community improvements like some of the festivals that had come to characterize Missoula, some of the riverfront projects that we had visited the day before, or bigger, more daunting challenges like removing a dam just upriver from Missoula or reducing homelessness in a meaningful and sustainable way.

Recognizing how crucial both political and broadly-based civic leadership had been in all these cases, we started to examine more closely the particular skills and relationships that had enabled these citizens and their neighbors to make real progress in so many arenas. I recited my experience as mayor, where I had consistently depended on the formidable civic skills that so many of them had acquired in the course of their nonprofit work. Unwilling to take any undue credit, they nevertheless knew exactly what I meant, and one of them reframed it in terms that my philanthropic friends would recall often in later discussions. A panelist who had worn many hats in the community over the years and in each guise had worked with one or more of her luncheon colleagues on one or another of these community-building projects, spoke of the “density of connections” that had been woven among them over time and of the crucial role those connections played whenever it was time for the community to take on one more big challenge.

The point of our luncheon discussion was to gain a little clearer understanding of the important (but generally unintended) role that philanthropy had played in building the capacity of this community to meet big challenges or realize major opportunities. We were confident that similar patterns could be discovered in most if not all the other communities in which the assembled philanthropists had supported nonprofit organizations over the years. The phenomenon is clearly not confined to any particular geography and, in fact, it is not limited to this period in history. Important dimensions of this philanthropic contribution to community capacity may be particular to our time, but we will get a clearer picture of what is new in this arena and what still remains to be realized if we view it in the context of an historical background that still has much to teach us about how and why democracy works.

THE CONTRIBUTION OF NONPROFIT ORGANIZATIONS TO DEMOCRACY

On the topic of democracy in America, few discussions can be sustained for long without turning once again to the author of *Democracy in America*, Alexis de Tocqueville. It remains a mystery how a foreigner, after spending only a few months touring America in the 1830s, could have identified so many features of American democracy that still command our attention today. None of his observations have proven more enduring than his insistence that the hidden wellspring of democratic capacity in this country was the penchant of Americans to form and sustain what he called “voluntary associations.”

Americans of all ages, all conditions, and all dispositions constantly form associations. They have not only commercial and manufacturing companies, in which all take part, but associations of a thousand other kinds, religious, moral, serious, futile, general or restricted, enormous or diminutive. The Americans make associations to give entertainments, to found seminaries,

to build inns, to construct churches, to diffuse books, to send missionaries to the antipodes; in this manner they found hospitals, prisons, and schools. If it is proposed to inculcate some truth or to foster some feeling by the encouragement of a great example, they form a society.⁶

To this point, Tocqueville's observation is purely sociological. But in the next breath he begins to draw political lessons from it: "Wherever at the head of some new undertaking you see the government in France, or a man of rank in England, in the United States you will be sure to find an association."⁷ Americans, in other words, do not rely on privilege or power to "do what needs to be done"; instead, they form associations. The difference, in Tocqueville's view, derives from the much greater equality among Americans, compared to the Europe of his day: "Associations ought, in democratic nations, to stand in lieu of those powerful private individuals whom the equality of conditions has swept away."⁸

Moreover (and this is the key point for our purposes), Tocqueville was convinced that Americans' capacity for democracy derived directly from their facility at association. "Thus the most democratic country on the face of the earth is that in which men have, in our time, carried to the highest perfection the art of pursuing in common the object of their common desires and have applied this new science to the greatest number of purposes."⁹ Lest the connection between democracy and voluntary association be in doubt, Tocqueville drives the point home even more forcefully: "In democratic countries the science of association is the mother of science; the progress of all the rest depends upon the progress it has made."¹⁰

I confess that I'm not entirely certain what Tocqueville meant by the "science of association." What is clear, though, is that over the nearly two centuries since he made his observations, what we might call the "landscape of association" has changed in some significant ways. We will only give those changes enough attention here to stay focused on the way in which Tocqueville's analysis can still help us to understand democracy in today's America.

One change has been a fairly steady increase in the formalization of many of those voluntary associations that Tocqueville observed. There are still plenty of instances of people associating in purely *ad hoc* and informal ways to accomplish some specific purpose or address some occasional problem. But over the decades we have become more accustomed either to creating new or using existing nonprofit organizations as a vehicle for this kind of activity. The structure of those

Today's debates about philanthropy's role in democracy are only part of a deeper, centuries-old discussion about its role in the larger society.

vehicles has gradually settled into some easily identified patterns, usually involving bylaws, boards, and staffs. The Progressive Era of the late 19th and early 20th century saw a marked expansion in the creation of national-scale nonprofit organizations. These often included a layer of state or local affiliates, but increasingly the focus was on problems now seen as national in scope, or at least as transcending the mostly local scale of associational activity that Tocqueville had observed.

The Progressive Era also brought into play a new source of support for many of those nonprofit associations in the form of the kind of philanthropic foundation with which we are familiar today. Increasingly, these foundations operated under general purpose charters that gave them great flexibility in defining or altering the focus of their work. We will examine the birth of the modern foundation in greater detail shortly.

Meanwhile, the simultaneous evolution of the nonprofit and philanthropic sectors and of new structures of government revenue (especially the income tax) produced a new set of public policies that are still vitally important to understanding the relationship of philanthropy to democracy. Most significantly, the passage of the Sixteenth Amendment in 1913, authorizing a national income tax, was followed almost immediately by the Revenue Act of 1917 which authorized the deduction from reportable income of amounts contributed to qualifying tax-exempt charitable organizations. These Progressive Era developments provide a slightly different perspective from which to consider the contemporary relationship of philanthropy to democracy.

PHILANTHROPY AND DEMOCRACY: A FEW CURRENT CONTROVERSIES

The role of philanthropy in civil society is a dynamic one, never standing altogether still. The relationship has been periodically reexamined in the United States, as we would expect in a democratic context. This is reflected in a partial list of questions currently being debated in Washington, D.C. and several state capitals:

- Should charitable contributions be fully deductible or should there be a cap on the rate at which they may be deducted? (We will return to this example shortly.)
- Should foundations be required to pay more attention to diversity – among their grantees, in the makeup of their boards, in their hiring practices?
- Should foundations pay more attention to underserved populations, including rural and native communities?

- Should government match or otherwise subsidize certain kinds of philanthropic investment that it finds especially beneficial?
- Should university endowments be held to the same payout requirements as independent foundations?
- Should those independent foundations be required to pay out at a higher percentage of their holdings than the 5% annual payout currently required? Which leads to:
- Should foundations any longer be allowed perpetual existence? Why not make all of them spend down their portfolios in 10 or 20 years, thus bringing more resources to bear more quickly on social problems?

Each of these issues can be debated on its own merits, but for now we merely want to remind ourselves that these debates are only the current version of a deeper, centuries-old discussion about the role of philanthropy in the larger society, and about its proper treatment by that society. The last few questions in the foregoing list call to mind one key step in that historical narrative.

THE SOCIAL COMPACT WITH PHILANTHROPY

At the heart of this ongoing discussion lies a social compact – a bargain, in effect, between philanthropy and the larger society. The idea of social compacts was deeply rooted in American political thought. When John Adams, for example, drafted a new constitution for Massachusetts in 1779, he called the constitution “a social compact by which the whole people covenants with each citizen and each citizen with the whole people that all shall be governed by certain laws for the common good.” That language may sound a bit strange to our 21st century ears, but in late 18th century America, it was the bread and butter of republican theory.

The intervening centuries have provided an ongoing debate among political theorists about the role that social compacts have actually played in establishing democracies, but there is no denying the crucial role they play as an instrument of self-government, once democracy has been established. One of the most important social compacts in American history, for example, has been that between society and corporations. At the heart of that compact lay the widely accepted notion that corporations are creatures of society, existing by its indulgence and of necessity subject to its rules. As Chief Justice John Marshall wrote in the 1819 Dartmouth College case, “A corporation is an artificial being, invisible, intangible, and existing only in contemplation of law. Being the mere creature of law, it possesses only those properties which the charter of its creation confers upon it.”¹¹

The nature of the compact with corporations has been brought into focus once again by the Supreme Court's 2010 *Citizens United* decision, to which we will return briefly a little later. For now, we are interested in a different compact: that between society at large and that particular segment of society known as philanthropy. One of the earliest forms of this compact will seem very arcane at first, but since it has been extremely long-lived and remains both fundamentally important and occasionally controversial, it is worthy of notice. The legal roots of our contemporary society's compact with philanthropy reach back to English common law, to something called the "Rule Against Perpetuities."

In its classic form, first codified during the reign of Henry VIII, it ran (and still does) in roughly these terms: "No interest is good unless it must vest within 21 years of a life in being at the creation of the interest." What this obscure language means is that henceforth, no one could tie up property forever. If you put property in a trust for the benefit of your grandchildren, for example, the trust restrictions had to terminate and the property had to pass, free and clear, to somebody or some organization no later than 21 years after the death of a designated person living at the time you created the trust. Life expectancies in Renaissance England were considerably shorter than they are today, which means that the modern application of the rule has stretched out considerably, but the point is that (with an important exception that we will turn to shortly) you still can't tie up property in this way forever.

Why did this rule arise centuries ago in England and why does it still exist with full force of law both there and throughout most of the United States? The rule marked an important step away from the feudal order, in the direction of what eventually became a capitalist system. It substantially weakened the capacity of wealthy people to tie up property long after they died - to subject that property to the "dead hand" (*"mortmain"*) of someone long gone. In an economy like that of the Middle Ages, where wealth existed predominantly in the fixed form of land, the ability to control the disposition of that wealth far into the future was not especially problematic. But as a greater share of societal wealth began to take the form of movable capital rather than fixed land, the "alienability" - the free movement - of property acquired a social value of its own that had to be balanced against the desire of any individual to control the disposition of that property long after his or her death. It was against the background of this evolving social reality that the Rule Against Perpetuities emerged. The eventual contribution of this property-freeing rule to the development of modern capitalism would prove inestimable.

Our chief interest here, however, is not in the Rule Against Perpetuities itself, but in a very important exception to it. The rule has long been modified by a caveat that authorizes one particular way of tying up property in perpetuity. Specifically, the charitable trust exception to the Rule Against Perpetuities has provided an indispensable undergirding to philanthropic activities from 16th century England right down to 21st century America. In effect, Renaissance

England said to anyone contemplating making a gift in trust: “If you dedicate your gift to charitable purposes instead of passing it to your descendants, we will forgo the advantages to society that would otherwise result from the unrestricted mobility of that property.”

Why would society make that deal? Clearly, it arose from a calculation that the benefits to society from those charitable activities would outweigh the societal benefits of keeping property unencumbered and mobile. In Tudor England, the charitable trust exception became a key factor in encouraging private support for universities, orphanages, hospitals, etc. And it has remained a key factor in the history of philanthropy ever since.

It is against this deep background that we can most fruitfully examine some of the questions we see being raised today about whether perpetuity for charitable trusts is still a good deal for society, whether the statutorily mandated payout rate should be increased, and so on. In the context of this paper, we want to pay particular attention to whether, for example, in defending perpetual trusts and the charitable deduction, philanthropy is behaving like just one more interest group within a pluralist society, or whether it stands in some special relationship to democracy? Such questions take on a slightly different coloration and significance when we recall that this isn't the first time they have arisen. We might gain a broader perspective on them by viewing them against the background of an earlier round of quite intense questioning.

THE RISE OF THE MODERN FOUNDATION

The Gilded Age of American capitalism corresponded with the birth of philanthropy as we now know it. As industrialists and financiers like Andrew Carnegie, John D. Rockefeller, and James J. Hill deployed their capitalist talents to amass unprecedented stores of private wealth, many of them (or their children) began searching for ways to deploy some of that wealth, even after they died, for the achievement of social objectives of their own choosing. So were born the first of the great foundations that still serve as the model for so much of contemporary philanthropy.

Challenges to the sequestering of wealth in big foundations began to arise soon after the creation of the first modern foundations.

These foundations rested squarely on the time-honored charitable exception to the Rule Against Perpetuities. Without this key component of the social compact, perpetual foundations could not (and philanthropy as we know it today would not) exist. But this is only the first manifestation

of this compact between society and philanthropy. As we have already seen, other key components pertain, for example, to the taxation of charitable gifts. Such gifts are deductible for income tax purposes in this country, which means that the income that produces them

is not taxed at all. Furthermore, the interest or dividend income earned by the corpus of a foundation is taxed at a much lower rate than investment income that is not devoted to charitable purposes.

Alongside the charitable trust exception to the Rule Against Perpetuities, these tax benefits are the primary ways in which society has agreed to treat property devoted to charitable purposes more favorably than property not so devoted. But even though this social compact in some form has persisted for centuries, it is always subject to renegotiation; it is periodically challenged and occasionally amended.

Indeed, such challenges to the sequestering of wealth in big foundations and to the protection of this wealth from the rules and forms of taxation that applied to the rest of society began to arise almost immediately after the creation of the first modern foundations. Many of these challenges arose within the context of the same Progressive Movement that had produced both so many national nonprofits and also the national income tax. None of the challenges to the social compact were more pointed or trenchant than the critique of Herbert Croly and none brought the relationship between philanthropy and democracy more sharply into focus.

In *The Promise of American Life*, published just over a century ago, Croly made an extended and passionate argument that the time had come for America to move beyond its provincial, decentralist past, to become a nation in a fully modern sense, and above all to mobilize and deploy the political will to pursue a broad range of national objectives. Theodore Roosevelt fully embraced Croly's vision, and, in his 1912 "Bull Moose" campaign, he promoted it as the "New Nationalism." Both Croly and the trust-busting Roosevelt saw the uncontrolled concentration of wealth as a threat to the formation and execution of genuine national purpose.

Croly went further, arguing that the diversion of substantial portions of that concentrated wealth into private philanthropy posed a different kind of threat to the mobilization of national purpose. He viewed the rules under which organized philanthropy operated (in particular the special tax treatment afforded foundations) as in effect a public subsidy to privately-directed social goals – goals he thought should be democratically determined. "Here in America," Croly wrote, "some of us have more money than we need and more good will. We will spend the money in order to establish the reign of the good, the beautiful and the true."¹² Warming to his task while sharpening his sarcasm, Croly took on the "robber baron" philanthropists directly:

The very men who have made their personal successes by a rigorous application of the rule that business is business – the very men who in their own careers have exhibited a shrewd and vivid sense of the realities of politics and trade; it is these men who have most faith in the practical,

moral, and social power of the Subsidized Word. The most real thing which they carry over from the region of business into the region of moral and intellectual ideals is apparently their bank accounts.¹³

This might sound merely like wit in the service of envy, but Croly's point is much more substantial:

The fact is, of course, that the American tendency to disbelieve in the fulfillment of their national Promise by means of politically, economically, and socially reconstructive work has forced them into the alternative of attaching excessive importance to subsidized good intentions. They want to be "uplifted," and they want to "uplift" other people; but they will not use their social and political institutions for the purpose ...¹⁴

In Croly's view, the result of sanctioning and subsidizing capitalist philanthropy in the Gilded Age was that the particular social goods that individual philanthropists chose to pursue were privileged, while the pursuit of democratically identified public goods (through the formulation and enactment of public policy) was left to languish. In this light, Croly saw philanthropy as positively injurious to the form of democracy which he (and Roosevelt) sought to advance.

Croly's concern was that moral energy was being diverted away from national purpose and into individually chosen side-channels by this reliance on philanthropy. This concern is exacerbated (and made sharply contemporary) when the diversion of moral energy is combined with the diversion of increasingly scarce public resources. This brings us back at last to the current debate over the social compact with philanthropy.

REVISITING THE SOCIAL COMPACT IN THIS CENTURY

As the federal and many state governments struggled with severe budget crises during and after the Great Recession of 2008, they began to consider many policy choices that had previously been all but unthinkable. One option that has arisen in that and other contexts has been a proposal to place a cap on the rate of charitable deductions. We will examine that proposal, not to judge its merits, but rather to take note of the way in which it has once again opened up a serious re-examination of the social compact surrounding philanthropy.

Under one familiar form of this proposal, all qualified charitable contributions could continue to be claimed as itemized deductions, but the tax rate applied to the deduction would be capped, so that no one could gain a greater advantage from claiming the deduction than a middle-

class taxpayer making the same contribution could claim. So, for example, if the cap were set at the 28% tax rate, a millionaire whose marginal tax rate was roughly 40% and who claimed \$100,000 in charitable deductions would only be able to deduct \$28,000 from his taxes, not the \$40,000 he could claim without the cap. His federal income taxes would therefore increase by \$12,000, which would now be available for public purposes, including debt or deficit reduction.

Implicit in the argument for a cap on the deduction rate is the premise that charitable deductions are being publicly subsidized by foregone tax revenue, and that the additional money that this subsidy makes available for privately chosen social goods (like art museums or food pantries) is being paid for by making less revenue available for collectively chosen goods (like a stronger military or universal health care). In fact, the proposal to cap the charitable deduction rate was a key component of President Obama’s initial plan for how to finance health care reform. The proposal met a solid wall of bipartisan resistance from key members of Congress, and therefore did not play a major role in the health care debate.

The proposal to cap the deduction rate evokes such strong opposition because of a widespread concern among nonprofits and their supporters that it would result in a reduction in the overall level of charitable contributions. There is no way to know in advance how much of a decrease any given cap might occasion, but the concern is acute enough and is supported by enough empirical evidence that, at least as of this writing, very few members of Congress have expressed any support for it. Nevertheless, it has not by any means disappeared from the policy stage. When the proposal was stripped from the Affordable Care Act, for example, it was simply transplanted into Obama’s debt reduction proposal. Given the long-term intractability of the debt and deficit challenge, this deduction cap mechanism is simply too elegant and too lucrative a way of raising more tax revenue from wealthy Americans to remain off the table for long.

The basic question is this: “Is society getting enough good in return for the special treatment it has chosen to bestow on philanthropic activities?”

This ongoing discussion is but one reflection of the fact that the nation is again examining the social compact surrounding philanthropy. The basic question, as always, is this: “Is society getting enough good in return for the special treatment it has chosen to bestow on philanthropic activities?” Several specific questions branch off from this core. The first is the one we have just been considering: should society provide a less costly subsidy to philanthropy by capping the deduction rate?

Revisiting the social compact has not stopped with this question, though. Some policy makers have asked whether society should require foundations to invest more of their resources each

year in the social goods they choose to pursue, even if that means they would not be able to operate in perpetuity. Or should society impose on philanthropy a broader, more collective, less individually driven choice of goods (like advancing diversity or making larger investments in rural or reservation communities)? Each of these issues has been placed on the public agenda, and each opens a door to an interesting and worthwhile discussion about the terms of the social compact.

This continuing controversy also gives us an opportunity to examine from a slightly different angle the relationship of philanthropy to our democratic institutions and practices. As congressional leaders have struggled with how to address serious debt and deficit issues, and as they have, in that context, considered the possibility of comprehensive tax reform, it has sometimes seemed that the field of philanthropy, or indeed the entire “independent sector” (the combination of philanthropy and nonprofits) was operating essentially as one more major and quite powerful interest group. In particular, the concerted and sustained opposition to any changes in the charitable deduction could be viewed as just another special interest pleading with policy makers to impose the pain of raising more revenue on some other segment of society, “but not on us.” My point here, again, is not to take sides in that controversy, but only to call attention to the opportunity it presents to think a little harder about the relationship of philanthropy to democracy.

This debate over the charitable deduction has surely been a healthy episode of philanthropic self-examination. I had the opportunity to observe it at close range when I served a term on the Public Policy Committee of the Council on Foundations (COF). The committee’s duties include making recommendations about how COF should direct its lobbyists to respond to various Congressional proposals that might affect the philanthropic sector. The committee had consistently recommended opposition to any proposal to cap the charitable deduction rate. But as the national debt and deficit crisis worsened, there was a growing recognition among committee members that all sectors of society may have to make some sacrifices for the sake of the common good. That sharpening awareness was reflected in the Council’s legislative agenda for 2011, which covered “the issues that [COF] seeks to further on behalf of its membership and the field of philanthropy ... *consistent with the public good.*” This last phrase was new, and it was significant. It appeared again in the core message proposed by COF for Foundations on the Hill, the philanthropic sector’s annual face-to-face lobbying effort. The prepared talking points declared that “philanthropy’s independence, innovation and investments *enrich the common good* and make it an integral and indispensable part of our society.”

The Public Policy Committee and the board of directors of Philanthropy Northwest, the regional association of grantmakers in the Pacific Northwest, has made an effort to flesh out even more fully what a commitment to the common good might look like in the context of

the ongoing debate over the charitable deduction. In December 2012 its board chair and its CEO sent a letter to Senator Max Baucus, then chair of the Senate Finance Committee, setting out the position that the board had adopted. The policy affirmed “the strong commitment of Philanthropy Northwest and the philanthropic community to do our part to help address the grave fiscal challenges confronting our nation ...” Specifically with regard to the charitable deduction, the board declared its support for “tax policy that encourages giving – through a charitable deduction or through other means that sustain or enhance the amount that Americans give to charities.” The letter explained that Philanthropy Northwest had adopted this more flexible approach “rather than a hard line to protect the current charitable deduction” out of a belief “that it is incumbent on our sector to work with our elected representatives to be open to alternatives that broaden and perhaps even strengthen charitable giving.”

The question of whether an organization like Philanthropy Northwest (or indeed the Council on Foundations) should draw “a hard line to protect the current charitable deduction” or “work with our elected representatives to be open to alternatives” is a matter over which reasonable philanthropists might disagree. The question is how to keep the interests of the independent sector congruent with the common good. Bothersome and sometimes painful as this examination may be for the philanthropic sector, it is nearly always a sign of democratic vitality when important social compacts are subjected to open and honest scrutiny. As philanthropists respond to this periodic revisiting of the compact, one particular set of contributions to the general welfare clearly deserve special attention: namely the variety of ways in which philanthropy contributes, not to this or that particular cause, not to Croly’s “subsidized good intentions,” but to the identification and pursuit of the common good and to the especially important good of strengthening democracy.

PHILANTHROPY, DEMOCRACY, AND THE COMMON GOOD

In *Civil Society, Philanthropy and the Fate of the Commons*, Bruce Sievers argues that “in the context of the modern liberal democratic state, the concept of the common good seems almost anachronistic.”¹⁵ Sievers views this loss as a challenge to philanthropy. “Because of its central role as a defining norm of civil society,” Sievers argues, “the ethos of the common good should ... be a major concern of philanthropy that seeks to build the capacity for collective action.”¹⁶

By framing his argument around the assumption that philanthropy “seeks to build the capacity for collective action,” Sievers speaks directly to the evolving relationship of philanthropy to democracy, since the “capacity for collective action” is precisely what seems to have become so elusive in our weakened democratic culture. In calling our attention to the turn away from the language of the common good, Sievers provides an important insight into the

challenge that philanthropy faces in this arena. He also helps us put that challenge in historical perspective by arguing that “the idea of the common good as a social value counterpoised against private interests has an ancient and venerable history in Western social thought.”¹⁷ One key episode in that history provides a helpful perspective on the relationship of philanthropy to democracy.

As so often happens, the history is reflected in the words. We can trace the linguistic roots of both “philanthropy” and “democracy” to the soil of ancient Greece. We have preserved *philo* (“love”) for example, in “philosophy,” the love of *sophia* or wisdom. If we replace *sophia* with *anthropos* (humankind) we have philanthropy – the love of humanity.

For the Greeks, and in particular for the Athenians of the 5th and 4th centuries B.C.E., *philanthropia* was far more than a word – it was a worldview. It revealed itself in the breathtaking beauty of the sculptor Phidias’ renderings of the human form, in the deathless dramatic portrayals of the human condition by Aeschylus, Sophocles, and Euripides, and not least in Pericles’ ode to democracy in his funeral oration, following an early battle of the Peloponnesian War.

Athenian democracy, which was less than a century old when Pericles spoke, carried within its name its fundamental principle: that the people (the *demos*) were the rulers (*kratia*). This was an innovative political axiom of great significance, but it rested on the same humanistic foundation as the remarkable cultural achievements of Periclean Athens: a sense of wonder at and reverence for human potential. “Our constitution is called a democracy because power is in the hands not of a minority but of the whole people,”¹⁸ Pericles reminded his neighbors, and then went on to equate this democratic citizenship with being fully human. “We do not say that a man who takes no interest in politics is a man who minds his own business; we say that he has no business here at all,” Pericles declared, and concluded “that in my opinion each single one of our citizens, in all the manifold aspects of life, is able to show himself the rightful lord and owner of his own person, and do this, moreover, with exceptional grace and exceptional versatility.”¹⁹

It would not be accurate to imply that Athenian humanism and democracy were either synonymous or coextensive. Democracy remained controversial both in theory and practice throughout the roughly two centuries of its first appearance in human history, and some of the most enduringly influential of its citizens (Plato comes particularly to mind) were among its strongest critics. Nor was Athenian democracy always humane in its policies: the horrible massacre of the Mytilenian prisoners that Thucydides described in his *History of the Peloponnesian War*²⁰ was ordered by the Athenian Assembly, the same democratic body which later condemned Socrates to death.

Both the reverence for humankind that the Athenians called *philanthropia* and the belief in self-government that they called *demokratia* were works in progress then, as they remain today. Both would all but disappear for long stretches of history, but their insistent reappearances, often against long odds, have proven that these were always far more than mere words. Against that background we are ready to ask whether today, when democracy faces a new set of significant challenges, the love of humankind in the form of modern philanthropy has any particular contribution to make to the healing of our democratic institutions and practices. To that end, we will return to the story that started on the riverfront walk in Missoula.

DEMOCRACY AND HUMAN POTENTIAL

Missoula is no Athens, of course, and in any number of ways, we're glad it isn't. But my walk along the river with the visiting philanthropists had reminded me of how fortunate we in this community have been to have had the opportunity to pursue the good life in so many satisfying ways, and to have been blessed in that pursuit both by the traditions and institutions of democratic government and by the generosity of so many people who had over and over stepped up to support what we had sought to accomplish. Most of that support had come from our own neighbors, but our walk had reminded me of how often organized philanthropy in all its forms had also supported Missoulians' pursuit of the good life.

It was the central role of citizenship in that pursuit that brought democracy into play in its ancient and most humane sense. Yes, the democratic institutions that I had been privileged to serve had played their part, but without that "density of connections" among so many highly capable citizens that we heard about at lunch the next day, almost none of the projects that I had shown my philanthropist friends would have come to pass.

That these empowering connections stand at the nexus of philanthropy and democracy came home to me in quite a different way that same evening, when one of Missoula's most philanthropically active families had invited the assembled grantmakers to dinner at their ranch just a few miles from town. My wife, Jean Larson, joined me for this very pleasant occasion, and later she mentioned how happy these people (both paid staff and volunteer board members) seemed in their work. We joked about how giving away money is hardly the worst job in the world, but of course we both knew how hard the work can be, and how frustrating or even disappointing at times. Still, being employed or volunteering to make the world a little better place in one way or another is

It is to their eminently humane roots that we might first look for the possibility of a reinvigorated role for philanthropy in the healing of democracy.

inherently satisfying work. And with the conversations of the last two days in mind, I couldn't help thinking that the satisfaction must often be enhanced by knowing that not only is the grantmaker doing good work, but perhaps even more importantly, she or he is enabling others to make a beneficial difference in their part of the world. That is what we had seen on our walk along the riverfront; that is what we had heard from our guests at lunch.

Philanthropy and democracy had not only arisen out of the same linguistic and cultural soil, then, but in fact the ancient intermingling of their roots was still clearly evident in the largely unintentional nourishing and strengthening of democracy that we had encountered. And it is to those eminently humane roots of democratic practice that we might look for the possibility of a reinvigorated role for philanthropy in the healing of democracy.

A RENEWED COMMITMENT TO DEMOCRACY

This essay has taken a fairly long and sometimes meandering journey through various stages in the evolving relationship of democracy and philanthropy in the hope that a deeper historical understanding will better prepare us to address what today appear to be historically significant challenges to our own democratic practices and institutions. As we turn to that task, it may help to remember that by its nature, democracy is never what other people do, but what I do, what you do, and above all what we do together. None of us can hope to do anything significant or lasting to improve the operations of large, complex, or distant democratic institutions unless we bring to that effort a very present awareness of our own democratic attitudes and practices.

Here again, the metaphor of the body politic might provide some useful insight. Any effort to heal or revitalize an actual physical body is more likely to succeed if we who live mostly in our heads spend a little time recalling ourselves back into a more acute level of body consciousness, becoming aware not only of the weaknesses or wounds we seek to heal, but also of the sources of vitality within us. In much the same way, any effort that philanthropists make to help heal our body politic might benefit from a moment of deliberate democratic self-awareness.

One simple and accessible way for philanthropists to become more aware of the contributions they may already (if unintentionally) be making to democratic culture through their grantmaking activities is to view their own daily work through a democratic lens. Most foundation boards, for example, are themselves little democracies, bringing together people from diverse backgrounds and perspectives in a setting of board and committee meetings in which (without necessarily meaning to) they deepen their own problem-solving skills. These turn out to be the same skills that any self-governing society must develop and nurture if it is

to solve the problems and seize the opportunities it faces. Most highly-functioning foundation staffs also cultivate internal practices that enable them to draw most effectively on their shared intelligence and commitment. This, again, is democratic practice in its most essential form. Most philanthropists have developed such practices to a fairly high level in the course of doing their everyday work.

Paying attention to the skills and practices that enable a foundation's board or staff to do good work might heighten these philanthropists' appreciation for how their grantmaking has helped to nurture the same kind of problem-solving capacity within their grantees' board and staff. This is the democratic capacity we encountered both on the riverfront walk in Missoula and in revisiting Tocqueville's analysis of the contribution of voluntary associations to American democracy.

This grassroots perspective provides a reminder of how unintentional so much of philanthropy's contribution to democracy has been. This, in turn, invites us to ask whether a higher level of intentionality might not produce even greater returns in terms of restoring democratic vitality.

GREATER IMPACT THROUGH HEIGHTENED INTENTIONALITY

We have seen how the benefits that society derives from philanthropic investment come not just in measurable terms – more symphony concerts or after-school programs, greater food security or less infant mortality – but also in terms of a far less measurable yet invaluable strengthening of civic capacity. If philanthropic investments produce these civic benefits unintentionally, might they produce even more substantial benefits, even greater community capacity, if grantors and donors became more aware of this unintended side-benefit and more deliberate about producing this civic good?

A first step in that direction might be to pay closer attention to the nature of this benefit. Why does the kind of community capacity that we heard about in our luncheon discussion with nonprofit leaders in Missoula matter to the health of our democratic body politic? Part of the answer lies in the changing landscape of government finance. Government spending (at least at the state and federal levels) is very unlikely to increase substantially for several years, if ever. As national and state governments continue to tighten their budgets, more burdens will continue to fall on philanthropy, NGOs, and local communities. The ability of people in those

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communities to achieve shared goals is thus an increasingly critical component of our capacity to govern ourselves well. Building community capacity, in other words, is one important and accessible way to strengthen democracy.

What we see here is a growing convergence of the interests of democracy with those of philanthropy. As the center of gravity of democratic self-determination shifts ever more in the direction of local communities, philanthropists who take a long view of the effectiveness of their own grantmaking are likely to discover an unexpected reason to be more intentional about community capacity-building work. Foundations have long known that their scarce resources go further when they invest in highly capable grantees and that it is therefore often cost-effective to invest some of those resources in building grantee capacity. To the extent that we come to see communities as partners in the work of addressing human needs and opportunities, we should view building a community's capacity in roughly the same hardheaded, leveraging-of-scarce-resources terms as building a grantee's capacity. A dollar invested in a nonprofit that is itself part of a strong, local civic culture is almost guaranteed to go further than it would if that grantee had no community connections or had never learned the value of partnership or collaboration. Philanthropists might thus come to see that highly capable communities contribute as much as highly capable nonprofit grantees to achieving their particular philanthropic missions.

Throughout the remainder of this paper, we will repeatedly encounter the fact that the fiscally constrained operating environment that has been in play for both governments and nonprofits since the onset of the Great Recession is changing the way philanthropy occupies the public realm. Within this picture, building community capacity may play an increasingly important role. If so, it will take its place alongside other more seasoned philanthropic contributions to strengthening democracy at the community level. These include a broad range of community-building, community development, and community organizing initiatives and an equally extensive and rich array of philanthropic activity in encouraging broader and more meaningful civic engagement by ordinary citizens.²²

Philanthropists who are devoting resources to one or more of these approaches are playing an indispensable role in maintaining and nurturing the strength of the democratic body politic. These very deliberate and consequential philanthropic contributions to strengthening democracy at the community level deserve a far more extensive treatment than we can accord them here. Instead, having noted their crucial importance, we will turn to other emergent philanthropic activities whose contribution to democracy may at first be less obvious.

COLLABORATION AS DEMOCRATIC PRACTICE

One of the most promising of these arenas is what is sometimes called multiparty collaboration: that increasingly common practice in which a diverse range of stakeholders with different interests and often divergent ideological perspectives on a particular public issue, work together to shape, recommend, or implement a solution to the problem in question.²³ In terms of the evolving ecology of democracy, this kind of citizen-driven collaboration seems to have arisen as a direct response to some of the shortcomings of the late 20th century framework of procedural democracy. Whatever else public hearings might accomplish, for example, they almost never created an opportunity for anything resembling democratic problem solving. Yet with increasing frequency, a great variety of stakeholders who for decades have battled each other in public hearings about public issues of every kind have begun to engage instead in serious, face-to-face, problem-solving work.

What has moved so many people to take on this hard work of collaboration has been the widespread perception that, in all too many cases, the existing governing framework has proven itself incapable of getting the job done. To put it bluntly, the problems that people expect the government to solve are too often not getting solved. Rather than simply complain about this situation, or resign themselves to it, increasing numbers of people have been stepping up, engaging their neighbors (especially those with whom they have had significant differences) and doing the problem solving themselves. This hands-on, citizen-driven, problem-solving species of democracy has appeared and gained strength all across the country, around all kinds of issues.

While some grantmakers have promoted and supported collaborative work in various fields for some time, the deep recession that began in 2008 has led to a significant increase in support for it. As the recession reduced most foundations' investment pools and their giving capacity, and as their favorite grantees simultaneously experienced both declining support from other sources and growing demand for their services, it became increasingly clear that the philanthropic and nonprofit sector was going to have to squeeze even more effectiveness out of its scarce resources. One of the most promising ways of doing that appeared to be to promote greater collaboration in a number of different settings: among grantmakers themselves, among their grantees, and between the entire independent sector and various levels of government.

It was during this period, for example, that the concept of "collective impact" became a byword in the philanthropic world. A seminal article in the *Stanford Social Innovation Review* concluded that "substantially greater progress could be made in alleviating many of our most serious and complex social problems if nonprofits, governments, businesses, and the public were brought together around a common agenda to create collective impact."²⁴

At the same time and in the same vein, the philanthropic sector took a hard look at how it could promote more effective collaboration among its grantees. In an article entitled “Working Better Together: Building Nonprofit Collaborative Capacity,” Grantmakers for Effective Organizations (GEO) articulated one of the core principles of the collaboration movement: “When people reach across the lines that too often divide organizations and sectors, they tap into new ideas and new resources and create new partnerships that can help them achieve their goals.”²⁵

Every time diverse parties work together to solve a difficult problem, they are developing vitally important democratic skills.

GEO took its analysis a step further, identifying some of the key civic skills that collaboration both depends on and instills in those who practice it: “Working effectively in partnerships takes humility and willingness to trade control and power for a higher level of impact. As a

result, participants often have to look beyond the specific objectives of their own organizations toward bigger mission goals. In order to do this well, participants need negotiating skills, the ability to compromise and see the big picture, the ability to share credit and control, and openness to criticism and change.”²⁶

If we read that passage against the background of the failures of so many of our governing institutions, it becomes strikingly clear how valuable a democratic asset the collaboration movement has become. As more and more people learn how to “look beyond the specific objectives of their own organizations,” how to “compromise and see the big picture,” and how to “share credit and control,” those people, usually without recognizing it, are becoming steadily more capable democratic citizens. Here, then, is another arena within which philanthropy has been strengthening democratic practice without necessarily aiming at that result. It only makes sense to ask whether the democratic payoff might not be increased if at least some grantmakers began to articulate and pursue this result more deliberately. Philanthropists interested in advancing this democratic skill-building work more broadly might consider supporting one or more of the organizations actively promoting collaboration, such as the Portland-based Policy Consensus Initiative.²⁷

DELIBERATIVE DEMOCRACY

Related to these efforts toward strengthening collaboration, some philanthropists have been producing a substantial democratic payoff through their support of deliberative democracy. Nothing is more essential to a healthy democracy than the capacity for deliberation. Yet by late in the 20th century it sometimes seemed as if the power and effectiveness of democratic deliberation had almost entirely disappeared from the American political landscape.

Fortunately, there were at least a few wise and passionate defenders and promoters of democracy who began to develop both the theory and the practice that could help restore genuine deliberation to public life.

Beginning in the early 1980s, organizations like Public Agenda and the Kettering Foundation began to join in experiments with new mechanisms such as the National Issues Forums to bring the power of citizen deliberation to bear on a variety of public issues. Eventually, National Issues Forums were joined in this deliberative arena by Study Circles (now Everyday Democracy), by James Fishkin's practice of deliberative polling, and then by *AmericaSpeaks*, in a cascading emergence of deliberative templates and forums.

These organizations have involved millions of Americans in discussions of public issues with fellow citizens from widely varied backgrounds and perspectives. In fact, so many organizations are now working in this field that they have created networks of their own, including the National Coalition for Dialogue and Deliberation and the Deliberative Democracy Consortium. The Consortium's democracy-strengthening mission is "to bring together practitioners and researchers to support and foster the nascent, broad-based movement to promote and institutionalize deliberative democracy at all levels of governance in the United States and around the world."²⁸

Unlike some of the other ways in which philanthropy has strengthened the democratic body politic without necessarily intending such a result, the philanthropic involvement in deliberative democracy has been quite intentional. It is also becoming an increasingly crucial component of the overall effort to strengthen democracy. We know that it is only through open, honest deliberation that people of diverse interests and points of view can find or forge enough common ground to be able to address the problems or pursue the opportunities they face. Yet in one setting after another, we seem to have lost the capacity or the supporting structure for meaningful deliberation.

We need only remind ourselves that there was a time when the U.S. Senate was with good reason called "the greatest deliberative body in the world" to realize how much we have lost. Whatever adjective one might apply to the Senate these days, "deliberative" would not be at the top of anyone's list. Unfortunately, this is only one among several structures of self-government where deliberation has waned or disappeared.

A similar corruption of the value of deliberation is evident in the quality and quantity of political speech that now floods our elections, informing almost no one and annoying millions to the point of not voting at all. There are still some genuine, open, honest (and therefore informative) exchanges of views among candidates, especially in the debates sponsored by philanthropically-supported groups like the Commission on Presidential Debates. Unfortunately,

this genuinely democratic feature of our electoral process is now almost lost in the miasma of paid advertising, almost all of it negative, that has become so much more ubiquitous under *Citizens United* and *McCutcheon*.

Grantmakers are increasingly seeking education and training in the effective deployment of philanthropic resources to public policy development and advocacy.

In these and many other ways, the indispensable democratic practice of thoughtful deliberation has been progressively besieged. Against this background, the philanthropically-supported deliberative democracy movement becomes steadily more important. As the movement continues to grow, the opportunities for further philanthropic investment are

expanding accordingly. A grantmaker seeking to advance democracy could not go wrong, for example, by providing support to organizations like Everyday Democracy, Public Agenda, the National Issues Forums Institute, or networking entities like the Deliberative Democracy Consortium or the National Coalition for Dialogue and Deliberation.

PUBLIC POLICY FORMULATION AND ADVOCACY

Another expanding philanthropic contribution to the healthy functioning of democracy has been taking place in the arena of public policy. Even before the Great Recession of 2008, foundations were becoming increasingly aware that philanthropic resources could never contribute more than marginally to the solution of most social problems and that shaping public policy and mobilizing public will and resources to meet those needs had to be a large part of the solution. As a result, more and more grantmakers are seeking training in the effective deployment of philanthropic resources to public policy development and advocacy. This public policy work, in all its dimensions, is becoming an increasingly important part of philanthropy's programmatic portfolio, as reflected in the PolicyWorks initiative of the Forum of Regional Associations of Grantmakers.

In addition to the important work of public policy development and advocacy, philanthropists are also stepping forward to offer their convening and facilitating capacities to policy makers as they struggle with fiscal or other vexing challenges in their various jurisdictions. A good example of this kind of work is provided by the Facing our Future project of the Council of New Jersey Grantmakers. As Nina Stack, CNJG's president explains, "The Council of New Jersey Grantmakers is proud to be facilitating this work. We recognize that one of the best tools philanthropy has in its kit is the ability to be a neutral convener. In this case, it means taking issues out of the glare of annual budget dramas and partisan politics. Philanthropy can also provide the space and leadership to take a long view."²⁹

DEMOCRATIC REFORM

However skilled foundations or their grantees become in public policy development or advocacy, they are bound to encounter sooner or later one or another of the dysfunctions in our governing institutions with which this paper was introduced. Indeed, the more intentional philanthropy becomes in building democratic strength of any kind – community capacity, citizen deliberation, multiparty collaboration, or public policy work – the contrast between these sources of democratic strength on the one hand and the grievous wounds that have been inflicted on our body politic on the other should become steadily clearer and less tolerable.

We see clear evidence of this dynamic in a new initiative by the Hewlett Foundation. In an article in the *Stanford Social Innovation Review*, Hewlett president Larry Kramer writes, “The resources available to the Hewlett Foundation, while substantial by many measures, are minuscule in relation to the problems we take on. Success, for us, as for many foundations, depends on harnessing the aid of government to support best practices that show evidence of delivering effective solutions.”³⁰ This is exactly the calculation that has led to the steady expansion noted earlier in philanthropic support of public policy activities. But then Kramer adds a new dimension. “What then,” he asks, “if the political process becomes so dysfunctional that evidence and proven solutions no longer matter?”³¹

Kramer has clearly identified a crucial juncture in the evolving relationship of philanthropy to democracy. If, as he writes, “solving problems at scale has become nearly impossible now that political polarization has all but extinguished rational debate and smothered any ability to compromise,” what can and what should philanthropy do about that state of affairs?

Kramer’s article provides a number of practical suggestions about how philanthropy can best contribute to the new challenge of democratic reform. He suggests that it will require, for example, an entirely different approach from the one that Hewlett and other foundations have deployed in the public policy arena. “Our goal is to restore public confidence,” he writes, “not to manipulate the process to achieve policy outcomes we like. Our approach to reforming the democratic process will and must be unwaveringly, determinedly agnostic about particular policy outcomes.”³²

We must hope that this will be the beginning of a steadily increasing level of philanthropic support for efforts to reform the features of our governing systems that hinder or block effective self-government. Even before *Citizens United*, the number of such reform efforts had been growing, and almost all were dependent on one or another form of philanthropic support. In the shadow of the deepening inability of the national and many state governments to

engage in effective problem solving and in the wake of the Supreme Court's widely unpopular overturning of democratically enacted campaign finance regulations, the list of serious reform efforts has continued to expand.

Any attempt to list all these efforts would be out of date by the time it was published, but a few examples will illustrate the point. An initiative called Fair Vote “educates and empowers Americans to remove the structural barriers to achieving a representative democracy that respects every vote and every voice in every election.”³³ Among other things, Fair Vote seeks reform of the Electoral College. Fund for the Republic is a “nonpartisan, nonprofit grantmaking organization committed to putting everyday citizens back in control of our democracy by reducing the influence of well-financed special interests over American politics and policy-making.”³⁴ Move to Amend is a nationwide effort to take back citizen control of campaign finance law by way of constitutional amendment.³⁵ We should expect the list of such democratic reform efforts to lengthen steadily in the coming years, bringing new opportunities for philanthropic investment in strengthening democracy.

Unfortunately, many of these reform efforts have themselves fallen into the quagmire of ideological polarization that constitutes one of the major diseases in our body politic. As Larry Kramer points out, “Liberals and conservatives have already lined up on opposite sides of issues such as voter access, campaign finance, and districting reform.”³⁶ This presents a significant challenge to philanthropists seeking to make a real difference by investing in democratic reform. Kramer's advice is “to work with grantees that straddle the political divide – especially those who, while they may identify with a side, appreciate the need to build bridges and work productively with opponents.”³⁷

The good news is that many grantmakers have been doing just that in other arenas, by supporting grantees who have been challenging themselves to reach across ideological divides to solve all kinds of problems that neither side can solve by itself. By supporting multiparty collaborations and cross-ideological deliberation, as in building community capacity and engaging in public policy work, philanthropy has been contributing steadily and productively to strengthening democratic practices. The lessons learned from all those efforts will prove indispensable for philanthropists who choose now to take on the crucial work of democratic reform.

CONCLUSION

Philanthropy's contribution to strengthening democracy may be pictured as a pyramid, with a broad base of mission-driven philanthropic activities unintentionally but significantly strengthening democratic citizenship; intervening layers of philanthropic investments that strengthen democracy across a spectrum of intentionality including community-building, collaborative, deliberative, and public policy work; and culminating in a layer of quite deliberate investment in efforts at democratic reform. Within this picture, the opportunity clearly exists for a heightened philanthropic commitment to reinvigorating democratic practices and reforming democratic institutions at a scale that has not been seen since the Progressive Era.

From its inception and throughout its history, philanthropy has justified and earned the special treatment it has been accorded by the larger society by helping that society improve itself in a rich variety of ways. As society has become more democratic, it has subjected the social compact with philanthropy to ever closer scrutiny, insisting that the privately chosen goods of philanthropic investment produce enough social good to justify the bargain.

Some of the greatest goods produced by philanthropy have come in the form of strengthening democracy itself.

Some of the greatest goods produced by philanthropy have come in the form of strengthening democracy itself. Sometimes that result has been intentional, but as often it has been an unintended side-effect of the pursuit of other worthy goals. Now, as the larger society

faces unprecedented challenges to its ability to solve its most pressing problems, the renewal of democratic practices and the reform of democratic institutions has become a pressing need in its own terms. Philanthropy now has the opportunity to become more conscious of its democratic role and to make a timely and crucial contribution to restoring the health of our democracy.

ABOUT THE AUTHOR

Daniel Kemmis currently serves as vice chair of board operations for Philanthropy Northwest. He is a former board member of the Charles F. Kettering Foundation and the Northwest Area Foundation. He is also a former mayor of Missoula, Montana, and a former speaker and minority leader of the Montana House of Representatives. Mr. Kemmis is the author of several articles and books, including *Community and the Politics of Place* and *The Good City and the Good Life*. He is currently working on a book that will incorporate many of the themes of this paper. Its working title is *Citizens Uniting*.

ENDNOTES

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ABOUT PHILANTHROPY NORTHWEST

Philanthropy Northwest promotes, facilitates and drives collaborative action by philanthropic organizations to strengthen communities in our region. Through our network of 170+ member grantmakers, our consulting team at The Giving Practice and our partnerships with Mission Investors Exchange and Community Democracy Workshop, we work to build vibrant, healthy communities – each with its own unique history, culture, and traditions – connected to the natural environment and facing the future with optimism.

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ABOUT KETTERING FOUNDATION

The Kettering Foundation is a nonprofit operating foundation rooted in the American tradition of cooperative research. Kettering's primary research question is, what does it take to make democracy work as it should? Kettering's research is distinctive because it is conducted from the perspective of citizens and focuses on what people can do collectively to address problems affecting their lives, their communities, and their nation. The foundation seeks to identify and address the challenges to making democracy work as it should through interrelated program areas that focus on citizens, communities, and institutions. The foundation collaborates with an extensive network of community groups, professional associations, researchers, scholars, and citizens around the world. Established in 1927 by inventor Charles F. Kettering, the foundation is a 501(c)(3) organization that does not make grants but engages in joint research with others.

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