# Philanthropy Serves the Status Quo

What if powerful foundations pushed for radical, large-scale change?

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Most Americans give money to charity. They donate to local food banks, foreign disaster-relief funds, museums, and animal rescues. They drop bills into church collections and the cups homeless people hold out on the street. They contribute to GoFundMe pages to pay for medical expenses or college tuition. But in recent years, Americans of average means have [started donating smaller portions of their paychecks](https://www.marketwatch.com/story/americans-give-more-to-charitybut-recent-donations-show-widening-gap-between-rich-and-poor-2018-06-16), or not donating at all—even as overall charitable donations have climbed to [record numbers](https://givingusa.org/giving-usa-2019-americans-gave-427-71-billion-to-charity-in-2018-amid-complex-year-for-charitable-giving/), driven by wealthy people and foundations.

These widening class disparities in charitable giving echo America’s broader economic inequalities. And Rob Reich, a Stanford political-science professor and the author of *Just Giving: Why Philanthropy Is Failing Democracy and How It Can Do Better*, argues that the policies that govern donations in the United States actually help entrench wealth and influence where they already reside.

“Philanthropy is an exercise in power, by definition by the wealthy,” because the rich have the most money to give, Reich said last week at the Aspen Ideas Festival, co-hosted by the Aspen Institute and *The Atlantic*. “It’s an attempt to have some public influence. And in that respect, it’s a plutocratic element in the democratic setting.”

Similar charges have dogged philanthropic organizations for more than a century, since long before seemingly every CEO, celebrity, and soft-drink company had a charitable foundation. When the oil magnate John D. Rockefeller set out to establish the Rockefeller Foundation in the early 1910s, his contemporaries worried that such organizations were, as [Reich has written](https://www.law.berkeley.edu/wp-content/uploads/2016/01/Repugnant-to-the-Whole-Idea-of-Democracy_On-the-Role-of-Foundations-in-Democratic-Societies..pdf), “a deeply and fundamentally anti-democratic institution, an entity that would undermine political equality, affect public policies, [potentially] exist in perpetuity, and that was unaccountable except to a hand-picked assemblage of trustees.” Rockefeller was met with similar concern from lawmakers when he applied for a federal charter for his foundation. Wary of the influence he might exert over spending, the Senate declined to grant it to him.

Philanthropy didn’t find champions in the progressive scholars and activists then clamoring for social reform either. “Private unendowed charities must, on the whole, be listed among the static rather than the dynamic forces in society,” the sociologist Edward Alsworth Ross wrote in a [1914 Atlantic article](https://www.theatlantic.com/magazine/archive/1914/09/philanthropy-with-strings/305145/). Seven years later, the writer and outspoken feminist Cornelia J. Cannon [outlined a similar argument](https://www.theatlantic.com/magazine/archive/1921/09/philanthropic-doubts/305149/) in the magazine: “The philanthropists serve unconsciously as a bulwark of the status quo, for whose defects they are ready and eager to apply palliatives,” she wrote. “They are the great menders and patchers-up of society, not the surgeons who cut deep into the festering sore and scrape the bone.”

Philanthropists, Cannon wrote, were loath to “surrender their work to the community itself.” But she argued that in order for democracy to succeed, they would have to redirect their “professional ability” and “intellectual enthusiasm” away from the charitable foundations they controlled and toward public institutions.

That’s not what happened. In fact, many of the philanthropic organizations of that era, including the Rockefeller Foundation, remain active, privately controlled, and generously funded today. And though the Senate turned Rockefeller away in 1912, Congress established the country’s first [tax incentives for charitable giving](https://scholarship.law.marquette.edu/cgi/viewcontent.cgi?referer=https://www.google.com/&httpsredir=1&article=1574&context=facpub) and [tax exemptions for philanthropic foundations](https://www.irs.gov/pub/irs-soi/tehistory.pdf) before the decade was over.

Those policies have evolved over the past century to create, Reich said, “the most idiosyncratic organizational forms we have in the United States”: 501(c)(3) organizations. These charitable foundations, he explained, are “almost entirely unaccountable” to the public, directed by leaders who can’t be voted out of their positions, faced with “no real marketplace competition,” required to provide “almost zero transparency,” governed by donors’ whims in perpetuity, and “lavishly tax-advantaged.”

“You can get away, in the United States, with being a nonprofit organization and having almost any mission so long as you don’t enrich your shareholders or yourself in any egregious way,” Reich said in another conversation at the festival. In that sense, he noted, organizations that work to reduce social and economic inequality are treated the same way under the tax code as those that give to art museums and, until it dissolved last December, as the Trump Foundation.

Individual tax incentives also provide advantages to people who earn more money. Because donations are subtracted from taxable income, if people in two different income brackets give the same amount to charity, the person in the higher bracket receives a larger subsidy for the contribution.

And because people’s tax contributions are reduced when they donate, donations effectively redirect money that would have gone into state or federal treasuries toward private causes. Many of those causes cater to the communities and interests of the country’s richest citizens. In Reich’s own neighborhood, wealthy Palo Alto parents received tax subsidies for giving money to their children’s public school—choosing, he said Thursday, to tackle the state’s underfunded education system on a “hyperlocal” level through donations rather than working to enact larger-scale policy change that would also benefit the poor.

For philanthropy to play a valuable role in American society, Reich says, charitable organizations would have to fundamentally change their approach to giving. Congress would have to amend the tax code to offer a single maximum incentive to people in all income brackets. Foundations would have to set definitive time limits within which to spend down their funds, rather than be allowed to pursue their donor’s outdated goals in perpetuity.

But that doesn’t mean they shouldn’t pursue long-term goals. One of the most important advantages charitable foundations have is their lack of public accountability. Politicians, always facing some future election, might be wary of trying to implement big, untested ideas. But philanthropists don’t have to answer to the popular will, so they can set their sights beyond the next two or four or six years. With their longer time frames and almost boundless discretion, Reich proposed, they could build a private testing ground for ambitious programs and “humbly present evidence-based successes” that the government can reproduce at scale.

In this improved form, Reich argued, charitable organizations could do “something that’s hugely beneficial to democracy.” But regardless of reforms, he said, the most important community services will always be performed in the public sphere. “There is no substitution of philanthropy,” he said, “for the essential work of what we do collectively as citizens.”

1. What does the author mean when she writes, “these widening class disparities in charitable giving echo America’s broader economic inequalities?” Why might this be a problem?
2. Why might the author choose to quote Stanford professor Rob Reich’s statement that, “philanthropy is an exercise in power, by definition by the wealthy”?
3. What is the purpose of referencing the early struggles of the Rockefeller Foundation?
4. Paraphrase Cornelia Cannon’s 1921 argument about philanthropy.
5. Why might Professor Reich note that “organizations that work to reduce social and economic inequality are treated the same way under the tax code as those that give to art museums”?
6. What might a lack of public accountability be advantageous to charitable foundations?
7. What is the author’s KEY ARGUMENT?
8. What are the three most IMPORTANT DETAILS the author uses to support her KEY ARGUMENT?