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PHILANTHROPY & THE ECONOMY

In Hard Times, Philanthropy Can Lead the Way

By Scott Bittle And Jean Johnson

You know the news is bad when strangers start blurting out updates in the elevator.

In this case, the elevator was in Coeur d'Alene, Idaho, and the man furiously thumbing his smart phone looked up and said, "WaMu's gone under."

WaMu — Washington Mutual Bank — counts as the largest bank failure in history, and the scariest part about it is that it's only one small piece of the global financial crisis that has erupted this fall. But for grant makers who were attending a conference in Coeur d'Alene last month, Washington Mutual's demise brought the crisis home.

WaMu was not only a major Pacific Northwest institution and the local bank for many people there but also a generous grant maker and dedicated partner for years. It's fair to say many of those gathered in Coeur d'Alene were shocked, worried, and asking the obvious question: "What can we do about this?"

That's a good question for the philanthropic world to be asking right now.

If we're lucky, the furious efforts of the world's governments and central banks will mitigate the worst of the recession that is almost certainly upon us. But even if their efforts succeed, the world is going to be a colder, poorer place for a while.

In tough times like these, it is natural for people to look to the federal government for help, but

the sad fact is that this crisis is hitting at a time when Washington is particularly ill-prepared to respond.

The federal budget is a mess — both in the short term and in the long run. Deficits were projected at more than \$400-billion this year even before the crisis hit. This current gush of red ink comes on top of more than \$10-trillion in debt, and soon we'll be feeling the pressure from the rising costs of Medicare and Social Security. If nothing is done, the government's own auditors project, by 2040, every dollar the federal government takes in will be eaten up by Medicare, Medicaid, Social Security, and interest on the money that the government has already borrowed.

Everything else will be pushed out of the way. The government is fiscally in the hole, and it is politically ill-suited to deal with the situation. The infuriating, tortuous debate over the \$700-billion Wall Street bailout proved one point conclusively: After years of partisan, reckless, shortsighted clashes over the nation's finances, Washington can't turn on a dime and show statesmanship overnight.

Nor can you expect the public to follow leaders who have done so little to educate or engage them on economic problems. So if the business world is hobbled, and the political class is feckless, Americans will look to philanthropy leaders to step up to the plate.

Foundations have many assets they can harness for the good of society. One, of course, is money. It is true that endowments are being battered (or taking a drubbing maybe), but foundations are not under short-term pressure from investors or voters. They can take a longer view, choose their targets wisely, and provide steady support for projects that actually work.

Foundations also have credibility. Right now that's almost as scarce as credit. The public's trust in government was at a low ebb to start with. Now the shock waves from Wall Street have shaken faith in the business world as well. By contrast, the foundation world still has a reservoir of public trust. But what can philanthropy do with these assets?

For a start:

Help the country make good decisions in confusing times. Philanthropy can help the public work through the most critical challenges facing the nation right now: making choices and setting priorities. For the next few years, government will be hard pressed to come up with enough money to get things done. That's going to be true at all levels — federal, state, and local.

For some grant makers, the first instinct may be advocacy — to fight for good causes threatened by shrinking government support.

Good causes need defending, certainly, but something else is needed as well.

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The challenge here is not only to decide what government programs should survive; it's also bringing members of the public into the process so they have an authentic say in what survives. We're at a moment of truth in our society. If the choices we make are going to stick, they have to be rooted in the public's values and concerns. People have to feel like they have a place at the table — particularly if they're being asked to do with less in the name of fiscal necessity or the greater good.

Philanthropy has a special opportunity to promote and nurture productive national dialogue. Grant makers can offer needed facts, evenhanded expertise, and neutral discussion spaces where Americans can start working through the challenges we face.

Foundations can work for greater openness and real public engagement, in which citizens can participate in setting priorities. And they can do this at all levels — the challenges facing local and state governments will be as daunting as those at the federal level.

Find ways to do it better, faster, and cheaper. One classic role for philanthropy is research and development. It is more crucial than ever. We need new solutions to stretch our money further in health care and education.

American foundations have done magnificent work finding ways to provide inexpensive, effective health care in the developing world. But health costs in the United States are skyrocketing, threatening to break the budgets of both business and government. We're going to need that same kind of ingenuity to create an American health-care system that protects the uninsured while controlling costs.

The same goes for education. Efforts to improve the schools and

expand the number of people who can afford to attend college seem stalled after years of effort. If we're going to stay globally competitive, if we're going to ensure that all citizens can build a future in a technologically advanced world, we've got to find ways to make sure the billions spent on education get results.

Pick up the pieces. Let's face it, we're looking at cutbacks at all levels of government. Corporate giving is likely to dive as well. In that environment, philanthropy has a critical role to play in preserving what is important but unlikely to survive the budget knife.

That includes the arts, libraries, parks and historic places, and basic science. There's also the humanitarian role of helping vulnerable people through hard times. Social-service groups are going to see their caseloads rise and their private and government support drop.

Hard times are the test of any society. It's easy to be humane, generous, and democratic when there's a lot of money around. It's when times are tough that you find out what a society really values. And it's in times like this that philanthropy can lead the way.

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