Andrew Carnegie Medal of Philanthropy and International Philanthropy Symposium 2005

Legal, Fiscal and Governance

Andrew Carnegie Medal of Philanthropy and International Philant Andrew Carnegie Medal of Philanthropy and International Philant

The symposium opened at 10:07.

Caroline Hartnell (Allavida): Good morning and welcome to the legal, fiscal and governance panel of the Carnegie international philanthropy symposium. I am the editor of a magazine called *Alliance*, which looks at philanthropy and social investment throughout the world. I will chair the session. Before I introduce our three speakers, I will say a little about the content of the panel, which may not be exactly what people expect. When we looked at the title of the panel, we thought two things. First, we thought that legal and fiscal matters are context specific, so what is true in the United Kingdom will not be true in the United States. They are also detailed, so if we were to go into the details of differences between countries, it would take a long time just to describe what they are. Our other thought, which was perhaps more important, was that, to all of us, the title “Legal, Fiscal and Governance” sounded boring, so we took a step back and thought about what holds the three ideas together. We came up with the concept of accountability, which we feel lies one step behind the three issues that we are supposed to consider.

In an ideal world in which we could create from scratch non-profit regulation and a tax system for the philanthropy and non-profit sector, before making laws and giving tax incentives, it would be natural for society to think about what we want foundations and non-profit organisations to do and the reasons for which we want to give tax benefits. We decided to take a step back and ask for what and to whom we want foundations to be accountable. Those are the issues that we hope to discuss today.

Once we have had the three presentations, we hope that we will have more of a discussion than a question and answer session. We do not have a huge group and we have plenty of time, so we should be able to have a real discussion.

I now introduce our three speakers in the order in which they will speak. We start with Jane Wales, who is president and chief executive officer of the World Affairs Council, based in San Francisco, and co-founder of the Global Philanthropy Forum. For those who do not know about it, the Global Philanthropy Forum started in California in 2001 and is now a global network of donors who are committed to international causes. The donors come together at an annual conference on borderless giving, which is usually held each spring. Jane’s other work in the philanthropic sector includes chairing the security programmes at the Carnegie Corporation in New York, at the W Alton Jones Foundation in Virginia and at the Rockefeller Brothers Fund.

Next to speak will be Helmut Anheier—not Helmet, as his badge seems to say. Helmut is professor of public policy at the University of California at Los Angeles, at the school of public affairs, where he directs the centre for civil society and the centre for globalisation and policy research. He is also centennial professor of global governance at the London School of Economics, although he may be best known to many people as co-director of the Johns Hopkins comparative non-profit sector project, where his name appears alongside Lester Salamon’s on a great number of books.

Finally, we shall hear from Steven Burkeman. Steven was formerly secretary of the Joseph Rowntree Charitable Trust and now works as an independent consultant with non-profit organisations and foundations; he is co-author of “Stepping up the Stairs”, which was referred to earlier. For nine years, he was involved in the National Lottery Charities Board (later known as the Community Fund) in the UK.

Jane Wales (World Affairs Council Global Philanthropy Forum): I have been asked to set the context by talking about some of the trends in philanthropy that stem from interaction among new philanthropists and long-standing, well-established philanthropists. Some of those trends create new opportunities for new levels of agility and efficacy, as well as accountability, and some of them pose some dangers and some specific problems. I shall hold those dangers till the end, because they will benefit from a discussion among us. There is enough wisdom in this room to address many of those issues.

The first and most striking trend is that new philanthropists and foundations founded by living benefactors, as opposed to those established by estates, are matching both the size and the scope of those foundations founded as the result of estates, so they reflect not only the goals of the benefactor but his or her own style of giving and means of measuring results. Those are folks who are engaged philanthropists. They are agile, strategic, most of them are quite global in their outlook, and they are shaped in many cases by their private sector experience. That is reflected not only in their goals but in their means of measuring results. Most of all, they tend to bring their talents as well as their financial resources to the table, which often results in improved fiscal management and accountability on the part of the grant-seeking institutions that they support and engage with.

We should note that, in that engagement, much of the learning goes both ways, in so far as private sector leaders find out how not-for-profit leaders are able to motivate employees without a significant financial reward as part of the incentive. Instead, they can learn to understand the motivation that drives people to effect social change. That takes me to my second point.

The second trend that we see in philanthropy is willingness on the part of both longstanding and new philanthropists to take on very large problems and go after them with a comprehensive strategy for addressing them. They treat large problems such as endemic poverty and global climate change as systems that need to be replaced with new systems.

Perhaps the most visible of the new philanthropists who have taken on a very large problem is Bill Gates. He has identified infectious diseases as a point of leverage for combating endemic poverty. However, much smaller foundations have been equally bold in their willingness to tackle very large, complex problems, and we will return to that later.

My third point is that there is great emphasis on leverage. Sustainability is the watchword, particularly for new philanthropists. They want to find sustainable solutions, and they also want to be able to match the scale of the solution to the scale of the problem. As a result, they seek to leverage their investments and their grants mostly through partnerships. Those partnerships bring with them a new level of engagement and accountability; they sometimes bring to the table the ultimate beneficiaries, not the grantee and the grantors but the ultimate beneficiaries as part of the decision-making process.

They leverage both the public sector and the private sector. In the case of the public sector, we are seeing a great deal of activity and a great many partnerships with national governments as well as with intergovernmental agencies. We see new institutions such as the Global Fund to Fight AIDS, Tuberculosis and Malaria, the World Bank buy down of World Bank debt to free up funds to combat polio. There are even partnerships with municipalities. An example that comes to mind is Embark, which is an effort with Mexico City, the Shell Foundation and the World Resources Institute to bring clean public transport to megacities. The institute is partnering Mexico City, Shanghai and other large cities.

Philanthropists are also trying to leverage the private sector. That runs the gamut from putting their own companies to the service of social goals, as in the dramatic example of Google. The continuum is of companies that use their products and services to generate funds and new philanthropic dollars. Examples are e-Bay and Amazon. One of the first was Newman’s Own. Ben and Jerry’s Ice Cream and the Body Shop are among many others.

At the other end of the continuum is the Rockefeller Foundation’s systematic investment in pharmaceutical companies and biotechnology firms that undertake research into the diseases of the poor, where there is no venture capital for research. That market correction is created by the Rockefeller Foundation, which oftentimes will take an equity interest in those corporations.

Other donors are, of course, leveraging the private sector by supporting microfinance and by supporting the double and triple and bottom-line ventures that were referred to this morning. Those are enterprises that provide goods and services and income-generating opportunities to improve the living standards of the poor.

That takes me to the fourth strand: there is a convergence of the social and the private sectors. As a result, non-governmental organisations are reorganising and restructuring themselves so that they can receive grant dollars and loans and investment dollars. They are structuring themselves as hybrids, as for-profit and non-profit institutions. At the same time, there has been a burst of small and medium-sized social enterprises popping up around the world that receive the support of philanthropists who use the income from their endowments for making grants and who also use the assets of their endowments to make investments. That means that they can use their resources in both ways. We can give many examples of that in the discussion.

My fifth point is that, although philanthropists—particularly new ones—are attracted to sustainable investments such as these and to private sector solutions, they recognise that markets do not solve all problems. This is the land of both Adam Smith and Andrew Carnegie, so I feel safe in saying that markets might provide for the rational distribution of wealth but they do not provide for equity. There is a role for public policy and philanthropy in rich and poor countries in terms of creating an environment in which markets can function freely, but also in terms of meeting social goals. Therefore, you will find that institutions such as the Carnegie Corporation of New York and the Carnegie Endowment for International Peace and other, newer, institutions have applied themselves to the task of trying to inform public policy, expand policy options and even support those non-governmental organisations that are implementing policy.

There is a recognition that, in order to improve and enhance the quality of public policy to ensure that it meets philanthropic and social ends, there is a need to inform the world's public and equip them with the knowledge that they need to make informed choices. There is a recognition that many of the problems that we face, as well as the solutions to those problems, will come about as a result of the aggregate effect of millions of individual choices, which means that informing those individual choices is a high priority.

I will give you two concrete examples of that. The University of British Columbia in Vancouver is working on "Quest", which is a tool that asks citizens to imagine the kind of future that they want to have. What kind of house do they plan to live in? What kind of cars or how many cars do they plan to be driving? How do they want to go on holiday? How will they live their lives? As they register their preferences, they can see on a screen before them what the aggregate effect of those choices will be. That lets them see what the effect of their high-consuming aspirations will be on, say, the city of Vancouver. The idea is that, once the impact is visible to people, they will be enabled and empowered to make choices that are better than they would have made otherwise and which will advance the collective good.

An equally interesting example stems from the private sector. Google has decided to translate the world's knowledge, be it in text books or websites, into the languages of the developing world. That could have an enormously powerful effect as societies that have been isolated as a result of poverty or politics can now have access to knowledge to which they did not have access before. Having said that, I should note that that does not overcome the problem of illiteracy, which means that traditional philanthropy and public policy will continue to play an important role.

The hardest part of our discussion will concern the question of accountability. Accountability for what? To whom? I believe that we are accountable for the larger public good and for the long term and that we are accountable not only to the immediate beneficiary but to generations to come. Therefore, the pressure on us all is to consider the steps that we can take to ensure that the philanthropic choices that we make have a ripple effect and are strategic. If we succeed in achieving the goal of combating disease, what will be the long-term wider effect on the problem of poverty writ large?

As we go about our philanthropic task of achieving a goal, will we leave what the private sector would call lasting value? Will we leave new capacity—the knowledge and the civil society capability in its wake—that will allow us to cope with the problems that we do not foresee as well as those that we do?

I leave you with that because I have been told that my time is up. I will leave the tough questions to the question and answer session and conversation.

Dr Helmut Anheier (UCLA Centre for Civil Society): I thank the chair for pointing out the misspelling of my forename. I once made a list of possible permutations of my name. I have been Kermit and Hermit and I have collected 15 names over the years. The spelling "Helmet" is frequent and I do not mind it.

My presentation is based on a truly collaborative work with Diana Leat, who is attending another panel this morning. I acknowledge her tremendous contribution to the project and more generally to pushing forward our thinking about philanthropy. The project is called creative philanthropy. It is not about accountability per se, although I will address in my conclusion accountability and transparency, which is much more important to what we have to say. We think that legal and fiscal aspects are a function of more basic models and approaches, so we addressed those models and approaches first.

We were motivated to start thinking about the future of philanthropy by a concern about what we see as a low-key malaise of philanthropy—particularly of American philanthropy and of the philanthropy that owes so much to thinking that started in Scotland 100 years ago. That malaise—I do not use the term "crisis", but a certain concern and disquiet are felt—is not about money and pay-out rates or even about the legitimacy of philanthropy or foundation governance. It is a low-key concern about impact because of a lack of awareness about the true potential that philanthropy could have. In our opinion, the ability to overcome that disquiet could provide the key to reinventing philanthropy as a central institution of American society and of modern society more generally. For the future growth and legitimacy of philanthropy, greater impact or a particular kind of impact could be achieved by what we call creative philanthropy. I will share that with you first, after which I will address accountability issues.

To appreciate what we mean by creative philanthropy as a new approach, it is useful to consider more conventional approaches of foundations. As we heard in the opening address, foundations at their best are innovative risk-taking funders of causes that others neglect or cannot address. They fit in well with the way in which modern society is developing in an era of smaller government, greater social diversity and greater reliance on private action for the public good. Nevertheless, many—perhaps too many—foundations would be hard pressed to prove the effectiveness of their contributions and the sustainable impact that they have achieved. I said many—I did not say all.

What is the reason for that? The answer is not in the mistakes that have been made and not in the scandals that we have read about in the American press. The answer is rooted in the dominant approaches that foundations take. There are three dominant approaches that I will mention very briefly, and then we can discuss what we think might be the way forward.

The first two approaches are very close to where we are at the moment, as they have much to do with the person of Carnegie. The first approach is charity, which was the original model. In many ways, it was suited to the social and political context of the 19th century: with inadequate provision, non-profit organisations and government foundations provided services for those who were unable to care for themselves. However, as governments increasingly began to provide some services for some groups, foundations adopted the service approach to provide services that were complementary to those of government or to fill gaps in statutory provision. Until the early 20th century, that approach was probably effective, yet it had, and continues to have, major shortcomings that prevent foundations from exploiting their full potential.

First, the approach is adopted by other endowed and non-endowed charitable organisations, like any normal non-profit service providers. Secondly, the charity approach makes a difference to those who are lucky enough to benefit from the service. However, taken alone, it has no impact beyond that. Thirdly, the approach tends to operate on the now largely false expectation that someone else will take up the job of widening and sustaining impact. Traditionally, it was assumed that what foundations start, Governments will, and should, continue. Finally, the charity model addresses symptoms rather than causes. In an important sense, the charity approach changes very little. It was this important criticism, expressed forcibly by Carnegie 100 years ago, that led to the rise of scientific philanthropy.

That approach is different from charity in its emphasis on dealing with causes rather than symptoms. We heard that again in the chamber this morning. The rise of the philanthropic foundations was a product of its time. In the early to mid-20th century, belief in the power of a scientific approach was riding high. It was the notion of social engineering: social, medical and economic problems could all be solved once their causes were understood, and a scientific solution could be applied. For all its achievements, the scientific approach to philanthropy also suffers from weaknesses when viewed from the 21st century perspective.

First, like the charity approach, the philanthropic approach fails to exploit fully the unique potential of endowed foundations. For the most part, this approach is adopted by other kinds of organisation, including governments.

Secondly, it rests on assumptions that may be true in the physical sciences but which are questionable when applied to social issues. The causes of something as complex as poverty may not be susceptible to scientific solutions and simple control measures.

Thirdly, although the philanthropic approach may have much wider impact, it often fails to appreciate the long, slow, complex—and expensive—path to effective problem solving. In other words, what happened in the 20th century is that many of the pressing social problems were out of reach to the approach of scientific philanthropy. The scientific approach might have been inadequate, and foundations simply do not have the resources to engage in solving fundamental social problems in the long term. Keep in mind that less than 2 per cent of the income of the not-for-profit sector in the average Organisation for Economic Co-operation and Development country comes from foundations.

In recent years, new approaches have been added to the foundation lexicon. It now includes strategic philanthropy, venture philanthropy, and blended value approach for example. In many ways, those are the children of the scientific philanthropy approach and although they have stimulated useful debate, they share some of the main weaknesses that stem in part from instrumentalist and largely managerialist assumptions.

First, they tend to focus on foundation processes rather than roles and they do not address the question of the unique value of foundations in a democracy. Secondly, they apply business models to foundation practices, the assumption being that if only foundations were run more like businesses, all would be well. While those models have something to offer, they are inappropriate guides to achieving social change. Social change is negotiated and contested; it is a political process, not just a matter of better management and contributing philanthropic resources. The complexity of social issues and social problems is such that the resolution is never in the hands of one actor alone, particularly if the actors, like foundations, do not have the resources that are commensurate with the problem at hand.

Our project then goes on to identify some of the weaknesses of current foundation practices and to identify foundations that we think are transcending the philanthropic model of the early 20th century. We call them creative philanthropies because all those cases have some things in common, and in the penultimate part of my presentation, I want to identify the characteristics of a model that we think will help to propel foundations from a charity or philanthropic approach to a creative approach.

First, that can be done by exploiting the distinctive characteristics of freedom from market and political constraints to make a contribution to democratic debate. I was very pleased this morning to hear the speaker say that foundations are in the ideas business. That is where they should be first and foremost—in the business of having more rigorous and vigorous democratic debate. Secondly, it can be done by maximising the breath and sustainability of their impact.

I am probably running out of time, but I want to share with you seven of those elements of the creative approach. Is that okay?

Caroline Hartnell: As long as we get on to accountability.

Dr Anheier: That is good; thank you.

The first element is the role. To achieve sustainable change with an impact beyond their grantees—this is all based on numerous case studies that we did in various countries including the UK—the creative foundations go beyond conventional grant making. They seek to contribute to a multi-actor approach, which means that they go beyond grant making and engaging with non-profit organisations. If foundations manage to go beyond funding non-profit organisations and to fund networks or collaborations of actors, they will achieve greater impact.

The second point is about assets and resources. For creative foundations, knowledge networks have influence and independent non-partisan voices are key resources. Having money is not enough, particularly if you want to get a seat at the policy table; we call it "beyond money".

Third is the theory of change. We start with an outcome and then think about how to get there. Too often, we find that conventional foundations stick to the rules of who the grantees are and how the grants are made and so on. The rule book of grant making must be left outside the door and a new approach must be taken to achieving that particular change.

We also have to enlist a network. When we were considering the foundations that we thought were exemplary, we were astonished at how rich their networks and contacts were, and how skilfully they engaged with that repertoire of social capital in problem solving by bringing people together. Those foundations were brokers of ideas as well as of linking different constituencies. They were also the proverbial planning institutions. They saw their grant making—and they went well beyond that—as work in progress. They had a goal in mind, but getting to that goal implied that they had to recast the net or rethink on the way.

Show-and-tell communication is a quintessential strategy for being a creative actor. Foundations point out and tell different constituencies what they do. They de-emphasised the sometimes fashionable repertoire of performance indicators. What is much more important is learning from what has been done. A communication line was opened with grantees and other organisations, but it was not about six or 12-month performance indicators; it was much more about how foundations had generally moved to where they were. I am more than happy to give you more complex examples of that issue in the discussion session.

I return to the issues of accountability and transparency. The accountability debate makes sense only within the particular model in which a foundation sees itself. Accountability is a slippery slope, because foundations are free of market forces and political accountability to an electorate. They are privileged institutions that are not democratic in their internal governance. Why then pretend that accountability is a critical issue, if legally it is not, apart from some fiscal elements?

The real issue is transparency and that is where we should place our emphasis. If a philanthropic institution operates in the charitable model, its accountability and transparency will be measured relative to that of Government agencies, because they are the other major actors in the field. They will be the yardstick. The question then is whether a foundation is more efficient than Government in distributing resources to those in need.

The charity model is a 19th century one in which accountability is measured relative to efficiency. If an institution adopts the 20th century philanthropy model, its accountability is relative to that of other actors, which are primarily other non-profit organisations. Clearly, that is what Government and corporate social responsibility programmes do. Given the objective of such a model, the issue is not only efficiency but effectiveness. The question is whether a foundation is solving the problem that it says it is solving. In the creative approach, accountability is ultimately about impact, but that is the most difficult aspect to be accountable about. That is why I say accountability is a slippery slope. A foundation is not easily accountable for something that will not have an impact for five, six or seven years. In that case, we argue that the yardstick must be transparency; it is often a voluntary measure, whereas accountability is often legally required.

If a 21st century philanthropic institution followed our suggested model, it would be much less concerned about legal accountability, because that problem is largely solved—the laws exist already. Our proposed model would be concerned about transparency, rather than accountability, and the potential political fallout relative to the foundation's legitimacy.

Caroline Hartnell: Thank you, Helmut, for spelling out the implications of the different models. Our final speaker is Steven Burkeman.

Steven Burkeman: I am not often humbled by the building in which I speak, but this is a special place. It is hard to imagine that, only eight years ago, the notion of devolution was strongly contested. No one in their right mind would now go back on it. The non-profit sector in Scotland played a significant part in the devolution debate, so the issue is not irrelevant to our discussion.

Those of you who are new to the Parliament building should take time to look at its walls. On one of the walls you will find some wonderful quotations, including one from Scott. Unfortunately, I cannot do the accent or the dialect, but it says basically that when we had only a Parliament in London, we could not "peeble" its members "wi' stanes"—that is, chuck stones at them—but now that we have a Parliament up here, we can. I have often thought that stane peebling our political representatives was a notion that we should nurture and cherish.

Once upon a time, the very idea of people who had access to money and were prepared to give it away to others seemed so counterintuitive as to be an unquestionable good. How could one criticise anything so self-sacrificing? Therefore, the question of accountability or its twin, transparency, really did not arise. However, we are now much more aware of the power of money to do good or harm in a world in which we think that we understand human psychology and personal motivation, political processes, and what goes on in societies other than the ones in which we live. It is a world in which rank determined by material wealth is no longer a given—although I see that Prince Andrew did not quite go along with that when arriving at Melbourne airport. In such a world, the gift of money is no longer unquestioned or uncriticised. We ask ourselves the big questions such as the one that we are considering today: what ought philanthropy to be accountable for?

Nowadays, we require that those who have wealth and who choose to give it away should have to account to the rest of us for the decisions that they make. We require it because much of what is given away includes an element of fiscal privilege—of money that, were we taxpayers not to forsake it, would be ours. Each of us pays a little more tax in order that foundations, especially in the UK and US, pay less. Surely we have a right to know where that money is going and how it is used. That is the basic case for accountability, and we do well to remind ourselves of it from time to time. Each of us will have his own view of what we expect from philanthropy, and from foundations in particular, in that context. This is mine.

I prepared this earlier, as they used to say on "Blue Peter", and having heard the opening speech this morning, particularly the second part of it, I feel that much of what I have to say has been said. However, it was very good to hear it said from that platform. In modern democracies, Governments can do only so much; they are constrained by all sorts of forces, which we do not need to rehearse here. Those forces combine to make democratic Governments in effect short term and populist, whereas some of the most fundamental problems facing our societies—and, indeed, the planet—require long-term action and commitment. Some of the neediest people are among the most unpopular groups in their societies; they are the most excluded and have the least political power.

It seems to me entirely reasonable that foundations, especially the larger ones—and I realise that what is a large foundation will vary from country to country—should be expected to operate in a space that is off-limits to Governments and that they should account to the rest of us for the extent to which they do so. You would expect me to say that, because that is pretty much the professional background, at the Joseph Rowntree Charitable Trust, from which I come.

There are other reasons for that expectation. In many democracies now, non-profit organisations, which are the traditional clients of foundations, are seen as mere delivery agents for statutory services. They seem to be losing—and in some cases appear to have lost—their independent critical voice. In that context, one must ask what the point is of merely adding the philanthropic pennyworth to the funding that is provided by Governments. Most charitable giving does little to remove the conditions that give rise to the need for charity in the first place. On the contrary, it tends towards maintaining the status quo.

The fact that so few foundations, at least in the UK, choose to work in this space arises from terminological and regulatory confusion, particularly about the idea of charity, and the work of Helmut Anheier and Diana Leat has looked at that. To me, the charitable impulse is in essence personal and individual. It is the impulse to which I respond when I go to my local supermarket on a Saturday morning and am persuaded to put some pennies into a tin that is waved at me. Institutions, especially large ones, do not on the whole have impulses. They have the opportunity to reflect, to gather wisdom and experience and to act accordingly. We should not, therefore, call them or regulate them as charities, and they should not think of themselves in those terms. That self-image encourages them to believe that whatever they do must be good, recalling the days when we did not seek accountability from wealthy benefactors.

Foundations should act strategically, focusing on what Governments cannot or will not do. The role of philanthropy in a modern democracy is to support those who are working for a better society, for socially progressive change and for greater social justice. I am pleased that Carnegie has taken a similar approach in commissioning the report “Stepping up the Stairs: Increasing the impact of progressive philanthropy in the UK”, which Alison Harker and I wrote recently. We were pleased this morning to hear George Reid mention the report, which is available at the Carnegie UK Trust website. In it, we try to describe how progressive philanthropy in the UK might become more influential.

What does social change philanthropy mean in practice? That depends on what turns you on as a philanthropist or philanthropoid. If you are passionate about disability, rather than simply give money to pay for disabled children to have holidays—much charitable money goes in that direction—you will look in addition for opportunities to support organisations that are campaigning for better disabled access to public transport, buildings, hotels and so on, and for more financial support from the state for the additional costs of caring for a disabled child, so that families that include such a child will not need your charity to enjoy holidays together. You will want to use learning—as has already been said, learning is fundamental—that has been gathered from your funding of services to do what you can to change the situations that give rise to the need for you to fund those services in the first place. Again, Scotland is leading the way. A number of Scottish funders have got together to set up an evaluation service. They emphasise that a mutual process of learning—not evaluation as a zero-sum game in which things are totally successful or total failures, because life is rarely like that—will be the basis of the service.

If you are passionate about the way in which particular ethnic groups are treated in your society, you may want to do something to change the legal infrastructure to encourage people to treat one another in discrimination-free ways. That may mean supporting people who are campaigning for changes in the law or, if that is difficult in the context of the legal and fiscal framework within which philanthropy has to operate, supporting those who are doing the research that may underpin and support campaigners who have to find their cash elsewhere.

If foundations should be accountable for the activity that I have described, what form should accountability take? I do not seek a gargantuan, over-the-top, impossible-to-sustain, highly bureaucratic regulatory system that polices foundations’ every move, but I would like to make one or two specific suggestions that might be worth further exploration. If grant makers are to be held accountable for what they do, we shall have to start making distinctions—or, in the USA, greater distinctions, as some are already made—between grant-making and grant-seeking charities. There is good reason to do that. What on earth has a charity that must raise funds from the public in common with one that is endowed and has no money worries, except about the level of the stock market? In one case, the principal activity is raising money, whereas in the other it is giving it away. It is high time that the differences between the two activities were recognised in regulatory terms. Foundations’ prime accountability should be for how they spend their money. Grant-seeking charities’ principal accountability should be for how they raise it.

I am not sure that the Charity Commission in England and Wales and OSCR in Scotland are necessarily the right bodies to do both jobs. My starting point is that the differences are so great and the public concern about fundraising charities so prevalent that foundations probably warrant their own regulator, but I know that proliferating regulatory bodies is not generally desirable. In raising the issue, I ask for regulation by exhortation, example, incentive and the acceptance of standards of good practice, rather than by punishment.

Given what I have said about the space in which I think foundations should operate and in which they should be held accountable for operating, I propose that at the very least they should be required to include in their annual reports a paragraph that states specifically what they have been doing to change, rather than simply to ameliorate, the situations on which they have been concerned to focus. After wide consultation with the sector, the regulator should set standards of good practice, including minimum percentage payouts for change-focused work and maximum percentage payouts for service work. In those and other ways, which will emerge over time when there is separate regulation, we will in due course have effective yet realistic accountability for what I have suggested should be the proper roles of foundations. As a result, the impact of their work will be increased significantly.

In modern democracies, philanthropy should be about doing those things that often, because of the constraints of democracy, Governments cannot or will not do. That means focusing on those in greatest need, who are often too unpopular for Governments to focus on, on risky things and on long-term issues. Almost inevitably, it means working on public policy and social change. Philanthropy should be accountable for the way in which it does that. Effective accountability will inevitably mean new machinery, although not necessarily new institutions, and new standards.

Caroline Hartnell: I thank all three speakers for very interesting presentations. Before I open the floor to comments and questions, I would like to do the awful thing of exercising chair's privilege. I want to ask Jane Wales about a point that I suspect I cut off by being a bit rigid about timing. Carnegie has given us a very rigid timetable today, and I am trying to comply with it. You painted a bigger picture for us of a world of new, living donors willing to tackle huge problems and keen to leverage other resources to achieve maximum impact. You said that that posed specific challenges in respect of accountability. Would you like to spell out further what those challenges are?

Jane Wales: I want to pick up on a very important point that Helmut Anheier made—that philanthropy has the opportunity to be freed from the constraints of the market and of the political process. I argue that in this era perhaps the only sector that can take risks, withstand criticism and make long-term investments in the public interest is the philanthropic sector. Preserving that ability should be the number 1 goal in this set of conversations. However, one of the risks associated with new philanthropy is that the application of market tests for results may sometimes be counterproductive.

I will give you an extreme example. I shudder when I hear that one foundation will peg its programme officers' salaries to results. Inevitably, that will have two impacts. First, it will reduce risk taking on the part of the programme officers even though it is precisely their job to take risks. They are there to find the diamonds in the rough and the issue that has not yet been tackled, and to imagine something that is not immediately apparent. Secondly, I worry that the focus on benchmarks and early returns will lead us unwittingly to value the short term over the long term, to stop being concerned about impact and instead to let the benchmarks become an end in themselves. That market approach may lead us to fall into the market trap of caring more about the quarterly returns than about long-term profitability. That is the kind of challenge that I had in mind.

Caroline Hartnell: I ask for comments and questions from the floor.

Dr Michael Liffman (Asia-Pacific Centre for Philanthropy and Social Investment): I would like to respond to the last comment. Are we at a slight risk of establishing a dichotomy between the managerial and problem-solving approaches that may take us further into the difficulty that people have outlined? Rather than valuing problem solving and risk taking as distinct from performance indicators and benchmarking, the real issue is to reconcile the two. If the work of a philanthrocrat or philanthropoid was measured by the number of risks that were taken, whether they were well-measured risks and what was learned from them, that would be entirely appropriate. Because my work is in the professional academic training of grant makers, I would prefer those two perspectives somehow to be brought together than to be seen as being down different paths.

Ray Murphy (Charles Stewart Mott Foundation): I challenge how free we are from markets and from politics. I will give two examples. I joined the Charles Stewart Mott Foundation in 2000, when it had assets of $3.75 billion. It now has assets of $2.5 billion. In the interim, the David and Lucile Packard Foundation's assets have gone from somewhere in the order of $14 billion to $4 billion and those of the Ford Foundation have gone from $14 billion to $10 billion, so I am not sure how independent we are of market forces.

In the political arena, if we consider the United States, we must conclude that we are far from being free from political interference. I suspect that the same issues will arise from some of the new stuff that the European Union will produce in coming months. I struggle a lot with the idea that we are free of political and market forces. Having said that, I agree fully with what everybody has said about the role that foundations need to play. As Steven Burkeman said, much of the money is tax forgone. Consequently, we will be subject to regulatory, legal, fiscal and other forces.

In the United States, pay, working conditions and what may or may not be supported in overseas grant making and so on are all on the agenda. We do not live in a bubble. We must be realistic about the political world that is around us. The Charles Stewart Mott Foundation works on education issues in after-school programmes in the United States. We must work this time with the Republican leadership and we had to work last time with the Democratic leadership. If we want to influence change, we must work with those parties. We are not that independent. We are perhaps more independent than other sectors, but I contend that we are far from being in a bubble that is free from market or political forces.

Dr Anheier: In a way, Ray Murphy said in his closing remarks what I wanted to say. The independence is relative, but fundamental differences still exist. Most foundations do not have an electorate or even the equivalent of a membership, although many hybrids exist, of course. Foundations do not have the equivalent of a shareholder. That is what we mean. If a foundation has an endowment or a portfolio, that is invested, which makes the foundation more susceptible to market fluctuations.

I have just finished a study of the risk behaviour of foundations in Europe, which examined their investment patterns and portfolios. They are very conservative. A minority of large US foundations are hit positively or negatively by market fluctuations. We should keep it in mind that most foundations have long-term and very safe investments. The fact that some of them are now politically more in the centre is really good, because we need to have a debate about philanthropy. Philanthropy must be prepared for that. It does not mean that it is dependent on politics.

Caroline Hartnell: Various people have put up their hands. Would either of our other panellists or delegates like to comment on the point that Helmut Anheier has made or on Michael Liffman's point, before we lose it, about bringing together the two approaches of risk taking and performance measurement.

Jane Ryder (Office of the Scottish Charity Regulator): I am the new charity regulator in Scotland. I agree strongly with Michael Liffman that risk taking and performance management must be reconciled. I do not think that it is helpful to divide foundations from service providers. However, it is important for the regulator to listen to concerns and interests and to develop a system that is proportionate to risk—perhaps the foundations do not present risk in some areas—to encourage and to set examples of best practice, rather than to intervene and punish. There is a symbiotic relationship between the foundations and the rest of the not-for-profit sector. That is best handled within a single flexible and proportionate regulatory framework.

Gaynor Humphreys (WINGS): WINGS is the global network of support organisations in philanthropy. I want to reflect a little further on Michael Liffman's point. As the speakers were talking, I began to worry about a divisiveness in some of the language that was being used. We heard about the limitations of a narrow charitable approach and about some of the risks that new approaches to philanthropy can engender. Often new donors are well intentioned but quite naive. In my view, there is everything to be gained from not creating divisiveness between approaches, but trying—as Michael Liffman said—to recognise and to learn from the strengths of both the charitable approach and innovative approaches.

One of my areas of work involves associations of grant makers who are working with foundations on issues relating to codes and standards and on setting standards in the sector. I can think of a number of examples of associations in which, over time, that sort of self-regulatory process has brought foundations together, allowed them to learn considerably from one another about different methods and approaches and enabled them to inch up standards over time. For example, it has enabled them to tackle more difficult issues around diversity on trustee boards and the way in which grant making is done. One sees progress and the opportunities for collaboration between different kinds of foundations, so that they can exchange ideas about methods and approaches.

Jane Wales: That is precisely the purpose of the Global Philanthropy Forum, which brings together new and long-standing philanthropists. We find that each comes because they learn from the other. It is striking that 47 per cent of our donors have been giving for six years or less, whereas the remainder, by and large, come from families that have been giving for many generations. That interaction has been particularly fascinating and dynamic. It results in co-funding arrangements and in continual shared learning. That is why we call the forum a learning community. The Global Philanthropy Forum is part of a larger effort on the part of philanthropists to support the expansion and improvement of philanthropy. That would have been the last trend that I highlighted, had I not received a note about the time.

There has been a burst of funding and support for networks of donors, including learning networks and co-funding networks such as the Global Philanthropy Forum. There has been a burst of funding for funds that have a social return, such as the Acumen Fund, and for research operations, such as New Philanthropy Capital here in the UK, which takes a look at the sector-wide problems and tries to set some standards. Of course, WINGS has always been a forum for that kind of thing. I find it particularly interesting that the world of philanthropy, including new philanthropists, has very much got it; philanthropists feel that the dynamic process of learning should be supported.

Caroline Hartnell: Thanks, Jane.

I invite Steven Burkeman to comment on divisiveness, which has come up several times. Perhaps Helmut Anheier will also want to comment.

Steven Burkeman: There are several different axes, which I could draw if we had a flip chart. There are different kinds of philanthropists; venture philanthropists, foundations and so on. There is a need for mutual learning, which we tried to cover in "Stepping up the Stairs". Alison Harker might want to say something about that because she did most of the work on that part of the report. I raised a point about the difference between fundraising and fund giving. There is also a question about managerialism - Michael Liffman put it differently, but in “Stepping up the Stairs” we talk about managerialism versus vision. I am all in favour of mutual learning. There is massive scope for that, particularly between venture philanthropy and the traditional foundations. Some of the more mature venture philanthropists recognise that they have things to learn from the traditional foundations and some of the more open foundations are recognising that they have things to learn from venture capital approaches to philanthropy. We should not pretend that they are the same thing and we must acknowledge the differences, but that does not mean absolute separation with no means of communication and learning.

Similarly, there are of course things to be learned between grant-making bodies and grant-seeking charities. The trouble with foundations nowadays is that they often spend too much time talking to each other and not enough time talking to the people out in the field doing the work. That does not necessarily mean that they are the same animals. Chalk might be able to learn from cheese but they are still chalk and cheese. I have to say that I do not agree with Jane Ryder from OSCR; we should not pretend that grant-making bodies and grant-seeking charities can be regulated in the same way. To suggest that they can does not make sense to me, because the two activities are fundamentally different, particularly in the case of endowed foundations as distinct from, say, community foundations, which have to raise their funding.

Finally, and most important of all, I turn to managerialism. One of the things that came across strongly again and again from the people to whom we talked for “Stepping up the Stairs” is a sense that managerialism has gone as far as it can go. When I came into the field in the early 1980s, most of the foundations were run by elderly white men in their retirement careers. Most of the British foundations were run by former diplomats or former senior military people. They did not worry about process or managerialism. They saw something that they liked the look of—they liked the cut of a man’s jib—and they signed a cheque. I am not saying that some good things were not done or that those people were not fine people; they were. I was privileged to know some of them and they were remarkable people, but times change and we now recognise the need for a certain amount of process, for equal opportunities and for fair dealing, so we got into the managerialist thing. We have to continue with that work and reinforce it. The Association of Charitable Foundations does a brilliant job in supporting that through courses and so on.

However, there is only so much time in the day and the week and people have spent so much time meeting the requirements of those burdens—which is particularly hard for smaller foundations—that there is no time to consider the world that we want to create and to engage with the people who might help us to create it. Although such things are necessary and there should be interplay, we must not pretend that dichotomies and separations are bad. I am not talking about being in a silo, because there needs to be communication.

Andrew Kingman (Allavida): I would like to hear reflections on the changing role of intermediaries. The three presentations either implied or directly stated views on accountability that referred to being accountable to beneficiaries and for the way in which money is spent. There were many open questions. It seems to me that accountability is also about the responsible management of power relations.

Having spent 16 years on the seeking side of relations with foundations, as well as having been a grant maker, I think that most small to medium-sized foundations manage power relations extraordinarily badly. That is partly because they do not recognise the power that they have. Helmut Anheier mentioned the figure of 2 per cent, but he knows better than many of us that foundations are the lifeblood of many small organisations. However, when the organisation does not know when the cheque is coming or whether the foundation has made a decision, and the foundation does not bother telling the organisation, people have to be sacked and then reinstated. For me, accountability is about dealing with such issues.

A lot of what has been said is right and is interesting and applicable to many larger foundations, but the largest part of the sector in most countries is not represented here. Although I agree with Steven Burkeman that the Association of Charitable Foundations and others in other countries are making progress, we have a long way to go.

We should also bear in mind the fact that what goes on in such fora should be reflected in the developing world; in countries such as Kenya, where I live. Believe me—the foundation sector that is emerging there desires, in many ways, to be at the top table, but its vision of the top table is that there will be lobster, first-class flights and substantial gifts but not social change. Such debates have massive relevance around the world and the relationships that we have with the intermediaries, whether the charities or the NGOs, are critical. In countries such as Kenya, civil society is struggling to redefine its role and the foundation sector is a key part of that.

Alison Harker: I agree with Andrew Kingman and will pick up on one or two of the things that

Steven Burkeman said.

On divisiveness, when we spoke to endowed foundations and venture philanthropists, despite being told at the outset that we would not get into one or the other, we found that there was a huge amount of overlap in their thinking and about how they wanted to be, even if they had not got there yet. However, the big divide was between the foundations and the organisations on the ground, which did not see foundations in the positive light in which foundations see themselves, even though they are asking questions. That is a very important issue because the organisations on the ground, which are in favour of foundations—they have depended on them for years and want to maintain relationships with them—believe that the foundations have to change. They do not necessarily think as those of us around the table do about social justice or other such concepts, but they accept that there has to be change and that philanthropy must be more in touch with what is happening on the ground.

Dr Anheier: I would like to respond to that and also to return to Michael Liffman's point. When it comes to differences, we must acknowledge something that is perhaps obvious, which is that most jurisdictions establish different regulatory regimes for endowed foundations and for non-profit organisations based on membership. They also have different regulatory bodies looking after them. The situation in England and Wales is almost an exception to that and I do not know how Australia compares. The United States is somewhere in between; the Internal Revenue Service looks after the 501(c)(3) organisations and there is a special set of rules for foundations. There is a certain history behind that.

In a transnational arena things become complicated, because we have to ask why the legislature think there should be additional rules and regulations attached to foundations. There is an accountability problem in governance, which becomes even more complicated in a transnational arena in which there are multiple jurisdictions and ones does not know which jurisdiction applies. It becomes even more nightmarish in a post-9/11 scenario, with other actors, such as the US Treasury, coming on board, imposing what are called voluntary guidelines and exporting them around the world. Those guidelines add an additional burden to transnational grant making, in particular.

The point that I would like to make about divisiveness is almost philosophical. Let us suppose that we have a $1 billion endowment in a foundation. Let us also suppose, for the sake of argument, that $400 million of that $1billion should be public money and that there should be some form of accountability for what happens to that $400 million. Some people disagree, but in the real world, if there is wealth out there, there is probably a good reason to tax some of it, and people have to be accountable for tax forgone. It could be argued that it is easier for a charity to be accountable for $400 million than it is for a philanthropic organisation—in Carnegie mode, so to speak—or than if a creative approach is adopted, as we advocate. Accountability becomes much more difficult the more you move away from a charity model, so transparency has to weigh more. There is almost a continuum; foundations should put less stress on accountability in the current political debates and much more emphasis on transparency, because that is something that they can deliver. If accountability translates into performance measures, it is much more difficult to deliver.

Cathy Pharoah (Charities Aid Foundation): I want to pick up on Helmut Anheier's point about accountability and the issue of tax forgone, which Ray Murphy raised and which is a fascinating issue. The charity sector does not get tax reliefs in order just to do what the Government could do with the money, so in that sense I do not think that we ever were just managerially accountable. There may be some service contracts in which we are managerially accountable like any other provider; so we should be, because standards of service should be high whoever is providing the services.

However, when it comes to tax forgone, the issues around accountability are completely different. I think that the sector is highly accountable in this respect, and as we go forward with regimes such as we have in the UK—which is willing to increase tax reliefs—we become increasingly accountable and can make the case for what we could do if we had more tax reliefs. That is an arena that we are in at the moment.

When we think about the accountability of foundations, we have to think about why we have tax relief and what we can leverage—accountability and leverage are closely linked in the current political context. In other words, what is the added value of the money in the charity sector, where it might be misspent, as opposed to its value if it were with a government? We can leverage much more philanthropic money—we are accountable for raising much more of it. We are accountable for taking risks, doing new things and pushing the boundaries in ways with which a government does not feel comfortable because accountability is uncomfortable territory. We just have to enter it and go as far as we can until we get smacked. We have a certain responsibility to push the boat out as regards accountability because that is what we are here for.

We should be leveraging a huge amount of people's talents, their expertise and diversity. We have to be highly inclusive; we have to go into spaces where government does not have the same skills as we do. However, do we have those skills? That is what we are really accountable for and I would like such questions to be asked as part of the debate.

Jane Wales: Let me say how much I agree with those three points and how remarkable the work of the Charities Aid Foundation has been in advancing all three by expanding philanthropy, pushing others to take risks and promoting engagement by applying the talents of the giver as well as their finances. I have been particularly struck by the role of the Charities Aid Foundation in countries in transition, in places such as Slovakia, former Warsaw pact countries or former Soviet states where the Charities Aid Foundation is starting to set a standard.

We are watching a generation of philanthropy being skipped. As the notion of division weighs so heavily on us as a group, I note that even when we speak about venture philanthropists and when I speak about new philanthropists, much of what they are doing has its seeds in experimentation by large traditional foundations. Virtually every one of those new ideas was tested initially by the Rockefeller Foundation, the Ford Foundation and other large established institutions that were willing to take great risks, try something completely different and perhaps fall on their faces—or "get smacked", as Cathy Pharoah might say. Once those methods were tested, they became the norm for new philanthropists, who owe a lot to traditional philanthropists.

Sometimes, a philanthropist is better motivated if he or she believes that he or she invented a method, so we will leave it as such. However, I am not sure that there is a dichotomy.

Cathy Pharoah: There has been expansion of philanthropy in the modern world—we have seen the emergence of civil society in countries where it did not exist before. However, speaking for the UK, I say that philanthropic money is growing very much more slowly than are other sources of money that flow into the voluntary sector. That is what will constrain our space.

Theresa Lloyd: I was the founding director of Philanthropy UK, which is one of the projects that were set up by the Association of Charitable Foundations to promote new philanthropy. One of the outcomes of that was a book called "Why Rich People Give", based on interviews with 100 wealthy people. I will make one or two comments on that and on my current work in advising families about the development of philanthropic strategies.

It is interesting to listen to the discussion, having been immersed in the world of philanthropy for a few years and now dealing with individuals. There are relatively few Bill Gateses and there are many more people who build up businesses, who perhaps sell them or who want to develop a philanthropic tradition in their family. However, we are not talking about billions; we are talking about millions.

Obviously the Pareto principle applies in this situation as in many others, but for many people philanthropy is a family issue. Therefore, I would challenge what Helmut Anheier said about philanthropists not having the equivalent of shareholders—if that is what he meant—because family members often perform that role. Philanthropy involves an interesting dynamic and psychology among family members, especially the next generation, in the sense that they collaborate in giving away what would have been their inheritance had their parents not created a philanthropic foundation. It is interesting to think about how people develop those shared values.

In my experience, another issue is that people—including myself—can be inconsistent and can demonstrate varied and different approaches. Just as people will give to the person who stands outside the supermarket, a philanthropist who has been transformed and inspired by an opera performance might, for example, donate to an opera house's scheme for young singers simply in order to train a particular singer. At the same time, another part of their giving might have much more strategic and long-term aims. In their support of a range of activities, the people whom I interviewed adopted different thinking processes and so on. We should not forget that issue, either.

Fourthly, to return to the issue of the children of philanthropists, I know that many people view the creation of a family foundation as being about the promotion of their own family values. That can, as well as having the aim of giving to particular causes, be an explicit purpose of setting up a foundation. I met people who deliberately encouraged their relatively young children, even those who were not old enough to be trustees, to participate in selecting charities that would receive money. Often, a condition was that the child or teenager had to account to his siblings and parents for how money was used, but in many cases the child chose organisations that their parents would not have chosen. That was all part of the learning process.

On divisiveness, some of you might recall research that was subsequently cited in the debate about the Charities Bill about the bureaucracy that surrounds foundations in the UK. Because of the lack of distinction between grant making and fundraising that Steven Burkeman mentioned, many people whom I met did not set up foundations in the UK but instead from time to time provided gift aid. Such schemes provide tax relief but can also involve a complete lack of transparency and accountability. We need to be aware of that.

On a purely personal level, when my husband and I recently tried to register our tiny flow-through trust with GuideStar, we encountered all sorts of problems. It seem that no distinction is made between different sorts of foundation, so we were asked to provide information that was more appropriate for Oxfam; for example, we had to specify how we would like volunteers to help, how we would make grants and so on. It was idiotic, but I know that people are learning. However, the huge foundations obviously have a major impact.

My final point is again about families, given that a third of the philanthropists whom I interviewed had family businesses. People need an integrated approach to their social engagement. Issues such as employment policies and how staff are treated —for example, the question of women has come up—need to be considered, so that people do not simultaneously employ people in bad facilities while receiving lavish praise for being major donors. It is important that we think about those issues.

Caroline Hartnell: I have a follow-up question, which Theresa Lloyd or anyone else might want to answer. Theresa Lloyd drew attention to the characteristics of family foundations, such as the fact that the children may be involved in distributing the money that they would otherwise have inherited and the fact that such foundations express the family's values. I think that Theresa Lloyd drew the implication—this takes us back to the point with which Steven Burkeman started the discussion—that we should therefore give such foundations more leeway and demand less of them in terms of what they do with the money.

Theresa Lloyd: No, it is—

Caroline Hartnell: I just want to say one more thing, if I may. I did not know much about Andrew Carnegie before this event. The thesis that the after-dinner speaker put forward last night was that Andrew Carnegie believed that wealth did not belong to the individual but that it should be held in trust. A person could not have created their wealth on their own, so Andrew Carnegie believed that they should hold it in trust for the larger community and give it away on that community's behalf. How that works in respect of accountability is another thing. I was struck by what the speaker said about Andrew Carnegie's strong feeling that money did not belong to a person by right.

Theresa Lloyd: I think that two things—

Steven Burkeman: Before she responds, I will just add a point if I may, Theresa.

I want to pick up on Theresa's last point about the standards by which we judge people. I do not want to be rude to our hosts, so I will not talk about Andrew Carnegie; let us talk instead about Henry Clay Frick. Anyone who has seen the great Frick collection in Manhattan would think only that he was a wonderful philanthropist, yet he sent people in to shoot strikers.

Sir Angus Grossart: What is the point of that remark?

Steven Burkeman: The point is that Theresa Lloyd spoke about whether we judge people on the basis of the money that they give away—

Theresa Lloyd: I did not use the word "judge".

Steven Burkeman: I am sorry, but you said something—

Theresa Lloyd: The point that I was making was about family businesses. Again, the question that I asked takes us into a separate matter about how much people give as a proportion of their income and surplus wealth. The Carnegies and Gateses of this world have amounts of money that most of us cannot contemplate, except philosophically or whatever. However, in Scotland as elsewhere, a number of people have created successful family businesses. Although some of them may sell their businesses, they want usually to pass it on to other family members. Those people often create an infrastructure to give away some of their wealth; they may well continue to live and work in the area where they employ people and so on.

The point that I was trying to make was not that we should judge them but that we should take account of the fact that, although they may want to change the world and to improve things, they have other imperatives in their lives. Such people have tried to balance various demands, one of which is the motivation to put something back into the community in which they created their wealth. Those people may also have been impelled by religious or other motivations, however. A number of factors are involved.

Someone mentioned diversity, which is also relevant. It is noticeable that this gathering is very Anglo-Saxon or white or whatever anyone wants to call us. Obviously, I know nothing about the backgrounds of everybody in the room. A number of the people whom I interview, particularly people in the Asian community, bring different perspectives, particularly in terms of the obligations of philanthropy, which extend way beyond structures.

The people whom I interview told me about their commitment to their extended families. Someone mentioned a person who came from Armenia with the help of an individual in Armenia who did not have a charitable trust; he just helped the person to come here. Structure is just the framework; what really matters is that governments should liberate the vision rather than constrain it.

Sir Angus Grossart: I am here as an individual; I represent myself. I have found much of the discussion in the room today disappointingly institutionalised. I am reminded of the old football adage, “Why is it that the best players always seem to find themselves sitting in the stand?”

For a variety of reasons, I happen to have a particular interest in the life of Andrew Carnegie. I wonder how he would have viewed today’s discussion. He was a great radical. He was an anti-monarchist and a great pioneer in business. He thought for himself. All his ideas were inspired and creative. The concept that, while giving away his money, he would have been measured against benchmarks of external accountability, would have been a real turn-off to him. In his lifetime, he gave 2,700 libraries and 4,000 organs, which he saw as levers to lift people. He was less interested in problems of health or poverty. Life may have moved on and there may be more political correctness in those matters. His style was not to hose down problems with cash but to leverage people’s potential, particularly through education. I see much of the hose-down-with-cash mentality coming through in some of the discussion.

Andrew Carnegie was also exceptionally well advised. He put astute structures into his giving and his trusts, so the legality of what he did was impeccable. However, that did not mean that he did not have the wow factor. He enjoyed and was inspired and uplifted by what he did. Dissecting, analysing and benchmarking deprive people not only of the pleasure, but of the creative element. It is a bit like great architecture, which always came from patronage. That was not a condescending privilege. People often paid vast sums to create fantastic buildings or wonderful paintings. All that involved creative risk taking and bravery. Unless the oxygen and the space are provided, we just get back into what everybody else is doing. When I listen to art historians describe a great painting, they can say after the event what is good about it. However, they can barely draw a straight line. In their own houses, they have no instinctive creative love.

How do you avoid getting into the condition that I smell around this room of the charity industry or the philanthropy industry? Andrew Carnegie would have said, “You’re going to strangle it. There’s not enough oxygen.” Of course fiscal scrutiny and legal regulation should take place; that is fine. However, there are free-range birds out there that we want to capture—particularly philanthropists in life. I ponder whether endowment funds should be subject to a 21-year rule. It is fine to run long-term programmes, but the danger is that funds become self-serving, that the messenger becomes the message and that there are many self-anointed large foundations. I am a capitalist, so I am not against the continuity of any organisation or of wealth, but I pose that as a question. Apart from one or two flashes of radical thinking, I found you all to be depressingly conservative, depressingly politically correct and I think that Andrew Carnegie, who was a pretty tough and sharp wee guy, would have been quite nippy with you. In that spirit, I hope that you will forgive me.

Caroline Hartnell: I am sure that our panellists will want to respond to that, but does anyone want to respond from the floor? We are running out of time so each speaker can have only a couple of minutes, but it is too big a challenge for us not to take it up.

Andrew Kingman: From what I have learnt about Andrew Carnegie, it seems to me that he would have stood solidly behind what he put his money into. To put it into Helmut Anheier’s language, he had a clear theory of change and was proud and able to articulate that. Whatever we in the 21st century might think about his theory of change, he had one and he stood by it.

The issue about transparency and accountability is critical. How many foundations will stand shoulder to shoulder with the intermediaries in whom they invest in order to achieve whatever their theory of change might be? That is part of the answer. It is about power relations, as I said before. The right-wing, conservative foundations in the United States were able to engineer massive social change over a decade and more through putting people into positions of responsibility at all levels of society—there is interesting research on that—but they did not come out publicly and support that or make their objectives clear. That is one example and there are many more. If part of our desire is to hear people saying, “This is what I believe. I am setting up a foundation. I am going to go public and talk about it and these are the organisations that I will work with. If it works, fantastic. If it doesn’t, well tough; we tried”, then we need to speak the truth, work together and break down those power relations a little bit.

Douglas Connell (Turcan Connell): I am a lawyer who advises a lot of individuals who give money away and others who think about it. One of the interesting features of today’s discussion is that no one knows the money that is not given away. I echo what Angus Grossart said in that there is a great danger because no one needs to give money away. We must be aware that there is quite a lot of money out there that could be given away if people were encouraged and philanthropy was more actively promoted. That is why this week’s events are welcome. We want to encourage risk-taking and diversity in boards of trustees and their approach to grant making. I am all in favour of transparency and visibility, and I understand the requirements for fiscal accountability.

However, I am totally against rigid accounting standards and strict adherence to key performance indicators and—I was surprised to hear this being talked about today—spending a minimum proportion on social change, codes of practice, and over-zealous regulation by OSCR. I know organisations, some of them charitable, that are spending more time debating the compiling of the risk register than they are on taking risk. I echo what Angus Grossart said.

Graham Leicester (International Futures Forum): I was struck by some of the comments about the opportunity for philanthropic foundations to be radical and innovative and all those other good things. I am not surprised, but slightly disappointed to hear Ray Murphy say that they are not as independent as all that. The key for me in this discussion, and the filter through which I have been listening to it, is Helmut Anheier's phrase about having a theory of social change. If foundations really are in the ideas business, some of the ideas will be about new theories of social change. It might be that Andrew Carnegie did not have a theory, but that he had some pretty sound instincts. It might be that the artist does not have a theory, but he knows the value of what he produces.

Having worked in government and in the think-tank arena, it strikes me that the idea that there is something called public policy and that it is a way of changing the world is a set theory of social change that might have had its day. The market, and democratic politics, are also theories of social change. Those things have been around for a long time and are demonstrably not being effective in addressing some of the complex challenges that we face. My plea is for transparency in foundations. If they really are in a privileged, radical, innovative space, they should at least be transparent about the theory of social change with which they are working. That transparency could include saying, "We really don't have a clue what we're doing, but we're going to try it anyway." That is something that Government cannot do, but it strikes me that foundations are not doing it either, which is rather disappointing.

Ray Murphy: I agree with much of what is being said. I work now with the Charles Stewart Mott Foundation, but for many years I worked with Atlantic Philanthropies, where I still have colleagues and friends. I bemoan the fact that Atlantic Philanthropies has moved away from being an organisation that was prepared to take many more risks. Somehow we need to keep risk at the front of what we do. That has nothing to do with accountability. We can be legally and fiscally accountable and still take risks. We need to be more up front about what we are trying to achieve and to be strategic about how we do it. However, we spend much of our time worrying too much about evaluating programmes in areas of public policy that have been problems for an enormous period of time and will continue to be. We need to consider what we are evaluating and why. That presumes our having some sense of a social change theory and of what we are trying to achieve. We must be public about that, but we must also be realistic about it.

By legal structure, the Charles Stewart Mott Foundation is a private foundation, but it is actually a family foundation. Bill White, a family member who is the president and chief executive of the foundation, talks all the time about how we can sustain core values through long periods of change. The issue of family is important, but it does not stop people being radical. I look on foundations' role as being to test, inform and influence public policy. They can do that in any area of their work, including direct service issues. I worry a lot about foundations becoming increasingly involved in working with Government and doing what Government should be doing. However, we must be creative and take more risks.

There are inherent difficulties in taking risks, which we could debate at length. For example, having to meet a 5 per cent quota, as in the United States, interferes with the process, unless a foundation has a large number of staff, because in the US it is required to meet deadlines and to get money out of the door. That curtails foundations' ability to spend a little more time doing what Andrew Kingman talked about—meeting the people to whom we give money, bringing them together, learning from them and meeting the end user, which we do not have much opportunity to do. We have to shovel the money out of the door. That is also likely to happen in Europe. Once it does, we will be in the dynamic of having to employ more staff to get the money out of the door. If we do so, we will be at risk of breaching the requirements relating to the administrative costs that are seen as ideal. That spiral needs to be rethought.

Spending a certain amount is a good idea, because there are foundations that have huge amounts of money that they do not spend. Other foundations are very small. The other day, I visited an endowment that spends about $5 million a year and has 30 staff and magnificent offices. We spend about $135 million a year, have 100 staff and do not have magnificent offices, although that may change. We need to get a grip on the spiral that exists. Nothing other than ourselves stops us being innovative. We need to rethink what philanthropy is about and where we are going. Part of this debate is about that.

Caroline Hartnell: Because there are only six minutes left, I will give each of the panellists an opportunity to respond. The big issue that has come up is whether overregulation is stifling creativity.

Jane Wales: I very much welcomed Angus Grossart's remarks. The fact that there was a rebellion against the topic by the three panellists suggests that we, too, are fearful that self-strangulation will occur. The very notion of measuring results by benchmarks along the way could become such a stifling emphasis that it removes the oxygen and the space that are needed for bold action. Bold action is what philanthropy is there for; it is what it is about.

I share the view that Andrew Carnegie did indeed have a theory of change. He had strategy and impact. His strategy was about providing opportunity through education, learning and reading. He did not allow small rules and benchmarks to cripple him in any way. In response to Graham Leicester's remarks, it seems to me that we have a challenge and an opportunity to combine the forces of the market, of public policy, and of philanthropy to effect social change. That is all about having a smart strategy, having leverage and about figuring out how to partner effectively to make a difference. We have three powerful forces that can be woven together to form the fabric of social change.

Helmut started with the notion of malaise. I must say, however, that that is not my experience in the world of both newcomers and old timers to philanthropy. Quite the contrary, in fact: philanthropists have an extraordinary success rate. I have seen in my lifetime diseases eradicated, arsenals reduced, and wars averted—that is pretty darn good. That is not to say, however, that philanthropy always gets it right; no organisation can. However, it can take the sort of risks that allow it to get it as right as it does.

The thing to bear in mind about philanthropy is that not only does it support innovation, but it is itself in a steady state of reinvention. That is in its nature; it is in its DNA. That is something that we should encourage, not stifle.

Steven Burkeman: We must acknowledge that we were given the sexiest title of the programme. Richard Curtis's "Four Weddings and a Funeral" and "Blackadder" or "Legal, Fiscal and Governance": which would you choose? We have had to cope with that.

Caroline Hartnell: I think that we have done well.

Steven Burkeman: So do I. All the issues resolve themselves for me around three sets of tensions that will never be resolved. However, it is important to name them and accept that they exist and that we must constantly work with them. One is the tension round the people at the source of the money in the first place. These people, whose money forms the basis of much philanthropy, particularly endowed philanthropy, did not get rich by being bureaucratic slouches. They were special people who sometimes took short cuts; they were not saints—and somebody jibbed a little at my remark about Frick.

In York, I founded the Rowntree Society, which I also chair, to promote the heritage of Joseph Rowntree. Joseph Rowntree used industrial espionage. As soon as the women in his factory reached a certain age or got married, they were out. He laid on a library for his employees, but paid for it partly by deducting a penny—a high proportion—from their wages. He was of his time. He was absolutely incredible and way ahead of his time; however, he was also of it. All those people have in them contradictions with which we have to work. We talk about whether they had a theory of change or what they were like, but we have to bear in mind that there are tensions there.

There is also a tension between more philanthropy and better philanthropy. I am not sure that I agree, for instance, that more money given away at any price is necessarily the right thing. It depends on how and on what it will be spent. There is a tension between more and better. It was Carnegie himself who said that the most difficult thing is giving money away well.

The third and final tension that I want to highlight is the tension between risk or vision on the one hand and accountability and due process on the other. That will always be a difficulty but it is much more of a difficulty in an age in which deference has died. As I said before, we no longer attach rank to people by virtue of wealth. Everybody feels that they have a right to be a part of the process, to have a say and to know what is going on and what is happening with their taxes. From now on, we will always have to cope with that tension. All that we have been doing today is to try to work out where we stand on the line.

Dr Anheier: I will be quick. I am pleased because I am not often accused of being too timid or politically correct, so I relish the moment.

If Carnegie was alive today, would he write "The Gospel of Wealth"? He would probably write something similar. He was of his time—we just heard the same about Rowntree. There was no IRS and no federal government to speak of. Many of the institutions that we have today were not in existence or were very young and not as dominant as they are today. We have to rethink philanthropy in the context of other institutions that might be better equipped to deal with the problems that Carnegie had in mind. Because of that, we have probably ended up being somewhat institutional, but that is because we live in a world of institutions. Our world is no longer dominated by individuals as it was 100 years ago. We might disagree on that fact, but that is good.

I am in slight disagreement with the panel in that I do not think that renewal is part of philanthropy's

DNA. I have studied too many foundations in too many countries of the world to feel confident that that is true. A renewal is happening in philanthropy, but once a philanthropic institution is established the DNA somehow seems to be less important. The impetus for creativity exists too much at the beginning, when a foundation is established. In the book, Diana Leat and I struggle with the question of how we can keep that flame of creativity alive and ensure that there is accountability and fit with the regulatory framework.

Caroline Hartnell: We have to end the session there because we have run out of time. We could have gone on for another hour. At the beginning of such an unpromisingly titled session I did not expect that I would be saying that at the end. Thank you all for taking part. I ask you to thank our three panellists for their presentations. [*Applause.*]

We are now in the hands of the organisers. Thank you all for a great session.

The symposium closed at 12:03.

Legal, Fiscal and Governance
Alphabetical List of Delegates

A Dr Helmut Anheier (UCLA Centre for Civil Society)

B Steven Burkeman

C Jennifer Campbell (L'Oreal)
Douglas Connell (Turcan Connell)

D Campbell Denholm (Maclay Murray & Spens)

E Sara Engelhardt (The Foundation Center)

G Sir Angus Grossart

H Alison Harker
Caroline Hartnell (Allavida)
Gaynor Humphreys (WINGS)

K Andrew Kingman (Allavida)

L Graham Leicester (International Futures Forum)
Dr Michael LIffman (Asia-Pacific Centre for Philanthropy and Social Investment)
Theresa Lloyd

M Ray Murphy (Charles Stewart Mott Foundation)

P Anthony Pender (Carnegie UK Trust)
Professor Dr Med Robin Peter (Carnegie Rescuers Foundation (CH))
Cathy Pharoah (Charities Aid Foundation)

R Nora Rundell (Carnegie Dunfermline Trust & Hero Fund Trusts)
Jane Ryder (Office of the Scottish Charity Regulator)

S Jacques Schraven (Carnegie - Stichting)
Anne-Marie Soulliere (Fidelity Investments)

U Mary Ann Ulishney (Wells Fargo Bank, N.A.)

W Jane Wales (World Affairs Council Global Philanthropy Forum)
Karen Whitefield MSP
Dr Gordon M Wyllie (Biggart Baillie)