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Solving the Philanthropist's Dilemma

BY MAURA DONLAN

*And yet the dawn is ours
before we knew it.
Somehow we do it.
Somehow we've weathered
and witnessed
a nation that isn't broken,
but simply unfinished.*

The Hill We Climb, Amanda Gorman, January 2021

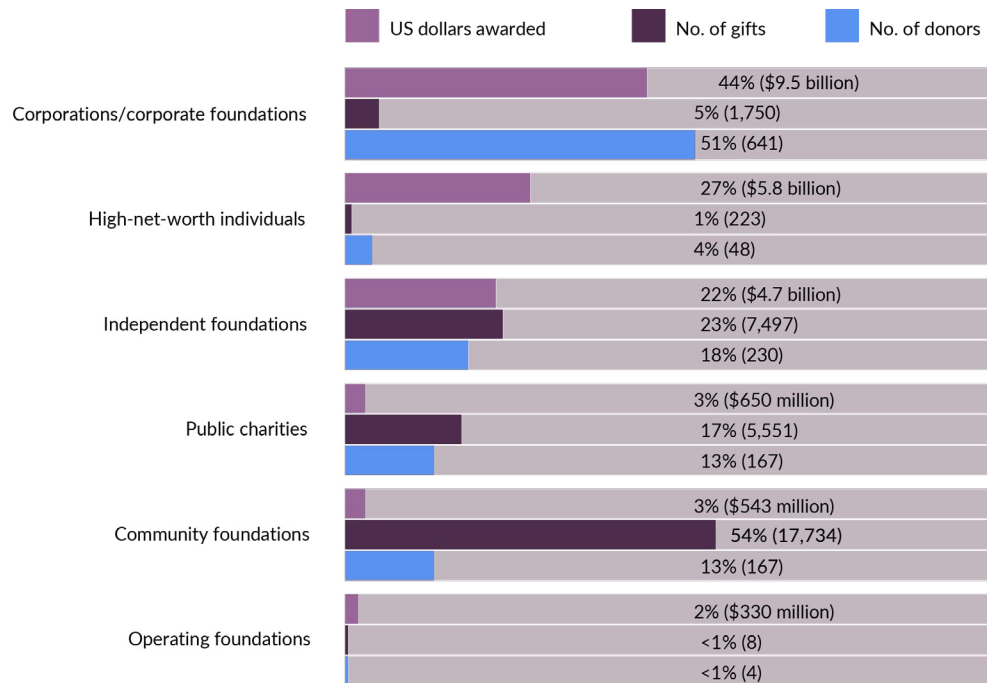
INTRODUCTION

As we emerge from the wreckage of 2020, we still have miles to go as a nation.

But—to quote one of America's newest national treasures, Amanda Gorman—we must remember that we are not broken, even if it feels that way. To honor the nearly 4 million lives lost to COVID-19, we must extricate ourselves from this quagmire with intention, by recognizing our inherent worth and strength while unremittently seeking to fix the entrenched systems that disempower us. We must strive every day to become "less unfinished."



Figure 1: Philanthropic Response to COVID-19

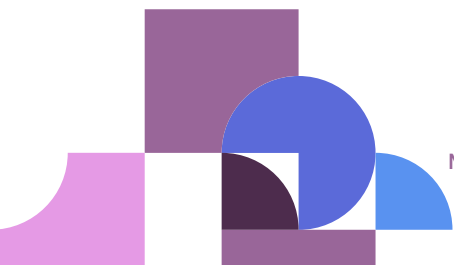


Note: Data set includes pledges, cash donations, and in-kind contributions in Candid's database as of January 20, 2021. Includes contributions made by donors to other donors included in the analysis and, therefore, contains some double counting of dollars.

Source: Center for Disaster Philanthropy (2021)

Philanthropic capital has played and will continue to play a critical role as we rebuild after the pandemic. In fact, philanthropy has responded at unprecedented levels to these "unprecedented times." According to the [Center for Disaster Philanthropy](#), more than \$20 billion in global philanthropic funding was invested in response to the COVID-19 crisis. Compare that with the \$363 million donated to address the Ebola outbreak in 2014 or the \$342.7 million to Hurricane Harvey in 2017 (the "record" US crisis until 2019), and we are looking at a 55-fold increase.

At the Milken Institute's Center for Strategic Philanthropy (CSP), we are heartened by this influx of capital. CSP has consistently advocated for getting [philanthropic dollars off the sidelines](#) with real urgency by spending down donor-advised funds (DAFs) and increasing foundation payouts. Why? Philanthropy is society's risk capital, and it is at its best when seeking to effect systemic change by tackling the root causes of a problem. By contrast, without vigilance, philanthropy can become (and, in some cases, already is) plutocratic, nontransparent, wasteful, and rife with unintended consequences—harmful and otherwise.¹



THE PHILANTHROPIST'S DILEMMA

One of the most worrisome of these unintended consequences is the very real possibility that well-meant donations may perpetuate the very problem they are intended to eradicate. Some prime examples of this reality—CSP calls it "the philanthropist's dilemma"—are the following: Support to [homeless shelters can exacerbate homelessness](#), giving to higher education in the US may further entrench inequalities instead of redressing them, and donations to hunger relief organizations in the US can actually [reinforce income inequality and food insecurity](#).²

While these conundrums appear counterintuitive on the face of it, they make more sense when you apply a [systems change filter](#).

- Homeless shelters, as currently constituted, are relics of the 1980s that were put in place to solve an emergency caused by government cuts to the social safety net; these cuts ultimately became permanent. Shelters are often paternalistic, dangerous, and so unsanitary that proved to be COVID hotspots during the pandemic. And they can divert resources from longer-term solutions that provide [permanent low-income housing with wraparound services to support clients](#).
- Although philanthropic support of education is a bright spot in the story of American altruism, it is still steeped in inequality. Year-over-year, education consistently ranks as the second most frequent beneficiary of American generosity (after religion), [receiving 15 percent of the \\$471.44 billion charitable dollars donated in 2020, or \\$71.34 billion](#), or \$64.11 billion. While most analyses of educational philanthropy are focused on large foundations, such as the Bill & Melinda Gates Foundation, Ford Foundation, Rockefeller Foundation, and Walton Family Foundation, the real action is at the individual level because 69 percent of US giving comes from individuals rather than institutional foundations, which are responsible for a mere 19 percent. Most individual giving ends up in higher education, and most of that [goes to elite institutions](#), such as those in the Ivy League. Not surprisingly, people give primarily to their alma maters. [In 2018, 20 colleges received 28 percent of the \\$46.73 billion donated](#). This means that more than one-quarter of donations went to just 1.6 percent of the 20 million US undergraduates. In higher education, it seems, the rich keep getting richer.
- Similarly, food banks and food pantries—other relics of the 1980s—have long been criticized for addressing the symptoms (hunger, lack of food) but not the underlying conditions (poverty, racism, sexism, and the lack of a fair and cohesive immigration policy). During the last 30 years, such outlets have proliferated largely thanks to corporate largesse because they provide at least three direct benefits to corporate America: a tax deduction for the donated food, waste management for food that would have been thrown out, and a halo effect from the positive publicity. What's more, [there is evidence](#) that hunger relief advocates have been conflicted or reluctant in taking on large corporations or large chain supermarkets by endorsing efforts to raise the minimum wage and increase worker protections.
- Less relevant in the US but still powerfully illustrative of the philanthropist's dilemma are institutional orphanages, [which can be bastions of human trafficking, abuse, and corruption](#). Institutional orphanages have been virtually eliminated in the developed world in favor of foster care, adoption, and direct family support. Compelling though it may seem to donate to orphanages, it is imperative to look beneath the surface before sending donations their way. Contributions could be making children's lives worse instead of better.

So what's a philanthropist to do: Let people go hungry? Leave people on the streets? Give up on orphans? Of course not. The hardship we face as a nation and a planet is acute and unprecedented. And as the New Deal architect [Harry Hopkins](#) was wont to point out: People don't eat in the long term; they eat today. And the rent is always due at the beginning of the month.

Given that it's more important than ever to meet palliative needs, the delicate dance that awaits is how best to balance the short and long terms. We must make these urgent investments with an eye toward the [requisite fundamental systems change](#) that can dismantle the inequitable, racist, and draining structures that keep us from becoming "less unfinished," to use Gorman's phrasing.

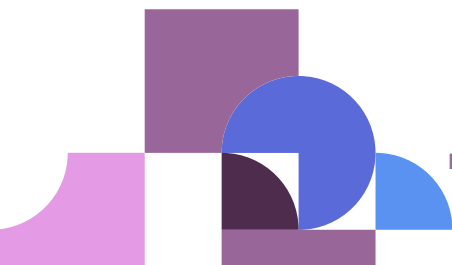
WAYS TO SOLVE THE PHILANTHROPIST'S DILEMMA

The prime axiom of philanthropy for Milken Institute Chairman Mike Milken is, "First, do no harm." Fulfilling this injunction can be harder than it looks as we heed the cautionary tales that exemplify the Philanthropist's Dilemma. Nonetheless, every day more and more solutions emerge—solutions that can meet acute needs while, at the same time, contending with the causes that precipitated the problem. Following are a few illustrative examples.³

Poverty and Homelessness

In March 2020, Bakersfield, California, brought its chronic homeless rate to zero, and it has sustained that feat throughout the pandemic. Bakersfield was one of 13 communities—out of 89 participating in [Community Solutions Built for Zero](#)—that have achieved zero for either veteran homelessness or chronic homelessness, or both. The other member communities are well on their way to the same goal. All are actively using data for real-time tracking of community dwellers who are experiencing homelessness. The aim is to ensure they're getting the services they need to get back on their feet. Built for Zero uses a "Housing First" approach, which first moves clients into their homes and then works with them to find jobs, access physical and mental health care, and draw on any other services they need to thrive. The organization sets up a command center that identifies and tracks every client *by name* to ensure that people in need are afforded the dignity and respect to which they are entitled as human beings. [Finland](#) has been able to eradicate homelessness through Housing First; [Japan, Denmark, and Canada](#) are well on their way. It's time for developed nations in the rest of the world to follow suit.

Another tangential example is [Purpose Built Communities](#), which takes a comprehensive approach at the community level to chip away at the substructures of poverty. It takes a defined neighborhood as the unit of analysis, then works within the unit boundaries to develop targeted programs addressing racial equity, economic mobility (including housing and a cradle-to-college pipeline), and social determinants of health. The program sets up a "Community Quarterback" mainstay composed of people from the community who are closest to the problem. This structure sets the strategy and aligns partners and resources. Purpose Built Communities started in 2009 in a neighborhood near Atlanta; it is now active in [25 communities](#) throughout the US.



Similarly, the [Family Independence Initiative](#) (FII) asks, “Why work to make poverty tolerable if we can make it escapable?” FII was created in 2001 by Mauricio Lim Miller, who learned from [his single mother](#) that people closest to the problem are always closest to the solution. The initiative adopts a strengths-based approach, endowing community members with trust and agency. It uses a technology platform, [UpTogether](#), that transfers cash investments directly into a family's bank account—or via a prepaid card—and offers an interactive component for individuals to grow and strengthen their social networks for mutual support. Throughout 20 years, FII has demonstrated that its approach helps families increase savings and income, set up businesses, help others in their communities, and see children's school attendance and grades improve.

Education and Vocational Training

Almost [half \(49.2 percent\)](#) of US college students begin their college careers at one of the nation's [1,200 community colleges](#). Yet, according to the Council for Aid to Education, only a minuscule 1.5 percent of the \$43.6 billion raised by educational institutions in 2017 went to community colleges, while the rest went to more "traditional" four-year schools. And, as noted earlier, the top 20 elite institutions reaped the lion's share. This imbalance continues to grow, even though [community colleges](#) and [public universities](#) have been shown to drive positive economic and social mobility. [There has been some recent progress in this area](#), with a burgeoning group of philanthropists directing donations toward state universities, community colleges, [Native American college students](#), and [historically Black colleges and universities](#) (HBCUs). Here we see [MacKenzie Scott leading the way](#) by donating \$842 million to 42 institutions: \$560 million to HBCUs, \$147 million to Latinx-serving institutions, \$5 million to tribal colleges, and \$130 million to five public colleges in Florida, Washington state, Nebraska, and Kentucky. (This figure does not include Scott's massive list of investments announced [via Medium on June 15, 2021](#), which included 31 community colleges and universities.) As Scott herself emphasized, “Higher education is a proven pathway to opportunity, so we looked for two- and four-year institutions successfully educating students who come from communities that have been chronically underserved.”

[10,000 Degrees](#), created in 2012, works in seven Bay Area counties in California. The group works directly with students from low-income families, helping them get into college and ultimately complete their degree courses. Offering wraparound services—including near-peer coaching, college advising, financial aid counseling, access to scholarships, career development opportunities, and financial aid management—10,000 Degrees boasts an 80 percent graduation rate (vs. 31 percent among student peers who are not part of the program), and its students graduate with 85 percent less student debt.

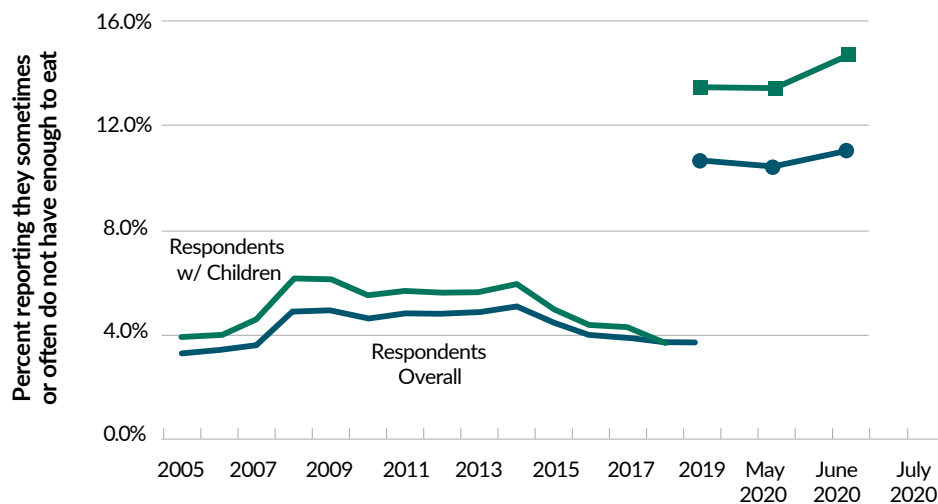
[Social Impact](#), the US spinoff of the global social-impact bond movement, has recently introduced the [CareerImpact Bond](#), which plays a vital role in providing working-class Americans with affordable access to training and upskilling opportunities that can translate into higher-paying jobs. Social Impact uses impact investment funds and philanthropic capital to partner with training and education providers, such as General Assembly and Acuitus, to teach skills in industries that need specialized labor. The philanthropic capital covers upfront costs and wraparound services to students and trainees. The students, in turn, enroll free of charge and are obliged to repay program costs only after they are employed. Repayment is capped, time-limited, and a fixed percentage of each worker's income.

"Higher education is a proven pathway to opportunity, so we looked for two- and four-year institutions successfully educating students who come from communities that have been chronically underserved."

MacKenzie Scott in Medium, June 15, 2021

Food Insecurity and Food Injustice

Figure 2: Share of Adults (Overall and With Children) Reporting Their Household Sometimes or Often Does Not Have Enough to Eat: 2005–2018 and May–July 2020



Source: FRAC (2020)

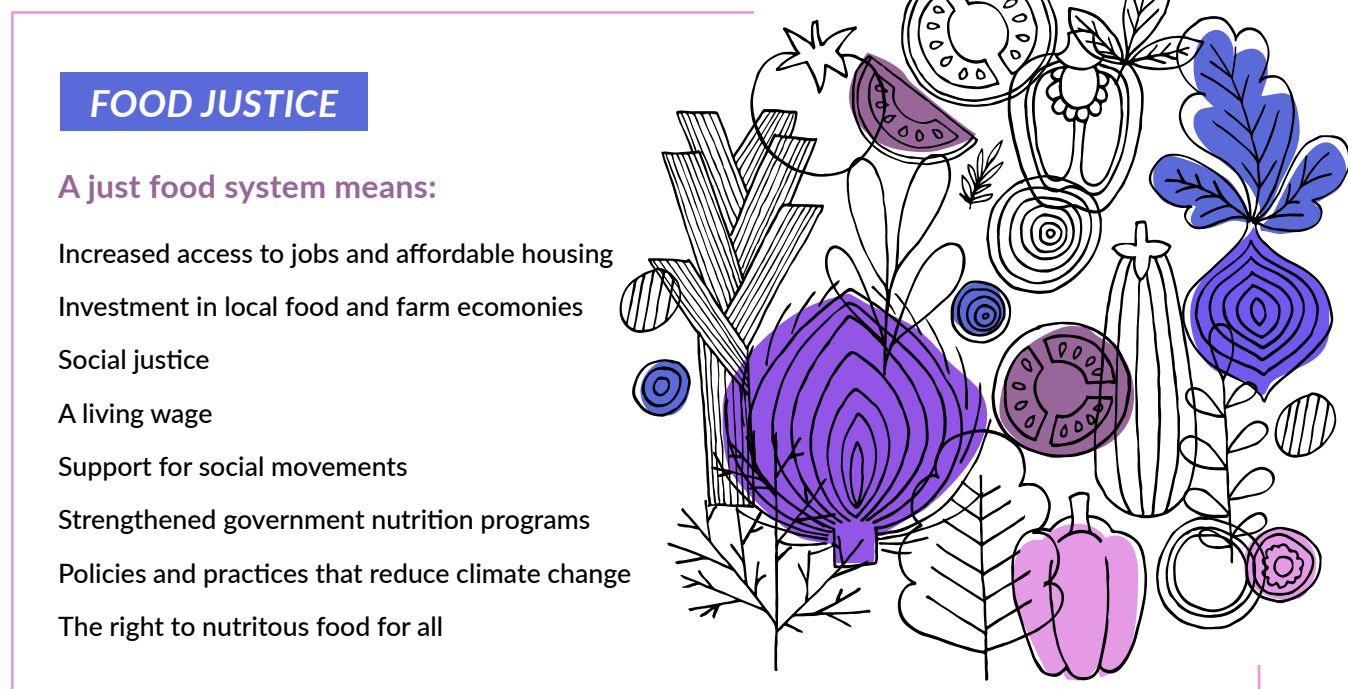
The mantra among advocates who have been calling attention to the longstanding problem of hunger in the very wealthy United States is "the crisis has revealed the crisis." [In 2019, 34 million Americans experienced food insecurity](#). Feeding America now [projects that 42 million people \(one in eight\), including 13 million children \(one in six\)](#), may experience food insecurity in 2021. The situation is worse now than in both the [Great Recession](#) (see Figure 2) and the [Great Depression](#).

The pandemic turned a spotlight on a system that was already broken. The current way hunger and food insecurity⁴ are tackled in the US is a patchwork of disparate policies that have evolved over time. They include an array of government benefits at the local and national levels⁵ overlaid by an assortment of more than 200 food banks and more than 60,000 food pantries scattered throughout the country, most of which are managed by Feeding America. While food banks and food pantries get the most media attention, government benefits, particularly the Supplemental Nutrition Assistance Program (SNAP), are the heavy hitters when combatting hunger in the US. Those benefits were increased even further when the American Rescue Plan was signed into law in March 2021, [providing an additional \\$12 billion in key investments to food assistance programs](#).

The first modern US food bank was set up in 1967. But the [private charitable network of food banks and food pantries active today arose](#) as an emergency response to dual threats of the early 1980s: the recession coupled with the social welfare cutbacks of the Reagan administration. The network accepts surplus from farms, grocery stores, and restaurants and distributes it to hungry people. This stopgap solution to a long since-expired emergency has become a permanent fixture of the social safety net. Fundamentally, hunger in the US is not a scarcity problem; [it is a wage problem](#). Families living on incomes at or near the minimum wage cannot afford to feed their households.

Hunger, by its nature, makes it hard to plan for the long term. Yet it is a concrete example of [treating the symptom and ignoring the disease](#). Nonetheless, well before the pandemic, many people and projects were collaborating to eradicate the underlying condition.

Figure 3: Our Vision for Food Security



Source: Milken Institute, adapted from *WhyHunger* (2021)

For example, a growing [food justice movement](#) uses class and race as a lens through which to identify the root causes that make many Americans sick, overweight, and unequal (see Figure 3). The movement holds that all communities, regardless of race or income, should have access to healthy food and the "[power to influence a food system that prioritizes environmental and human needs](#)."

Proponents of food justice also seek to confront entrenched racism and income inequality, backed by data showing that Black, Indigenous, and People of Color (BIPOC) have been shut out of agriculture and land ownership. According to the US Department of Agriculture, [Black farmers accounted for only 1.4 percent of the country's 3.4 million producers in 2017](#). Further, over the last 70 years, 98 percent of [Black farmers have been progressively and systematically dispossessed](#) of the little land they once owned.

Food justice activists have sought to redress historical wrongs through food coops, Black farmers' markets, and programs to increase minority ownership of agricultural land. [Civil Eats](#) is an online news source founded in 2009 to report on the "evolving food landscape from Capitol Hill to Main Street." The group has put together a list of nonprofit organizations working to advance food- and land-justice efforts for [Black Americans](#), [Native American food businesses](#), and [Latinx farmers](#). And the pioneering hunger-relief organization, Share Our Strength, has been working since 2010 through a range of advocacy and direct service efforts to realize the ambitious goal of "No Kid Hungry."

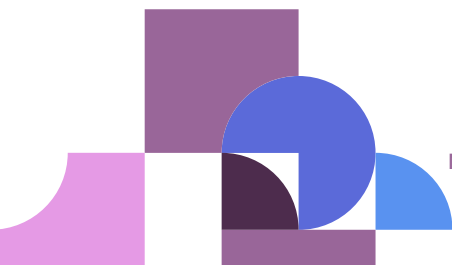
In the short term, a growing number of food banks, almost all of them Feeding America members, are trying to put themselves out of business by eliminating the [root causes of hunger](#) and openly advocating policies—including a higher minimum wage, labor protections, and higher corporate taxes—that may be directly against the self-interest of some of their biggest donors. Among these organizations are the Vermont Food Bank, the Alameda County Community Food Bank in California, the Capital Area Food Bank in DC, the Community Food Bank of Southern Arizona, the Food Group in Minnesota, and the Oregon Food Bank. In addition, philanthropists have explored creative local approaches, such as [paying off student lunch debt for an entire school](#), as well as supporting home delivery meal services that are currently overwhelmed, including [Meals on Wheels](#), [Bikur Cholim](#), [Ceres Community Project](#), [Community Servings](#), [Fresh Connect](#), and [God's Love We Deliver](#). While meal delivery programs are irrefutably palliative, there is no evidence that they perpetuate hunger in the long term. Many of them also provide "food-as-medicine" services, and they are vital lifelines for seniors and others suffering from social isolation.

IMAGINING ANOTHER WORLD

We are all still in crisis mode. And it's hard to think long-term when your amygdala—the neuronal hub that rules our emotions, decision-making, and memory—is still fired up. However, philanthropic capital, unlike commercial and government capital, is among the few asset classes where one can take the long and patient view. Moreover, if we honor our collective suffering, we'll ensure that it doesn't go to waste. As the novelist Arundhati Roy [reminded us in April 2020](#), our deep pain can help us reimagine how we want the world to look on the other side:

Historically, pandemics have forced humans to break with the past and imagine their world anew. This one is no different. It is a portal, a gateway between one world and the next. We can choose to walk through it, dragging the carcasses of our prejudice and hatred, our avarice, our data banks and dead ideas, our dead rivers and smoky skies behind us. Or we can walk through lightly, with little luggage, ready to imagine another world. And ready to fight for it.

Ready to fight for a world—and a nation—that is less unfinished.



ENDNOTES

1. Over the last three years, there has been a steady stream of well researched and thoughtful critiques of the role of philanthropy in US society, including [Decolonizing Wealth: Indigenous Wisdom to Heal Divides and Restore Balance](#) by Edgar Villanueva; [Just Giving: Why Philanthropy Is Failing Democracy and How It Can Do Better](#) by Stanford University political science professor Rob Reich; [Winners Take All: The Elite Charade of Changing the World](#) by Anand Giridharadas; and [The Givers: Money, Power, and Philanthropy in a New Gilded Age](#) by David Callahan.
2. Two of the most recent of the explorations of the hunger leg of the [social-services-industrial-complex](#) stool are: 1) Andrew Fisher's [Big Hunger: The Unholy Alliance between Corporate America and Anti-Hunger Groups](#) (2017) and Graham Riches' [Food Bank Nations, Poverty, Corporate Charity and the Right to Food](#) (2018).
3. Please note that CSP has not officially vetted these examples, which are intended as illustrative.
4. "Hunger" refers to a personal, physical sensation of discomfort, while "food insecurity" refers to a lack of available financial resources for food at the household level. While they are used interchangeably, the [terms are used with more precision](#) in scientific, public health, and international development analyses of the problem.
5. US Government [food assistance programs](#) include the Supplemental Nutrition Assistance Program (SNAP), Women, Infants and Children (WIC), The Emergency Food Assistance Program (TEFAP), the National School Lunch Program (NSLP), the Food Distribution Program on Indian Reservations (FDPIR), and more.

ABOUT THE MILKEN INSTITUTE

The Milken Institute is a nonprofit, nonpartisan think tank. We catalyze practical, scalable solutions to global challenges by connecting human, financial, and educational resources to those who need them. We leverage the expertise and insight gained through research and the convening of top experts, innovators, and influencers from different backgrounds and competing viewpoints to construct programs and policy initiatives. Our goal is to help people build meaningful lives in which they can experience health and well-being, pursue effective education and gainful employment, and access the resources required to create ever-expanding opportunities for themselves and their broader communities.

ABOUT THE CENTER FOR STRATEGIC PHILANTHROPY

The Milken Institute Center for Strategic Philanthropy advises philanthropists and foundations seeking to develop and implement transformative giving strategies.

Maura Donlan, director of the Center for Strategic Philanthropy, wrote this brief.

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