

## **Don't Panic! Why the recession could be the making of philanthropy**

*Presentation at the University of Newcastle*

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### **Slide 1: Title slide**

Thanks very much for coming along and thanks to George Hepburn at the Community Foundation for Tyne & Wear and Northumberland for inviting me, and to Professor Charles Harvey and Newcastle University for hosting the event.

### **Slide 2: Don't Panic!**

I want to do 3 things today:

1. I want to reflect on the nature of the 'panic' referred to in the title of this talk,
2. Then I want to share some data about philanthropy in contemporary UK society, including some of the findings from my work.
3. And I'll end by sharing my views, based on that research, about what I think is likely to happen to philanthropy in a period of recession.

But before I start can I just tell you about a couple of things that happened this weekend, which made me more confident of my core argument, that the current economic crisis need not signal the end of philanthropy as we know it?

On Saturday I was leafing through the fashion pages of a glossy weekend magazine and came across a piece featuring ostrich feather jackets and cream cashmere hotpants. The fashion journalist asked the designer how on earth they expected to sell such inessential luxury items when times were so tough for their customers. The reply was, "people still need to dream".

Then on Sunday night I turned on the telly and caught some of the pre-Oscar hype. The BBC's reporter was standing on the red carpet saying, "Even though there's a recession on, people want a lavish show".

So if the fashion industry can keep justifying their attempts to sell us things that we don't need, and if the film industry believes that the population still wants big money spent on pampered stars then why doesn't the charity sector take a similar, bullish perspective?

Why do we assume that charitable donations will be the first thing to be cut out of people's budgets? That charity is less essential than fashion and film? Who's making the case that, despite times being hard – or even because times are hard – that philanthropy is still relevant because, "people still need the chance to dream of creating a better world"?

So that's my punch-line. But the title of this talk is 'Don't Panic!', so let me begin by asking, 'Who's panicking'?

### Slide 3: Who's panicking?

This first slide shows a selection of recent media headlines:

This first headline, *'Charities lose faith and hope as funding crisis leaves them with £2.3bn black hole'* appeared in The Guardian on 1<sup>st</sup> December 2008. The article reports on the PriceWaterhouseCoopers survey which asked charities to predict what they expect will happen to their voluntary income, so it's opinion-based, not fact-based, yet within the article it says *'Charities are facing a multi-billion pound black hole in their finances'*, not that they *fear* they are facing a black hole.

The article dwells on the fact that that the British Red Cross was planning to cancel its winter ball, yet it also quotes the Red Cross' head of fundraising who says, *"It is going to be tough, but it is not all doom and gloom... We are watching our individual donations closely and there is no detectable change."* And the article ends by reporting that the Red Cross believes its income will grow modestly next year.

The Telegraph story, *'Charity donations hit by financial crisis'* was published on 8<sup>th</sup> November 2008, makes three points:

Firstly, it reports on a survey run by the Charity Commission in which 1 in 4 charities express fears about falling income. Which must mean that 3 in 4, or 75%, don't share that fear. But it also quotes a spokesperson from the Institute of Fundraising who says it is *"too early"* to say how charities will be affected in the longer in the longer term.

Secondly, they mention a charity that's having trouble selling a piece of property they own, but a spokesperson from that same charity notes that the economic slowdown could lead to a rise in volunteers. He is quoted as saying: *"Anecdotally it seems there has been an increase in the numbers willing to do voluntary work, so there is a plus side to the credit crunch."*

Thirdly, this article reports that charities are cancelling fancy black tie fundraising events, but the quote they use to stand that part of the story up implies it's a problem of style, not ability to sell tickets. A trustee of the charity concerned says, *"Given what has happened in recent weeks we didn't think guests would feel comfortable attending that sort of event. It just didn't seem appropriate."* The same trustee goes on to say, *"There is money out there, and many of our supporters are long-term subscribers, but the climate has changed this year."*

This is backed up my experience of a charity who told me they sold all their tables for a big fundraising dinner held last month, but a number of those who had paid for tickets said they couldn't turn up on the night because it wouldn't look right, it would send out the wrong message to their staff and customers. But none asked for a refund on their tickets!

The third article, headlined '*The Worst is Yet to Come*' appeared last week, on 18<sup>th</sup> February 2009, and is again from our cheerful friends at the Guardian. This time they're reporting on figures in the new UK Civil Society Almanac that were released by the National Council of Voluntary Organisations (NCVO) during their annual conference last Wednesday. What the figures in the new almanac show is that different kinds of charitable sub-sectors are going to find it easier and harder to ride out the storm. Half of the sub-sectors have enough reserves to keep them going for two years or more, and some have enough reserves to keep functioning for over a decade, whereas others have only enough in reserves to last for a few months. So again, the real story is a mixed picture, not the general panic that the headline implies. And it reminds us that the dominant model of the charity sector is based on holding reserves, not borrowing, as in the private sector.

So we can debunk some specific headlines and claims that are being in the press. And it's also interesting to recall how very different the terrain looked just a few months ago when the papers were telling a very different story about philanthropy, as these headlines show:

#### **Slide 4: So What Happened?**

The first article, published in the Independent in 2004, is headlined '*Return of the philanthropist as high rollers make charity hip*'. It begins by saying: '*The spirit of philanthropy is again taking hold in Britain, with the current generation of super-rich emulating the virtue of their Victorian forebears by giving away vast swaths of their fortunes.*'

Two years later the Sunday Telegraph published an article that claimed, "*There is no denying that philanthropy has become fashionable again*". And this sentiment was reflected in other countries, with USA Today claiming that '*Giving is the New Taking*'.

So, what happened? Were the foundations of this new fashion so flimsy that they didn't even last out the decade? Or were we wrong about the 'new dawn of philanthropy?' Was it all hype and no substance?

I thought it might be helpful to have a look at some figures behind these more positive headlines and claims.

#### **Slide 5: Sunday Times Rich List & Giving Index**

The most high profile barometer of giving by the richest people in the UK, is published within the Sunday Times Rich List. This is an annual report on the 1,000 wealthiest residents in the UK, within which a separate list called the 'Giving Index' reports on the 30 most philanthropic members of that top 1,000.

As you can see, there's been a steep rise in both the absolute amounts given, from c.£300m in 2004 to £2.4 billion last year (an eight-fold rise in 5 years) and there's also been an increase in the relative generosity of the richest members of our society. This last column shows the percentage of wealth given away by the donor ranked 30<sup>th</sup> most generous. In 2004 you could sneak

onto the bottom of the Giving Index if you gave away 0.59% or just over half a percent of your wealth, whereas by last year you had to give away 3% to make the cut.

So these figures show that it wasn't groundless hype to claim, as the 2008 edition of the Giving Index did, that, "*a new age of philanthropy is revealed*".

But it still begs the question of whether it was the briefest age imaginable or whether it's more resilient and can persist, despite the panic and doom-mongering.

I'm going to return to that question at the end, as I want to turn now to some research findings, first from work that others have done in the UK and the US and then from a couple of my own projects.

So what does the research tell us about why rich people give?

### **Slide 6: Why do Rich People Give?**

From 2001-2004, a major project was undertaken by a newly formed organisation called Philanthropy UK, funded by the Esmée Fairbairn Foundation and the Lloyds TSB Foundation, which set out to answer that question.

The author, Theresa Lloyd, interviewed rich philanthropists across the UK and identified 5 factors behind their giving:

1. Belief in the cause was found to be the strongest motivator, and the choice of cause tended to be based on the donor's personal interests and experiences, which is a point I'll return to when I share my research.
2. Being a catalyst for change. Major donors want to make an impact, they don't want their money to simply keep a good cause in business. They want to bring about an identifiable change so that the effectiveness of their gift is clear.
3. Self-actualisation, which is about developing themselves as a person, for example learning new skills, and about defining their place in history.
4. Duty and responsibility. This refers to a feeling amongst the rich that the more fortunate have an obligation to help the less fortunate
5. Relationships. This is about the fun, enjoyment and personal fulfilment that comes from getting to know charity staff, beneficiaries and fellow donors.

So this research shows that philanthropy is not just a consequence of someone having spare money, but rather that rich people will give, and give more:

- when they are motivated by their passion for a cause
- when they believe they can make something significant happen
- because they want to explore and develop a new part of themselves
- because they recognise they are fortunate

- or for the opportunity to hang out with the dynamic people that work in charities, to meet beneficiaries and to get to know other philanthropists.

Theresa's study is the only published research into UK philanthropy and, as I said, it was conducted and funded by charitable organisations. We now have a national Centre for Charitable Giving and Philanthropy, which Professor Harvey and myself are both involved with. So in the coming years we should produce lots more robust evidence about philanthropy. But in the US, philanthropy has been a serious topic of study since the early 1970s. And many studies from that side of the pond come to similar conclusions as this UK study.

### **Slide 7: The US research**

In the mid 1990s, Francie Ostrower interviewed millionaire donors in New York and concluded that: *'Philanthropy grows out of the donor's sense of identity' and that '[Philanthropists wish to leave] footprints in the sand of time'*, i.e. they wish to make a lasting impact.

Donald Ritzenhein's study of major donor motivation concludes that *'People are engaged in a search for meaning, and that giving, over time or in significant amounts, occurs when it helps people achieve one or more of their needs for meaning'*.

And Randy Ottinger's study of what people do when they are 'beyond success' - by which he means when they have no more financial goals to meet - concludes that, *'With financial freedom, individuals no longer need to focus on wealth-building. Rather they move to a higher level of personal introspection, which relates to their life's purpose and calling.'*

So across the UK and US research there's a consistent theme that philanthropy is not really about money, but rather is about the search for a positive identity, bringing meaning to life and creating a lasting impact.

But that's not how most of the population thinks about philanthropy,

I analysed all media coverage of philanthropy and philanthropists in UK newspapers during 2006 and found there rather different popular explanations for why rich people give.

### **Slide 8: Why do we think rich people give?**

The anti-philanthropy view is expressed forcibly in a book by Polly Toynbee and David Walker that was published last year, who believe that philanthropy is, *'mere ostentation'*, *'a passport to the in-crowd'* and *'another way of exerting power and control'*.

I looked within the media coverage at the adjectives used to describe philanthropists, and found plenty of examples of pejorative terms being bandied around:

Disgraced philanthropist, Dickensian philanthropist, Philandering philanthropist, Tax-ruse philanthropist, Coutoure-clad philanthropist, Ruthless philanthropist and so on.

In essence, I found that, whilst philanthropists tend to emphasise the altruistic, selfless and public nature of their acts, the media often emphasises the egoistic, self-serving and private benefits of their acts.

This cynical outlook is summed up in the words of a columnist who was commenting on the news that Bill Gates had become the most generous philanthropist of all time when he committed over \$30 billion to his foundation, which largely funds solutions to global health problems. This philanthropic act led to this response:

*“Bill Gates is giving millions to charity. So? Why not? What else could he possibly do with all his money except coat himself in treacle and roll in banknotes?”* (Michelle Hanson writing in The Guardian on 28<sup>th</sup> November 2006).

I was partly drawn to the study of philanthropy because of this disparity between public opinion and philanthropists' own account of their actions. And I'm also keen to research this area because there are so many gaps in our knowledge about philanthropy in the UK.

One particular gap that struck me was how little we know about the 'top end' of giving by major donors. Every now and then you hear about philanthropic acts by rich celebrities, such as Alan Shearer donating the proceeds of his testimonial match to children's charities, or Richard Branson pledging to use the next decade's profits from his transport business to develop renewable energy (a gift he values at over £1 billion) or the news that Anita Roddick left every penny in her will to charity, all £118 million of it.

But the lack of data on major giving meant there was no way of contextualising these reports or knowing if these acts were typical or exceptional

So I decided to focus my research on the richest donors, and in particular on those who make donations worth a million pounds or more.

I used a variety of methods, largely involving secondary analysis of charity reports and financial accounts and of media coverage, but I also did a survey of large charities and interviews with some major donor fundraisers and some extremely rich philanthropists.

So, what did I find?

**Slide 9: Kent/Coutts Million Pound Donor research**

I found that at least 193 donations worth £1 million or more were made by UK donors or to UK-based charities during the years 2006/07.

The combined value of these donations was £1.6 billion, which represents about 5% of the income of general charities in that year.

**Slide 10: The size of million pound donations**

I found that when people make million pound donations, their value tends to be at the lower end of possibilities, with almost a half being worth between £1- 2 million and two thirds worth less than £3 million.

**Slide 11: The source of million pound donations**

Over half of the 'million pound donors' are individuals, either giving directly or through their own personal charitable trust or foundation. A third were made by the large professional foundations – the Wellcome Trusts and Wolfson Foundations of the world – and less than one in ten were made by corporations.

**Slide 12: The percentage of million pound donations that are 'banked' and 'spent'**

To me, the most interesting finding of this study is that most million pound donations are not spent directly on charities and beneficiaries, but rather are 'banked' in foundations for distribution at a later date. This slide shows that 56% of the total value of million pound donations was 'banked' and 44% was 'spent'.

So, most of the big philanthropic announcements that make the headlines are not immediate injections of cash into charities but rather involve putting money aside and setting up new charitable trusts and foundations which will, over time, distribute those funds to frontline charities.

So the avalanche of philanthropic funds that we've heard about has not reached anywhere near the bottom of the hill yet. It's perched in tax-efficient limbo, waiting to be distributed. The money is irrevocably committed – the donors can't get it back – but the beneficiaries can't necessarily get at it either.

This could be viewed as a form of hoarding, but I don't see this finding as inevitably implying criticism. There are good arguments for encouraging people who are still busy creating their wealth, to earmark money for charitable causes today and allowing them time to work out how they can best spend it to achieve maximum impact.

And in the context of our discussion about philanthropy and the recession, if money has been banked rather than spent then it is still there and available for distribution to charities to help them through any leaner years.

**Slide 13: The prevalence of million pound donations for exact amounts**

I also found that donors have a tendency to make gifts for exact sums of money. 1-in-5 were for exactly £1m, 1-in-8 for exactly £2m and so on. In total 41% of the million pound donations were for a 'rounded' amount.

I find this interesting because a charity might need £900,000 or it might need £1.1m, but there seems to be something potent about the idea of 'a million pounds' that has some sort of cultural resonance.

#### **Slide 14: The distribution of million pound donations**

This final slide shows which causes receive million pound donations. The subsectors are listed in descending order of popularity. Once we exclude the money 'banked' in foundations, the most popular destination by far is Higher Education, which receives 42% of the 'spent' money. Health charities are the next most popular, receiving 13.8% of the total value of million pound donations, followed by International Aid and Development, which received 11.5%.

I've always been fascinated by where the money goes, and my interest in the distributional consequences of philanthropy has led me to develop a typology of UK philanthropists to reflect the different types of giving pattern that I identified.

#### **Slide 15: Ideal Types of UK Philanthropists**

Other typologies of philanthropists have been developed but have been based on different criteria, such as historical progress (old/new); donor characteristics: (male/female, younger/older, religious/non-religious and so on) or on donor motivations (duty, guilty, religious etc). My typology differs in being based on donor behaviour. I identified the ten biggest donations made in 2006/07 by the most significant philanthropists operating in the UK that year. I then created 8 ideal types as a result of examining patterns in the data. Individual philanthropists were allocated to a type, depending on a combination of the destination and the value of their gifts, as follows:

Salvation Seekers (17%)

Give to projects that benefit members of their own religion.

Agenda Setters (17%)

Predominantly fund projects abroad, usually humanitarian, human rights and the environment.

Big Fish (17%)

Strong local dimension to giving, support causes & people where they live or have business.

Kindred Spirits (16%)

Support projects that benefit 'people like me', similar class background, life experience or trade.

Patriots and Players (14%)

Give to establishment institutions, especially historic organisations and causes favoured by royalty

Culture Vultures (10%)

Major focus of grants is the cultural sector - visual arts, performing arts, museums, galleries etc.

Big Brands (5%)

No pattern discernible beyond recipients being primarily well known or 'big brand' charities

Secret Operators (4%)

Provide absolute minimum legally required information about their giving.

I hope this typology demonstrates the inadequacy of thinking about philanthropy as a straightforward act, involving a simple financial transaction. That one terms masks a variety of intentions and hopes around using money to:

- achieve their particular philanthropic preferences
- to create and communicate a certain identity to whichever audiences that matter to them
- and to use their money to pursue the things in life that seem meaningful and important to them.

So what's all this got to do with philanthropy in a period of recession?

### **Slide 16: Conclusions: Why philanthropy can thrive in a recession**

One of the main conclusions I draw from my research is that philanthropy is essentially a social act, despite the fact that it's often examined as a purely economic transaction.

It seems to me that philanthropy is an important part of the identity work of many major donors that draws attention to their *unique* contribution as an individual whilst binding them more closely to the *community* that benefits, whether that's a geographic community in the case of 'Big Fish', a community of like-minded people in the case of 'Kindred Spirits', a community of people who share the same faith, as is the case for 'Salvation Seekers', and so on.

I draw a lot on Pierre Bourdieu's work, because I think that philanthropy also helps people to make themselves distinctive from others and to accumulate social and cultural capital. It's a way of setting yourself apart from other people and often about displaying refined cultural tastes, for example as the Culture Vultures and Patriots and Players do.

I think that using philanthropy in that way is especially relevant for the self-made rich who can find themselves lost in a new world of old money that they don't really belong to. They can use philanthropy to integrate themselves into elites.

But whether a person is nouveau-riche or inherits their wealth, I think philanthropy is also a response to the realisation that money is a means, not an end, in the pursuit of a happy and fulfilling life. So some people are philanthropic to achieve their need for meaning, to feel their life has had an impact and that they personally have made a difference.

Finally, I think philanthropy can be a response to the growing tide of anti-rich sentiment. The public are increasingly intolerant of the behaviour of the rich, especially those who appear to have made their money too easily and don't know how to spend it wisely.

### **Slide 17: The rise of the Undeserving Rich**

I think the anti-rich point is nicely summed up in this quote from Clive James:

'Getting rich now is like bodybuilding.  
Do it too much or too quickly and you look stupid!'

So, philanthropy can be a strategy for contemporary rich people to avoid looking stupid by demonstrating that they can spend 'well'.

Perhaps, as David Brookes argues, the idea of 'conspicuous consumption' has now been replaced by 'commendable consumption', because we no longer judge people on the basis of who consumes the *most*, but rather on the basis of who consumes the *best*.

This is all fertile territory for philanthropy to thrive, because it offers an opportunity to publicly demonstrate values that are culturally affirmed.

That's all very well in theory, but what will happen in practice?

The truth is, it's too early to tell what the impact of the recession will be on giving because reports and accounts are only produced on an annual basis, so we're only just starting to see data on what happened around the time of the Northern Rock collapse, never mind what's happened since.

So for now we need to rely on sentiment more than facts, hence the plethora of headlines reflecting the dominant mood of pessimism amongst charities.

But what do we know about opinion amongst the donor community?

### **Slide 18: Time for Major donors to step up**

The main finding is that the panic pervading the sector is not mirrored in the donor community. In fact many see this as a time to step up, to save the day. As a major US philanthropist Michael Bloomberg says,

*"As the economy took a turn from bad to worse, I felt it was the right time – the essential time - for someone like me, someone who's been so fortunate in my own life, to step up and give back even more"*

And similar opinions are being expressed on this side of the Atlantic, as these quotes show:

**Slide 19: Will the UK's major donors step up?**

A steady stream of UK philanthropists have made statements indicating their intention to fulfill their pledges, as these quotes, all taken from an article in the December 2008 edition of the Philanthropy UK newsletter, show:

One says: *"I have commitments which I intend to honour, especially when there is even greater need in these difficult times".*

Another says: *"My giving will not change as I have long-term strategic goals and set aside funds to achieve those goals during the bubble".*

And similarly: *"We are working with pre-allocated funds on long-term plans... Our position has not changed".*

So if these statements are true then the outlook is far from bleak and philanthropy will survive a recession.

**Slide 20: Philanthropy will survive the recession because...**

In conclusion, we all know the current economic situation is dire, and not going to get better anytime soon. But I think that there is a danger in the charity sector so visibly panicking.

Publicly and repeatedly claiming that donations will inevitably dry up, risks create a self-fulfilling prophecy and we might even talk ourselves into a giving recession.

I've been a fundraiser, and I understand completely that charities worry about not having the resources they need to do their good work. But the research shows that there isn't a direct causal relationship between economic conditions and the amount of philanthropic spending that takes place.

This is primarily because philanthropy is not a simple financial transaction, it is first and foremost a social act that enables rich individuals to create and communicate a positive identity and to meet their own need to live a successful, significant and meaningful life which is affirmed by others.

If, as one donor says, *"to give is to live"*, then despite the tough times we are in, I think that the new age of philanthropy will persist and could even grow stronger.

**Slide 21: Don't panic – start dreaming!**

I want to end with this quote (from a book by Jerold Panas called *Mega Gifts: who gives them, who gets them?*), which returns to my opening comment about people's continuing need to dream of a better world.

*“Mega givers are captivated by the opportunity, the challenge, the magic of being able to do something special, something others may not be in a position to do... There is no such thing as a shortage of major donors. There is only a shortage of great ideas to raise money. A desperate need for visions and dreams”.*

It is time to stop panicking and start dreaming, and to continue helping the richest members of society to continue seeing philanthropy as the best way to meet their personal needs whilst serving the public good.