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Foundations as Purveyors of Intergenerational Justice? A Review of *Just Giving* and Lessons for Canadian Philanthropy

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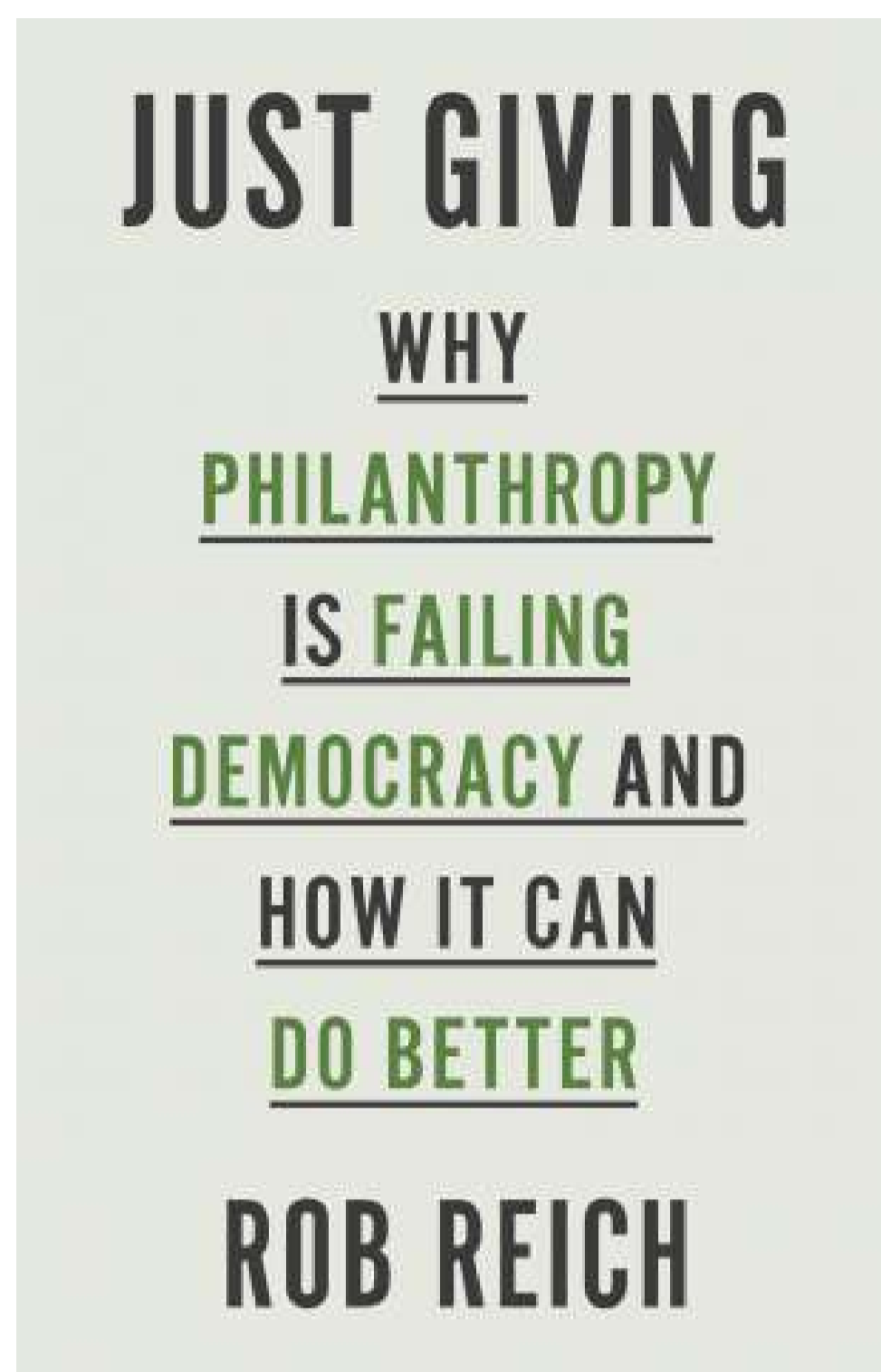
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In *Just Giving*, Rob Reich, a Political Science Professor at Stanford University, set out to develop a political theory of philanthropy. Reich's book offers a detailed examination of the public morality of giving: the fit between the institutionalized practice of philanthropy and contemporary theories of justice. The book is vigorous in its criticism of current rules institutionalizing philanthropy, which Reich sees as having a plutocratic cast. But ultimately Reich sees a role for philanthropic foundations as purveyors of intergenerational justice. This blog post reviews *Just Giving* and considers its implications for Canadian philanthropy. I identify six lessons for philanthropy practitioners who are committed to justice in their work.

Just Giving? The Book's Central Argument

Amid rising global inequality, there is a growing body of research scrutinizing philanthropy and its relationship to democracy (e.g.; Barkan 2013; Reich 2014; Saunders-Hastings 2018; Sievers 2010). These researchers are concerned that mega-philanthropy – through its typical institutional form, the private foundation – exacerbates existing plutocratic biases in society, perhaps undermining democratic equality. In



particular, the charitable tax deduction has been criticized as a government subsidy which amplifies plutocratic voices at the expense of the ordinary citizen (e.g., Pevnick 2013).

Rob Reich offers a tour de table of these critiques in *Just Giving*. His book effectively lays out how philanthropy, though a universal practice, is an artifact of the state and has been institutionalized in different manners throughout history. From an historical perspective the tax-subsidized yet unaccountable private foundation is peculiar, and stands in need of justification.

Reich rejects four justifications of charitable tax deductions, which he views as plutocratically biased. Much of Reich's reasoning rests on the fraught relationship between philanthropy and inequality. (A summary of research on philanthropy and inequality is available here.)

He then turns to possible justifications for subsidizing philanthropic foundations in a democratic society. Foundations, Reich argues, lack accountability and transparency. The only forms of accountability to which foundations are held are mi-

nimal and procedural, consisting of the minimum payout rule and an annual public disclosure.

Given this, is there a justification for subsidizing private foundations in a democratic society? Reich explores two common justifications: pluralism and discovery. On pluralism, he concludes that foundations are neither necessary nor sufficient to achieve this objective – not least of which because achieving pluralism through philanthropy is likely to give the resulting pluralism a plutocratic cast. Reich agrees that foundations have structural advantages that make them good candidates as society’s “risk capital”, since they lack external accountability and operate over a long time horizon. However, foundations underperform on discovery and tend to be risk-averse – especially small foundations, which give away small sums and lack professional staff.

Reich’s own justification for private foundations presents them as vehicles for supporting *intergenerational justice*. His argument draws on John Rawls’ just savings principle: the argument that we owe future generations a duty of saving of sufficient material and social capital to maintain just institutions over time. Reich focuses on social capital, which social scientists have connected to the robustness of associations. Given this, Reich argues that the intergenerationally reproducing social capital “requires the reproduction of a vibrant and participatory civil society over time” (2018: 180-1) – which, in turn, requires social infrastructure. Relying exclusively on public funding for the social infrastructure needed to support civil society is not ideal, since it can undermine the pluralism and independence of civil society.

This is where Reich sees a role for private foundations supported by public incentives. Foundations are, after all, set up to exist across generations. However, rules regulating private foundations would need to change to foster their roles as purveyors of intergenerational justice.

First, Reich argues that donors should not expect foundations to pursue funds to foster their own legacy – funds should be transferred with no strings attached. Instead, foundations should be required to distribute resources to civil society organizations

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“with the purpose of reproducing the infrastructure of a civil society able to maintain just institutions” (Reich 2018: 183). This is an extremely vague requirement, and unfortunately Reich does not elaborate on how it would function in practice. Finally, intergenerational transfers should only be encouraged up to the level that is required to preserve social capital for future generations, and perhaps to save for exceptional circumstances, such as a meteor strike, that would “regress society to a burdened state” (Reich 2018: 185). Beyond this threshold – however this would be decided – transfers should not be encouraged via public incentives.

Lessons for Canadian Philanthropy

Philanthropic foundations are not particularly redistributive, nor do they function in practice as society’s risk capital. They are also not the ideal institution to promote pluralism. However, Reich suggests, foundations can be justified as purveyors of intergenerational justice. If Canadian philanthropic foundations took this ideas seriously, what would it mean?

Just Giving is intended as a work of political philosophy. As such, it does not provide a particularly clear vision of how his ideas should be translated into practice. However, we can extrapolate certain lessons from Reich’s reasoning. This section identifies six takeaways from *Just Giving*, intended for philanthropy practitioners with application in mind.

1. It is not only acceptable, but indeed desirable, for foundations to change their priorities over time.

Foundations, perhaps even more than other nonprofit organizations, are often concerned with continuity and resisting mission drift. *Just Giving* suggests that foundations should be doing just the opposite. Rather than focusing on preserving a founder's legacy, foundations should adapt their priorities to reflect the needs of present, and future, generations.

2. Foundations should “think long”.

Foundations are good candidates for promoting intergenerational justice because their independence makes it possible to overcome the ‘presentism’ and short-term bias of government and business institutions. This implies that foundations should gear their activities toward long time horizons, offering multi-year grants and sustained support for research. Reich urges foundations to “think long” (2018: 193) when developing programs and strategies.

3. As purveyors of intergenerational justice, foundations should turn their attention to strengthening civil society and supporting research on existential risks to society.

Just Giving suggests at least two roles for foundations as purveyors of intergenerational justice: supporting the social infrastructure of civil society and investing in existential risks.

Civil society is instrumental to a flourishing democracy (see, e.g., Warren 2000; Walzer 1992; Cohen and Rogers 1994; Cohen and Arato 1992; Putnam 1993, 2000). Foundations can contribute to intergenerational justice, Reich argues, by ensuring that the social infrastructure necessary for a



robust civil society is continually available. “Social infrastructure” is not defined in the book, but one could extrapolate the following possible roles for foundations, among others:

- Long-term grants to nonprofits and their member organizations;
- Funding for community centres and other public spaces in which informal associations may congregate, such as libraries or community hubs; and
- Support for initiatives to address structural challenges in the nonprofit sector, such as access to finance or pooled administrative and information technology systems for small charities.

This role perhaps implies an even bigger commitment than *Just Giving* acknowledges. In his argument, Reich assumes that we are living in a society which has achieved largely just institutions – which implies a lower just savings requirement for intergenerational transfers. But this assumption seems questionable in a society that still has approximately 235 000 people experiencing homelessness annually (Gaetz et al. 2016); where black people are 20 times more likely to be fatally shot by police (CBC News 11 December 2018); and where Indigenous Canadians face unequal access to education, justice, and wealth. One could go on. Viewing Canada – and indeed all societies – as a society with substantial injustice would imply an even greater role for philanthropic foundations in strengthening the sector, particularly when it comes to associations that serve marginalized populations.

Second, Reich argues that the just savings principle implies that societies should set aside resources as a contingency in the event that an unlikely but catastrophic event affects future generations, thus compromising their ability to provide the institutions of a just society. For this reason, he argues that foundations can advance intergenerational justice through investing in existential risks. Reich especially thinks that foundations should support research on existential risks, since other facets of society are likely to underinvest in these areas.

In practical terms, natural disasters come to mind: for instance, foundations could fund research to prepare for the ‘Big One’ on the West Coast or set aside funds for future disaster relief. Climate change, of course, is another area where foundations can – and do – support intergenerational justice by investing in existential risks.

4. But foundations should be cognizant that not all civil society organizations strengthen social capital, and not all do so equally.

One element that Reich misses in his argument – but which is crucial for foundations seeking to apply *Just Giving* to their organizations – is the fact that not all associations contribute to social capital. Indeed, Chambers and Kopstein (2001) have made the compelling case that some civil society organizations erode social capital through, for instance, promoting hatred and violence. It is difficult to see how the government would go about ensuring that its public incentives were directed at social capital-strengthening associations without undermining the independence of the sector. But certainly, this is something that foundations can bear in mind when making granting decisions.

Another related question, which Reich does raise, is whether the professionalized nonprofit is the best organization type for advancing social capital. Informal associations may actually be more adept at developing social capital. If that is the case, it calls into question the requirement that foundations distribute to ‘qualified donees’.

5. Donor-advised funds should be critically appraised by policy-makers and philanthropic foundations.

Reich argues that our rules around philanthropy would need to change for foundations to truly be purveyors of intergenerational inequality. One of the changes that he proposes is to eliminate ‘strings’ which tether funds to donor intent. The argument advanced in *Just Giving* suggests that governments should eliminate subsidies for donor-advised funds, which are growing 20% annually in Canada (Sjogren and Bezaire 28 March 2018). If one accepts Reich’s arguments that donor-advised funds give philanthropy a plutocratic

cast, organizations like community foundations that use them may wish to consider strategies to ensure that the overall effect of their activities is egalitarian.

6. We should celebrate public foundations!

Reich’s arguments throughout *Just Giving* imply that it is better to have philanthropy which is sustained by mass participation. He also supports philanthropy which involves community governance. This is a domain where public foundations, community foundations, and United Way organizations perform well.

Reich also underestimates, I think, the ability of government-funded foundations to support an independent and pluralistic civil society sector. Certainly, there would be risks inherent to promoting civil society *entirely* through a government foundation. However, I see no reason that government foundations cannot comprise part of the solution. Certainly, the nonprofit staff that I have interviewed have not expressed a view that Ontario Trillium Foundation funding is subject to more restrictive requirements than is typical of philanthropic funders.

Nevertheless, wealth inequality can have meaningful effects for philanthropic funders of all kinds, since giving tends to reflect existing patterns of inequality. This is why initiatives like the United Way of Greater Toronto and York Region’s Strong Neighbourhoods Task Force are so important.

Reich, Rob. (2018). *Just Giving: Why Philanthropy is Failing Democracy and How it Can Do Better*. Princeton, NJ: Princeton University Press.

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