PHILANTHROPY: Investing in America's Freedom and Progress

BY CLAIRE GAUDIANI

"Voluntary contributions advance economic growth by providing a third pot of resources to address problems and create opportunities when government money and corporate investment are not available."

PEOPLE THINK WE Americans are generous because we are rich. I contend we are rich because we are generous. Voluntary giving in this country guarantees—and always has guaranteed—economic growth. The widely shared impulse to give sustains upward mobility and advances mutuality in our democracy. Conventional wisdom sees philanthropy merely as charity. Actually, American generosity is investment in people, facilities, and ideas—for the benefit of the greater good. Since 1647, philanthropy has been the insurance we take out on the Republic. Neither those who mistrust philanthropy nor extol it as a panacea understand its real function—and history—in our capital- and market-driven society.

Some 89% of Americans gave in 2003. That is a higher percentage of the population than voted, watched the Super Bowl, or (most surprisingly, given our girth) ate in a fast food restaurant. We give at all income levels and across all races, ethnicities, and education levels. We gave $241,000,000,000—or two percent of our gross domestic product. The nation that ranks next is Great Britain; the British give .7% of their GDP. Perhaps most astonishing, 75% of the U.S. total came directly from individuals, not corporations. Thirty-eight percent of that went to our religious affiliations. We invested the rest in creating improvements in our society.

Voluntary contributions advance economic growth by providing a third pot of resources to address problems and create opportunities when government money and corporate investment are not available. These funds have injected an extra dimension of energy and innovation into our economy that the rest of the world's nations have not had access to.

For example, philanthropy supported the development of radar, aviation, and rocketry. Moreover, when the Scottish physician Alexander Fleming discovered that a mold seemed to kill bacteria, he needed money to develop and refine the first dose of penicillin that patients could take safely. Neither his government nor private industry would give him the necessary funds. He discovered, however, that in the U.S. there was a third source of funds—people who would provide money for high-risk but potentially beneficial ideas even when all else failed. Better still, the donors would not ask any return for themselves. Fleming showed up at the door of the John D. Rockefeller III. He received funding and the rest is history.

The same story could be told about the young German scientists who developed the design for the revolutionary electron microscope. Their government and private support failed them. They journeyed to New York, met with Rockefeller, got their funding, and created the first prototype of the device that transformed the life sciences and health and medical research while contributing to the growth of the pharmaceutical industry.

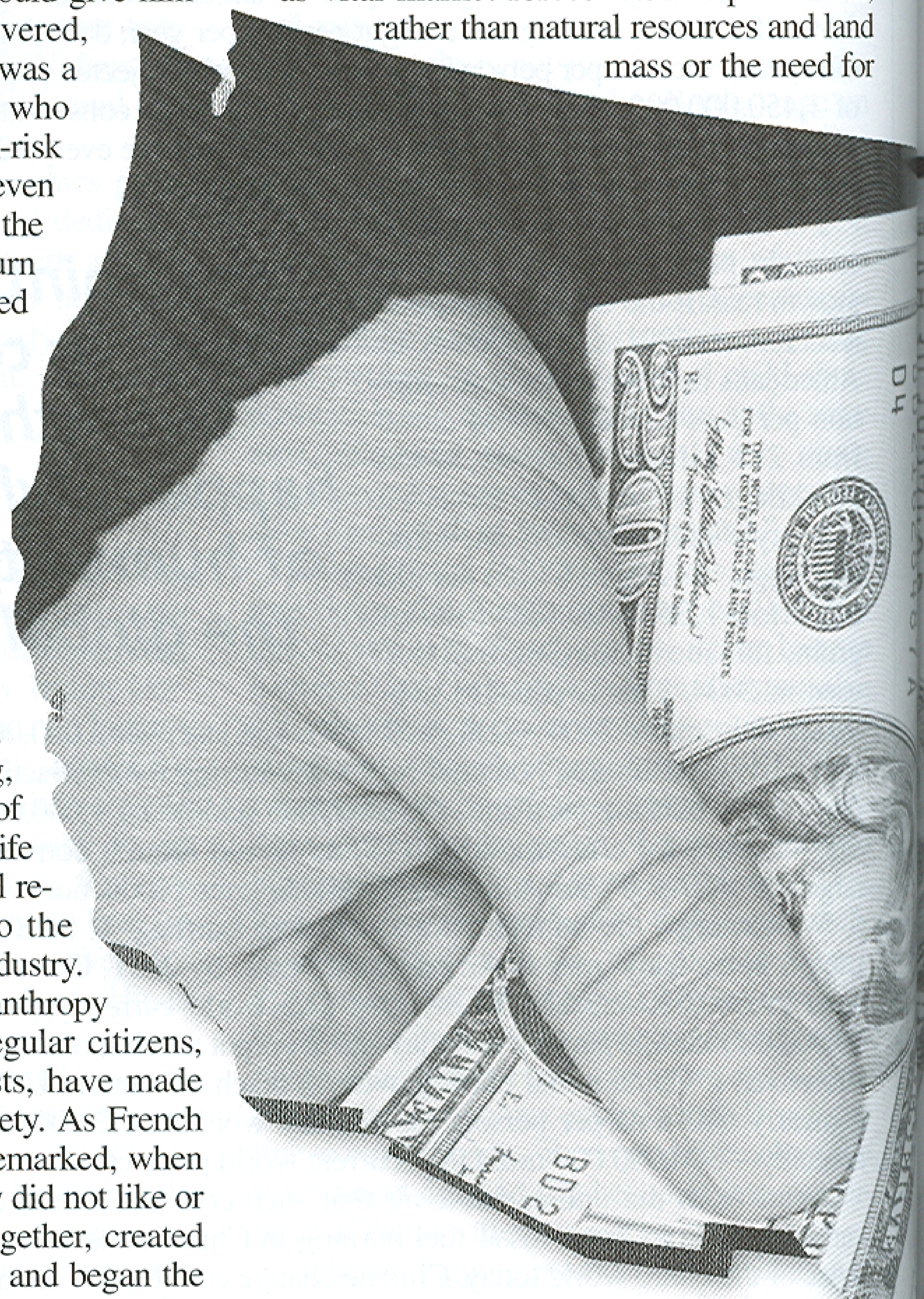
For hundreds of years, philanthropy has been an important way regular citizens, not just wealthy philanthropists, have made new things happen in our society. As French writer Alexis de Tocqueville remarked, when Americans saw something they did not like or wanted to change, they got together, created an organization, raised money, and began the change. Citizens collected funds to halt the spraying of DDT on Long Island when neither government nor companies would fund them. Together, these individuals helped give birth to the environmental movement, now a major industry sector and a Cabinet post.

Other citizens raised money to criminalize drunk driving long before that idea had any other support. Today, some 3,000 different laws penalize drunk drivers. The effort of Mothers Against Drunk Driving has changed the national consciousness to include designated drivers and a whole new awareness of the problem. MADD's work has saved the lives of countless individuals.

Of course, these more recent efforts follow a great American tradition. Citizens raised money to abolish slavery in 1774 before Thomas Jefferson ever wrote that "All men are created equal . . ." in the Declaration of Independence. Those colonists gathered the funds to buy slaves, free them, and get their help in setting up the Underground Railroad.

American generosity not only has funded new commercial enterprises, it has sent coursing through our system a moral juice that still drives us toward the ideals and institutions the Founding Fathers envisioned two centuries ago.

We do not see solutions to social problems exclusively in the exorbitant income tax rates which suck from other societies ambition and inventiveness—precisely the commodities Paul Romer, a Stanford economist, establishes as vital market forces. Romer posits that, rather than natural resources and land mass or the need for



goods, it really is ideas that drive an economy. Instead of pegging economic growth to these material resources (the classical view), Romer ties it to the capacity of a country to hatch innovative ideas that develop new industries, create jobs, and redistribute resources. Ideas are the dynamic engine of economic growth.

When citizens share their personal resources as gifts, they assure the vigor of democracy and the economy. These donations—and the spirit that impels them—improve lives and free men and women to dream and to act. Philanthropy develops human capital, enabling individuals to use more of their potential, thus advancing upward mobility. It builds physical capital: facilities such as hospitals, museums, libraries, colleges, and theaters that become economic and social engines in their communities. Philanthropy nurtures intellectual capital—new technological and social ideas that make us who we are.

Americans value human potential—the genius and heart of citizens—and fund it more extensively among the lower income population than anywhere else in the world. For example, citizen generosity sent to college Ralph Waldo Emerson, Milton Friedman, Alice Walker, Oprah Winfrey, Ruth Bader Ginsburg, Itzhak Perlman, John Updike, W.E.B. DuBois, Gregory Peck, Bill Clinton, Saul Bellow, Henry Louis Gates, and many others.

No academic or commercial sector can deny its debt to innovators or pioneers whose contributions some private or corporate benefactor made possible. Where would the country be without the millions of people who received the help they needed at the time they needed it most and went on to positions in society that enabled the rest of the country to benefit from their giftedness. Philanthropy makes it more likely that people will be able to work at the level they are capable of, rather than at the level their parents' finances or life's problems would have limited them to.

Investments in physical capital likewise have built the economy. American generosity in donating buildings has increased the value of real estate in communities and helped low-income families buy much-needed homes and build wealth. Habitat for Humanity—a single agency among many hundreds in this country—has built and sold 60,000 homes to low-income families at prices these families can afford and maintain.

Just as pivotal for our economy, people donate to build the nation's museums, hospitals, libraries, theaters, and colleges. These examples of physical capital stand all around the nation and have primed local economies by employing construction workers and, eventually, job holders, increasing land values, and attracting customers, patients, students, and tourists as well as other businesses. Chicago's nine museums, for instance, bring more revenue to the city each year than all of its major sports franchises combined. Johns Hopkins University, initially the endowment of one person, currently is the largest employer in the state of Maryland—a gift that keeps on giving to the economy and society!

Children and parents all over the nation collected $4,000,000,000 for the March of Dimes. This 17-year endeavor fueled the triumph over polio, helped educate the first generation of PhD microbiologists, and taught Americans that it was possible to advance the pace of medical research by providing scientists with more financial support.

Philanthropy is the way Americans improve society using the same entrepreneurial spirit that makes the economy work. When there was so little most of us could do after 9/11, we knew we could contribute funds to help. Tens of millions did just that. We also exert citizen power by giving our money to change the world around us, whether the cause be famine in Africa, ethnic cleansing in the former Yugoslavia, or Venician canals in need of repair. American giving reshapes the pace and quality of change around the globe.

Government moves too ponderously to generate ideas. For proof that private sector philanthropy serves this purpose most efficiently, we merely have to compare our vigorous—if occasionally unpredictable—economy to those with which we compete. Many are centralized and encumbered by numbing apparatus. Americans, on the other hand, hatch schemes, projects, notions—some nutty, some ingenious—then demand (and exploit) the freedom to pursue and develop those ideas, any number of which have sustained, and continue to sustain, the dynamism, opportunity, and security of our nation.

Philanthropy cannot meet all the needs of a nation like ours, where the citizens are social as well as commercial entrepreneurs. We accept—albeit grudgingly—the responsibility to pay taxes, but our basic values do not encourage us to see the public weal as an adequate substitute for our own private engagement. Taxes afford us only one way—among others— to meet our goals and obligations.

We need to make the tax system and the philanthropic might of our citizenry perform even better in order to build the next generation of solutions that will fulfill our personal creed of freedom to act and improve our own lives as well as those of our neighbors. ★

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