

Philanthropy & Funding

Where Strategic Philanthropy Went Wrong

Dramatic advances in the scale and sophistication of strategic philanthropy have not improved societal conditions at a national level. We propose empowerment philanthropy as a new approach to fostering political and economic self-determination by supporting people in finding their own solutions and ensuring an effective multiracial democracy.

By **Mark Kramer** & **Steve Phillips** | Summer 2024



(Illustration by Matt Chase)

The US model of charitable giving has created and sustained some of the world's finest academic, cultural, and medical institutions. When it comes to solving our society's most urgent challenges, however, strategic philanthropy—philanthropic initiatives intended to create lasting solutions to societal problems—has been astonishingly ineffective. Over the past four decades, US philanthropic giving has expanded exponentially, while most social or environmental problems have persisted or worsened. This failure of strategic philanthropy, we believe, is rooted in a set of assumptions that originated more than a century ago and still shape our nonprofit sector today: that the beneficiaries of philanthropic support are incapable of solving their own problems, that wealthy donors have the wisdom and incentive to solve society's many challenges, and that the social sector is an

effective alternative to government in building an equitable and sustainable society.

Mounting evidence suggests that these assumptions are wrong. Individuals, even those living in poverty, are able to improve their lives with modest amounts of unrestricted cash payments and support from their peers.¹ Wealthy donors often lack the lived experience to understand the problems they

attempt to solve and may sidestep deeper solutions that undermine their own wealth and privilege.² Only government has the capacity to address social and environmental problems on a national scale.

Philanthropy simply cannot compensate for the ongoing failure of our government to meet the needs of its entire population. However, recent success engaging voters in Georgia, Arizona, and other states demonstrates that philanthropy *can* mobilize voters and empower the population to elect a more representative government that passes policies to benefit everyone. Philanthropy can also foster self-determination through universal basic income (UBI) payments, economic facilitation, and peer-driven change that encourages individual success while neutralizing destructive and racist social narratives that impede progress. Such an approach, which we call empowerment philanthropy, would require a profound shift away from the current model of strategic philanthropy, which assumes funders will discover, evaluate, and scale innovative solutions implemented by nonprofit organizations. Instead of making choices for other people, philanthropists must learn to empower individuals economically and politically to make choices for themselves and then celebrate their successes to inspire others, thus opening a far more pivotal role in fast-tracking widespread, lasting social and environmental progress.

This is not an easy conclusion for us to reach as longtime proponents and practitioners of strategic philanthropy. For more than 25 years, Mark researched, published, and consulted on ways to make philanthropy more effective, while Steve and his late wife, Susan, have been major philanthropic donors.

For Mark, serving as a trustee of three small family foundations established by his grandparents and parents, as well as serving on several nonprofit boards and planning funder conferences as a two-term chair of the **Jewish Funders Network**, led him on a search to understand why philanthropy could do so much good and yet didn't seem to be solving our society's problems. In the 1990s, he began working to improve the practice of philanthropy, confident that **funding effective nonprofit programs** was the key to social progress. Mark's thinking, along with that of his former colleagues at the global nonprofit-consulting firm FSG, continued to evolve, moving beyond individual programs to develop well-researched funder strategies for systems change that could lead to better outcomes—and indeed **they do**. Unfortunately, even with those improved outcomes, strategic philanthropy didn't bring about the scale of change needed to create an equitable and sustainable society.

Mark long ago concluded that philanthropists' most effective role might not be to devise solutions to societal problems but rather to underwrite an open-ended process for change. This thinking first

emerged 20 years ago in “**Leading Boldly**,” a 2004 *Stanford Social Innovation Review (SSIR)* article coauthored with Ron Heifetz and John Kania about **adaptive leadership**, which argued that the funder’s role is to create and sustain the conditions through which stakeholders can generate their own solutions. And in 2011, “**Collective Impact**,” coauthored with Kania, demonstrated how lasting change depends less on individual programs and more on continuous collaboration across sectors. **Subsequent publications** also observed how deeply embedded systemic racism and other forms of discrimination maintain the status quo and how false social narratives—widely accepted racist and sexist explanations that purport to justify that status quo—can mislead philanthropists.³

More recently, however, Mark had to acknowledge that philanthropy’s efforts on many issues seemed to be overwhelmed by the scale and immediate effects of government laws, policies, and court decisions. The Affordable Care Act and COVID-19 relief, for example, showed how government can rapidly alleviate sickness and poverty for millions of people. At the opposite end of the ideological spectrum, conservative politicians and judges, together with corporate lobbyists, have been astonishingly successful at undoing decades of social progress on issues such as racial equity, reproductive rights, LGBTQ+ rights, poverty, child labor, gun safety, voter protections, and environmental regulation. These setbacks persuaded Mark that philanthropy could never create a more equitable and sustainable society without facing hard facts about its inherent limitations and dramatically increasing its engagement with the political process. After reading Steve’s latest book, *How We Win the Civil War*, which described the need and opportunity to create a true multiracial democracy, he reached out to Steve to better understand how philanthropy could influence politics.

Steve is most known as a regular columnist for *The Nation* and *The Guardian*, and as the *New York Times* bestselling author of *Brown Is the New White*, which argued that, instead of focusing nearly all voter outreach efforts on white swing-state voters, the rapid growth of the voting population of color has created a new majority: voters of color and progressive white voters together make up 51 percent of all eligible voters. Steve is also the founder of Democracy in Color, an organization focused on political strategy and analysis at the intersection of race and politics.

As someone whose formative years were shaped by the civil rights movement, Steve has always been drawn to civil rights and politics. He grew up attending a Black church, where his grandfather was a minister. In the 1960s, Steve’s parents tried to move into a predominantly white neighborhood in Cleveland Heights, Ohio. When the owner of a house they wanted refused to sell to them, Steve’s parents worked with a white civil rights activist to purchase it and then deed it over to them. And in 1984, as a student activist and head of the Black Student Union at Stanford University, Steve was

inspired to join Jesse Jackson's presidential campaign and its Rainbow Coalition platform, which first showed him the power of messaging, organizing, and voter mobilization.

Philanthropy could never create a more equitable and sustainable society without facing hard facts about its inherent limitations and dramatically increasing its engagement with the political process. We need a radically different approach to philanthropy to reverse the ongoing destruction of our democracy.

For the past two decades, Steve and his late wife, Susan Sandler, have been major philanthropists in the areas of electoral politics and racial justice. In 2005, they were part of the inaugural efforts by many of the country's largest progressive donors to coordinate their giving through the creation of the Democracy Alliance. Steve was also involved in the financing and creation of several progressive institutions, including ProPublica and the Center for American Progress, the nation's largest progressive think tank. In 2006, he also created the California Donor Table, a circle of donors who work together to invest in communities of color. A few years before Susan passed away after a battle with cancer in 2022, she and Steve invested more than \$20 million in racial justice groups as part of the Susan Sandler Fund's ongoing **\$200 million** commitment.

Steve and Susan's investment in progressive civic groups has demonstrated how philanthropy's involvement in government and electoral politics can create a more equitable and just society. Their support for Living United for Change in Arizona in 2016 helped to pass a ballot measure that raised the minimum wage to \$12 per hour. Their funding of the New Virginia Majority helped mobilize voters to elect a Democratic majority that, in 2019, expanded Medicaid eligibility to more than 400,000 low-income Virginians and, in 2021, increased minimum wages for 800,000 people.

All of his work and experience have led Steve to recognize that a radically different approach to philanthropy is needed in this moment when our nation must overcome—to quote Pulitzer Prize-winning journalist and author Isabel Wilkerson—“the toxic pathogens that have been unleashed into the world” and reverse the ongoing destruction of not just societal norms but our democracy itself.

Carnegie's False Premise

The urtext of modern-day strategic philanthropy, Andrew Carnegie's *Gospel of Wealth*, published in 1889, reveals the paternalism embedded in current approaches to strategic philanthropy. Carnegie wrote that "wealth passing through the hands of the few can be made a much more potent force for the elevation of our race than if distributed in small sums to the people themselves," where it "would have been wasted in the indulgence of appetite." He concluded that "the man of wealth [must become] the ... agent for his poorer brethren, bringing to their service his superior wisdom, experience and ability to administer, doing for them better than they would or could do for themselves."

In short, according to Carnegie, the "poorer brethren" cannot be expected to know what they need to improve their lot or be trusted to use unrestricted funds responsibly. Neither can the solutions be left to government bureaucrats. Instead, those with power and wealth are best positioned to devise solutions.

Carnegie's perspective is further reinforced by the myth of the American dream, wherein all people can achieve financial success by pulling themselves up by their own bootstraps and poverty is a matter of personal responsibility, so the poor have only themselves to blame. The notion is so pervasive that many people living in poverty even internalize it, undermining their sense of agency and belief in themselves.⁴

Racism saturates this narrative of personal responsibility. In the United States, those living in poverty are disproportionately people of color, despite the fact that the US economy has always depended on their labor to create white prosperity.⁵ As Steve writes in *Brown Is the New White*, "since the beginning of US history people of color were placed in poverty as a group and kept in poverty by government-sanctioned and government-promoted policies ... [while] whites were lifted up, privileged, and protected as a group." Pulling yourself up by your bootstraps is impossible when systemic racism has cemented your boots to the floor.

Most philanthropists in this country still model themselves after Carnegie, whether they know it or not. His view shaped the entire structure of our trillion-dollar nonprofit sector, in which resources go to programs, rather than people, and it is up to well-meaning (and mostly white), wealthy donors to decide which programs to fund. Subsequent publications on strategic philanthropy reinforce his idea that funders can best design interventions to change societal conditions.⁶ But was Carnegie right?

Many philanthropists have implicitly accepted the idea that their financial success in business reflects superior wisdom that is transferable to leading social change. But where is the evidence that skills in

business and social progress are interchangeable? Expertise does not often transfer across different domains: Einstein was **no good** at painting, and Picasso couldn't do math. Carnegie would never have turned for business advice to his contemporary Mahatma Gandhi, a legendary leader of social change, so why do we assume Carnegie understood how to create a better society—or that today's billionaires do? There is a profound difference between the command-and-control approach that drives commercial success and the combination of skills, empathy, and lived experience needed to inspire, engage, and empower others to mobilize effective and enduring social change.

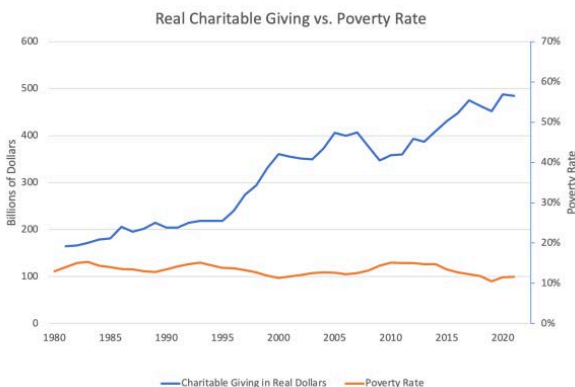
Carnegie's solutions did not include changing his business practices, thus protecting his own wealth and privilege. Indeed, one can always help this or that charity improve conditions for the people it serves without confronting the broader conditions that created the underlying social problems. One can donate to a food bank without addressing the relationship between low wages and corporate profitability or between safety-net programs and tax revenues. In short, when social progress is led by the wealthy, philanthropy can all too easily act as a placebo, offering well-intentioned help at the margins while diverting attention from more fundamental reforms that might be less palatable to donors. This is the insidious and unintended consequence of relying on the wisdom of the wealthy for social progress. As journalist Anand Giridharadas pointed out in *Winners Take All*, the wealthy can “do their part” without doing the structural work required to create sustainable change.

Carnegie was also mistaken in assuming that his “poorer brethren” cannot be trusted to use cash wisely, as demonstrated by a growing body of research about unrestricted cash transfers (UCTs) and UBI.⁷ Since 2008, **GiveDirectly** has distributed \$580 million in UCTs to 1.4 million people around the world and rigorously tracks the results. The recipients almost unanimously **use the gifts wisely** to improve their lives. Spending on “the indulgence of appetite” was nearly zero. Instead, randomized control trials of UCTs have shown improvements in savings, nutrition, education, and mental health, as well as reductions in stress levels, child marriages, teenage pregnancy, and domestic violence.⁸ And studies such as a randomized controlled trial of UBI in Stockton, California, have also shown that cash transfers enable “greater agency to explore new opportunities related to employment and caregiving.”⁹

In short, Carnegie's belief that the wealthy are wise *because* of their wealth and those in poverty are ignorant *because* of their poverty laid the foundation for a persistently paternalistic approach to philanthropy that endures to this day. No wonder philanthropy's track record is as underwhelming as it is.

Philanthropy Is No Alternative to Government

US charitable giving has grown **ninefold**, from \$55 billion in 1980 to \$485 billion in 2022—a 300 percent increase after inflation adjustments. Specialized social impact consulting firms, such as FSG, Bridgespan, and Arabella; academic research centers; and publications such as *SSIR* have produced ever more sophisticated thinking about philanthropy. Yet there has been no discernible progress on our nation's urgent challenges, including poverty, chronic disease, educational disparities, housing shortages, racial inequity, and climate change. According to Giving USA, nearly **two-thirds** of annual US charitable giving goes to support religious institutions, universities, art and cultural institutions, medical research, or international causes that, at best, address these challenges only indirectly. But for the roughly \$150 billion in annual giving that does directly target such issues, there has been little to show.



Changes in Charitable Giving and the Poverty Rate, 1980-2022 | Charitable giving in inflation-adjusted dollars grew dramatically, while the poverty rate remained largely unchanged. (Sources: US Census and Giving USA)

While charitable giving skyrocketed between 1980 and 2022, the poverty level was virtually unchanged. During this time, homelessness grew nearly **600 percent** and the racial wealth gap steadily increased by an average of **0.1 percent** per year. **Mortality rates** in 2022 were 3 percent higher than in 1980, and maternal mortality rates doubled over those years, with a mortality rate **three times higher** for Black women than white women.¹⁰ Carbon emissions are well below their 2007 peak but were still about 5 percent higher in 2022 than in 1980. **Educational attainment** has gradually and steadily improved at roughly the same rate over the years, independent of growth in charitable support, until the COVID-19 pandemic resulted

in learning **setbacks** for all children. Over the past four decades, the percentage of college graduates doubled from 17 percent to 35 percent, yet the poverty rate has remained unchanged, exacerbated for **44 million** people by \$1.8 trillion in student debt. Even religion, still the largest single charitable recipient, has seen a continuous decline in affiliation that hundreds of billions of dollars in contributions have never reversed.

One could argue that social and environmental conditions would have worsened even more without philanthropic interventions. Philanthropy has funded numerous **impactful programs** that have aided many millions of people. Yet abundant evidence proves that philanthropy cannot solve societal problems on a national scale. Indeed, the United States leads the world by a wide margin in philanthropic giving per capita, but it ranks near the bottom of Organisation for Economic Co-operation and Development (OECD) countries on many measures of social well-being and at the top among many social ills. From

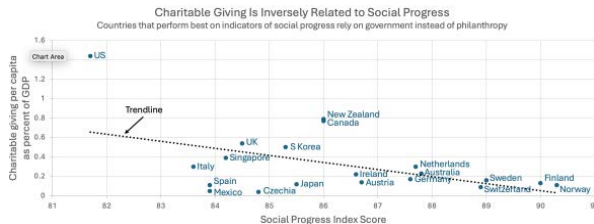
1990 to 2022, while real charitable giving doubled, the United States’ **ranking** on social progress compared to other countries **dropped** from 8th to 31st. This mismatch between charity and well-being is not limited to the United States. Countries with the highest per capita charitable giving—the United States, Canada, and the United Kingdom—tend to perform poorly on **measures of social progress**. The countries that perform best—Scandinavian countries, Germany, and Japan—give to charity as little as 2 percent of what the United States gives per capita, relying on government rather than philanthropy to meet their society’s needs.

The US Ranks Near the Bottom on Good Outcomes	Ranking	Between . . .
Adequacy of Minimum Income Benefits	39	Romania and Hungary
Life Expectancy	35	Poland and Estonia
Trust in Government	35	Czechia and Lithuania
Voter Turnout	31	Greece and Colombia
Public Spending on Education	21	Korea and Estonia
Economic Mobility	16	Argentina and Switzerland

And Near the Top on Bad Outcomes	Ranking	Between . . .
Childcare Cost as Barrier to Work	1	30% higher than #2 Switzerland
Poverty Rate	2	Costa Rica and Israel
Working Hours Needed to Exit Poverty	2	Slovenia and Slovak Republic
Income Inequality	5	Turkey and Bulgaria
Obesity	5	Romania and Hungary
Suicides	6	Estonia and Hungary
Carbon emissions	8	Australia and Canada
Infant mortality	13	Romania and Bulgaria

United States’ Rank Among OECD Countries on Social Issues | Data collected from the OECD, the Pew Research Center, and the Stanford Center on Poverty and Inequality show that the United States ranks toward the bottom among OECD countries on positive social outcomes and ranks near the top on negative outcomes—adjacent to countries we rarely think of as our peers.

expanded credit in 2023, childhood poverty rates **immediately increased** to pre-COVID rates, according to data from Columbia University’s Center on Poverty and Social Policy.) No philanthropic program has achieved a comparable impact in such a short time.



(Click to enlarge) Notes: The chart omits countries on the social progress index (SPI) for which charitable giving data

The United States has also demonstrated that the government can alleviate poverty in ways that philanthropy cannot. During President Johnson’s War on Poverty in the 1960s, “Congress passed legislation that transformed American schools, launched Medicare and Medicaid, and expanded housing subsidies, urban development programs, employment and training programs, food stamps, and Social Security and welfare benefits,” Martha Bailey and Nicolas Duquette explain in an article in the *Journal of Economic History*. “These programs more than tripled real federal expenditures on health, education, and welfare, which grew to over 15 percent of the federal budget by 1970,” and they cut the poverty rate in half from 24 percent to 12 percent. More recently, the emergency COVID-19 relief payments temporarily **lifted** more than **12 million** people out of poverty and **halved** childhood poverty by expanding the Child Tax Credit. (When Congress rescinded the

The government’s ability to expedite or derail social progress is also evident in comparisons between the cost effectiveness of philanthropy and lobbying. Annual philanthropic contributions vastly exceed political contributions and corporate lobbying: During the 2020 election cycle, philanthropy exceeded political

was not available. Charitable giving data is from 2016 and SPI data is from 2023, but the trendline is similar using 2016 SPI data. (Sources: Social Progress Imperative and Charities Aid Foundation)

contributions by a ratio of roughly 40:1.¹¹ In 2022, for example, the US fossil fuel industry spent \$180 million on federal lobbying and political contributions to preserve federal subsidies and obstruct climate-change regulations. In the same year, charitable contributions to nonprofits to combat climate change totaled \$7.5 billion.

But whose dollars had more impact?

In fact, Congress was well aware of the power of political expenditures when, nearly 60 years ago, it quashed the philanthropic sector's ability to leverage this option. Following foundation support for civil rights in the 1960s, conservative members of Congress passed the Tax Reform Act of 1969, which restricted foundations from engaging in lobbying and partisan political activity. The Ford Foundation's support of voter engagement among populations of color—which helped elect the country's first Black mayor, Carl Stokes of Cleveland, Ohio—was specifically cited in Congress as one of the dangers of foundations' meddling in politics.

The model of philanthropy we have relied on has not delivered—and cannot deliver—the societal improvements on a national scale that we so urgently need. The more we highlight philanthropy as the solution, the more we excuse government and corporations from the need to change.

Today, individuals are able to hire lobbyists with taxable dollars, but only corporations can lobby—often *against* the public interest—and deduct those expenses from their taxable income. The restrictions on foundation lobbying have had a profoundly chilling effect on the nonprofit sector's willingness to engage in political activity or even to protect the most basic functioning of our democracy.

Without changing government policy, even the most well-funded and effective charities cannot come anywhere close to meeting needs on a national scale.¹² At its peak in 2013, for example, Teach for America provided teachers for roughly 400,000 students annually, but those students represented only 2 percent of the 20 million low-income students entitled to free school lunches. Or consider Nurse Family Partnership (NFP), a well-funded and rapidly growing example of venture philanthropy that

provides home nursing support for low-income, first-time mothers. Backed by millions of grant dollars with strong management and consulting support over its nearly 30-year history, NFP now serves **55,000 mothers annually across 40 states**—an extraordinary achievement, but one that helps less than 4 percent of the 1.5 million babies born to low-income families in the United States each year.

The challenge of achieving social progress through the nonprofit sector goes beyond scale to the even more fundamental question of whether philanthropic initiatives can solve the underlying problems, rather than just alleviate the symptoms. Poverty, for instance, is the direct result of government policy and corporate behavior shaped by a history of structural racism that no nonprofit program can redress. Fifty-four percent of those in poverty in this country are children, the elderly, or people with disabilities—most of whom are unable to work. The US federal government support for this unemployable population is roughly half of OECD country average.¹³ That gap alone is more than double the total US annual philanthropic contributions.¹⁴

Among the remaining 46 percent who are employable, a **majority** are trapped in low-wage jobs. Forty-four percent of all US workers ages 18 to 64 have a median annual income of less than \$18,000. Even hourly workers who are paid above the minimum wage often work **unpredictable** shift schedules that **prevent** them from working a 40-hour week or taking a second job. For more than a decade, low-wage jobs have been the **fastest-growing segment** of the US economy. As a result, the United States simply does not have enough living-wage jobs available to employ its entire workforce.¹⁵

In short, the US government has made intentional choices neither to provide an adequate livelihood for those deemed unemployable nor to require companies to pay living wages with humane and predictable work schedules to those who are employed.¹⁶ The impact of those choices cannot be offset by nonprofit programs.

Similar arguments could be made about climate change and government's subsidy of the fossil fuel industry, or about obesity and the **Farm Bill**, which subsidizes the corn syrup used to sweeten processed food products. The degree to which government choices and corporate behavior determine social and environmental conditions—and the nonprofit sector's inability to meaningfully alter those conditions—applies across most issues that strategic philanthropy aims to address.

In fact, the current model of philanthropy is not only misleading but dangerous. Philanthropists' central focus on using the nonprofit sector to address society's challenges deflects attention from the dire need for a functioning, representative, multiracial democracy, without which we can never achieve a more equitable and sustainable nation. The more we highlight philanthropy as the solution, the more we

excuse government and corporations from the need to change. The libertarian dream of minimalist government is imaginable only if the nonprofit sector can meet social needs in government's place—something the social sector cannot possibly do.

If we really want to create an equitable and sustainable society, we must leverage the power of a multiracial democracy. Strategic philanthropy has long professed to seek the “root causes” behind each societal challenge, but what if the primary root cause behind every social and environmental issue facing the United States is the failure of our political process to ensure the well-being of our entire population?

An Unrepresentative Government

Today, a remarkable deviation exists between government action and the outcomes most Americans want. **Two-thirds** of Americans think climate change poses a major threat to the country and want the government to take stronger action. **Eighty-five percent** of Americans favor the right to abortion; **80 percent** believe that LGBTQ+ rights should be protected by law; and a majority believe in **gender equality** and **racial equity**, **prefer stricter gun control**, and **oppose banning books** in school libraries. Yet hundreds of legislative acts and court opinions at every level of government increasingly take opposite actions.

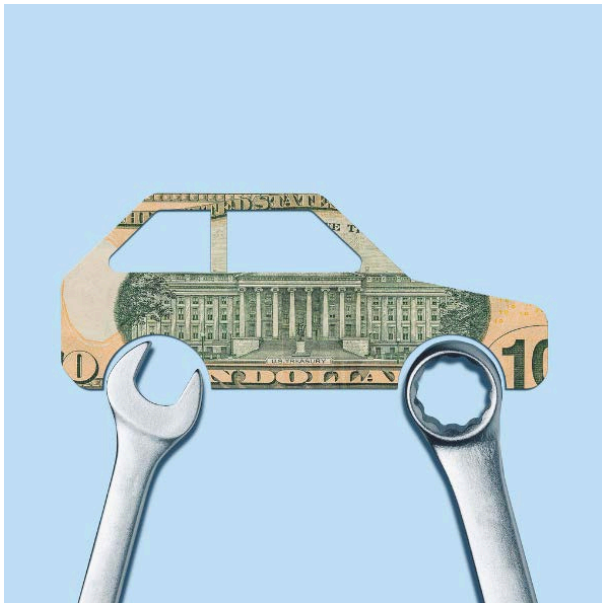
This deviation between public opinion and political action is possible only because of the racial, economic, and ageist biases in voter participation, a pattern greatly magnified by recent efforts to disenfranchise voters of color. This includes the Supreme Court evisceration of the Voting Rights Act in 2013, restrictive state voter ID laws, gerrymandered districts, closed polling stations, and limits on early voting. Recent voter restrictions have already **reduced turnout** by more than the margin of victory in many past elections. Hourly workers—disproportionately people of color—lose income if they take time off to vote during the workday and often face long lines at sparse polling stations in their communities, while higher-income, salaried workers and retirees tend to have access to more voting sites with shorter lines and incur no financial loss for taking the time to vote. As a result, the population that regularly votes is **distinctly older, whiter, and wealthier** than the population overall.

“In a country with a multi-century history of systemic racism and oppression,” Steve argues in *How We Win the Civil War*, “there is little interest in making participating in our democracy as easy as participating in our consumer economy.” The disproportionately affluent white voter base has encouraged politicians to make choices that reinforce structural racism and economic inequality for more than a century—even when it harms white people.

In *The Sum of Us*, author and policy advocate Heather McGhee cites the hundreds of Southern cities that, decades ago, chose to drain or cement over public swimming pools, depriving more white than Black children from swimming, rather than accept court-ordered racial integration. The pattern of discrimination is no different today. In 2020, a decade after the Affordable Care Act was passed, 10 states still refused free federal funding that would have benefitted many more white people than Black people. Just this year, 15 Republican governors **turned down** free federal funds to provide student meals over the summer—despite the fact that 42 percent of people in poverty are non-Hispanic whites and only 24 percent are Black.¹⁷ McGhee concludes that our nation's unyielding allegiance to systemic racism has sacrificed many opportunities that would have benefited everyone.

An Empowerment Approach to Social Progress

Let us turn Carnegie's model upside down and trust the wisdom of the poor. Because society's problems cannot be solved without any cost to those with wealth and power, we cannot rely on the wealthy and powerful to find the solutions. Philanthropists need not come up with the answers to other people's problems but should merely help empower people to improve their own lives as they choose. This does not mean that people can bootstrap their own success without any assistance; rather, the assistance they need is at odds with many of our current philanthropic and nonprofit practices.



(Illustration by Matt Chase)

Philanthropists who work toward a more equitable society must ensure a functioning democracy that is truly representative of our population, reject false and misleading social narratives that misdirect public opinion, and support the economic self-determination of those living in poverty.

Ensuring a true multiracial democracy. | If government alone has the power and scale to meet society's needs, then philanthropists must learn how to influence government action. They must confront “third rail” issues such as racial inequity, tax policy, voter suppression, corporate regulation, minimum wages, and working

conditions. We must acknowledge that empowering those in need cannot be accomplished without restricting the power of those in charge—even if the end result is a more **vibrant and equitable economy** that benefits everyone.

A true multiracial democracy requires that the political process accurately reflects the diversity of its people. Because US elections are routinely decided by a few thousand votes in swing states, philanthropy could have a decisive influence through **two activities** legally permitted for foundations and 501(c)3 organizations: voter engagement and issue-specific voter education. Today these activities receive minimal foundation funding: In 2022, out of \$105 billion in foundation grants, only \$408 million from 81 funders went toward voter engagement and education—less than half of 1 percent.¹⁸

The problem is not only the lack of funding but the ineffective use of the funds. White men comprise 31 percent of the American population and just 23 percent of Democratic voters, but they control nearly 90 percent of Democratic politics and progressive advocacy.¹⁹ As a result, campaigns routinely pay exorbitant amounts to white male consultants and then spend millions of dollars on TV ads targeting mostly white voters. These tactics help explain why past voter engagement efforts have had **minimal impact**.

However, a different and highly effective approach is possible, manifested most powerfully by Stacey Abrams and the civic engagement work she led at the New Georgia Project (NGP). The NGP coordinated a network of voter registration and mobilization groups, drawn from the communities they seek to engage, and worked consistently over a decade, rigorously studying voter turnout and using meticulously detailed spreadsheets to track voter attitudes and demographics in pivotal districts. Their work paid off, increasing the turnout by voters of color by almost 50 percent, from 625,000 in 2016 to 915,000 in the 2020 election.²⁰ The additional turnout was decisive in electing Democrats Raphael Warnock and Jon Ossoff to the US Senate, the first time in its history that Georgia elected either a Black or a Jewish senator. Their wins helped the Democrats to retain control of the US Senate and ultimately enabled passage of the Inflation Reduction Act of 2022, which generated \$500 billion to support a clean-energy transition, reduce health-care costs, and improve tax collection. Not bad for an organization with an annual **budget** of just \$13 million.

Similar progress engaging voters is underway in **Virginia, Arizona, North Carolina, and Texas**. In the words of Susan Sandler, “When our government ... [is] responsive to—and, frankly, fearful of—the people who most bear the brunt of inequality and injustice, then better priorities, practices, and policies follow.”

Refuting false social narratives that distort voters’ opinions is equally essential work. Changing voter attitudes and piercing these faulty mental models will not be easy in this time of extreme partisan opposition, “alternative facts,” and social media bubbles. But if all Americans were well informed and

voted in elections, extremist views would carry far less weight, and strategic philanthropy—if it chose to promote voter education and participation more aggressively—might see far more progress.

Imagine if even 5 percent of foundations' annual funding—\$5 billion—were dedicated to voter engagement on the NGP model. It would transform elections in the United States and enable the start of a policy agenda at all levels of government that would actually deliver, on a national scale, many of the outcomes funders try so hard to achieve through nonprofit programs.

Funders could go even further to influence government. The one exception to the prohibition on foundation lobbying, known as the **self-defense clause**, enables foundations to lobby Congress on matters that affect foundations. In short, foundations could lobby for the right to lobby in the public interest, which, as noted earlier, seems to offer the possibility of greater impact at much lower cost—although such a change would be possible only in a very different Congress.

Yet even without transforming national politics, philanthropy could do far more to support people living in poverty by taking an empowerment approach that encourages personal agency.

Fostering self-determination. | Government-funded UBI is one part of a solution to poverty in America that donors should support. As Martin Luther King Jr. wrote in his final book, *Where Do We Go from Here?*, “The dignity of the individual will flourish when the decisions concerning his life are in his own hands, when he has the assurance that his income is stable and certain, and when he knows that he has the means to seek self-improvement.” And COVID relief funding, which could have funded a national UBI 10 times over, showed that it is financially feasible given sufficient political will.²¹

Even without UBI, philanthropy can support economic empowerment by leveraging the universal aspiration for self-realization. The model of peer-driven change developed by MacArthur “Genius Grant” awardee Mauricio Miller offers one approach. In 2001, Miller created the Family Independence Initiative (renamed **UpTogether** in 2021) that launched a new approach to poverty reduction that did not depend on conventional government or philanthropic interventions. Miller organized monthly meetings of 25 low-income families in Oakland who were surviving day to day. The participants received virtually no funding from the program and no external guidance, and participated in no other nonprofit programs.²² Gradually, they began sharing their hopes and goals, reporting on their progress, and offering each other advice and encouragement. Each person's success inspired others, whether in pursuing education, beginning a healthier diet, or paying down debt. The requirement to track and report monthly on their savings, health, and progress toward personal goals focused their attention and reinforced their resolve. As their sense of community grew, they began to help each other, whether in childcare, home repairs, or finding new job opportunities. According to Miller, the process imitates the

way more affluent families routinely leverage their networks for personal and professional advancement. After three years, household incomes had risen 40 percent. The project was repeated in San Francisco, Hawaii, and Boston with similar results. After two years, San Francisco participants' incomes rose 23 percent and savings increased 240 percent. One-quarter of the participants who had been on government assistance programs no longer needed them.²³

Miller has since launched the **Center for Peer Driven Change**, championing this approach in struggling communities around the world. Participants share knowledge, networks, and encouragement to help each other reach their goals. Seeing someone from their own community succeed, despite the same obstacles, provides a source of motivation that no outsider could match. People emulate and build on their peers' successes, which requires knowing about peers' successes and, importantly, how they achieved them. In *The Power of Positive Deviance*, professors Richard Pascale, Jerry Sternin, and Monique Sternin observe that in every community that faces a problem, there are people who have already improvised solutions, but the rest of the community is generally unaware or skeptical of these atypical behaviors. By carefully studying the community, one can identify these positive deviants and encourage them to share their approach with others in the community.

We must redirect our efforts toward the urgent necessity of making our democracy more fully representative of our population. We must support people in finding their own solutions, boosting their sense of agency, and supporting them in building their own communities.

A similar empowerment approach, called economic facilitation, developed by the author and economic-development advisor Ernesto Sirolli, has helped people start their own businesses and created thousands of jobs in many regions around the world.²⁴ The approach focuses on stimulating small local businesses within a community, instead of bringing in outside experts and funding to develop a large-scale economic-development plan. As an economic facilitator, Sirolli has a simple approach: Never initiate anything, and never encourage anyone. When someone approaches him with a business idea, he helps them think through what it would take to make it economically viable, including whom they

might need as partners. If the idea doesn't make sense or they lose interest, the facilitator merely waits for the next person with a different idea to come along.

Once a business succeeds, others in the community become inspired to try their own entrepreneurial ideas with the facilitator's help. Each business creates opportunities for other businesses as suppliers, distributors, or market extensions, while the jobs increase local purchasing power to support additional enterprises. Momentum builds over time, forming a strong local economy suited to the skills and resources of that particular community. The economic facilitator's—and we suggest, philanthropy's—job is not to create the solution but, as Sirolli writes, “merely to help remove the obstacles that stifle the client's growth.”²⁵ These obstacles include the lack of a basic livable income, mutual support, similarly situated role models, and a sense of agency.

The idea that people within communities can help each other achieve economic success is not new. During US Reconstruction in the 1860s and '70s, hundreds of Black communities, such as Black Wall Street in Tulsa, Oklahoma, thrived without any government or nonprofit assistance. Black people created their own economy, with Black-owned stores and banks, supported by Black lawyers and doctors. Today, those examples are a distant memory after the murderous white rage that destroyed Black Wall Street, the political tactics that continue to disempower and disenfranchise people of color, and the dependency-producing social programs that undermine self-determination.

The approaches described above each required philanthropic funding. But the funds underwrote an anthropological approach to identifying existing models of success intrinsic to specific communities, then sharing what they found with others in an ongoing supportive and encouraging process over several years. This is inherently local place-based work. Solutions spread as people come to trust, identify with, and learn from their peers. Progress is gradual but cumulative. Staffing and budgets are still needed, although the impact becomes self-scaling without the ever larger funding needed to grow conventional nonprofit programs.

These approaches to economic self-determination require a radical rethinking of conventional grantmaking—and the field of philanthropy will need to learn its way into providing funding in ways that foster self-determination and enhance beneficiaries' sense of agency. One innovative example is **Ownership Works**, a nonprofit founded in 2021 that works with private equity firms to grant stock ownership to hourly employees, extending the UCT model from supplementing income to building wealth.

All of the models cited above, along with UBI—and, for that matter, collective impact and adaptive leadership—lack any predetermined outcomes. This lack of outcomes is anathema to prevailing

grantmaking practices in which donors seek to fund solutions they hope will produce reliable and predictable results. The empowerment approach also goes beyond recent innovations, such as trust-based philanthropy, which trusts nonprofits to advance their mission without micromanagement or even participatory grantmaking, in which community members make grant decisions. There are no grand strategies or elaborate theories of change. Instead, we are recommending that funders support an open-ended process that enables people to define their own goals and discover their own solutions, uniquely situated to their needs and circumstances—solutions that may never occur to wealthy donors or outside experts.

Other shifts will be required as well. Today, our philanthropic system rewards need instead of success: The greater the need, the more compelling the case for philanthropic support. But this approach creates perverse incentives that discourage individual progress or any sense of agency and pride in achievement. Even when an intervention succeeds, credit goes to the nonprofit or the funder, not to those who converted the support into success. We need to invert this pattern and begin to reward individual and community-driven initiatives. Funders must search for glimmers of progress within communities by identifying people on the path to success, rather than those with the greatest needs. Funders must support those efforts and then showcase their achievements to others in their community. And we need to offer the same recognition, fellowships, and support that we currently provide to leaders of innovative and successful nonprofit programs to the community members themselves who have found ways to meaningfully improve their own lives. These individuals—not only social entrepreneurs or philanthropists—must become our social-sector heroes.

We are not suggesting that funders forgo supporting nonprofit programs and institutions. We do suggest, however, that funders spend less money chasing the latest social innovation, attempting to scale organizations to national impact, or embarking on grand visions to solve complex problems and instead redirect those funds toward peer-driven change and voter engagement. The empowerment approach actually requires far less funding than today's efforts to sustain and scale nonprofit programs. Shifting a modest percentage of current funding would make a huge difference. Besides, we have a long way to go before our government is responsive to its population's needs or authorizes UBI payments. In the meantime, millions of people depend on today's nonprofit services.

Redirecting Our Efforts

Over our respective philanthropic careers, we have come to see that there is no single right way to fund social progress. Many different approaches can each claim evidence of their effectiveness, and, given the vastly different goals and circumstances that span philanthropic giving, the fact that no single answer

exists should not be surprising. Even Carnegie, despite his bigoted views, contributed to social progress.²⁶

Each philanthropic approach, however, also has limitations. Ultimately, we must acknowledge the painful fact that the model of philanthropy we have been relying on so far has not delivered—and cannot deliver—the societal improvements on a national scale that we so urgently need. Instead, we must redirect our efforts toward the urgent necessity of making our democracy more fully representative of our population. And we must support people in finding their own solutions, boosting their sense of agency, and supporting them in building their own communities.

We are in a battle for the future of our country against those who use government to protect their own power and privilege at everyone else's expense. Their tools are control, suppression, and false narratives. Ours must be empowerment, engagement, and a deeper understanding of how systemic barriers like racism shape our country. Empowering individuals economically and within the political process is the most effective way for funders to contribute to a more just and sustainable future for our nation.

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Notes

1 These ideas have been well articulated by others. See Mauricio L. Miller, *The Alternative: Most of What You Believe About Poverty Is Wrong*, self-published, 2023; Richard Pascale, Jerry Sternin, and Monique Sternin, *The Power of Positive Deviance: How Unlikely Innovators Solve the World's Toughest Problems*, Cambridge, Mass.: Harvard Business Review Press, 2010; Ernesto Sirotli, *Ripples from the Zambezi: Passion, Entrepreneurship, and the Rebirth of Local Economies*, British Columbia, Canada: New Society Publishers, 1999.

2 Anand Giridharadas, *Winners Take All: The Elite Charade of Changing the World*, New York: Alfred A. Knopf, 2018. See also Mark R. Kramer, "**Are the Elite Hijacking Social Change?**," *Stanford Social Innovation Review*, Fall 2018.

3 See John Kania et al., "**Centering Equity in Collective Impact**," *Stanford Social Innovation Review*, Winter 2022; the *Stanford Social Innovation Review* Fall 2014 supplement, "**Collective Insights on Collective Impact**"; the *Stanford Social Innovation Review* 2022 supplement, "**Collective Impact 10 Years Later**"; and John Kania, Mark Kramer, and Peter Senge, *The Water of Systems Change*, FSG, May 2018.

4 Joe J. Gladstone et al., "**Financial Shame Spirals: How Shame Intensifies Financial Hardship**," *Organizational Behavior and Human Decision Processes*, vol. 167, November 2021.

5 The poverty rate among Blacks is 19 percent, compared with 7 percent among non-Hispanic whites. Mark R. Rank, Lawrence M. Eppard, and Heather E. Bullock, *Poorly Understood: What America Gets Wrong About Poverty*, New York:

Oxford University Press, 2021.

6 See, for example, Paul Brest and Hal Harvey, *Money Well Spent: A Strategic Plan for Smart Philanthropy*, Stanford, Calif.: Stanford University Press, 2018; Peter Frumkin's *Strategic Giving: The Art and Science of Philanthropy*, Chicago: University of Chicago Press, 2006, and *The Essence of Strategic Giving: A Practical Guide for Donors and Fundraisers*, Chicago: University of Chicago Press, 2010; Helmut K. Anheier, Adele Simmons, and David Winder, eds., *Innovations in Strategic Philanthropy: Local and Global Perspectives*, Heidelberg, Germany: Springer, 2007; Joel Fleishman, *The Foundation: A Great American Secret; How Private Wealth Is Changing the World*, New York: Public Affairs, 2007; and Rajiv Shah, *Big Bets: How Large-Scale Change Really Happens*, New York: Simon Element, 2023.

7 UCTs can be one-time or episodic payments, while UBI refers to steady ongoing financial assistance.

8 Jade Sui, Olivier Sterck, and Cory Rodgers, "The Freedom to Choose: Theory and Quasi-Experimental Evidence on Cash Transfer Restrictions," *Journal of Development Economics*, vol. 161, March 2023. See also Jason DeParle, "Cash Aid to Poor Mothers Increases Brain Activity in Babies, Study Finds," *New York Times*, January 24, 2022.

9 Stacia West and Amy Castro, "Impact of Guaranteed Income on Health, Finances, and Agency: Findings from the Stockton Randomized Controlled Trial," *Journal of Urban Health*, vol. 100, April 10, 2023.

10 Recent research suggests that the increase may be due to a change in data collection methods, although that does not account for the racial disparity.

11 Data compared from [Giving USA](#) and [Open Secrets](#).

12 This point was made earlier by Steven H. Goldberg, *Billions of Drops in Millions of Buckets*, Hoboken, N.J.: John Wiley & Sons, 2009.

13 On average, OECD government payments reduce poverty by 63 percent, but in the US government programs reduce poverty by only 35 percent. Although our poverty rate before government payments is almost exactly the OECD average, the poverty rate after all government payments are included is double the average. See Rank, Eppard, and Bullock, *Poorly Understood*.

14 Only 2.2 percent of GDP is directed to poverty alleviation; another 2.2 percent goes to Medicaid. Doubling these expenditures to reach the OECD average would cost \$1.2 trillion. See Ibid.

15 Peter Georgescu, *Capitalists Arise!: End Economic Inequality, Grow the Middle Class, Heal the Nation*, Oakland, Calif.: Berrett-Koehler Publishers, 2017.

16 Los Angeles [passed a city ordinance](#) to make retail worker shift schedules more predictable and humane. Research suggests that such changes can increase employers' profitability by reducing turnover and increasing productivity. See Zeynep Ton, *The Good Jobs Strategy: How the Smartest Companies Invest in Employees to Lower Costs and Boosts Profits*, Seattle: Lake Union Publishing, 2014.

17 While a higher percentage of Black people are in poverty than white people, the larger white population means that the number of white people in poverty is much lower than the number of Black people. See Rank, Eppard, and Bullock, *Poorly Understood*.

18 See [Foundation Funding for US Democracy](#); see also Kelly Born, "[The Role of Philanthropy and Nonprofits in Increasing Voter Turnout](#)," *Stanford Social Innovation Review*, Winter 2016.

19 Steve Phillips, *Brown Is the New White*, New York: The New Press, 2016.

20 Steve Phillips, *How We Win the Civil War*, New York: The New Press, 2022.

21 COVID relief spending of [\\$5.9 trillion](#), enacted without raising taxes, was enough to pay each of the 38 million adults living below the poverty line \$1,300 monthly for a decade.

22 Initially, participants were paid \$200/month to report on their income, savings, health, and education, but the payments stopped after the first year, as it became clear that they were not an necessary part of the solution. David Bornstein, “Out of Poverty, Family-Style,” *New York Times*, July 14, 2011.

23 Ibid.

24 Sirolli, *Ripples from the Zambezi*.

25 Ibid.

26 See Maribel Morey, *White Philanthropy: Carnegie Corporation’s ‘An American Dream’ and the Making of a White World Order*, Chapel Hill, N.C.: University of North Carolina Press, 2021.

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