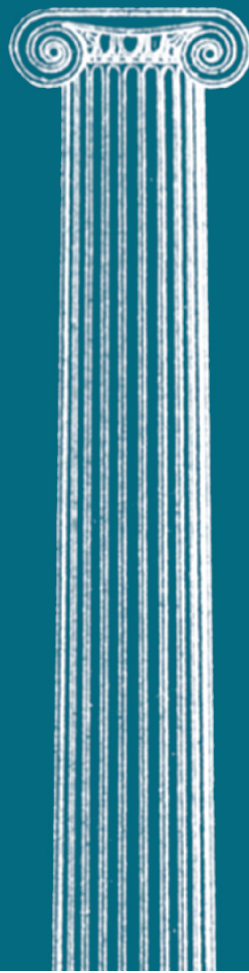


RHODRI DAVIES

HOW PHILANTHROPY
SHAPES BRITAIN

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Introduction

Philanthropy is slowly creeping back into the limelight in the UK, following many years hidden in the background. Levels of awareness and participation have risen significantly, and the number of donors willing to talk about their giving in public continues to grow. Articles in newspapers have even suggested that we may be on the cusp of a new 'golden age' of philanthropy in our country that could rival the famed charitable exploits of the Victorians.

Philanthropy has also, for better or worse, been dragged into the mainstream of political debate. The Conservative party's 'Big Society' agenda,¹ first unveiled in the 2010 election, made a valiant – if not entirely successful – attempt to place voluntary action at the heart of public policy. Meanwhile, increasing awareness of growing inequality between rich and poor in our society has brought questions of wealth and social responsibility to the fore. More worryingly, the attempt in the 2012 Budget to introduce a cap on tax relief on charitable donations, the ongoing criticism of campaigning and advocacy by charities which led to the introduction of the 'Lobbying Act', and controversy over charity fundraising practices have made it clear that despite the long history of philanthropy in the UK, we cannot assume there will always be a consensus that it is a positive thing.

Although philanthropy is growing in prominence, there is still a real lack of clarity about its overall role in our society. In a welfare state that uses our tax money to meet our basic social needs, alongside a commercial sector that enables us to buy pretty much anything else we want, does money

voluntarily given away to help others still have a meaningful role to play? And if so, what is that role? This is the point of this book: to take a step back and ask why philanthropy is important in the UK today and how we ensure that it is an effective force for good.

Philanthropy is not a particularly well-defined term and this book does not attempt to give a strict definition. Rather, it considers the characteristics that typify philanthropy in its modern form and where they have come from.

A key feature of philanthropy is that it has a sense of purpose. Philanthropy requires there to be a clear goal in mind – a problem to be solved or an idea to be shared – and so the focus is not on the act of giving itself but rather on what it achieves. So one of the key factors in the birth of what we might call modern philanthropy was the shift from religious almsgiving, where the focus was primarily on what it meant for the donor and their immortal soul, towards giving that was focused on addressing the problems of society. Although this is not the full story, this central distinction had far-reaching consequences and played a vital role in the eventual development of the charitable sector as we know it today.

At the same time as philanthropy was developing into its modern form, both the state and the commercial sector were also slowly evolving into something like we understand them today. Philanthropy was shaped by its relationship with both of these, and helped to mould them in turn. The evolution of the modern state, in particular, is inextricably linked to the evolution of philanthropy. Initially, the welfare needs of society were not seen as the responsibility of government, and were instead left to philanthropy to deal with in a piecemeal fashion. Then, at around the same time as modern philanthropy began to develop, the state took a major step towards accepting responsibility for welfare with the introduction of the first Poor Laws at the turn of the 17th century. The line between state action and voluntary action was blurred at this point, but the Poor Laws played a key role in clarifying the appropriate role for philanthropy in addressing the quintessential social problem: poverty.

Over time, as the nature and scale of society's problems gradually changed, spurred on by the agricultural revolution and then the industrial revolution, it became increasingly clear that the Poor Laws alone were not sufficient to meet the needs of society. Many, indeed, had begun to worry that they actually exacerbated poverty. This led to an increased focus on the role that philanthropy and voluntary action should play in addressing

such issues, which reached its pinnacle in the mid-Victorian era, when society effectively undertook a grand experiment to determine whether philanthropy could replace state provision in meeting many needs. Ultimately, this experiment proved a failure (if a noble one in many ways), and in almost all areas of welfare the state, often reluctantly, began to take a much larger share of responsibility. This led eventually to the development of the modern welfare state. Almost all elements of this welfare state, both in terms of the needs it addresses and how it addresses them, have their roots in earlier philanthropic endeavours.

As the welfare state grew and developed, many thought it would spell the end for philanthropy. But instead of disappearing, the role of philanthropy changed. Although it no longer had primary responsibility for meeting many welfare needs, philanthropy continued to play a crucial role in challenging state provision, either through innovations that demonstrated better ways of meeting need, or through campaigning to get the state to improve its own approach. The introduction of outsourcing and markets in public service delivery in the last 30 years has also opened up new opportunities for charities to deliver services on behalf of the state. This development has had a major impact on the nature of the relationship between philanthropy and the state.

But, of course, philanthropy has never just been about service provision. Philanthropy has always aimed to improve our society and our democracy, and while it achieves this partly through delivering services that directly meet needs, it also does it through campaigning and advocating for change. The ability to speak out, often on behalf of those who have been marginalised by society or the market, has always been a vital part of the role of philanthropy. It is at least as important as the provision of services, and remains critical even today.

Nor has philanthropy always been benign and motivated purely by altruism, or always a positive force. Many valid criticisms have been levelled over the years, and need to be addressed if the legitimacy of philanthropy is to be maintained. Some are directed at the practice of philanthropy – questioning whether it is an effective or efficient way to achieve social goals, or whether the element of individual choice at the heart of philanthropy makes it too fickle and subject to ideology. Others challenge the role of philanthropy within society; for instance, highlighting the potentially distorting effect that private philanthropy by wealthy individuals can have on public policy and the

democratic process, or questioning whether philanthropy, with its inherent reliance on there being rich and poor, will always be a net contributor to inequality rather than a solution to it.

These are difficult and challenging questions that cannot be ignored. Philanthropy exists within the wider fabric of society, so people have a right to question its role and the way it is practised, in the same way as they question the role of the state or the private sector. Furthermore, both donors and the organisations they support receive tax relief from the government. Hence we all have a right, as citizens, to ask whether this is a justifiable use of public money – much as we might query any other use of our taxes. This book explores the question of whether philanthropic tax breaks can be justified and discovers that – as with a surprising number of other aspects of the UK charity landscape – the whole system may have arisen as the result of a mistake, rather than careful planning.

Philanthropy in the future

It is clear that philanthropy can play a role in our society, and an important one at that. It can meet needs that lie outside the responsibility of the state, or it can deliver services that supplement state provision by bridging gaps or adding value to existing public services. It can also offer challenge: to public service provision, government policy and legislation, and even to our democratic system.

If we face up to the criticisms that have been levelled at philanthropy over the years and find ways to answer them, we can reach an understanding of the role of philanthropy that recognises both its unique strengths and its limitations. Having such a shared understanding among policymakers, charities and donors is vital if we are to make the most of the value that philanthropy can bring to society. Only if we agree on what role philanthropy should play and what we can reasonably expect of it will we be able to realise its true potential as a force for progress in our society. To that end, the conclusion of this book proposes eight ‘key principles’ of philanthropy suggested by analysis of the history of philanthropy in the UK over the last 400 years, and reflecting the key factors that have led to successful examples of philanthropy having an impact on society.

These principles are not policy prescriptions in themselves, but are intended to provide a starting point for anyone proposing public policy that affects or relies on philanthropy in some way. If these principles are followed,

the hope is that philanthropy can once again become a powerful tool for meeting the needs of society, but this time in a way that complements and strengthens both the state and the market. Finding a way to combine these forces, rather than having them act against one another, is vital if we are to overcome some of the most complex and deeply entrenched challenges facing our society.

Key principles of philanthropy

Philanthropy is about people and their choices

The freedom for individuals to choose where they direct their gifts lies at the heart of philanthropy and gives it much of its strength. But this also means that it is not good at providing consistency or equality at a systemic level. Rather than trying to overcome this by forcing philanthropy to be something it isn't, we should respect and cherish the importance of donor choice and tailor our expectations accordingly.

Philanthropic choices are about both head and heart

Not only is philanthropy about individual choice, but those choices are informed by a wide range of considerations, both rational and emotional. On the rational side there is a demand for evidence – of where need lies and how best to address it. On the emotional side is a complex mixture of factors – some are personal or cultural (which lie outside the remit of this book), and some are societal, such as prevailing attitudes towards wealth and need (as considered in Chapter 4). Philanthropy is therefore a product of both head and heart, and the balance between the two varies between donors.

Philanthropy is not the same as public spending and cannot replace it

Philanthropic giving is nowhere near the same order of magnitude as public spending, and the profile of giving does not match the profile of need at a societal level. The element of voluntary choice and the influence of emotional factors also make philanthropy ill-suited to meeting needs at a systemic level. Hence it is not a feasible or appropriate replacement for public spending.

Philanthropy is often ‘political’ (and that is a good thing)

A key distinguishing feature of philanthropy is that it has a purpose or goal. In most cases this can be framed as a problem that needs to be overcome or a change that needs to be made in society. By giving to a particular cause, a philanthropist is expressing a view about a way in which our society, our laws or government policies need to be different. This is an inherently political act. It is only if we incorrectly conflate ‘political’ and ‘party political’ that there is a problem. If we instead reclaim the proper understanding of what the sphere of politics includes, then it is clear that philanthropy is, and always has been, a valuable tool for people to express their beliefs within that sphere.

Philanthropy should be progressive

Philanthropy, properly understood, is about trying to improve society by tackling the root causes of problems, rather than just addressing their symptoms. Philanthropy should therefore be progressive, not regressive or conservative.² Philanthropy is not about maintaining the status quo or turning back the clock, but about moving society forward by overcoming failings in existing government, welfare provision or legislation.

Philanthropy should be prepared to take risks

Philanthropy is often aimed at intractable problems that have proved resistant to the efforts of government and the market to solve them. To succeed where these other actors have failed, philanthropy needs to try new and different approaches, and this means taking risks. The voluntary nature of philanthropy and its basis in the social motivations of individuals mean that philanthropy is able to take risks that would not be possible either for public sector organisations, which are accountable to taxpayers, or for private sector organisations, which are accountable to shareholders. This tolerance for risk is one of philanthropy’s greatest assets.

Philanthropy can enable a long-term view

Philanthropy is not beholden to the political cycle or to the short-term demands of the market. That means that it should be able to take a longer-term approach to dealing with social problems than either businesses or government. This is a great strength of philanthropy, as there are many issues that

clearly require long-term solutions and philanthropic organisations may be the only bodies capable of identifying and delivering them.

Tax relief on philanthropic donations is not a subsidy for services the state would otherwise have to provide

Offering tax relief for individuals on their charitable donations is a valuable tool for governments to support a philanthropic culture. It is not a given that donations should not be taxed, so the relief does count as a subsidy by government. But it should not be seen as a subsidy for the provision of particular services that the state would otherwise have to provide. The tax relief only makes sense when seen as a generalised subsidy reflecting a government view that a healthy civil society is important (including its role in advocacy and campaigning), and that supporting individuals to make voluntary donations is an effective way of ensuring this health.

A note on sources

The historical and philosophical underpinnings of philanthropy have attracted remarkably little attention in proportion to its importance in shaping the nation we live in today. A lot has been written about philanthropy (although far more of it in the US than in the UK), but the majority of this material has been concerned with practice rather than theory (or when it has been concerned with theory, it has been the theory of how to do philanthropy rather than the theory of what it is and what it is for). Where there has been academic research on the theory or history of philanthropy, it is often narrow in scope, or only touches on philanthropy as one aspect of a wider issue. And in practical terms, a lot of the most interesting research is in journals that are not easily accessible, or in books that are difficult to locate or even out of print, so the work does not reach a wide audience.

Researching this book involved spending a great deal of time hunting down interesting sources from a wide range of books, academic papers and newspaper and magazine articles to provide insights into some of the questions raised. Many of these sources would be barely known outside narrow academic circles, and few, if any, practitioners are likely to have come across them. This is a great shame, as they provide a huge amount of valuable insight. I hope that if this book achieves nothing else, it will draw attention to some of these under-appreciated gems.

Where quoted extracts are emboldened, the emphasis is mine.