

Monday, December 4, 2006

The Secrets of Good Giving

By SUZANNE MCGEE

WILLIAM H. GATES SR. CELEBRATED his 81st birthday Thursday by telling an audience of heavy-hitting philanthropists, nonprofit executives and private bankers that idolizing the super-wealthy as supremely talented or intelligent is nothing more than "unadulterated nonsense."

Coming from the father of the wealthiest citizen of them all, Microsoft founder and multibillionaire Bill Gates, that might sound more than a little disingenuous. But the elder Gates, who serves as co-chairman of the Bill & Melinda Gates Foundation, was making a point: Our home-grown billionaires "are rich...because they are Americans," he declared. American society, offering citizens everything from funding for technological development to the rule of law, "made their comfortable lives possible." The clear message: Wealthy Americans have not only the means but the obligation to help others, and in a big way.

Judging from the applause that rang through the rotunda of New York's Guggenheim Museum, his call to action fell on receptive ears. But the gathering, organized by Morgan Stanley and including donors with collective giving power of \$60 billion, also underscored the questions and challenges faced by big philanthropists today. For starters, should their foundations last forever or spend down all their assets within a defined period in order to have the biggest impact on urgent problems? Gates Sr., the keynote speaker, came down firmly in the latter camp, disclosing that the Gates Foundation will spend all of its assets within 50 years of the death of its last trustee.



Gary Spector

William H. Gates Sr., co-chairman of the Bill & Melinda Gates Foundation, speaking at New York's Guggenheim Museum.

One of the most controversial questions was raised during a panel discussion and continued to be debated among small groups during a gourmet lunch: What type of cause most merits support? What, the attendees wondered, is the appropriate weight to give to funding for the arts and other "quality of life" causes in a world where a sixth of the population is teetering on the brink of survival? One audience member argued his personal approach was about addressing human pain and suffering rather than spreading joy -- but the response from panelists was mixed. "It's not my belief that you start [your philanthropic giving] purely with the greatest amount of suffering," argued William Randolph Hearst III, president of the William Randolph Hearst Foundation.

William G. Bowen, former president of the Andrew W. Mellon Foundation and former president of Princeton University, pointed out that funding he oversaw for budding opera singers in Cape Town killed two birds with a single stone. It opened new career options for recipients and helped those who, under the apartheid regime, were discriminated against and could not have pursued this kind of opportunity.

DOW JONES REPRINTS



This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers, use the Order Reprints tool at the bottom of any article or visit: www.djreprints.com. • [See a sample reprint in PDF format](#) • [Order a reprint of this article now](#).

Columbia University's Jeffrey Sachs, author of the influential *The End of Poverty*, summed up his view bluntly: "All of you have the capacity to save thousands of lives, perhaps even millions of lives," he said, looking around his audience. Crop yields in Africa continue to languish at about a third of the level they could reach, he says, while two million children die each year for lack of \$5 anti-malaria bed nets. "We are leaving people to die for no reason."

Despite the disagreements, some general rules-of-the-road for effective giving emerged from the discussions:

Rule 1: Choose your causes carefully. "Something I did at Mellon was to kill off things we didn't have enough knowledge to do," Bowen said. Scattershot gifts aren't helpful, he argued. Nor, said Rita E. Hauser, a lawyer and president of the Hauser Foundation, are donors who aren't informed about or passionate about the causes they support.

Rule 2: Donors have power -- and should be prepared to use it. "They don't put you on the board of the local museum because they like your blue eyes," said Hauser, referring to expectations that board members make large gifts. But board members certainly can say how their gifts should be used, and organizations will likely be willing to accommodate those preferences.



From left: William G. Bowen, Rita E. Hauser, William Randolph Hearst III and Jeffrey Sachs.

Rule 3: Keep an open mind. Hearst said the foundation started by his grandfather keeps a small part of its annual giving budget for what he calls "strange" philanthropy: oddball ideas that are high-risk, but that may end up transforming the world. Keeping an open mind also means being flexible about the kind of accountability you demand from a nonprofit organization. "In the nonprofit world, there are 10 different kinds of bottom lines," Hearst said. "If I'm not willing to plan for failure, then I'm not doing it right."

Rule 4: Two can be stronger than one. "No problem can be solved by anyone solo," said Sachs. Philanthropists can band together, whether on a project-by-project basis or in a more comprehensive way, as Warren Buffett has done in structuring his relationship with the Gates Foundation. William Gates Sr. said he wouldn't rule out the foundation accepting other significant grants from philanthropists in the future, assuming that their interests tied in with the foundation's mission.

But, be careful who you invite to join you in your mission. Sachs cautioned that private donors can be more agile and creative than "lumbering" organizations like the World Bank. "I wouldn't give them the first call," he said.

Giving money away, as any serious philanthropist will tell you, is every bit as hard as making it. Maybe even harder.

E-mail comments to editors@barrons.com¹

URL for this article:

<http://online.barrons.com/article/SB116502353990438757.html>

Hyperlinks in this Article:

(1) <mailto:editors@barrons.com>

Copyright 2006 Dow Jones & Company, Inc. All Rights Reserved

This copy is for your personal, non-commercial use only. Distribution and use of this material are governed by our [Subscriber Agreement](#) and by copyright law. For non-personal use or to order multiple copies, please contact Dow Jones Reprints at 1-800-843-0008 or visit www.djreprints.com.