

# Pledge to Give Away Fortunes Stirs Debate

By STEPHANIE STROM November 10, 2010 NY TIMES

WITHOUT a doubt, the biggest event in philanthropy this year was the Giving Pledge, a commitment by 40 of the wealthiest Americans to give away at least half of their fortunes, about \$600 billion.

The goals of the pledge, which was organized by Bill and Melinda Gates and Warren E. Buffett, were to stimulate discussion about philanthropy among the ultrawealthy and unleash a wave of me-tooism among others that would bring about “the Second Great Wave of Philanthropy,” in the words of Sean Stannard-Stockton, a blogger and philanthropic consultant.

Now, about three months later, the pledge has not yet visibly inspired new major gifts or attracted additional signatures — Mr. Buffett said he expected more soon — but has surely created discussion and debate, about the wealthy, their giving and what it says about our society.

Indeed, the Giving Pledge and the attention it has attracted come at a time of economic weakness, high unemployment, raging political debates about whether to extend tax cuts or allow them to expire, the seemingly uncontrollable cost of health care — and the increasing income gap between the signatories and a vast majority of Americans.

“It can look like it’s totally a P.R. thing, like they are royalty,” said Ellen Remmer, chief executive of the Philanthropic Initiative, explaining why there has been a mixed reaction to the pledge. “You have to remember, the reason we’ve had this golden age of philanthropy is because we’ve had this incredible concentration of wealth, and the pledge is a reminder of that.”

Pledge founders and signers and their supporters marvel that anyone would find fault with it. “I hardly know what to say,” Mr. Buffett said by telephone. “Philanthropy is a tradition in America.” Americans give away about \$300 billion a year, he said, or the equivalent of 2 percent of gross domestic product. “It doesn’t seem to have done any harm in the country so far.”

Mr. Gates said the pledge and the discussions about it would improve the practice of philanthropy. “We will never be able to measure how much the group gets people to do more giving or do it in a better way,” he wrote via e-mail. “However, I think the impact is likely to be quite positive.”

In fact, Mr. Gates said, the pledge is a tool for addressing income disparity because it is a mechanism for the redistribution of wealth.

Mr. Stannard-Stockton said he was baffled by the criticism of the pledge. “Even if only one additional person took it up, at the levels of net worth we’re talking about, that could be 450 million more dollars that would be out there doing something good,” he said.

Pablo Eisenberg, a senior fellow at the Center for Public and Nonprofit Leadership at Georgetown University — and normally an acerbic critic of big-league philanthropy — also said the pledge was likely to inspire more giving. “What concerns me is that no one has said what the pledge is going to do, who it will serve and how it will be accountable,” Mr. Eisenberg said.

A big portion of the money pledged will probably flow into foundation endowments rather than being donated immediately to areas like education and social services. “Basically, it will increase the number of mega-foundations, and I worry that will hurt our democracy because of the influence these institutions will exert,” he said.

The pledge has already played into the emerging debate about the influence that wealth has in the country today and the fears that philanthropy is being used to bend public policy, whether it is the Koch brothers’ support of conservative causes, the financier George Soros’s donations to Democratic causes or the Gates Foundation’s grants to promote charter schools.

“There’s something in the American DNA that is suspicious of enormous concentrations of wealth, even when directed toward the public good,” said William A. Schambra, director of the Bradley Center for Philanthropy and Civic Renewal at the Hudson Institute. “True, we are proud of our charitable impulse in the broadest sense, but we think of that in terms of writing a check to the local Red Cross or Boys and Girls Club, not billionaires doling out millions and perhaps influencing the political agenda.”

Even Charles Munger, Mr. Buffett’s longtime business associate, has expressed discomfort with the pledge and its implications. “You get a bunch of very intelligent people sitting around trying to do good, I immediately get kind of suspicious and squirm in my seat,” he told an audience at the University of Michigan.

Perhaps the most prominent wealthy critic of the pledge is Peter Kramer, a German shipping magnate and philanthropist who supports a Unicef program that, among other things, builds schools in Africa.

Because the United States relies more heavily on philanthropy to support social services that in Europe are generally provided by the government, wealthy philanthropists have a greater impact on public policy, he said. “These guys have so much power through their wealth that they, instead of the government elected by the people, can decide what’s good and what should be promoted and subsidized,” Mr. Kramer said. “That can be dangerous.”

Mr. Gates has long countered such concerns by noting that the \$35 billion or so in assets of the Bill and Melinda Gates Foundation, perhaps the largest in the world, is small compared with various government budgets, as is “philanthropy as a whole, including religious giving.”

Mr. Schambra, however, said the Gates Foundation had successfully leveraged government money for policies it preferred.

One of its first education programs involved support for school districts that agreed to establish small high schools, usually by breaking up larger ones, in the belief that smaller schools would foster closer and more beneficial relationships between teachers and students and thus reduce dropout rates. Many districts around the country bought into that vision, attracted by the dollars the foundation would provide. Then, in late 2008, Mr. Gates walked away from the program, having concluded that many of the newly smaller schools “did not improve students’ achievement in any significant way.”

Discussion of and debate over the superwealthy and their philanthropy are not new. The industrial tycoons who spawned the first great wave of philanthropy, men like Andrew Carnegie, John D. Rockefeller and Andrew

W. Mellon, became known as much for their charitable giving as for their business success. Carnegie's book "The Gospel of Wealth," published in 1889, inspired others to philanthropy.

As with the multimillionaire philanthropists of today, their giving called attention to the income disparities of the day and the laws that permitted such power to accrue — and they drew criticism from many.

Bernard Marcus, the co-founder of Home Depot and a pledge signatory, said he saw no grounds for the current criticism. "All this money is going for charity to help people — what kind of numbskull would find something wrong with that?" he asked in a telephone interview. "Would they rather we bought yachts and built mansions?" Mr. Marcus and his wife, Billi, are making gifts to help Atlanta, their hometown, develop as a medical center that will rival Houston and New York. The Marcuses have donated heavily to bring biotechnology, particularly nanotechnology, to Atlanta, and their gifts have helped generate jobs and innovative research.

"I'm very politically active," he added, "but that has nothing to do with my charity."

Many signatories have already committed their wealth to specific projects. Over the last 15 years, for instance, Lorry I. Lokey, the founder of Business Wire, has committed more than \$500 million, a majority of his fortune, to educational institutions including the elementary school he attended, Alameda School in Portland, Ore., and the Technion-Israel Institute of Technology in Haifa.

He has even bequeathed his three homes — his only luxuries, he said — to his foundation. Giving like Mr. Lokey's or the Marcuses' is what most people think of when they think of philanthropy.

But such perceptions seem naïve after a bitter political campaign season that exposed the influence of major philanthropists dispensing donations to tax-exempt groups that engaged in aggressive campaigns for and against various candidates.

One of the pledge signers, Kenneth Langone, an investor who amassed a fortune backing Home Depot, attended a secretive meeting of billionaires in Aspen, Colo., in June, where participants committed to support political action that promoted conservative causes, like rolling back environmental and health care legislation, according to an invitation to another such gathering scheduled for January. It was sent by the billionaire Charles Koch, who together with his brother, David, convened the Aspen meeting.

The letter suggested that donations to college and universities could also be used to advance a conservative agenda, "fashioning the message and building the education channels" to help combat "climate change alarmism," "socialized health care" and other evils the Kochs see in current public policy.

Nothing in the Giving Pledge would prevent Mr. Langone from donating his money in such a way. Mr. Langone declined to be interviewed.

Mr. Buffett said he did not regard donations of the kind the Kochs advocate as philanthropy. Yet donations to college and universities are the epitome of philanthropic gifts.

Alfred E. Mann, the founder of the MannKind Corporation and a pledge signer, said he thought concerns about philanthropists having undue influence on policy were overblown. "I hope we do," Mr. Mann said,

adding, “Congress passes laws that often don’t make any sense and create disincentives for improving our country.” He cited the health care bill passed earlier this year as an example.

Mr. Mann said he had worried about whether the pledge would draw attention to income disparity, observing: “The differential between the wealthy and the poor is too great. I think the country has gotten too materialistic, and compensation in areas like entertainment and athletics and in corporations have been outrageous.”

Marc Benioff, the billionaire founder of SalesForce.com, was not asked to sign the pledge. He has made a \$100 million gift to the Children's Hospital at the University of California, San Francisco, the capstone of 20 years of gifts to support causes as wide-ranging as a monastery in Bhutan and Room to Read, a nonprofit devoted to literacy.

The pledge, he said, was a good idea “very poorly executed.” He added: “Philanthropy should be about impact. I noticed a lot of the pledges were to multigenerational trusts and not to immediate philanthropic work. That’s not going to help anyone.”

Despite those comments, Mr. Benioff disagreed with other criticism of the pledge. “What we should be talking about here is a generation of entrepreneurs who built businesses that created jobs, sparked economic growth and created solutions for complex problems,” he said. “Now they’re giving away their wealth — why are we being critical of that?”

This article has been revised to reflect the following correction: Correction: November 12, 2010

An article in the special Giving section on Thursday about the Giving Pledge, whose signers promise to give away at least half of their large fortunes, misidentified the university children’s hospital to which Marc Benioff, the billionaire founder of SalesForce.com, gave \$100 million. It is the University of California, San Francisco — not the University of Southern California.