

# Better Giving

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## Summary

When it comes to philanthropic giving, is it enough to simply increase the quantity, or should we also aim to improve the quality as well? And if so, what does it mean in practice to make philanthropy 'better'? This essay identifies critical issues and themes that shape debates about philanthropy - both current and historical - and examines what these can tell us about how giving might be 'improved'. Some of these issues reflect an interpretation of 'better' to mean 'more good' and raise deep moral and political questions that are unlikely to be answerable in any strict sense. Others, meanwhile, reflect an interpretation of 'better' as 'more effective' - which, while by no means entirely objective, may lend itself more to achieving consensus and identifying practical actions.

Key issues and themes about what makes for 'better' philanthropy can be broadly grouped into four areas:

1. **Is giving going to the 'right' things?** Does philanthropy represent a matching of supply to need - both in terms of cause areas and geography?
2. **Is giving done in the 'right' way?** Does the approach, choice of vehicle, or the timeframe of philanthropy enhance or undermine efforts to do good? Do they empower or disempower the people and communities we are trying to help? How open and transparent is philanthropy? Does it allow external scrutiny and the opportunity for others to learn from our experiences?
3. **Can the impact of the giving be measured?** Are measurement tools proportionate, and do they serve the needs of recipients as well as donors?
4. **What is the broader context for philanthropy?** How does it relate to the tax status of the donor or funder? How has wealth been accumulated, and does this raise ethical issues that might undermine the legitimacy of efforts to do good through giving it away?

The essay explores each of these and what they mean for philanthropists and funders who want to make their giving 'better' - the questions they should be asking themselves and the practical steps they can take.



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## Introduction: More Giving, or Better Giving...?

The Law Family Commission's new report *Mind the Giving Gap* attempts to quantify the current scale of philanthropy in the UK and considers what could be done to achieve more giving. This is an important area to focus on as there is scope for more philanthropic giving in this country - giving that could provide a vital source of support for the long-term health of civil society. Yet, levels of giving have remained stubbornly constant. Despite the best efforts of several campaigns and policy initiatives over the years, it is clear that there is no silver bullet; and that shifting our culture of giving will require long term effort across a broad range of areas.

But as we roll up our sleeves and get to grips with what needs to be done to boost giving levels, another question arises: Should we just aim to get more giving, or should we also aim to get better giving? Is there a risk that in our enthusiasm to get more private assets freed up for public good through philanthropy, we focus solely on quantity and neglect the fact that the *quality* of philanthropic support is also important?

This question feels particularly important right now. Recent years have seen philanthropy rise in prominence as an explosion of wealth driven by the technology industry has led to mega-donors like Bill Gates, Mark Zuckerberg and Mackenzie Scott becoming firmly fixed in the public consciousness. Whilst this phenomenon has centred mainly on the US, the globalised nature of modern wealth - together with the growth of philanthropy in other parts of the world such as China and India - has meant the profile of philanthropy has also risen everywhere, including the UK. This has brought new opportunities to grow levels of giving, but it has also brought new challenges. Greater awareness of philanthropy has led to greater scrutiny and ever-sharper questions about its role within a democracy. So, the idea that simply having more philanthropy is an inherently good thing is increasingly being questioned. Instead, we need to consider what philanthropy needs to look like if it is to be seen as a benefit to society.

### Lessons from history

The immediate and obvious challenge is that while it is possible to talk objectively about how much giving there is, any notion of categorising different approaches to philanthropy as 'better' or 'worse' often involves a value judgment of some kind, and this is subjective. But that has not tended to stop people from trying. There is a long and vibrant history of people attempting to 'improve' philanthropy in various ways, often making it more 'effective' or 'rational'. The 18th and early 19th centuries, for instance, saw efforts to impose upon charity the principles of political economy, the precursor to modern economics (exemplified in the work of writers such as Adam Smith, Thomas Malthus and David Ricardo).<sup>1</sup> In the 19th and early 20th century, the Charity Organisation Society and Scientific Philanthropy movements waged war on the perceived scourge of emotionally-driven "indiscriminate giving".<sup>2</sup> More recent focus has been on the idea of maximising and measuring impact, while the Effective Altruism

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<sup>1</sup> For a good overview of these debates see Jones, G.S., 2005. *An end to poverty?* Columbia University Press.

<sup>2</sup> See e.g. Roberts, Michael JD. "Head Versus Heart? Voluntary Associations and Charity Organization in England, c. 1700–1850." *Charity, Philanthropy and Reform*. Palgrave Macmillan, London, 1998. 66-86.



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movement has gone even further by espousing a utilitarian, cause-agnostic approach to giving that prioritises “doing the most good with every dollar”.<sup>3</sup>

These are all examples of efforts to improve philanthropy from within, reflecting ‘internal’ concerns about how it is practised and whether it is efficient. But there have also long been efforts to reshape and improve it from the outside - through laws, regulations or incentives which reflect wider concerns about philanthropy’s role in relation to the state, where it stands concerning calls for justice, and whether it exacerbates rather than reduces inequality.

Many of the questions this external perspective gives rise to reflect fundamental choices in our ethical or political standpoint, so it is not necessarily possible to ‘answer’ them in any straightforward sense. Nonetheless, we must acknowledge and engage with them: ‘better’ philanthropy requires an understanding of the key issues within philanthropy and how philanthropy fits within the context of wider debates in society.

This essay outlines five key issues and debates about how to ‘give better’. It concludes with reflections on what they might tell us about the need for new infrastructure or approaches.

### Issue 1: Are we giving to the ‘right things’?

Perhaps the most basic (and awkward) question we need to ask about philanthropy is whether it is focusing on the ‘right things’. Of course, this immediately requires one to specify what the ‘right things’ might be and is likely to prompt vehement arguments about the relative importance of different causes. Resolving this is difficult, if not impossible. Yet, these kinds of debates have shaped philanthropy throughout the ages and continue to do so today.

This reflects a fundamental truth about philanthropy: it can be understood in two different, and sometimes incompatible, ways. On the one hand, when viewed from a micro perspective, philanthropy is all about the choices of individuals to give their private resources for the public good. Those choices are free but influenced by a range of conscious and unconscious factors, from cultural expectations and religious beliefs to physical proximity and a desire for a “warm glow”.<sup>4</sup> On the other hand, when viewed from a macro perspective, philanthropy can be seen as a large-scale tool for redistributing resources within society - alongside the state and the market - as well as being a key pillar of support for the health of civil society.

As Reich, Cordelli and Bernholz put it in the introduction to their edited volume *Philanthropy in Democratic Societies: History, Institutions, Values*:

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<sup>3</sup> For an overview of the principles of Effective Altruism see MacAskill, W., 2015. *Doing good better: Effective altruism and a radical new way to make a difference*. Guardian Faber Publishing.

<sup>4</sup> “Warm glow” is the term that economists use to describe the reward that comes through altruistic behaviour. This was coined as a mechanism by James Andreoni as part of his model of “impure altruism”; designed to overcome the challenges that classical economics had traditionally faced in explaining behaviour in which people apparently give to support public goods in ways that are against their own best interests - essentially by recharacterizing such behaviour as self-interested because the donor is in search of a “warm glow”. See e.g. Andreoni, J., 1990. Impure altruism and donations to public goods: A theory of warm-glow giving. *The economic journal*, 100(401), pp.464-477.

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*“Philanthropy can refer both to actions and institutions. We can think of philanthropy both as a form of individual giving and as a complex economic and policy structure – as the institutionalised practice of privately funding the production of public benefits. If regarded from the first, agential perspective, philanthropy stands apart from other forms of giving, such as gift-giving to friends and family, and from spending for private consumption. If looked at from the second, structural perspective, it stands apart from alternative, institutionalised mechanisms of finance, such as taxation or market exchange.”<sup>5</sup>*

The problem is that these different perspectives bring with them different expectations, which are not necessarily compatible. Those who see philanthropy primarily from the micro, individual perspective are more likely to prioritise notions of personal choice and donor freedom. In contrast, those who view it mainly from the macro, systemic perspective are more likely to focus on ideas of overall equity and justice in how resources are distributed.

Although some people will take dogmatic views at one end or other of this micro/macro spectrum, in practice, most of us sit somewhere along it. We are often able at different times to emphasise the individual or systemic aspects of philanthropy and to deal with the cognitive dissonance this can cause. At times, this becomes harder for people, such as when extraordinary events highlight the mismatch between need and supply in philanthropy. Following the Notre Dame Cathedral fire in 2019, for instance, there was an enormous outpouring of giving in response from people of all levels of wealth around the world. This was initially seen as something to be celebrated, but many quickly began to question why this money had not been so readily forthcoming for other causes and why it was apparently easier to raise vast sums to repair a building (albeit an iconic one) than to address human suffering and poverty.<sup>6</sup>

Examples like this bring to our attention the question of whether money is going to the ‘right places’. The simple fact is that need is not the sole driver of philanthropic supply (and perhaps not even the main one), so ‘what people are most likely to give to’ and ‘where the most pressing needs are’ very rarely match. This is certainly true in terms of causes. If you look at the profile of most popular causes in the UK and the profile of government spending (assuming for a moment that this is a reasonable proxy for societal needs), there is little correlation.<sup>7</sup> Things are even more pronounced when we focus just on the giving of the very wealthy, as their preferences tend to diverge even further from the priorities one would expect for state spending.

The mismatch between philanthropic supply and demand is also true in terms of geography, as there is little correlation between where the most philanthropic capital is directed in the UK and where poverty is most pressing.<sup>8</sup> Many have noted that some of

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<sup>5</sup> Reich, R., Cordelli, C. and Bernholz, L. eds., 2016. *Philanthropy in democratic societies: History, institutions, values*. University of Chicago Press.

<sup>6</sup> E.g. Chakraborty, A. (2019) The lesson from the ruins of Notre Dame: don't rely on billionaires, *Guardian* 18th July.

<sup>7</sup> The three largest areas of UK government expenditure in 2019/20 were Health & Social Care, Education and Defence (<https://www.gov.uk/government/statistics/public-spending-statistics-release-february-2021/public-spending-statistics-february-2021#total-expenditure-billions>); according to CAF's UK Giving 2020 report, the three most popular cause areas for individual charitable giving, meanwhile, were Animal Welfare, Children & Young People and Medical Research (<https://www.cafonline.org/docs/default-source/about-us-publications/caf-uk-giving-2020-covid-19.pdf>).

<sup>8</sup> See e.g. Breeze, B. and Mohan, J., 2016. *The logic of charity: Great expectations in hard times*. Springer.



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the poorest areas are also “charity deserts”, with the little charitable provision and correspondingly little philanthropy giving being directed towards them.<sup>9</sup>

What conclusion should we draw from this? In the parlance of modern tech, is the voluntary (and therefore unpredictable and irrational) nature of philanthropy a feature or a bug? Is it merely a fact that we must accept and tailor our expectations for philanthropy accordingly, or is it something we can hope to correct? Many believe it is the latter and have proposed ways of ‘improving’ philanthropy. Some have focused on internal approaches, such as the Effective Altruism movement’s effort to introduce a new utilitarian norm for giving. Others have looked to external means, such as the recommendation considered by the [Charity Tax Commission](#) that differential rates of Gift Aid should be introduced to address geographic inequality in giving.<sup>10</sup>

The challenge with all such efforts is that in seeking to make giving ‘better’ by compensating for its irrationality, we risk stifling the very elements of choice and human connection that drive it in the first place. If we try to force donors to give to causes they don’t care about or in geographic areas they don’t feel a particular connection to, will we simply end up with less giving overall? And is that a price we are willing to pay in pursuit of ‘better’ philanthropy?

A partial solution to this problem could come from improving the data landscape. If we accept that some of the challenges with the allocation of philanthropic resources come from a lack of information on the part of donors, rather than wilful irrationality, then by providing better data on social and environmental needs, as well as current philanthropic provision, donors could make more informed decisions about where to give. This is one reason why initiatives like 360Giving are so vital<sup>11</sup> - they can help build an evidence base to achieve more informed philanthropy without imposing measures that undermine its inherently voluntary nature.

Another potential solution may lie in infrastructure or intermediaries that help donors pool their resources around a common interest. The donor retains an ability to choose at the level of cause, geographic area or approach, but delegates the decision-making about how best to allocate resources within those parameters. This is something community foundations have been doing in many places around the world for a long time – donors focus on a local area and draw on the expertise of the community foundation when it comes to distributing money effectively. Community foundations have traditionally brought donors together around place-based approaches, but other models seek to do the same on a cause-related basis. A 2020 report from New Philanthropy Capital, for instance, highlighted the potential for using “cause-related networks” to bring philanthropists together in collaboration.<sup>12</sup> In the US and other places, the idea of “collective impact partnerships” bring together donors, as well as the

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<sup>9</sup> E.g. Mohan, J., 2015. Charity deserts and social justice: Exploring variations in the distribution of charitable organisations and their resources in England. *New philanthropy and social justice: Debating the conceptual and policy discourse*, pp.191-215. Also Corry, D. (2020) *Where Are England's Charities? Are they in the right places and what can we do if they are not?* NPC Provocation Paper (<https://www.thinknpc.org/resource-hub/where-are-englands-charities/>)

<sup>10</sup> Charity Tax Commission (2019), [Reforming charity taxation: towards a stronger civil society](#)

<sup>11</sup> <https://www.threesixtygiving.org/>

<sup>12</sup> Mann, M., Boswell, K., Dingle, K. & Todres, G. (2020) *Collaborating for a cause: How cause-related networks multiply the impact of philanthropy*, New Philanthropy Capital (<https://www.thinknpc.org/resource-hub/networks/>)



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public and private sector, around shared goals have gained traction.<sup>13</sup> There is potential to explore further these and other forms of infrastructure to get 'better' philanthropy.

One final complicating factor in the issue of 'giving to the right things' is the emergence of issues with a global demand and sense of urgency. The climate crisis, racial injustice and global inequality are issues that fit this bill. A growing number of people and organisations across the world of philanthropy are exploring how these issues can be considered by all donors and funders - not just in their giving or grantmaking, but across the full range of their activities (i.e. investments, employment practices, operations etc.). If this becomes an accepted norm, then the extent to which the donor or funder is making efforts to address these global issues will become an additional dimension in the assessment of whether a particular example of philanthropy is 'good' or not.

## Issue 2: Are we giving in the 'right way'?

Increasingly when it comes to debating what makes for 'good' philanthropy, it is not just what philanthropists are giving to, but how they are giving that is seen as important. Even when philanthropy is well-intentioned and well-directed, it is argued, the approaches donors take and the structures they choose to use may bring unintended negative consequences that can outweigh the positive benefits.

A particular area of focus recently has been the idea of **core cost funding**. A growing number of people argue that philanthropy would be improved by moving away from donations that are tied to specific projects or which come with restrictions about how they can be spent, rather than leaving organisations free to spend funds however they see fit. This is partly about practical benefits, giving a greater degree of autonomy and flexibility to civil society organisations, but it is also about what it symbolises more broadly - namely trust on the part of the donor and a willingness to give away power at the same time as money. This has been an important element in the high-profile giving of Mackenzie Scott. She has attracted attention not merely for the scale of her giving but for the fact she has chosen to give entirely through unrestricted grants, which some have taken as a challenge to philanthropy's current paradigm in which power lies firmly in the hands of the donor.<sup>14</sup>

The pandemic has drawn further attention to the idea of core funding. In the wake of the global crisis, many funders have removed stipulations on previously restricted funding in recognition of the extraordinary challenges posed to civil society organisations and the people and communities they serve. Whether this turns out to be a short-term change made through necessity or heralds a longer-term shift in philanthropic norms remains to be seen. But those philanthropists and funders who have now dipped a toe into core cost funding and found that the sky has not fallen in when they relinquish control will undoubtedly be asking themselves whether some or all of their future funding could continue in this vein?

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<sup>13</sup> See <https://www.collectiveimpactforum.org/what-collective-impact> for more detail on collective impact.

<sup>14</sup> For more on the wider historical context surrounding Mackenzie Scott's philanthropy, see Davies, R. (2021) "MacKenzie Scott & the History of Challenging Philanthropy's Status Quo", *Medium* article (as Philliteracy); <https://philliteracy.medium.com/mackenzie-scott-the-history-of-challenging-philanthropys-status-quo-2be25bdea0a4>

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There is a danger here of assuming we are talking about a binary choice between restricted and unrestricted funding, where the former is presented as a bad habit we must move on from, and the latter is held up as a universal ideal we must all aspire to. In reality, project-based funding may be the right tool in some circumstances, and in others, it is far better simply to give core funding. Other situations will call for approaches sitting somewhere on a spectrum. As with many aspects of philanthropy, this is not necessarily about deciding that one approach is ‘good’ and another ‘bad’. It is about ensuring that we challenge assumptions and received wisdom so that if we are taking a particular approach, we are doing so for a reason and not simply by default. In this case, it seems clear that core funding is almost always preferable from the point of view of recipient organisations due to the flexibility it offers and the trust it signifies, so we should aim to move towards a future in which core funding is the default approach. It should still be possible for a donor to add stipulations to a gift, but they must be able to outline a clear rationale for why that is necessary and ensure any restrictions are reasonable and proportionate.

Another area that gives rise to sharply conflicting views is the appropriate **timeframe** for philanthropy. Should donors take their time giving money away, or should they aim to do it as quickly as possible? Advocates of the former argue that one of the great strengths of philanthropy is its ability to operate over a long period, particularly when political and market cycles have become so short-term. From this viewpoint, it makes sense to maximise this strength by using structures that exist over the long term or even in perpetuity. However, the idea of perpetuity has long attracted fierce criticism, with many arguing that it is problematic because it allows the “dead hand” of the donor to reach into the future and exert undue influence on the lives of the living. As the charity reformer Sir Arthur Hobhouse wrote in 1880:

*“...In this matter of charitable endowments we are reaping simply as we have sown... It is difficult for the wisest and the most patriotic man to see clearly the needs of the age he lives in. We have said that any man, however selfish or stupid, may assume to see the needs of all future time.”<sup>15</sup>*

Added to this, many modern critics point out that challenges like the climate crisis and global inequality are so enormous and urgent that they require far greater resources to be deployed far more quickly, so locking philanthropic assets up in perpetual structures is especially unjustified at this time. Statistics that back up these concerns: the 2020 Global Philanthropy Report from Harvard estimated that foundation endowment assets across 24 countries around the world totalled more than \$1.5 trillion and that on average, the rate of distribution per annum was 10 per cent (although there is considerable variation across different countries). This demonstrates the huge potential philanthropic capital currently locked up in endowments for future use.<sup>16</sup>

With the emergence of a new breed of ‘next generation’ donors who seem more interested in taking an active role in philanthropy during their lifetimes and in light of

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<sup>15</sup> Hobhouse, A.H.B., 1880. *The Dead Hand: Addresses on the Subject of Endowments and Settlements of Property* (No. 27610-27612). Chatto & Windus. Available from: <https://archive.org/details/deadhandaddress00unkngoog>

<sup>16</sup> Johnson, P. D. (2020) *The Global Philanthropy Report: Perspectives on the Global Foundation Sector*, The Hauser Institute for Civil Society at the Center for Public Leadership, Harvard Kennedy School.

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concerns about unspent endowment assets, there has been a growing focus on “time-limited” or “spend-down” approaches in philanthropy. These philosophies do not simply insist that a philanthropist give all their money away immediately. But we must move away from perpetuity as a default and have openness and clarity about why particular timescales have been chosen.

In terms of ‘how money is given away’, another crucial factor is the **vehicle** chosen. If we talk about philanthropy or giving at the everyday level, this is probably not an issue because most people tend to make direct gifts.<sup>17</sup> But when we are talking about donors giving larger amounts, they will usually choose to put some structure to their philanthropy. Traditionally, this would have been done by either establishing a standalone foundation or charitable trust, or through an intermediary that was able to offer a foundation-like structure under a wider umbrella (as most community foundations do at a local level, and the Charities Aid Foundation has long done at a national level). Foundation structures bring with them a range of potential criticisms, from the issues like perpetuity to concerns about lack of transparency and accountability. Likewise, intermediary structures have become a major source of debate in the US. Critics have raised concerns that the enormous rise in Donor Advised Funds (DAFs) has led to a bottleneck, as money pours into these vehicles drawn by generous tax benefits, but then fails to be granted out again to the civil society organisations that should be the real recipients of these philanthropic assets.<sup>18</sup>

Some donors, meanwhile, are abandoning traditional non-profit structures altogether. In the US, there is a strong trend towards using Limited Liability Companies (LLCs) by elite donors.<sup>19</sup> The argument for LLCs is that they allow greater flexibility to engage in political activity or invest in commercial enterprises as part of an overall philanthropy strategy. But critics point out that these structures are highly opaque and allow donors to avoid even the minimal level of transparency and scrutiny that comes with operating a foundation. In terms of what makes for ‘good’ philanthropy, the choice of vehicle is not merely practical but one that reflects the donor’s wider values. This then has knock-on implications for how their philanthropy may be viewed.

**Openness and transparency** are important considerations more broadly when assessing how people give. Critics point out that even traditional approaches to philanthropy tend to be opaque (let alone the new models outlined above), so it is often very difficult to subject giving to even the most rudimentary external scrutiny. If part of getting ‘better’ philanthropy is about understanding what people are giving to, how they are giving and whether they are effective in doing so, this opacity is a significant barrier. But of course, openness and transparency are not only valuable because they enable external scrutiny. They also add value to donors and funders themselves. The more openness we have around data within philanthropy - enabling under-served geographies and cause areas

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<sup>17</sup> Traditionally these direct gifts would have been to organisations such as registered charities. However, we are increasingly seeing gifts to informal networks (e.g. mutual aid groups or social movements like Black Lives Matter or Extinction Rebellion); or to individuals (as a result of crowdfunding appeals or informal appeals for support via social media).

<sup>18</sup> E.g. Hadero, H. (2021) “Critics take aim at charitable money sitting in donor funds”, AP News July 20.

<https://apnews.com/article/business-government-and-politics-philanthropy-96d20b59013d25fd1edf504587888c2d>

<sup>19</sup> E.g. Piper, K. (2019) “Why this billion-dollar foundation is becoming a corporation”, Vox 7th February.

<https://www.vox.com/future-perfect/2019/2/7/18207247/arnold-foundation-corporation-nonprofit-charity>



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to be highlighted, or identifying risks of duplication, as well as opportunities for collaboration - the better able we will be to build an evidence base that can inform better giving

We should therefore aim for far greater openness and transparency to become the norm within philanthropy. But, as with many of the other factors we have considered, there is still some need for nuance. It is easy to conclude that 'transparency is good blithely', but we need to be clear about what this means in practice and what we need to ask. For example, what are we looking for transparency about exactly? For whose benefit? And with what purpose in mind? Allowing both donors and recipients to have a say in answering these questions will help to determine parameters that can then guide an approach to transparency that works for everyone. There may be some circumstances when it is appropriate to hold information back or retain some degree of anonymity. For instance, if a funder supports organisations working on contentious issues and that funder's involvement elsewhere is subsequently used by opponents to delegitimise the work of an organisation they support, there might be an argument for anonymity. In general, though, openness and transparency should be a default starting assumption.

### Issue 3: How do we measure impact or effectiveness?

An important element of the debate about what makes for 'good' giving is whether that giving is having any effect on the problem you are trying to address. Measuring and demonstrating impact has become a key part of modern philanthropy. In broad terms, this makes sense. Any serious potential donor wants to know if the cause they are looking to support is effective. Otherwise, how can they be reassured that they are not wasting their resources?

But in recent times, the notion of impact measurement has become a source of controversy. Critics argue that in practice it has become another tool for imposing the views and priorities of donors and entrenching existing asymmetric power dynamics within philanthropy. And, it is argued, measures are too often aimed at the level of individual organisations rather than overall systems.

By demanding that we draw a direct line between interventions and outcomes, critics believe impact measurement reinforces a mistaken notion of the "philanthropic lone hero", when in fact, genuine social change is almost always the result of the interaction and collaboration between multiple different actors, whose individual contribution may be difficult to quantify.<sup>20</sup> This brings particular challenges when considering advocacy or campaigning for social change when the link between intervention and outcome is likely to be diffuse and stretched over a longer period. The problem this brings is not just that we might fail to capture fully the value of many of the activities that civil society undertakes, but that if donors and funders focus on more easily measurable activities and outcomes in their desire to prove impact, the work of civil society organisations will naturally skew towards these areas over time - simply because that is where the resources are concentrated.

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<sup>20</sup> For an excellent critique of the "lone hero" view of social change, see Solnit, R. (2019) "When the Hero is the Problem", LitHub, April 2nd: <https://lithub.com/rebecca-solnit-when-the-hero-is-the-problem/>

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While it is valuable in assessing the quality of philanthropy, there is a risk that impact measurement done badly brings unintended consequences, such as reinforcing limited preconceptions of 'value' or placing an undue burden on recipients. This links to the debates we have already considered about shifting towards a norm of trust-based funding. Part of that shift requires philanthropists and funders to rethink the demands for evidence that they make of the organisations they are supporting and avoid imposing onerous measurement and reporting requirements.

#### Issue 4: Putting philanthropy in a wider context

If we took into account everything that has been said so far and crafted an approach to philanthropy that managed to combine supporting the 'right things' in the 'right way', using appropriate measurement tools to gauge success, would that be enough to ensure that the giving was seen as 'good'? Perhaps not. No matter how effective a given example of philanthropy is in itself, the wider context plays an important role in determining overall perceptions of how 'good' it is. Two areas of particular interest are taxation and the sources of wealth.

**Taxation and philanthropy** are often presented as though they are locked in a zero-sum game, in which more tax leads to less private philanthropy and, conversely, more philanthropy means less need for taxation. This convenient over-simplification suits some people on both ends of the spectrum. At one end are those donors who argue that their philanthropic giving absolves them from paying their fair share of tax and use it as a fig leaf to mask tax avoidance. At the other end are critics who take any flawed example of giving by the wealthy to argue that higher taxes should replace philanthropy. In reality, the relationship is far more complex. Still, taxation is increasingly likely to be held up as a mirror to philanthropy, so we should expect scrutiny of a donor's tax status and affairs to form one of the preconditions for assessing whether their philanthropy is 'good' or not.

A growing number of philanthropists recognise this. In recent years there has been the emergence of movements like Patriotic Millionaires, groups of wealthy people, many of whom are also major givers, who campaign for higher taxes in recognition of the fact that taxation and philanthropy are both necessary and play different roles in our society.<sup>21</sup>

Another current issue is **where wealth originates** from. Many argue that this is crucial in determining the legitimacy of efforts to do good through giving that wealth away. Some sources of wealth are deemed problematic for historical reasons, such as historical fortunes linked back to the proceeds of slavery. Others raise more current ethical questions, such as the many donations made by the Sackler family, whose role in the US opioid epidemic has caused huge controversy.<sup>22</sup> In both cases, the fundamental question is the same. Is it possible to do good with 'bad' money, or is some wealth so 'tainted' that the harm done in accruing it outweighs any efforts to have a positive influence through putting it to philanthropic uses?

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<sup>21</sup> <https://patrioticmillionaires.org/>

<sup>22</sup> For detailed background on the controversy surrounding the Sackler family and Oxycontin, see Keefe, P. R. (2021) *Empire of Pain*, Pan MacMillan.



This is a question people have been grappling with for as long as they have been giving to good causes, and opinion has always been divided. In 746, at the Council of Clovesho, a church synod attended by Anglo-Saxon kings, it was decreed that “alms should not be given from goods unjustly plundered or otherwise extracted through force or cruelty”.<sup>23</sup> Likewise, in the 19th century, the Quaker philanthropist George Cadbury took a holistic view of wealth. Historian David Owen notes that:

*“making money and giving it away formed for Cadbury a single pattern, and making it could be a constructive socially as giving it away. No amount of philanthropic giving could take the curse of a fortune that had been accumulated carelessly or without regard for the welfare of the workpeople who had laboured for it.”<sup>24</sup>*

Others, meanwhile, have argued that the distinction between ‘good’ and ‘bad’ money is unworkable and should therefore not be an impediment to philanthropy. According to George Bernard Shaw, “practically all the spare money in the country consists of a mass of rent, interest and profit, every penny of which is bound up with crime, drink, prostitution, disease and all the evil fruits of poverty as inextricably as with enterprise, wealth, commercial probity and national prosperity. The notion that you can earmark certain coins as tainted is an unpractical individualist superstition”.<sup>25</sup> And “General” William Booth, founder of the Salvation Army, perhaps expressed it most clearly when he said, “the only problem with tainted wealth is t’aint enough of it!”

The ethical questions around tainted donations remain unanswered. Still, in the latest iteration of this age-old debate, there does appear to be a growing consensus that we can no longer separate how we make money from how we give it away. When it comes to historical sources of wealth, there are signs that a widespread reckoning has already started. As awareness in the wider public of issues of racial justice grew in 2020, prompted by the Black Lives Matter movement, many companies and institutions began to acknowledge problematic elements of their own histories. In the UK, this has included several philanthropic funders, such as the John Ellerman Foundation and the various Rowntree trusts, who have started research better to understand their own links to slavery and exploitative practices.<sup>26</sup> This area has become politicised and highly contentious, and there are still complex and difficult debates ongoing about the appropriate response to uncovering problematic historical links.

Is acknowledgement enough, or is some form of reparation required? Engaging with these issues, therefore, brings a degree of risk. But there is an equal, if not greater, risk that in failing to engage with them, they come to light anyway and are used as yardsticks against which any philanthropic efforts are likely to be judged harshly.

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<sup>23</sup> Ryan, M.J., 2016. 4 ‘To mistake gold for wealth’: the Venerable Bede and the fate of Northumbria. In Cooper & Leyser (eds) *Making Early Medieval Societies: Conflict and Belonging in the Latin West, 300–1200*, p.80. Cambridge University Press.

<sup>24</sup> Owen, D., 1964. *English Philanthropy, 1660-1960*. Harvard University Press.

<sup>25</sup> Shaw, G. B. (1907) *Major Barbara, With An Essay as First Aid to Critics*. New York: Dodd, Mead & Co. Available from: <https://babel.hathitrust.org/cgi/pt?id=mdp.39015000687601&view=1up&seq=7&skin=2021>

<sup>26</sup> Details of the John Ellerman Foundation history project can be found here: <https://ellerman.org.uk/uploads/210811-John-Ellerman-Foundation-Request-for-Proposal-Researcher-for-History-Project-FINAL.pdf>. The joint statement of the various Rowntree Trusts on the work being undertaken to explore Rowntree colonial histories can be found here: <https://www.rowntreesociety.org.uk/news/statement-on-rowntree-colonial-histories/>



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Debates about tainted donations or the relationship between taxation and philanthropy are impossible to settle one way or another, as they centre on issues that reflect fundamental differences of political or ethical opinion. But it is still important that donors and funders are aware of these debates and engage with them, both because in doing so, they will get a better sense of their own thoughts on the issues and because they may have practical implications in terms of shaping norms within philanthropy.

Responding to these debates demands that we take a more holistic view of giving as merely one activity among many that can be used to assess someone's overall contribution to society rather than something that can be judged in isolation. For some philanthropic traditionalists, this may require a major shift of mindset, but for many "Next Gen" donors, it is likely to come as second nature. Many of them already see few dividing lines between how they make their money, how they invest it, and how they give it away. This is evident in the surge of interest in impact investing approaches, which blend social and financial return, as well as in the growth of ethical careers that seek to offer the opportunity to make money while also having a positive impact on the world.

As the range of possibilities for people to 'do good' or to demonstrate a 'purpose' continues to grow, it raises a fundamental question about what - if anything - is the unique role of philanthropy and the structures we associate with it, such as the registered charity. Is there still value in separating these as distinct categories? Or should we instead accept the blurring of boundaries and look for ways to assess the social contribution of a far broader range of activities? And if we go down this road, will it erode the importance of philanthropy as other ways of pursuing a social purpose come to the fore? Or will it enhance our understanding of philanthropy by placing it fully in context so that it can be assessed in the round? There may also be practical implications if policymakers start to question whether the legal structures and tax incentives we currently use are fit for purpose or whether they need to evolve to reflect the widening landscape for 'doing good'.

## How to solve the 'better philanthropy' puzzle?

We have outlined a range of issues shaping current debates on what might make for 'better' philanthropy, but what do these mean in practice for philanthropists and those who work with them?

To help answer this question, we can categorise the issues we have identified further into two types: those where 'better' is taken to mean 'more good' and those where it is taken to mean 'more effective'.

The former relates to fundamental ethical or moral questions that have always lain at the heart of our attitudes towards giving. It is vitally important that donors and funders understand and engage with these issues, but they are unlikely to be 'answerable' in any straightforward way. These are the **'fundamental questions'** listed below

The latter relates to more practical questions that donors and funders can take steps to address. These are the **'practical questions and actions'** listed below. It is worth noting that notions of 'effectiveness' are often linked to particular ideological views or beliefs, so we need to be careful not to assume that all questions of this type are somehow

objective. Nonetheless, there is a growing range of advice and infrastructure resources available to those interested in improving the effectiveness of their philanthropy. Some examples of where to go for support, advice and guidance are listed at the end of this essay.

## Conclusion

The question of what makes for ‘better’ philanthropy is complex and often subjective, with boundaries shifting all the time. Some of these questions may not have clear or universally agreed answers – particularly those questions that reflect fundamental ethical or moral differences of opinion about what is ‘good’. Questions about ‘effectiveness’ are more likely to have widely accepted ‘solutions’.

Nonetheless, if philanthropists and funders want to achieve better philanthropy, they need to engage with both. In the case of questions about what is ‘good’, engagement and self-reflection from philanthropists and funders will lead them to their own answers. For questions about what is ‘effective’, there are more immediate practical considerations and concrete actions philanthropists and funders can take to ‘give better’.

These are not simply academic or philosophical debates: as newspaper headlines demonstrate, the philanthropy of current and past generations is the subject of substantial interest to many who seek to influence what a good society looks like. Meanwhile, despite seemingly louder and more frequent critiques of either its morality or effectiveness, philanthropic support continues to underpin much of the work of civil society. Philanthropy is too important in terms of scale and role to the future of civil society to be left to lie fallow or to preserve in aspic. It is arguably just as important to philanthropists and society more broadly, a visible demonstration that common bonds and kinship still exist. Ensuring philanthropy is appropriate for our times is as essential as growing the amounts given.

Giving better requires careful reflection from donors on how to give, where to give, how to assess the impact of their giving, and the broader context that has allowed them to give at all. We ignore these at our peril – ‘better giving’ is impossible without them.

# Fundamental Questions

## The Role of Philanthropy in our Society

- What is the core role of philanthropy within society which differentiates it from either state or market provision?
- How do we balance the freedom to make individual philanthropic choices with a desire to make philanthropy more coherent and effective overall?
- Should philanthropy only ever fund things that the state and market cannot?
- Should philanthropy aim for a long-term view or a sense of urgency?

## Philanthropy and Democracy

- Can philanthropy be used to strengthen democracy (e.g. by fostering civic engagement and giving voice to marginalised communities)? Or is it inherently anti-democratic because it enables those with wealth to exert a disproportionate influence on public and political discourse outside the electoral system?

## Philanthropy & Inequality

- Can philanthropy be used as a tool to address inequality, or is inequality a precondition of philanthropy?
- Is there an inherent power imbalance in philanthropy between those who have assets and those that require them?
- Should philanthropists be accountable to the people and communities they support, the wider public, or only to themselves?

## Taxation & Philanthropy

- How does taxation differ from philanthropy, and what roles should each play in society?
- What is the justification for offering tax relief on philanthropic donations?
- Is the purpose of philanthropic tax incentives simply to encourage more giving? Or should they also aim to incentivise 'better' giving?

## Problematic Wealth

- As we see growing scrutiny of where donations come from or where assets are invested, do philanthropists need to consider the ethical dimensions of money and the expectations of those they fund and the wider public?
- Is it possible, or desirable, to 'do good with bad money' by allowing money from 'tainted' sources to be redirected towards positive societal outcomes through philanthropy?
- Should there be any statute of limitations on historically tainted donations, e.g. those stemming from proceeds of slavery?
- If institutions have tainted assets and want to do something about it, is it enough to give the funds to any 'good cause'? Or do they need to be directed at a cause related to the nature of the taint? Is it a case of making reparation or merely doing good?

## Practical Considerations & Potential Actions

### Matching Supply with Need

- Do philanthropists have a responsibility to ‘fund in the gaps’? Should they try to identify ‘hot and cold spots’, either in terms of geography or cause areas, and avoid duplication?
- Could new data infrastructure help inform philanthropic decisions and make giving more rational without stifling free choice? What would that infrastructure look like?
- Is there a role for government in helping to match need and the supply of philanthropic resources more effectively? If so, what is that role?

### Power & Participation

- Are philanthropic funders more effective when they reflect the people and communities they serve more closely? What does this mean in terms of staffing and governance structures?
- Should philanthropists and funders adopt participatory methods which involve those who would have traditionally been passive recipients of philanthropy in the decision-making about how assets are distributed and used?
- What, if anything, are the barriers to adopting a core-funding or trust-based approach as a default, and how can they be overcome?

### Measuring Impact

- When is impact measurement useful for ensuring good philanthropy, and when can it be a barrier?
- When impact measurement is useful and important, how do we get systems of measurement that work for both funders and the organisations they are supporting and which capture more of the full value of what civil society organisations do?
- How can we avoid the risk that any measures simply become targets and thus skew activity?<sup>27</sup> How do we ensure that decisions about who gets to set measures do not introduce problematic power dynamics?

### Cross-Cutting Concerns

- Are some issues so big and urgent that they should be seen as the responsibility of all philanthropic funders, rather than ‘cause areas’ that one can choose whether or not to focus on? Which issues meet these criteria? The climate crisis?, Global inequality? Racial justice?
- What does it mean in practice for philanthropists and funders to factor these considerations into all of their activities?

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<sup>27</sup> I.e. an instance of “Goodhart’s Law”, that “when a measure becomes a target, it ceases to be a good measure”, as activity inevitably focuses over time on that which is measured- even if that is not what produces most actual value.

### Transparency and Openness

- How can we shift to a default of openness and transparency within philanthropy? What are the special cases in which an argument can be made for anonymity or opacity?

### The Widening Landscape of Social Purpose

- How will the proliferation of ways of 'doing good' (e.g. crowdfunding, social investment, ethical consumerism, tech for good) affect traditional philanthropic giving?
- In a future where the range of options for doing good is increasingly broad, is there a particular value to charitable giving and philanthropy as a means of financing civil society? If so, what is its USP?

### Infrastructure for Philanthropy & Civil Society

- What elements of infrastructure are required for a healthy culture of philanthropy and a vibrant civil society?
- Do we need to make a renewed case for the value of this infrastructure and the need to ensure it is properly funded?
- What might civil society infrastructure that is fit for the future, rather than based on the structures of the past, look like?
- What role can philanthropists play in getting better understanding and clearer narratives about civil society and its role in the minds of policymakers?

## Advice and infrastructure: places to go for supporting 'better' philanthropy

Intermediaries can help donors decide where and how to give and offer them opportunities to participate in pooled funds or cause-related networks with other donors. These include community foundations at a local level or organisations like Charities Aid Foundation, Prism the Gift Fund and others at a national and global level.

Many other organisations, such as IG Advisors, Ten Years' Time, Rockefeller Philanthropy Advisors, offer advice services to philanthropists.

Academic centres publish research and convene events on philanthropy issues. These include the Centre for Philanthropy at the University at Kent, The Marshall Institute at the London School of Economics, and the Centre for Strategic Philanthropy at Cambridge's Judge Business School, as well as many institutions in the US.

There are also networks that bring together philanthropists for peer learning and interaction, such as The Mesa or The Philanthropy Workshop.

When it comes to open data and driving transparency within philanthropy, 360Giving is leading the UK. Other initiatives like Glass Pockets, the Open Philanthropy Project and GiveWell are doing similar things in the US and elsewhere. The latter offers ratings for charitable organisations based on the principles of Effective Altruism. If donors want to find out more about other ways in which Effective Altruism is being put into practice, they can do so from organisations like the Centre for Effective Altruism, 80,000 Hours or Giving What We Can.

The Law Family

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