

# Fleishman's World—an Essay

by Pablo Eisenberg

**Y**OU HAVE TO GIVE JOEL FLEISHMAN credit. Professor at Duke University, former President of the foundation Atlantic Philanthropies, and former Chair of the Markle Foundation, he is one of the very few foundation executives, current or past, who has had the interest and courage to write even a moderately critical assessment of the foundation world.

His recent book, *The Foundation: A Great American Secret; How Private Wealth is Changing the World*, is a warm, loving tribute to the large foundations, their donors, and their chief executives. While it neglects small foundations, the role of nonprofits in the philanthropic process, the egregious practices of so many of our philanthropic institutions, and the implications of foundation elitism for our democracy, the book nevertheless does grapple with some of the major issues that threaten the future performance and credibility of the sector.

His perspective is that of a consummate insider, a person who is close and indebted to establishment institutions, such as foundations and universities. He is much more comfortable with these institutions than he is with the world of local communities, grassroots organizations, and activist nonprofits. His views and analysis are probably shared by a large number of his foundation colleagues and their trustees, but they will not resonate with many people

who are practitioners, recipients of foundation grants, or observers of foundation practices.

Fleishman's world is one of elite institutions, governed by the wealthiest and most highly paid professionals in our society. These institutions, with very few exceptions, support our civil society institutions in a dispassionate and judicious manner, providing that balance among government, corporate power, and nonprofits that is the essence of our democracy. To him, wealthy donors and their foundations have pursued public policy advocacy to assist the poor, reduce class privileges, and advance the case of progressive social change, as well as to support education, the arts, and the advancement of knowledge. He dismisses those critics who have accused foundations of perpetuating privilege and wealth as simply being Marxist.

This is a view that contradicts the experience of many nonprofits that have sought foundation money to organize and empower their poor or marginal constituencies to change policies and institutions that have been obstacles to social and economic justice. Why is it that the large foundations, with which Fleishman is primarily concerned, have refused to grant more than pennies to tough organizing and constituency mobilizing organizations at the local level, groups associated with Acorn, the Industrial Areas

Foundation, PICO, DART, and the other organizing networks, as well as to thousands of other independent advocacy organizations?

Similarly, foundations have grossly underfunded rural organizations that have been trying to attack poverty for years in regions that currently boast a quarter of our country's poor. The Katrina disaster revealed the neglect of nonprofit infrastructures in Alabama, Louisiana, and Mississippi, especially those in low-income and black communities, by foundations which apparently didn't have a serious interest in poverty or justice issues. And one could recite many other instances of foundation neglect.

Contrary to Mr. Fleishman's assertions, foundation money for meaningful policy advocacy is in very short supply, a tiny fraction of the money spent each year by foundations. He apparently has not interviewed the thousands of national, state, and local nonprofits that can't get a dime for their advocacy activities. That is the hole in Fleishman's world. Though he mentions nonprofits in passing, he gives them short shrift. They are only bit players in his cast of characters.

Fleishman's policy world is one where professionals and experts formulate policies and/or lobby Congress or state legislatures. It is a province of polite, muted activism. It is, for the most part, not a world of organizing for

power and influence, direct action, and challenges to established institutions like banks, insurance companies, and corporations. It lacks the passion, blood, guts, and anger of the real world.

There is a 'noblesse oblige' quality about his philanthropic world, in which the wealthy and highly paid professionals are entitled to govern without any intrusion from the working classes such as teachers, union members, social workers, ministers, small business people, and community representatives. Fleishman is comfortable with the elite composition of foundation boards. He never questions their lack of diversity. He doesn't seem to care that trustees from different classes and ethnic groups might bring new and useful perspectives to foundation priorities and grantmaking.

He doesn't understand, or refuses to see, the correlation between who serves on foundation boards and recipients of foundation money. It should not be surprising that elite trustees are, for the most part, reluctant to tackle the excesses of corporate America, invest in building the power and influence of marginalized constituencies, challenge establishment institutions, and eliminate the perks, tax advantages, and privileges to which they have become accustomed. You don't have to be a Marxist or a radical to understand this aspect of human nature.

Because of his enthusiastic embrace of foundations and their track records, he tends to dismiss some of their shortcomings. He asserts that much of the criticism of foundations, fueled by recent negative stories in the media, is unjustified. Not more than several hundred foundations, he says, have been guilty of malfeasance. What he doesn't mention is that a large number of foundation trustees have been involved in self-dealing and that many of them receive hefty fees for their so-called charitable service on foundation boards. Hundreds of millions of dollars are spent each year on such fees to

people who don't need the money, funds that should be going to financially strapped nonprofit organizations. Nor does he discuss the rapidly growing excessive compensation and benefits provided to CEOs and the inordinately high cost of travel, hotel, other expenses, and inappropriate expenditures incurred by foundation executives. Many foundations, in short, are living high on the hog.

Fleishman believes the media is largely responsible for much of the public criticism that followed recent foundation scandals and the investigations by the Senate Finance Committee. He does not acknowledge that, for the past decade, the media has been the major accountability mechanism for the nonprofit world, far more effective than the federal government, the state regulatory agencies, and the totally inadequate attempts by philanthropy at self-reform. Instead of criticizing them, he should be praising their efforts. If anything, one could argue that the media has been too soft on foundations. An analysis in 2006 by Foundation Works, sponsored by the Packard Foundation, revealed that only 1% of all stories about philanthropy and foundations published between 1990 and 2004 were negative.

Surprisingly, as an experienced academic, he never discusses the merits of a payout increase (foundations are currently required to spend out a minimum of 5% of their assets, but not solely in grants), whether it might be beneficial to nonprofits and the taxpayers who support philanthropy. He does, however, commendably mention the lack of general operating support as one of the major weaknesses in foundation grantmaking but claims that foundations' reluctance to give general support is changing. Yet he provides no data to support this contention. In fact, to this day, only 20% of all foundation money is distributed in the form of general support. Nonprofits are still crying out for this vital funding to the deaf ears of

an insensitive donor community. The leaders of our major foundations have made only half-hearted efforts to change this practice.

Is it possible to reconcile Fleishman's view that foundations are the major contributor to America's polychy—the existence of a multiplicity of independent power centers—while they are at the same time a source of one of this country's reigning oligarchies? What does this imply for American democracy? Is the prospective growth of mega-foundations like the Gates and other family foundations governed by a handful of family members a danger to our democratic institutions? Can they be held accountable without changes in their governance structures or by placing limits on their size and the way they operate? These are questions that Fleishman and the nonprofit sector as a whole have not addressed. It is time that they do so.

Fleishman does offer a number of recommendations to strengthen the sector. Foremost is his strong pitch for greater transparency and for self-reform.

For him, transparency and public accountability are the key to the growth, legitimacy, and future effectiveness of philanthropy. But there is little evidence that transparency by itself is sufficient to bring about genuine reforms. Foundations may divulge much more information about their operations, yet may not be willing to modify their practices. Openness and transparency may be a precondition to change: they are not the determining factor. The desire and will to alter behavior, public pressure, and political action are the forces that bring about change. This is the weakness in his recipe for change.

Although advocating more effective monitoring and policing of the sector, either by existing regulatory agencies or a new quasi-governmental national nonprofit, he fears new government intru-

sion and regulations, asserting that self-reform is the only blueprint for achieving public accountability and needed changes. His plea for self-reform is unlikely to produce much of a difference. Those of us who have been working in and around the nonprofit sector for as many as forty years have rarely seen philanthropic self-reform work. It's an easy concept to promote, particularly to organizations that don't want any shake-up of their cozy world, but it is extraordinarily difficult to implement. An accountability system that depends solely or primarily on self-reform is doomed to failure.

Foundations do not want new regulations that could eliminate the loophole permitting illegal self-dealing; set a low cap on trustee fees; limit the high costs of travel, hotels, and other expenses for foundation executives; and curtail other inappropriate expenditures. They are not about to change these practices through self-reform.

Only new federal and/or state regulations can assure such changes.

The transparency and accountability measures that Fleishman promotes are procedural in nature, not substantive. The reason for his approach is that he is satisfied with foundations as they are. He sees no need for any transformation. It is fine that they are governed by an elite group of wealthy people and highly paid establishment professionals, regardless of their impact on democracy. There is no reason to change foundation priorities, even though the overwhelming majority of funds go to establishment institutions of higher education, health, the arts, and culture and only a sliver goes to low-income and poverty-related organizations, community empowerment groups, advocacy activities, rural entities, and watchdog institutions.

Fleishman's world is a rarified place of well intended institutions that do a lot of good but don't get to the

heart of many of our societal problems and dysfunctional systems. Its celebration of foundations downplays the important role that nonprofits have played in creating almost all the social and institutional changes in our history. It ignores the poverty, class tensions, social and economic inequities, political corruption, and corporate excesses that shake the pillars of our democracy.

No, his world is not yours or mine, so far removed from our fundamental concerns and needs, so irrelevant to much of our civil society.

**PABLO EISENBERG** is a senior fellow at the Georgetown Public Policy Institute, a regular columnist for the *Chronicle of Philanthropy*, and the author of *Challenges to Nonprofits and Foundations: The Courage to Change*.

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