PHILANTHROPY AND DEMOCRACY: WHICH COMES FIRST?

BY STANLEY N. KATZ **What is the relationship between philanthropy in the United States and philanthropy abroad? The following insights on this issue were adapted from the 1994 Maurice G. Gurin Lecture on Philanthropy, presented at the NSFRE International Conference on Fund Raising in Boston.**

What is the relationship between philanthropy and democracy? Most of us, if pushed, would probably answer this question by reference to the classic text on the subject, Alexis de Tocqueville's *Reflections on Democracy in America* written in the early 19th century.

"Americans of all ages, conditions, and all dispositions constantly form associations," de Tocqueville wrote. "Thus the most democratic country on the face of the earth is that in which men have . . . carried to the highest perfection the art of pursuing in common the object of their common desires." De Tocqueville stressed the political significance of American voluntarism: "Among democratic nations . . . all the citizens are independent and feeble; they can do hardly anything by themselves . . . . They all, therefore, become powerless if they do not learn voluntarily to help one another." Further, "[f]eelings and opinions are recruited, the heart is enlarged, and the human mind is developed only by the reciprocal influence of men upon one another. I have shown that these influences are almost null in democratic countries; they must therefore be artificially created, and this can only be accomplished by associations."

We assume that if philanthropy is the basis of democracy at home, it will also support and create democracy abroad.

How have we exported this notion that de Tocqueville propounded about American society to other parts of the world? What is the relationship between philanthropy in the United States and international philanthropy? Why should we in the United States be so interested in philanthropy abroad, and, in particular, why should we be so committed to the promotion of philanthropy abroad? The primary reason seems to be a poorly articulated assumption that if philanthropy is somehow the basis of — or at least a contributing cause of — democracy at home, it will also help to support and possibly even to create democracy abroad.

PHILANTHROPY IN AN EMERGING DEMOCRACY

In the Winter 1993 issue of *Advancing Philanthropy,* William S. White of the Charles Stewart Mott Foundation wrote an article titled, "Advancing Civil Society in an Emerging Democracy," which is a reflection on the Mott Foundation's work in the former Soviet Union and its dependencies in Eastern Europe. In it, he asks what we can learn from the current activities of American philanthropists in Eastern Europe:

"In the rapidly evolving political landscape of Eastern and Central Europe and the former Soviet Union, one thing is clear: there is an open window of opportunity for funders to help nurture the establishment of democracy. . . . Many people in the region have never learned how to solve disputes in a civil manner or build consensus and share decision-making. Clearly, the development of a civil society is a critical need for the peoples [of this region] if democracy is to flourish there."

"But," he says, "making the transition from states where everything was provided to the present governments. . . has been difficult. Many who were once well off under the old system now question their struggling free enterprise systems." And that leads him to reflect on the influence of history, culture and the distinctive social structure of what he calls civil society.

In the West, civil society is comprised of three sectors: government, for-profit business and not-for-profit organizations. All three must exist to respond to the

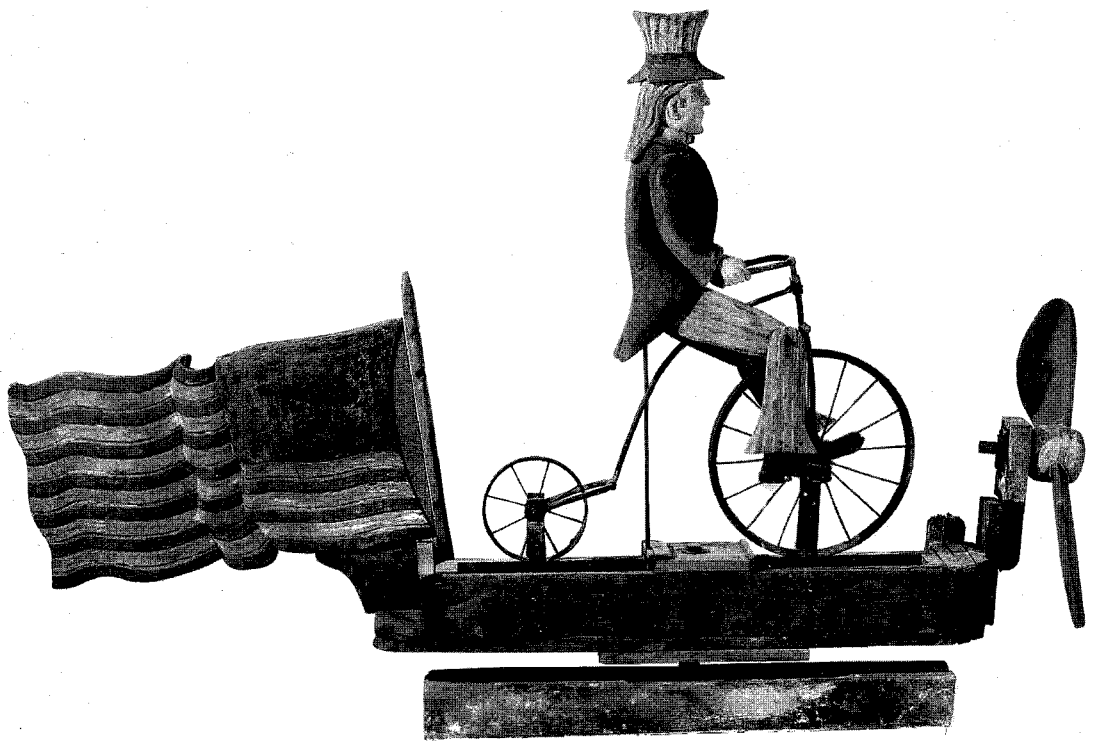
needs of the people and to promote stability, White writes. But, he adds, this paradigm is likely to differ in other societies. In Eastern Europe, the challenge for philanthropists is "how to build a civil society given the absolute lack of such political development under the Communist regime" — and the population's lack of experience of self-government, of helping themselves. He acknowledges that there are some local institutions that move in this direction, and that we see new business moving into the area. But "[i]ntroducing the ideas and ideals of a charitable sector into the political and economic culture and into people's lives takes time and a consistent, on-the-ground, bottom-up approach."

There are opportunities for philanthropic organizations in Eastern Europe because there are some local non-governmental organizations (NGOs) doing things for the environment, for example, that need to be done, and because there has been a very good response to Western philanthropic ideas in the region. While Western financial support, Western resources and an intellectual framework are critical to the development and survival of the voluntary sector, the sector will not succeed as a vital part of society without the integrated participation of the region's individuals and institutions. And the Mott Foundation has set out to do just that, adhering to an impressive set of principles that recognize the importance of individual opportunity and responsibility for participation in civil affairs and the acceptance of diversity and pluralism. And White says he favors a grass-roots approach. Mott has been one of the most active foundations in the region, but there are half a dozen American foundations which I believe are pursuing the same general strategy and operating on the same principles that White sets forth.

The question I would like to pose is whether these assumptions will actually bear scrutiny. Is it true that by trying to transfer the principles of philanthropy and democracy from the United States to formerly socialist regimes in Europe and elsewhere, we can hope to produce Western-style democracy based on voluntarism and incorporating philanthropy? Let's look at several of White's assumptions.

BUILDING CIVIL SOCIETY

The first is the assumption that it is necessary to build what he calls civil society in the region. This is a very common sentiment, and what it means is to build the capacity of people to organize their lives independently of the state. Coming out of an era in which the state was totalitarian, and in which it was



Artist unknown (Northeastern United States), *Whirligig: Uncle Sam Riding a Bicycle,* carved and polychromed wood, metal, 1880-1920. Collection of the Museum of American Folk Art, New York; promised bequest of Dorothy and Leo Rabkin.

very difficult to organize activities without at least the state's approval, the political situation is surely difficult (as recent elections demonstrate clearly). However, in specifying mechanisms to rebuild civil society, White uses terms that are very American, particularly with his insistence upon the necessity of not-for-profit organizations, when we know in fact that throughout that region, and in most of the developing world, people do not talk about not-for-profit organizations. They talk about non-governmental organizations (NGOs), and those aren't necessarily the same thing. In Eastern Europe, after all, the profit sector is just beginning to emerge; it will take a very long time for the state to downsize, no matter how committed it is. In the meantime, there are a considerable number of NGOs there, but they are almost exclusively funded by the state. What does that say about the independence of those organizations? Should we consider them as comparable to our own?

Researchers have been discovering that our independent sector isn't quite so independent as we always asserted that it was.

On the other hand, what researchers have been discovering over the past five years in our country is that our independent sector isn't quite so independent as we have always asserted that it was. The observation was first made by Lester Salamon, and an important book on this subject was published only a year ago. It is by Steven Rathgeb Smith and Michael Lipsky and is called *Nonprofits for Hire.* It is about the ways in which we increasingly are using not-for-profit social service delivery organizations in the United States and funding them through governments of various kinds: state, local and federal. According to recent research, it is an even one-third split — one third of the funding coming from philanthropic sources, one third coming from fees for services provided and one third coming from governmental organizations at several different levels.

Therefore, is the profit motive the critical element in these organizations — at home or abroad? Should the profit motive define the character of non-governmental action for the public good? After all, in the United States, the definition of charitable organizations as not-for-profit is more the product of the federal tax code than of any fundamental attempt to define what these organizations are all about. Let us not forget that many of the largest philanthropic organizations in this country — foundations included — were formed before 1916 — before a federal system of income taxation was inaugurated and when even state income taxation was very low. They weren't, in other words, primarily tax-related institutions. Now we think of them that way.

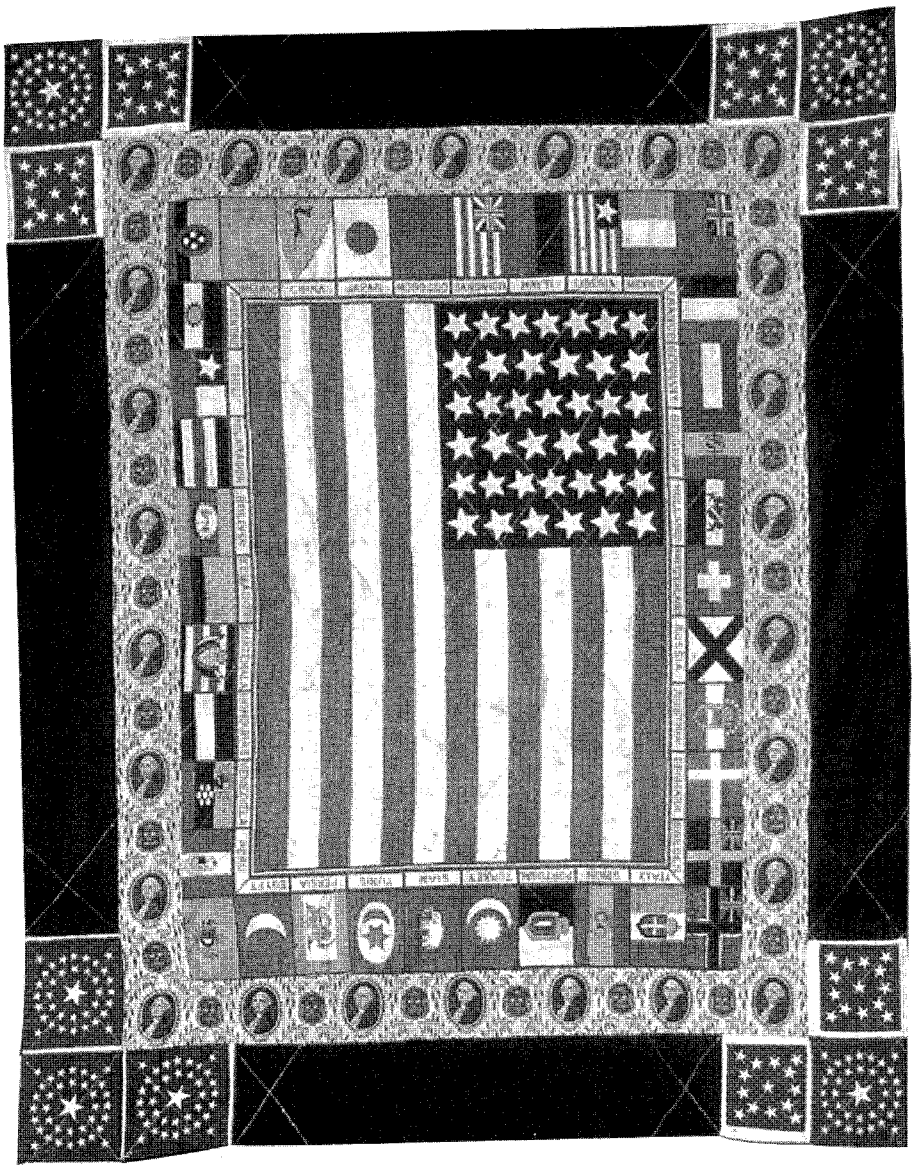
Is the crucial thing about philanthropic organizations their legal definition as not-for-profit institutions — what the economist Henry Hansmann calls the "non-distribution" requirement that income must be retained and spent? It is a peculiar idea. It is very American, not a very universal idea. We have to ask what the alternatives might be for social organization for the common good independent of the state. Simply to assume that it takes the form of not-for-profit institutions or, for that matter, voluntary institutions, will not necessarily do.

FROM VOLUNTARISM TO DEMOCRACY

The second assumption that White makes is that there is an intimate relationship between voluntarism and civil society and, ultimately, of course, democracy. I could trivialize the problem by asking whether one should expect that de Tocqueville's model should work adequately in places like Poland and Hungary. Should we assume that even all Western societies are sufficiently similar sociologically that such a voluntary organization of society would work?

The most obvious evidence suggests that we probably should not. Consider a developed democracy such as France. Foundations are certainly very new there. Not-for-profit organizations in our sense of the term are also relatively new there. Indeed, for more than a century after the French Revolution, not-for-profit associations were illegal in France. The pressure from organized interests was historically viewed in France as a source of particularistic bias, where the state was considered to be the legitimate and democratic protector of popular interests. Yet most French citizens would claim that theirs is a more democratic nation than ours. To be fair, however, the situation is complicated. The young scholar Claire Ullman recently demonstrated the increasing political importance of not-for-profit organizations in France.

What is the relationship, then, between American philanthropy — voluntary association for the public good — and the promotion of non-governmental or not-for-profit organizations abroad? Is our own history of volunteerism unique? Is it somehow a product of the peculiar circumstances of our New World experience? Or to put it in a different way, which came first, the chicken or the egg? Voluntarism or voluntary associations? Is an ethic of volunteerism a prerequisite for the emergence of voluntary organizations? Or will the promotion of voluntary organizations — and this is White's presumption — in itself produce an ethic of volunteerism in another society? There is certainly no sociological evidence, so far, for the latter. How are we to create these kinds of behaviors where they do



Artist unknown, detail of centennial patriotic pieced quilt, c. 1876.
Laura Fisher Antique Quilts and Americana, New York.

not already exist? This is precisely what philanthropists are now trying to do in Eastern Europe and in Russia.

CHANGING THE MIND-SET

The third assumption White makes is that the promotion of voluntary associations by philanthropists will change the Central European "mind-set" and produce American pluralist democratic ideals and behaviors. But how do we know that will be the result? After all, the primary aim of U.S. policy makers in the region is not the introduction of philanthropy, or even necessarily the introduction of democracy. The initial aim is the introduction of free-market institutions and behaviors. Isn't such a goal likely to produce, not the voluntary state that we all admire so much, but rather notions of radical liberalism?

If you have traveled in Eastern Europe recently, you may have been struck by the coexistence of two things that I, at least, never saw there before 1989. On the streets of Warsaw, one can now see both Rolls Royces and beggars sleeping in the gutters. These, after all, are the first products of the introduction of capitalism, everywhere in the world. How do we get beyond this point? It is a serious and philosophical question for the people of the region. I was particularly struck by a

recent statement (brought to my attention by Lester Salamon) of the Prime Minister of the Czech Republic, Vaclav Klaus, who is the architect of the free-market economy in the Czech Republic — probably the most successful in the region. Klaus decried what he called tax deductions for "sponsorship" activities — the kinds of voluntary activities that we are talking about here — on the grounds that such deductions would place the particular interests of the sponsor ahead of the general interests of the public. He said: "In the past we lived in a false paternalistic state which made decisions for us, about us, and without us about a whole number of human activities which then would be financed, and therefore implemented, with the money of all of us. . . . [But] we made a velvet revolution. 'The' state became 'our' state. Thanks to it we can influence state decision making and share in the determination of preferences and priorities which the state implements in its everyday activities." By sponsors seeking tax breaks, Klaus meant tax deductions for charitable contributions — a demand to substitute private for public preferences. "It would be simple," he says, "if the individual made his sponsoring as supremely 'private' decisions, or out of his money after taxes. If he uses pretax money, he defies not only the principle that all of us are uniformly taxed but also the principle that public goods are uniformly distributed; a sponsor consciously or unconsciously tells us through his behavior that he does not accept the state's view of 'sponsorship,' that he wants to sponsor on his own, and that he disapproves of the way that the state picks its own priorities and secures public goods."

Artist unknown, *Liberty with Flag and Sword,* 1850-1860.
Photo © Schecter Lee/Esto.

What Klaus is saying is that philanthropy is undemocratic and subverts the democratic inclinations of the state. This is very similar to the view about philanthropy expressed more than 30 years ago by the American economist Milton Friedman, and it raises questions worth pondering.

NURTURING AN AMERICAN-STYLE DEMOCRACY

The fourth assumption that White makes is a particularly important one: that an American-style democracy replete with voluntarism and philanthropy can be nurtured by Western philanthropists in Eastern Europe. That leads to some very big questions: How long should they have to wait in Poland for a Sierra Society, or how long should they have to wait for a Heart Association in some other Eastern European country or, for that matter, for an Independent Sector organization? Will U.S. seeds take root in Bulgarian soil? How likely is it that constitutional democracy will emerge in societies that have never experienced it — even prior to the Communist experience of the last 40 years? We have to ask, in other words, what the revolutions of 1989 were really about.

Several years ago, I directed a very large research project funded by the Ford Foundation whose aim was to study the emergence of constitutionalism in nations around the world. The conclusion we came to was that it is almost impossible to understand American-style constitutionalism as a universal phenomenon; rather, it seems it must be redefined to meet the needs and to suit the conditions of the societies in which it exists. People in various parts of the world told us this. It was a compelling argument, although not what I learned in law school about constitutionalism. Even if White is correct, and there is a fit between American constitutionalism and the structures that are emerging in these new countries, again: which comes first? Is it constitutional democracy or voluntarism, associationalism or even philanthropy? Is philanthropy the cause of democratic behavior or its product? I'm inclined to believe it is the product, but I think the jury is still out. My skepticism is increased by Robert B. Putnam's recent brilliant book, *Making Democracy Work: Civic Traditions in Modern Italy,* which argues that the civic traditions

which make democracy function properly are the result of many generations of historical experience.

FUNDING VOLUNTARISM ABROAD

And finally, White makes the claim in his article that funding voluntarism in Eastern Europe can actually help us here in the United States. He says: "The questions that states in the region are asking, as they develop democratic institutions, directly challenge our current system. They can force us to ask if we really live in a civil society and if democracy is functioning at the basic level. Their search can expose failures of our own system to deal adequately with the responsibilities of a civil society." I am very sympathetic to that as a legitimate line of inquiry. Can and will we learn from this attempt to transplant American democratic and social institutions to other parts of the world? What will that experience tell us? How will we do the research to determine what is actually happening? Are we certain, particularly given the current debate on health care in this country, that the free market state can provide some of these services better than voluntary and not-for-profit organizations? Is there a place for part-state, part-private organizations, which, of course, is what most of our not-for-profit social service providers actually are?

The primary aim of U.S. policy makers in the region is not the introduction of philanthropy or the introduction of democracy. The initial aim is the introduction of free-market institutions and behaviors.

The answer may well be, as White and other major American and Western European philanthropists believe, that yes, we can actually create these kinds of ideas and behaviors abroad. But that is not demonstrably the case yet, and I think we have to ask ourselves very honestly whether it will be so, and how we will know. Even if we can reproduce these ideas and behaviors, Eastern Europe would be a relatively easy case. What about Africa? What about Central America? What about the poorer parts of the world?

Some of the answers may be found in the kinds of work that Mott and other foundations are doing in Eastern Europe and elsewhere. But we will not know unless we deal with them as experiments and do the research necessary to determine what changes we are producing and what indigenous trends we can support. Very few of these current projects are being monitored in such a way. I think the critical question for us to ask is whether we are sufficiently aware of the cultural differences between the donor and the donee; whether we are sure that foreign political and legal environments will not produce different philanthropic outcomes than we had intended. If democracy American-style is having faith in strangers, as Taylor Branch once said in a speech, should foreigners have faith in us? Are we sure that we have their interests at heart? To what extent are the changes that we are promoting in Eastern Europe instilling dependency upon the economically-developed nations rather than upon engendering democratic self government? And, to circle back to where we started: Are we confident that democracy at home itself is supported by philanthropy? Are Americans justified, in other words, in having faith in strangers? Is this profession confident that it knows the answers to these questions, or are our principles more an act of self-congratulation than demonstrations of fact?

STANLEY N. KATZ, PH.D., *is president of the American Council of Learned Societies and senior fellow, Woodrow Wilson School, Princeton University. He serves on the board of Independent Sector, for whom he chaired the research committee. Recently, he has been engaged in foundation-sponsored activity in Eastern Europe.*