



## Rockefeller Brothers Fund

Philanthropy for an Interdependent World

### The Responsibility of Philanthropy

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#### Introduction

I am honored to have been asked to offer some thoughts on the responsibility of philanthropy in today's world. I am especially pleased to have this conversation here in Australia, where private philanthropy is growing at such an impressive pace.

I thought I might take this opportunity to share some ideas about a general theory of philanthropy for the 21st century. Human civilization is facing unprecedented challenges in the decades ahead and philanthropy and the organizations we support have an essential and unique role to play in helping society to address these challenges. I very much look forward to your comments and questions.

#### Great Challenges

I want to start with some thoughts about the context for the work of philanthropy—the critical conditions shaping the environment for our sector. From the persistent threat of terrorism, to protracted military conflict; from growing disparities between the rich and poor, to the dangers of climate change, the early decades of the 21st century have been marked by constant disequilibrium. And increasingly, it seems that our ability to address these and other problems is hampered by profound anachronism in the core political and economic systems that have shaped the features of civilization and produced enormous progress for the last 300 years. These core 17th and 18th century concepts are showing signs of obsolescence in the face of 21st century realities.

*First is the erosion of the modern nation-state system* which was formalized in Western societies by the Treaty of Westphalia in 1648 but has even older roots elsewhere across the globe. Today, globalization and a variety of trans-national challenges are proving the nation-state system inadequate.

We are living in a time of unprecedented global interdependence. 7.4 billion human beings inhabit Earth along with some 2 million other known species<sup>1</sup>. We share one planetary ecosystem, one climate, and, increasingly, one polity. Given the revolutionary advances in technology, analysts use the term “hyper-connectivity” to describe the extraordinary breadth and depth of social relations in the 21st century. Whatever the term, the reality is that people all across the world will directly experience the economic, environmental, political, and security challenges that lie ahead. Climate change, currency wars, pandemic disease, and terrorism are simply not confined by national borders. People, leaders, and institutions everywhere will need to work together in new ways across

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<sup>1</sup> <http://www.nytimes.com/2016/03/13/opinion/sunday/the-global-solution-to-extinction.html>

traditional borders of nations and sectors to devise solutions to the distinct challenges of this century. Poly-lateral mechanisms that mobilize the resources and capacities of government, business, and the nonprofit sector working in concert will be essential. Nation-states will continue to be vitally important—certainly necessary—but clearly not sufficient.

*The second systemic challenge is that Enlightenment concepts of representative democratic government are showing signs of severe stress.* This is fueled by economic and political inequality which reduces faith in democratic processes and the institutions of government. The 20th century produced a democracy paradox: with the fall of the Communist regimes in Eastern Europe and demise of the Soviet Union, more citizens are now living in nominally democratic states than ever before in human history. But at the same time, the quality of democracy in many places is in decline. Economic downturns and threats of social unrest have led countries like Russia, Egypt, India, Turkey, Hungary, Poland, and others to turn toward neo-authoritarian styles of governance and to crack down on civil society and dissent. But even older, more established democracies are showing signs of political dysfunction and bureaucratic inertia. The U.S. is experiencing a deeply worrying decline in the quality of our democratic political culture, as is painfully evident in the conduct of the current presidential campaign. American politics today are characterized by hyper partisanship, dysfunction, denial, dishonesty, and the pernicious influence of money.

At the international level, political globalization hasn't kept pace with economic globalization. The institutions and processes of global decision-making—the mechanisms of global governance—are under-developed and insufficiently democratic in terms of inclusivity, equity, transparency, and accountability. In light of these trends, civil society—the non-profit sector—is even more essential in safeguarding freedom, holding governments to account, and advancing reforms in our democratic processes and institutions for the conditions of the 21st century.

*The third systemic anachronism is the dominant model of free market capitalism which relies extensively on the extraction and burning of fossil fuels.* In the 250 years since the invention of the steam engine and the birth of the Industrial Age, “carbon-fueled capitalism” has brought enormous benefits to humankind. But we now know it has also come with profound costs.

Carbon emissions are producing rapid warming of the planet and the very real possibility of climate catastrophe before the end of this century. We are stubbornly following an economic model which I call “consumption development”—the pursuit of economic growth through the largely unrestrained exploitation of limited natural resources with inadequate regard for social and environmental impacts. The consequences of this model are now clear: we are depleting essential life-sustaining resources like water, compromising our air and arable land, warming our planet to dangerous levels, and exacerbating disparities between the rich and the poor. The concept of “Sustainable Development”—defined by the United Nations as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs,”—must guide the invention of a new economic model that promotes greater inclusion and equity, reduces poverty, and saves our planet from irreversible ecological damage.

There are some encouraging signs of progress in this regard. In September of last year at the United Nations Sustainable Development Summit, world leaders adopted the 2030 agenda setting out 17 sustainable development goals, or “SDGs,” to end poverty, reduce inequality and injustice, and mitigate climate change over the next 15 years. And the climate agreement forged in Paris in December is a significant step in the effort to manage global warming. The SDGs and the Paris agreement are both examples of the poly-lateralism I mentioned earlier as they call on all three

sectors to work together in new ways to meet common objectives. But despite these important milestones, we've still got a very long way to go.

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If we are going to successfully overcome the profound global challenges we face, we must jettison the anachronistic assumptions of the past, reform obsolete organizational structures, and invent new institutions, mechanisms, systems, and a new global ethos that accurately reflect both current realities and future needs.

### **So what does all this mean for philanthropy in the 21st century?**

The urgent tasks before us—effectively managing global interdependence, revitalizing democracy, and creating a new economic model of genuinely sustainable development—can only be accomplished through rapid and continuous innovation in the private, public, and nonprofit sectors and much *broader* and *deeper* cooperation *among* the sectors. In fact, this is the *only* way these goals can be achieved.

So this leads me to suggest *ten inter-related imperatives for philanthropy* in this century. I want to stress that I offer these for the field of philanthropy as a whole, not necessarily for every individual institution. I'm sure many are quite obvious—but I think they bear repeating nonetheless:

*First, I think it is useful to distinguish between traditional forms of charitable giving and strategic philanthropy.* Charity responds to current needs with generosity and compassion, whether to help feed the hungry, provide humanitarian relief after natural disasters, or sustain the arts. All of these are essential and noble uses of private wealth for public benefit. Strategic philanthropy focuses on longer term efforts to address the root causes of problems—work that requires investments of “patient capital” that may not produce measurable impact for some time, perhaps not for years. The challenges confronting humankind today require both charity and strategic philanthropy and many foundations pursue some mix of the two. But as in business, it is the strategic, long-term investments that often generate the greatest returns.

2) *Philanthropy must unite to become a global force for innovation.* We must complement individual philanthropic activity with an increase in collaboration focused on the kinds of global challenges I have described. And, given the realities of global interdependence, foundations whose mandate is local or regional can contribute to solutions to problems, like climate change, that are global in nature. With the growth of philanthropy across the world we now have new opportunities to work together and to learn from one another. The possibilities are exciting.

3) *We must redefine our relations with both the private sector and government and play a leadership role as the relationship amongst all three sectors evolves.* Each must contribute their unique resources and capabilities to meeting the challenges we face—how will we work together more effectively, even when at times we will be in contention with each other?

Compared to the magnitude of the problems and compared with the scale of both the public and private sectors, philanthropy has truly modest resources to contribute. In 2014, U.S. private foundations made grants totaling some \$54 billion. This is not an insignificant sum but compared to the U.S. federal budget, which is about \$4 trillion, or the U.S. economy, which is nearly \$18 trillion—the financial resources available through philanthropy are very modest indeed. I think of philanthropy like acupuncture: we only have a handful of tiny needles—the question is where to insert them in

order to trigger some larger systemic change. Philanthropy that influences public policy or corporate behavior through research, policy development, and advocacy significantly leverages our modest resources.

4) *We must be willing to take prudent risks.* Philanthropy can experiment and test new ideas. Our sector is able to take on challenges that the other two sectors simply can't or won't. We and our grantees are able to take risks that are *economically* unacceptable to business and *politically* unacceptable to government. We need to manage risk effectively, but we must be willing to fail. And we must use our capacity for honest reflection to learn from initiatives that work and those that do not produce the desired results.

5) *Philanthropic institutions, in particular the larger ones, must strive to reflect the diversity of the societies we serve.* This is especially true in highly diverse societies like the U.S. and Australia. Ensuring that we have diverse boards and staff enhances our legitimacy in the eyes of the public. And research clearly demonstrates that diverse organizations are more creative and generate better decisions. With regard to diversity, the U.S. private sector remains quite a bit ahead of the U.S. philanthropic sector. This may be true here in Australia as well.

6) *We must use all of our assets,* not just our grants budgets, but our investment portfolios, our intellectual resources, our convening authority, our leadership and reputation, and our independence in ways that advance our missions. Using the full array of resources is simply another way to magnify our impact.

7) Given the scale and complexity of the challenges we face, *it is imperative that we be relentlessly focused on impact*—how do we know whether the efforts we are supporting are actually generating positive results for society? *Measurable* indicators of progress are desirable, of course. But it is wise to keep Einstein's warning in mind: "Not everything important can be measured and not everything that can be measured is important." When *quantitative* measure are unavailable or inappropriate, we have a responsibility to gather *qualitative* evidence of progress. But we must also avoid the pitfalls of exaggerated assertions of attribution or causality. Honesty is essential.

8) *We must uphold the highest ethical standards in how we are governed and in how we conduct our work.* We serve the public welfare and we must safeguard the highest opinion of the public to sustain our legitimacy and preserve our independence. We must take precautions to avoid the appearance or reality of conflicts of interest and scrupulously avoid any hint of self-dealing.

9) *We must adjust to and welcome greater scrutiny.* As philanthropy continues to grow, more attention will be paid to what we do and how we conduct ourselves. We must welcome this scrutiny, maximize our transparency, and demonstrate accountability. This poses some risks and it will be uncomfortable for many philanthropists at first. But it is essential. If we support organizations that serve as watchdogs and press for public and private sector accountability, we too must be held accountable. If we advocate for greater transparency in government or private sector practices, we too must be transparent. Transparency will help U.S. safeguard our most valuable asset, our independence.

10) *Finally, we must be bold in our ambitions but humble in our approach.* Philanthropy will not solve humankind's great 21st century challenges. But we have an essential role to play and we must work with partners in the public, private, and nonprofit sectors with creativity, courage, compassion, sincerity, and humility.

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During the 1990s, I had the privilege to work with Vaclav Havel, the dissident Czech playwright who led his country to freedom in the “Velvet Revolution.” In a 1998 essay, Havel wrote “it’s fascinating to me how preoccupied people are today with catastrophic prognoses, how books containing evidence of impending crises become bestsellers, but how very little account we take of these threats in our everyday activities.” Havel asked, “What could change the direction of today’s civilization?”<sup>2</sup>

It is my hope that philanthropy will become a powerful force for the kind of profound civilizational change Havel had in mind. Philanthropy can engender a deeper understanding of today’s unprecedented challenges in the public consciousness and help citizens embrace the need for transformation of our political and economic systems. Philanthropy can innovate and experiment with new ideas and honestly share the lessons we learn along the way.

Philanthropy can help forge a new global compact in which the private, public, and nonprofit sectors work more effectively together with the understanding that the health and well-being of any given society is inextricably linked to the health and welfare of all societies and the vitality of Earth’s ecosystem.

We can succeed in our goals, but only if we use all of our ingenuity, all of our powers of persuasion, all of our stubborn determination, the best traditions of charity, and the best practices of strategic philanthropy.

Thank you.

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<sup>2</sup> “Spirit of the Earth,” *Resurgence*, November–December 1998, 30.