

## Contributory or Disruptive: Do New Forms of Philanthropy Erode Democracy?

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## Introduction

The overlapping relationships between civil society, government, and philanthropy have a storied history in the United States. The associative origins of civil society, which played such a pronounced role in the founding of the young democracy, have come to be complemented, extended, and possibly supplanted by the introduction of accountability demands and managerial shibboleths, which have transformed the nature of the present-day public sphere. During much of the twentieth century, nonprofit organizations were laboratories for experimentation with new ways of providing public services (Hall, 2006). When these efforts proved effective, they were typically taken on by government, most notably during the New Deal and Great Society eras. We suspect that many people today would be astonished to learn how active the federal government was in assuming a public role, even during the Republican administrations of Eisenhower and Nixon. The federal government today has both considerably less legitimacy in the eyes of its citizens, and much less engagement with them. As the relations between citizens and government have dissipated, the involvement of a new generation of super wealthy in the world of philanthropy has catalyzed sharp changes in the nature of funding, missions, operations and management of private charities, further altering the relationship between civil society and democratic governance.

Jon Levy begins his chapter in this volume with a cartoon from *Puck* magazine that castigates Cornelius Vanderbilt, a philanthropist of his era who founded the university in his name, and financier Jay Gould for their efforts to run up the price the government would have to pay for the telegraph service Western Union in order to make it a public service. We offer, in sharp contrast, the cover of *Time Magazine* from December 24, 2005<sup>1</sup>, acclaiming Bill and Melinda Gates and the musician Bono as “the good Samaritans.” Private efforts to define the public good are certainly viewed in a different light today.

Many have commented on the growth and professionalization of the public sphere (Frumkin, 2002; Skocpol, 2003; Hwang and Powell, 2009), some have argued that democracy is harmed in the process (Putnam, 2007). Few, however, have drawn links between the rise of a new era of philanthropic activity and the decline of democracy. Here we aim to forge this link by considering the changing relationships between philanthropy, the state and civil society. How did philanthropy come to be regarded as a legitimate provider of the public good? What implications does this have for the practice of democracy? We argue that the institutional environment surrounding philanthropy has changed markedly, and in its current form both legitimizes and enables a particular form of philanthropy – what we refer to as disruptive philanthropy – which runs the risk of eroding democracy.

The meaning of disruptive philanthropy is cast in sharp relief when viewed in the context of the evolving relations between philanthropy and the state. In previous decades, nonprofit organizations and government, at both the local and federal level, operated as partners in public service (Salamon, 1987). This pattern in which governments funded, but nonprofits delivered, a host of social and cultural services has been labeled third-party government. These relationships are being altered by the recent era of disruptive philanthropy, with gifts on a scale unprecedented since the Gilded Age and even surpassing that celebrated period of philanthropy in both number of participants and public acceptance. We provide select examples—such as Zuckerberg's \$100 million gift to Newark Public Schools, the emergence of private investment bearing the risk of social programs such as the Pay for Success initiative, and the remarkable degree to which private philanthropic money was involved in the recent Bloomberg mayorship in New York—to spark a discussion as to whether nonprofits and government no longer operate as complements but, rather are increasingly regarded as rivals or substitutes. Disruptive philanthropy replaces the public sphere with all manner of private initiatives for special public purposes, dubbed by some enthusiasts as philanthro-capitalism (Green and Rich, 2008). Such

initiatives, we contend, crowd out the public sector, further reducing both its legitimacy and efficacy, and replace civic goals with narrower concerns about efficiency and markets.

### **Disruptive Philanthropy**

As traditionally conceived, philanthropy is guided by either unmet public needs or minority interests not catered to by government, which tends to focus on the so-called median voter. Philanthropists have championed new causes and new forms of public goods and ultimately sought state support for them. We call this *contributory* philanthropy in that it contributes to and enlarges the public goods provided by the state, and attends to interests not readily provided for by the state. This is done through experimenting with social programs that are later taken up by the state, providing funding for public missions, and building initiatives and institutions that serve a wide public. Though a striking feature of philanthropy is the extent to which it seeks to build alternatives to government – and at times even compete with the state – contributory forms of philanthropy aim to increase the size of the pie of public goods provided.

Disruptive forms of philanthropy, on the other hand, seek to claim control over a slice of the pie by offering an alternative. To us, disruptive philanthropy is any activity that through the magnitude of donations either explicitly or by consequence alters the public conversation about which social issues matter, sets an agenda for how they matter, and specifies who is the preferred provider of services to address these issues without any engagement with the deliberative processes of civil society.

Disruptive philanthropy seeks to shape civic values in the image of funders' interests and, in lieu of soliciting public input, seeks to influence or change public opinion and demand. For example, the state provides public schools, but forms of disruptive philanthropy aim to provide alternative schools and generate competition that challenge and undermine public schools. Moreover, the goal is that these

new alternatives will grow (or "scale" in philanthro-speak), and possibly supplant publicly provided goods.

Which features of disruptive philanthropy underscore its distinctiveness, and sharpen the contrast with contributory forms? Disruptive philanthropy, we contend, has three distinctive features. First, it seeks to “change the conversation.” Given that philanthropists alone do not have resources on a scale with the state, conversation change is the best opportunity to exercise influence with more limited expenditures. Through media, publicity, and influencing political discourse, philanthropists serve as an outsized megaphone, actively shaping both how people view social problems and championing specific methods through which these problems can be addressed. They are avid proselytizers for their new goals. Second, disruptive philanthropy is typically built on a belief in the redemptive virtues of competition. This feature has several elements that may appear individually or in tandem: belief in the name of the moral superiority of choice; a view that competition with the state forces government to be leaner; and a preference for new organizations—startups—stripped of the fetters of the past and free to pursue different strategies. Third, disruptive philanthropy looks at new models of funding public goods. This feature of disruptive philanthropy may also be a cause: cash-strapped states are struggling to provide social services on diminishing budgets. They increasingly turn not only to public-private partnerships but also to philanthropic partners that will take on the provision of public services. In this respect, impoverished governments further undermine their own legitimacy.

Delineating core features, of course, elides the fact that people and organizations have multiple or mixed motives and that philanthropic portfolios are seldom comprised only of disruptive efforts. Our intention is to highlight those features of a highly visible and growing form of philanthropic activity. Though at first glance, these features may appear somewhat distant from concerns about democratic governance, we believe the legitimacy and growing taken-for-grantedness of disruptive efforts are

evidence of their powerful effects. Quite rapidly, the programs and ideas of disruptive philanthropy have become accepted as commonplace and are rarely met with pushback. Consider that the Gates Foundation was founded only in 2000; today it commands the philanthropic spotlight as if it were a time-honored player in the public sphere. The Time magazine cover is but one indicator of the acclaim received by today's philanthropists.

For the most part, the forms of contributory and disruptive philanthropy can be demarcated along the lines of old and new (see Figure 1). Disruption however, despite its modern-sounding moniker, is not solely a modern phenomenon. For many reasons, older acts of philanthropy that we may now think of as contributory may have initially been felt as disruptive. John D. Rockefeller's funding of graduate education at the University of Chicago was disruptive of theological education. Andrew Carnegie's creation of thousands of libraries may well have been disruptive to established forms of community. A strict comparison of old and new forms of philanthropy is not apt. Older philanthropists may also appear more contributory because they picked the low-hanging fruit of unprovided public goods, and saw many of their programs ultimately adopted by a largely undeveloped state. So whereas the Rockefeller Foundation's experiment that later became the federally funded Head Start was contributory, a philanthropist developing such a program today might well be creating a rival model. Additionally, whereas we have decades, if not more than a century, to consider the contribution of older acts of philanthropy, much of the disruption we consider here has occurred recently. Their eventual implications might prove different. Indeed, the positive aim of this chapter is to call attention to and consider how the disruption driven by contemporary philanthropists can be re-channeled to encourage a more participatory democracy.

[Figure 1 about here]

The methodological challenges of historical comparison aside, two key points benefit our argument: one, philanthropists of the gilded age were often derided as plutocrats in their time and lauded only in retrospect; two contemporary philanthropists are widely celebrated as society's benefactors even as their acts may undermine public choice. Older philanthropy may have been disruptive, but such disruption was ultimately constrained by public debate and government action. Contemporary philanthropy is unrestrained and thus capable of greater influence with much less scrutiny. Not only do today's philanthropists enjoy considerable prestige in the current neo-liberal era, but also state governments have been turning to disruptive philanthropists to help with projects that they are too cash-strapped to pursue. A notable difference between contemporary and gilded eras is the legitimacy of philanthropic largesse.

In discussing the contemporary era of philanthropy we do not mean to suggest all philanthropy is corrosive to democracy. We know that a mix of organizational forms and a diversity of organizational practices create a healthy environment for innovation (Nelson, 1981; Stark 2009, Powell et al, 2012). The public sector has long been an anchor for the innovation ecosystem, providing most of the seed funding of basic science, and selecting the most promising prospects via peer review. Disruption can and does play a role in this process, through support of more quirky projects or bankrolling particular initiatives. We contend however that disruptive support, if unchecked, carries a particular set of risks for democracy. In this new regime, disruptive philanthropists are eager to scale up their alternatives in hopes that they might replace forms of public provision. In so doing, a commitment to diversity becomes a celebration of special interests, as these new practices and policies are championed only by those with the abundant means.

It is, of course, possible that Gilded Age philanthropists may have looked more like today's disruptors and may have had similar effects had they not been constrained by the institutions – laws, public

opinion, norms – of their era. Andrew Carnegie turned to academic leaders as impartial stewards of institutions that he funded not because he sought out their neutrality but because public opinion demanded it (Johnson and Powell, 2015). Imagine, instead, if Carnegie's pursuit of philanthropy had been permitted to take Spencer's social Darwinist philosophy into practice (Levy, this volume). Disruptive philanthropy is not necessarily distinctive to the modern era, but the modern era is distinctive to disruptive philanthropy.

The core of our argument, then, is that philanthropy, especially big money philanthropy, exists in tension – sometimes contributory, sometimes disruptive – with state provision. It alters public conversation, sets agendas, and provides public goods in the absence of public deliberation. Though we believe the intentional disruptiveness of philanthropic efforts has increased over time, we argue that the increased legitimacy of private action in relation to public action has magnified the disruptive effect that philanthropy has on democracy. We turn now to consider the trajectory of the state and civil society in order to place in context the shifting ground of legitimacy to which philanthropy is subject.

### **The Trajectory of State and Society**

Voluntary associations played a central role in the American Revolution and in subsequent efforts to organize republican government. By the early 19<sup>th</sup> century, a rich associational life proliferated across New England and the Midwest, its character shaped by the influence of various religious denominations (Hall, 2006). By the latter half of the 19<sup>th</sup> century, the previously religious notion of private responsibility for the public good became firmly embedded in American political and social life (Wiebe, 1967; Warner, Jr., 1968). The young “nation of joiners”, famously described by Alexis de Tocqueville, burgeoned into a society of fraternal organizations, volunteer fire companies, building and loan companies, dairy and grain cooperatives, and labor unions (Clemens, 2006; Schneiberg, King, and Smith, 2008). Mutual benefit societies permeated middle and lower class American life, and

charitable relief activities of every sort sprang from these associations (Skocpol, 2003). This dense social sector enabled expression of personal interests, promoted strong solidarity within communities, and achieved many charitable goals. Some commentators argue that these associational origins continue to drive and influence much contemporary philanthropy (Frumkin, 2002). To be sure, many contemporary discussions of charitable work are still associated with ideals of compassion, values, and trust.

The more well-to-do of the Gilded Age utilized a similar associational model, but in the context of the fine arts rather than mutual charity. The late 19<sup>th</sup> and early 20<sup>th</sup> century saw the transformation of urban life throughout the U.S., with the founding of museums, libraries, symphony orchestras, and botanical gardens in many large cities (Fox, 1963; DiMaggio, 1991; Johnson and Powell, 2015). In the spirit of “noblesse oblige”, the rich created organized philanthropies to provide refinement and access to the arts. J.P. Morgan, for example, was the driving force behind the creation of New York’s Metropolitan Museum of Art. Even though many of these museums were initially closed on weekends, restricting access to working families, over time they assumed a central role in urban cultural life. These cultural organizations became some of the largest nonprofit institutions in the United States, and the patron model for the high arts became an established feature in every American metropolis.

The “Gilded Age” also saw wealthy industrialists take on the task of building an advanced industrial society with an educated population. Andrew Carnegie funded the building of 1,679 public libraries in the U.S. (Van Slyck, 1995: 217), and created a pension plan for college professors, known today as TIAA-CREF. Many of today’s leading universities - - the University of Chicago, Carnegie Mellon, MIT, Stanford, and the University of Pennsylvania were either started with or received major catalytic gifts from the likes of John D. Rockefeller, Andrew Carnegie, George Eastman, Leland Stanford, and

Joseph Wharton. To be sure, some of this philanthropy was clearly conspicuous, as Thorstein Veblen famously opined (1912), although Eastman gave more than \$20 million to MIT under the name Mr. Smith and Rockefeller more than \$70 million to Chicago without any academic building bearing his name. Debates over the motives of these industrialists are legend, and many biographers have stressed how complex their interests were. For our purposes, we want to draw attention to the uses of their immense gifts. Their philanthropy was in large measure contributory, that is, adding resources, often in the form of land, bricks and mortar, to build museums, libraries, and universities. These formal organizations became a cornerstone of the American cultural and educational landscape, and set the stage for subsequent government funding of higher education, public health, the arts, and scientific research.

Over time, formal organizational structures spread from the arts and civic institutions to organize and implement the burgeoning array of visions held by civil society. Eleemosynary corporations, charitable trusts, and mutual benefit associations were granted nonprofit status within the broad purview of the federal tax code. Combining tax subsidies with claims to advance the social good, nonprofit organizations captured the interest, as well as the critique, of politicians and the public. This heightened attention led to calls for greater accountability and transparency about how these organizations spent their tax subsidized dollars, as well as growing demands to ensure that their programming was effective. We briefly trace the rising importance of ideas about impact and performance to influences from two sources - - the movement of social science and professional expertise into charity, and the influence of private sector practices on nonprofit behavior.

### *The Progressive Era as a professional project*

The first pronounced shift in the character of the U.S. public sphere took place during the late 19<sup>th</sup> and early 20<sup>th</sup> century. In tandem with a rise in social activism was a new emphasis that moved away from

volunteerism and embraced professional training and scientific evaluation. The origins of this sea change can be traced back to the privately funded US Sanitary Commission, which utilized a dispassionate analytical approach to its public health and relief efforts during the Civil War (Fredrickson, 1986). Those who led the work of the Sanitary Commission during the Civil War applied similar scientific methods to the reform and reorganization of the newly formed public welfare system in the post-Civil War era (Giesberg, 2000). Such efforts further blossomed during the progressive era, driven by attempts to achieve remedies to public problems through scientific, medical, and engineering solutions. This transformation viewed the deficiencies of economic, social, and political institutions as remediable by the application of scientific principles and professional expertise (Abbott, 1995; Mohr, 1994). This move away from almshouses and churches reflected a desire for a scientific basis for charity. The new era of social engineering also saw research universities, either newly formed or transformed from established liberal arts colleges, become incubators for the development of modern approaches to social ailments. Charles Elliot, president of Harvard University, reconceptualized the role of elite authority from being based on character formation and social traditions to public serving scientific expertise. Newer educational institutions – Chicago, Carnegie Tech, Johns Hopkins, and MIT – gained prominence by focusing on the importance of a scientific basis of knowledge to fuel progress. The grant-making foundations endowed by gilded-age philanthropists pursued targeted philanthropy, aimed at fostering progress through a rational, systematic approach to the distribution of funds.

Although the progressive era's lustre faded in 1920s with the onset of the Great Depression and Herbert Hoover's inability to tackle the Depression's challenges with associational efforts, the legacy of science and professionalism grew in strength over the 20<sup>th</sup> century. The progressive movement not only transformed the field of social work (Lubove, 1965; Mohr, 1994), but set in motion an analytical turn that is reflected today in activities as diverse as various nonprofit rating services and MIT's

Poverty Lab. Paramount in these endeavors is the belief that charitable activity should be methodically designed by experts, produce measurable outcomes, and be subject to scientific scrutiny as a means to identify the most effective approach. The current ubiquity of social science and public health terms - - data, statistical significance, randomized control trials - - is a testament to the entry of the scientific community into the nonprofit sphere.

### *The Managerial Turn*

The scientific approach to civic activity was joined by inputs from both governments and business in the latter part of the 20<sup>th</sup> century. This managerial turn was spurred in the United States by several pieces of government policy. First, the Medicare Reform Act and its attendant changes in the 1980s set a reimbursement rate for medical service (Scott et al, 2000). This monetization of health care enabled for-profits to move into the field, where they began to compete with nonprofit providers on the basis of reimbursement prices. Although many for-profits subsequently retreated from general-purpose health care, remaining only in profitable specialized niches, competition in healthcare on the basis of price became firmly established (Schlesinger and Gray, 2006). Second, President Clinton fundamentally altered the structure of the U.S. welfare system in 1996, with the requirement that welfare recipients undergo job training. This legislation transformed the old program that had been in effect since the 1930s, changing both the method and goal of federal cash assistance to the poor. This policy initiative opened up another arena in which competition for service delivery arose between nonprofits and for-profits, with an accompanying convergence in terms of evaluative criteria (Weisbrod, 1998; Smith, 2002; Eichenberry, 2009). For the social sector, with its history of more qualitative assessment, this specificity of price as a measurable output was alluring, and soon expanded to an interest in other metrics.

Government contracting to nonprofit organizations for the delivery of social services also took on a new level of oversight, reporting, documentation, and assessment. Globally, the reform movement dubbed “new public management” embraced strategies such as performance management and contracting with both nonprofit and for-profit providers. This movement was not unique to the United States; indeed its adoption in northern Europe, the United Kingdom, Australia, and New Zealand has been met with a good deal of enthusiasm by conservative parties. These changes in public provision entail a shift toward greater quantification of service provision, incentives for managers, and a purported voice for citizens in a new role as consumers of public services (Hood, 1991; Hood and Peters, 2004; Pollitt and Bouckaert, 2011). This embrace of contracting led to even further outsourcing of government services, moving well beyond the partners in public service and third-party government models, common earlier in the 20<sup>th</sup> century. These reforms also prompted questions in citizens’ minds about who was actually providing and funding social services, and more generally heightened doubts about the efficacy of public provision.

The interest in performance and measurable outputs was capitalized upon and further encouraged by another set of newcomers to the social-associational sphere. In the late 1990s, a new generation of high net-worth individuals, many flush with money made working in the technology and finance sectors, moved into the world of philanthropy. They brought with a desire to be “hands-on” in their giving, and an intense drive to see immediate results. This younger, more engaged group of donors drew heavily on metrics, practices and ideologies from the world of business. The ensuing changes in the world of philanthropy, dubbed either strategic or venture philanthropy, have constituted a seismic shift. These donors pressed nonprofits to generate earned income and fees for service in order to stay fiscally healthy. A series of high-profile articles in the *Harvard Business Review* championed the need for managerial expertise in the nonprofit sector (Letts, Ryan, and Grossman, 1997; Ryan, 1999), and

corporate executives and consultants pressed established foundations and donors to adopt business metrics to guide their giving (Rojas, 2000; Kaplan, 2001).

### *Current Era*

By the end of the 20<sup>th</sup> century, just as the first information technology bubble was about to burst, there was a global embrace of entrepreneurship as an all-purpose cure for society's ills. The mantras of innovation and "out with the old, in with anything new" became pervasive. Interestingly, the writings of Austrian economist Joseph Schumpeter were selectively appropriated to provide analytical heft for such claims. And in the ensuing years, Schumpeter joined Smith, Marx, and Hayek on the mantelpiece as an economic theorist whose ideas fuel debates in the larger society. Schumpeter (1942; 1975 ed., pp. 77-84) famously characterized capitalism as "first and foremost a process of change." He coined the phrase "a perennial gale of creative destruction" to characterize how the capitalist enterprise was transformed from within. In his writings over five decades, he also wavered as to whether large established enterprises or nimble new firms would be most adept at innovation. But the late 20<sup>th</sup> century entrepreneurs did not absorb Schumpeter's voluminous writings; instead they adopted the creative destruction line, arguing that the key tenet of their success was building startups that disrupted established industries. In recent years we have seen startups challenge many incumbent firms, e.g., Uber and taxi companies or Airbnb and hotels. And we are witnessing the ensuing regulatory battles as established orders are forced to contend with these disruptions. As various disruptive entities met with astonishing financial success, it was just a short step for their founders to extend this philosophy to their philanthropy. Big, swift change somehow became a civic goal.

The philosophy of disruption also comes at a time when faith in government is on the decline (see Figure 2) and faith in private enterprise on the rise. The differing views of these institutions can be seen in public opinion polls. In 2013, 19 percent of the public had trust in the federal government,

while 53 percent had a favorable view of business corporations (Dimock et al 2013). Clearly, faith in private enterprise far exceeds faith in government, even despite the banker-driven global financial collapse of 2008-09.

[Figure 2 about here]

Further evidence of the favorable opinion of business is found in the many polls and rankings that consider business people among the most admired and powerful people in the world. For example, a Forbes (2013) list of the 72 most powerful people in the world listed 40 business people, 31 government and INGO representatives, and three others. The US contingent on that list was comprised of 20 business people and only four government representatives. Gallup<sup>2</sup> and YouGov<sup>3</sup> show similar results in their polls, with YouGov finding that Bill Gates is the most admired man in the world. Setting aside how such lists are created, few would dispute the current preeminence of business leaders over politicians.

This difference in how government and business are viewed may be a product of growing economic liberalism begun under Reagan and expanded through the Clinton era. The image of the state as facilitator of the free market has simultaneously served to justify the retrenchment of the welfare state and expansion of the private provision for public goods. Compare, for example President Nixon's and President Obama's healthcare proposals. Nixon, a pro-market Republican president proposed a plan that was far more extensive than anything Obama proposed, and yet Obama's plan was the one that provoked cries of socialism and the state over-stepping its bounds. Such contrasts capture the changing attitudes about the roles of the private and public sectors.

Thus the social environment in which philanthropy operates has changed markedly. What, then, do the super wealthy – those driving big-money philanthropy - make of this environment? How does the

current era shape their philanthropy? One interesting source through which to explore this question is the Giving Pledge. Announced in 2010, the Giving Pledge is an effort led by Warren Buffett and Bill Gates – two of the richest, most powerful and highly esteemed men in the world – to encourage other billionaires to give half or more of their wealth to philanthropy in their lifetimes. As of July 2014, 127 billionaires had signed onto the pledge and 103 made statements about their philanthropic philosophies and motivations. The statements vary in length from a few sentences to several pages, offering insight into the logics the super-rich apply to philanthropy. The public nature of these statements (they are available at [givingpledge.org](http://givingpledge.org)) suggests that these are sentiments about philanthropy that the donors wish to share with others. The fact that the statements have received widespread positive press further underscores the legitimacy of these proclamations.

For our purposes, these statements reflect the enhanced and seemingly taken-for-granted nature of big-money philanthropy. Beyond the strong sense of *noblesse oblige* found both in the creation of the pledge and the statements themselves, the statements often directly suggest philanthropy is not only a rightful provider of public goods, but the *preferred* provider relative to the government. It is notable that these statements are novel. At other points in U.S. history, the view that philanthropists are either equal to or superior to the state would have been widely derided. In these Giving Pledge statements such ideas are offered as if a matter of fact.

Some sentiments suggest that government has reduced resources and capability and thus it is the time for philanthropy to step up and provide for society. Others criticize government action as ineffective because it is constrained by risk-aversion and constant conflict. Government is slow and deliberative, and stands in the way of progress. Philanthropy, on the other hand, is depicted as nimble, entrepreneurial and innovative. In the statements, philanthropists view themselves as the investors in

and entrepreneurs of public good – across the 103 statements we analyzed, the word "invest" is used 88 times, "entrepreneurship" is used 27 times and "innovate" is used 24 times.

According to these statements, philanthropists know a good idea when they see it and they take risks the government will not. Such implicit criticism of the government at times is rendered explicit. Jorge Perez writes, "It's obvious to me that the government cannot solve all our problems." Mark and Mary Stevens list options of what they could do with their wealth, stating that, "donating it to virtually all the causes and organizations that we feel could make a difference in the world" is far superior to "let the government take it from you and redistribute it." Ted Taube assails government policies for serving to "diminish the work ethic and personal responsibility."

To be sure, some references to government in the Giving Pledge view the government as an equal partner, an entity that must be dealt with as a means of "scaling" (a word used 12 times) the social innovations of the philanthropists. Our interest in pointing out these particular attitudes is to highlight how a mindset that previously was questionable at best – that of philanthropists publicly and proudly considering themselves as *a* or *the* rightful provider of public goods, now features prominently in philanthropists' publicly held attitudes toward, and reasons for, giving. This is not to say that philanthropists of previous eras might not have held these views. The fact that philanthropists of the modern era can so openly proclaim them is a sign of the sea change. This legitimacy, we suggest, builds off the contemporary era's wide lack of faith in government and the relatively favorable views of private business. So whereas Ronald Reagan opined in the 1980s that the nine most terrifying words in the English language are "I'm from the government and I'm here to help," a slightly more comforting set of words today might be "I'm a philanthropist and I'm here to help."

The prevalence of these sentiments, alongside many other recent examples, suggests an ideological and power shift is occurring in relations between philanthropy and the state. In short, whereas there has

been a long history in the U.S. of extensive public reliance on private nonprofit groups to conduct publicly agreed upon purposes, this new era is typified by private philanthropy setting the agenda and providing alternatives, determining *both* purposes and who carries them out to an unprecedented extent. The statements echo themes of responsibility and autonomy, with little patience for democracy and the political process.

### **Acts of Disruptive Philanthropy**

Building on this attitudinal shift in philanthropy and the wider environment in which it operates, we look at the actions of particular philanthropists in the modern era to gauge their disruptive features. We examine recent examples, much in the news to flesh out our definition of disruptive. These select examples illustrate and expand upon the ramifications of disruptive philanthropy. We first consider the conversation changing aspects through looking at the role philanthropic funding has played in shifting the scientific agenda. Next we look at the preference for competition and markets through the lens of philanthropists' attempts to drive school reform in the U.S. We then examine new models of funding the state, largely focusing on recent activities in New York City where some social services have been financialized and the role of mayor has come to include large-scale philanthropic giving.

#### *Changing the Conversation*

The amount of money contributed by philanthropists to public goods – scientific research, K-12 education, or social services for example – is small in comparison to the money provided by the state. And yet, popular discourse about scientific research, public education and state services has focused heavily on the work done by philanthropists. We consider this effect – the use of philanthropy to command outside attention to particular issues, to set the agenda for which social issues matter and to determine how they should be addressed – as the disruptive feature of conversation change. In one

sense, conversation change may be viewed similarly as the goals of contributory philanthropy in that it channels resources and attention to some unmet societal need. But we suggest that conversation change is different and worrisome when it shapes public conversation in the image of philanthropic, not public, interests and weakens or delegitimizes democratic or deliberative processes in setting public agendas.

To understand disruptive conversation change, we must first consider civil discourse. On the one hand, civil discourse allows the public to express diverse interests. On the other hand, civil discourse allows the public to have its interests constituted. In this sphere, the influence of the super-rich, philanthropists and foundations has historically been met with unease. At the same time, awareness-raising stemming from such entities has long been a part of the civic sphere and is not necessarily designed to disrupt public institutions. Such awareness-raising can influence ideas and interests that are beneficial to the public. For example, philanthropists can spark conversations about health, education or broadly held values. Not all awareness or conversation changing efforts, however, have public interests in mind. The ability of philanthropists to shift civic discourse toward particularistic interests – especially when those interests are presented with the sheen of public benefit – is a notable feature of conversation change. Further, when this conversation sparking goes unchallenged or is accepted at face value, which we view as increasingly likely as philanthropy gains legitimacy over the state, such efforts increasingly shape which ideas matter, how they are to be addressed, and how the public should respond.

One under-researched arena to observe disruptive conversation change is in the shift toward the private funding of science. Over recent decades, we have seen a notable decline in public support for research universities. Between 1992 and 2010, state appropriations for public research universities dropped from 38 percent to 23 percent of universities' total revenues. The steepest decline occurred between

2002 and 2010, a period when enrollment was rising (National Science Foundation, 2012). Research funding has stagnated, and even declined in real dollars. As the Bush and Obama administrations rolled back the healthy budget increases of the Clinton years, universities and nonprofit research interests turned to donors, to licensing research results to private companies, and pursued a host of other strategies to offset the loss in federal revenue (Weisbrod, Ballon, and Asch, 2010). Just in the last four years, since 2010, federal science agencies have seen a drop of \$30 billion dollars, adjusted for inflation, in their budgets (Basken, 2014: A4). In most U.S. states, students now pay a larger share of the costs of higher education than do the states (Hebel, 2014:A34). And state spending per student is at its lowest level since 1980. Such trends do not bode well for a purported knowledge-based economy.

Clearly, private funding is playing an increased role in support of academic research. Surprisingly, little discussion has accompanied this very striking shift. Perhaps the assumption is that these new funds come from a diversity of sources rather than a small minority and that the pluralism of funders' interests would keep potentially particularistic interests in check. A 2014 *New York Times* front-page story underscored the new reality. In it, Steven Edwards of the American Association for the Advancement of Science, commented that:

For better or worse....the practice of science in the 21st century is becoming shaped less by national priorities or by peer-review groups and more by the particular preferences of individuals with huge amounts of money (Broad, 2014).

Some examples of these preferences of philanthropists involve gifts such as the Gordon & Betty Moore Foundation's \$200 million dollar gift in 2007 for a thirty-meter telescope to be constructed at the California Institute of Technology. There is also considerable philanthropic interest in research on particular diseases, such as those that affect philanthropist's families. For example, businessman and

billionaire Dan Gilbert has founded several neurofibromatosis institutes following his son's diagnosis with the rare disease; the Broad Family Foundation has been a funder of research on Irritable Bowel Disease with their foundation granting \$40 million toward research since 2002. Some commentators are wary that philanthropy-backed health research serves to perpetuate inequalities because commonly funded research involves disorders, such as cystic fibrosis, that tend affect people along class and racial lines. There has also been a slew of philanthropists focused on funding science they find personally interesting. Paul Allen of the Microsoft fortune has founded a brain research institute in Seattle with \$500 million, and Fred Kavli has done the same at several research universities. Larry Ellison has taken a particular interest in developing artificial intelligence after hearing a Nobel laureate speak on the subject. Eric and Wendy Schmidt of Google fortune took an interest in oceanic research after Wendy Schmidt's first scuba dive, founding the Schmidt science institute with over \$100 million dollars, and generously supporting marine research in general.

In and of themselves, these projects seek to make important scientific contributions in their chosen fields. But treated together, the increasing reliance on philanthropic funding of projects may have unintended consequences. Scientific discovery plays a major role in the setting of a public agenda. In lieu of panels of peers and acknowledged experts reviewing and deliberating over scientific project proposals to determine which ones get funded based on criteria of intellectual merit and social contribution, philanthropists are taking a more direct route to directly fund projects of specific interest to them. Projects funded by philanthropists may have intellectual merit and serve some public purposes, but it is questionable whether such research serves public purposes equitably or even represents the most cutting-edge work. An editorial in *Nature* expresses concerns that large gifts to particular research areas might crowd out research in other areas:

It is essential that funding for specific topics does not skew research to the detriment of important areas that might be temporarily less fashionable.... As they are targeted only towards

particular projects, they have the potential to skew the distribution of research projects being proposed and executed, by pulling resources from other, less ‘popular’ areas.... Areas deemed important by private donors are thus increasingly important for determining research priorities (*Nature Neuroscience*, 2008)

Even more broadly, there are concerns that private funding is viewed as a replacement for government funding. Marcia McNutt, the editor-in-chief of *Science* spells out this concern and the implications it would have for the scientific agenda:

One of the biggest concerns is that private funding for science could be viewed as a replacement for federal funding. However, unlike the federal portfolio, private support is not coordinated. Without adequate federal support, gaps of all kinds can develop—in the balance of exploratory, basic, applied, and translational research; in the support of scientific talent at different levels of training; and in the support of different types of institutions. For example, there are very different long-term impacts on science between a private investment in an institution devoted to basic research and a private investment targeted to globally eradicating a disease, although both are worthy endeavors. Even with new foundations entering the funding scene, the private share remains a small fraction overall and cannot compensate for substantial losses in federal dollars. For these reasons, it is important that scientists and philanthropists make the case to political leadership that private funding does not replace public support for research (McNutt, 2014)

McNutt is concerned that the specific impact-oriented approach that many philanthropists take with their funding endeavors may undercut the funding of basic science. The recent track record of philanthropic contributions to science suggests that private contributions to science have scant interest in a wide-ranging distribution of scientific attention. These contributions often look to fund short-term,

problem-based projects, at the expense of more fundamental research that does not have readily accessible outcomes.

Given current heated debates in government about the proper role of taxpayer dollars in funding scientific research, one might be tempted to see philanthropic funding as a bargaining chip for those looking to diminish government involvement. On two grounds, however, it may nonetheless be a problematic bargaining chip. First, the relative size of philanthropy's contribution to science pales in comparison to the historic levels of government funding. But some may be tempted to argue that private funds can replace, rather than complement, government funds. Second, the tendency for private funding to go toward projects of personal interest—such as ocean exploration, archaeological work on dinosaurs, and cures for diseases that tend to distribute along class lines—has the possibility of shifting the scientific conversation in the direction of philanthropists' interests. If science is important to setting national priorities, then the increased role of philanthropy in the funding of science at the expense of a collectively informed scientific community serves as a form of disruption. To be clear, we are not suggesting that philanthropy has no role in funding basic or applied research; indeed, philanthropic funding has led to much of value, but we emphasize its sometimes parochial, special-purpose character and urge that forms of peer review be developed so that such funding better take public and scientific interests into consideration.

### *Belief in the Redemptive Virtues of Competition*

The second major feature of disruptive philanthropy is its belief that the best social outcomes can be produced through inducing competition. Without a profit motive, so the argument goes, there is little impetus for efficiently providing services. Sure enough, this attitude can be found in the Giving Pledge statements we reviewed as well as in more commonplace critiques of government bureaucracy.

We consider this view in three ways. First, implicit in this view is the idea that the market is the most efficient allocator of goods, and that obstacles to the market should be reduced. Second, whenever a system of provision is inefficient, competition will force adaptation to the newer models. Third, in the effort to produce alternatives, today's preferences follow the contemporary business zeitgeist of start-ups and lean approaches to making systemic changes. At base, there is a fervent belief that social services can and should operate like a business, whether we are dealing with children, the elderly, homeless, battered women, or drug and alcohol addiction. To explore these features of disruption we consider the extensive philanthropic involvement in public education reform in recent years.

Surely philanthropic interests in education are not new. Rockefeller and Carnegie had a huge impact on American graduate education at the turn of the last century. Pierre du Pont was involved in building public education in Delaware through the improvement and development of schools and payment of teachers. Much of this early philanthropic work on education was done in tandem with or in support of public education efforts. Indeed, public schooling was long thought to be an anchor of American society by many groups. In contrast, the current era of philanthropic involvement in education is decidedly different, and has proven to be extremely polarizing. Recent research examining the grantmaking activities of major philanthropists has found increasing support for a select few school reform advocacy organizations, and others that serve as "jurisdictional challengers" by directly competing with established public sector institutions (Reckhow and Snyder, 2014). This shift has involved a preference for promoting competition, creating alternatives parallel to the state-run system in an effort to challenge the public system, as well as cases of the startup mode of "moving fast and breaking things."

*School Choice.* The idea of school choice is based on a startlingly clear view of markets. If students are able to choose which schools they attend, they will necessarily gravitate to the better performing

schools, regardless of distance or the choices of their peers. Hence, lower-performing schools will either be forced to improve or close. The core idea was developed by Milton Friedman in 1955 when he famously proposed that state funds for education be allocated in the form of vouchers, which parents could apply to whichever school they preferred. The schools could be public, private, religious or non-religious. Though the Friedman Foundation for Education Choice continues this mission, perhaps the biggest proponent of the school choice and voucher approach has been the Walton Family Foundation. According to Marc Sternberg, the director of the foundation's K-12 Education Reform Focus Area:

The Walton Family Foundation has been deeply committed to a theory of change, which is that we have a moral obligation to provide families with high quality choices ... We believe that in providing choices we are also compelling the other schools in an ecosystem to raise their game (Rich, 2014)

Notably, the Foundation's support for school choice has been framed as a "moral obligation" for choice. This fits squarely within our conception that disruptive philanthropy views markets as virtuous allocators of social goods.

The Walton Foundation's devotion is to a theory of choice. In the abstract, the theory appears plausible. Many, however, criticize the approach as ineffective for achieving its stated goals. One problem is that many disadvantaged students and families may want to choose a better school, but cannot because of various constraints, including the time and resources it takes to transport children to distant schools, a lack of information about which schools are superior, and that widespread choice of a particular school might diminish its quality of education due to excess demand. The approach also raises concerns for democracy. Critics contend that school choice might reproduce inequalities because those most able to overcome the obstacles involved in switching schools are likely to be those least in

need. Second, vouchers encourage the application of public money to private organizations that are not accountable to taxpayers. Despite the opposition and concerns about public funds going to non-publicly accountable organizations, the choice-based reform strategy has proliferated.

*The Charter Schools Movement.* In the push for choice in the education reform, many philanthropic foundations have been keen on supporting the charter school movement. Charter schools first appeared in Minnesota in 1991, and grew to 5,274 across the nation by 2011—over 5 percent of the public schools in the country (National Center for Education Statistics, 2013). This trend has been one of the most hotly debated issues in education. Part of the expansion of charter schools has occurred through the philanthropic efforts of the Bill and Melinda Gates Foundation, the Eli and Edyth Broad Foundation, as well as the aforementioned Walton Family Foundation. Each has supplied significant sums of money and advocacy to drive a model of responsive, market-oriented education, where low performing schools can be closed, under-performing teachers fired, and the measurable language of test results and seats filled is ever present. In fostering these efforts, they have disrupted the traditional public school model of education.

For some philanthropists, the drive for charters comes from a viewpoint that state-run schools are in disarray and that alternative schools with better, more efficient management will produce better outcomes. Charters are a way to compete with the state, effectively encouraging the state to be more responsive as a result of competition. For others, the answer to education woes is to start fresh – with new, unencumbered and better-run systems that might involve the expansion of charters. This is exemplified in Bill Gates remarks made in a 2005 speech given at the National Education Summit on High Schools:

America's high schools are obsolete. By obsolete, I don't just mean that our high schools are broken, flawed, and under-funded – though a case could be made for every one of those

points. By obsolete, I mean that our high schools – even when they’re working exactly as designed – cannot teach our kids what they need to know today (Gates, 2005)

In many ways this statement underscores the tenets of disruptive philanthropy. Struggling educational institutions are not to be fixed, according to Gates, they cannot be. An entirely new system must be created that is unencumbered by the shortcomings of the previous system. The Gates Foundation has stayed true to this belief. One of the Gates Foundation's earliest forays into educational philanthropy was funding the break-up of poor performing large public schools and replacing them with smaller schools. For example, a \$9.5 million grant was awarded to the Oakland (California) Unified School District to convert three high schools into multiple small schools and open five additional schools by 2007. Additionally, the Foundation notes that through a nationwide effort between 2000 and 2008 it spent nearly \$4 billion, \$2 billion of which went to "directly reaching at least 781,000 students and opening or improving 2,602 schools in 45 states and the District of Columbia" (Bill and Melinda Gates Foundation, 2008). Though the results of the small schools initiative have been roundly criticized, and Gates has admitted the initiative's inability to meet many of the desired results, the foundation has continued to invest in other charter operations.

More generally, the Foundation’s efforts at educational change are viewed as an attempt to work around the public school enterprise, even when educators were supportive of goals of improving math or reading skills. In March 2014, the American Federation of Teachers chose to no longer accept funds from the Gates Foundation, in large part because of a chasm of distrust that had developed.

The Gates Foundation has also played a significant role in shaping policy that regulates the operations of public schools. In this way, their educational philanthropy has provided a perch from which to proselytize about school reform – a feature we have dubbed as conversation changing – but, in conjunction with their resources and reach, attempts to compel public education to reshape itself in the

Gates Foundation's image. On one level, this resembles the philanthropy as laboratory phenomenon that we regarded part of contributory philanthropy. But notably different is the foundation's demand that the federal government support more charter schools that are largely free from governmental (and by extension, democratic) oversight. The foundation used \$2 million to fund the "Turnaround Challenge," a report-turned-initiative that US Secretary of Education Arne Duncan has called the "bible" of school restructuring.<sup>4</sup> The report puts heavy emphasis on the use of charters. The Gates Foundation has been the largest supporter and funder of the Common Core Standards – donating over \$150 million as of 2013 – that have been adopted in most states (Strauss, 2013). This influence has led education scholar and former Assistant Secretary of Education, Diane Ravitch, to criticize Gates as the "unelected superintendent of American schools." Interestingly, and possibly indicative of the legitimacy of big money philanthropy's role in providing public goods, the majority of popular criticism about the standards has been critical of a national-level program being forced upon states, with scant mention of the programs private-money origins.

The Gates Foundation is certainly not the only major philanthropic supporter of charter schools, though they may be one of the most vocal. Other foundations, such as the Eli and Edythe Broad Foundation, have supported the movement in other ways. For example, the Broad foundation runs training programs to teach education leaders – principals, superintendents and other school management officials – how to further school reform within public school systems. The Broad Residency and Broad Academy have trained education leaders around the country to pursue initiatives to change government oversight and limit the power of teachers unions, while supporting the growth of public charter schools. Their website features a list of "75 examples of how bureaucracy stands in the way of America's students and teachers," which ties the failures of the public education system to government inefficiency, limited resources, and regulation.<sup>5</sup> In this sense, the Broad Foundation's

educational reform efforts underscore the competition-oriented feature of disruptive philanthropy. The state *must* be competed with – disrupted – in order to produce "positive" social change.

*Moving Fast and Breaking Things: The Preference for Startups.* Other philanthropists are less explicitly competing with the state than they are presuming it broken and seeking alternative modes of replacing it. This approach was made apparent in 2010, when the young Facebook founder and multi-billionaire Mark Zuckerberg went on the Oprah Winfrey show to announce a 5-year \$100 million grant to support Newark, NJ, Mayor Corey Booker and New Jersey Governor Chris Christie in their plan to alter Newark public schools. The city's school system had long been underperforming. Their plan called for imposing reform from the top-down, fearing that unions and local politics would derail a more participatory approach to reform. The initial reform plan stated, "Real change has casualties and those who prospered under the pre-existing order will fight loudly and viciously" (Russakoff, 2014). Further, the plan sought philanthropic support in what amounted to a change in teacher incentives through systems of accountability and the expansion of charter schools in the district. Philanthropic funding, because it brought with it little oversight, would not, they maintained, carry the risk of being captured by entrenched interests. The plan found a funder in Zuckerberg, who, apparently shared the Booker-Christie vision of reform and the goal of making Newark –a city he had never visited – a national symbol for education reform. He commented that:

I hope that this helps the 45,000 students who go to school there. But the long-term goal would be to make Newark into a symbol that you can do this. So that way, a lot of the results can get replicated in other places....But hopefully a lot of it will get put in motion in the first year or so, and a lot of stuff that they need to do is just close down certain schools, make sure that there's room for good schools to come in and join, set up programs. And then, a lot of this is going to be operating it and just going to take a long time to change (Arrington, 2010).

With the announcement of his \$100 million gift, Zuckerberg set up a foundation, Startup:Education, as a vehicle for the funds. The foundation's mission is to "take a startup approach to improve education for all students."<sup>6</sup> The plan called for building a new organization free from the institutional fetters of the old one – a startup of sorts – that would “fix” the educational system. As Zuckerberg viewed it, he was investing in the duo as a venture capitalist would invest in a startup. Given the five-year period over which the funding was to be used, he wanted them to move fast and break things, the mantra championed at Facebook. Booker and Christie's plan called for just that.

Schools were closed, others were consolidated, a superintendent was ousted, and outside consultants were hired to manage the transformation. The \$100 million was spent, although reportedly little progress has been made. In reaction to the top-down and outsider-driven moves taken in the schools, local Newark residents were vocal in their criticisms. They felt overlooked and ignored by the "move fast and break things" manner of school closings and layoffs. To them, an announcement on Oprah was a far cry from a public forum. Citizens wanted to know about the decisions to close which schools and what arrangements were being made to uproot and transfer students to other schools in the district. They wanted to know who would be selected as leaders for the charter schools, and what, if anything, the reform efforts would accomplish for students left out of charter programs. Merely imposing the style of startup for the sake of disrupting the older system proved problematic when the process dismantled the school system that the public had relied upon. As much as Newark parents desired change, their lack of say in the process and the retrenchment that went on without their input may well have done grave damage to prospects for wider systemic reform, based on compromise and deliberation. There is little question that Newark schools were not effectively providing for their students, but this experience demonstrates the considerable costs of ill-conceived disruption. There is, of course, a major role for philanthropy in the provision of education and its reform, but the imposition of experiments without democratic engagement proved to be a recipe for failure. Mayor Booker  
Horvath & Powell (30)

moved on to the U.S. Senate, and Zuckerberg to other projects, but the schools of Newark remain deeply troubled.

Nonetheless, the mantra of disruption and startups remains strong. In May 2014, Zuckerberg's Startup:Education foundation made a \$120 million gift to San Francisco Bay Area schools. The embrace of startups resonates within Zuckerberg and the tech sector's zeitgeist. If something can be shown to work, it can be invested in and "scaled." In this respect, such an approach is akin to the model of philanthropist as "experimenter." But unlike that model, the end game as seen by philanthropists, like Zuckerberg, is not widespread diffusion. The model of such experiments—throwing money at a system to transform it—cannot easily be adopted by municipalities unless they find a benefactor like Zuckerberg. In the end, philanthropic experimentation only goes so far as the donors' enthusiasm.

#### *New Models of Funding the State*

A common theme running through philanthropic efforts to refashion education is that local governments are cash-strapped, and unable to bear the risk of new social programs due to limited budgets. As state programs muddle along, without any new revenue generation, some local governments are turning to alternative, private sources to fund an array of services that had previously been delivered by governments.

*Social Impact Bonds.* One form of private social investment still in its infancy is the social impact bond (SIB), first pioneered in the UK, as a way for government agencies to pay for programs associated with some level of risk. The state sets a desired goal—necessarily measurable—and promises to compensate an external organization if they are able to accomplish that outcome. This external organization is then provided with working capital by private investors that enable the hiring and management of social service providers and a third-party evaluator. If the social goal is achieved within the pre-designated

time period, the government compensates the external organization that in turn rewards investors with interest on their principal investment for taking on the up-front risk.

As of February 2014, three states -- New York, Massachusetts and Utah, have implemented SIBs and all of these SIBs have been funded through investments from Goldman Sachs. The first SIB, in New York City, is targeted at reducing recidivism among young men at Rikers Island jail. In Salt Lake City, Utah, the SIB is focused on providing early childhood education to low-income preschoolers through local school districts. In Massachusetts, the SIB is directed to improving outcomes through decreased incarceration and increased employment for at-risk youth.

The New York City SIB involved the City contracting with MDRC to establish a program to deliver services to young men at Rikers Island with the aim of reducing recidivism by 10 percent. The Vera Institute of Justice, funded by the Mayor's Fund to Advance New York City, is charged with conducting a quasi-experimental design to determine if the program is successful. Funding for the program involves a \$9.6 million investment from Goldman Sachs, guaranteed by a \$7.2 million grant from Bloomberg Philanthropies. Goldman Sachs stands to receive its investment with interest should the program meet its goals by 2016. Simply put, Goldman Sachs is betting on the effectiveness of an evidence-based reentry program and assuming the upfront cost burden of the New York Department of Corrections, who will reimburse Goldman Sachs if the goal is met.

Initiatives such as SIBs are a sign that local governments view external sources of funding as legitimate, and increasingly necessary. Moreover, decisions by local governments to use SIBs clearly signal that private money can and should play a role in tackling social issues. Such endorsement of private funding is further evidenced by the Obama administration's Pay for Success initiative, begun in 2011, which seeks to expand the role of social impact bonds. According to the Office of Management and Budget (OMB), "Now more than ever, federal programs must be measurably effective and

designed to do more with fewer resources,” and there is a need to “leverage philanthropic and other private investors to provide services for a target population that measurably improve the lives of individuals while also spending taxpayer dollars wisely" (OMB, 2011).

At first glance, these interactions between the state and private actors – such as those seen in the New York SIB or in the Pay for Success initiative – seem akin to the contributory modes of philanthropy of earlier eras. The state cannot afford to do everything and philanthropy bears some of the burden of risk in attempting new social programs. But what makes these recent activities disruptive is that this is not a philanthropically-funded demonstration project, which pending success will later be adopted by the state. Nor is it a public-private partnership where state funding is leveraged by private entities to carry out state functions. Here philanthropic interests are both central and institutionalized. Instead of a private entity supporting projects to subsequently turn over to government, the state is bidding for the favor of private entities. Hence it is less a public-private partnership than a private-public partnership. As such, the state's goal must appeal to philanthropic sensibilities – such as concerns with measurable outcomes or earnings potential, or models that prize market logic and free choice over responsible oversight and legal protection.

For services such as recidivism reduction, the SIB model may be appropriate. The outcomes are relatively clear and the turnaround time is relatively short. But many programs do not have such attributes. It will be challenging to fund public goods such as parks or elder care without constructing outcome metrics on which they should be measured first. Producing such metrics in order to financialize public services would likely produce distortions. Even the trajectory of the relatively easily measurable recidivism outcome can be considered a product of this distortion. The use of recidivism outcomes is common in the field of criminal justice research and, even though some debate exists about what does and does not count as recidivism (is it the point of arrest? reincarceration? do

technical violations of parole or probation conditions count?), it is interesting that the common metric of recidivism has been plucked from the many possible conceptions of criminal justice. Viewed broadly, justice can be conceived of as entailing civil rights, equal treatment, or equal opportunity. The focus on recidivism appears to work well because it makes for an outcome variable for the usually unambiguous independent variables of interventions and treatment levels. Further, the field of criminal justice has had a shift in recent years, along with much of the policy research and implementation field, to commodify the outcomes of interventions in terms of cost-benefit analysis. The process of honing in on a financializable outcome, recidivism, is notable because it demonstrates how an ambiguous but important arena of public interest can be shrunk into a narrow outcome measure. In some ways, this has been a boon for the criminal justice field. It has enabled policy researchers to overcome the liberal taint of "hug-a-thug" interventions and make their work appeal to a wider political audience on the basis that it offers better services at lower costs. The typically unconsidered cost, however, is what it has done to concerns about justice.

Such a shift in how social services are conceived runs the risk of reshaping government agendas for what does and does not get funded. The state, in search of private backing, must select social problems and frame them in the hope of procuring funding, possibly at the expense of less tractable concerns, with less readily measurable outcomes. And, in turn, efforts to construct flimsy metrics for public services will multiply, creating a new commodification cottage industry. In doing so, the presumed and expressed interests of private funders may crowd out attention to issues that are not so easily monetized. If the model of SIBs or Pay for Success spreads, choices about the provision of social goods become determined more by investors than the public.

*Mayoranthropist Bloomberg.* Mayor Bloomberg, through his foundation, was a major player in the creation of the New York City SIB. The decisions were made at a time when Michael Bloomberg, a

very generous philanthropist, was also Mayor. Not only was he the democratically elected representative of the city, he was also one of the city's chief funders. Bloomberg donated an estimated \$650 million of his own money to fund city needs, according to an analysis by the *New York Times* (Barbaro, 2013).

By occupying the dual roles of Mayor and philanthropist, Bloomberg's charitable and municipal interests were difficult to disentangle. He founded Bloomberg Philanthropies in 2006 to donate money toward matters of public health, environment, education, government innovation and arts, all areas that a mayor might choose to emphasize. His foundation, a lean start-up model with only 30 or so people overseeing programs in more than 95 countries, has massive ambitions. In Bloomberg's eyes, the interweaving of mayoral and philanthropic roles was a means to jumpstart the solving of public problems and issues the city might not otherwise be able to address. He summarizes his belief in an interview with *Forbes*:

Never before has it been more important for philanthropy and government to work together to advance the public's interest. I'm a big believer in public-private partnerships, which have been critical to the success we've had in New York City in addressing poverty, sustainability, education – and many other challenges. Especially in this economic environment, where governments have to do more with less, philanthropic dollars can allow mayors to experiment with unproven ideas that lead to major advances in the way we serve the public (Kanani, 2012)

The use of public-private partnerships in the traditional sense is not, however, the legacy Bloomberg has left behind. Rather he has demonstrated that private wealth can supplement public spending. One might say that he generously funded his mayorship. Rather than running for a job, he subsidized his, supporting all manner of city programs out of his own pocket.<sup>7</sup> Criticisms leveled at Bloomberg's

mayoral actions are absent from his philanthropic efforts, suggesting that he will be remembered as a philanthropist who donated his mayorship to the city. Moreover, private money used for municipal social ends increasingly enjoys a halo effect that public support no longer does. As private philanthropy further expands, tax revenues decline, creating a cycle of dependency.

Consequently, Bloomberg's dual roles serve to create a new normal, a state of affairs in which wealthy individuals select the public goals that mesh with their private interests, and for which they receive public acclaim and appreciation. The result is that when groups are unable to pursue a particular interest through the democratic process, the new alternative is to fund it through private means. Bloomberg began the New York City Office of Strategic Partnerships that oversees the 501(c)(3) Mayor's Fund to Advance New York City that is backing the Vera Institute evaluation of the New York recidivism SIB. Current mayor, Bill DiBlasio, appointed his wife to chair the office and thus chair the Mayor's Fund. The presence of the Mayor's Fund, and further its incorporation into the city government through the Office of Strategic Partnerships, is the organizational embodiment of Bloomberg's simultaneous mayor-philanthropist role.

The actions of Bloomberg and the use of SIBs are motivated by the coincidence of public needs with a lack of available public funding. In some respects this is not unlike the Newark schools where Booker and Christie responded to a public need by seeking private funding in order to skirt government and public opposition. The idea that philanthropic privilege can dictate the state's agenda without democratic considerations is a common element; moreover, that civic governance is often seen by philanthropists as an obstacle to the provision of social goods. To be sure, politics and public bureaucracy frequently stand in the way of social change, and often governments do run inefficiently. But these "workarounds" further corrode democratic participation. The diffusion of programs like the Mayor's Fund in New York City to numerous other cities around the country suggests the growing

embrace of the disruptive mindset. Most significantly, we have seen the Office of Social Innovation and Civic Participation emerge out of the White House. The new office, begun in 2009 by President Obama, firmly establishes philanthropic and foundation interests squarely within the federal government. The office is designed to work across "the social sector – individuals, non-profits, foundations – as well as business and government – to find new ways to solve old problems<sup>8</sup>." Indeed, such a powerful seat at the executive table suggests the story is more complicated than a vision of philanthropists versus government. More accurately, philanthropy is reshaping government by inserting itself as a preferred provider of public goods. This expanded role is increasingly welcomed and legitimized by the government at the highest levels<sup>9</sup>.

What are the ramifications for democracy when the means of providing public goods moves away from a public system to a new process with no democratic or political recourse and scant public oversight or inputs? Perhaps as long as disruptive philanthropists fund services such as schools that are heavily used by the public this is not a grave problem. But we may be only a small step from private entities dictating how public services ought to be run. Moreover, current philanthropic support is variable not constant; what happens if and when private funding disappears? And what happens when Goldman-Sachs fails to make a sufficient return on a recidivism investment? Bloomberg often jokes he wants to bounce a check to his undertaker, recognizing even his own fortune is not inelastic. A democratic system may be rife with inefficiencies and entail deliberations and compromises; but the disruption of democracy – in which "choice" has replaced consent – appears to us a risky answer.

### **Can Disruptive Philanthropy Promote Democracy?**

If a major concern about disruptive philanthropy is that it can have negative consequences for the practice of democracy, what might philanthropy look like if it enhanced democracy? To answer this question, we first consider when actions of the state are anti-democratic, and then ask what private

money could do to "disrupt" or counteract these actions. Recent high-profile Supreme Court decisions, such as *Citizens United v. Federal Election Commission* (2010)<sup>10</sup>, as well as decisions that have limited minority access to voting, including *Crawford v. Marion County Election Board* (2008) or *Shelby County v. Holder* (2013)<sup>11</sup>, have been widely decried as anti-democratic in that they lend more power to corporations at the expense of the popular vote, and limit access by citizens to elections. Some philanthropists, in this case foundations, have sought to combat the restrictive elements in these decisions. As one example, the MacArthur Foundation's "Strengthening American Democracy" program seeks to "strengthen democracy in the U.S., given our perception that the political system has failed to adequately address major issues confronting the nation."<sup>12</sup> Their work focuses on funding research about voting restrictions, and supporting research that suggests democratic solutions to political polarization. They also fund work to reform judicial elections and access to polls. Similarly, the Rockefeller Brothers Foundation has a Democratic Practice program that seeks to combat the influence of private financing in electoral campaigns by supporting the adoption of public financing. They also look to increase the transparency and accountability of corporate political spending which, even as it grows, remains hidden to the media and inaccessible to the common voter. Such efforts at revealing the political fortunes that shape elections are clearly attempts to reshape the current political landscape in a more transparent direction.

Do such programs by the MacArthur and the Rockefeller Brothers Foundations satisfy our criteria for disruptive philanthropy? They seek to change the conversation around the status quo of democracy. They propose alternatives and new knowledge that will raise doubts about the current political process, and offer new ideas. They also place the foundations and their grantees in the role of watchdogs over democracy and government functions. Ultimately, these actions are disruptive because they are in competition with the current political process, arguing that it is more responsive to special interests than its citizens.

One may challenge the assertion that philanthropists can democratically disrupt, on the grounds that the embrace of democracy is little more than window dressing for a field that is inherently in tension with democracy. We do not deny this possibility. It should, however, be reiterated that philanthropists and foundations often have mixed and even conflicted motives, just most organizations. It is not impossible for disruptive work and contributory work to come from the same source. Moreover, it is not outside the realm of possibility that contributions may ensue in the long-run following initial disruption. Our hope, however, is that, even if pro-democratic programs are modest efforts today, such programs might become institutionalized and more central to philanthropic missions.

There are other forms of philanthropy that suggest ways to strengthen democracy, albeit neither fits the disruptive model. The first example could be termed the audit function of philanthropy. In recent years, as support for investigative journalism has dissipated and as newspapers' advertising-based business model has collapsed, the news organization, ProPublica, has stepped into the void. Notably, ProPublica is funded largely by philanthropic and private money; it serves an important role as the fourth pillar of democracy. A healthy democracy relies on information to inform the public to keep both state and corporate power in check. The second form is an alternative funding model that does not displace government role. When the California State Legislature was facing a budget shortfall that would force the cutting of community college scholarships, Bernard Osher, a Californian businessman and philanthropist, stepped in and wrote a check for \$70 million to ensure the scholarship program's continued existence. This act of philanthropy came with no strings attached, and with no expectation of a return on his gift.

### **Discussion and Implications: When Private Interests Set the Public Agenda**

In the fields of economics and political philosophy, there has long been a concern that public provision of a good or service has the potential to crowd out private involvement. This view holds that

government funding becomes a crutch or entitlement that hampers individual initiative. There is also a less extensive literature on nonprofit funding that examines whether earned income efforts by 501(c)(3) organizations deter charitable contributions. In both cases, the conventional view is that resources become substitutes for one another. We pose the question in reverse: Does extensive private philanthropy by the super-rich undermine government, and indeed democracy? Obviously, individual acts of generosity are not, in and of themselves, cause for grave concern. Our focus is on their collective and transformative impact.

Before considering these broader implications, we need to speak to several limitations of our claims. First, as we noted earlier, our historical comparison is incomplete. We look at philanthropic efforts over the past decade and compare them to a period that unfolded over many decades and for which we have rich historical data. Moreover, we lack access to detailed philanthropic records in the current era, so we cannot say what percent of contemporary philanthropists' donations are disruptive versus contributory, although these individuals certainly make loud claims about their disruptive gifts. Finally, we are aware that the efforts of Gilded Age philanthropists could be construed as disruptive in their time and place. The model of university higher education was transformed by their gifts. And these industrialists were roundly castigated in public by the press and critics. But, in an important respect, that is precisely the point we want to emphasize. Late 19<sup>th</sup> and early 20<sup>th</sup> century philanthropy was shaped by an engaged public, a suspicious government, and a muckraking press that cast a critical eye on its efforts and its goals. Today's philanthropists are celebrated by politicians, featured glowingly on the covers of *Forbes*, *Time*, *Vanity Fair*, and *Town and Country*, and have created a burgeoning fashion for social entrepreneurship. This uncritical reception has led to an unexamined belief that philanthropic efforts are more efficacious than government, and acceptance that those with great wealth can and should determine public purposes.

As sociologists contributing to a volume with political theorists, historians, and legal scholars, we are inclined to offer a schematic framework that might lead to empirical examination of our ideas. Thus we formalize our historical contrast in propositional form (Figure 3).

[Figure 3 about here]

We define philanthropic disruption as the tendency for philanthropy to either explicitly, or by consequence, alter the public conversation about which social issues matter, set an agenda for how they matter, and specify the preferred provider of services to address these issues without any engagement with the deliberative processes of civil society. Borrowing from political theorist Robert Dahl's (1989) definition, democracy depends on adequate, equal, and consequential opportunities for citizens to discover and express preferences and shape public agendas. With these definitions in mind, we suggest the following:

*Proposition 1: Increases in philanthropic disruption erode the practice of democracy.*

The relationship between disruptive philanthropy and democracy is moderated by the context in which it takes place. In particular, the relative legitimacy of state and private action shapes how philanthropy is received. Following from the sociologist Max Weber, we consider legitimacy to represent faith in a particular social order, most notably, the extent to which that order is collectively felt to be natural or proper. As a baseline, we consider the relationship between the state and private actors to be inversely related. To formalize the dynamics of public and private interests, we suggest:

*Proposition 2: Increases in the legitimacy of private provision of public goods relative to state provision exacerbates the negative effects of disruptive philanthropy on democracy.*

Additionally, the relinquishing of direct government provision to private entities – either for-profit or nonprofit, will moderate the effect that philanthropic disruption has on democracy. Thus:

*Proposition 3: Increases in private provision of public services will magnify the negative effects of philanthropic disruption on democracy by reducing direct accountability to citizens.*

We also expect that the outsourcing of public provision to private actors will affect the relative legitimacy of state and private actors. Private provision of many services – such as the private administration of public funding through charter schools – can obfuscate the underlying relationship between citizens, the public good and government. Consequently, we contend:

*Proposition 4: As the state relinquishes its public provision role to private entities, the legitimacy of the state is reduced.*

This effort at formalization follows from our cursory overview of the contemporary world of philanthropy. The new forms of wealth created in the fields of technology and finance in recent years have been put to new uses by a younger generation of philanthropists, and their efforts differ from traditional forms of benefaction by the degree to which they prefer a disruptive model. There has been a concerted effort to remake the organizational landscape, often tackling problems that are a particular personal passion of the philanthropist, or pursuing concerns that the benefactor feels are not addressed in a way they deem efficacious. This rise in disruptive philanthropy has arrived at a time of weakening

belief in the role of government, and a growing preference for private solutions. In many cases, private actions contain an implicit critique of the state, either with a disdain for its bureaucracy or a larger sense that government has become too cumbersome or slow to come up with new solutions.

The fashionable critique of public engagement is accompanied by a celebration of individual initiative. This entrepreneurial zeal leads some to create organizations and services that come to assume the former purview of the state, either in education, public health, or social services. Through these efforts, the efficacy of the state is further questioned, and as a consequence, both citizens and politicians are channeled to support the further delegation of the people's business to private enterprises, be they nonprofit or for-profit. As the government cedes more of its role to the private sector, it contributes to its own weakening. There is less willingness among the young to work in government, because there is less faith in its impact. As the legitimacy of government recedes, we increasingly valorize the private efforts of philanthropists and nonprofits to develop new organizations to provide public goods. In doing so, we obscure the power of these new agenda setters, as their hand in transforming the landscape is less visible. The fundamental challenge of many of these private initiatives is that they do not increase in scale or size without taking on many, if not all, the characteristics of large organizations of any stripe, and without the oversight and involvement we see in government. This process threatens the practice of participatory democracy as obstacles and greater distance are placed between citizen influence and the provision of public goods. Even more, this shift has gone largely uncriticized, suggesting a broad public acquiescence to private interests.

We close with a few thoughts regarding measures that could be taken to stem the tide of private control and preserve the role of democracy in the provision of public goods. The core problem with disruptive philanthropic actions is that they are imposed without public deliberation or consultation. We saw this issue most evidently in the backlash that Zuckerberg, Booker and Christie faced with their efforts to reform Newark schools. Furthermore, the reliance on a free-market view of philanthropy –

that if all philanthropists pursue their own interests then all relevant interests will be represented – fails to produce equitable outcomes. To mitigate these effects, some form of community oversight and public consideration must be built-in. Thus far there has been very little discussion of what form these deliberations might take, and in our limited space, a full-fledged articulation is not possible. But several extant models could be readily re-purposed to address these concerns. The major absence in private funding of science is the lack of peer review. Foundations and universities could work together to set up advisory panels, along the lines used by the NSF, NIH, and many older foundations. Across the United States there has been a remarkable downturn in crime in large cities. A multitude of factors are involved, ranging from demographic changes to new models of policing. One critical element of the latter has been community review boards and various other steps to engage community involvement in the safety of neighborhoods. Similar engagement and participation in philanthropic efforts to transform public education would be welcome.

The disruptive efforts of philanthropists are, however, not the only cause for concern. A key contextual moderator in disruptive philanthropy's effect on democracy is the degree to which such actions are viewed as legitimate. This, in some regards, is a more unsettling problem and solutions to it are less obvious. Moreover, our lament is less about the decline of civil society (Putnam 1995), and more about its unchallenged co-optation by super-rich philanthropists. Discussion, debate, and deliberation are noisy, frustrating, and slow. But when they reveal consensus and acceptance, successful implementation readily follows.

If philanthropists genuinely want their gifts to have lasting, contributory effects on society, they need to move beyond their embrace of disruption and think more systematically about involvement of those whose lives are affected by their efforts. To neglect this discussion is a loss for the larger public good, and quite possibly, in the long run, for the good done by philanthropic money.

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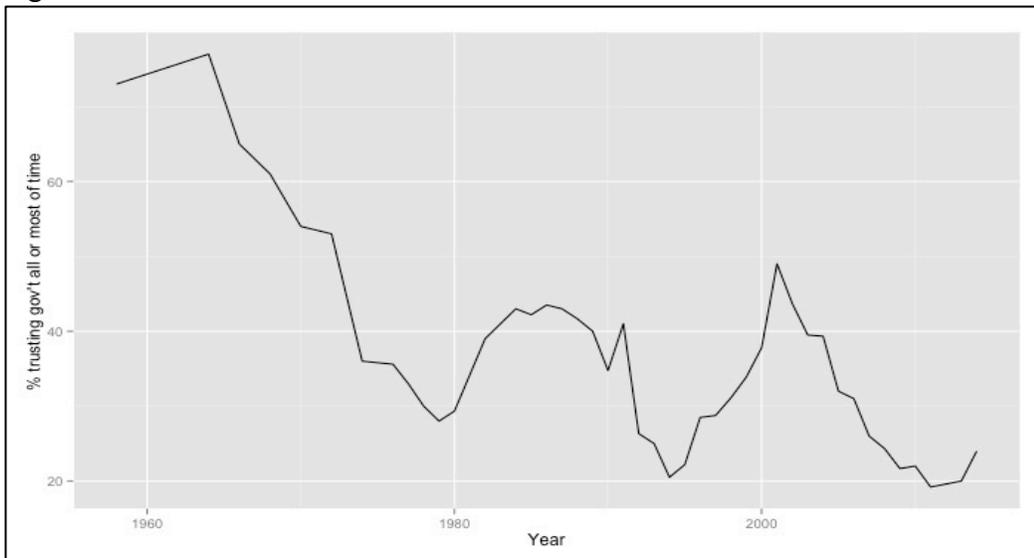
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## Figures

Figure 1. General Historical Comparison of Philanthropy

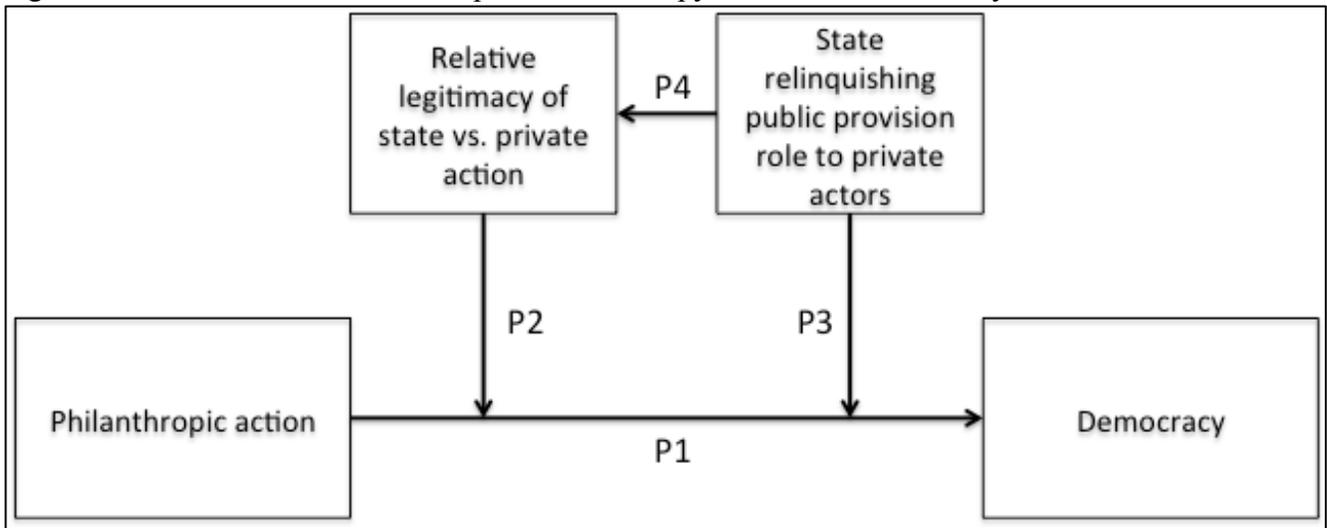
	<u>Gilded</u>	<u>Contemporary</u>
Philanthropists	Carnegie, Rockefeller, Mellon et al	Gates, Walton, Zuckerberg et al
Public Goods	Museums, Libraries, universities, churches, gardens, foundations	K-12 education and public health
Relation to state provision	Contributory: Complements to public provision	Disruptive: Interventions, substitutes for government provision
Legitimacy of Philanthropists	Philanthropists castigated on magazine covers; avoid spotlight; few self-naming examples	Philanthropists venerated on magazine covers, names are prominently featured, non-publicity seeking donors are thought unusual and the subject of news coverage

Figure 2. Decline in Faith in Government 1958-2014



*Authors' own analysis. Based on data from Pew Research Center<sup>13</sup>*

Figure 3. Theoretical Model of Disruptive Philanthropy's Effect on Democracy



## Endnotes

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<sup>1</sup> <http://www.atu2blog.com/wp-content/uploads/2013/04/HeislerBonoGateses.jpg>

<sup>2</sup> <http://www.gallup.com/poll/1678/most-admired-man-woman.aspx>

<sup>3</sup> <https://today.yougov.com/news/2014/01/10/infographic-bill-gates-most-admired-person-world/>

<sup>4</sup> Mass Insight Education (<http://www.massinsight.org/stg/research/>).

<sup>5</sup> Eli and Edythe Broad Foundation (<http://www.broadeducation.org/about/bureaucracy.html>)

<sup>6</sup> Startup:Education (<http://www.startupeducation.org/>)

<sup>7</sup> According to the *New York Times*, this money was spent on a wide range of things from perks and bonuses for his staff, support for political campaigns, promotion of charity and social causes, and upgrading the standard travel and lodging of mayoral aides

<sup>8</sup> Whitehouse (<http://www.whitehouse.gov/administration/eop/sicp/about>)

<sup>9</sup> One interesting case of this is the use of "political CSR" in which companies and foreign governments give money to philanthropic foundations headed by political figures – such as the Clinton Foundation – ostensibly in exchange for policy favorable to their interests (Carroll 2015).

<sup>10</sup> The 2010 ruling held that the First Amendment prohibits the government from restricting political independent expenditures by corporations, associations and labor unions. The ruling has sparked a massive flow of private money into elections.

<sup>11</sup> The 2008 ruling upheld that voters could be asked to provide IDs to vote, and the 2013 ruling gutted key provisions in the Voting Rights Act that required certain states to obtain federal preclearance before making any changes to voting laws or practices.

<sup>12</sup> MacArthur Foundation (<http://www.macfound.org/programs/democracy/>)

<sup>13</sup> <http://www.people-press.org/2014/11/13/public-trust-in-government/>