

Government, Business, and Civil Society— Who Should Do What?

By Karl Zinsmeister

The role of the state in fulfilling public needs is something people talk about (and propose to expand) all the time. Business is also claiming a large and growing place in addressing issues in America (through companies ranging from FedEx to SpaceX). What is much less often recognized is that our country has a third sector with potent capacities for solving public problems. We call this third sector civil society, or the independent sector, or philanthropy and voluntary action.

The institutions of the independent sector don't wield the commanding authority of the state, and they don't enjoy the profit incentives that give commercial enterprises their power. Yet they can be highly effective. There are many issues where neither power nor money are adequate for repairing rips in the national fabric, while charitable acts are a powerful elixir.

We worry today about things like disturbed children, suicide, falling life spans, squalid street populations, and declining participation in work. Those kinds of afflictions are rooted, we know, in family breakdown, declining faith, addiction, and depression. Right now these are our most dangerous problems.

And we cannot reverse troubles of that sort through legislation, or government payments, or police powers. We cannot buy fixes from market vendors. Those kinds of traumas *do*, however, respond to personal contact. Emotional connection, neighborly encouragement, sympathy, religious comfort, local knowledge—those kinds of tools, which charities specialize in, are often able to make a difference where impersonal, institutional interventions achieve nothing.

The *Almanac of American Philanthropy* documents thousands of examples of charitable efforts succeeding in vital sectors where state authority and commercial inventiveness failed. Public impressions of charity as little more than soup kitchens and children's clubs need to be corrected. Philanthropy is a mechanism capable of tackling serious, large-scale needs across wide swaths of society.

Just to illustrate this briefly, how many Americans are aware that the two greatest public amenities in New York City—Central Park and the New York Public Library—are not run by government agencies at all, but operated entirely by charities? The NYPL is

not only the most-used research library in the world but also the largest provider, in our most populous city, of English classes, citizenship instruction, free legal services, computer training, pre-k literacy, and other popular needs. And from the day of its founding 125 years ago right up to the present moment, the New York Public Library has always been a private charity powered by donors.

Or consider Central Park. It used to be an agency of the city government, but they ran it right into the ground. During the 1960s and '70s Central Park deteriorated so badly it became dangerous to visit, as well as ugly. Many readers will remember the dead grass that turned the Great Lawn into a dust bowl. Belvedere Castle was covered with graffiti and ringed with razor wire. The Bethesda fountain was broken. At one point some thief climbed the famous statue of a falconer and sawed the bronze bird off of the man's arm. The park was a complete mess, which burned a serious hole in the quality of life of families in New York.

Then a coalition of concerned donors came along. They told the city they would provide funds to rescue the park—but only if the public administrators who had ruined it agreed to hand over the car keys. So since 1980, Central Park has been run not by the city government but by a private conservancy. They provide maintenance, keep order, and create rich programming. Private money and private management have made Central Park a jewel, and visitation has jumped from 12 million per year prior to the charitable takeover to more than 40 million.

Similarly, how many Americans realize that nearly all of the most successful education reforms in the U.S. over the last generation were sparked and fueled by philanthropy? Or that private donors are behind a huge portion of the medical breakthroughs that occur in America? That voluntary gifts to the arts are five to ten times the size of government support? That U.S. philanthropy is important in fields one might never expect, like recovery of endangered species, and even national defense?

Philanthropy's strength

Between the cash we give away (\$428 billion in 2018) and the value of the volunteer time that we donate to good causes, philanthropy now represents around a trillion dollars of annual economic activity. In this area, the U.S. operates in a class by itself. As a fraction of available income, the Canadians (who are our kissing cousins in so many other ways) give at about half the U.S. rate. The Australians give at one sixth our level. The French and Germans, the Asians, give vastly less.

And there is much more to philanthropy's power than just the dollar volume. The way that philanthropy attacks social problems and the way government approaches them are very different. The writer John Updike once noted that for government administrators, change is an enemy. It disrupts routines and creates work for bureaucracies. Entering uncharted territory is what gets bureaucrats fired. Updike

summarizes poetically that “the state—like a young child—wishes that each day be just like the last.” Whereas private actors, as he puts it, are more like teenagers, “hoping that each day will bring something new.” This hints at why government problem-solving tends to be so plodding, while philanthropists compete aggressively to find innovations.

Obviously charity can become bureaucratic and timid too. But that’s not the norm. In general, philanthropic entrepreneurs tend to be highly inventive. You get a glimpse of that in the way the space programs run by Jeff Bezos and Elon Musk, basically as philanthropic enterprises, have completely left NASA in the dust.

In addition to being inventive, philanthropy tends to be nimble. It adapts much more rapidly to conditions on the ground. One way to view the contrast between government spending and philanthropic spending is to think of philanthropy as venture capital, whereas government spending is more like working capital. Working capital pays the factory light bill. Venture capital builds a new factory, ideally one that doesn’t require lights. When you invest venture capital you know you are going to be surprised often, and sometimes fail—because you are experimenting, and trying things no one has attempted before. But when you do hit home, the payoff is large, and all of society enjoys deep benefits.

Philanthropy is also more efficient than government action. A meta-study a few years ago compared 71 instances where the same basic social service was available in the U.S. from both public agencies and philanthropic organizations. The study found that in 56 out of the 71 cases, the philanthropic provider was more cost-effective. In ten cases there was no clear difference. And in only five cases was the public provider more efficient.

Charitable actors tend to be less interested than the state in simply salving wounds, and more eager to cure the patient so that pain points go away. Don’t just fill the income gaps that result when fathers abandon their children. Go upstream and try to stanch the abandonment itself.

Ben Franklin was one of the early American donors who insisted that it’s far more desirable to help people build sturdy habits than to rescue them after they fall. As Franklin once put it, “The best way of doing good to the poor is not making them easy in poverty, but leading or driving them out of it.” That has been a deep undercurrent of U.S. private giving for centuries.

Philanthropy’s practical strengths, of the sort I’ve just been describing, are very visible to everyday Americans. In 2015 the Philanthropy Roundtable commissioned a poll of a national sample of U.S. voters. One question asked: “Would your first choice for solving a social problem in America be to use government or to use philanthropic aid?” Six out of ten respondents who expressed an opinion said, “Use philanthropic aid.”

Another question asked, “When it comes to addressing the most pressing issues of our day, which social sector do you trust most—entrepreneurial companies, nonprofit

charities, or government agencies?” Of those expressing a view, only 16 percent trusted government agencies most; 33 percent preferred entrepreneurial companies; and 50 percent said they trust solutions from charities the most.

Political importance to boot

I suspect that much of what I’ve just pointed out about the efficacy of philanthropy was already suspected by many readers. But now I want to make an argument that will be less obvious. I want to suggest that quite apart from its usefulness in solving social problems, philanthropic activity has a giant *political* importance.

In many parts of America, civil society and spontaneous charitable action sprang up well before any government existed. Even when there were no duly constituted agencies of state on our frontiers, mutual aid among neighbors created roads, schools, and self-defense units. Having gotten into the habit of just providing for themselves, our citizens continued that pattern.

Alexis de Tocqueville, the most piercing foreign observer of America ever, insisted that voluntary independent action to improve society wasn’t a side-effect of our democracy. Rather, it was a primary *source* of U.S. democracy. It was how our people built up the social muscles, and habits, and capacities of self-rule that are needed in a republic.

Democracy is not a spectator sport. Democracy works only if citizens participate, and *wield authority themselves*, rather than just submitting to someone else’s authority. Our independent sector of millions of active charities allows citizens to take serious direct action to improve their communities, to engage on topics that concern them most, by methods of their own choosing, and make an immediate difference in the lives and events unfolding around them.

Civil society thus has profound effects in protecting the legitimacy of democratic process. It nurtures a sense of personal agency. It preserves the reality of self-governance.

The voluntary sector is a zone where the individual citizen remains relevant, and potent. He needn’t feel insignificant, overwhelmed, helpless, alienated—as he so often does amidst the leviathans of impersonal government and impersonal corporations. Civil society keeps human-scale action and freedom throbbing.

Is philanthropy unjust?

Unfortunately, this freedom-enhancing philanthropic tradition is under attack in the U.S. today. That is a side-effect of the current race among journalists, academics, and politicians of the Left to outdo each other in expressing disdain for personal wealth.

As part of a new surge of thundering against capitalism, business, and the rich, there are now many attacks even on those who earnestly *give away* large sums of money. You've seen the cover lines on the latest books about philanthropy: Philanthropy does more harm than good. Giving back disguises merciless taking. Generosity has become the wingman of injustice, and rigging the system. Philanthropy is damaging democracy.

Increasingly, private giving is caricatured as a tool that crafty plutocrats use to deceive and manipulate others. Powerful interests ranging from elite media to Democrats running for President insist that only the government should be allowed to improve public welfare. The personal wealth that allows givers to take social action should be confiscated. Even well-intentioned charitable efforts are undemocratic, critics argue, so alternatives to state authority must be shut down.

Are donors really hijacking democracy? Does private giving represent a dangerous concentration of power? The evidence says no.

Take, for example, the 800-pound gorilla of billionaire philanthropists—Bill Gates. The Gates Foundation donates about \$5 billion dollars every year to a variety of causes. Sounds like a lot.

But let's put that in context. As I've shown, Americans as a whole donate nearly a trillion dollars annually in a combination of cash and volunteer time. That means the single biggest player in philanthropy—the chief honcho of the billionaire boys club—wields a market share of one half of one percent. That is not a dangerous exertion of power.

The truth is that moguls put up only a small portion of America's total private giving. Even if you ignore the volunteered time and look solely at cash, only 18 percent of U.S. private giving today comes from foundations started by the wealthy. The much larger flow comes from individuals, dominated by everyday donors who give at a rate of about \$3,000 per household. (If that doesn't sound like much, just multiply it by close to a hundred million households and see what number you get.)

The infantry of America's charitable army are tens of millions of small givers in states like Texas, Utah, and Georgia. They get little press, so they are often invisible, but they do most of the fighting. It is they who give philanthropy its force, much more than the wealthy men and women on white horses who are all the journalists ever talk about. The Gates and Bezos and Zuckerberg givers are only the small tip of an iceberg. The much larger mass looming beneath the surface are the everyday donors.

A good example of the power of small givers in the U.S. is our support for poor people overseas. Did you know that the assistance Americans send on their own to help residents of low-income countries now substantially exceeds the official foreign aid of the U.S. government? Every year, Americans voluntarily send abroad—in private gifts—\$44 billion. That compares to a total of \$33 billion in U.S. government aid.

And contrary to what you might expect, Gates-like givers are *not* the main conduits of our private overseas assistance. Members of U.S. churches and synagogues alone send *four to five times* as much money overseas to needy people every year as the Gates Foundation does. Our donating to the poor in other countries mostly comes in small donations to charities like Compassion International, or World Vision, or Samaritan's Purse. These \$50 checks are easy to overlook. But there millions and millions of them, and they aggregate into mighty flows, demonstrating the power of grassroots action.

Picture-postcard pluralism

America's charitable sector is actually one of the most pluralistic and democratic parts of our society. There are more than a hundred million donors in the U.S. in a given year. Plus 77 million annual volunteers. There are close to two million independent, privately supported charitable organizations.

These millions of givers and charitable organizations form a huge, diffuse matrix—a matrix that citizens can enter through any of thousands of different doors, placing themselves in the middle of a panoply of different issues. This large, easily accessible matrix lets us define which social ills we are collectively most concerned about, and helps us methodically marshal resources to attack those problems at a local level. I sometimes think of these charitable entities as a kind of massive, spontaneous legislature—a legislature with millions of members, that crowdfunds what it cares about, without asking the permission of elites.

Admirers of participatory democracy ought to be excited by these small-scale mass actions. They produce, as Paul Brest of the Hewlett Foundation once put it, “multiple versions of the good.” In the words of Yale law professor Stephen Carter, “every donor measures the needs of the community with different calipers,” so the result is a highly pluralistic version of “democracy in action.” The independent, radically decentralized problem-solving carried out by philanthropy is thus a superb way of protecting minority views and letting non-mainstream and even unpopular ideas have their day in the sun. There is much less orthodoxy or enforced group-think when production of public goods is divided into millions of experiments instead of a single government path.

Multi-source creativity

In addition to reinforcing freedom and diversity, the dispersed nature of private giving has many practical advantages. What works to reverse homelessness or alcoholism or loneliness in old age may be quite different in Nebraska than in New York. In government programs it's almost impossible (even illegal) to have varying rules, and

pursue different strategies in different locales. In philanthropy that's easy. Indeed that's one of the field's inherent strengths.

Instead of letting opponents portray philanthropic action as plutocracy, we should be describing it with a very different p-word: *polyarchy*. That's probably an unfamiliar term, but it's really very simple. Polyarchy refers to a society in which there are many independent sources of power. (The easiest way to remember that is to think of it as the opposite of monarchy.) Grassroots giving by hundreds of millions of donors, through millions of charitable vehicles, is a notable example of polyarchy, of direct power to the people, of independent action by citizens who refuse to be saddled and spurred by others.

The crazy-quilt of actions that emerges from polyarchy causes brain cramps in some observers. To these people, decentralized charitable activity seems too anarchic, too uncontrolled, too homemade. They insist that "large-scale problems demand large-scale solutions."

And they want credentialed elites in charge, not a melange of little old church ladies, and businessmen who made money selling chicken sandwiches, and tech investors who want to attack poverty like a startup business. That freaks out someone with a Prussian mind. But it must be said: the insistence on large, uniform, centralized social solutions is completely retrograde. Among other things, the information revolution reminded us of that.

In the beginning, computers were big centralized devices. We quickly realized, however, that controlled work from an official center was a lousy way to solve complex problems. If you want to solve complex problems, computer experts discovered, it is much more effective to let thousands of independent agents hack away at different aspects of a challenge. That's how the Internet was built. It wasn't created by a big corporation or a big agency, but by millions of participants each doing their little bit, ultimately creating a huge and powerful mosaic.

This kind of self organization—sometimes called "distributed intelligence"—is not just the story of the computer revolution. It is something of an iron rule throughout the natural world. Some years ago, I read a book called *Ants at Work*, written by a Stanford entomologist who spent 17 years studying one large colony of harvester ants. The author's goal was to learn how the hundreds of thousands of tiny creatures coordinate the specialized tasks that are essential to colony health. Who's directing the show to make sure important work gets done at the right time?

The answer, she discovered, is that *nobody* is in charge. No insect issues commands. The colony operates without any central control. Complex biological societies like this are instead built, she reports, on thousands of simple decisions made by individual creatures based on what they see around them—with those many micro-decisions melding together to yield an efficient macro-result.

The pattern of big problems being broken down by small actors working locally and independently without central direction is even commoner at the top of nature's pyramid—in human society—than among bugs. It is a common phenomenon throughout history. It is how we solve most problems, in fact.

Think about the question of what makes an effective teacher or good family doctor. I worked in the White House for three years and can tell you that sort of thing is almost impossible to spell out from a government office. Yet as individuals, most of us pretty quickly ferret out which teachers or doctors in town are the best ones for our families—because we have better immediate information than distant experts, better understanding of the particular people needing care, and a better grasp of the peculiarities of our local circumstances.

The grassroots solutions typically funded by philanthropy operate with better knowledge, on account of being close to the ground. That gives them a major advantage over big national alternatives. Small-scale problem-solving is indeed the secret behind the success of philanthropic solutions.

The state is a jealous competitor

Finally, let's recognize that government and charity are often competitors. They function in many of the same areas, and sometimes attack the same problems, albeit usually in quite different ways. Authorities sometimes feel threatened by this, and argue that it's disruptive, even illegitimate, for civil-society groups to compete with the state. Government-employee unions, agency heads, and their academic and journalistic apologists kick and scream whenever social authority and resources migrate away from state bureaus and into independent organizations like charter schools, churches, private medical aid, and charitable alternatives for the poor.

Of course, authoritarians absolutely *hate* the polyarchy that the independent sector encourages. That's why Russian and Iranian and Chinese dictators have forbidden private charities. They want the state to be the only forum for human influence and control. "Everything within the state, nothing outside the state, nothing against the state" was Mussolini's encapsulation. For people with an appetite for controlling human behavior, voluntary groups and private wielders of resources represent alternate sources of ideas and social legitimacy that must be suppressed in favor of unitary government solutions.

Even democratically elected leaders are often jealous of civil society, and blind to its productivity. "Every single great idea that has marked the twenty-first century, the twentieth century, and the nineteenth century has required government vision and government incentive." That was U.S. Vice President Joe Biden speaking a few years ago. "The ballot box is the place where all change begins in America." So claimed Senator Ted Kennedy at the peak of his powers.

Both of those claims are erroneous, as I explain with hundreds of examples in the *Almanac of American Philanthropy*. Government and ballot boxes had surprisingly little to do with many climactic shifts in American history. From the rise of universal schooling to the revulsion against slavery, from the creation of our great universities to our national mastery of rocketry and space flight, it has been the actions of private donors that paved the way.

Givers and volunteers continue to pioneer social improvements today, and often by *overcoming* rather than following government patterns. In the U.S. this is happening in fields ranging from brain research to immunotherapy, from family revival to teacher improvement. You would never know that, however, from most elite discussion. Journalists, academics, and public officials devote 90 percent of their coverage to the 10 percent of our lives where politics and government predominate.

Meanwhile there is hardly any conversation at all about the huge swath of our existence where the quality of our lives is determined *primarily* by civil society—by our local community fabric, our family health, our connections to neighbors, our faith and church activity, our personal relationships, our many voluntary enthusiasms. The result is that we misunderstand ourselves. We overlook the factors that are most important to our success and happiness.

The truth is, Americans live in a robust, reasonably healthy society where many issues are addressed by independent problem-solvers before they rise to the level of national attention. Our government is often disappointing, and sometimes outright embarrassing, so we imagine that our culture is languishing. That's not accurate. In reality we are coping, adjusting, and solving problems pretty well.

You have to look beyond government, though, to recognize that.

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