

“No-strings giving” is transforming philanthropy

The rich can donate their money quickly and wisely



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It is certainly difficult to make money. But should money be difficult to give away? In the Gilded Age, industrialists such as Andrew Carnegie and John D. Rockefeller worried about waste and misuse; Carnegie wrote in 1889 that \$950 of every \$1,000 that went to charity was “unwisely spent”. Around the turn of the millennium a new cohort of businessmen-philanthropists such as Bill Gates, the founder of Microsoft, looked to data and rules as a way to stop waste. Donors ran lengthy application processes, provided funds that were ring-fenced for specific uses and enforced painstaking reporting requirements. In 2006 *The Economist* called it “philanthrocapitalism”.

Two decades on, however, it has become clear that all this paperwork puts the brakes on giving. The 400 richest Americans have given away just 6% of their combined fortunes, according to *Forbes*. At the last count in 2022, almost \$1.2trn was sitting in American private foundations and \$230bn in donor-advised funds, a sort of savings account for philanthropists. Plenty of money is being earmarked for do-goodery. But it is not getting to worthy causes fast enough.

Fortunately, a new generation of donors is once again shaking up the world of big philanthropy, as we explore in our Special report this week. A series of crises, from the covid-19 pandemic to the wars in Ukraine and the Middle East, has spurred some donors to get money to the needy quickly.

Leading the charge is MacKenzie Scott, who came into a tidy fortune in 2019 after her divorce from Jeff Bezos, the founder of Amazon. She has outsourced the grunt work of philanthropy to advisers, simplified the process of giving and is dishing out billions of dollars a year with few conditions. This “no-strings giving” is upending megadonors’ long-held assumptions. It offers lessons for those struggling to get money out of the door.

One is the recognition that philanthropists do not have to do everything themselves. Megadonors no longer need to endure the hassle of setting up a foundation and hiring staff. An upside of a decades-long trend for businesslike philanthropy is that legions of consultants have emerged to help donors draw up a strategy and conduct due diligence on potential recipients. Donors can team up and share the work, too.

Another lesson from the no-strings crowd is that philanthropists can trust recipients to put money to good use once the proper due diligence is in place. That means analysing a nonprofit organisation’s annual reports and interviewing its leaders and other funders. Once the grant has been made, however, donors who ask for regular reports containing specific data presented in a certain format risk slowing projects down. Ms Scott asks some grant-winners to send her a short update every year that includes whatever information they have to hand. Any nonprofit worth funding wants to be sure its work is having the intended effect; it will almost certainly have enough internal data and evaluation to satisfy donors.

Last, megadonors do not have to make all the decisions. Many big-shot philanthropists spend a lot of time and money crafting projects and strategising about how exactly money should be used. Unrestricted donations, by contrast, allow non-profit groups to judge where funds are most needed. That makes sense. The people working on the front lines are likely to have the better ideas on how to solve a problem.

No-strings giving may not be for everyone: there will always be donors who want to roll up their sleeves and get involved. But the new generation of donors shows that money can be spent both quickly and wisely. Philanthropy can be as simple as signing on the dotted line. ■

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