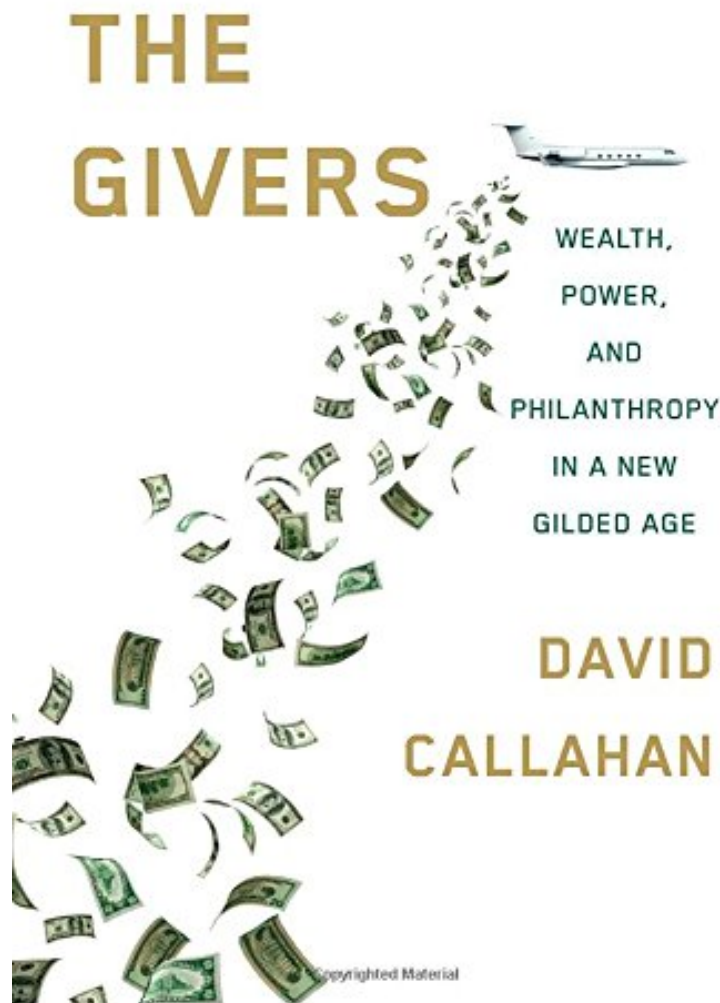


The Givers: Wealth, Power, and Philanthropy in a New Gilded Age

David Callahan

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An inside look at the secretive world of elite philanthropists--and how they're quietly wielding ever more power to shape American life in ways both good and bad. While media attention focuses on famous philanthropists such as Bill Gates and Charles Koch, thousands of donors are at work below the radar promoting a wide range of causes. David Callahan charts the rise of these new power players and the ways they are converting the fortunes of a second Gilded Age into influence. He shows how this elite works behind the scenes on education, the environment, science, LGBT rights, and many other issues--with deep impact on government policy. Above all, he shows that the influence of the Givers is only just beginning, as new waves of billionaires like Mark Zuckerberg turn to philanthropy. Based on extensive research and interviews with countless donors and policy experts, this is not a brief for or against the Givers, but a fascinating investigation of a power shift in American society that has implications for us all.

"David Callahan has performed a public service by assembling a striking body of information on a fundamental aspect of 21st-century America." Robert G. Kaiser, *The Washington Post* "Callahan offers a peek inside a rarefied, poorly understood world with ever greater power to remake the broader world." Michelle Cottle, *The New York Times Book Review* "A convincing argument Callahan is intimately familiar with today's living donors and how they are spending their money, and his book is replete with examples of philanthropists that are upending the democratic process." Alana Semuels, *The Atlantic* "[A] fascinating look into perhaps one of the least understood trends in the public square." Dan Kaplan, *Booklist* (Starred) "An intriguing look at the world of big-ticket philanthropy... An eye-opening view of a vast sector of the economy that lies in the shadows but has undue influence, for ill or good." Kirkus

About the Author DAVID CALLAHAN is the author of seven previous nonfiction books including *The Cheating Culture: Why More Americans Are Doing Wrong to Get Ahead* and *Fortunes of Change: The Rise of the Liberal Rich and the Remaking America*. He is founder and editor of the media site *Inside Philanthropy*, and co-founder of the national think tank *Demos*. His writing has appeared in numerous publications, including *The New York Times*, *USA Today*, the *Los Angeles Times*, and *The Washington Post*, and he is a frequent media commentator. He is a graduate of Hampshire College and holds a Ph.D. in politics from Princeton University. Excerpt. Reprinted by permission. All rights reserved.

Chapter 1 The Coming of Big Philanthropy As Michael Bloomberg prepared to step down as mayor of New York City, after twelve years on the job, he said that among his goals after leaving office was to start running outside again, which hadn't been practical with a security detail while mayor. He also said he wanted to sleep in a bit. Bloomberg had spent years waking up at six a.m. and working till ten p.m. or eleven p.m. at night. Just after leaving office, in January 2014, he and his partner, Diana Taylor, headed off to Hawaii and New Zealand for a two-week vacation his first real vacation in over a decade. Later, as Bloomberg settled into his post-mayoral life, it became clear that he wouldn't be relaxing much. Bloomberg soon plunged back into the day-to-day management of his massive media company, Bloomberg L.P. In less than a year, the CEO of the company, Daniel Doctoroff, would be gone as Bloomberg reasserted his control. Bloomberg also turned to philanthropy in a bigger way after he left office. Even as he amassed great wealth, starting in the 1980s, Bloomberg had always planned to give away most of that money. He lived extravagantly, to be sure, owning a private jet and some thirteen properties around the world by 2013 which included estates in London, Bermuda, the Hamptons, and Westchester County but he gave on an equally large level. Bloomberg had no interest in an older model of philanthropy, whereby business titans waited to the end of their lives or left the job to their heirs. Instead, he believed in giving as much as he could while still alive, a logic he pushed to other donors. Bloomberg once recalled how, in the 1990s, he talked to a wealthy benefactor who planned to leave Johns Hopkins University \$50 million upon his death. But I asked him: Why wait? Why deny financial aid to this generation? Why deny a possible cure for a disease to this generation? The donor changed his mind, giving all the money immediately. Over many years, Bloomberg himself channeled some \$1 billion to Johns Hopkins, his alma mater. In a 2010 public statement about his giving intentions, Bloomberg had written that the reality of great wealth is that you can't spend it and you can't take it with you. Bloomberg's fortune is vast indeed. When he started his media company, which came to dominate the market for financial data, he covered many of the start-up costs himself, drawing on a large severance package he had gotten from his former Wall Street employer, Salomon Brothers. Later, Bloomberg bought back stakes in his company from other early investors. As a result, he ended up owning 88 percent of a company that now has nineteen thousand employees and \$9 billion in annual revenue. During his years as mayor, the value of the company had grown steadily. Bloomberg was worth just under \$5 billion as he took office in 2002. By the time he left, that figure had soared to \$33 billion. Within two years of leaving City Hall, his wealth had climbed higher still, to over \$40 billion. That kind of money isn't easy to give away. For example, if Bloomberg gave as much annually as did the legendary Rockefeller Foundation, it would take him almost three centuries to dispose of his fortune. To make any dent in giving away his wealth, Bloomberg has to give on the level of Bill Gates or George

Soros, who rank among the worlds top mega-donors. Bloomberg had been an active philanthropist before becoming mayor, and he started giving more once at City Hall. Among other things, he gave many millions to nonprofit groups around the city giving that some saw as a naked effort to co-opt critics and bolster his power. Bloomberg offered a more benign explanation: he was simply using private funds to pay for priorities that the city couldnt afford. Regardless, never before had a major public official in the United States so adroitly used philanthropy to advance his agenda just as Bloomberg set a new record for spending his own money to get elected in the first place. Bloomberg also quietly built up the infrastructure for his philanthropy during his years in government. He bought a \$45 million Beaux-Arts mansion on 78th and Madison Avenue in 2006 to house his foundation, and in 2010, he appointed his longtime aide Patricia Harris as CEO of Bloomberg Philanthropies, a job she took on even while still working at City Hall. Harris led the push to organize and staff the foundation over subsequent years getting ready for much bigger giving to come. In 2013, his last year in office, Bloomberg quietly gave away around \$450 million an amount nearly as great as the Ford Foundations annual grantmaking. Big chunks of that money went to finance a global version of the nanny agenda that Bloomberg had pursued as mayor. He put up millions of dollars for a worldwide push against smoking, as well as an effort to reduce traffic deaths in poorer countries. Bloomberg also gave big to combat climate change. In 2011, he had given the Sierra Club its biggest gift ever \$50 million to try to shut down coal-fired power plants around the United States. After he left City Hall, Bloomberg moved even more aggressively with his philanthropy. Within a month, he announced a \$53 million commitment to fight overfishing and reform fishing practices. That issue might sound obscure to most people, but not to Bloomberg. As he said in making his gift: While billions of people depend on fish for food or income, only 13 percent of the worlds fisheries are safe from being over-fished, presenting serious environmental and public health challenges. Data shows the worlds severely threatened fish populations can rebound if fishing is properly managed. Billions of hungry people, disappearing healthy food, and best of all data-driven solutions. This was Mike Bloomborgs kind of issue. A month later, Bloomberg put up \$10 million to help prevent children from accidentally drowning in Bangladesh. And the big numbers would keep coming. In fall 2014, Bloomberg announced he was putting another \$125 million into work to cut the global carnage of traffic deaths. His foundation also rolled out an initiative to support public art in U.S. cities, on top of tens of millions of dollars Bloomberg had already donated to the arts. Meanwhile, additional grants bankrolled efforts to help cities in the United States and other countries become more innovative. There was more, too. During his first eighteen months out of office, Bloomberg doubled down on his giving to the Sierra Club to fight coal plants, expanded his global fight against smoking, and pledged \$50 million to support global reproductive health and rights. As mayor of New York, Bloomberg was famously obsessed with data, and with identifying practical ways to improve life in the city. As a philanthropist, hes also driven by a keen pragmatism. Whereas many billionaires are drawn to the hardest problems or the trendiest causes, Bloomberg operates in a more utilitarian way when deciding where to put his biggest money crunching the numbers to figure out how his giving can do the most good. Neither of the two biggest causes he has invested in over the years reducing tobacco use and improving traffic safety register much in the glittery precincts of philanthropy, but Bloomberg has picked two real winners. Smoking kills six million people worldwide every year, which is far more than AIDS and malaria put together. That number is projected to rise to eight million by 2030. A funder who bends this curve even slightly can save untold lives, which is why Bloomberg has so far poured at least \$600 million into the cause. The same goes for road safety, where the body count is also huge: 1.25 million people die annually from accidents and tens of millions are injured. His foundation estimates that some 125,000 lives will be saved as a result of Bloomborgs investment of more than a quarter of a billion dollars in road safety activities across the world. Sounds like a bargain, right? Meanwhile, Bloomborgs quest to shut down coal-fired power plants a cause to which hes now given over \$130 million is a twofer: shuttering such plants reduces carbon dioxide emissions but also lowers old-fashioned air pollution, saving lives. In early 2015, Bloomberg estimated that 5,500 lives annually were already being saved because of coal plant shutdowns in recent years. Bloomberg is a savvy philanthropist in another way: He understands that influencing government is often the best way to get things done and focuses much of his giving on leveraging changes in public policy. In a sweeping statement of his philanthropic strategy in early 2015, Bloomberg wrote: Some still see philanthropy as an alternative to government. I see it as a way to embolden government. He went on: Governments have the authority to drive change in ways that philanthropic organizations cannot. By leveraging our resources, and forming partnerships with government, philanthropic organizations can help push those changes forward. That mind-set, said Bloomberg, was at the heart of everything that his foundation did. In 2014, Bloomborgs annual giving totaled \$462 million. The following year, it totaled \$510 million. With tens of billions of dollars to give away, this gusher of donations isnt likely to stop anytime soon. Bloomberg has a reputation as a nonpartisan pragmatist, even as hes taken on climate change and gun violence, and he doesnt strike many as a scary figure. He is not feared the way that progressives fear the Koch brothers or conservatives fear George Soros. But the plain facts about Bloomberg are actually rather unnerving: One of the worlds wealthiest men has openly said that he plans to spend the bulk of his fortune to influence government policies, not just in America but around the planet. If you dont know much about philanthropy and few Americans do you may have imagined that Michael Bloomborgs run as a power player would end when he stepped down as mayor of New York. Of course, nothing of the kind was true. He simply

pivoted to pull other levers of influence. Bloomberg, who used his great wealth to buy his way into office, now turned to using that wealth to push changes that could have more impact on the lives of more people than anything he did as mayor. Bloomberg will give away billions in coming years at the same time that any number of great fortunes are harnessed to philanthropy. And just as few Americans are following what New York's ex-mayor is doing, neither are they paying attention to what some of the nation's other wealthiest people are up to or the degree to which they're deploying their fortunes to have a say over the great issues of the day. That power, I should add, doesn't just rest in the hands of those giving wealth away. It also is wielded by the people the givers entrust with their money, whether it's largely unknown foundation staff like Patricia Harris who's been called one of the most powerful women in the world or equally unknown heirs, like the three children of Warren Buffett, who together give away a larger sum every year than Michael Bloomberg. The philanthropic elite now emerging is not just more influential than most people realize; it's more extensive, commanding a growing array of institutions that reach into nearly every corner of American society.

There are two parts to the story of the great power shift unfolding in U.S. society. One part is about the rising tide of philanthropic giving; the second is about the declining ability of government to solve big problems and provide public goods. Let's start with the new private money. For all the philanthropy we've seen in recent years, it's nothing compared to what lies ahead. To many of today's billionaires, mega-giving is the logical endgame to careers spent amassing such vast fortunes that philanthropy is the only real place the money can go. A similar phenomenon played out a century ago, when the historic fortunes of the early industrial age amassed by Rockefeller, Andrew Carnegie, and others were used to endow large foundations that went on to wield huge influence in America and the world. This time, though, everything is bigger—both the wealth and the clout that comes with it.

How much money are we talking about? More than you think. Even if you're generally aware of the crazily large fortunes piling up at the very tippy top of the income ladder in our second Gilded Age, because you thumb through the Forbes 400 special issue now and again, chances are that you still don't realize just how big the fortunes at the top have become. Or how much bigger they are likely to get. Take Bill Gates and Warren Buffett. They're long-familiar figures, as two of the richest men in America. But if you haven't been paying attention, you may not have noticed that both have gotten much richer over the past decade. Buffett added \$25 billion to his fortune between 2005 and 2015. Gates added even more, pushing his net worth to nearly \$80 billion. And these fortunes may rise even further. While Gates still owns large amounts of Microsoft stock, he has largely deployed his fortune in private venture capital investments that could bring substantial returns as they mature in coming years. Buffett, meanwhile, has lately been making a string of bold acquisitions that could boost Berkshire Hathaway's fabled stock even further into the stratosphere down the line.

Or consider Mark Zuckerberg. Amid the uproar over his plans to give away \$45 billion in Facebook stock, almost nobody mentioned an obvious point: The actual amount could end up being far greater than that. While Facebook's 2012 IPO was famously a disaster, its stock began a quiet upward tear in 2014, eventually soaring to over \$100 a share. The smart money snickers that Facebook is overpriced and that the tech bubble will burst any day now. And maybe it will. But if the value of Facebook ever comes close to that of other top tech giants (like Google or Apple), Zuckerberg, who owns a huge stake in the company, will be far richer than he is today.

Gates, Buffett, Bloomberg, and Zuckerberg aren't the only billionaires who've gotten much wealthier in the past decade—a period, by the way, when the median net worth of all U.S. households fell thanks to the housing crash. The fortunes of the wealthy have kept soaring across multiple industries and through the ups and downs of the business cycle. New-economy billionaires have gotten much richer. Larry Ellison added \$40 billion to his wealth between 2005 and 2015, Jeff Bezos added \$42 billion—but so have titans of the old economy. David and Charles Koch, for example, had a combined net worth of \$9 billion in 2005. In 2015, that figure stood at around \$85 billion, a huge gain that helps explain why the Koch brothers have had plenty of extra cash to pour into politics and philanthropy lately. Phil Knight of Nike gained \$17 billion in new wealth during the decade. Sheldon Adelson, the casino mogul, doubled his wealth to \$26 billion.