

Effective Philanthropy Takes Time and Hard Work

Dr. Elinor Ostrom of Indiana University won the 2009 Nobel Prize in economics for her research into the role of voluntary associations in solving a wide range of public challenges. Typically, society manages its “public assets” (i.e. fish in the ocean, lumber in public forests, etc.) in one of two ways in order to avoid uncontrolled consumption. First, society treats the public asset like a private asset and submits its consumption to market forces. A good example is offshore oil leases in which potential users competitively bid to lease the “land” and extract oil. Second, society can manage public assets through regulation. An example of regulation is the issuance of fishing licenses that limit the species and number of fish that can be pulled from public waters. In theory, the public’s interests are protected through these two approaches.

Dr. Ostrom won the Nobel Prize for her work exploring a third way to govern the use of public assets known as “voluntary agreement”. Over many years, she documented dozens of examples in many countries where consumers of public assets voluntarily reached agreement to limit and control consumption and users were often more satisfied with the results than under marketplace or regulatory schemes. Voluntary agreement is based on the principle of “reciprocity” - -the belief that the beneficial acts of one party obligates others to reciprocate with equally beneficial acts. Reciprocity also develops trust and improves cooperation.

Deeply imbedded in the concept of voluntary agreement is evidence that it works best from the bottom-up. Grassroots groups and users of assets who are closest to the scene reach more effective and durable rules than top-down efforts. Apparently, empowering the people who have the most at stake to regulate the use of a public asset is the key ingredient. How these rights are defined through “rules of the road” such as policies, practices, court decisions, and other official acts seems to be a big help in governing these scarce public resources. Dr. Ostrom has provided us with an empirically rigorous demonstration of these propositions around the world.

This is where foundations should pay close attention to advocacy that starts with grassroots support. The formula that has worked for years in philanthropy is a three-pronged approach to (1) build a large group of local supporters in favor of an effective social intervention (such as a nurse-family partnership based on a well-researched model), (2) independently evaluate a demonstration project to show that it works, and (3) advocate for the elimination of public policies that resist wide-scale adoption and expand public policies that support adoption. All too often, foundations take a “build-it-and-they-will-come” approach before considering best-practices, evaluation, or advocacy. This is known as the “Lone-Ranger” approach which most often leaves them mired in perpetually funding programs that rightfully should qualify for public financial support.

Admittedly, it will take a long time to build grassroots coalitions of the right people, start community interventions that use best practices, and develop advocacy maps so that grantmakers know in advance the public policies they want to change. However, the Lone-Ranger alternative rarely succeeds.

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