

Philanthropic World Voices Mixed Reaction on Buffett's Gift to Gates Fund

07/20/2006

The Chronicle of Philanthropy

**Stanly N. Kantz, Lecturer, Woodrow Wilson School of Public and International Affairs,
Princeton University**

I am happy to join the chorus of congratulations to Warren Buffett for deciding to make philanthropic investments before his death rather than leaving all of his wealth to his children. As Bill Gates seems to have told Mr. Buffett, Andrew Carnegie got that one right a century ago and most of America's super-rich seem to have internalized the Carnegie message.

But I find it hard to praise Mr. Buffett for his decision to abdicate decision-making responsibility for his philanthropic investments.

Carnegie's point was not just that the rich should give their money for philanthropic purposes rather than to their children, but that they should consider themselves stewards of their wealth. Mr. Buffett clearly takes pride in selecting investments for Berkshire Hathaway, and he certainly has a superb record as a capitalist.

But why should he not think a bit about where his philanthropic investments might do the most good? Does he really care so little about where his money goes? Is he really too busy to invest his own time and intellect in the investment process? If so, should we praise him as a philanthropist? Or should we say that he provides a very poor model of philanthropic stewardship for new, super-scale philanthropists?

So far as one can tell from the media blitz created by Buffett and Gates, experts on philanthropy and financial affairs believe that Buffett deserves praise for investing in a winner. That is what a smart investor does.

But is the Gates Foundation so clearly a "winner"? My own sense is that it is far too early to tell. The Gates Foundation has evolved very quickly from an oversized mom-and-pop (well, pop, for sure) operation to a rapidly growing philanthropic bureaucracy. Its goals are hugely ambitious, especially in the area of global public health, in which it has clearly initiated some very promising programs in Africa and elsewhere. But its domestic education programs are questionable at best, and it has not yet come to terms with the question of how it should relate to government action.

After all, even before the Buffett donation, the Gates Foundation had the giving capacity of many nation-states, and yet it stands apart from the democratic process. On the other hand, its annual investment capacity is not nearly so large as the relevant units of government, such as the National Institutes of Health, in the United States, or the World Health Organization. Can it succeed where or if they have not? Has Mr. Buffett thought about this sort of problem? Has Mr. Gates?

The essence of philanthropy (to use the intuitions of John Rockefeller and Andrew Carnegie) is the thoughtful consideration of strategies to improve the welfare of humankind. Mr. Buffett clearly has the right ends in mind. But shouldn't one of the world's richest individuals consider the strategies that constitute the means? Are we really better off taking the thought out of philanthropy? Unless we are, Mr. Buffett is a very poor model for philanthropists-to-be. As they used to say at IBM, "Think!"

Joel J. Orosz, distinguished professor of philanthropic studies at the Dorothy A. Johnson Center for Philanthropy and Nonprofit Leadership at Grand Valley State University, in Grand Rapids, Mich.

What I would do if I were Bill and Melinda Gates right now is say our first hire is going to be a chief transparency officer.

Instead of reacting to crises as most foundations do, instead of being defensive and saying, "The press is our enemy," they should have someone who practically lives with the press and is out there saying, "Here's why we're doing this, here's how we've reached this decision, here is the reasoning we brought to this." The scrutiny is going to be there. They are now Jupiter in the solar system. They can't just operate quietly.

Another thing the Gates Foundation can do with this gift is really transform the way foundations operate. Here would be a bold suggestion: The \$30-billion it already has would continue to work, but the \$31-billion coming in from Buffett would be dedicated to general operating support for key organizations in the foundation's areas of interest.

If it was very transparent and it said, "We understand that we can't keep giving you programmatic gifts that leave your organization anorexic," it would dramatically turn around how foundations work. It would be a huge, huge help.

Gordon Jonathan Lewis, representative, UNICEF Botswana, Gaborone

Warren Buffett's very generous contribution to the Bill & Melinda Gates Foundation is a tremendous gesture of charity that will hopefully go a long way helping developing countries to achieve key millennium development goals related to health and education.

Botswana has benefited generously from the Gates Foundation, especially for the African Comprehensive HIV/AIDS Programmes, which have contributed to some very positive results. Additional support is obviously welcome, particularly because we still have not seen a significant impact on turning around the tide of the HIV/ AIDS epidemic. I would especially like to see more funding coming through to support large-scale HIV prevention efforts (particularly those targeting adolescents) and to support the plight of HIV-positive children.

In the long run, what will be very important in coming years, if more philanthropic contributions are given to Botswana, is to ensure that they are clearly in line with national priorities and that they help to build capacities for sustained implementation.

A major concern in the country at the moment surrounds the ability to absorb large quantities of funding, whilst at the same time being able to monitor and evaluate results in a timely manner. This is critical because we need to ensure that funding goes to critical areas and that results can be documented showing that there has been impact and, indeed, a return on the investment.

Eli Broad, founder of the Broad Foundation, Los Angeles

We have to recognize that foundations in the 21st century are very different from foundations in the past. Both the Gates Foundation and our foundation - and we do partner with Gates on several things - we don't sit around with senior grant officers waiting for people to apply for grants and then go through a cycle, et cetera.

Gates goes looking for opportunities, whether it's in world health or education, as we do. And in doing that, we have a very different management team than a typical foundation.

I think that Warren Buffett was quite right in saying, Wait a minute, I can set up my own foundation, but I'd have to create a whole management team and so on. They've already got staff and a proven record, so why should I go and try to reinvent all of that?

So I think what he did is really brilliant.

In the field of education, resources alone aren't the only question. In fact, very frankly, in education, it's very hard to invest your money intelligently.

Just having a lot of money is not going to get it done. So what Gates is doing, what we're doing, is we really looking for opportunities. We look for change agents, we look for them to come up with a business plan, and then we fund it. More money is always helpful, but simply having a lot more money isn't going to solve K-12 education in America.

[With all the new money from Warren Buffett] I only hope that it doesn't get to be a situation where government feels they don't have to do as much as they are now doing. [Philanthropists] could challenge the governmental sector and say, We'll put up half if you'll put up half for these needed programs. It could also be a catalyst for government's doing more in certain areas, where government could have a partner.

Phil Buchanan, executive director of the Center for Effective Philanthropy, a Cambridge, Mass., nonprofit research organization that helps foundations evaluate their performance

A few obvious challenges face the Gates Foundation.

The first is maintaining focus. Foundations enjoy tremendous freedoms: That is a great strength because foundations can take on challenges that no other actors in society are willing to address.

Some of the Gates Foundation's work on disease in Africa offers a good example of how a foundation can step up and make a huge difference where governments and businesses have not - because political and business actors lacked either the will or the incentives to do so. But this freedom is also a potential weakness because there are few forces discouraging foundations from spreading their resources ever thinner across more regions and issues, and nothing to stop foundations from spending money in ineffective ways.

The Gates Foundation will face enormous pressure to broaden its scope: There are powerful cases to be made about so many significant problems worldwide.

The risk, however, is that as resources become diffused across more issues, the ability to really move the needle on any one challenge is reduced. Bill and Melinda Gates and Warren Buffett seem to recognize this risk, though, and have pledged not to succumb. So that's a good sign.

Another challenge the foundation faces is the difficulty of assessing performance in the short term.

Warren Buffett and Bill Gates have made their fortunes in environments in which performance measures are readily available on a quarterly - even daily - basis.

The challenge of assessing foundation performance is a much more complicated and difficult one. The results of some efforts are easily quantified and assessed, such as the number of children immunized against a disease. But others, such as the reform of the U.S. education system, are more difficult to assess in a timely way. Foundations need to put in place indicators that are connected to their end goals but more easily assessed on a short-term basis.

Another challenge is avoiding the creation of a cumbersome bureaucracy that can't react to a changing environment, doesn't listen to its grantees and other key stakeholders, or becomes isolated, arrogant, or complacent.

This challenge is directly related to the first two. Maintaining focus and putting the right performance measures in place will help guard against complacency - ensuring that staff members feel accountable for achieving results against performance indicators that relate logically and clearly to the foundation's ultimate goals.

These challenges are in many ways the same ones facing all of the country's large foundations. But for Gates, the stakes are especially high, the opportunity for impact particularly large, and the spotlight unusually intense. We should all hope the foundation succeeds.

Adam Meyerson, president, the Philanthropy Roundtable, a Washington organization that represents grant makers nationwide

From the days of John D. Rockefeller, Andrew Carnegie, and Leland Stanford, great business leaders in America have also sought to be great philanthropic leaders. It is ingrained in our entrepreneurial culture: Becoming a philanthropist is part of what it means to be a great builder of wealth in America. Twenty years from now, the Bill & Melinda Gates Foundation, even with the addition of Warren Buffett's billions, will not be America's largest foundation. Our economy is so dynamic and so innovative that new sources of wealth will emerge to surpass the Gates-Buffett assets.

Twenty years ago, when Microsoft went public, Bill Gates was No. 161 on the Forbes 400. The year before, he wasn't even on the list.

So, too, there are little-known entrepreneurs today who will become business and philanthropic giants tomorrow. These new sources of wealth could well spring up in unexpected places: Think Buffett's Omaha or Gates's Seattle or Sam Walton's rural Arkansas, none of them historically thought of as great money centers. That is part of the genius of a market economy: People can find opportunity where it's least anticipated.

Warren Buffett is America's most successful stock picker. What kind of philanthropic stock did he invest in? To begin with, he is seeking to achieve his philanthropic legacy through the Gates Foundation, not through Microsoft or the many companies where he is a principal shareholder.

Mr. Buffett knows corporations very well, and it is not through corporate philanthropy that he seeks to make a difference in fields such as health and education. Instead, he makes a distinction between the corporation and the entrepreneur who built the corporation, and he is investing his philanthropic resources in the leadership of the entrepreneur.

Mr. Buffett also did not pick the stock of any of the large, staff-driven foundations that no longer pay much attention to their founders' principles and values. Instead he recognizes that much of the intellectual vitality in the foundation world today comes from living donors who apply their business, problem-solving mind-sets to great philanthropic challenges.

So committed is Mr. Buffett to ensuring that his philanthropy will be guided by living donors that he will stop his money from flowing to the Gates Foundation if neither Bill nor Melinda Gates remains alive and actively engaged in directing the foundation.

Many donors will follow Warren Buffett's example and choose other grant makers to guide their philanthropic spending. They will probably take more of a portfolio approach than Mr. Buffett, giving through a variety of institutions rather than primarily one, as Mr. Buffett is doing with the Gates Foundation

These contributions, in turn, will encourage grant-making institutions to compete with each other for donations of new philanthropic capital.

It is too early to predict whether their foundation will achieve its goals. But if it does, its success will depend more on the quality of its philanthropic ideas than on the magnitude of its philanthropic resources. Money does not solve problems if it is based on unsound ideas: Our government spends over \$400 billion a year on elementary and secondary education, yet 38 percent of American fourth graders cannot read. The Gates-Buffett partnership will achieve its remarkable promise only if it is grounded in outstanding ideas.

Rick Cohen, executive director of the National Committee for Responsive Philanthropy, a Washington group that monitors charities and foundations

As much as I admire the willingness of the Gates Foundation to take on the serious public issues of our day and to do it in a major way, particularly its willingness to address the problems of the public schools and the challenges of health and poverty in the world's poorest countries, the merger with Buffett's incipient philanthropy raises a number of concerns.

After the announcement, many commentators seemed to assume that the fusion of two corporate titans would bring a businesslike mentality to philanthropy and that would lead to greater accountability.

One doesn't need to raise the specter of Enron to suggest that big business is not always a paragon of accountability and virtue. The histories of Microsoft and Berkshire Hathaway themselves suggest that accountability on their terms does not necessarily mean accountability that serves the public interest.

I am also bothered by the notion advanced by Mr. Buffett and others that big is necessarily better in philanthropy.

While some foundations are basically too small to be working propositions, the bulk of small foundations show no less effectiveness than large foundations, as far as I can tell.

In many cases, they're closer to their constituents and communities and certainly more accessible. They frequently put more money into the hands of nonprofit groups on the front lines

of dealing with social problems. They frequently reach smaller community-based nonprofits. They rarely spend all that much on themselves, much less portray administrative spending as the dollar-for-dollar philanthropic equivalent of money in the hands of working nonprofits. In fact, in those operational ways, sometimes smaller foundations have more de facto mechanisms of community accountability than larger, more institutionally distant institutions.

Many nonprofit leaders have also bought into the idea that bigger is better.

Nonprofit groups have always fawned over donors, but in the Gates and Buffett situation some of the reaction to the infusion of money sounds like blind faith in governance by the plutocrats. One commentator went so far as to say that the doubling of the size of the Gates Foundation was a great day for democracy and the propagation of democratic values. We have reached an odd point in our society when we look to institutions that are largely divorced from any kind of democratic process for leadership in protecting and promoting democracy.

In no way do I question the genuine commitment of Bill and Melinda Gates to tackle the nation's and the world's toughest social, or in their case, medical challenges. But we do have to take heed, in a nation of ever-increasing concentrations of wealth, of our part in that process, and the evidence is that increasing disparities are not healthy for our society - and probably not healthy for philanthropy.

As a society, we have to be concerned about the unequal impact of wealth accumulation as expressed in public policies that spend inordinate amounts of time and energy on tax cuts for the wealthy but seem unable to move legislation on Head Start or work-force investment or, most poignantly, disaster relief in the U.S. Gulf Coast region.

For philanthropy, the risks are the same. In the absence of government oversight and enforcement, we could end up with a system where the self-governance rules are written by the institutions with the most power, the large, larger, and behemoth foundations, even if they hide behind concern for the smaller foundations and nonprofit groups. It is not clear that the interests of the American public, whose tax-exempt resources have been entrusted to foundations like the Bill & Melinda Gates Foundation, would necessarily be hands-down beneficiaries.

James Allen Smith, Waldemar A. Nielsen professor of philanthropy at Georgetown

University

The word "magnificence" has lost its most literal sense.

We use it now to describe sumptuousness and excess. But its root meaning once suggested something more worthy of our approval: the great deed.

"Magnificence" was the term, along with "magnanimity," that Aristotle used to describe gifts on a grand scale and to explain the greatness of spirit that animated them. By any standard Warren Buffett's promise to transfer 10 million shares of Berkshire Hathaway stock to the Bill & Melinda Gates Foundation is magnificent.

Even more impressive has been the donor's candid appraisal of his own skills. Mr. Buffett is supremely talented at recognizing competent corporate managers, allocating capital, and assuring that the capital he invests will enjoy rapid compound growth. He has employed precisely those skills in dedicating his capital to philanthropic purposes.

He did not presume that he had the capability or the temperament to address problems of public health or education. He has recognized, just as Andrew Carnegie did after 20 years of trying to give his fortune away, that making money and distributing it wisely require vastly different skills.

He has seen in the Bill & Melinda Gates Foundation an approach to philanthropy that he admires, one with an organizational structure already in place.

He has recognized that there are efficiencies in expanding a going concern rather than starting anew. Like the Gateses, he also seems to understand that despite the scale of his gift when appraised as a philanthropic act, it is still small when assessed in terms of the resources needed to address issues of global health and world poverty. The several billion dollars that the foundation will be able to spend must be augmented. To make a difference the foundation must work in collaboration with governments, businesses, and international agencies whose budgets are many times larger than the entire corpus of the Gates Foundation.

There are still complex issues of accountability to be worked out as the vastly larger foundation builds cross-sector partnerships and pursues its programs in developing countries where oversight may be weak.

The foundation's global initiatives, now reinforced with Mr. Buffett's resources, underscore some of the enduring lessons of the most successful American philanthropic projects. They remind us of what the Rockefeller Foundation took note of in the 1970s as it assessed its first 60 years and reaffirmed six core principles:

1. Avoid "scatteration" (a word coined by Rockefeller's first philanthropic adviser, Frederick T. Gates). Always remain focused on the root causes of social and economic ills. Like the early Rockefeller philanthropy, the focus on disease and public health goes to the root causes of problems.
2. Understand that most problems have no political boundaries and that international work is a responsibility of those blessed with abundant wealth.
3. Do not be afraid of assuming direct operating responsibility for a program, especially when working abroad where infrastructures might be weak.
4. Devote resources to professional training and the development of human capital. These have the greatest long-term benefit.
5. Understand that basic and applied research are always intertwined and must also be linked to programs of wider public dissemination and basic education.
6. In the end, recognize that large-scale foundation work that addresses important human problems requires technical and professional expertise. It requires long-term dedication.

In the end, true magnificence - a great deed - only begins with the gift. Greatness lies in the execution and demands focus, intelligence, collaboration, and an abundance of patience.

Paul Brest, president of the William and Flora Hewlett Foundation

Should the decision of Warren Buffett, one of the world's wealthiest men mean anything to the donors who plan to create private foundations with much smaller assets? It depends on what they want to achieve.

If your only goal is community recognition, then you can be as good a philanthropist as anyone else. But if you want to actually make a difference in the world, the work is incredibly challenging. The history of efforts to improve people's lives - from reducing drug addiction and high school drop-out rates, to protecting ecosystems, to ameliorating global disease and poverty - demonstrates that the best intentions make little difference without the expertise to carry them out.

Philanthropy is not rocket science, but effective grant making requires strategies based on sound evidence, careful due diligence to select which organizations to fund, and provisions for assessing the results - good or bad.

The staff of the Gates Foundation has deep expertise in both the substance and procedures of philanthropy in its primary areas of global health, high-school education, and libraries. However, the vast majority of the nation's 65,000 foundations have little if any expertise. To be sure, being close to the community has benefits of its own. But solving local problems such as delinquency and homelessness requires no less sophistication than curing malaria.

What does all of this mean for the increasing number of individuals and families who have merely a fraction of Warren Buffett's wealth but would like to use it to make a difference in the world? There are several possible options.

First, follow Mr. Buffett's example, and "invest" it in an existing foundation whose goals you share and that has strong leadership and a track record of effective philanthropy. This is the philanthropic equivalent of investing your money in Berkshire Hathaway or in a good mutual fund. You could add to the foundation's endowment or, as Mr. Buffett did, supplement its annual grants budget. This needn't be an all or nothing deal. For example, if you are only interested in one of the foundation's several goals - say, preventing HIV/AIDS infections - then designate the funds for that program.

Second, without making any formal arrangement, follow another foundation's lead by putting your funds in the same organizations that it supports. Let an experienced foundation do your due diligence for you, just as an individual investor might follow Berkshire's lead.

Third, make a large unrestricted gift directly to an institution whose mission you support and in

which you have deep and abiding confidence.

This option comes with two cautions, however. First, few organizations that seek direct social or environmental change have the continuity of mission and leadership of universities, museums, libraries, and other institutional pillars of culture. Second, as your list of candidates grows and the due diligence becomes more extensive, you are right back where you started - facing the difficulties of having real impact with little or no expert staff.

While Mr. Buffett is an unusually modest person, there is nothing ignoble about wanting one's generosity to be recognized. Can a philanthropist satisfy this desire and have social impact too? Absolutely. Every one of the alternatives to the go-it-alone private foundation can be coupled with appropriate recognition, whether it's having one's name attached to a set of grants or to a building.

Warren Buffett has earned iconic status for his acumen as a financial investor. Everyone must recognize the generosity of his gift, and other potential donors would be especially wise to consider how he chose to invest it.

Melissa A. Berman, president and CEO, Rockefeller Philanthropy Advisers, New York

What Warren Buffett has essentially done is actually the equivalent of an individual hiring an investment adviser and saying, Construct a portfolio for me and manage it, I'm entrusting my funds to you. The level of trust is also breathtaking. What he's focusing on, which is exactly what John D. Rockefeller focused on, is finding a talented professional team to handle it.

I think it will inspire a number of potential donors who have been asking themselves the question about should I support nonprofit organizations through testamentary bequests or should I get involved in giving now?

And I think Mr. Buffett - after having been through a period of time where his decision was that he was going to do this through his will, having changed his mind and become much more active, and making a series of decisions while he is still able to be very much engaged - will

persuade a lot of people who might be sitting on that fence to think about doing something now.

It will also encourage people to think about using their resources to take on difficult and complicated problems, because that's what I think the Gates Foundation is known for - its courage to tackle large, difficult problems.

The advantage that the Gates Foundation has is that they're already handling an enormous amount of money. Doubling their giving capacity is a significant and meaningful opportunity and it's going to take time and thought and strategy and systems. But they also have a group of people who understand strategy and systems on a very large scale.

I wish that we could all be confident that just having twice the resources of the Gates Foundation would immediately mean we don't lose millions of lives around the world to things like malaria and tuberculosis and AIDS and other kinds of things like dengue fever. But those problems are very big.

First, there's the discovery problem, meaning how to treat it. And even then, as in malaria, where you have the treatment, the distribution system is sadly lacking. I think it's going to mean much much faster progress, but I don't think we should sit back and say, Well, we've taken care of global health and education problems now. These are big, complex problems where the sands keep shifting.

Elizabeth T. Boris, director of the Center on Nonprofits and Philanthropy at the Urban Institute, in Washington

As Warren Buffett discussed his decision to give most of his wealth to the Bill & Melinda Gates Foundation, the master investor made clear his opposition to passing on dynastic wealth to heirs - a position that other wealthy Americans and Congress should reflect upon - and his recognition that the same capitalist system that helped him along can't address some pressing problems, like creating vaccines for people too poor to pay for them, without incentives.

The gift has great potential for good, and I hope it will inspire other potential donors.

If there is a downside to Mr. Buffett's gift, it's that this is such a vast sum to entrust to the decisions of three people - any three people. The questions of accountability that arise for all foundations purporting to know and serve the public good are bound to intensify for a foundation of this size, no matter how well-intending and effective.

Right now, oversight of foundations is minimal, and boards of directors are society's stewards. Questions to consider are: Is relying on Bill and Melinda Gates and Mr. Buffett to do the right thing, as we always have with foundation boards, enough? Or does the scale of this new joint venture change the paradigm? Should there be standards for the size and composition of boards of such large foundations? Is there a need for more oversight of foundations by government?

Mr. Buffett's stunningly generous gift is also likely to revive the debate about how much is too much to be invested in foundations across the United States. Even if the consensus is that more is better, how can society ensure that foundations are both free to innovate in the face of Herculean challenges and accountable to society?

Banking on historic business successes, Mr. Buffett and the Gateses are determined to change the world. I applaud their initiative. Perhaps, however, we need consider whether there are implications for the world of philanthropy.

C. Eugene Steurle, senior fellow at the Urban Institute, in Washington

The waves from the Gates-Buffett splash are only beginning to hit the charitable sector's shoreline.

Now that Buffett has transferred his investing methods to the foundation world, it can't just politely ignore them.

Without a doubt, some foundations would operate more effectively if they merged or split or

spent their assets at different rates. That said, replacing ineffective managers and board directors who don't find better ways of serving the public good is easier said than done. The first step is greater public scrutiny - occasional assessment by outsiders who have no stake in preserving tradition.

If businesslike practices mean more mergers, they also call for more splits when size makes a foundation clumsy or slow. With \$3-billion annually to disperse once the Buffett funds start rolling in - and probably much more in the future - the Gates Foundation should be open to restructuring itself repeatedly, as needed. Buffett's businesses buy assets, but they occasionally sell them, too.

With annual grant making that could be more than five times that of any other foundation, Gates has a leg up on taking risk. Often, before backing chancy ventures, foundations cap risks by joining consortiums and pooling resources. Sometimes the cost of this consensus-seeking is reduced courage to go into uncharted territory. The group approach also multiplies the administrative layers and costs for foundations and grant recipients alike.

The Gates Foundation can easily be more venturesome because it has less need for other foundations' cash. But democracies fear consolidation of power, whether private or public, and Gates's size is sure to heighten public and governmental scrutiny. Overreacting to this attention, however, could reduce Gates's advantages in risk taking.

Suppose, for instance, that Gates's project to support smaller schools proves to be badly designed, or that kids' test scores don't rise as much as hoped long term? Or what if some of the foundation's international projects fail, as high-stakes projects often do? Burned once or twice, the fear of undue publicity could make the foundation wary of undertaking the next risky venture.

Right now, Buffett is basically pushing Gates to take greater risks to get greater rewards.

Buffett has effectively challenged both the Gates Foundation and the world of philanthropy to reconsider continually what structures maximize returns for society. Philanthropy post-Buffett will never be the same.

Jeffrey R. Solomon, president, Andrea & Charles Bronfman Philanthropies, New York

What surprised me is that Warren Buffett broke with the tradition of having the gift become part of his legacy, his name, as with Carnegie, Rockefeller, and Ford, all of the early philanthropists. I don't recall a major philanthropist doing the kind of milestone gift in such an anonymous way in terms of its impact in perpetuity.

It's often said that people give to look good, to feel good, to do good. In some ways, this brings those three criteria together in a rather different mix than is typically done. I'm not certain it's going to be a trend because personal recognition continues to be a driving force in much of American philanthropy. But I think it will get serious successful people who are considering philanthropy to think differently about giving. The more thinking that goes on with successful people, the better it is for philanthropy, and therefore for society.

One of the things this gift very well might do is increase the trend of giving in people's lifetimes. Obviously the unknowns of what Congress might do in terms of the estate tax might impact on this trend.

The principles of spending money wisely are the same principles whether you have a little bit of money or a lot of money. You have a clear strategic approach with measurable objectives and where you can be brutally honest with yourself about what's working and what's not working.

The issue they face now is, will the board of that foundation maintain the culture that they've started with, that attracted Buffett, which is the culture of having impact, working carefully, bringing if you will a Microsoft mentality, which has combined innovation with capacity building? Will they continually bring that to their philanthropy?

Robert L. Lynch, president, Americans for the Arts, a Washington organization

It's absolutely fabulous for the amount of money but I think, even more important, it is a great

moment as a model for philanthropy.

It is hugely significant for others to think about what to do with their money and to jumpstart philanthropy. Would I have loved the whole gift to go the arts? One part of me says that would be fabulous; the arts themselves need a lot more help than what they are getting.

In the last decade giving to the arts has gone down, while giving to causes that help with pain and suffering has gone up, perhaps because of September 11. There have also been more gifts to international and other social problem-solving causes, all of which are important.

If this donation helps with some of those causes, then perhaps there might be some benefit in that it frees up the opportunity for both that foundation and other foundations to give to the arts.

David E. Krause , chief executive of the Parkland Foundation, the fund-raising arm of the Parkland Health and Hospital System, in Dallas.

Warren Buffett's decision to give \$3- billion to the Bill and Melinda Gates Foundation is transformational in at least three ways: It transforms the role of philanthropy in this country, potentially raising it to a whole new level of effectiveness, where it will probably shame governments and bureaucracies in the process for their wastefulnesses and inefficiencies (anyone heard of the Federal Emergency Management Agency or government defense contracts?). Its sheer scope and focus will change the terrain of philanthropy and the disciplines of caring for those in need.

Secondly, it is also transformational in the posture of philanthropy. In a culture that has glorified what I call "façade philanthropy," the propensity to "do philanthropy" for the purpose of elevating the donor's good standing Warren Buffett's gift is necessarily very public and very visible, but certainly not façade philanthropy. His gift is a story of substance, humility, trust and respect. It was Buffett's trust in, and respect for, Bill and Melinda Gates that motivated him to entrust his billions to their foundation

Thirdly, it is hopefully transformational in the pursuits of the capitalist system worldwide. The

trust and respect that bound capitalism's most effective innovator and capitalism's most effective investor paint a new picture for the possibilities of a productive and enlightened global capitalist system.

Perhaps there is a "greater good" beyond consumerism. It has been said that a culture is to be measured not by the plight of those at the top of the socio-economic heap, but those at the bottom. Bill and Melinda Gates, together with Warren Buffett, all three of whom sit at the very pinnacle, will focus on issues that affect many at the bottom of the heap throughout the world. And the world will never be the same.

Copyright 2006 *The Chronicle of Philanthropy*