HIVOS KNOWLEDGE PROGRAMME | 2013

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“BEAUTY AND THE BEAST”

Can Money Ever Foster Social Transformation?

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First published in June 2013 by the Hivos Knowledge Programme.

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Design: Tangerine –Design @ Communicatie advies, Rotterdam, The Netherlands

Cover photo:

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“Beauty and the Beast”: Can Money Ever Foster Social Transformation?

Michael Edwards[1]

“There are only two things that matter in politics. The first is money. I can’t remember the second.” William Hanna, 1900.[2]

1. Introduction and Summary

In relation to development and social change, money is both a curse and a cure, both “beauty and the beast.” Although William Hanna’s quotation may overestimate the importance of money in determining complex social outcomes, financial resources are essential to the functioning of most programs, policies and institutions, and they can help to make great things happen. Yet inevitably, money also raises questions about inequality, the strings attached to funding, and the power of those who hold them to push resources to causes they approve of, perhaps even weakening or corrupting authentic social action in the process. These questions are especially acute in work that seeks to address the root causes of poverty and discrimination by transforming the power relations that underpin these problems, in which issues of money and who controls it are inextricably entangled. By design or default, current funding systems are evolving in ways that are detrimental to the pursuit of transformation in this sense, so what could replace them?

In this paper I explore this question by rejecting the search for a single, “best” approach to social finance, philanthropy and foreign aid that is much in vogue today, and arguing instead for an ecosystem of democratic, institutional and commercial funding models matched to different elements of social change. Each model is analyzed in terms of its strengths, weaknesses, and applicability, and key areas of under-funding are identified. The paper ends by describing a number of promising experiments that achieve the double impact of boosting support for radical changes in society while also transforming the relationships surrounding money that currently separate donors from recipients.

2. The Problems and Possibilities of Money

a) Why and when does money represent a problem?

History is replete with examples of social movements, activists, entrepreneurs and writers that have operated on a shoestring. It’s unlikely that Martin Luther King or Rachel Carson, for example, would have shied away from civil rights or defending the environment because some foundation, NGO or government department declined their application for a grant. In that sense it is true that the “revolution will not be funded,”[3] but someone still has to pay for it somehow, at least for those elements of social change that create a cost that is too great for small groups of people to sustain by themselves - like an equitable education system or the cost of legal aid and advocacy or a new and healthier form of enterprise in the economy. As anyone who has been a fundraiser will say to you in seconds, everything is easier with some financial security behind you, whether it is generated from within the community or outside, through government or the market, in small amounts from lots of different people or large amounts from institutions. But *how* money is raised in these different ways is just as important as how it is spent, since they all have different qualities and are suited to different tasks. That’s why we don’t use tax revenue to fund the political activities of individuals, for example, or commercial investments to foster organizations that must be democratically-owned and directed by their members.

Money is rarely a problem in and of itself - it is simply a currency for transactions - and one could argue that if money were equally distributed throughout the population then it could act as a handmaiden for democratic social change. But in societies marked out by high levels of inequality,

[1] Distinguished Senior Fellow, Demos, New York. Thanks to Remko Berkhout and Claudia Horwitz for valuable comments on an earlier version of this paper.
[2] Cited in J. Hacker and P. Pierson, *Winner-Take-All Politics*. New York: Simon and Schuster (2010, p170).
[3] INCITE, *The Revolution Will Not Be Funded: Beyond the Non-Profit Industrial Complex*. Boston: South End Press (2007).

money is both a cause and a consequence of other forms of privilege, an instrument to concentrate wealth or re-distribute resources, centralize power or diffuse it, and subvert or promote democratic choices depending on how it is deployed. Therefore, who owns and controls money, what money symbolizes for those who have it and those who don't, and how other forms of influence become attached to money through politics, culture, philanthropy and foreign aid are all crucial questions. Money – or attachment to money – also has a psychic and emotional effect in justifying control and intervention by those who have it over those that don't, so that choices about the social good become distorted. And it is these inequalities, privileges and attachments that lie at the heart of the *money problem*. In market-based societies "money talks," but it rarely speaks the language of democracy and social justice.

Recognizing and acting on this fact is vital, rather than pretending that money is somehow neutral or separated from the broader processes in which it is accumulated, expended and exchanged. And that means that different ways of raising and spending money pose questions that are not simply technical in nature but also political – questions that must be *integrated into* the search for social change so that modes of funding are able to challenge pre-existing inequalities instead of reproducing them, as philanthropy and foreign aid have tended to do to date. That is why the structure of the funding system in any society is so important. Unfortunately, most of these systems are weak, distorted and fragmented - patchwork quilts that are full of holes, unreliable where funding is most needed, suffering from escalating transactions costs and shot through by power dynamics between patrons and their clients. The control-orientation of many donors creates a spider's web that can tie up the energies of those who work at the sharp end of social change.

Although the range of financial instruments is growing as web-based mechanisms facilitate fundraising and new opportunities emerge in the spaces between civil society and the market as globalization rolls on, most NGOs, foundations and government funding agencies seem stuck in a narrow band of approaches based around traditional philanthropy and foreign aid. In fact it is difficult to find anyone who is happy with current funding systems, or who would design them in the same way if they were given the opportunity to start again. Funders feel they cannot achieve the impact that they want, while practitioners feel they cannot get the money that they need, especially long-term, flexible funding to confront the really difficult issues.

b) Systems out of balance

Faced by these problems, the natural response is to try something different - sometimes a model or mechanism that is new (like crowd-funding) and sometimes the revival of something that is old but still offers valuable potential, like the gift economy that remains alive in most societies. Such experimentation is healthy, but here's where the money problem kicks in against the background of large-scale inequality: instead of treating all these experiments as valuable and worthy of support, a small number are being raised up for special treatment, not because they are objectively more important or effective but because they are more popular with those who have a greater say in discussions over funding. Pick up almost any report on philanthropy, foreign aid or social finance these days and it is likely to be dominated by those who advocate for data-driven solutions and revenue-generation in the marketplace through impact investing, social enterprise, venture philanthropy, social impact bonds, social entrepreneurs and programs that claim to deliver more "value-for-money."[4] A welcome exception is a 2013 report from CONCORD which maps out a much wider array of financial flows for development, but even here "domestic resource mobilization" is defined as "private investment," ignoring the economy of giving and sharing that has sustained communities for generations.[5] The same bias is evident in Western countries where small donations in cash and kind constitute between seventy and eighty per cent of total giving, and even these estimates under-represent the real figures because they only count donations to registered charities.[6]

Market-based funding solutions certainly have their place, but not to the exclusion of other approaches that are more suited to different elements of social change. The danger is that activities that do not fit the criteria required for market-based investment or cannot generate the data required to lever such resources are left unfunded, under-funded, or funded in ways that are unhelpful because they impose too much control - or require too much predictability - in the system. That's because these dominant approaches are relentlessly donor-centric, emphasizing the assets and ideas that funders bring to the table instead of building the independent agency of those who are

[4] For example, K.Fulton et al, *What's Next for Philanthropy: Acting Bigger and Adapting Better in a Networked World.* Monitor Institute (2010) and L. Bernholz, *Philanthropy and the Social Economy: Blueprint 2013.* New York: Foundation Center.
[5] *Global Financial Flows, Aid and Development*. Brussels: CONCORD (2013).
[6] For the USA in 2011, individual donations made up 73 per cent of total giving. New York: Foundation Center (2012)

working on the ground. As a result, it's increasingly common for foundations in the USA to close their doors to unsolicited applications and simply select the groups they want to implement the programs the foundation has designed, in a direct reversal of the co-creative relationships that social change demands.

In this climate, any group that speaks the language of markets will have ready access to funding despite the novelty of these ideas and the absence of any hard evidence that they produce significant *systems* change; while those who want to organize communities or deepen democracy will face severe restrictions despite the proven historical importance of their work. Plenty of money is available for producing new cooking-stove designs that reduce the burden on women's labor, for example, but very little exists for efforts to re-order patriarchal relationships in society at large. As the ongoing work of the Association for Women in Development makes clear, less and less money is available for approaches to women's rights that are *transformative* in nature.[7]

The meaning of transformation is obviously subjective, and some would claim that innovations like social enterprise and new technologies would qualify for this adjective in and of themselves, but in my own understanding something much deeper is implied: a fundamental shift in the structures of self and society that underpin the "delivery mechanisms" of social change like laws, policies and services, and the institutions of government and the market. Changing these sub-structures is a much harder and more complex task than changing what lies on the surface, so processes of transformation are inherently unpredictable, which makes them unsuited to many of the funding models that are gaining dominance today. But what AWID's work reveals is a more general and disturbing pattern: more money for social change is available in the system overall, but less of it is dedicated to these deeper-level tasks, so the long-term impact of funding may actually be diminished. Despite the hype surrounding market- and data-based funding innovations, the needle is not moving in the right direction.

In part, that's because most new money doesn't go to groups that are working on a transformative agenda in the sense described above. In the USA for example, the proportion of all philanthropy spent on "social justice" causes is stuck at fifteen per cent despite the continued expansion of the field[8], while funders increasingly favor the larger and more established advocacy and service-providing groups whose work is rarely cutting-edge. In 2009 for example, environmental NGOs with budgets of $5 million or more received over half of all foundation grants in the USA despite the fact that they represented only two per cent of non-profits working on environmental issues.[9]

The second reason is that the volume of new resources is often exaggerated in order to build support for these new models by including potential as well as actual funding flows. Recent examples include venture philanthropy in Europe, which fulfils the estimates that are claimed for it only by adding up the endowments of all the foundations that are sampled – even though only four or five per cent of the value of these endowments are released in any given year[10]; impact investing, calculated at $3.74 trillion for the USA in 2012 but only by including regular investments in "socially-responsible corporations" – the actual amount for "community investing" was $61 billion and for grassroots groups even less;[11] and crowd-funding, whose estimated worldwide total in 2012 was reduced from $2.8 billion to $165 million in one recent analysis after removing pre-existing and unrelated funding flows.[12]

The bottom line is that support for the deeper and more transformative elements of social change is in especially short supply because the system that funds them is dangerously out of balance, despite its claims to innovation and success. So what's the alternative?

[7] *Where is the Money for Women's Rights?* Mexico City: AWID (2005-13).
[8] *Diminishing Dollars: The Impact of the 2008 Financial Crisis on the Field of Social Justice Philanthropy*. New York: Foundation Center (2011); *Criteria for Philanthropy at Its Best*. Washington DC: National Committee for Responsive Philanthropy (2009).
[9] S. Hansen, *Cultivating the Grassroots: a Winning Approach for Environment and Climate Funders*. Washington DC: National Committee for Responsive Philanthropy (2011)
[10] *The European Venture Philanthropy Industry 2010/2011*. European Venture Philanthropy Association Knowledge Center (2012, p6)
[11] *2012 Report on Sustainable and Responsible Investing Trends in the United States*. Washington DC: Forum for Sustainable and Responsible Investment (2013)

[12] F. Salmon, *Annals of Dubious Statistics, Crowd-funding Edition* (2012). http://blogs.reuters.com/felix-salmon/2012/07/27/annals-of-dubious-statistics-crowdfunding-edition/

c) The virtues of systems thinking

The opposite of this trend towards a virtual funding monoculture would be an ecosystem of different revenue-generating options matched to the diversity of needs that social change requires, and this, I believe, is where we should be heading in the future. Systems thinking has many advantages in this respect, because it emphasizes the inter-dependence and complementary nature of all the different components, and is framed by the possibilities of abundance instead of scarcity – the idea that the "whole is or can be more than the sum of its parts." Re-focusing discussions about money in these directions is important because it releases many of the boundary constraints that might otherwise restrict our thinking – the idea that the supply of money for social change is fixed, for example, or that the best groups will surface if they are forced to compete with one-another.

Although this may seem counter-intuitive to those who are schooled in conventional fundraising techniques, financial scarcity is an artificial construct. Huge resources exist "out there" waiting to be tapped; the problem is that too much money is locked up in bank accounts and pension funds, hedge funds, foundation endowments and the like. Similarly, although all social change groups want to do their best in service to their mission, they can only do this by co-operating, since the problems they face are too big and/or complex to tackle in isolation. By contrast, the illusion of scarcity in market thinking feeds the myth of competition that justifies the imperative to control. A much better analogy is to the ecosystem, which *contains* some market elements but is not *dominated* or *defined* by them. Of course, ecosystems are not always peaceful and harmonious, but they always return to some sense of balance when they are healthy. Systems thinking shows why the increasing dominance of a small selection of funding models is bad for social change – because, as in any real ecosystem, homogeneity erodes the strength that comes from inter-dependence and diversity. What would such ecosystems look like in practice?

3. Exploring the Ecosystems of Funding and Social Change

a) The different elements of social change

Whether couched in terms of transformation, systems change or deeper impact, social change is made up of many different elements and components that are related to one-another to form an ecosystem. Certain relationships and hierarchies in these ecosystems are known and predictable (analogous to a supply chain in a business), while others emerge in unpredictable ways over time as internal and external factors interact and change. In that sense transformation is closer to alchemy than engineering. Success comes when all the elements of the ecosystem are present and connected, so that synergies build up and any negative trade-offs can be identified and addressed. Examples of such trade-offs include the growth of economies which rely on jobs that increase the carbon footprint of the production process, or gains in legal equality that disguise the hidden hierarchies of gender, race, sexuality and class that perpetuate injustice.

If, for example, the goal is to promote a "social economy" that improves well-being within the carrying capacity of the earth and its natural resources, the ecosystem of social change would need to include at least the following components:

- a different operating system based less on maximizing individual utility and more on contributions to the common good;
- new institutions through which this system would actually work, like "B-corporations," co-operatives, "peer-to-peer" and commons-based production (like Wikipedia or open source software systems[13]);
- more equal patterns of ownership and reward so that these new institutions are not simply captured and re-monopolized by existing power-holders and elites
- different policy, regulatory and accountability regimes that can incentivize healthier forms of production and consumption;
- new forms of politics and social activism to cement the coalitions required to force these changes through the web of special interests that will attempt to block them; and
- personal change, meaning a commitment to make sacrifices for the long-term benefit of our communities by sharing resources, paying more for public goods, and reducing our carbon footprint.

[13] For an overview of these experiments see C. Eisenstein, *Sacred Economics: Money, Gift and Society in the Age of Transition.* Berkeley, Ca: Evolver Editions.

To support these different components of social change one would need to direct resources to a wide array of processes and groups, each of which requires a particular form of financing designed to fit their qualities and characteristics, timescales for delivery or completion, and demands for democracy, decision-making and accountability. Some (like those B-corporations and co-operatives) might be funded through market-based investments which require short- to medium-term returns and high levels of oversight by funders, while others (like changing public norms in the direction of sharing and conservation) would require long-term, patient support to an independent infrastructure of educational, civic and media groups whose work evolves over time, so it cannot be measured or directed in the same ways. It makes no sense to claim that one approach to funding is appropriate across so many different circumstances. In this sense, different approaches to social finance, philanthropy and foreign aid are no more in competition with each-other than hammers and screwdrivers in a toolkit, but if you "only have a hammer" as the saying goes, "then every problem becomes a nail."

b) The different elements of a funding ecosystem

Following this logic, one can also lay out the characteristics of different forms of funding in the toolkit of social change. Although it is a little artificial to separate things in this way, it may be useful to start by distinguishing between three sets of elements in the funding ecosystem - *democratic, commercial and institutional* - each of which is suited to a different set of tasks.

i) Democratic elements consist of mechanisms that are created by groups of people to serve their own needs and preferences, and over which they exert a high degree of direct responsibility i.e. they are democratic in the sense that they favor broad public participation and equality even if decisions over spending are not democratically-controlled. Think of giving circles, for example, or house parties, workplace giving, "horizontal" or regular philanthropy, and gift economies in which people share and show solidarity with each-other with no strings attached. In democratically-governed associations, member contributions (like union dues) provide another example of this kind of funding, often subject to a sliding-scale so that they are affordable to those with lower incomes.[14] More recently, the development of web-based technology has opened up new routes to "peer-to-peer" funding through web-sites like Kiva and Global Giving; small-scale, regular online donations to groups like Wikipedia; and crowd-funding techniques in which members of the public can subscribe to causes without going through a conventional intermediary like an NGO.

These models are especially useful in financing the last two elements of social change described in the list above, namely encouraging new forms of politics and activism and changing public norms, since both rely on an independent infrastructure of citizen action to engage the populace in organizing, struggle, and debate. They also provide an essential means of curbing the ability of those with more money to force their views on others, and they are central to the success of social movements that want to reduce their exposure to outside funders because of the distortions this imposes. "There's a direct relationship" said one civil rights organizer in the 1960s, "between the fact that we don't have outside money and the fact that we're doing something real."[15] Democratic funding helps to strengthen legitimacy and answer the charge that NGOs in developing countries are "pawns of foreign powers" with no roots in their own societies, which makes them much more vulnerable to attack. "Whoever funds your organization, owns your organization" as fundraising consultant Kim Klein always says.[16] Democratic funding models build solidarity and promote the agency of those who may be excluded from other forms of finance by giving them more control over money and its uses. But they are less useful in funding activities that benefit from the disciplines of the market, and that's where commercial elements come in.

ii) Commercial elements in the ecosystem use the market to generate social and financial returns through social enterprises, impact investing, venture philanthropy and other similar mechanisms which have increased substantially in recent years. NGOs have always used these mechanisms when they have something to trade or sell – like setting up a consultancy arm on a for-profit basis to cross-subsidize their not-for-profit activities, or generating revenue from the sales of branded products. But recent experiments have been larger and more aggressive in using the market where it has not been used before, as in social impact bonds where private investors make a profit if the projects they back succeed in meeting their social goals; cause-related marketing (in which

[14] For more examples see E. Nepon et al, *From the Bottom Up: Strategies and Practices for Membership-Based Organizations*. New York: Sylvia Rivera Law Group (2012).
[15] Cited in C. Payne, *I've Got the Light of Freedom: The Organizing Tradition and the Mississippi Freedom Struggle*. Berkeley, Ca: University of California Press (2007, p336)
[16] http://www.kleinandroth.com/

companies share a small proportion of each transaction with a charity); parametric insurance schemes in which donors pay the premiums while NGOs or governments receive a pay-out if a drought or other emergency occurs; and businesses which dedicate part of the surplus they create to social causes like the telephone company Working Assets, which uses a share of its profits to fund a campaigning group called Credo Action.[17] In the international arena the first financial transactions taxes have been launched in Europe to generate additional revenue for global public goods, and there is rising interest in the use of remittances.

These elements are especially important in financing the first two elements of social change in the social economy example, namely new forms of economics and economic institutions that create more social value. The development and dissemination of green technologies would be an obvious example, along with other socially- and environmentally-useful goods like new vaccines against malaria and HIV, or extending services like workforce training beyond the reach of public and non-profit systems. But such elements are less useful in situations where people demand direct involvement in decisions over money, or where deep-seated differences exist which markets can't resolve, or where large amounts of money have to be directed at areas of market failure. That's where institutional elements are important.

iii) Institutional elements in the ecosystem consist of resources that are concentrated in the public sector, foundations, donor NGOs, and the international development system (think global health and development funds, for example, or intermediaries like the Urban Poor Fund International[18]). These standing reserves of money are valuable because they can channel resources to activities that are too risky for market-based investment and too large for democratic elements to finance – for example, providing legal aid to government whistleblowers or sustaining an independent media. In these areas grants are much better than loans or equity investments, so they are ideally-suited to the middle categories of change in our social economy example, where resources must be redistributed at scale to promote equality and where new policy and regulatory regimes are required to curb harmful practices and encourage innovations.

At least in theory, these elements of the ecosystem can channel large amounts of money to issues that are unpopular or under-funded without regard for returns on investment or the need for democratic backing. On the other hand, they often have weak accountability structures and are strongly-directed by the ideas and preferences of the individuals who set them up and/or run them, which may or may not correspond to a wider sense of the public interest. This is the crux of the debate that is beginning to develop in the USA around the role of private foundations in public policy advocacy on issues such as school reform and immigration.[19] Bringing the public into the process of deciding how and when to use these kinds of institutional resources is a difficult task, but probably one that is essential to the long-term legitimacy of foundations, donor NGOs, development funds and other nodes of concentrated money. As highlighted below, this challenge is more easily-addressed when democratic and institutional elements in the funding system begin to overlap.

c) Matching the ecosystems of funding and social change

Given this long list of different funding elements (to which many more could be added), the question to be answered in any context is not "how do we expand support for one of them in isolation from the others," but "which elements are weak or under-funded and therefore need attention," in order to ensure that *all* the processes of social change are adequately supported. This requires some way of matching the two ecosystems together, and that is difficult because there is so little consensus on whether particular elements of social change are best funded though democratic, institutional or commercial means, or a mixture of all three. Indeed, this question goes to the heart of the debate about the roles of civil societies, governments and markets in funding social change. In addition, the matching process will make most sense when it is constructed in a specific context and around a particular set of challenges such as combating inequality. This is one way of avoiding overly-general statements about the superiority of public or private funding.

Nevertheless, some general questions do inform the process of matching different elements of funding and social change. They include the following:

- *Returns*: are financial returns possible in this situation? If they are, do they impose trade-offs against social mission? if they do, are these trade-offs considered acceptable by the different stakeholders involved? Commercial revenue-generation may be possible, for

[17] http://credoaction.com/
[18] http://www.sdinet.org/upfi/
[19] See J. Barkan, *Hired Guns on Astroturf: How to Buy and Sell School Reform*. Dissent (Spring 2012).

example, but it can tie up so much time in community organizations that it pushes them away from their core mission. Social impact bonds may raise new resources, but they are extremely complex to set up, so is there a simpler alternative? Or turning the question around, are social movements missing something by not exploring how markets can help their mission?

- *Inclusion*: is universal access to services or other benefits a requirement, or can some groups be excluded? Is participation by large numbers of people important, or does it impose a barrier to impact and effectiveness? Are organizations "substitutable" for one-another (like businesses in the same sector of the marketplace), or do they have unique value that must be separately preserved, like a church, a synagogue and a mosque? Some might question this last example, but even if such religious spaces begin to be shared across the different faiths, the hybrids that emerge – analogous to social enterprises in the economy – will still generate costs as well as benefits. In addition, all ecosystems are dynamic, so the options for combining different elements will also change through time. For example, democratic funding models are more difficult to sustain at scale in conditions of widespread economic insecurity for working- and middle-class people because (despite their demonstrated generosity) their disposable incomes are reduced.

- *Accountability structures:* are democratic structures required to make decisions and ensure accountability? If so, what kind of structures (limited, open, public and so on)? If not, how can private or market accountability structures be made to respond to social as well as financial concerns? Who is empowered and disempowered by the choices that are made surrounding funding? Which values are reinforced or weakened in society? And how does the choice of funding mechanism strengthen different interests?

Applying these questions to concrete cases will generate invaluable information even if its wider significance continues to be debated. But in reality, different elements of social change benefit from different mixes of funding sources even though these mixes have to be carefully selected to avoid or manage trade-offs between democracy, the market, and universal access. In the future this process of inter-mingling is likely to deepen considerably because markets, governance and social activism are embracing more democratic and distributed forms like commons-based production and networked campaigning. And as this process moves forward, the overlaps between democratic, commercial and institutional funding elements will grow, generating new, hybrid institutions and financing models in the process.

Although taking advantage of it will be far from straightforward, these developments represent an exciting opportunity: instead of trying to retro-fit just financial solutions onto an unjust economic system, why not start from a different set of premises that reject existing patterns of ownership, production and exchange, and by extension, convert the problem of money into a new set of possibilities? In doing so, practitioners and funders will be able to explore the exciting territory that lies *between* the different elements of both ecosystems and find a better set of matches. What would that mean in practice?

4. What can funders do to help?

a) Supporting new experiments

Since practice always runs ahead of theory, the most important thing that funders can do is to support more concrete experiments where hypotheses about funding and social change are developed and tested. I call them experiments in "transformative financing" – meaning ventures that have the double impact of boosting radical changes in society *and* transforming relationships surrounding money in support of these activities. What would such experiments consist of?

i) In terms of stronger links between the *democratic and commercial elements* of the system, peer-to-peer production, community banks, credit unions and other collective ownership arrangements show how the economic surplus can be shared and re-invested under democratic control instead of being appropriated and hoarded by private financial institutions.[20] Community-controlled economic development initiatives can channel some of their profits into locally-governed

[20] For a good review of these experiments see G. Alperowitz, *What Then Must We Do? Democratizing Wealth and Building a Community-Sustaining Economy From the Ground Up*. White River Junction, Vt: Chelsea Green Publishing.

agencies and programs. New forms of money and exchange (like alternative and non-cash currencies, and no-interest financing) are already being used to revitalize communities in settings like Brazil, where the Green Life Bank accepts wheelbarrows of recyclable garbage in exchange for notes that can be spent in local stores.[21]

Stone circles[22] offers "radical hospitality" packages at discounted rates for other NGOs at its rural retreat center in North Carolina and channels the funds into its community organizing programs. And Make the Road New York[23] works with the Brooklyn Co-Operative Credit Union to help its members obtain loans to cover their membership dues if they experience temporary economic hardship. These experiments reverse the philosophy of foreign aid and philanthropy that has grown up in the North: instead of "giving something back" from the proceeds of extractive economics, why not "give more things forward" to create something new?

ii) Similar experiments are possible along the boundary between *democratic and institutional* elements in the system, so that concentrated funding can be used to support more transformative activities. Take the Freedom of the Press Foundation in the USA, which was established to protect whistleblowers whose legal defense is prohibitively expensive, partly in response to the difficulties experienced by "Wikileaks" when their donations were halted by PayPal and credit card providers.[24] Foundations could easily guarantee a pension scheme for all community organizers, helping to generate the security required to continue in such an insecure career (as some once did through the National Organizers Alliance[25]), or they could pool their money for education in a democratically-governed Innovation Fund that empowers schools to experiment with new ideas, without the strings attached to current top-down foundation-funded programs.

NGOs and foundations could opt for radically-different forms of governance and accountability that dissolve the barrier between donors and recipients. There are already examples of foundations (like the Dalit Foundation in India[26]) that are formed by excluded groups instead of by elites acting on their behalf. Joint or downward decision-making structures are evolving to bring the users and providers of resources into more equal and co-creative relationships, like the Edge Fund in the UK and Red Umbrella in the Netherlands.[27] Networks like Enough[28] are educating a new generation of philanthropists in the need to confront their own privilege as a gateway to a much more liberating role. And quick-release, no-strings attached funding - the opposite of the increasingly top-down and tightly-controlled ethos of the "new philanthropy" - is gaining ground through agencies like the Pollination Project and the Philanthropic Ventures Foundation (PVF) which are generating excellent results.[29] "We fail to realize", says Bill Somerville of PVF "that the chief benefits of working in a foundation – money, power and privilege – also work as the three greatest obstacles to doing a good job."[30]

iii) The third boundary in the funding ecosystem is already being populated by experiments that link its *institutional* and *commercial* elements. The Rockefeller Foundation's decision to support a knowledge clearing-house for social impact bonds is a good example[31], and there are many other foundations that are using their resources to expand experiments in social economics. No doubt these experiments will grow because the social economy is so popular among so many donors. What is missing is a greater sense of connection *between* them and the *democratic* elements in the system, which would help to boost the transformative impact of social finance by paying more attention to questions of ownership, accountability and control.

b) Building capacities for systems thinking, learning, action and conversation

The second area that needs support is capacity, learning and communication – specifically the capacity to learn from these experiments and to map and analyze the ecosystems of funding and

[21] K. Jaworski, *In Brazil, Non-Cash Currency Aids Community Revitalization*. Non-Profit Quarterly Online (January 22nd 2013). More generally see T. Greco, *The End of Money and the Future of Civilization*. White River Junction, Vt: Chelsea Green Publishing.
[22] http://www.stonecircles.org/
[23] http://www.maketheroad.org/
[24] D. Carr, *Group Aims to Be a Conduit for WikiLeaks Donations* . New York Times (December 16th 2012).
[25] www.noacentral.org
[26] http://www.dalitfoundation.org/
[27] http://edgefund.org.uk/ and http://www.mamacash.org/page.php?id=3013
[28] www.enough.org; see also K. Pittleman, *Classified: How to Stop Hiding Your Privilege and Use It for Social Change*. New York: Soft Skull Press (2005).
[29] www.venturesfoundation.org and http://thepollinationproject.org/
[30] B. Somerville, *Grassroots Philanthropy: Field notes of a Maverick Grant-maker*. Berkeley, Ca: Heyday Books (2008).
[31] https://www.missioninvestors.org/news/rockefeller-foundation-grants-400k-develop-social-impact-bonds

social change of which they form a part, free of the hype that characterizes the debate around market-based solutions or the romanticism that sometimes surrounds the purity of self-financed social movements. Once freed from these blinkers, it will be possible to have a more open and rigorous conversation about money that will be healthier and more productive in leading to improvements and innovations. The definition of “smart aid” or “strategic philanthropy” is surely that financial needs and mechanisms are appropriately matched, not that every approach conforms to a narrow view of what is most effective across very different circumstances. And a conversation of this nature would help both funders and practitioners to journey far beyond the self-limiting horizon imposed by adding a few more “bells and whistles” to existing top-down or North-South funding flows.

Such conversations could be organized by geography, issue or constituency; around particular elements or levels of social change; or among sub-sets of funders and those they work with. Taking a topic like “building an economy of wellbeing” would help to flesh out the broad array of strategies and funding mechanisms that would be required to help bring something like this to fruition, and to identify which elements are weak or missing. An obvious benefit of an ecosystem approach is that – once these capacities and conversations are in place – it makes it easier to find and fix any gaps, distortions and disconnections. In the USA at least, many commercial and institutional elements in the funding system are growing stronger, while many democratic elements are weaker than they used to be, partly because of shifts in the structure of civil society away from membership-based associations and labor unions. Hence, re-invigorating these democratic elements is critical for the future. Supporting the expansion and diversification of funding ecosystems is a different role than simply funding organizations or projects, but it has an obvious multiplier effect by increasing the range and volume of available resources over time. Funding agencies can also see *themselves* as experiments-in-action by exploring how to utilize their own resources in more creative ways.

5. Conclusion

In order to build a more positive role for money in the transformation of society, the conversation must be shifted away from its current focus on technical and financial criteria to political and moral questions. Instead of tinkering with the current unsatisfactory system or joining the chorus in favor of one approach over all the others, why not advocate for and support a plurality of elements in the ecosystem? Why not recognize and act on the fact that innovation is happening everywhere, and not just in one, market-oriented part of the system that is currently in vogue? And why not put the difficult questions surrounding money right at the center of the table – the questions of wealth, privilege, influence and control that lie at the heart of this conversation yet are rarely raised in public?

More effective support for social change requires substantial shifts in the funding community itself – in how we see, raise and use money to pursue our objectives; in our own financial roles and relationships; and in the ways we see ourselves as participants in processes we share in but do not control. This implies some short-term discomfort as current fashions are challenged and upended, but the long-term benefits will be huge in terms of the size and depth of results that could be achieved. Discussions about money are never easy if they are honest, since money generates friction whenever some people need it but don’t have it, and others have it but don’t need it, so are willing to give some of it away but only on their own terms. These problems will continue so long as money is embedded in economies and cultures of inequality, paternalism, hierarchy and control. But by acting from a different set of premises it should be possible to break down these destructive limitations and develop a much more positive relationship.

Moving from a funding monoculture to a well-articulated ecosystem of funding options is one essential element in this shift, along with experiments in financing that dissolve the power imbalances between donors and recipients. Returning to my title, money may never be especially “beautiful,” but there’s no reason why it should be such an “ugly” force in disempowering those it aims to help. It’s time to put money at the service of social transformation and end its role as a handmaiden of privilege.

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