

Trust, Change, and Hope



*Essay by Julia M. Stasch, President
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“People and places around the world, as well as the earth itself, face formidable, complex, and connected problems.”

I wrote that a year ago. Events since then have underscored just how challenging those problems are, among them the pervasive loss of trust in major institutions of government and society.

Philanthropy is not immune from that trend. Most large foundations are considered “elite institutions.” Yet to be effective, we must facilitate, and operate in, an environment of trust and goodwill.

In this essay, I address the task of building trust in a time of flux and challenge. Philanthropy, I argue, must learn from the ways that technology and new modes of communicating are reordering our world. We need to examine critically our history, structures, and practices, and where necessary, take new directions. We must listen more, be more flexible and inclusive, and allow those who experience directly the problems we seek to address even more room to participate fully and lead.

We cannot take trust for granted; it must be earned in all we do, every day.

CRISIS OF LEGITIMACY

How did this happen? Just a few decades ago, some believed that the world was progressing inexorably toward shared values and objectives. There is much to celebrate: unprecedented advances in material prosperity; progress in technology and medicine; advances in communication, mutual understanding, and international co-operation. But history has a way of upsetting over-confident expectations.

Destabilizing trends abound—rising inequality, economic stagnation, and a lack of effective leadership. In Western countries, there is a political uprising against “the establishment” and those associated with it. The Trump and Sanders campaigns, the vote for Brexit, and the rise of nationalist parties in Europe are manifestations of a widespread and heartfelt populist energy that cannot be ignored.

Here at home, many Americans feel powerless, betrayed by those they see as “self-serving elites.” Law enforcement is seen as tragically unaccountable, sparking angry demonstrations against

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police actions and policies. The legacy and continuing reality of racism affect many lives. There is little faith in the social compact, an ideal that historically has bound our country together.

This loss of faith is serious, and it extends well beyond government. Post 2008, there is diminished confidence in banks and the financial system. Polls reveal that many people no longer trust traditional media, health and education bureaucracies, political parties, national security agencies, government reports, even church hierarchies, or, with incalculably grave danger for the country, the administration of laws and justice.

A healthy democracy takes at face value the proposition that most of its institutions and practices are reliable and trustworthy. Trust is the currency that facilitates every social transaction. Without trust, society risks moral bankruptcy.

When people in America and around the world feel that systems are failing or not working in their interests, we need, first, to pay close attention. And then we need to find solutions that do work.

That is a tall order that philanthropy cannot fill on its own, but we can make trust a priority.

THE ROLE OF PHILANTHROPY

Historically, American foundations are the result of a national experiment to show that private capital can be used for the public good.

Born in the Gilded Age, the first foundations advanced an approach typical of the time: led by experts, standardized, centrally planned and managed. That approach produced notable successes over decades, such as raising the quality of medical education, eliminating diseases, founding pensions for teachers, pioneering humanitarian aid, establishing public television, fueling the Green Revolution, and more.

Over time, two powerful critiques have been levelled at foundations, to some extent with just cause. The first is that they lack democratic accountability and are elitist, intrusive institutions with far too much undeserved influence. The second is that they support the establishment, are fickle, quickly lose their innovative edge, and become dated and ineffectual.

Such criticisms spurred reflection and changes in approach over time; perceived abuses triggered significant legislative changes in the 1960s. Today seems to be a similar period of critique and reform, when heightened skepticism demands attention to securing the trust that lies at the core of philanthropic effectiveness.

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What can philanthropy do? I argue that we need to up our game and ensure that we play a decisive, outsized role in addressing this crisis, leading by example. We need to become even more flexible, to experiment with new ways of deploying capital and generating creativity, and to focus on what it takes to fully understand and support the forces for positive change, even when they take us out of our comfort zone.

NEW APPROACHES TO PHILANTHROPY

A new generation of foundations has emerged from fortunes made in technology and finance. As before, the new philanthropists seek to bring insights from their business experience to bear on social problems.

Both these new players and historic foundations have made concerted efforts to be more transparent, to communicate their mission and objectives widely, to involve the public in informing choices, and to be more responsive rather than directive in their relationships with grantees.

How far foundations will go in increasing their democratic accountability remains to be seen. Leadership often has broad latitude to set objectives and choose areas of work. Yet, if foundations are to sustain the public trust, more of us, including MacArthur, need to find the right balance between two critical elements of a solution—the insights and practical evidence from “on-the-ground” and what research tells us about “what works.”

In addition, the rapid pace of tech innovation has upended an older business paradigm that included detailed strategic planning, long-term research and development, honing products to perfection before they are released to the market. In its place is a model that focuses on speed, agility, and iteration. A minimally viable product is brought to market, tested in practice, and the lessons learned quickly applied to an improved next generation. Risk and failure are not only tolerated but encouraged as ways toward positive evolution. Instead of working in protected silos, doomed to fail in isolation, companies are embracing open innovation, networking the best ideas and encouraging co-operative alliances.

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Philanthropy has much to learn from this approach about experimentation, rapid prototyping, measuring progress, and constant adaptation. We need to embrace fully the notion that we can provide society’s “risk capital” and that we must learn and evolve in real time as conditions change.

MACARTHUR’S RESPONSE: WE ARE CHANGING

As I described in my essay last year, MacArthur is committed to a change agenda that includes bolder and bigger objectives, fewer and larger programs, and time-limited initiatives focused on demonstrated progress toward real results. We have made hard choices that affect our staff, grantees, and even whole fields, including ones where our leadership and contributions have spanned decades.

But, as we focus on our now fewer global and national areas of concern, we are mindful of the ingredients of trust, embracing a more open and responsive way of working, listening more, and, in the context of larger ambitions, pushing ourselves to be more agile, experimental, and willing to fail.

Several new efforts are informed by this mindset.

100&CHANGE

We are reaching into the global marketplace of ideas and solutions with a new competition called 100&Change.

MacArthur has supported competitions in the past and, like others, we see that they can be powerful incentives for creativity and problem-solving. This year, we launched a far larger competition than ever before. Distinctively, we did not select a problem or target a place in advance. Instead, we are entirely open to any proposal, in any field, from anywhere in the world. The winner will receive a grant of \$100 million to help advance a single solution.

Our guidelines are simple: entrants must offer a practical solution to an important problem that is meaningful, verifiable, feasible, and durable. Both for-profits and nonprofits are eligible. With applications from around the world, we seem to have struck a chord.

Key information about all proposals will be public. They will be judged and ranked by a panel of independent expert judges, whose profiles are on the competition’s website. The MacArthur Board will select up to 10 semifinalists who will have the opportunity to develop their projects, engaging deeply with the communities they are intended to serve.



is a competition for a \$100 million grant to fund a single proposal that promises real and measurable progress in solving a critical problem of our time.

www.macfound.org/100&Change

Our plan is to keep the competition in the public eye; to intrigue and inspire, to demonstrate that solutions are possible, and to draw the attention of other funders to proposals that interest them. In a public forum, five finalists will present their fully developed proposals. The MacArthur Board will select the recipient of our \$100 million award. Our hope is that other funders will seize the opportunity to provide resources for other ambitious, transformational projects—fueling many more solutions than MacArthur alone can fund.

We will make a new \$100 million award every three years, inspiring new coalitions, helping good ideas reach sustainable scale, and over time accelerating real progress toward solving some of the nation’s and the world’s biggest problems.

BENEFIT CHICAGO

MacArthur has engaged in impact investing since 1986, dedicating more than \$500 million to date to meet the capital needs of nonprofits and social ventures, to build fields such as community development finance and affordable housing, and to develop new investment products and platforms to attract capital to help address social and economic need. Capital has a vital role to play in strengthening the social sector, not only because early and patient investment has created markets for social enterprise, but because we believe the market discipline required by financing can strengthen the performance and resilience of nonprofits with revenue-generating business models.

We are putting this expertise and insight to work for our hometown in Benefit Chicago, a collaboration that aims to mobilize \$100 million in impact investments for nonprofits and social enterprises working in neighborhoods most in need of investment throughout the metro area.

In the context of growing interest in impact investing, Benefit Chicago is a local example of MacArthur’s national, even global effort to address a mismatch in the capital marketplace between impact-seeking investors who want easy ways to put their money to work and organizations that need special financing to address the needs of disadvantaged populations and places. Our collaborators in Benefit Chicago are The Chicago Community Trust, which has served the region for a century, and Calvert Foundation, an international impact investing intermediary.

Sized to reflect documented need and interest, the fund is designed to harness the love of place—Chicago—and mobilize the power of investors, large and small, through readily available Chicago-targeted Community Investment Notes issued by Calvert. Calvert will lend the proceeds from the sale of these notes to a MacArthur-created charitable LLC that will make flexible, long-term, custom-designed impact investments—loans, equity investments, and guaran-

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www.benefitchi.org

tees—to financial intermediaries, nonprofits, and social enterprises. This unconventional financing will help organizations strengthen their operations, expand and grow, provide training, generate jobs, and attract other capital. In addition to our annual grantmaking in Chicago, MacArthur has committed \$50 million to the effort and The Chicago Community Trust is investing \$15 million in the purchase of Calvert notes.

With strategic advice from an independent advisory council, and smart investments in local organizations,



Benefit Chicago’s full potential depends on its appeal to investors and their commitment to helping Chicago neighborhoods thrive—a risk we are willing to take.



Chicago Stories profile the important and impactful work of some of our Chicago-area grantees. www.macfound.org/ChicagoStories

OUR CHICAGO COMMITMENT

Chicago is MacArthur’s hometown, where our vision is of a global city, a commercial and creative hub that is rich with vibrant, diverse neighborhoods and strong civic culture, where government is effective and responsive, prosperity is shared, and assets and amenities are available to everyone.

In recent years, to extend the reach of our resources, we supported a set of mature organizations and intermediaries. This worked, but it sometimes removed us from direct contact with local groups and communities whose work our funds supported. We want to close that distance.

To help inform our local approach, we are listening more. We want to understand better where, and in whom, strategic investments make the most sense. Although the need to act is urgent, we are taking a little more time to hear more voices, with their candid, sometimes challenging messages.

Not surprisingly, we are hearing that strong leaders need support and organizations need resources to expand what they do, test new ideas, attract excellent, dedicated staff, and grow their impact. We also hear that communities that have borne the consequences of poverty, neglect, inequality, injustice, and racism feel that their own leaders need to drive constructive change if that change is to last. Participants urge local philanthropies to work more closely together, to make common cause around shared objectives. Many would like a less hierarchical relationship between grantor and grantee, engaging more directly and deeply with our staff, brainstorming with us, giving and getting candid feedback, and tapping into networks, insights, and knowledge we can share from elsewhere.

One insight is that, with sweeping demographic change underway, it is time for us to focus even more on helping to ensure that leadership from Chicago’s diverse communities is strong and influential, and their organizations effective and sustainable. This may be as important an outcome as any for us to pursue.

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www.macfound.org/Chicago

Along with Benefit Chicago, our commitment to the region's cultural sector continues, as do our efforts to reduce violence and bring our national criminal justice reform to ground here in Chicago. These rich exchanges and insights will figure prominently in our choices about what else is next for MacArthur in our hometown.

DESIGN-BUILD

Changes are evident in how we work as well. We have learned that a fully developed strategic plan provides comfort and guidance; if rigidly applied, such a plan can also make it difficult to adapt and change. As the context for the plan evolves, new information becomes clear, assumptions prove wrong, and unintended consequences emerge. To become more agile, we have adopted a “design-build” approach to our work, which makes it possible to move quickly on just enough information, as we did when we made an initial \$50 million in grants to combat climate change based on only a strategic framework. We continue to develop that work, watching for pivots required by key diplomatic or political milestones.

This approach requires a nimble and responsive way of learning and doing. Responding to the need for live intelligence and constant adaptation, we bring an independent learning partner onboard at the beginning, helping sharpen our theory of change, monitoring the evolving landscape, challenging our assumptions, identifying and tracking indicators of progress and success, and providing near-real-time feedback.

This requires greater rigor, not less. It calls for a flexible and engaged board, staff who are willing and able to be players in their fields, who have deep listening skills and discipline in documenting changes in thinking and strategy, and can work with a fluctuating budget. They must have a healthy comfort with the ambiguities of a complex and changing environment.

STUBBORN ON VISION AND HOPE

A year ago, I said that we would double down on our commitment to help build a world that is more just, verdant, and peaceful—a world where actions are moral, rational, equitable, and fair; where the planet and its people flourish; free from violence and war. I have reflected on the sequence of these three attributes and concluded that there is a reason that the word just is first. It reminds us that we must interrogate our every action to understand whether it enhances the conditions in which justice can thrive, reinforces an often unjust status quo, or diminishes the likelihood of just outcomes. Leading with a commitment to justice is a step toward building trust, though it sets a standard we may not always be able to meet. I am convinced that it is appropriate for this moment in time and for the stewardship of this foundation.

MacArthur is dedicated to a vision of a just, verdant, and peaceful world, but we know there are many paths to getting there—most not yet conceived. There is no assured blueprint for the future, only determination to press on to the goal. What is certain is that we will ask, in our programs and our own practices, if we are doing enough to advance the first and foremost ambition of our mission.

That mission is a public trust—and trust in key institutions and systems is a high priority. We hope that by operating more openly and creatively, listening carefully, taking more risk, focusing on justice, helping support others' ambitions and talents, and directly taking on the issue of trust in key systems, we will prove ourselves both trustworthy and empowering. Most of all, we hope to make real progress in solving urgent problems, using all available means.

What gives me hope is the creativity, optimism, perseverance, and resilience of the many individuals and organizations around the world that we are honored to support. Some of their stories are part of the robust and continuing social media conversation that is the #ReasonsforHope campaign. Earlier this year, MacArthur joined more than three dozen

philanthropies to challenge an unrelentingly negative narrative with concrete illustrations of people and organizations seizing opportunities and rising to the task of attacking problems old and new.

As I salute their courage and persistence, I invite your comments, suggestions, and critique, with special appreciation for a candor that will challenge us to achieve greater clarity, humility, wisdom, and impact.

MacArthur Foundation

The John D. and Catherine T. MacArthur Foundation supports creative people, effective institutions, and influential networks building a more just, verdant, and peaceful world. MacArthur is placing a few big bets that truly significant progress is possible on some of the world's most pressing social challenges, including over-incarceration, global climate change, nuclear risk, and significantly increasing financial capital for the social sector. In addition to the MacArthur Fellows Program, the Foundation continues its historic commitments to the role of journalism in a responsible and responsive democracy; the strength and vitality of our headquarters city, Chicago.

For more information or to sign-up for news and event updates, please visit www.macfound.org.

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