

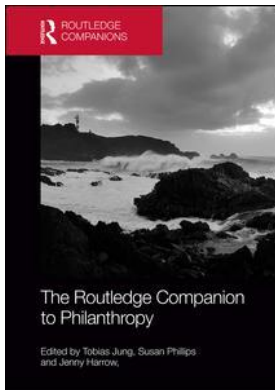
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The evolving state relationship

Implications of 'big societies' and shrinking states

John Healy and Gemma Donnelly-Cox

The perceived role of the state, the state's responsibility to provide services for its citizens, and the governance of service provision are all undergoing major transformations (Ball, 2008; Chapman *et al.*, 2010; Kendall, 2010; Daly, 2011). Within this context, policy initiatives that expect philanthropy to fill any voids left by the withdrawal of the state need to understand philanthropy and how it has historically related to the state. Yet, in the current development of 'big society, small state' policies being implemented around the globe, philanthropy is allocated a major role with little attention paid to, and understanding of, its underlying nature (Edwards, 2010; Sievers, 2010; Groves and Lowe-Petrasko, 2011; Pharoah, 2012).

This chapter examines the various factors that influence how public policy towards philanthropy is shaped. We examine how philanthropy is viewed from different public policy perspectives by exploring the philosophical positions that underpin them. We also discuss some of the main institutional logics prevalent in modern philanthropy, and consider how the state is viewed within the various movements within the field of philanthropy. We argue that the policy of the state towards philanthropy has been, and will continue to be, strongly influenced by prevailing political belief systems within and across countries, and the actions, and reactions, of philanthropists towards the state will be influenced by their belief systems about how best to realize the social changes they seek. This then enables us to put in perspective recent attempts to chart new directions in the relationship between the state and philanthropy, most notably the 'Big Society' concept (Ishkanian and Szepter, 2012), and to gauge the likely reaction of philanthropists and foundations to reductions in public funding of programs as the state retreats in the light of fiscal and sovereign debt crises. We find that 'big society' proposals lack synchronicity with the prevailing beliefs and practices within philanthropy and argue that public policymakers need to better understand how actors within organized philanthropy perceive their roles in relation to the state.

Political economy theories of the relationship between the state and philanthropy

How the private giving of money and the activities of government relate to each other are explained by a range of theories. These are underpinned by differing beliefs and assumptions

about the appropriate role of government and private property in society, and have profound implications for how society views philanthropy. Four primary theories of this relationship highlight the different aspects of harmony, interdependence, tension and conflict that exist in this relationship.

Public goods theory

The public goods theory of charitable contributions assumes that those who donate to non-profit activity are dissatisfied with the level of provision of a public good and that they wish to see more of it provided. Becker (1974) uses a model of a donor whose utility is a function of personal consumption and the extent of some charitable activity. These two goods are assumed to be normal goods and the donor/consumer maximizes his or her utility subject to a budget constraint. This theory also depends on Nash conjectures: that everyone takes everyone else's contributions as given when deciding how much to donate. If donor X donates money for a service from a nonprofit, this will reduce substantially the amount that donor Y will subsequently donate (Sugden, 1982). Weisbrod (1975) claims that differences in preferences jointly determine the relative share of services provided by government and the nonprofit sector. The public goods theory predicts that government spending on social programs will crowd out contributions to charitable activity. From a public goods theory perspective, philanthropy is a legitimate expression of societal contribution that may be lost if the state overextends its reach. However, Clotfelter (1985) found no empirical evidence in the US of significant crowding out between charitable giving as a whole and state expenditure on public goods. Looking at the relationship from a different angle, Steinberg (1997) has observed that new studies generally concur with the consensus that donations will replace only a small fraction of governmental cutbacks.

Andreoni (1989, 1990) argues for incorporating the psychic reward from the act of giving itself as a partial explanation as to why people give. It is argued that this captures the fact that an individual's own gift has characteristics that are independent of its properties as a public good. He refers to this as the 'warm-glow' effect of giving and claims that people who donate, in part to see others better off through a public good and in part to make themselves feel better, are 'impurely altruistic'. Andreoni (1990) claims that this model explains why individuals do not necessarily reduce their philanthropy when state spending on social programs increases. The theory assumes that private individuals voluntarily finance public goods through philanthropy and the relationship is primarily a harmonious one in which individuals and the state share, at least in part, a common objective of addressing social goals. An optimum outcome is freely reached where even so-called 'impure altruism' increases the level of public goods provided.

Within this framework, it is assumed that the state provides public goods up to a point that satisfies the preferences of citizens. Private donations then supplement this to provide those public goods that are under provided by the state, as judged by individuals who have the preference and capacity to contribute. Importantly, donor preferences and private wealth play a determining role in the provision of these additional services. The public good is often theorized as a 'market failure' that requires intervention by government. It is assumed that a state is needed to gather tax and provide services to avoid free riding by those who wish to see a certain level of social provision, but who might avoid paying for them without the power of the state to compel them to do so. This is what Frumkin (2006) refers to as 'complementary' donations. The additional public goods that are provided by these philanthropists are often accorded tax relief as recognition that this expenditure is in the public interest and not normal consumption on the part of the donor.

Democratic theory

This perspective emphasizes the role that giving of private wealth has in sustaining democracy. The power of the state needs a counterbalance and a civil space for citizens to organize: this is financed by private giving. It is often reflected in the referencing of the nonprofit sector as the ‘independent’ sector. In the 1830s, Alexis de Tocqueville famously described privately financed voluntary organizations as central to the American ideal of democracy. Fleishman (2009: 205) makes the case that the ‘unfettered freedom’ from the market and voters enjoyed by philanthropic foundations empowers ‘them to add to the richness and complexity of America’s polyarchy’. According to Payton and Moody (2008: 155), ‘it is not possible for a democracy to thrive without a healthy philanthropic sector’. Within this theory, the power of private wealth is benign, counterbalancing the power of the state and the power of corporations by funding the voluntary association of citizens. The state is an institution that needs to be kept in check by the actions of private citizens.

Within civil democratic conceptions of this relationship, the appropriate role for the state is to serve the needs of the citizen, while the primary role of philanthropy is to ensure that this relationship is not rebalanced toward the state. The state has a latent power to usurp the supremacy of the citizen in the pecking order, and one role of philanthropy is to ensure a harmonious positive relationship exists.

Realist theory

Within realist theory, society is seen as conflictual with different interest groups vying for influence to achieve desired social outcomes. Wealth influences the policymaking process, and individuals and organizations use their available power to affect their desired outcomes. Private property rights are accorded higher status than political equality rights and, therefore, a realist approach is adopted. Debates over contentious political issues are decided in part by access to capital which influences the ability to shape the political discourse. For charities campaigning for the abolition of the death penalty in the US or civil liberties in the UK, for example, tapping into wealthy donors is crucial. The state adopts various approaches to limit the direct influence of philanthropic activity on the political process by curtailing the advocacy activities of donors and recipients (Troyer and Varley, 2009).

Theoretical underpinnings for this status quo are provided by Hayek (1944) and Friedman and Frieds (1962). They argue that, while private property might impinge upon democracy, private property rights must be accorded higher status. Any attempt to significantly redistribute wealth by the state – no matter how well intentioned – would lead over time to totalitarian governments (Hayek, 1944). That said, a realist theory of the relationship of the state and philanthropy recognizes the imperfection of the status quo. Society is seen as more conflictual than in the participatory democracy approach: philanthropists ‘choose sides’ on the socially contentious issues of the day and pursue social objectives rather than support the free association of citizenry. For instance, social justice philanthropists seek to address underlying causes of perceived injustice, while conservative philanthropists seek to limit the role of government, promote individual liberties, and advocate for socially conservative causes.

Critical theory

From a critical theory viewpoint, philanthropy is not a selfless gift of private resources for public benefit. Instead, at best, it is an attempt to ameliorate the symptoms of an unequal distribution

of resources; at worst, it is an attempt by those wielding the power of private property to socially engineer society in the shape of their own interests and values. Relinquishment of wealth itself may thus be viewed as a declaration of power (Hanson, 2014). According to Bulmer (1999) since at least 1910, the activities of philanthropists and foundations have been subject to harsh criticism as institutions which seek to further the interests of powerful elites or privileged classes. The role for the state is to redistribute wealth and equalize power, and to render philanthropy obsolete by adopting a prominent role in the provision of social goods and the organization of society. Accumulation of private wealth is seen as unjust; any effort to voluntarily redistribute a portion of this wealth for public benefit is seen as a cynical effort to paper over the fundamental class schisms within society. In this view of the relationship, the role of the state is, and should be, paramount: it directs the provision of public services.

From a public policy perspective, these different views highlight that the relationship between the giving of private resources for charitable purposes and the role of the state in facilitating and regulating this activity is complex, dependent on wider understandings of the role of private property and civil society. In the next section, we provide some illustrative examples of these dynamics.

How different political cultures interpret the role of philanthropy

Do differing views and assumptions about the appropriate role of government and private property in society have implications for how philanthropy is construed? Will what the state believes about philanthropy impact its role within society and, specifically, its ability to address social concerns (Smyllie *et al.*, 2011)? Given that, after many decades of increased social spending, there is now an international trend for the state to review welfare provisions, the current fiscal and policy context offers an opportunity to explore the impact of differing societal views of philanthropy. As part of the rolling back of the welfare state, there is a tendency internationally to 'let philanthropy back in'. What it is let back in to do will to some degree reflect the prevailing ideologies and political philosophies that are guiding state thinking at the time (Jennings, 2011; Deas, 2013).

From the 1980s up until quite recent times, social spending by governments as a percentage of gross domestic product (GDP) has increased significantly. According to the Organisation for Economic Co-operation and Development's (OECD) Social Expenditure Database, gross public social expenditure grew on average across the OECD from 16 percent of GDP in 1980 to 19 percent in 2007 (OECD, 2012). Currently, however, social spending as a percentage of GDP has started to trend downwards across many OECD countries in response to fiscal and debt crises. There are intense debates about the appropriate boundaries between private and public funding on social programs (Anheier and Daly, 2008; Ball, 2008; Daly, 2011), and these debates underpin many issues within contemporary public policy discourses (Kavanagh, 1990; Micklethwait and Wooldridge, 2004). The role of the state and its responsibilities to its citizens has again become a central topic of debate (Ishkanian and Szreter, 2012; OECD, 2012). For example, in the final days of the 2012 US presidential election, framed as it was by the damage from an east coast hurricane that required massive levels of public expenditure and publically coordinated disaster response, the different orientations of the two main candidates to the role of 'big government' became a matter of intense debate (Editorial, 2012).

The relationships between the public and private realms have at times been turbulent, with the state seeking to exert control over private giving (Anheier and Toepler, 1999). At such times, political cultures and ideologies have influenced public policy towards philanthropy and institutional logics have influenced the practice of philanthropy. In the US, there have been a

number of seminal moments when Congress has questioned the legitimacy of the field of organized philanthropy and investigated philanthropic practice (Karl and Katz, 1999; Smith, 2009). In February 2012, the European Commission published a proposal for a European Foundation Statute (European Commission, 2012). Its development has been strongly supported by the European Foundation Centre in recognition of the increased internationalization of European giving and the need to accord foundations legitimacy (Borms, 2005). In China, more than a decade before the emergence of Big Society in the UK, there was experimentation with a 'big society, small state formula' (Brødsgaard and Strand, 1998; Béja, 2006: 69). How do these positions relate to underlying views and assumptions about the role of philanthropy?

Public goods theory would lead us to expect that when there is big government, philanthropy will be crowded out. The corollary is that if the state rolls back, then philanthropy will increase. It is assumed that philanthropy is complementary to state provision, and there is interdependence between philanthropy and state. These assumptions seem to be central to the big society view of philanthropy that has been articulated in the UK (Jennings, 2011; Norman, 2011), and they underpin the state response to the challenges of funding large scale welfare provision. In the context of the welfare state, albeit with a hiatus during the more conservative years of the 1980s, philanthropy has for generations been understood, within the UK, as a 'niche activity' (Harrow and Jung, 2011: 1048) that is subordinate, supplementary and perhaps sometimes complementary to the state.

In contrast, democratic theory assumes that philanthropy buffers civil society from the market and from voters. One of the roles of philanthropy is to keep the power of the state and market in check. Unsurprisingly, this view of philanthropy as being at the heart of democratic societies fits most easily with the political frame of the US with its emphasis on checks and balances, but is also accepted, albeit to a lesser extent, in the UK. In mainland Europe, the role of philanthropy in the support of civil society historically has not been as prevalent. In Belgium, Germany and the Netherlands, the state funds civil society to deliver services, and in the Mediterranean countries such as Italy, Spain and Greece, direct provision by the state is more common and there are debates about the appropriate level of political control of foundations (Borms, 2005). This was also the main rationale for international foundations providing significant support for civil society organizations in the emerging democracies of Central and Eastern Europe in the 1990s.

Within societies where the assumptions that underpin the realist political perspective predominate, the state does not view influence of philanthropy as benign. Debates over contentious political issues are decided, at least in part, by access to capital which influences the ability to shape the political discourse, and philanthropy enables those who oppose the position of the state to lobby. Thus, a realist philosophical perspective guides states to careful examination of the objects of philanthropy and regulation of its scope and direction.

Finally, we would expect that in societies in which the assumptions that underpin a critical perspective predominate, there would be denial of a role for philanthropy in the public sphere, with philanthropy viewed as usurping the legitimate role of the state. Here, the role of the state would be regarded as paramount in directing public service provision. It is, therefore, interesting to note that the notion of 'small government, big society' appears to have emerged in China in the 1990s as part of a program of planned administrative reform. Brødsgaard and strand (1998) provide a fascinating account of the development of the policy framework and its implications for Chinese civil society. What are the implications of the 'big society, small state' formula for China? Official discourse is speaking of a significant transformation in Chinese society, a shift from the state as the only legitimate provider of the public good (Wang *et al.*, 2011) to a system of 'corporate socialism' under which the provision of social service may be transferrable to

charitable providers and NGOs (ChinaToday, 2010). But as of yet, the state is the organ for defining the public good and how it can be served. The emerging regulatory apparatus for supporting philanthropic giving is cumbersome and unwieldy (Sidel, Chapter 16).

Perceptions of the role of the state in different movements of philanthropy

The institutional logics prevalent within philanthropy strongly influence how philanthropists and foundations viewed their own roles. These logics and beliefs have changed significantly as the role of state has expanded. The central argument of this section is that the political understanding of the legitimate relationship between philanthropy and the state – and the worldview of philanthropists about their own roles and competencies – have to be aligned for voluntary collaborations between philanthropy and the state to be successful and sustainable. Four movements within philanthropy have had significant impacts on how philanthropists view the state.

Palliative views

Philanthropy, in its early forms, was strongly influenced by religious and humanitarian ideals. The charitable activity that was financially supported was seen as being morally beneficial to the donor and, in a Christian tradition, as following in the example of Christ who sought to alleviate suffering. This gave rise to a large increase in the number and scale of organizations addressing the immediate needs of the poor in the second half of the nineteenth century in the US (Hall, 2001). The Victorian model of philanthropy in the UK emphasized the duty of the donor. The role of the state was minimal and charities provided palliative support for social problems. While the philanthropy of the Victorian era was ‘unimaginative and superficial’ in its diagnosis of social problems, it was enlightened in terms of who was accorded sympathy. This had an impact on concepts of citizenship. ‘Philanthropists brought drunkards, lunatics, orphans, prostitutes, tramps, and sweeps into the sphere of public concern’ (Harrison, 1966: 362). The role of the state had not yet expanded to the provision of social programs, and philanthropy was the primary and legitimate driver of these services, with its main purpose being the temporary alleviation of suffering.

Philanthropy’s palliative tradition of treating the symptoms of social problems has continued among those organizations which seek solely to deliver services, and those philanthropists who fund these services and who see advocacy or efforts to change the status quo as inappropriate charitable activities. This type of philanthropy often has a religious or moral motivation. It is therefore related not only to improving the lot of those who benefit from the services provided, but also to fulfilling the moral responsibilities of the donor. Assuming that the beneficiaries of the services are considered ‘deserving’ by society, this type of philanthropy could be considered an act of providing a public good and thus a substitute for government provision. On this basis, it would be claimed to benefit from a facilitative fiscal and legal environment designed to encourage such philanthropy.

Scientific approaches

The rise of modernity in social thinking introduced a significant new strand into philanthropic thought. Many of the ‘new’ philanthropists, like Carnegie and Rockefeller, had benefitted from the rationalist, business methods and the industrialization of society had been enabled by scientific progress (Karl and Katz, 1999). They were actively hostile to concepts of palliative

philanthropy or traditional charity which they perceived as doing more harm than good. According to Carnegie (1889: 4),

one of the serious obstacles to the improvement of our race is indiscriminate charity. It were better for mankind that the millions of the rich were thrown into the sea than so spent as to encourage the slothful, the drunken, the unworthy. Of every thousand dollars spent in so-called charity to-day, it is probable that nine hundred and fifty dollars is unwisely spent—so spent, indeed, as to produce the very evils which it hopes to mitigate or cure’.

For philanthropists such as Rockefeller and Carnegie their philanthropy was motivated in part by a desire to improve society, using the same concepts of scientific progress as they saw driving their business success, and they felt strongly that their resources should be targeted at underlying or root causes (Karl and Katz, 1999). Over time, they established foundations with paid staff and assembled boards whose members were seen as enlightened and esteemed members of the community. They initially focused heavily on universities and medical research. Increasingly, with the rise of Keynesianism in macroeconomics and the role of political science informing international affairs, the role of philanthropy moved into supporting initiatives designed at informing the practices of government (Smith, 2009; Jung and Harrow, 2016). With the rise of the New Deal in the US, and the welfare state in Europe, the role of organized philanthropy shifted increasingly towards informing the social sphere.

The most recent incarnation of this strand of ‘scientific’ thinking within philanthropy has been the application of techniques from management science into formally organized philanthropy. There has also been a rise of business thinking and strategic planning within the public sector that has facilitated collaborations on specific areas of common interest. The role of philanthropy within this partnership with the state is often more focused on the research and development aspects or the early stage design and launching phases. This shared ‘instrumental’ approach, to use Frumkin’s (2005: 22) phrase, to achieving social objectives has facilitated programs of collaboration between the state and philanthropy on common areas of interest; examples include the White House Office on Social Innovation and collaboration between the Bill and Melinda Gates Foundation and overseas aid provision by governments with the partnerships being specified in terms of deliverables. Within this approach to philanthropy has been a desire to better the practice of the provision of social programs, rather than to replace government in the delivery of these social programs. Rather than these initiatives seeing each other’s spending as substitutes, the programs are designed as collaborations that speak to the funding competencies of both states and philanthropy. The value added of philanthropy is to invest in innovative approaches through technical development, research, capacity building, demonstration projects and evaluation.

Social values

Influencing public discourse and intentionally affecting what is considered legitimate is one of the most profound ways to shape the activities of the state and social objectives it pursues. While the social context of all philanthropy and the values of the donor have a significant impact on the causes that are supported, starting in the late 1960s, more explicit efforts were made by organized philanthropy to influence the role of the state in society. Up to that point, large foundations such as Ford and Rockefeller had predominantly focused on informing social progress and did not perceive themselves as ideological; rather, they saw themselves as part of neutral movement attempting to advance the welfare of society (Smith, 2009). Conservative foundations in the US,

such as the John M. Olin Foundation and the Lynde and Harry Bradley Foundation, began to finance a conservative countermovement to push back against what was perceived as the bankrolling of social sciences in ways that facilitated an expanded role for the state in public life (Micklethwait and Wooldridge, 2004; Smith, 2009). Institutions, such as the American Enterprise Institute, the Heritage Foundation, and the Cato Institute, all provided the intellectual underpinnings for making the case that the state's involvement in aspects of American life is illegitimate, and they also influenced thinking in countries like the UK. With different outcomes in mind, social justice foundations have funded public interest litigation and advocacy within the legal limits to achieve improved social provision by government, especially for minorities and underprivileged groups (Smith, 2009). Both sides of these debates are accommodated within a realist understanding of the limits of the state and the imperfections of democracy. The organizations on each side go beyond simply presenting their analyses, and advocate for a particular point of view underpinned by an explicit values set. The state regulates the debate by putting limits on what role foundations can play in terms of lobbying, but leaves significant scope for private wealth to influence public opinion and policy (Troyer and Varley, 2009). Underpinning much of the ideological advocacy that organized philanthropy has funded, have been differing views of the legitimate role of the state in society, whether held by the individual philanthropists or by foundation staff directing the funding.

Donor engagement

Within the movement of venture philanthropy, there is a high premium placed on individual ingenuity and private sector approaches to address social problems. Bureaucracies, such as large nonprofits or governments, need to be held to account for delivering on specified performance targets. There is often a latent hostility to the concept of separate public, private and nonprofit sectors per se, and a core belief is that an enhanced role for the private sector can make organizational life generally operate more dynamically and efficiently. One of the defining features of 'venture' philanthropy is to help nonprofits build more effective organizations, requiring that specific targets be set for them and be monitored carefully by the funder. While there is sometimes a desire to innovate and influence government funded services, often the state bureaucracy is regarded as inefficient and part of an outmoded way of delivering services. Although venture philanthropy is often presented as a new distinct movement, it actually draws on the logics of earlier philanthropists such as Carnegie and Rockefeller who exhorted philanthropists to get personally involved in their philanthropy and to deploy their business skills. What is different about the venture philanthropy movement is the degree of personal involvement of the donors, including sometimes taking positions on grantees boards, and the extent to which they seek to grow service delivery by nonprofits as opposed to influencing existing large government bureaucracies.

Although a minority of foundations actively subscribe to the venture model, there has been a marked increase in the general level of engagement by donors and foundations with the organizations they support so that the impact of the venture movement has been felt outside of the network of donors and foundations that are its converts and proponents. Foundations, such as the Bill and Melinda Gates Foundation and the Packard Foundation, describe themselves as highly engaged, and many of the large international foundations have been influenced by a desire for more specific results, both in terms of programs and grantee organizational development. From a public policy perspective, the greater the degree of specificity associated with donor objectives and the greater the level of agency of those involved in philanthropy, the less scope there is to incentivize those givers to move into areas where they are not currently active.

In sum, the institutional logics that have guided the various movements within philanthropy have generated different kinds of debates about philanthropy's relationship with the state. With the institutionalization of the scientific approach to philanthropy and more recently the popularity of a high-engagement model, it is unlikely that these funders would be interested in substituting for public funding if the state withdraws from areas of public provision of services. These funders are more likely to be interested in a complementary relationship with the state, focusing instead on innovation rather than replacing service provision so as to palliatively alleviate suffering of those in need. The more active engagement by donors, and the rise of the 'Giving While Living' movement, means that the values and preferences of the donors will be increasingly to the fore in terms of the design and implementation of programs. For public policymakers interested in collaborating with philanthropy there are increased incentives and opportunities to collaborate with philanthropists. It would be unwise, though, to assume that philanthropists see their role as the palliative provision of public goods. Rather, philanthropy as a field of practice increasingly perceives its legitimate role as increasing efficiency in public and charitable provision through a competency in developing and testing innovative ways to address social problems.

Conclusion

In assessing the evolving state-philanthropy relationship, we have positioned the current concern with 'big societies' and shrinking states as the latest – but unlikely to be last – phase in this interplay. Current trends in philanthropy can reduce the relevance of the state to philanthropy and can mould philanthropic vehicles that do not act as replacements for state social investment. While philanthropy can be complementary to state spending on social programs, it does not serve well as a substitute. In the context of the changing, shrinking role of the state, it does not follow that citizen philanthropists will step into the financial gap to support the services that the state wants them to support. Thus, a central assumption of the 'big societies' thesis is not well supported by philanthropic theory or practice.

Nonetheless, we conclude that the evolving relationship is one that raises several important issues regarding the role of philanthropy in public policy, the responsibilities of the state to its citizens and the ways in which these can be fulfilled, and the myriad of expectations that are held for philanthropy. We conclude by raising these as a series of questions, and we position a number of relationship options that might emerge.

From a public policy view, what is the role of philanthropy? Views within society on the legitimacy of philanthropy range from seeing it as a legitimate agent for providing social goods to one that needs to be heavily regulated to achieve public policy ends. These views change over time. As states seek to harness the resources of private givers, their arguments increasingly draw on prevailing norms. Thus, in China we see an articulation of philanthropy as an appropriate element of a developing market economy, albeit within a tightly proscribed state framework. In England, the articulation of a 'big society' response to a rolled back state is presented as calling for a new philanthropic response that resonates with core philanthropic values. Here, however, and reflecting Cunningham's argument (Chapter 2), colourful critiques question whether there really is anything new in the 'new philanthropy' (Breeze *et al.*, 2011). Elizabeth Macadam's (1934) prior characterization during the 1930s in the UK of 'the new philanthropy' as the partnership between public and private resources, with its 'combining' of government and voluntary action, suggests not. Again, questions remain concerning whether the 'big society' is anything more than 'a post-modern version of Victorian do-gooding – charity and philanthropy dressed up in "crowd-sourced" clothing' (Talbot, 2011: 11).

Public policy perspectives on the role of philanthropy thus both set the agenda for the relationship and are contested by stakeholders. What are the implications in the context of shrinking states seeking big societies? So far, we cannot point to consistent evidence that a shrinking state leads to growing philanthropy, no more so than others have been able to demonstrate that increased social spending by the state crowds out philanthropy. As Steinberg (1997) commented more than a decade ago, it is quite likely that philanthropy would cover only a small percentage of government cutbacks. Public policy needs to accommodate the possibility that there could be an outcome of a small state *and* a small philanthropic sector.

To what extent do public policy expectations of philanthropy match up with philanthropy's own expectations? We conclude that in terms of organized philanthropy, it is increasingly looking to solve specific problems identified through its own analysis. The scientific approach to philanthropy has increased in influence so that strategic planning is commonplace; as can be seen throughout this *Companion*, it ranges from major foundations to small giving circles. Although we can identify examples of partnership between philanthropy and public policy and illustrate cases of mutual influence, we cannot present a picture of an accord between public policy's expectation of philanthropy and philanthropic agency (Thümmler, 2011; Almog-Bar and Zychlinski, 2012; Jung *et al.* 2014). In terms of philanthropy's expectations of how its agency will relate to state policy, two distinct views are evident. On one hand, organized philanthropy seeks to influence the state so that when the interventions it funds prove to be of value, they will be presented for 'mainstreaming' by the state. In this regard, philanthropy sees its role as supporting social invention, but does not conceive for itself a long term role in the ongoing funding of the resulting social innovation. It does not see itself as a substitute for public provision of social service. On the other hand, philanthropy sees itself as an independent and long term agent in identifying and supporting the provision of social goods, but again does not see itself as a substitute for public provision of them.

When we consider the internationalization of philanthropy, moving away from the context of a specific state or group of states, we find that the philanthropist is out of the sphere of the state and away from localism arguments. From the internationalist perspective, the concept of the accountability of philanthropy to a local community, in which it is substituting for state provision or answering to states at all, does not arise.

We therefore conclude that public policy expectations of philanthropy do not concur with philanthropy's expectations of itself. One implication of a policy emphasis on 'big societies' in co-evolution with the shrinking state may be increasing gaps in social provision with a growing chasm between the state and philanthropic provision.

There is of course a middle ground and actors who will populate that space. For example, recent research in China points to the legitimacy that accrues to corporations that give to accepted causes, as measured in terms of stock market performance (Su and He, 2010; Wang *et al.*, 2011). Indeed, in the UK, Breeze (2011) has noted that public regard, and reward, for philanthropic engagement has a long history. Other commentators have noted that if the state really wishes to inculcate philanthropic giving, it must incentivize donors rather than 'hector' them to give (Pharoah, 2010). Currently, it is fair to conclude that while the state may see philanthropy as being the domain of what it can't, won't or shouldn't do (Karl and Katz, 1999), this view is not generally held by philanthropy.

What are the state's obligations to its citizens and what role, if any, does philanthropy play in this? This may now seem to be the obvious question. Within a democratic society, the framework within which philanthropy will play a role is developed around the relationship between the state and its citizens. Philanthropy may support the provision of services to citizens, and it may seek to influence the state's decision-making processes for determining how services are provided.

It may advocate in order to influence the discourse on what the role of the state is. None of these roles, however, match what appears to be an implicit assumption within the ‘big society’ framework: that philanthropy can somehow meet those needs of citizens that are understood as needs that the state is obligated to address. In the current phase of negotiation of the state–philanthropic relationship, it would appear that its development would be well served by an articulation of the distinction between democracy and private property, and the development of democratic governance mechanisms to assure that solutions acceptable to citizens may be developed (2010). Otherwise, ‘big societies’ may find themselves in scenarios where the controllers of wealth value animal rights and the majority of the citizens value healthcare and education for their children – and the mechanisms for creating real public value are absent.

Sievers (2010) has argued that a fundamental task for philanthropy is to evaluate the democratic process, examining whether it provides a framework within which philanthropy can effectively negotiate its own role. Big societies require clarity on the roles and responsibilities of the state to its citizens, frameworks for delivering public goods (from wherever they are created), and mechanisms for assessing public value creation. Whatever the assumptions about big societies facilitating shrinking states, philanthropy’s role is dependent upon a functioning democratic process. Policy issues that require consideration may include regulation (Breen, Chapter 14), fiscal incentives (Carmichael, Chapter 15), and the role of public policy in promoting philanthropy and affecting what is deemed civic behaviour (Cotterill *et al.*, 2012).

We have structured our discussion of ‘big societies’ and shrinking states within the framework of theories of state orientations to philanthropy and philanthropic perspectives on the state, and in these discussions we have indicated that there is a spectrum of possible positions on state–philanthropy relations. Views on roles of philanthropy and the state, and the boundaries between them, reflect positioning within these spectrums. We have observed that the current concern with big societies marks just one stage in the development of philanthropic–state relations. For now, it would appear that within the biggest ‘big society’, the role of the state, remains paramount.

Notes

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