

Philanthropy and The Ethical State: The Role of Philanthropy  
and its Relationship with Government in Australia

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## Abstract

Increasing international interest in philanthropy since the 1990s has occurred alongside the emergence of new forms of philanthropy—and new philanthropists—guided by the principles of the market. This conception of philanthropy is also associated with the promotion of a neoliberal view of the state's role as being to support the market, which is felt to be best placed to address social issues and support society.

Research on philanthropy in Australia, which is considered a 'developing' philanthropic culture, has focused on its contributions and motivations. This thesis addresses a significant gap in the literature in seeking to analyse the relationship between philanthropy and government, and to establish the particular position philanthropy occupies in Australia in relation to the state. It argues that because philanthropy's position is connected to views regarding the role of the state, the relationship can be used to examine potential changes in such views.

The particular position occupied by philanthropy in Australia is indicated through regulatory arrangements and in the operations of the country's philanthropic institutions. The thesis also seeks to highlight philanthropy's role through comparison with the United States, considered the ideal of a well-developed philanthropic culture, and the United Kingdom, where recent policy and regulatory reforms relating to philanthropy have indicated changes in government's role.

Philanthropy in Australia occupies an ancillary role in relation to government, reflected in its institutions. This role developed in connection with the social liberal path dependency established at federation and is underpinned by a particular conception of the role of the state that sees it occupying a central position in promoting equality of opportunity for citizens.

Philanthropy's connection to the social liberal path dependency suggests that changes in the role of the state should be reflected in changes regarding philanthropy's ancillary role. Thus, analysing philanthropy's position in Australia provides an insight regarding the impact of the identified challenge to the established social liberal path dependency in the form of a 'neoliberal policy turn.'

New philanthropic structures intended to increase giving do appear to support a neoliberal position, as do recent innovations being promoted by government with the aim to encourage cooperation. However, these structures both reflect and reinforce philanthropy's ancillary role, and philanthropic engagement with new initiatives suggests government continuing to be viewed as occupying a central position within society. This argues that the social liberal path dependency, and

the role of the state embedded within it, remain influential in Australia, serving to lessen the extent of neoliberalism's impact.

As well as contributing to a more comprehensive understanding of Australia's philanthropic landscape, the thesis addresses a key policy concern regarding the proper role of the state. It considers the ideological context surrounding changing views on this question and its findings provide a significant insight regarding the extent of neoliberalism's impact in Australia. The policy implications of the continued influence of the social liberal path dependency extend beyond the specific area of philanthropy, and are particularly significant in the context of potentially blurring boundaries between the public, private and not-for-profit sectors.

## Glossary of Key Terms

Philanthropy: Definitions of philanthropy differ considerably. The definition employed by this thesis views it as the structured, large-scale provision of funds to support not-for-profit initiatives and organisations with a view to promoting a perceived public benefit or good. This definition enables a focus on philanthropic activity conducted through formal structures such as trusts, funds and foundations.

Philanthropic foundations/foundations: The foundation represents philanthropy's primary institutional form, though, like philanthropy itself, it can be difficult to define in both legal and conceptual terms. Generally, a foundation is an organisation created for the purpose of distributing funds, with grant-making rather than direct service provision representing its primary activity. Philanthropic foundations occupy a unique space as both part of the not-for-profit sector and a source of funding for it.

Private Ancillary Funds (PAFs): Introduced (as Prescribed Private Funds) in 2001 as a new structure to facilitate tax-deductible giving, PAFs represent the most significant recent regulatory change and have become arguably the most popular philanthropic vehicle in Australia. They were renamed Private Ancillary Funds in 2009 in the context of reform to increase their accountability.

Marketised philanthropy: Various labels, including most prominently philanthrocapitalism and venture philanthropy, are used to refer to the phenomenon of marketised philanthropy. The phenomenon sees philanthropic activity influenced and guided by market principles, such as a focus on efficiency and value for money along with clear and measurable outcomes. Some have referred to this phenomenon as 'new' philanthropy, although there is discussion within the literature as to whether this does actually represent new form of philanthropy in itself.

Public Ancillary Funds (PuAFs): A philanthropic structure introduced in 1963. These entities differ from PAFs as they must solicit funds from the public on an ongoing basis. Like PAFs though, they are subject to restrictions including minimum distribution requirements and limits regarding the type of organisation funds can be distributed to. Both PAFs and PuAFs are also prohibited from engaging in direct service provision.

Social Impact Bonds: Presented as an innovative mechanism for addressing complex social issues, social impact bonds are a contractual arrangement between government, investors, and not-for-profit service providers. Funds are raised to support the delivery of particular initiatives, which if successful allow investors to earn a return on their investment. This return is often tied to

government savings. Several authors have argued that social impact bonds reflect a neoliberal approach.

Impact Investing/Social Impact Investing: Social impact investing is an approach which seeks to achieve positive social or environmental outcomes along with financial returns from investment. This is to be achieved particularly by bringing together the public, private and not-for-profit sectors. The 2016 *Giving Australia* research refers to impact investing, like social impact bonds, as part of an 'extended family of philanthropy.'

Deductible Gift Recipients (DGR): In Australia, organisations must be registered as Deductible Gift Recipients in order to receive tax-deductible donations. Not all charities are eligible for DGR status, and endorsement from the Australian Taxation Office is required via a separate registration process. The *Tax Administration Act 1997* refers to three types of DGRs: Item 1, which are organisations concerned with direct service provision in areas such as health, education, and the environment; Item 2 comprises Public and Private Ancillary Funds as ancillary organisations that provide funding; and Item 4 refers to donations of property under the cultural gifts program.<sup>1</sup>

Public Benevolent Institution (PBI): These entities represent the largest category of Deductible Gift recipients. They reflect a tradition of adopting a 'narrower', more popular definition of charity in Australia, for example focusing on the relief of poverty.

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<sup>1</sup> There is no item 3 for deductible gift recipients in the current version of the Taxation Administration Act. In earlier version item 3 referred to political donations, however, this has since been removed and these donations are considered under a separate section of the act.



## Thesis Declaration

I certify that this work contains no material which has been accepted for the award of any other degree or diploma in my name, in any university or other tertiary institution and, to the best of my knowledge and belief, contains no material previously published or written by another person, except where due reference has been made in the text. In addition, I certify that no part of this work will, in the future, be used in a submission in my name, for any other degree or diploma in any university or other tertiary institution without the prior approval of the University of Adelaide and where applicable, any partner institution responsible for the joint-award of this degree.

I give permission for the digital version of my thesis to be made available on the web, via the University's digital research repository, the Library Search and also through web search engines, unless permission has been granted by the University to restrict access for a period of time.

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## Introduction

Deriving from the Ancient Greek term *philanthrōpía*, meaning love of humanity, and at times associated with religious conceptions of giving, the concept of philanthropy has been defined differently over time.<sup>1</sup> In the eighteenth and nineteenth centuries, philanthropy focused on providing material aid to the 'deserving poor'.<sup>2</sup> In the late nineteenth and early twentieth centuries, 'scientific' philanthropy was presented as a means of addressing the root causes of social issues.<sup>3</sup> Then from the 1990s, a conception of philanthropy has become prominent that sees it as being guided by principles of the market such as efficiency and impact.<sup>4</sup> In each of these guises, the position philanthropy is envisioned as occupying within society is connected to particular views regarding the role of the state, and it is particularly in the context of this 'new'<sup>5</sup> marketised philanthropy that this thesis will explore the specific relationship between philanthropy and government in Australia. It does this with a view to demonstrating how this relationship can be utilised to provide an insight regarding potentially changing perceptions surrounding the role of the state.

Along with these broad shifts in the way philanthropy has been conceived, specific definitions also differ between organisations and studies focused on the topic. This thesis defines philanthropy as the structured, large-scale provision of funds to support not-for-profit organisations

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<sup>1</sup> See Michael Moody and Beth Breeze, "Editor's Introduction," in *The Philanthropy Reader*, ed. Michael Moody and Beth Breeze (London: Routledge, 2016).

<sup>2</sup> Olivier Zunz, *Philanthropy in America: A History* (Princeton, N.J.: Princeton University Press, 2012); Kaspar Villadsen, "Modern Welfare and 'Good Old' Philanthropy," *Public Management Review* 13, no. 8 (2011); Frank Christianson, *Philanthropy in British and American Fiction: Dickens, Hawthorne, Eliot and Howells* (Edinburgh: Edinburgh University Press, 2007).

<sup>3</sup> Ellen Condliffe Lagemann, *The Politics of Knowledge: The Carnegie Corporation, Philanthropy, and Public Policy* (Chicago: University of Chicago Press, 1992); Zunz, *Philanthropy in America: A History*; Lenore T. Ealy, "The Intellectual Crisis in Philanthropy," *Society* 51, no. 1 (2014).

<sup>4</sup> John Jackson Rodger, "'New Capitalism', Colonisation and the Neo-Philanthropic Turn in Social Policy," *International Journal of Sociology and Social Policy* 33, no. 11/12 (2013); Matthew Bishop and Michael Green, *Philanthrocapitalism: How the Rich Can Save the World and Why We Should Let Them* (London: A & C Black, 2008); Charles B. Handy and Elizabeth Handy, *The New Philanthropists: The New Generosity* (London: William Heinemann, 2006); Siobhan Daly, "Institutional Innovation in Philanthropy: Community Foundations in the UK," *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations* 19, no. 3 (2008); Lester M. Salamon, *Leverage for Good: An Introduction to the New Frontiers of Philanthropy and Social Investment* (Oxford: Oxford University Press, 2014).

<sup>5</sup> There is a discussion within the literature as to whether marketised approaches actually represent a new form of philanthropy. See e.g. Peter Frumkin, "Inside Venture Philanthropy," *Society* 40, no. 4 (2003); Jenny Harrow and Tobias Jung, "Philanthropy Is Dead; Long Live Philanthropy?," *Public Management Review* 13, no. 8 (2011); Tobias Jung and Jenny Harrow, "New Development: Philanthropy in Networked Governance—Trading with Care," *Public Money & Management* 35, no. 1 (2015); Beth Breeze and Theresa Lloyd, *Richer Lives: Why Rich People Give* (London: Directory of Social Change, 2013).

and initiatives with the intention of promoting a perceived public benefit.<sup>6</sup> This definition enables a focus on philanthropic activity conducted through formal structures such as trusts, funds or foundations. As these entities are recognised as institutions that both reflect and influence the priorities and values of the society in which they operate,<sup>7</sup> such a focus will best support this thesis in its aim to demonstrate how philanthropy's position within society can be used to identify and assess views regarding the proper role of the state. This preferred definition of philanthropy will be clarified further later in this introduction, along with an exploration of different conceptions of philanthropy that have been employed in the academic literature.

Philanthropy's position in relation to the not-for-profit sector is often overlooked by scholars in the social sciences, despite philanthropic activity reflecting wider questions relevant to society's organisation.<sup>8</sup> Since the 1990s though, there has been an increasing interest in philanthropy internationally. This has occurred in the context of an 'intergenerational transfer of, and uneven increase in, global wealth', which has supported a 'proliferating number of millionaires and billionaires.'<sup>9</sup> Together with a reputed greater sense of responsibility, and a feeling of connectedness stemming from advances in communications technology, this has prompted the declaration of a new 'golden age' of philanthropy.<sup>10</sup> This assessment is also supported by the emergence of 'new philanthropists' with 'strong entrepreneurial roots' and business backgrounds, who embody the

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<sup>6</sup> There is a precedent for adopting more popular definitions in Australia historically. For example, the term 'Public Benevolent Institutions', which has a significant legacy in Australian charity law, corresponds to a narrower popular view of charity. See Ann O'Connell, "Charitable Treatment? – a Short History of Taxation of Charities in Australia," in *Studies in the History of Tax Law*, Volume 5, ed. John Tiley (Oxford: Hart Publishing 2011).

<sup>7</sup> See e.g. Helmut K. Anheier and David C. Hammack, "American Foundations: Their Roles and Contributions to Society," in *American Foundations: Roles and Contributions*, ed. Helmut K. Anheier and David C. Hammack (Washington DC: Brookings Institutional Press, 2010); Kenneth Prewitt, "Foundations," in *The Nonprofit Sector: A Research Handbook*, ed. Walter W. Powell and Richard Steinberg, second ed. (New Haven: Yale University Press, 2006).

<sup>8</sup> See Robin Rogers, "Why the Social Sciences Should Take Philanthropy Seriously," *Society* 52, no. 6 (2015); Helmut K. Anheier and Siobhan Daly, "Philanthropic Foundations in Modern Society," in *The Politics of Foundations: A Comparative Analysis*, ed. Helmut Anheier and Siobhan Daly (London: Routledge, 2006); Stefan Toepler, "Toward a Comparative Understanding of Foundations," *American Behavioral Scientist* 62, no. 13 (2018); Jung and Harrow, "New Development: Philanthropy in Networked Governance—Treading with Care."

<sup>9</sup> Anheier and Daly, "Philanthropic Foundations in Modern Society."; Selina Tually, Victoria Skinner, and Michele Slatter, "The Role of the Philanthropic Sector in Addressing Homelessness: Australian and International Experiences: Literature Review," *National Homelessness Research Partnership Program*, Centre for Housing, Urban and Regional Planning, September 2012, <https://apo.org.au/sites/default/files/resource-files/2012-09/apo-nid32857.pdf>; Breeze and Lloyd, *Richer Lives: Why Rich People Give*, p. 43; T. N. M. Schuyt, *Philanthropy and the Philanthropic Sector: An Introduction* (Farnham, Surrey: Ashgate Publishing Company, 2013), p. 21.

<sup>10</sup> Siobhan Daly, "Philanthropy, the Big Society and Emerging Philanthropic Relationships in the UK," *Public Management Review* 13, no. 8 (2011); Bishop and Green, *Philanthrocapitalism: How the Rich Can Save the World and Why We Should Let Them*; Zunz, *Philanthropy in America: A History*; Schuyt, *Philanthropy and the Philanthropic Sector: An Introduction*; Breeze and Lloyd, *Richer Lives: Why Rich People Give*, p. 21.

marketised conception of philanthropy.<sup>11</sup> Several terms have been coined to describe this phenomenon of marketised philanthropy, including: 'venture philanthropy',<sup>12</sup> 'strategic philanthropy',<sup>13</sup> 'effective philanthropy',<sup>14</sup> 'effective altruism',<sup>15</sup> 'philanthrocapitalism',<sup>16</sup> and 'corporate social responsibility'.<sup>17</sup> Philanthropists are also being viewed as 'key players' in the social investment market, which shares the logic of marketised philanthropy in looking to leverage government and private sector capital 'to tackle a range of policy (social and environmental) issues.'<sup>18</sup>

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<sup>11</sup> Daly, "Institutional Innovation in Philanthropy: Community Foundations in the UK."; Handy and Handy, *The New Philanthropists: The New Generosity*; Jung and Harrow, "New Development: Philanthropy in Networked Governance—Trading with Care."; Anheier and Hammack, "American Foundations: Their Roles and Contributions to Society."; Frumkin, "Inside Venture Philanthropy."; Salamon, *Leverage for Good: An Introduction to the New Frontiers of Philanthropy and Social Investment*; Kaspar Villadsen, "The Emergence of 'Neo-Philanthropy': A New Discursive Space in Welfare Policy?," *Acta Sociologica* 50, no. 3 (2007).

<sup>12</sup> Frumkin, "Inside Venture Philanthropy."; Christine W. Letts, William Ryan, and Allen Grossman, "Virtuous Capital: What Foundations Can Learn from Venture Capitalists," *Harvard Business School Press* 75, no. 2 (1997); Wendy Scaife, "Venturing into Venture Philanthropy: Is More Sustainable Health and Medical Research Funding Possible through Venture Philanthropy and Social Entrepreneurship?," *Journal of Nonprofit & Public Sector Marketing* 20, no. 2 (2008); Stanley N. Katz, "What Does It Mean to Say That Philanthropy Is "Effective"? The Philanthropists' New Clothes," *Proceedings of the American Philosophical Society* 149, no. 2 (2005).

<sup>13</sup> Michael E. Porter and Mark R. Kramer, "Philanthropy's New Agenda: Creating Value," *Harvard Business Review* 77, no. 6 (1999); Katz, "What Does It Mean to Say That Philanthropy Is "Effective"? The Philanthropists' New Clothes."

<sup>14</sup> "What Does It Mean to Say That Philanthropy Is "Effective"? The Philanthropists' New Clothes."

<sup>15</sup> Angela M. Eikenberry and Roseanne Marie Mirabella, "Extreme Philanthropy: Philanthrocapitalism, Effective Altruism, and the Discourse of Neoliberalism," *PS: Political Science & Politics* 51, no. 1 (2018); Peter Singer, *The Most Good You Can Do: How Effective Altruism Is Changing Ideas About Living Ethically* (Melbourne: Text Publishing, 2015).

<sup>16</sup> Bishop and Green, *Philanthrocapitalism: How the Rich Can Save the World and Why We Should Let Them*.

<sup>17</sup> Daly, "Institutional Innovation in Philanthropy: Community Foundations in the UK."

<sup>18</sup> "Philanthropy, the Big Society and Emerging Philanthropic Relationships in the UK."; Australian Government, The Treasury, "Australian Government Principles for Social Impact Investing," <https://treasury.gov.au/programs-initiatives-consumers-community/social-impact-investing/australian-government-principles-for-social-impact-investing>. See generally, Breeze and Lloyd, *Richer Lives: Why Rich People Give*; Christopher Baker et al., "Giving Australia 2016: Philanthropy and Philanthropists," *Giving Australia 2016 report series commissioned by the Australian Government Department of Social Services*, Centre for Social Impact, Swinburne University of Technology and The Australian Centre for Philanthropy and Nonprofit Studies, Queensland University of Technology, Melbourne, April 2017, [https://www.communitybusinesspartnership.gov.au/wp-content/uploads/2017/04/giving\\_australia\\_2016\\_philanthropy\\_and\\_philanthropists\\_report.pdf](https://www.communitybusinesspartnership.gov.au/wp-content/uploads/2017/04/giving_australia_2016_philanthropy_and_philanthropists_report.pdf); Angela Mitropoulos and Dick Bryan, "Social Benefit Bonds: Financial Markets inside the State," in *Markets, Rights and Power in Australian Social Policy*, ed. Gabrielle Meagher and Susan Goodwin, vol. 1 (Sydney: Sydney University Press, 2015); Meghan Joy and John Shields, "Austerity in the Making: Reconfiguring Social Policy through Social Impact Bonds," *Policy and Politics* 46, no. 4 (2018); Dexter Whitfield, "Alternative to Private Finance of the Welfare State: A Global Analysis of Social Impact Bond, Pay-for-Success & Development Impact Bond Projects," Australian Workplace Innovation and Social Research Centre, The University of Adelaide, 2015, <https://apo.org.au/sites/default/files/resource-files/2015-09/apo-nid57295.pdf>; Mildred E. Warner, "Private Finance for Public Goods: Social Impact Bonds," *Journal of Economic Policy Reform* 16, no. 4 (2013).

Marketised conceptions of philanthropy are linked to a neoliberal approach that 'favours applying market logic to ever more forms of human endeavour.'<sup>19</sup> Daly suggests, for example, that such conceptions advance a 'wealth-oriented, trickle-down discourse around philanthropy', to which 'the tools of the market are central.'<sup>20</sup> Eikenberry and Mirabella suggest marketised forms of philanthropy indicate the degree to which 'neoliberalism has pervaded social discourse', as they allow those who have been successful within the current market system 'greater authority' in addressing social issues that have arisen largely as a result of that same system.<sup>21</sup> These neoliberal associations affect the relationship between philanthropy and government.<sup>22</sup> Heydemann and Toepler, for example, suggest the influence of marketised philanthropy 'has altered perceptions about the centrality of the state-foundation relationship in determining foundation legitimacy, and elevated the importance of the market as a domain that is now crucial for the way citizens perceive private foundations.'<sup>23</sup> Marketised forms of philanthropy are associated with a particular perception regarding 'the declining ability of government to solve big problems and provide public goods.'<sup>24</sup> Jung and Harrow see these new forms of philanthropy as an extension of New Public Management, which reflects 'neoliberal beliefs in the supremacy of the market and of private sector-based transactions.'<sup>25</sup> New Public Management has been argued to have 'changed remarkably the role and functions of government and has transferred numerous public tasks and responsibilities from the public to the third sector.'<sup>26</sup> Governments have sought to encourage philanthropy in the context of

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<sup>19</sup> Eikenberry and Mirabella, "Extreme Philanthropy: Philanthrocapitalism, Effective Altruism, and the Discourse of Neoliberalism." See also, Wendy Brown, "Neo-Liberalism and the End of Liberal Democracy," *Theory & Event* 7, no. 1 (2003); David Harvey, *A Brief History of Neoliberalism* (Oxford: Oxford University Press, 2004); Eve E. Garrow and Yeheskel Hasenfeld, "Social Enterprises as an Embodiment of a Neoliberal Welfare Logic," *American Behavioral Scientist* 58, no. 11 (2014); Schuyt, *Philanthropy and the Philanthropic Sector: An Introduction*, p. 122.

<sup>20</sup> Daly, "Philanthropy, the Big Society and Emerging Philanthropic Relationships in the UK."

<sup>21</sup> Eikenberry and Mirabella, "Extreme Philanthropy: Philanthrocapitalism, Effective Altruism, and the Discourse of Neoliberalism."

<sup>22</sup> Daly, "Philanthropy, the Big Society and Emerging Philanthropic Relationships in the UK."

<sup>23</sup> Steven Heydemann and Stefan Toepler, "Foundations and the Challenge of Legitimacy in Comparative Perspective," in *The Legitimacy of Philanthropic Foundations: United States and European Perspectives*, ed. Kenneth Prewitt, et al. (New York: Russell Sage Foundation, 2006), p. 21.

<sup>24</sup> David Callahan, *The Givers: Wealth, Power, and Philanthropy in a New Gilded Age* (New York: Vintage, 2017), p. 16; Breeze and Lloyd, *Richer Lives: Why Rich People Give*, p. 43; Schuyt, *Philanthropy and the Philanthropic Sector: An Introduction*, p. 25; Salamon, *Leverage for Good: An Introduction to the New Frontiers of Philanthropy and Social Investment*, p. 25; Linsey McGoe, "The Philanthropic State: Market-State Hybrids in the Philanthrocapitalist Turn," *Third World Quarterly* 35, no. 1 (2014); Patricia Mooney Nickel and Angela M. Eikenberry, "Philanthropy in an Era of Global Governance," in *Third Sector Research*, ed. Rupert Taylor (New York: Springer, 2010); Jung and Harrow, "New Development: Philanthropy in Networked Governance—Treading with Care."

<sup>25</sup> "New Development: Philanthropy in Networked Governance—Treading with Care."; Angela M. Eikenberry and Jodie Drapal Kluver, "The Marketization of the Nonprofit Sector: Civil Society at Risk?," *Public Administration Review* 64, no. 2 (2004).

<sup>26</sup> Christoph Reichard, "New Public Management," in *International Encyclopedia of Civil Society*, ed. Helmut K. Anheier and Stefan Toepler (New York: Springer, 2010).

cuts to service provision, which Daly, writing in the United Kingdom, suggests ‘has created new opportunities for, and expectations of philanthropy.’<sup>27</sup> Soskis and Katz observe in the United States, that ‘the culture of fiscal austerity and the declining status of the public sector have been amplified by the growth of mega-fortunes and the celebration of the entrepreneur.’<sup>28</sup> They observe philanthropy has increased as public funding has fallen.<sup>29</sup>

This new philanthropic golden age thus appears to reflect ‘a wider redefining and reconfiguring of the respective roles and responsibilities of government, civil society and the private sector.’<sup>30</sup> Perceived as a ‘developing’ philanthropic culture, Australia has seen an increase in philanthropic activity over the last few decades, reflecting these international trends that signal changes within both philanthropy itself and society more broadly.<sup>31</sup> As such, Australia provides a well-situated example to highlight how the relationship between philanthropy and government can be used to examine changing perceptions regarding the role of the state. The thesis will argue that Australian philanthropy occupies a specific role which reflects a particular view of the role of the state that is influenced by social liberalism. It will utilise the relationship between philanthropy and government to assess the influence of neoliberalism in Australia, promoting an alternative view of the state’s role. The thesis argues that while prevalent, this neoliberal view is not dominant, and the original social liberal conception of the state’s role remains influential.

The remainder of this introduction will first outline the necessary background to establish that the relationship between philanthropy and government is more complex in Australia than is

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<sup>27</sup> Daly, "Philanthropy, the Big Society and Emerging Philanthropic Relationships in the UK."; Paula D. Johnson, Stephen P. Johnson, and Andrew Kingman, "Promoting Philanthropy: Global Challenges and Approaches," *International Network on Strategic Philanthropy*, (Gütersloh, Germany: Bertelsmann-Stiftung, December 2004), <https://www.cbd.int/financial/charity/g-promotingphilglobal.pdf> ; Letts, Ryan, and Grossman, "Virtuous Capital: What Foundations Can Learn from Venture Capitalists."; Helmut K. Anheier and Diana Leat, "Philanthropic Foundations: What Rationales?," *Social Research: An International Quarterly* 80, no. 2 (2013); Jung and Harrow, "New Development: Philanthropy in Networked Governance—Treading with Care."

<sup>28</sup> Benjamin Soskis and Stanley N. Katz, "Looking Back at 50 Years of U.S. Philanthropy," *Commissioned for the William and Flora Hewlett Foundation’s 50th Anniversary Symposium*, December 5, 2016, <https://www.hewlett.org/wp-content/uploads/2016/12/50-Years-of-U.S.-Philanthropy.pdf>.

<sup>29</sup> Ibid.

<sup>30</sup> Harrow and Jung, "Philanthropy Is Dead; Long Live Philanthropy?". See also, Wendy Scaife, Katie McDonald, and Susan Smyllie, "A Transformational Role: Donor and Charity Perspectives on Major Giving in Australia," *The Australian Centre for Philanthropy and Nonprofit Studies, Queensland University of Technology*, Brisbane, QLD., <https://eprints.qut.edu.au/40336/1/40336.pdf>; Paula D. Johnson, Stephen P. Johnson, and Andrew Kingman, "Promoting Philanthropy: Global Challenges and Approaches."; Daly, "Philanthropy, the Big Society and Emerging Philanthropic Relationships in the UK."

<sup>31</sup> See Wendy Scaife et al., "Giving in Australia: Philanthropic Potential Beginning to Be Realized," in *The Palgrave Handbook of Global Philanthropy*, ed. Pamala Wiepking and Femida Handy (Hampshire, UK: Palgrave Macmillan, 2015); Myles McGregor-Lowndes and Alexandra Williamson, "Foundations in Australia: Dimensions for International Comparison," *American Behavioral Scientist* 62, no. 13 (2018); Paula Kabalo, "Philanthropy and Religion, Judaism," in *International Encyclopedia of Civil Society*, ed. Helmut K. Anheier and Stefan Toepler (New York: Springer, 2010).

indicated by the commonly held view that a fully developed philanthropic culture is lacking due to an expectation that 'government will provide.' It will provide the basis for establishing the particular position philanthropy occupies within Australia as it situates the thesis within the Australian and international literature. It will then outline the theoretical and methodological frameworks adopted in order to establish the relationship between philanthropy and government, and demonstrate how the connection between them will be used to examine perceptions regarding the role of the state. Finally, it will discuss the scope of the thesis and provide an overview of the following chapters as it outlines the significance of the thesis. This significance lies in its contribution to the study of philanthropy in Australia, as well as in terms of Australian politics and public policy more broadly in addressing a key policy concern regarding what the proper role of the state is considered to be, particularly considering the influence of neoliberalism in Australia in this.

### Philanthropy in Australia

Australia is still perceived as a distinctly 'unphilanthropic' country.<sup>32</sup> The 2016 *Giving Australia* research identified a perception that High Net Worth Individuals (HNWIs) in Australia gave at 'significantly' lower levels than their counterparts in the United States.<sup>33</sup> Such comparisons with the United States as the ideal model of a well-developed philanthropic culture are commonly made in Australia. McDonald and Scaife's study of print media portrayals of philanthropy found, 'Australian articles consistently described philanthropy as limited, immature or somehow lacking', and the primary 'message' was that 'Australia as a nation lacks a giving ethos, particularly amongst the affluent.'<sup>34</sup> A report published in this same period found that, despite some 'outstanding examples of generosity', Australia was lacking the 'critical mass' necessary to claim 'a culture of giving.'<sup>35</sup> Koda Capital's 2018 report, *A Snapshot of Australian Giving*, suggested 43 per cent of high income earners

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<sup>32</sup> Kym Madden and Wendy Scaife, "Good Times and Philanthropy: Giving by Australia's Affluent," *Queensland University of Technology: The Australian Centre for Philanthropy and Nonprofit Studies*, for the Petre Foundation, March 2008,

[https://eprints.qut.edu.au/27262/1/Good\\_Times\\_and\\_Philanthropy\\_Giving\\_By\\_Australias\\_Affluent\\_March\\_2008.pdf](https://eprints.qut.edu.au/27262/1/Good_Times_and_Philanthropy_Giving_By_Australias_Affluent_March_2008.pdf); Michael. Liffman, *A Tradition of Giving: Seventy-Five Years of Myer Family Philanthropy* (Carlton, Vic.: Melbourne University Press, 2004); Denis Tracey and Christopher Baker, "How the Wealthy Give: Comparisons between Australia and Comparable Countries (USA, Britain and Canada)," Asia-Pacific Centre for Philanthropy and Social Investment, Swinburne University of Technology, for the Petre Foundation, Melbourne, October 2004, <https://researchbank.swinburne.edu.au/file/81700b8f-2349-47f1-b20b-02c5dc695417/1/PDF%20%2820%20pages%29.pdf>; Scaife et al., "Giving in Australia: Philanthropic Potential Beginning to Be Realized."; University of New South Wales Centre for Social Impact, "Daniel Petre Lecture: What Has Philanthropy Got to Do with Me?," 24 October 2014, <https://www.csi.edu.au/news/daniel-petre-lecture-what-has-philanthropy-got-to-do-with-me/>.

<sup>33</sup> Baker et al., "Giving Australia 2016: Philanthropy and Philanthropists." A similar perception was identified in Madden and Scaife, "Good Times and Philanthropy: Giving by Australia's Affluent."

<sup>34</sup> Katie McDonald and Wendy Scaife, "Print Media Portrayals of Giving: Exploring National 'Cultures of Philanthropy'," *International Journal of Nonprofit and Voluntary Sector Marketing* 16, no. 4 (2011).

<sup>35</sup> Madden and Scaife, "Good Times and Philanthropy: Giving by Australia's Affluent."



don't donate at all, something that 'gave wealthy Australians a bad name.'<sup>36</sup> Also in 2018, philanthropist Daniel Petre described the philanthropic efforts of Australia's wealthy as being 'somewhere between sad and disgusting', noting that only three of those on the *Australian Financial Review* rich list also appeared on the list of the country's fifty most philanthropic people.<sup>37</sup> The former CEO of peak body Philanthropy Australia, Sarah Davis, agreed with Petre that 'society needed more philanthropy', stating 'when we look comparatively across the world, Australia's high net worth citizens don't seem to be giving anywhere near as much or in as large a volume as they do in other places.'<sup>38</sup>

A number of reasons are suggested for Australia's seemingly underdeveloped philanthropic culture. These include: unfavourable taxation arrangements; attitudes regarding wealth in Australia; the role of religion in society; and, most notably, expectations regarding government provision. These reasons are considered below, with the discussion encompassing several factors which will be important throughout the thesis as it develops its argument and seeks to achieve its initial aim of identifying the specific role that philanthropy occupies in Australia, and the particular relationship that exists with government.

### *Tax Incentives*

Those who consider Australia's philanthropic culture to be lacking often claim that the country's tax arrangements are not conducive to philanthropy.<sup>39</sup> The increase in philanthropic activity following the introduction of several new tax arrangements in the early 2000s is considered evidence of this assessment,<sup>40</sup> and it is often argued that further changes would support the development of a

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<sup>36</sup> David Knowles, "A Snapshot of Australian Giving," *Koda Capital*, October 2018, [https://acfid.asn.au/sites/site.acfid/files/resource\\_document/koda-capital\\_snapshot-of-australian-giving-2018.pdf](https://acfid.asn.au/sites/site.acfid/files/resource_document/koda-capital_snapshot-of-australian-giving-2018.pdf).

<sup>37</sup> Petre's views on philanthropy were influenced by his work with Bill Gates. Daniel Petre, "Philanthropy by Numbers," *Medium*, 30 April 2018, [https://medium.com/@daniel\\_1959/philanthropy-by-numbers-490bdc6d08](https://medium.com/@daniel_1959/philanthropy-by-numbers-490bdc6d08).

<sup>38</sup> Wendy Williams, "Petre Benchmark Encourages Greater Giving from Australia's Most Wealthy," *Pro Bono News*, 8 May 2018, <https://probonoaustralia.com.au/news/2018/05/petre-benchmark-encourages-greater-giving-australias-wealthy/>.

<sup>39</sup> Centre for Social Impact, "Daniel Petre Lecture: What Has Philanthropy Got to Do with Me?"; Madden and Scaife, "Good Times and Philanthropy: Giving by Australia's Affluent"; Baker et al., "Giving Australia 2016: Philanthropy and Philanthropists"; Denis Tracey, *Giving It Away: In Praise of Philanthropy* (Carlton North, Vic.: Scribe Publications, 2003), p. 11.

<sup>40</sup> Asia-Pacific Centre for Philanthropy and Social Investment, "Encouraging Wealthy Australians to Be More Philanthropic: A Report for the Petre Foundation." (Melbourne: Swinburne University of Technology, February 2005); Scaife et al., "Giving in Australia: Philanthropic Potential Beginning to Be Realized."; Madden and Scaife, "Good Times and Philanthropy: Giving by Australia's Affluent"; John McLeod, "The PAF Report – Record Fund Numbers and Distributions," *JBWere*, December 2014, <https://www.jbwere.com.au/content/dam/jbwere/documents/JBWere%20PAF%20Report%202014.pdf>; Carol Adelman, Jesse N. Barnett, and Kimberly Russell, "Index of Philanthropic Freedom 2015," *Hudson Institute*,

stronger philanthropic culture in Australia.<sup>41</sup> However, Australia's tax arrangements are in fact relatively 'generous' and 'extensive' in comparison with other countries.<sup>42</sup> For example, there is no 'ceiling' on the donation amount that can be claimed, as is the case in the United States.<sup>43</sup> The impact of tax concessions on giving is also not clear, with most people claiming that, while welcome, they are not 'crucial' to their decision to engage in philanthropy.<sup>44</sup> It has also been suggested that tax deductible giving may become less important as 'new giving avenues open up thanks to technology and the rise of social enterprise.'<sup>45</sup> The *Giving Australia* research suggests tax considerations sit alongside 'history, culture and tradition' in 'influencing giving behaviour.'<sup>46</sup> This

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June 2015,

<https://s3.amazonaws.com/media.hudson.org/files/publications/2015.06.15IndexofPhilanthropicFreedom2015.pdf>; Baker et al., "Giving Australia 2016: Philanthropy and Philanthropists"; McGregor-Lowndes and Williamson, "Foundations in Australia: Dimensions for International Comparison."

<sup>41</sup> Asia-Pacific Centre for Philanthropy and Social Investment, "Encouraging Wealthy Australians to Be More Philanthropic: A Report for the Petre Foundation"; Baker et al., "Giving Australia 2016: Philanthropy and Philanthropists"; Philanthropy Australia, "Tax White Paper Process – Tax Discussion Paper," *Submission in response to the Tax Discussion Paper*, 1 June 2015,

[https://www.philanthropy.org.au/images/site/blog/Philanthropy\\_Australia\\_Submission\\_-\\_Tax\\_Discussion\\_Paper.pdf](https://www.philanthropy.org.au/images/site/blog/Philanthropy_Australia_Submission_-_Tax_Discussion_Paper.pdf).

<sup>42</sup> Carol Adelman et al., "Philanthropic Freedom: A Pilot Study," *Center for Global Prosperity, Hudson Institute*, 2013, <https://www.hudson.org/research/9555-philanthropic-freedom-a-pilot-study>; Myles McGregor-Lowndes, "The Index of Philanthropic Freedom: Selected Country Reports," Prepared for the Worldwide Initiatives for Grantmaker Support International Meeting on the Enabling Environment for Philanthropy, Lisbon, Portugal, March 10th 2016-March 11th 2016, *Hudson Institute*, March 2016,

<https://www.issueelab.org/resources/27065/27065.pdf>; Scaife et al., "Giving in Australia: Philanthropic Potential Beginning to Be Realized."; Fiona Martin, "The Sociopolitical and Legal History of the Tax Deduction for Donations to Charities in Australia and How the 'Public Benevolent Institution' Developed," *Adelaide Law Review* 38, no. 1 (2017); "Australia Rates High in Philanthropic Freedom," *Pro Bono News*, 6 June 2013, <https://probonoaustralia.com.au/news/2013/06/australia-rates-high-in-philanthropic-freedom/>.

<sup>43</sup> Adelman et al., "Philanthropic Freedom: A Pilot Study."; McGregor-Lowndes, "The Index of Philanthropic Freedom: Selected Country Reports"; Scaife et al., "Giving in Australia: Philanthropic Potential Beginning to Be Realized."; Martin, "The Sociopolitical and Legal History of the Tax Deduction for Donations to Charities in Australia and How the 'Public Benevolent Institution' Developed."; "Australia Rates High in Philanthropic Freedom."

<sup>44</sup> Asia-Pacific Centre for Philanthropy and Social Investment, "Encouraging Wealthy Australians to Be More Philanthropic: A Report for the Petre Foundation"; Tracey, *Giving It Away: In Praise of Philanthropy*; Kym Madden, "Giving and Identity: Why Affluent Australians Give – or Don't – to Community Causes," *Australian Journal of Social Issues* 41, no. 4 (2006); Myles McGregor-Lowndes, Cameron Newton, and Stephen Marsden, "Did Tax Incentives Play Any Part in Increased Giving?," *ibid*; Scaife, McDonald, and Smyllie, "A Transformational Role: Donor and Charity Perspectives on Major Giving in Australia."

The impact of tax deductions of giving has been debated historically in Australia. See e.g., O'Connell, "Charitable Treatment? – a Short History of Taxation of Charities in Australia."; Alexandra Williamson and Wendy Scaife, "From Entrepreneur to Philanthropist: The 'Second Half of the Game'," In Davidsson, P (ed.) *Proceedings of the 2013 Australian Centre for Entrepreneurship Research Exchange (ACERE)*, Australian Centre for Entrepreneurship Research Exchange (ACERE), Australia, pp. 1-16, 2013, [https://eprints.qut.edu.au/57441/1/From\\_entrepreneur\\_to\\_philanthropist\\_21.02.13.pdf](https://eprints.qut.edu.au/57441/1/From_entrepreneur_to_philanthropist_21.02.13.pdf).

<sup>45</sup> Knowles, "A Snapshot of Australian Giving."

<sup>46</sup> Wendy Scaife et al., "Giving Australia 2016: Literature Review," *Commissioned by the Commonwealth of Australia, represented by the Department of Social Services*, Australian Centre for Philanthropy and Nonprofit Studies, QUT, December 2016, [https://www.communitybusinesspartnership.gov.au/wp-content/uploads/2016/12/giving\\_australia\\_2016\\_literature\\_review.pdf](https://www.communitybusinesspartnership.gov.au/wp-content/uploads/2016/12/giving_australia_2016_literature_review.pdf).

suggests that while tax arrangements may support a culture of giving, they are unlikely to be the source of it. The thesis will consider taxation arrangements surrounding philanthropy as both reflecting and reinforcing the particular relationship between government and philanthropy in Australia as it seeks to demonstrate the connection between philanthropy's role and a particular view of the role of the state in Australia.

Discussion of Australia's tax arrangements also focusses on the absence of inheritance taxes or 'death duties.' Daniel Petre cited the absence of such taxes as one of two 'drivers' of philanthropy present in the United States but absent in Australia, and others have also considered the 'incentivising' impact of death duties in the United States.<sup>47</sup> Inheritance taxes in colonial Victoria are considered one reason for 'the largest concentration of philanthropic foundations and charitable trusts' being in that state.<sup>48</sup> Gilding and Glezos argue the 'trajectory' of inheritance taxes in Australia does not actually differ significantly from the United States however, which suggests these taxes are not likely to form the basis of the differences in philanthropic culture.<sup>49</sup> There were though, significant differences in the context surrounding debate regarding the taxes in the two countries. In the United States, inheritance taxes 'assumed symbolic significance, becoming a touchstone for competing visions of liberal society.'<sup>50</sup> By contrast, debate in Australia was more 'pragmatic', leading Gilding and Glezos to conclude the absence of inheritance taxes is a product of 'ambivalence' rather than ideology.<sup>51</sup> This suggests the presence or absence of inheritance taxes in Australia is unlikely to be the primary factor contributing to Australia's seemingly 'unphilanthropic' nature. A similar ambivalence is identified in views regarding accountability, as well as regulatory arrangements in

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<sup>47</sup> Charlotte Grimshaw, "Taking the Stick to Our Wealthy," *F&P Fundraising and Philanthropy*, 1 August 2005, <https://www.fpmagazine.com.au/taking-the-stick-to-our-wealthy-206445/>; Madden and Scaife, "Good Times and Philanthropy: Giving by Australia's Affluent." See also, Baker et al., "Giving Australia 2016: Philanthropy and Philanthropists."

<sup>48</sup> McGregor-Lowndes and Williamson, "Foundations in Australia: Dimensions for International Comparison."; Michael Liffman, "The Cultural and Social History of Philanthropy in Australia," *Australian Philanthropy*, no. 67 (2008); Mark Lyons, *Third Sector: The Contribution of Nonprofit and Cooperative Enterprise in Australia* (St Leonards, NSW: Allen & Unwin, 2001); Diana Leat, *Philanthropic Foundations, Public Good and Public Policy* (London: Palgrave Macmillan UK, 2016).

<sup>49</sup> Michael Gilding and Lee Glezos, "Inheritance Taxes in Australia: A Matter of Indifference, Not Taboo," *The Australian Journal of Social Issues*, 49, no. 1 (2014).

<sup>50</sup> Ibid.

<sup>51</sup> Ibid; Scaife et al., "Giving Australia 2016: Literature Review"; Asia-Pacific Centre for Philanthropy and Social Investment, "Encouraging Wealthy Australians to Be More Philanthropic: A Report for the Petre Foundation"; Australia's Future Tax System Review Panel, Dr. Ken Henry, and The Australian Treasury, "Australia's Future Tax System Report to the Treasurer: Part One-Overview," Canberra: Commonwealth of Australia, The Treasury, December 2009, [http://www.taxreview.treasury.gov.au/content/downloads/final\\_report\\_part\\_1/00\\_AFTS\\_final\\_report\\_consolidated.pdf](http://www.taxreview.treasury.gov.au/content/downloads/final_report_part_1/00_AFTS_final_report_consolidated.pdf).

Australia, which the thesis considers to be associated with philanthropy's particular role within Australia, and the particular view of the role of the state connected to this role.

### *Attitudes to Wealth*

Attitudes regarding wealth are also seen as a factor contributing to an underdeveloped philanthropic culture in Australia. A comparative lack of wealth is suggested to have hindered development of a philanthropic culture initially.<sup>52</sup> Lyons notes that historically, the 'extremely rich' in Australia 'returned to England to enjoy their wealth.'<sup>53</sup> Australia's country report for the 2013 *Philanthropic Freedom* pilot study also suggests this may have been the case, and states 'the greater accumulation of wealth by families and corporations in Australia is also gradually allowing a sustainable philanthropic tradition to emerge.'<sup>54</sup> The greater level of wealth in Victoria was another reason it came to be considered the 'home' of philanthropy historically.<sup>55</sup> Research does indicate that 'capacity to give' is an important factor in philanthropic decision making, although 'perceived capacity to give', which may not necessarily correspond to actual circumstances, is also particularly important.<sup>56</sup> Madden and Scaife found in Australia, 'everyone perceived themselves as having limited amounts of time or money available to support community causes, including wealthy people.'<sup>57</sup> Australians are also more likely to perceive themselves as belonging to the middle of society in economic terms, rather than at the top as is the case in the United States. This may influence philanthropic activity as well.<sup>58</sup>

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<sup>52</sup> See John Murphy, "The Other Welfare State Non-Government Agencies and the Mixed Economy of Welfare in Australia," *History Australia* 3, no. 2 (2006).

<sup>53</sup> Lyons, *Third Sector: The Contribution of Nonprofit and Cooperative Enterprise in Australia*, p. 106.

<sup>54</sup> Ibid; Australian Council of Social Service [ACOSS], "Giving Australia: Research on Philanthropy in Australia: Report on Qualitative Research," *Prime Minister's Business Community Partnership, Australian Government, Department of Families, Housing, Community Services and Indigenous Affairs*, Canberra, January 2006, [https://www.dss.gov.au/sites/default/files/documents/05\\_2012/ga\\_qualitative\\_report.pdf](https://www.dss.gov.au/sites/default/files/documents/05_2012/ga_qualitative_report.pdf). McGregor-Lowndes and Williamson, "Foundations in Australia: Dimensions for International Comparison."; Myles McGregor-Lowndes, "Philanthropic Freedom Pilot Study: Australia Country Report," *Hudson Institute's Center for Global Prosperity*, 2013, <http://s3.amazonaws.com/media.hudson.org/files/publications/Australia.pdf>.

<sup>55</sup> Lyons, *Third Sector: The Contribution of Nonprofit and Cooperative Enterprise in Australia*.

<sup>56</sup> See Madden, "Giving and Identity: Why Affluent Australians Give – or Don't – to Community Causes."; Breeze and Lloyd, *Richer Lives: Why Rich People Give*; Marie Crittall, Myles McGregor-Lowndes, and Denise Conroy, "Individual Giving: A Decade of Change in Australia," *Third Sector Review* 21, no. 1 (2019).

<sup>57</sup> Madden and Scaife, "Good Times and Philanthropy: Giving by Australia's Affluent."

<sup>58</sup> Asia-Pacific Centre for Philanthropy and Social Investment, "Encouraging Wealthy Australians to Be More Philanthropic: A Report for the Petre Foundation"; Karen Wright, "Generosity Versus Altruism: Philanthropy and Charity in the US and UK," *Civil Society Working Paper 17*, Centre for Civil Society, London School of Economics, January 2002, [http://eprints.lse.ac.uk/29061/1/Cswp17\\_web.pdf](http://eprints.lse.ac.uk/29061/1/Cswp17_web.pdf).

Attitudes towards wealth are influenced by cultural factors.<sup>59</sup> McGregor-Lowndes and Williamson suggest 'famous for mateship and egalitarianism, Australian culture has been harsh on those who are perceived to be bragging or boasting about their wealth by giving it away publicly.'<sup>60</sup> Liffman suggests philanthropy in Australia 'reflects our history of apparent unease about extravagant wealth.'<sup>61</sup> McDonald and Scaife suggest this view, which is reflected in the emphasis on 'collective responsibility' in representations of philanthropy, differs from the United States, where an emphasis on individual responsibility creates an 'expectation of philanthropy.'<sup>62</sup> This expectation is the second driver of philanthropy identified by Daniel Petre as being present in the United States but not in Australia.<sup>63</sup> The influence of this cultural attitude towards wealth, associated with 'tall poppy syndrome', has seen much of Australia's philanthropy 'undertaken in private, without public recognition.'<sup>64</sup> It is argued that this has inhibited development of a philanthropic culture by limiting philanthropic leadership.<sup>65</sup> Research on anonymous giving has found that it produces lower overall donation levels, which suggests it would be difficult to develop a culture of giving in such a context.<sup>66</sup>

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<sup>59</sup> Baker et al., "Giving Australia 2016: Philanthropy and Philanthropists."

<sup>60</sup> McGregor-Lowndes and Williamson, "Foundations in Australia: Dimensions for International Comparison."

<sup>61</sup> Liffman, "The Cultural and Social History of Philanthropy in Australia." See also, Lyons, *Third Sector: The Contribution of Nonprofit and Cooperative Enterprise in Australia*; Leat, *Philanthropic Foundations, Public Good and Public Policy*.

<sup>62</sup> McDonald and Scaife, "Print Media Portrayals of Giving: Exploring National 'Cultures of Philanthropy'."

<sup>63</sup> Grimshaw, "Taking the Stick to Our Wealthy"; Tually, Skinner, and Slatter, "The Role of the Philanthropic Sector in Addressing Homelessness: Australian and International Experiences: Literature Review"; McDonald and Scaife, "Print Media Portrayals of Giving: Exploring National 'Cultures of Philanthropy'."; Baker et al., "Giving Australia 2016: Philanthropy and Philanthropists"; Madden and Scaife, "Good Times and Philanthropy: Giving by Australia's Affluent"; Madden, "Giving and Identity: Why Affluent Australians Give – or Don't – to Community Causes."; Tracey and Baker, "How the Wealthy Give: Comparisons between Australia and Comparable Countries (USA, Britain and Canada)."

<sup>64</sup> Baker et al., "Giving Australia 2016: Philanthropy and Philanthropists."; McGregor-Lowndes and Williamson, "Foundations in Australia: Dimensions for International Comparison."; Tually, Skinner, and Slatter, "The Role of the Philanthropic Sector in Addressing Homelessness: Australian and International Experiences: Literature Review"; Scaife et al., "Giving in Australia: Philanthropic Potential Beginning to Be Realized."; Alastair Greig, Frank Lewins, and Kevin White, *Inequality in Australia* (Port Melbourne, Vic.: Cambridge University Press, 2003); Lucinda Schmidt, "Giving for Giving's Sake," *The Age*, 20 August 2014; Scaife, McDonald, and Smyllie, "A Transformational Role: Donor and Charity Perspectives on Major Giving in Australia"; McDonald and Scaife, "Print Media Portrayals of Giving: Exploring National 'Cultures of Philanthropy'."; Madden and Scaife, "Good Times and Philanthropy: Giving by Australia's Affluent"; Lyons, *Third Sector: The Contribution of Nonprofit and Cooperative Enterprise in Australia*.

<sup>65</sup> Baker et al., "Giving Australia 2016: Philanthropy and Philanthropists"; McGregor-Lowndes and Williamson, "Foundations in Australia: Dimensions for International Comparison."; Tually, Skinner, and Slatter, "The Role of the Philanthropic Sector in Addressing Homelessness: Australian and International Experiences: Literature Review"; Scaife et al., "Giving in Australia: Philanthropic Potential Beginning to Be Realized."; Greig, Lewins, and White, *Inequality in Australia*; Schmidt, "Giving for Giving's Sake."; Scaife, McDonald, and Smyllie, "A Transformational Role: Donor and Charity Perspectives on Major Giving in Australia"; McDonald and Scaife, "Print Media Portrayals of Giving: Exploring National 'Cultures of Philanthropy'."; Madden and Scaife, "Good Times and Philanthropy: Giving by Australia's Affluent."

<sup>66</sup> Lise Vesterlund, "The Informational Value of Sequential Fundraising," *Journal of Public Economics* 87, no. 3 (2003); John Duffy, Jack Ochs, and Lise Vesterlund, "Giving Little by Little: Dynamic Voluntary Contribution Games," *ibid.* 91, no. 9 (2007); Cagri S. Kumru and Lise Vesterlund, "The Effect of Status on Charitable Giving,"

Philanthropists consider that 'too little' is done to promote and celebrate giving within Australia, and suggest 'this philosophy needs to change if Australia is to develop a more apparent culture of giving', particularly as 'giving is not such an automatic expectation' in Australia.<sup>67</sup> However, a preference for privacy indicated in research on Private Ancillary Funds,<sup>68</sup> suggests to its authors a 'quiet philanthropy', which they consider to be part of the nature of Australian philanthropy and not necessary as a hindrance to establishing a culture of giving.<sup>69</sup> These cultural factors, and a preference for quiet giving, would appear to contribute to, or at least indicate the existence of, a particular nature for philanthropy in Australia.

### *Religion*

The role of organised religion has also been cited as a factor influencing the development of philanthropy in Australia. Former Prime Minister Malcolm Turnbull suggested the dominance of the Catholic and Anglican churches as 'top-down hierarchical institutions' had hindered philanthropy's development.<sup>70</sup> Lyons and Nivison-Smith make a similar point, noting that these churches also operated their own welfare organisations.<sup>71</sup> This differs from the United States, where the majority

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*Journal Of Public Economic Theory* 12, no. 4 (2010); William T. Harbaugh, "What Do Donations Buy?: A Model of Philanthropy Based on Prestige and Warm Glow," *Journal of Public Economics* 67, no. 2 (1998); Paul G. Schervish, "The Sound of One Hand Clapping: The Case for and against Anonymous Giving," *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations* 5, no. 1 (1994); Masaoki Tamura, "Anonymous Giving as a Vice: An Application of Image Motivation," *Theoretical Economics Letters*, no. 2 (2012); *Economic Signals: Prize Promotions, Anonymous Giving, and Political Advertisements* (Singapore: Springer, 2018), pp. 23-35.

<sup>67</sup> McDonald, and Smyllie, "A Transformational Role: Donor and Charity Perspectives on Major Giving in Australia."

<sup>68</sup> Private Ancillary Funds (PAFs) are arguably the most prominent philanthropic structure in Australia. Intended as a vehicle to facilitate tax deductible giving, they are subject to restrictions, including minimum distribution requirements, being limited to particular categories of organisation in the distribution of funds, and being prohibited from engaging in direct service provision activities. See e.g. McLeod, "The PAF Report – Record Fund Numbers and Distributions"; Australian Institute of Public Directors, "Growth in Private Ancillary Funds Offers Charities New Opportunities," *The Boardroom Report*, 12, no. 15 (2014), <http://www.companydirectors.com.au/director-resource-centre/publications/the-boardroom-report/back-volumes/volume-12-2014/volume-12-issue-15/growth-in-private-ancillary-funds-offers-charities-new-opportunities>; Chris Wilson and David Knowles, "The 2015 Koda Capital Australian Giving Review," *Koda*, August 2015, <https://www.kodacapital.com/docs/the-2015-koda-capital-australian-giving-review.pdf>.

<sup>69</sup> Alexandra Kate Williamson and Belinda Luke, "Agenda-Setting and Public Policy in Private Foundations," *Nonprofit Policy Forum* 11, no. 1 (2020); Alexandra Williamson et al., "Founders, Families, and Futures: Perspectives on the Accountability of Australian Private Ancillary Funds," *Nonprofit and Voluntary Sector Quarterly* 46, no. 4 (2017).

<sup>70</sup> Malcolm Turnbull, "Every Dollar Given to Charity Is a Dollar Wrapped in Love: Launch the One Million Donors Program," *Speech*, Canberra, 6 June 2014, <https://www.malcolmtturnbull.com.au/media/every-dollar-given-to-charity-is-a-dollar-wrapped-in-love-launch-the-one-mi>; "Hamer Oration – Philanthropy and Liberalism," Melbourne University, 28 August 2012, <https://www.malcolmtturnbull.com.au/media/hamer-oration-philanthropy-and-liberalism-melbourne-university>.

<sup>71</sup> Mark Lyons and Ian Nivison-Smith, "Religion and Giving in Australia," *Australian Journal of Social Issues* 41, no. 4 (2006).

‘attend congregationally organised religions and these congregations are the sites for organising a good deal of welfare related activity.’<sup>72</sup> The connection between religion and philanthropy is well-cavassed, with literature considering both religious beliefs and the community or social aspects of organised religion.<sup>73</sup> Nineteen per cent of donors cited their religious beliefs as an important influence on their giving in the 2016 *Giving Australia* Research.<sup>74</sup> Research from the United States, however, indicates that although this connection exists for individual giving it does not hold at the state or national level, suggesting it is unlikely to form the basis for developing a culture of giving.<sup>75</sup>

Religion was an important ‘stimulus’ for the development of the not-for-profit sector in Australia, particularly in the areas of welfare and education.<sup>76</sup> In the colonial period, governments ‘welcomed’ the churches’ involvement in providing services as it was ‘cost effective’ and supported

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<sup>72</sup> Ibid; See also, Kathleen McCarthy, "The History of Philanthropy and Nonprofits," *Third Sector Review*, 4, no. 2 (1998).

<sup>73</sup> Pamala Wiepking, René H. F. P. Bekkers, and Una O. Osili, "Examining the Association of Religious Context with Giving to Non-Profit Organizations," *European Sociological Review* 30, no. 5 (2014); John O. Lemay and Larry W. Bates, "Exploration of Charity toward Busking (Street Performance) as a Function of Religion," *Psychological Reports* 112, no. 2 (2013). See also, Laurent Bègue, "Do Just-World Believers Practice Private Charity?," *Journal of Applied Social Psychology* 44, no. 1 (2014); Rachel M. McCleary, "Salvation, Damnation, and Economic Incentives," *Journal of Contemporary Religion* 22, no. 1 (2007); Henrietta Grönlund and Anne Birgitta Pessi, "The Influence of Religion on Philanthropy across Nations," in *The Palgrave Handbook of Global Philanthropy*, ed. Pamala Wiepking and Femida Handy (Hampshire, UK: Palgrave Macmillan, 2016); René Bekkers and Pamala Wiepking, "A Literature Review of Empirical Studies of Philanthropy: Eight Mechanisms That Drive Charitable Giving," *Nonprofit and Voluntary Sector Quarterly* 40, no. 5 (2011); Lyons and Nivison-Smith, "Religion and Giving in Australia."; Jennifer L. Glanville, Pamela Paxton, and Yan Wang, "Social Capital and Generosity: A Multilevel Analysis," *Nonprofit and Voluntary Sector Quarterly* 45, no. 3 (2016); Chaeyoon Lim and Carol Ann MacGregor, "Religion and Volunteering in Context: Disentangling the Contextual Effects of Religion on Voluntary Behavior," *American Sociological Review* 77, no. 5 (2012); Matthew Kim, "Are Charitable Giving and Religious Attendance Complements or Substitutes? The Role of Measurement Error," *Journal of Policy Analysis and Management* 32, no. 2 (2013); Pamala Wiepking and Femida Handy, "The Practice of Philanthropy: The Facilitating Factors from a Cross-National Perspective " in *The Palgrave Handbook of Global Philanthropy*, ed. Pamala Wiepking and Femida Handy (Hampshire, UK: Palgrave Macmillan, 2015).

<sup>74</sup> This was consistent with the original 2005 research. Baker et al., "Giving Australia 2016: Philanthropy and Philanthropists"; Australian Council of Social Service [ACOSS], "Giving Australia: Research on Philanthropy in Australia: Report on Qualitative Research."

<sup>75</sup> Lim and MacGregor, "Religion and Volunteering in Context: Disentangling the Contextual Effects of Religion on Voluntary Behavior."; Lyons and Nivison-Smith, "Religion and Giving in Australia."

<sup>76</sup> Mark Lyons, "The History of Philanthropy and Nonprofits: A Comment [Reply to McCarthy, Kathleen. The History of Philanthropy and Nonprofits]," *Third Sector Review* 4, no. 2 (1998); *Third Sector: The Contribution of Nonprofit and Cooperative Enterprise in Australia*, p. 110; Michael Steer and Gillian M. Gale, "Let There Be Light," *Journal of Religion, Disability & Health* 8, no. 1-2 (2004); Kerry O'Halloran, "Charity and Religion: International Charity Law Reform Outcomes and the Choices for Australia," *Third Sector Review* 17 (2011); Pauline Ridge, "Religious Charitable Status and Public Benefit in Australia," *Melbourne University Law Review* 35, no. 3 (2011); Darshini Ayton et al., "Historical Overview of Church Involvement in Health and Wellbeing in Australia: Implications for Health Promotion Partnerships," *Australian Journal of Primary Health* 18, no. 1 (2012); McGregor-Lowndes and Williamson, "Foundations in Australia: Dimensions for International Comparison."; Liffman, "The Cultural and Social History of Philanthropy in Australia."; Lyons, *Third Sector: The Contribution of Nonprofit and Cooperative Enterprise in Australia*, pp. 57-58.

‘moral reform.’<sup>77</sup> Clergy members ‘automatically became ex-officio members’ of new philanthropic organisations in the nineteenth century, and the church formed the basis of many ‘colonial social and philanthropic networks.’<sup>78</sup> This history has meant that Christian charities in Australia have come to ‘dominate in a way that they do not elsewhere’, with many of Australia’s largest welfare organisations remaining ‘affiliated with the Christian Church.’<sup>79</sup> The church also influenced the role government came to occupy in Australia, with ‘Christian social teachings advocating for government and community responsibility in addressing structural inequality and poverty.’<sup>80</sup> The Reverend Charles Strong, for example, exemplified a growing realisation within sections of the church that their efforts were not enough, particularly as they struggled to address the high levels of need during the depression of the 1890s, and that the establishment of ‘social structures and public entitlements’ was necessary.<sup>81</sup> The Reverend Charles Strong was also an important figure associated with social liberalism in Australia,<sup>82</sup> and it was a social liberal view of the state’s role which became prominent in this period. This had implications for philanthropy’s role which suggest a close relationship with government, albeit one which does not necessarily reflect the most commonly held perception surrounding an expectation that government will provide.

#### *Expectation that Government will Provide*

Perhaps the most common explanation for Australia’s lack of philanthropic culture is the notion that there is an expectation for government to provide, particularly in terms of welfare.<sup>83</sup> Research has suggested a belief among potential donors ‘that if something needs to be done, the government ought to be doing it’, and that ‘all community obligations are met by paying tax.’<sup>84</sup> This is generally

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<sup>77</sup> Shurlee Swain, "A Long History of Faith-Based Welfare in Australia: Origins and Impact," *Journal of Religious History* 41, no. 1 (2017); Ayton et al., "Historical Overview of Church Involvement in Health and Wellbeing in Australia: Implications for Health Promotion Partnerships."

<sup>78</sup> Swain, "A Long History of Faith-Based Welfare in Australia: Origins and Impact."

<sup>79</sup> Ayton et al., "Historical Overview of Church Involvement in Health and Wellbeing in Australia: Implications for Health Promotion Partnerships."; Lyons, *Third Sector: The Contribution of Nonprofit and Cooperative Enterprise in Australia*, p. 35.

<sup>80</sup> Ayton et al., "Historical Overview of Church Involvement in Health and Wellbeing in Australia: Implications for Health Promotion Partnerships."; Shurlee Swain, "Do You Want Religion with That? Welfare History in a Secular Age," *History Australia* 2, no. 3 (2005).

<sup>81</sup> Ayton et al., "Historical Overview of Church Involvement in Health and Wellbeing in Australia: Implications for Health Promotion Partnerships."

<sup>82</sup> Marian Sawer, *The Ethical State?: Social Liberalism in Australia* (Carlton, Vic.: Melbourne University Press, 2003), pp. 37-38.

<sup>83</sup> Baker et al., "Giving Australia 2016: Philanthropy and Philanthropists"; Leat, *Philanthropic Foundations, Public Good and Public Policy*; Kym Madden and Wendy Scaife, "Philanthropy in Australia," in *International Encyclopedia of Civil Society*, ed. Helmut K. Anheier and Stefan Toepler (New York: Springer, 2010).

<sup>84</sup> Scaife, McDonald, and Smyllie, "A Transformational Role: Donor and Charity Perspectives on Major Giving in Australia"; Tracey, *Giving It Away: In Praise of Philanthropy*, p. 71; Baker et al., "Giving Australia 2016: Philanthropy and Philanthropists"; Sue Smyllie, Wendy Scaife, and Katie McDonald, "That's What Governments Do," *Public Management Review* 13, no. 8 (2011).



linked to Australia's origins as a convict settlement, with the suggestion that 'ever-present government control and provision ... tended to encourage a greater reliance on the state, rather than a culture of independence and self-reliance.'<sup>85</sup> A perception was felt to be created 'that government would always provide services and fix problems.'<sup>86</sup> This is contrasted with the experience in the United States, where 'settlers sought freedom from state institutions and had little expectation of government support.'<sup>87</sup> It is perhaps also associated with historian Keith Hancock's view that 'Australian democracy has come to look upon the state as a vast public utility, whose duty is to provide the greatest happiness for the greatest number.'<sup>88</sup> Hancock compared Australia to the United States, as viewed by Alexis de Tocqueville, noting that there the 'habit of local independence created the habit of free associations' which supported philanthropy. This was something not present in Australia.<sup>89</sup>

This view though does not appear to consider the importance of philanthropy and the not-for-profit sector in Australia's colonial period.<sup>90</sup> The decision not to implement a poor law as in England, 'located philanthropy in a far more central position' in Australia, and 'gave volunteerism a special appeal.'<sup>91</sup> In Melbourne, Kennedy describes welfare support as a 'web.' While 'public charities'... managed by voluntary committees enjoying high prestige' comprised its bulk, a substantial portion of their income still derived from the state, and it was 'state charities', addressing the most unpopular causes, that sat at the web's centre.<sup>92</sup> The Charity Organisation Society, which sought to coordinate this web, was distinguished from branches of the organisation in other countries by 'a tendency to lean on the state beneath a cloak of individualist rhetoric.'<sup>93</sup> In Sydney, the government provided welfare for convict settlements, which saw a hybrid form develop where organisations were 'run by committees of citizens but remained heavily subsidised by

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<sup>85</sup> McGregor-Lowndes, "Philanthropic Freedom Pilot Study: Australia Country Report." See also, Liffman, "The Cultural and Social History of Philanthropy in Australia."; Scaife et al., "Giving in Australia: Philanthropic Potential Beginning to Be Realized."; McDonald and Scaife, "Print Media Portrayals of Giving: Exploring National 'Cultures of Philanthropy'."

<sup>86</sup> Tracey, *Giving It Away: In Praise of Philanthropy*. See also, McDonald and Scaife, "Print Media Portrayals of Giving: Exploring National 'Cultures of Philanthropy'."

<sup>87</sup> Scaife et al., "Giving in Australia: Philanthropic Potential Beginning to Be Realized."; McDonald and Scaife, "Print Media Portrayals of Giving: Exploring National 'Cultures of Philanthropy'."

<sup>88</sup> W.K. Hancock, *Australia* (Brisbane: Jacaranda Press, 1961), p. 55.

<sup>89</sup> *Ibid*, p. 235.

<sup>90</sup> McGregor-Lowndes and Williamson, "Foundations in Australia: Dimensions for International Comparison."

<sup>91</sup> Shurlee Swain, "Philanthropy and Nation Building," *Third Sector Review*, 7, no. 1 (2001). Richard Kennedy, "Charity and Ideology in Colonial Victoria," in *Australian Welfare History*, ed. Richard Kennedy (Melbourne: Macmillan, 1983), p. 53; A. P. O'Brien, "Charity and Philanthropy," *Sydney Journal* 1, no. 3 (2008).

<sup>92</sup> Richard Kennedy, *Charity Warfare: The Charity Organisation Society in Colonial Melbourne* (Melbourne: Hyland House, 1985), pp. 67-68, 71; "Charity and Ideology in Colonial Victoria," in *Australian Welfare History*, ed. Richard Kennedy (Melbourne: Macmillan, 1983).

<sup>93</sup> *Charity Warfare: The Charity Organisation Society in Colonial Melbourne*, p. 233.

government.<sup>94</sup> This suggests a more complicated relationship between the state and charity than simply an expectation for government to provide welfare services. This thesis seeks to explore this relationship arguing that it can provide significant insights into views regarding the role of the state.

### Potential Changes in Australian Philanthropy

Despite the view that it is lacking a developed philanthropic culture, the 2019 World Giving Index, which considered monetary donations as well as volunteering and other 'helping behaviours' over the previous ten years, considered Australia to be a quite generous country, ranking fourth in the world.<sup>95</sup> The 2018 Index, which only covered that year, ranked Australia second, and ahead of the United States.<sup>96</sup> Scaife notes that Australia's culture of egalitarianism and 'mateship' does support generosity, something which is 'most evident in times of natural disasters.'<sup>97</sup> There is also a view that 'young Australians are more generous, both financially and with their time.'<sup>98</sup> Large scale, structured philanthropy has grown significantly since the 1990s, with McGregor-Lowndes noting 'since 2000 the trend is for greater philanthropic habits. Giving is starting to be more planned.'<sup>99</sup> As well, 'individuals are becoming less hesitant about making public their giving and the behaviour is gradually becoming normalised.'<sup>100</sup>

Philanthropy in Australia appears to have increased against a backdrop comprising many of the same factors that have led to increased interest in philanthropy internationally. While giving has increased in real terms, recent reports have suggested the number of donors is decreasing. The 2018 Koda capital report suggests 'the base of the Australian giving pyramid is getting smaller and all of the action is at the top.'<sup>101</sup> This may reflect a wider increase in inequality within Australia.<sup>102</sup> The

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<sup>94</sup> A. P. O'Brien, "Charity and Philanthropy."

<sup>95</sup> Charities Aid Foundation (CAF), "CAF World Giving Index 10th Edition: Ten Years of Giving Trends," (UK: Charities Aid Foundation October 2019).

<sup>96</sup> "CAF World Giving Index 2018: A Global View of Giving Trends," (UK: Charities Aid Foundation, October 2018).

<sup>97</sup> Scaife et al., "Giving in Australia: Philanthropic Potential Beginning to Be Realized.," Kym Madden, "Growing National Philanthropy: Australia Steps Forward," *International Journal of Nonprofit and Voluntary Sector Marketing* 11, no. 3 (2006).

<sup>98</sup> Jackson Stiles, "Youngster Teaches the Super Rich a Lesson, *the New Daily*, 8 July 2014," <https://thenewdaily.com.au/news/national/2014/07/08/philanthropy-australia/>.

<sup>99</sup> McGregor-Lowndes, "Philanthropic Freedom Pilot Study: Australia Country Report."

<sup>100</sup> Baker et al., "Giving Australia 2016: Philanthropy and Philanthropists"; Scaife et al., "Giving in Australia: Philanthropic Potential Beginning to Be Realized." See also, Williamson and Scaife, "From Entrepreneur to Philanthropist: The 'Second Half of the Game'."

<sup>101</sup> Knowles, "A Snapshot of Australian Giving"; Crittall, McGregor-Lowndes, and Conroy, "Individual Giving: A Decade of Change in Australia." See also, Wilson and Knowles, "The 2015 Koda Capital Australian Giving Review."

<sup>102</sup> Christopher Baker, Jo Barraket, and Aurora Elmes, "Philanthropy: A Decade of Change?," *Third Sector Review* 25, no. 1 (2019). Such an increase has been documented, see e.g. Greig, Lewins, and White, *Inequality in Australia*; Peter Davidson et al., "Inequality in Australia 2020 - Part 1: Overview," *Australian Council of Social*

*Giving Australia* research suggests, 'in an era where an increasingly disproportionate share of assets is accruing to the relative few ... wealthy individuals and families have become increasingly important.'<sup>103</sup> The 'new' forms of philanthropy are also becoming evident in Australia, for example, Scaife has considered the potential of venture philanthropy in the area of medical research funding.<sup>104</sup> The *Giving Australia* research found an 'emphasis on strategic giving, to generate the greatest impact.'<sup>105</sup> It suggested, philanthropists in 2016 'seemed more interested in systemic, long-term change and addressing the underlying factors contributing to social issues.'<sup>106</sup> Although, in their study of Private Ancillary Funds, Williamson and Luke found 'most in the population of PAFs were not interested in systemic change and were a long distance from engaging with public policy.'<sup>107</sup> Hooper had also noted previously that while it was aware of it, Australian philanthropy did not immediately embrace strategic philanthropy, and actually sought to incorporate it into its own approaches.<sup>108</sup> The influence of these marketised forms of philanthropy, and the view of the state's role associated with them, form a particular focus for the thesis as it seeks to utilise the relationship between government and philanthropy to assess neoliberalism's influence in Australia.

Australia's increase in philanthropy is also occurring alongside a decline in trust of government, and a growing perception that government alone is not able to adequately address social issues.<sup>109</sup> Australia has adopted the tenets of New Public Management, which has altered the relationship between government and the not-for-profit sector, with market principles argued to have 'spread' to not-for-profit service providers.<sup>110</sup> There is also an increasing interest in new initiatives such as social impact investment and social impact bonds, which 'recast' the role of the state.<sup>111</sup> There is a developing literature discussing the 'marketisation' of social services in Australia,

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*Service and UNSW (Sydney)*, 2020, [http://povertyandinequality.acoss.org.au/wp-content/uploads/2020/09/Inequality-in-Australia-2020-Part-1\\_supplement\\_FINAL.pdf](http://povertyandinequality.acoss.org.au/wp-content/uploads/2020/09/Inequality-in-Australia-2020-Part-1_supplement_FINAL.pdf).

<sup>103</sup> Baker et al., "Giving Australia 2016: Philanthropy and Philanthropists."

<sup>104</sup> Scaife, "Venturing into Venture Philanthropy: Is More Sustainable Health and Medical Research Funding Possible through Venture Philanthropy and Social Entrepreneurship?" See also, Jennifer J. Radbourne and Kenneth Watkins, *Philanthropy and the Arts* (Carlton, Victoria: Melbourne University Press, 2015).

<sup>105</sup> Baker, Barraket, and Elmes, "Philanthropy: A Decade of Change?"

<sup>106</sup> Ibid.

<sup>107</sup> Williamson and Luke, "Agenda-Setting and Public Policy in Private Foundations."

<sup>108</sup> Anthony Hooper, "Grantmaking or Strategic Investment? The Challenge of "New" Philanthropic Discourses," *Australian Philanthropy*, no. 53 (2003).

<sup>109</sup> Smyllie, Scaife, and McDonald, "That's What Governments Do."

<sup>110</sup> Mark Lyons and Bronwyn Dalton, "Australia: A Continuing Love Affair with the New Public Management," in *Governance and Regulation in the Third Sector*, ed. Susan D. Phillips and Steven Rathgeb Smith (New York: Routledge, 2011).

<sup>111</sup> Social impact bonds are contractual arrangements promoted to support cooperation between government, investors and not-for-profit service providers. Funds are raised to support the delivery of particular initiatives, which if successful allow investors to earn a return on their investment, often tied to government savings. Gabrielle Meagher and Susan Goodwin (eds.), *Markets, Rights and Power in Australian Social Policy*, vol. 1

which is connected to views of the role of the state.<sup>112</sup> For example, John Wanna suggests ‘the mid-2000s may be heralding in fundamentally new thinking about government’s roles, responsibilities and the ways of achieving its desired outcomes.’<sup>113</sup> Meagher and Goodwin argue, ‘in recent decades both the *organsiational mix* and the *modes of coordination* have changed significantly’, and ‘the direction of change overall is clear — market organsiations and market logics are playing an increasing role.’<sup>114</sup> Madden and Scaife note ‘government funding of the not-for-profit sector is changing. We are witnessing government shift to a facilitating, enabling, coordinating role, brokering partnerships, and supporting linkages across the powerful and not-so-powerful in society.’<sup>115</sup> Philanthropy can perform an important role in supporting the state in this role as an alternative source of funding, and this is why it provides a particularly effective means of assessing potential changes in views regarding the role of the state through its relationship with government. Philanthropists in the *Giving Australia* research identified an increasing demand on philanthropy to fill gaps in service provision left by cuts in funding to the not-for-profit sector.<sup>116</sup> McGregor-Lowndes and Williamson suggest the government ‘wishes to encourage and promote philanthropic giving as an adjunct, and in some instances as a substitute for government funding.’<sup>117</sup> Others have also considered the notion of philanthropy ‘being increasingly relied upon to augment government funds.’<sup>118</sup> This raises a question regarding whether there has been a fundamental change in the role of the state in Australia that is reflected through an increase in philanthropy and an alteration in its role. McGregor and Williamson ask for example, whether changes in the policy and funding context

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(Sydney: Sydney University Press, 2015). Asia-Pacific Centre for Philanthropy and Social Investment, "Encouraging Wealthy Australians to Be More Philanthropic: A Report for the Petre Foundation."

<sup>112</sup> See e.g. Gabrielle Meagher and Susan Goodwin, "Introduction: Capturing Marketisation in Australian Social Policy," in *Markets, Rights and Power in Australian Social Policy*, ed. Gabrielle Meagher and Susan Goodwin, Vol. 1 (Sydney: Sydney University Press, 2015); Mitropoulos and Bryan, "Social Benefit Bonds: Financial Markets inside the State."; John Wanna, Hsu-Ann Lee, and Sophie Yates, *Managing Under Austerity, Delivering Under Pressure: Performance and Productivity in Public Service* (Acton, ACT: ANU Press, 2015).

<sup>113</sup> John Wanna, "Delivering Under Pressure: Public Service, Productivity and Performance," in *Managing Under Austerity, Delivering under Pressure: Performance and Productivity in Public Service*, ed. John Wanna, Hsu-Ann Lee, and Sophie Yates (Acton, ACT: ANU Press, 2015), p. 5.

<sup>114</sup> Meagher and Goodwin, "Introduction: Capturing Marketisation in Australian Social Policy," p. 1.

<sup>115</sup> Madden and Scaife, "Good Times and Philanthropy: Giving by Australia's Affluent." See also, Bernadine Van Gramberg and Penny Bassett, "Neoliberalism and the Third Sector in Australia," *Working Paper Series*, Victoria University School of Management, May 2005, [http://vuir.vu.edu.au/120/1/wp5\\_2005\\_bassett\\_gramberg.pdf](http://vuir.vu.edu.au/120/1/wp5_2005_bassett_gramberg.pdf).

<sup>116</sup> Baker et al., "Giving Australia 2016: Philanthropy and Philanthropists."

<sup>117</sup> McGregor-Lowndes and Williamson, "Foundations in Australia: Dimensions for International Comparison."

<sup>118</sup> Tually, Skinner, and Slatter, "The Role of the Philanthropic Sector in Addressing Homelessness: Australian and International Experiences: Literature Review"; Philip O'Donoghue, Myles McGregor-Lowndes, and Mark Lyons, "Policy Lessons for Strengthening Nonprofits," *Australian Journal of Social Issues* 41, no. 1 (2006); Mark Lyons, Myles McGregor-Lowndes, and Philip O'Donoghue, "Researching Giving and Volunteering in Australia," *ibid.*, no. 4; Gianni Zappalà and Mark Lyons, "Giving Australia: Research on Philanthropy in Australia: Strengthening Nonprofit Organisations Survey Report," Australian Government, Department of Families, Community Services and Indigenous Affairs; The Prime Minister's Community Business Partnership, November 2005, [https://www.dss.gov.au/sites/default/files/documents/05\\_2012/ga\\_nonprofit\\_report.pdf](https://www.dss.gov.au/sites/default/files/documents/05_2012/ga_nonprofit_report.pdf).

'might force foundations to move from relief to change by becoming "influencers of government to reform of policy [sic]."'<sup>119</sup> The thesis sets out to consider this question, arguing that given philanthropy's connection to views regarding the role of the state, it will also provide an insight into the influence of neoliberalism in Australia.

## Literature Review

The popular explanations discussed above for Australia's 'un-philanthropic' nature relate primarily to motivations for giving. This is a significant theme in the literature.<sup>120</sup> While motivations can provide an insight into larger questions around philanthropic legitimacy,<sup>121</sup> in order to fully determine and consider a philanthropic culture, a wider consideration of philanthropy's role in society is necessary. This is something that does occur in the international literature on philanthropy. Heydemann and Toepler, for example, consider that the role of philanthropic foundations is connected to broader debates regarding philanthropy's legitimacy.<sup>122</sup> The authors suggest for instance, that debates regarding minimum distribution levels in the United States reflect questions regarding foundation legitimacy, and whether it stems from their autonomy or from 'social accountability.'<sup>123</sup> They also demonstrate how attempts to increase philanthropic funding for public services in Europe have prompted concerns regarding the 'substituting' of government functions by philanthropic foundations.<sup>124</sup> Such debates regarding the role of philanthropy 'engage core questions', particularly regarding 'the relationship between state, society and capital', reflecting 'deep historical tensions around conceptions of national identity, social justice, economic inclusion, and the nature of the polity.'<sup>125</sup> Heydemann and Toepler argue these connections 'permit us to use foundations as organisations that express deep—and often deeply contested—conceptions of how societies and politics should be organised, as lenses through which we can observe significant social processes play out.'<sup>126</sup> With its focus on formal institutions, the thesis views philanthropy in this way in its aim to use the relationship between it and government to provide insights regarding views of the role of the state in the Australian context, and also to assess potential changes in the context of

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<sup>119</sup> Toepler, "Toward a Comparative Understanding of Foundations."

<sup>120</sup> Tually, Skinner, and Slatter, "The Role of the Philanthropic Sector in Addressing Homelessness: Australian and International Experiences: Literature Review"; Breeze and Lloyd, *Richer Lives: Why Rich People Give*; Bekkers and Wiepking, "A Literature Review of Empirical Studies of Philanthropy: Eight Mechanisms That Drive Charitable Giving."

<sup>121</sup> Heydemann and Toepler, "Foundations and the Challenge of Legitimacy in Comparative Perspective," p. 20; Moody and Breeze, "Editor's Introduction," p. 172.

<sup>122</sup> Heydemann and Toepler, "Foundations and the Challenge of Legitimacy in Comparative Perspective," p. 14.

<sup>123</sup> *Ibid*, pp. 4-6.

<sup>124</sup> *Ibid*, pp. 4-6.

<sup>125</sup> *Ibid*, p. 12.

<sup>126</sup> *Ibid*, p. 13.

neoliberalism. Heydemann and Toepler recognise the impact of neoliberalism on considerations regarding philanthropy's legitimacy as well as the relationship between philanthropy and government, noting that 'the growing integration of market-based and philanthropic norms that is reshaping how philanthropy is organised and evaluated ... has altered perceptions about the centrality of the state-foundation relationship in determining foundation legitimacy,' suggesting the increased importance of the market and changing role for the state.<sup>127</sup>

Heydemann and Toepler also suggest that the way debates regarding foundation legitimacy manifest reflect a country's 'social, cultural, institutional, economic and political context.'<sup>128</sup> Other authors also recognise the particular nature of philanthropy within a country, and its relationship with government. This is particularly so in the United States. Anheier and Leat suggest 'many of the explanations of foundations' existence at the broader societal or cultural level are derived from the United States', and as such 'have to be understood in the context of "big government."'129 Toepler in his chapter on the United States in Anheier and Daly's volume, suggests the roles and visions that had been identified with reference to Europe, 'have little, if any salience in the US context.'<sup>130</sup> Literature in the United States is primarily focused on the position of philanthropic entities as private institutions operating in the realm of public policy, and the position of these entities within a democratic society given that they themselves are inherently 'undemocratic.'<sup>131</sup> Waldemar Neilson suggested 'in the great jungle of American democracy and capitalism, there is no more strange or improbable creature than the private foundation.'<sup>132</sup> Several authors view foundations as public policy actors inherently connected to the development of the nation.<sup>133</sup> For example, Rob Reich

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<sup>127</sup> Ibid, p. 21.

<sup>128</sup> Ibid, p. 14.

<sup>129</sup> Anheier and Leat, "Philanthropic Foundations: What Rationales?" There is also a theme running through the literature addressing attempts to replicate the United States' culture of philanthropy in other countries. See e.g. Anheier and Daly, "Philanthropic Foundations in Modern Society."; Daly, "Institutional Innovation in Philanthropy: Community Foundations in the UK."; Karen Wright, "Generosity Vs. Altruism: Philanthropy and Charity in the United States and United Kingdom," *ibid.* 12, no. 4 (2001).

<sup>130</sup> Stefan Toepler, "Foundation Roles and Visions in the USA: Comparative Note," in *The Politics of Foundations: A Comparative Analysis* ed. Helmut Anheier and Siobhan Daly (London Routledge 2006).

<sup>131</sup> See e.g. Anheier and Leat, "Philanthropic Foundations: What Rationales?"; Moody and Breeze, "Editor's Introduction."; Anheier and Hammack, "American Foundations: Their Roles and Contributions to Society."

<sup>132</sup> Waldemar A. Nielsen, *The Big Foundations* (New York: Columbia University Press, 1972), p. 3; Barry D. Karl and Stanley N. Katz, "Foundations and Ruling Class Elites," *Daedalus* 116, no. 1 (1987); Joel L. Fleishman, *The Foundation: A Great American Secret; How Private Wealth Is Changing the World* (New York: Public Affairs, 2009); Kenneth Prewitt, "American Foundations: What Justifies Their Unique Privileges and Powers," in *The Legitimacy of Philanthropic Foundations: United States and European Perspectives*, ed. Kenneth Prewitt, et al. (New York: Russell Sage Foundation, 2006).

<sup>133</sup> Zunz, *Philanthropy in America: A History*; "Why Is the History of Philanthropy Not a Part of American History," in *Philanthropy in Democratic Societies: History, Institutions, Values*, ed. Rob Reich, Chiara Cordelli, and Lucy Bernholz (Chicago: The University of Chicago Press, 2016); Nielsen, *The Big Foundations*; Barry D. Karl and Stanley N. Katz, "The American Private Philanthropic Foundation and the Public Sphere 1890–1930," *Minerva* 19, no. 2 (1981); Barry D. Karl and Alice W. Karl, "Foundations and Government: A Tale of Conflict and

views philanthropy as an 'artefact of the state', as it is enabled and 'organised' by regulatory arrangements.<sup>134</sup> There is a tension between this and an alternative conception of foundations as expressions of the traditions of voluntarism and localism, associated with the work of Alexis de Tocqueville.<sup>135</sup> This view is reflected in one review of Reich's work that argued 'an alternative perspective neglected by the book is that certain liberties, rights and processes that are the core of American democracy pre-exist our State and pre-date the infrastructure on which the book relies.'<sup>136</sup> Rather than being 'subservient to and supplicant of the state', government is in fact 'guardian of these principles and the means by which they are exercised and expressed, including through philanthropy and foundations.'<sup>137</sup>

Both positions though take a view of foundations as being 'uniquely American.'<sup>138</sup> Mark Dowie claims 'the "science", if not the art of philanthropy is an indisputably American invention. No other civilization has been designed by the imagination of its organised philanthropists to quite the same degree as the United States.'<sup>139</sup> Kenneth Prewitt locates foundations 'solidly in the American tradition of using private resources for public benefit—and solidly in the pluralistic tradition of encouraging multiple, contending versions of the public interest.'<sup>140</sup> Stemming from 'America's preference for a weak state',<sup>141</sup> foundations are thus felt to represent 'a singularly American response to questions about the appropriate relationship between the state, the individual and the

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Consensus," in *Philanthropy and the Nonprofit Sector in a Changing America* ed. Charles T. Clotfelter and Thomas Ehrlich (Bloomington, Indianapolis: Indiana University Press, 1999); Judith Sealander, *Private Wealth and Public Life: Foundation Philanthropy and the Reshaping of American Social Policy from the Progressive Era to the New Deal* (Baltimore: Johns Hopkins University Press, 1997).

<sup>134</sup> Rob Reich, *Just Giving: Why Philanthropy Is Failing Democracy and How It Can Do Better* (Princeton, New Jersey: Princeton University Press, 2018).

<sup>135</sup> This can particularly be seen in the debate over whether foundations are public or private entities. See e.g. Kandyce M. Fernandez and Mark A. Hager, "Public and Private Dimensions of Grantmaking Foundations," *Public Administration Quarterly* 38, no. 3 (2014); Evelyn Brody and John Tyler, "Respecting Foundation and Charity Autonomy: How Public Is Private Philanthropy?," *Chicago-Kent Law Review* 85, no. 2 (2010); Peter Dobkin Hall, "Philanthropy, the Nonprofit Sector & the Democratic Dilemma," *Daedalus* 142, no. 2 (2013); John E. Tyler, "Less Than Meets the Eye: An Analysis of Robert Reich's *Just Giving: Why Philanthropy Is Failing Democracy and How It Can Do Better* (2018)," *Nonprofit Policy Forum* 10, no. 2 (2019); Nielsen, *The Big Foundations*; Ealy, "The Intellectual Crisis in Philanthropy."

<sup>136</sup> Tyler, "Less Than Meets the Eye: An Analysis of Robert Reich's *Just Giving: Why Philanthropy Is Failing Democracy and How It Can Do Better* (2018)."

<sup>137</sup> Ibid.

<sup>138</sup> Karl and Katz, "The American Private Philanthropic Foundation and the Public Sphere 1890–1930."; Mark Dowie, *American Foundations: An Investigative History* (Cambridge, Massachusetts: The MIT Press 2001), p. xxii. See also, Fleishman, *The Foundation: A Great American Secret; How Private Wealth Is Changing the World*.

<sup>139</sup> Dowie, *American Foundations: An Investigative History*, p. xxii; Fleishman, *The Foundation: A Great American Secret; How Private Wealth Is Changing the World*.

<sup>140</sup> Prewitt, "American Foundations: What Justifies Their Unique Privileges and Powers," pp. 39-41.

<sup>141</sup> Ibid, p. 39.

community.<sup>142</sup> While both positions take a positive view of foundations' contributions in democratic societies,<sup>143</sup> the dual public and private nature of foundations is often the source of criticism stemming from their ability to unduly influence policy both domestically and internationally.<sup>144</sup> Steven Rathgeb Smith notes 'one of the most enduring concerns in American public policy is whether foundations are somehow supporting causes or influencing public policy in ways that are not transparent and not consistent with their tax-exempt status.'<sup>145</sup> Such criticisms regarding undue policy influence are also made in relation to the 'new' forms of philanthropy, with authors criticising efforts to influence policy and 'leverage' government support.<sup>146</sup> Such critical perspectives on philanthropy provide an indication of its connections to views regarding what should be the proper role of the state, and it is this aspect of philanthropy's role, or a philanthropic culture, that the thesis seeks to explore and extend in the Australian context.

The specific nature of philanthropy's role is also considered in international comparative literature on philanthropy, which tends to be centred on Europe, including the United Kingdom, and 'demonstrates how philanthropic thinking and practices are always embedded in culture and context', including the historical context.<sup>147</sup> Michael Moody and Beth Breeze, editors of *The Philanthropy Reader*, which is aimed primarily at practitioners and students of philanthropy, state

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<sup>142</sup> Heydemann and Toepler, "Foundations and the Challenge of Legitimacy in Comparative Perspective," p. 23-24.

<sup>143</sup> See also on this point, Fleishman, *The Foundation: A Great American Secret; How Private Wealth Is Changing the World*; Helmut K. Anheier and Diana Leat, *Creative Philanthropy: Towards a New Philanthropy for the Twenty-First Century* (London: Routledge, 2006); Heydemann and Toepler, "Foundations and the Challenge of Legitimacy in Comparative Perspective."

<sup>144</sup> Joanne Barkan, "Plutocrats at Work: How Big Philanthropy Undermines Democracy," *Social Research* 80, no. 2 (2013); Joan Roelofs, *Foundations and Public Policy: The Mask of Pluralism* (Albany: State University of New York Press, 2003); Robert Arno and Nadine Pinede, "Revisiting the 'Big Three' Foundations," *Critical Sociology* 33, no. 3 (2007); Robert F Arno (ed), *Philanthropy and Cultural Imperialism* (Boston, Massachusetts: G.K. Hall, 1980); Toepler, "Foundation Roles and Visions in the USA: Comparative Note."; Reich, *Just Giving: Why Philanthropy Is Failing Democracy and How It Can Do Better*.

<sup>145</sup> Steven Rathgeb Smith, "Foundations and Public Policy," in *American Foundations: Roles and Contributions*, ed. Helmut K. Anheier and David C. Hammack (Washington, DC: Brookings Institution Press, 2010). The justification of favourable taxation treatment is a notable theme within this literature. See e.g. Reich, *Just Giving: Why Philanthropy Is Failing Democracy and How It Can Do Better*; Heydemann and Toepler, "Foundations and the Challenge of Legitimacy in Comparative Perspective."

<sup>146</sup> Tully, Skinner, and Slatter, "The Role of the Philanthropic Sector in Addressing Homelessness: Australian and International Experiences: Literature Review"; Robin Rogers, "Why Philanthro-Policymaking Matters," *Society* 48, no. 5 (2011); David Bosworth, "The Cultural Contradictions of Philanthrocapitalism," *ibid*; Michael Edwards, "Impact, Accountability, and Philanthrocapitalism," *ibid*; Howard Husock, "Disaggregating Public Purposes," *ibid*; Kavita N. Ramdas, "Philanthrocapitalism: Reflections on Politics and Policy Making," *ibid*; Peter Lorenzi and Francis G. Hilton, "Optimizing Philanthrocapitalism," *ibid*; Michael Edwards, *Just Another Emperor?: The Myths and Realities of Philanthrocapitalism* (New York: Demos, 2008); Eikenberry and Kluver, "The Marketization of the Nonprofit Sector: Civil Society at Risk?"; Dowie, *American Foundations: An Investigative History*.

<sup>147</sup> Moody and Breeze, "Editor's Introduction," pp. xiv-xv, 89; Schuyt, *Philanthropy and the Philanthropic Sector: An Introduction*



the importance of adopting an 'international frame of reference' for the volume as it 'helps to highlight crucial questions', including those regarding 'the variations in cultural assumptions about the proper role of philanthropy in relation to the marketplace and government in achieving social needs.'<sup>148</sup> This demonstrates that discussions about philanthropy's role within society are connected to those regarding the role of the state. Moody and Breeze argue 'both the callings and critiques of philanthropy' assess it 'in contrast to government and to capitalism as alternative ways that people in society come together to pursue their goals and to further social progress.'<sup>149</sup> It is also noted in the literature that new, marketised forms of philanthropy are 'blurring boundaries between sectors that previously seemed clearly distinct.'<sup>150</sup> This comparative work provides important insights in terms of understanding philanthropy's role, including its relationship with government, as well as recognising philanthropy's connection to changes, something this thesis also seeks to explore in the Australian context. This literature does not consider though how the particular circumstances within a country, and the particular relationship between philanthropy and government, can be used to provide an insight into potentially changing views regarding the role of the state, which is where the thesis will seek to extend it.

The connection between philanthropy and government is explored in Anheier and Daly's comparative analysis of foundations within Europe, which recognises that foundation roles are being 'shaped by political ideologies, visions and models.'<sup>151</sup> The authors adapt Salamon and Anheier's social origins theory, itself based on Gøsta Esping-Anderson's *Three Worlds of Welfare Capitalism* model,<sup>152</sup> to present a systematic comparison of foundations in different countries and the context within which they operate. Developed in relation to the not-for-profit sector as a whole, the theory considers the 'role and scale' of the sector to be 'a by-product of a complex set of historical forces.'<sup>153</sup> However, 'distinct patterns' can still be identified within this that allow the creation of four 'regime types', each 'characterised' by a particular role for the state and the not-for-profit sector.<sup>154</sup> In adapting this theory specifically to foundations, Anheier and Daly argue 'the position and scale of foundations can be best explained through a structural explanation that accounts for

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<sup>148</sup> Moody and Breeze, "Editor's Introduction," pp. xiv-xv.

<sup>149</sup> Ibid, p. 172.

<sup>150</sup> Ibid, pp. 315, 403.

<sup>151</sup> Anheier and Daly, "Philanthropic Foundations in Modern Society."

<sup>152</sup> Gøsta Esping-Anderson, *The Three Worlds of Welfare Capitalism* (Princeton, NJ: Princeton University Press, 1990).

<sup>153</sup> Lester M. Salamon and Helmut K. Anheier, "Social Origins of Civil Society: Explaining the Nonprofit Sector Cross-Nationally," *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations* 9, no. 3 (1998). See also, Helmut K. Anheier and Lester M. Salamon, "The Nonprofit Sector in Comparative Perspective," in *The Nonprofit Sector: A Research Handbook*, ed. Walter W. Powell and Richard Steinberg, second ed. (New Haven: Yale University Press 2006).

<sup>154</sup> Salamon and Anheier, "Social Origins of Civil Society: Explaining the Nonprofit Sector Cross-Nationally."

the influence of a range of social, historical and economic factors.<sup>155</sup> They identify a number of 'visions' for foundations, which relate to several distinct roles.<sup>156</sup> The authors also assess changes in the context within which foundations operate, finding that the restructuring of the welfare state, which has seen governments adopt more of an 'enabling role', has impacted on foundation operations as they seek to avoid a role 'substituting' functions previously undertaken by the government.<sup>157</sup> This concern about substitution is also demonstrated elsewhere in the literature.<sup>158</sup>

In their comparative study (in which Australia is included), Wiepking and Hardy identify contextual factors that could be 'used as instruments to shape society with the best outcomes for philanthropic giving,' including a 'culture of philanthropy.'<sup>159</sup> The study considered 'how does the nature of a country's government, and the relationship between the government and the non-profit sector, affect individuals' charitable giving.'<sup>160</sup> It employs social origins theory, considering it as 'the most influential theory of how historical events explain present-day variation in the non-profit sector across countries', suggesting 'institutional choices about whether to rely on the state, market or non-profit provision of social and other services depend heavily on the historical development and changing societal patterns within a country.'<sup>161</sup> The authors found the theory though to be 'of limited use as it failed to predict present-day cross-national variations in charitable giving and the size of the non-profit sector' in the chosen countries.<sup>162</sup> The study found 'a positive, non-linear relationship between government financial support to the non-profit sector and private philanthropy', but the authors note 'the relationship between the two sectors comes in different forms in different countries, therefore understanding their influences on one another is a lot more complex than examining these two components alone.'<sup>163</sup> This thesis intends to provide a more nuanced exploration of the relationship between philanthropy and government in the Australian

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<sup>155</sup> Anheier and Daly, "Philanthropic Foundations in Modern Society."

<sup>156</sup> Ibid.

<sup>157</sup> Helmut K. Anheier and Siobhan Daly, "Helmut K. Anheier and Siobhan Daly, "Combining Roles and Visions: Patterns and Implications," in *The Politics of Foundations: A Comparative Analysis*, ed. Siobhan Daly and Helmut Anheier (London: Routledge 2006).

<sup>158</sup> E.g. Breeze and Lloyd, *Richer Lives: Why Rich People Give*.

<sup>159</sup> Pamala Wiepking and Femida Handy, "Introduction," in *The Palgrave Handbook of Global Philanthropy*, ed. Pamala Wiepking and Femida Handy (Hampshire, UK: Palgrave Macmillan, 2015); "The Practice of Philanthropy: The Facilitating Factors from a Cross-National Perspective" *ibid*.

<sup>160</sup> Christopher J. Einolf, "The Social Origins of the Nonprofit Sector and Charitable Giving," *ibid*.

<sup>161</sup> Wiepking and Handy, "The Practice of Philanthropy: The Facilitating Factors from a Cross-National Perspective."

<sup>162</sup> Einolf, "The Social Origins of the Nonprofit Sector and Charitable Giving."

<sup>163</sup> Phuong Anh Nguyen, "The Influence of Government Support for the Nonprofit Sector on Philanthropy across Nations," in *The Palgrave Handbook of Global Philanthropy*, ed. Pamala Wiepking and Femida Handy (Hampshire, UK: Palgrave Macmillan, 2015).

context, and rather than attempting to make predictions regarding giving, seeks to use this relationship to provide insights into views regarding the role of the state.

Anheier conducted a systematic study of foundations in twelve countries, again including Australia, published across two special issues of journal *American Behavioural Scientist* in 2018, suggesting such comparative studies were 'still in their infancy.'<sup>164</sup> Using social origins theory, and considering the roles and purposes of foundations, as well as their relationships with other sectors including government, he contemplates whether 'differences in foundation size and growth, and also purpose, approach, roles and performance, are dependent on what comparative political scientists refer to as regime types, that is relatively persistent constitutional patterns with considerable path dependencies and deep political and social moorings.'<sup>165</sup> In his summary article, published in the second issue, Stefan Toepler states 'the overwhelming suggestion from the various contributions to this issue is that the foundation position vis-à-vis the state is the dominant relationship.' This relationship 'expresses itself in regulation, conceptual questions about the role of foundations in democracy, as well as expectations surrounding the role of foundations in a democracy, and government's expectation for foundation contributions.'<sup>166</sup> Toepler also notes that reform of 'legal and fiscal frameworks' has been driven by government in many countries and been underpinned by particular expectations regarding the role philanthropy should occupy.<sup>167</sup> He does not consider though whether the relationship between government and philanthropy can also provide insight about how the role of government is viewed in a society. This form of systematic comparison looking at regime types does not appear to allow for an exploration of philanthropy for this purpose. While the use of social origins theory to identify roles and visions does demonstrate the connection between the role of foundations and that of the state, and supports this systematic comparison it does not fully capture the particular context within individual countries, which is necessary to use foundations as means of assessing the role of government.

The thesis is informed by, and will align with, this international literature in looking to identify the particular nature of philanthropy in Australia and its relationship with government, and then use this to consider the way changes to the social and political context within a society are reflected through philanthropy's position and the role it performs. This influence is particularly reflected in the comparative approach that the thesis will employ to achieve its aims. This is

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<sup>164</sup> Toepler, "Toward a Comparative Understanding of Foundations."

<sup>165</sup> Helmut K. Anheier, "Philanthropic Foundations in Cross-National Perspective: A Comparative Approach," *American Behavioral Scientist* 62, no. 12 (2018).

<sup>166</sup> Toepler, "Toward a Comparative Understanding of Foundations."

<sup>167</sup> Ibid.

discussed further below as part of the overall methodological approach, but the thesis will compare Australia first with the United States, where as the discussion above notes, philanthropy's role and position within society, including its relationship with government, is felt to be unique in having developed within the specific context of that country, and in reflecting a particular understanding of the role of the state. Philanthropic foundations played a significant role in the country's nation building process as they influenced the development of national level policy on social issues. In doing so though, these large entities alienated themselves from the traditions of localism and volunteerism, creating the conditions both for a competitive relationship to develop between philanthropy and government, and a tension to develop within philanthropy itself as its nature became contested. The thesis will consider philanthropy's position in Australia similarly as deriving from the context associated with the country's nation building period, and will explore how this position and the particular view of government's role it indicates, have continued to exert an influence. Engaging with this literature developed in the United States will also particularly support the thesis in considering the themes of power, legitimacy, and accountability as it seeks to establish philanthropy's particular role and relationship with government in Australia.

Australia is also compared with the United Kingdom, which having undertaken a significant regulatory and policy reform process, presents an example of the phenomenon identified in the comparative literature where changes in social and political contexts also affect philanthropy's role and position within society. The thesis is consistent with the social origins theory employed in the comparative literature in arguing that 'the size and character of the non-profit sector in any society is "path dependent."<sup>168</sup> It will also though represent an extension or expansion of this approach as it seeks to use philanthropy's position, and relationship with government, to identify views regarding the role of the state, and as a means of examining potential changes within these views. The literature is concerned with assessing the effect on philanthropy of changes to government's role, as indicated particularly through its withdrawal from service provision, prompting discussions regarding philanthropy potentially being required to 'substitute' government functions. This argues that there is a direct connection between philanthropy's role and that of the state, and the thesis effectively adopts a reverse approach to that demonstrated in much of the literature discussed above, which begins with changes in the political context and considers their effect on philanthropy's position within society. The thesis' approach also demonstrates a significant extension of the literature on philanthropy in Australia, though this literature will also be significant in supporting it in achieving its aims.

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<sup>168</sup> Anheier and Salamon, "The Nonprofit Sector in Comparative Perspective."

## Australian Literature

Although it has contributed to wider comparative studies,<sup>169</sup> Australian literature on philanthropy has generally had a much more pragmatic focus, primarily seeking to first understand and map Australian philanthropy, and then to support and encourage increased giving.<sup>170</sup> There has been a focus on analysing both iterations of the *Giving Australia* research, published in 2005 and 2016.<sup>171</sup> There is also a significant focus on motivations or 'drivers' of giving, particularly in terms of their effectiveness, also with a view to supporting a well-established 'culture of giving' in Australia.<sup>172</sup> Such

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<sup>169</sup> See Scaife et al., "Giving in Australia: Philanthropic Potential Beginning to Be Realized."; McGregor-Lowndes and Williamson, "Foundations in Australia: Dimensions for International Comparison."

<sup>170</sup> Tracey, *Giving It Away: In Praise of Philanthropy*; Scaife et al., "Giving Australia 2016: Literature Review"; Christopher Baker, Simone Battiston, and Bruno Mascitelli, "Diaspora Philanthropy in Australia: A Preliminary Critique," *Diaspora: A Journal of Transnational Studies* 16, no. 3 (2007); Christopher Baker and Bruno Mascitelli, "Diaspora Philanthropy and Its Influences: An Australian Perspective," *The Journal of Contemporary Issues in Business and Government* 17, no. 2 (2011); Christopher Baker, "Re-Distributive Philanthropy and the Chinese Australian Diaspora," in *Proceedings, Australian Sociological Association Annual Conference (TASA 2012)*, Queensland, Australia, 26-29 November 2012, <https://researchbank.swinburne.edu.au/file/3d8b1223-c10f-429c-9e4e-afdc2c92362c/1/PDF%20%28Published%20version%29.pdf>.

This includes literature oriented towards those engaged with philanthropy directly, e.g. Genevieve Timmons, *Savvy Giving: The Art and Science of Philanthropy* (Melbourne: Hardie Grant Books, 2013); Radbourne and Watkins, *Philanthropy and the Arts*; Vanessa Meachen, "A Grant-Seekers Guide to Trusts & Foundations," (Melbourne: Philanthropy Australia, 2009),

[https://www.philanthropy.org.au/images/site/misc/Tools\\_\\_Resources/Publications/PA\\_Grantseekers-Guide-Trusts-Foundations.pdf](https://www.philanthropy.org.au/images/site/misc/Tools__Resources/Publications/PA_Grantseekers-Guide-Trusts-Foundations.pdf); David Ward, "Private Ancillary Funds Trustee Handbook," (Melbourne: Philanthropy Australia, 2009),

[http://www.philanthropy.org.au/images/site/publications/PAF\\_Handbook\\_FINAL\\_May\\_2014.pdf](http://www.philanthropy.org.au/images/site/publications/PAF_Handbook_FINAL_May_2014.pdf).

<sup>171</sup> Wendy Scaife et al., "Editorial," *Third Sector Review* 25, no. 1 (2019); Baker, Barraket, and Elmes, "Philanthropy: A Decade of Change?"; Crittall, McGregor-Lowndes, and Conroy, "Individual Giving: A Decade of Change in Australia."

<sup>172</sup> Wendy Scaife et al., "Foundations for Giving: Why and How Australians Structure Their Philanthropy," The Australian Centre for Philanthropy and Nonprofit Studies, Queensland University of Technology, Brisbane, QLD., March 2012, <https://eprints.qut.edu.au/48801/1/48801.pdf>; Madden, "Giving and Identity: Why Affluent Australians Give – or Don't – to Community Causes."; McGregor-Lowndes, Newton, and Marsden, "Did Tax Incentives Play Any Part in Increased Giving?"; Baker, Barraket, and Elmes, "Philanthropy: A Decade of Change?"; Tracey, *Giving It Away: In Praise of Philanthropy*; Regina Hill and Louise Doyle, "Strategies for Increasing High Net Worth and Ultra High Net Worth Giving," Commonwealth of Australia, Department of Families, Housing, Community Services and Indigenous Affairs, 2011, [http://www.philanthropy.org.au/images/site/misc/Tools\\_\\_Resources/PA-High-Net-Worth-Giving-Report-170211.pdf](http://www.philanthropy.org.au/images/site/misc/Tools__Resources/PA-High-Net-Worth-Giving-Report-170211.pdf); Kym Madden and Wendy Scaife, "The Challenge of Encouraging More Affluent Australians to Give," *Proceedings, Social Change in the 21st Century Conference, 27 October 2006*, Centre for Social Change Research, Queensland University of Technology, 2006, , <https://eprints.qut.edu.au/6465/1/6465.pdf>; Radbourne and Watkins, *Philanthropy and the Arts*; Gina Anderson, "Where the Money Goes: Private Wealth for Public Good," Centre for Social Impact and the Asia-Pacific Centre for Social Impact and Philanthropy, 2013; Madden and Scaife, "Good Times and Philanthropy: Giving by Australia's Affluent"; Williamson and Scaife, "From Entrepreneur to Philanthropist: The 'Second Half of the Game'."; Tually, Skinner, and Slatter, "The Role of the Philanthropic Sector in Addressing Homelessness: Australian and International Experiences: Literature Review"; Kym M. Madden and Cameron J Newton, "Is the Tide Turning? Professional Advisers' Willingness to Advise About Philanthropy," *Working Paper*, Centre of Philanthropy and Nonprofit Studies Queensland University of Technology, March 2006, <https://eprints.qut.edu.au/4454/1/4454.pdf>; Myles McGregor-Lowndes and Frances Hannah, "Marketing Charitable Bequests to Lawyers," *International Journal of Nonprofit and Voluntary Sector Marketing* 17, no. 1 (2012); Crittall, McGregor-Lowndes, and Conroy, "Individual Giving: A Decade of Change in Australia."; Kym Madden and Wendy Scaife, "Looking for the Value-Add: Private Advice

a focus makes sense in connection with the view that Australia is an 'unphilanthropic country.' Where a wider context for philanthropy is recognised, this is generally only addressed as it relates to such drivers of philanthropy and not explored in particular depth.<sup>173</sup> For example, Scaife et al. note that philanthropy's 'impact extends to shaping the culture, identity and social capital of communities, sectors, regions and nations' but do not address this statement any further.<sup>174</sup>

One of the changes identified between the 2005 and 2016 iterations of the *Giving Australia* research was 'greater efforts to foster transparency, accountability and sustainable impact.'<sup>175</sup> Calls for increased transparency can also be identified as a theme in the literature.<sup>176</sup> As with the literature more generally, these calls largely reflect a more pragmatic focus, concerned with philanthropy's effectiveness, and with supporting increased giving, rather than the wider questions surrounding the accountability of private organisations in a democracy as is the case in the literature from the United States. For example, Leat et al. considered 'the motivations and values that are shaping the debate about performance measurement' as they sought to contribute 'not only to the growth of the Australian philanthropic sector, but also its effectiveness.'<sup>177</sup> The authors argue this study 'reflects the importance of these foundations and their beneficiaries in our national economy and society',<sup>178</sup> but do not address the wider role and position foundations occupy within Australia's democracy. Coyte et al. focus on 'grant decision-making practices' in seeking to 'better understand the scope and nature of accountability' relating to non-government funders.<sup>179</sup> They note, 'philanthropic environments are highly contextual', and suggest the particular Australian context may have influenced their findings,<sup>180</sup> but do not address any wider debate on philanthropy's role, which would necessarily also encompass its relationship with the state. Williamson et al. are

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Needs of High-Net-Worth Australians," *Working Paper No. CPNS 44*, The Australian Centre for Philanthropy and Nonprofit Studies, Queensland University of Technology, Brisbane, Queensland, 2008, <http://eprints.qut.edu.au/15426/>.

<sup>173</sup> Williamson and Scaife, "From Entrepreneur to Philanthropist: The 'Second Half of the Game'."

<sup>174</sup> Scaife et al., "Editorial."

<sup>175</sup> Baker, Barraket, and Elmes, "Philanthropy: A Decade of Change?" See also, Crittall, McGregor-Lowndes, and Conroy, "Individual Giving: A Decade of Change in Australia."

<sup>176</sup> Baker, Barraket, and Elmes, "Philanthropy: A Decade of Change?"; Elizabeth Cham, "Trustee Companies: Their Role in Australian Philanthropy" (University of Technology, Sydney Australia, 2016); C. Furneaux and W. Wymer, "Public Trust in Australian Charities: Accounting for Cause and Effect," *Third Sector Review* 21, no. 2 (2015); Baker et al., "Giving Australia 2016: Philanthropy and Philanthropists."

<sup>177</sup> Diana Leat, Alexandra Williamson, and Wendy Scaife, "Performance Measurement in Perspective: An Exploratory Study of Australian Foundations' Approaches to Performance Measurement," *ACPNS Working Paper no. 64*, The Australian Centre for Philanthropy and Nonprofit Studies, September 2012, [https://eprints.qut.edu.au/75993/1/\\_staffhome.qut.edu.au\\_staffgroup\\$\\_hollambc\\_Desktop\\_Performance%20Measurement%20in%20Perspective.pdf](https://eprints.qut.edu.au/75993/1/_staffhome.qut.edu.au_staffgroup$_hollambc_Desktop_Performance%20Measurement%20in%20Perspective.pdf).

<sup>178</sup> Ibid.

<sup>179</sup> Rodney Coyte, Jim Rooney, and Benjamin Phua, "The Impossibility of Philanthropic Funding Decisions: The Australian Non-Government Funder Experience," *Financial Accountability & Management* 29, no. 4 (2013).

<sup>180</sup> Ibid.

interested in why Private Ancillary Funds in particular choose to engage in accountability practices given the limited regulatory requirements for them to do so.<sup>181</sup> The authors identify several motivations for these entities adopting accountability practices, relating to values along with purposes and outcomes.<sup>182</sup> However, the international literature's focus on 'the ambiguous and contested role of philanthropic foundations in a democracy' was 'not identified' as a consideration in their interviews with foundation representatives.<sup>183</sup>

In a separate work, Williamson et al. do suggest that given the focus in the international literature on connecting accountability to debate regarding the dual public and private nature of foundations, their consideration of the voluntary accountability engaged in by PAFs 'positions them within the larger debate about the influence of private wealth with a public dimension or element within democratic societies.'<sup>184</sup> They also recognise the 'different context for Australian philanthropic accountability', and suggest views and practices are likely influenced by 'the smaller size of the philanthropic sector in Australia... the strong egalitarian ethos that persists in Australian society... the desire for privacy, and the voluntary nature of disclosure.'<sup>185</sup> This does recognise a particular context for Australian philanthropy, although this aspect is not a direct focus of the article, which is concerned more pragmatically with exploring 'perceptions and practices of accountability' and locating PAFs within models of accountability.<sup>186</sup>

Although a pragmatic focus makes sense alongside the perception of Australia being an 'unphilanthropic country', as has been noted above, philanthropy has increased in Australia suggesting that it is more than this. It is also connected to an ambivalence regarding philanthropy's position within society, which is reflected in the literature regarding philanthropy in Australia. Elizabeth Cham does consider the wider context regarding accountability, noting Australia is 'yet to have' the debate regarding whether foundations are fundamentally private or public in nature. This is in a period 'when the public discourse throughout the Western World suggests that the role of government should be diminished, its services increasingly privatized and philanthropy's function

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<sup>181</sup> Alexandra Williamson, Belinda Luke, and Craig Furneaux, "Why Be Accountable? Exploring Voluntary Accountability of Australian Private Ancillary Funds," *Australian Journal of Public Administration* 77, no. 3 (2018).

<sup>182</sup> Ibid

<sup>183</sup> Williamson, Luke, and Furneaux, "Why Be Accountable? Exploring Voluntary Accountability of Australian Private Ancillary Funds."

<sup>184</sup> Williamson et al., "Founders, Families, and Futures: Perspectives on the Accountability of Australian Private Ancillary Funds."

<sup>185</sup> Ibid.

<sup>186</sup> Ibid.

should expand to fund such services.<sup>187</sup> Cham's PhD thesis, which considered the particular position of Trustee companies within Australian philanthropy—including the potential policy influence of these entities—also addressed the topic of accountability. She argues 'in Australia this power to influence public policy may be constructive and beneficial, yet as it is virtually invisible there is no opportunity for the community to understand its impact.'<sup>188</sup> In concluding, she states 'eventually Australia will need to address this question and understand that it is not simply a tax reform issue, but rather a philosophical, social, political and cultural question for the nation.'<sup>189</sup> This indicates a link between discussions of accountability and deeper considerations regarding philanthropy's role, and that of the state that is also acknowledged in the Australian context.

Krystian Seibert, a policy adviser for peak body Philanthropy Australia, also recognised a wider view of accountability, observing 'at the core of scrutiny is essentially a debate about the "legitimacy" of philanthropy.'<sup>190</sup> He notes that philanthropy in Australia received less attention than in the United States and therefore less scrutiny, though he suggests this may increase as philanthropy becomes more prominent, and particularly 'if the level of real or perceived inequality in Australia increases, and more focus is put on those with wealth and the ways in which such wealth is made and used.'<sup>191</sup> In a separate opinion piece discussing the response to the 2020 bushfire crisis, Seibert noted that funds raised were in significant part going to government organisations such as the South Australian CFS, Victorian CFA and the Rural Fire Service in NSW. He suggests this 'does beg the question... what is the role of philanthropy? Is philanthropy filling a gap left by government? If so, that's problematic. If it's not filling a gap, but is complementary in some other way, then how is it complementary?'<sup>192</sup> While the raise questions regarding philanthropy's position within society, neither Seibert nor Cham directly consider what this lack of accountability indicates regarding the relationship between philanthropy and government in Australia. The thesis will suggest that this lack of discussion regarding philanthropy's role actually reflects the particular nature of its role in Australia.

The lack of wider debate regarding philanthropic accountability in Australia suggests an ambivalence regarding philanthropy's position. This can be seen in the pragmatic focus within the

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<sup>187</sup> Elizabeth Cham, "The Rise and Fall of Australia's First Independent Regulator for the Not-for-Profit Sector: A Missed Opportunity for Philanthropy," *Voluntary Sector Review* 5, no. 3 (2014).

<sup>188</sup> "Trustee Companies: Their Role in Australian Philanthropy," pp. 60-61.

<sup>189</sup> *Ibid*, p. 208.

<sup>190</sup> Krystian Seibert, "Giving under the Microscope: Philanthropy, Legitimacy and a New Era of Scrutiny" *Third Sector Review* 25, no. 1 (2019).

<sup>191</sup> *Ibid*.

<sup>192</sup> Krystian Seibert, "Opinion: Some Thoughts on the Bushfire Crisis, Charity and Giving," *Pro Bono News*, 21 January 2020, <https://probonoaustralia.com.au/news/2020/01/some-thoughts-on-the-bushfire-crisis-charity-and-giving/>.



literature, and it also reflected in the haphazard manner that regulation has developed in Australia.<sup>193</sup> The literature considers the regulation of philanthropy and the not-for-profit sector as a whole, particularly as it relates to taxation and in the context of recent reform. Generally, it is focused on the complex nature of Australia's regulatory arrangements with a view to improving efficiency through reform.<sup>194</sup> For example, O'Connell suggests 'equity, simplicity and efficiency should be the key drivers of reform.'<sup>195</sup> It is considered that Australia's regulatory arrangements 'were not enacted as a result of a carefully thought-out tax policy or even more broadly framed public policy', but rather from pragmatic considerations of protecting the revenue and the political influence of particular individuals.<sup>196</sup> In addressing barriers to reform, O'Connell et al. suggest 'the discursive currents underlying the current reform agenda ... reveal ... an unarticulated ambivalence towards the sector.'<sup>197</sup> Discussing the more recent reform, the authors suggest that while there were competing perceptions regarding its aims from a practical perspective—whether it was intended to address 'regulatory complexity', increase transparency, or address 'the outgrowth of charities from their traditional boundaries'—ultimately, 'at the centre of the policy debates is a contest over, and ambivalence about, the appropriate role and sphere of the NFP sector in Australia.'<sup>198</sup> John Butcher identifies ideological influences and competing visions of the role of the state in the trajectory of the reform process, particularly regarding the position of the Australian Charities and Not-for-profit Commission (ACNC) as the national regulator.<sup>199</sup> This ambivalence, as identified in the literature in discussions regarding accountability and regulatory arrangements, is significant for the thesis as it aims to identify Australian philanthropy's particular role and its relationship with government. The

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<sup>193</sup> Diana Leat, "What Do Australian Foundations Do - Who Knows and Who Cares?," *Australian Journal of Public Administration* 62, no. 2 (2004); Lyons, *Third Sector: The Contribution of Nonprofit and Cooperative Enterprise in Australia*; Williamson et al., "Founders, Families, and Futures: Perspectives on the Accountability of Australian Private Ancillary Funds."; Martin, "The Sociopolitical and Legal History of the Tax Deduction for Donations to Charities in Australia and How the 'Public Benevolent Institution' Developed."; Gabrielle Berman, "A Charitable Concern," *Agenda* 7, no. 1 (2000); O'Connell, "Charitable Treatment? – a Short History of Taxation of Charities in Australia."; Cham, "The Rise and Fall of Australia's First Independent Regulator for the Not-for-Profit Sector: A Missed Opportunity for Philanthropy."; McDonald and Scaife, "Print Media Portrayals of Giving: Exploring National 'Cultures of Philanthropy'."; McGregor-Lowndes and Williamson, "Foundations in Australia: Dimensions for International Comparison."

<sup>194</sup> Ann O'Connell, "The Not-for-Profit Sector and the Tax Forum " *Australian Tax Forum* 27, no. 2 (2012).

<sup>195</sup> Ibid.

<sup>196</sup> Ibid. See also, Ann O'Connell, Fiona Martin, and Joyce Chia, "Law, Policy and Politics in Australia's Recent Not-for-Profit Sector Reforms," *Australian Tax Forum* 28, no. 2 (2013); Fiona Martin, "Tax Deductibility of Philanthropic Donations: Reform of the Specific Listing Provisions in Australia," *ibid.* 33, no. 3 (2018); Timothy M Todd and Fiona Martin, "The Income Tax Exemption of Charities and the Tax Deductibility of Charitable Donations: The United States and Australia Compared," *ibid.*, no. 4.

<sup>197</sup> O'Connell, Martin, and Chia, "Law, Policy and Politics in Australia's Recent Not-for-Profit Sector Reforms."

<sup>198</sup> Ibid.

<sup>199</sup> See John Butcher, "The Third Sector and Government in Australia: Not-for-Profit Reform under Labor, 2007–13," *Australian Journal of Political Science* 50, no. 1 (2015); O'Connell, Martin, and Chia, "Law, Policy and Politics in Australia's Recent Not-for-Profit Sector Reforms."

thesis will argue that this ambivalence and lack of discussion is actually indicative of philanthropy's particular role in Australia.

There is also a comparative element to the literature concerning regulatory reform in the not-for-profit sector.<sup>200</sup> McGregor and O'Halloran consider the movement to 'modernise' charity law, which occurred from 2001 in the United Kingdom and other 'common law jurisdictions', including Australia, arguing that this has seen the renegotiation of boundaries between sectors, the outcomes of which 'reveal the new agenda for a 21<sup>st</sup> century relationship between government and charity.'<sup>201</sup> At the time of publication, the reform process had stalled in Australia, with the authors suggesting that this was related to political will, but also to the fact that 'the sector is still being invented in Australia.'<sup>202</sup> Following the revival of the reform process by the Rudd government, Phillips and Rathgeb Smith identified similar ideological influences in Australia as in the United Kingdom, Canada and New Zealand in the interest in 'transparency, impact and social innovation.'<sup>203</sup> While these 'broad structural similarities between countries' suggested a policy convergence to the authors, they also noted that a 'significant and growing diveristy is evident in important aspects of third sector regimes due to domestic politics and the path dependencies carved out by different kinds of statutory institutions.'<sup>204</sup> Most notably in Australia, they observed that ideas surrounding transparency and impact 'have not been accompanied by consistent views of the relationship between the state and the sector, and consequently the role of the state.'<sup>205</sup> The thesis will explore this further as it identifies Australian philanthropy's particular role in connection with established path dependencies and uses it to assess changing views regarding the role of the state.

Where the relationship between philanthropy and government is addressed within the Australian literature, this occurs in a way which aligns with the pragmatic approach to studying

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<sup>200</sup> Susan D. Phillips and Steven Rathgeb Smith, "A Dawn of Convergence?: Third Sector Policy Regimes in the 'Anglo-Saxon' Cluster," *Public Management Review* 16, no. 8 (2014); O'Connell, Martin, and Chia, "Law, Policy and Politics in Australia's Recent Not-for-Profit Sector Reforms."; Susan D. Phillips and Steven Rathgeb Smith (ed), *Governance and Regulation in the Third Sector: International Perspectives* (New York: Routledge, 2011); M. McGregor-Lowndes and K. O'Halloran (ed), *Modernising Charity Law: Recent Developments and Future Directions* (Cheltenham: Edward Elgar, 2010).

<sup>201</sup> Myles McGregor-Lowndes, "Introduction," in *Modernising Charity Law: Recent Developments and Future Directions*, ed. M. McGregor-Lowndes and K. O'Halloran (Cheltenham: Edward Elgar, 2010), p. 6; Kerry O'Halloran et al., "Charity Law Reforms: Overview of Progress since 2001," in *Modernising Charity Law: Recent Developments and Future Directions* ed. M. McGregor-Lowndes and K. O'Halloran (Cheltenham: Edward Elgar, 2010); Kerry O'Halloran, "Government–Charity Boundaries," in *Modernising Charity Law: Recent Developments and Future Directions*, ed. Myles McGregor-Lowndes and Kerry O'Halloran (Cheltenham: Edward Elgar, 2010), p. 164.

<sup>202</sup> O'Halloran et al., "Charity Law Reforms: Overview of Progress since 2001," pp. 42, 178.

<sup>203</sup> Phillips and Smith, "A Dawn of Convergence?: Third Sector Policy Regimes in the 'Anglo-Saxon' Cluster."

<sup>204</sup> *Ibid.*

<sup>205</sup> *Ibid.*

philanthropy more generally that is primarily concerned with motivations with a view to increasing giving. For example, McGregor-Lowndes and Williamson suggest this relationship is 'critical', though view it in a way that is concerned with how government and philanthropy work together, rather than considering the relationship in terms of the deeper question of philanthropy's place and role within society.<sup>206</sup> Smyllie, Scaife and McDonald adopted a similar view of the relationship. Although they recognize that 'the respective power of philanthropy and government to address societal concerns is geopolitically determined', they are focused on motivations and overcoming barriers to giving so that government and philanthropists can work together.<sup>207</sup> More recently, Williamson and Luke considered, 'advocacy, agenda-setting and the public policy influence of Private Ancillary Funds', finding that these entities were not engaged in 'overtly attempting to change government policy', and that their 'agendas are largely consistent with public policy.'<sup>208</sup> The authors suggest this may relate to a particular nature for philanthropy in Australia,<sup>209</sup> although do not directly discuss it in these terms. This finding is something the thesis will explore further and is significant in terms of identifying Australian philanthropy's particular role and relationship with government.

Discussions regarding philanthropy's position alongside government are also often linked to motivations for giving.<sup>210</sup> Madden and Scaife in their study of print media portrayals of philanthropy, consider how, 'cultural values, which underlie and justify the functioning of societal institutions, interact with personal values, ... to influence philanthropic behaviour.'<sup>211</sup> Comparing Australia with the United States, they link these cultural values to views regarding the role of government, suggesting:

In both nations, early colonial experiences of the "bush" or the "frontier" shaped national culture. As a convict colony, government presence was constant in Australia, creating dependence and a sense of government responsibility ... Conversely, early US settlers sought freedom from state institutions and had little expectation of government support, resulting in a culture of individual enterprise.<sup>212</sup>

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<sup>206</sup> McGregor-Lowndes and Williamson, "Foundations in Australia: Dimensions for International Comparison."

<sup>207</sup> Smyllie, Scaife, and McDonald, "That's What Governments Do."; Sue Smyllie and Wendy Scaife, "Philanthropy for Indigenous Causes: More Than a 'Cup of Tea'?", *Working Paper No. CPNS 50*, The Australian Centre for Philanthropy and Nonprofit Studies Queensland University of Technology, Brisbane, QLD., May 2010, <https://eprints.qut.edu.au/32061/1/32061a.pdf>.

<sup>208</sup> Williamson and Luke, "Agenda-Setting and Public Policy in Private Foundations."

<sup>209</sup> Ibid.

<sup>210</sup> See e.g. Madden and Scaife, "Good Times and Philanthropy: Giving by Australia's Affluent."

<sup>211</sup> McDonald and Scaife, "Print Media Portrayals of Giving: Exploring National 'Cultures of Philanthropy'."

<sup>212</sup> Ibid.

Given this they suggest in Australia, 'philanthropic discourse is likely to be better received when it is described in terms of communal responsibility and social justice', and that 'trying to inculcate a culture of philanthropy in Australia for instance that mirrors the US promotion of the individual approach is likely to prove fruitless.'<sup>213</sup> This recognises the particular nature of the philanthropic context in Australia.

Historians Anne O'Brien and Shurlee Swain address a philanthropy's role in broader terms, arguing it to have been quite influential in the colonial period. O'Brien notes an 'unusually close' relationship between philanthropy and government in this period, arguing that state support of voluntary organisations afforded philanthropists 'considerable leverage in policy.'<sup>214</sup> This saw English philanthropic attitudes regarding 'deservingness' and pauperism reflected in public policy throughout the twentieth century.<sup>215</sup> Swain similarly argues, 'in the absence of any state system of poor relief, philanthropy played a central role in nation building in the Australian colonies', as 'if the community was going to help its own, those administering such help were placed in the position of defining who, exactly, constituted that community.'<sup>216</sup> Both authors argue that philanthropists' influence contributed to Indigenous people and Chinese immigrants being excluded from the community constructed through philanthropy.<sup>217</sup> O'Brien considers this exclusion also extended to women, though this differs from Swain's view that their involvement in philanthropic activity helped to 'advance women's claims to full citizenship.'<sup>218</sup> O'Brien does acknowledge that philanthropy represented 'a gateway to feminism and reform to a number of women.'<sup>219</sup> However, she argues that the philanthropic notion of self-help, which 'underpinned the rejection of a poor law', also 'prepared the way' for the development of Australia's male wage earner's welfare state, which she argues 'reflected and reinforced white women's dependence.'<sup>220</sup>

What is important to note from the perspective of this thesis, is that the view of philanthropy presented by both authors challenges the perception, thought to stem from the colonial period, that Australia has lacked a fully developed philanthropic culture as a result of an expectation that government will provide. O'Brien and Swain consider philanthropy's position within society and the interaction between it and government, although the focus is on the way in which

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<sup>213</sup> Ibid.

<sup>214</sup> Anne O'Brien, *Philanthropy and Settler Colonialism* (Basingstoke: Palgrave Macmillan, 2015), pp. 5, 61-62, 86.

<sup>215</sup> Ibid, pp. 5, 67, 87, 180.

<sup>216</sup> Swain, "Philanthropy and Nation Building."

<sup>217</sup> O'Brien, *Philanthropy and Settler Colonialism*, pp. 206-207; Swain, "Philanthropy and Nation Building."

<sup>218</sup> "Philanthropy and Nation Building."

<sup>219</sup> O'Brien, *Philanthropy and Settler Colonialism*, pp. 92.

<sup>220</sup> Ibid, pp. 7, 206.

philanthropic attitudes have influenced government policies rather than considering the relative positions of philanthropy and government directly, as this thesis seeks to do. The authors do not consider philanthropy specifically in terms of structured, planned giving either. While O'Brien and Swain consider that philanthropic attitudes continued to be influential following federation, a view that philanthropy had proven inadequate in terms of service provision developed, and an alternative direction was established, reflecting a particular view of the role of the state.

Finally, of significance to the thesis, the Australian literature does also consider the increasing marketisation of welfare services within Australia. Mark Lyons considers the relationship between government and the not-for-profit sector, including philanthropy, 'has been a feature of Australian public policy since almost the beginning of white settlement', particularly when viewed in financial terms.<sup>221</sup> Lyons notes the impact of changing government administration and ideologies on this funding relationship, particularly 'the greater use of market-style relationships.'<sup>222</sup> Authors such as Gabrielle Meagher have also addressed the increased marketisation of service delivery in Australia, which has seen the involvement of for-profit providers in areas such as childcare and aged care influencing policy. This has occurred alongside the adoption of practices associated with new public management such as contracting and competition, which have seen market principles spread to not-for-profit service providers.<sup>223</sup> This literature recognises that debates regarding the most appropriate entity to provide welfare services reflect 'wider debates about the nature of the good society', encompassing questions regarding both 'the appropriate scope of the market' and 'the proper role of governments and the public sector.'<sup>224</sup> King and Meagher suggest, for example, that such a marketised approach may see these areas come to be viewed as existing outside of governmental responsibility.<sup>225</sup> The marketisation of services is linked to a neoliberal approach which adopts a narrower view of the role of the state and seeks to extend the principles and logic of the

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<sup>221</sup> Lyons, *Third Sector: The Contribution of Nonprofit and Cooperative Enterprise in Australia*, pp. 186-188.

<sup>222</sup> *Ibid*, pp. 186-188.

<sup>223</sup> Debra King and Gabrielle Meagher, "Introduction: Politics, Profits and Practices in Child and Aged Care," in *Paid Care in Australia: Politics, Profits, Practices*, ed. Debra King and Gabrielle Meagher (Sydney: Sydney University Press 2009); Gabrielle Meagher, "A Genealogy of Aged Care," *Arena Quarterly* No.6, June 2021, <https://arena.org.au/a-genealogy-of-aged-care/>; "The Challenge of the Care Workforce: Recent Trends and Emerging Problems," *Australian Journal of Social Issues* 42, no. 2 (2007); Gabrielle Meagher and Shaun Wilson, "The Politics of Market Encroachment: Policymaker Rationales and Voter Responses," in *Markets, Rights and Power in Australian Social Policy*, ed. Gabrielle Meagher and Susan Goodwin, Vol. 1 (Sydney: Sydney University Press, 2015).

<sup>224</sup> Gabrielle Meagher and Natasha Cortis, "The Political Economy of for-Profit Paid Care: Theory and Evidence," in *Paid Care in Australia: Politics, Profits, Practices*, ed. Debra King and Gabrielle Meagher (Sydney: Sydney University Press, 2009). Gabrielle Meagher and David Wilkins, "Private Interests and Problem Frames in Social Policy Reform: A Corpus-Assisted Critical Discourse Analytical Study," *Critical Approaches to Discourse Analysis Across Disciplines* 10, no. 2 (2018); Meagher, "A Genealogy of Aged Care."

<sup>225</sup> King and Meagher, "Introduction: Politics, Profits and Practices in Child and Aged Care," p. 4.

market further within society, seeing its responsibility increase.<sup>226</sup> The literature in this area has found that the marketisation of services does not necessarily align with the attitudes of the public however, identifying a preference for government delivery of welfare and social services, particularly in the areas of education and health.<sup>227</sup> Meagher identified a potential alignment in views regarding how services should be provided with how they should be funded,<sup>228</sup> suggesting an interesting parallel with the rise of marketised philanthropy and associated initiatives. Although a consideration of not-for-profit service provision cannot be accommodated within the scope of current thesis, which is focused on philanthropy as a potential source of funding, including for not-for-profit service provision, this situation indicates that the position of the not-for-profit sector is also linked to debates regarding the proper role of the state in Australia.

As has been indicated, the aim of the thesis is first to identify and explore the particular relationship between philanthropy and government in Australia. It then seeks to demonstrate how this particular relationship between philanthropy and government within a country can be used to provide insights into views regarding the role of the state, including potential changes. Australia is an interesting case to focus on in the context of this aim given the commonly expressed view that an underdeveloped philanthropic culture exists due to an 'expectation that government will provide.' This perception supports the pragmatic focus of much of the Australian literature on philanthropy. However, Australia has seen a recent increase in philanthropy, facilitated by regulatory change and accompanied by supportive government rhetoric, which is potentially influenced by a neoliberal view of the role of the state.<sup>229</sup> Specifically in the Australian context, the thesis aims to use the

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<sup>226</sup> Meagher and Wilkins, "Private Interests and Problem Frames in Social Policy Reform: A Corpus-Assisted Critical Discourse Analytical Study."; Raewyn Connell, Barbara Fawcett, and Gabrielle Meagher, "Neoliberalism, New Public Management and the Human Service Professions: Introduction to the Special Issue," *Journal of Sociology* 45, no. 4 (2009).

<sup>227</sup> Gabrielle Meagher, "Contested, Corporatised and Confused? Australian Attitudes to Child Care," in *Kids Count: Better Early Childhood Education and Care in Australia*, ed. Elizabeth Hill, Barbara Pocock, and Alison Elliott (Sydney: Sydney University Press, 2007); Shaun Wilson, Gabrielle Meagher, and Trevor Breusch, "Where to for the Welfare State?," in *Australian Social Attitudes: The First Report*, ed. Shaun Wilson, et al. (Sydney: UNSW Press, 2005); Shaun Wilson and Gabrielle Meagher, "Howard's Welfare State: How Popular Is the New Social Policy Agenda?," in *Australian Social Attitudes 2: Citizenship, Work and Aspirations*, ed. David Denemark, et al. (Sydney: UNSW Press, 2007); Gabrielle Meagher, "Do Australians Want a Private Welfare State? Are They Getting One Anyway?" *Australian Review of Public Affairs*, May 2004, <http://www.australianreview.net/digest/2004/05/meagher.html>; Shaun Wilson, Gabrielle Meagher, and Kerstin Hermes, "A New Role for Government? Trends in Social Policy Preferences since the Mid-1980s," in *Australia: Identity, Fear and Governance in the 21st Century*, ed. Juliet Pietsch and Haydn Aarons (Canberra: Australian National University, 2012); Connell, Fawcett, and Meagher, "Neoliberalism, New Public Management and the Human Service Professions: Introduction to the Special Issue."

<sup>228</sup> Meagher, "Do Australians Want a Private Welfare State? Are They Getting One Anyway?"; King and Meagher, "Introduction: Politics, Profits and Practices in Child and Aged Care," p. 2.

<sup>229</sup> Terry Carney and Gaby Ramia, "Contractualism and Citizenship: Rivals or Bedfellows?," *Law Context* 18 (2000); Christine Everingham, "Reconstituting Community: Social Justice, Social Order and the Politics of Community," *Australian Journal of Social Issues* 36, no. 2 (2001); Ian P. S. Anderson, "Mutual Obligation,

connection between philanthropy and government to assess the influence and impact of neoliberalism in Australia. The thesis is significant in that it will combine several strands within the international and Australian literature on philanthropy as it seeks to establish the particular relationship between philanthropy and government. It will then use this relationship to provide insights into views regarding the role of the state, and particularly to determine whether a fundamental change in such views has occurred.

As the expectation that government will provide does not account for the influence of philanthropy and its relationship with government in Australia's colonial period, nor does a pragmatic approach account particularly for Australia's political context more generally. There are parallels between the pragmatic approach regarding philanthropy and a wider perception within Australian politics, with Marian Sawer observing 'Australasian political tradition has often been described in terms of utilitarian and pragmatic attitudes towards the role of the state.'<sup>230</sup> She suggests as an example, that this utilitarian view of Australian politics was reinforced by Hugh Collins' article on Australia as a Benthamite Society.<sup>231</sup> This pragmatic view is also supported by historian Keith Hancock's statement that 'Australian democracy has come to look upon the state as a vast public utility, whose duty is to provide the greatest happiness for the greatest number.'<sup>232</sup> Such approaches are likely to also underpin the view that a culture of philanthropy has not developed in Australia due to an expectation that government will provide.

While noting 'utilitarianism, or the use of the state to provide material happiness for its citizens, is the basic ingredient of the "Australian settlement"', Sawer argues 'utilitarian interpretations of Australian history in general understate the importance of idealist liberalism at the time of Australia's nation-building', and seeks to 'provide an alternative to the utilitarian story of Australian history.'<sup>233</sup> She argues the influence of social liberalism on Australia's institutions during its nation-building period formed a path dependency which inculcated a particular view of the role of the state. This thesis will argue philanthropy's connection to this path dependency, and view of

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Shared Responsibility Agreements & Indigenous Health Strategy," *Australia and New Zealand Health Policy* 3, no. 1 (2006); Valerie Braithwaite, Moira Gatens, and Deborah Mitchell, "If Mutual Obligation Is the Answer, What Is the Question?," *Australian Journal of Social Issues* 37, no. 3 (2002); Tony Eardley, "Mutual Obligation and the Job Network: The Effect of Competition on the Role of Non-Profit Employment Services," *ibid.*

<sup>230</sup> Sawer, *The Ethical State?: Social Liberalism in Australia*, p. 2; Terry Carney and Gaby Ramia, "Mutuality, Mead & McClure: More 'Big M's' for the Unemployed?," *Australian Journal of Social Issues* 37, no. 3 (2002); Judith Bessant, "The Politics of Official Talk About Welfare Reform in Australia," *Just Policy: A Journal of Australian Social Policy*, no. 28 (2002).

<sup>231</sup> Hugh Collins, "Political Ideology in Australia: The Distinctiveness of a Benthamite Society," *Daedalus* 114, no. 1 (1985). Sawer, *The Ethical State?: Social Liberalism in Australia*, p. 33.

<sup>232</sup> Hancock, *Australia*, p. 55.

<sup>233</sup> Sawer, *The Ethical State?: Social Liberalism in Australia*, pp. 4, 31, 36, 166.

the state's role, contributing significantly to the literature on Australia's political context more generally, particularly in terms of Australian liberalism. Sawyer cites the contributions of Tim Rowse and Gregory Melleuish in this area.<sup>234</sup> Sawyer also identifies a challenge to the social liberal path dependency in the form of a 'neoliberal policy turn',<sup>235</sup> and in using philanthropy's relationship with government, and connection to the established path dependency, to assess potential shifts in views regarding the role of the state, the thesis will also contribute to the literature and debate regarding the influence of neoliberalism in Australia. particularly on public policy.<sup>236</sup> This thesis is seeking to extend the existing literature on philanthropy by identifying the particular relationship between philanthropy and government, and then using this to contribute to the study of social liberalism and neoliberalism in Australia.

### Theoretical framework

Sawyer's work on the influence of social liberalism during Australia's nation-building period, and the path dependency that this established, forms the basis of the theoretical framework for this thesis. Gilding and Glezos refer to Sawyer's work, *The Ethical State? Social Liberalism in Australia*, as 'an authoritative study of social liberalism in Australia.'<sup>237</sup> Sawyer argues the importance of 'timing and sequence in the institutionalising of social liberalism in some colonies in the late nineteenth century and then in Australia's new national institutions', noting:

Once such institutions had taken shape "path dependence" and the costs of changing direction ensured these ideas had long term effects. They gave rise to longstanding patterns of social action reinforced by social understandings and expectations.<sup>238</sup>

Sawyer notes that social liberal ideas were 'at the height of their influence during Australia's nation-building period', as she traces their influence on the establishment of Australia's

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<sup>234</sup> Ibid, pp. 32-33. See also, including more recently, Judith Brett, *Australian Liberals and the Moral Middle Class: From Alfred Deakin to John Howard* (Cambridge: Cambridge University Press, 2003); James Walter, *What Were They Thinking? The Politics of Ideas in Australia* (Sydney: UNSW Press, 2010); Lindy Edwards, *The Passion of Politics: The Role of Ideology and Political Theory in Australia* (Sydney, Australia: Allen & Unwin, 2013).

<sup>235</sup> Sawyer, *The Ethical State?: Social Liberalism in Australia*, p. 11.

<sup>236</sup> See e.g. Gramberg and Bassett, "Neoliberalism and the Third Sector in Australia"; Lyons and Dalton, "Australia: A Continuing Love Affair with the New Public Management."; Dennis Garland and Michael Darcy, "'Working Together?': The Salvation Army and the Job Network," *Organization* 16, no. 5 (2009); Emma R. Power and Tegan L. Bergan, "Care and Resistance to Neoliberal Reform in Social Housing," *Housing, Theory and Society* 36, no. 4 (2019); Meagher and Goodwin, "Introduction: Capturing Marketisation in Australian Social Policy."; Wanna, Lee, and Yates, *Managing Under Austerity, Delivering Under Pressure: Performance and Productivity in Public Service*; King and Meagher, "Introduction: Politics, Profits and Practices in Child and Aged Care."

<sup>237</sup> Gilding and Glezos, "Inheritance Taxes in Australia: A Matter of Indifference, Not Taboo."

<sup>238</sup> Sawyer, *The Ethical State?: Social Liberalism in Australia*, p. 31.



institutions.<sup>239</sup> Social liberalism envisioned an 'ethical state', the role of which was to promote equality of opportunity to ensure citizens developed to the full potential.<sup>240</sup> It was considered necessary that the state occupy a central position as 'neither markets nor philanthropy can produce equal opportunity.'<sup>241</sup> However, this did not necessarily mean that philanthropy could not play a role within society alongside the ethical state, and as O'Brien and Swain indicate above, philanthropy, which had held a central place in Australian colonial society, remained influential following federation. Social liberalism saw equality of opportunity as being 'premised on the independence of individuals and the role of the community (with the state as its collective agency) in achieving equal opportunities for all its members.'<sup>242</sup> It 'privileged choices that contributed to the development both of individual and of social capacity', considering that 'full development of the individual was only made possible by and could only take place through participation in the community and through community development.'<sup>243</sup> One way through which this community development could occur was through active citizenship, which 'meant engaging in the life of the community to promote the common interest, at any level from the local to the national.'<sup>244</sup> The thesis argues philanthropy in Australia developed in this period as an expression of active citizenship, which saw it occupying a supporting or ancillary role alongside the ethical state. This role, and the particular relationship with government it supported, became embedded within the path dependency established at federation.

Sawer states, 'the theory of "path dependence" describes the way that human affairs will tend to course along paths already cut into the landscape, saving on the risks and costs associated with beating new paths.'<sup>245</sup> Paul Pierson suggests the concept of path dependence, in the form of 'increasing returns', 'stresses that many of the contemporary political implications of these temporal processes are embedded in institutions—whether formal roles, policy structures or norms.'<sup>246</sup> It is an approach which enables consideration of 'longstanding patterns of social action reinforced by social understandings and expectations.'<sup>247</sup> Pierson argues, 'the complexity and opacity of politics' particularly means that 'once established, basic outlooks on politics, ranging from ideologies to

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<sup>239</sup> Ibid, p. 3. See also Edwards, *The Passion of Politics: The Role of Ideology and Political Theory in Australia*, p. 41.

<sup>240</sup> Sawer, *The Ethical State?: Social Liberalism in Australia*.

<sup>241</sup> Ibid, p. 180.

<sup>242</sup> Ibid, p. 23.

<sup>243</sup> Sawer notes that this differed from Bentham's utilitarianism 'which disavowed the notion of community and was agnostic to individual preferences.' Ibid, p. 23.

<sup>244</sup> Ibid, p. 10.

<sup>245</sup> Ibid, p. 5.

<sup>246</sup> Paul Pierson, "Increasing Returns, Path Dependence, and the Study of Politics," *The American Political Science Review* 94, no. 2 (2000).

<sup>247</sup> Sawer, *The Ethical State?: Social Liberalism in Australia*, p. 371. See also, Zeki Sarigil, "Path Dependence," in *International Encyclopedia of Political Science*, ed. Dirk Berg-Schlosser & Leonardo Morlino Bertrand Badie (SAGE Publications, Inc., 2011).

understandings of particular aspects of governments or orientations toward political groups or parties, are generally tenacious. They are path dependent.<sup>248</sup> This demonstrates that views regarding what should be the proper role of the state can be subject to path dependencies along with institutions such as regulatory arrangements, which are oriented towards a particular view of the state's role in a more practical sense.

Sawer argues 'it was fortuitous that the peak of influence of social-liberal philosophy ... coincided with Australia's nation-building period', as it 'meant that these ideas were built into the design of new national institutions and continued to influence later developments through path dependence.'<sup>249</sup> She suggests for example with regard to taxation, the path dependency meant that 'the later expansion of social security ... was also on a non-contributory basis', reflecting the social-liberal favouring of progressive taxation.<sup>250</sup> Rawlings also suggests that social liberal views continued to underpin perceptions of fairness in the taxation system in the early twenty-first century.<sup>251</sup> Sawer also considered that the women's movement in Australia 'arguably provides a classic case of path dependence', arguing that in the later twentieth century, 'Australian feminists continued on the whole to work within the social-liberal tradition of looking to the state to promote social justice (and indeed to take on new responsibilities).'<sup>252</sup> The concept of path dependency provides an explanation for how social liberal views regarding the role of the state that were at the height of their popularity in the period prior to the First World War can still be influential in twenty-first century Australia.<sup>253</sup> The thesis will argue that the particular role occupied by Australian philanthropy, and its relationship with government, also reflect the continued influence of the social liberal path dependency.

Established path dependencies can be displaced or 'eroded' by new ideas and approaches.<sup>254</sup> Sawer identified a challenge to Australia's social liberal path dependency in the influence of neoliberalism, particularly a neoliberal view of the relationship between citizens and the state, which she outlines as 'independence from government, as self-restraint in the claims made on government and as respect for the checks and balances restraining the power of government.'<sup>255</sup> As such,

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<sup>248</sup> Pierson, "Increasing Returns, Path Dependence, and the Study of Politics." See also, Sarigil, "Path Dependence."

<sup>249</sup> Sawer, *The Ethical State?: Social Liberalism in Australia*, p. 35; See also, Walter, *What Were They Thinking? The Politics of Ideas in Australia*.

<sup>250</sup> Sawer, *The Ethical State?: Social Liberalism in Australia*, p. 85.

<sup>251</sup> Gregory Rawlings, "Contesting Fairness and Fragmenting Groups: Cultural Narratives of Taxation and Citizenship in Globalising Australia," *Australian Journal of Social Issues* 38, no. 3 (2003).

<sup>252</sup> Sawer, *The Ethical State?: Social Liberalism in Australia*, p. 157.

<sup>253</sup> *Ibid*, p. 33.

<sup>254</sup> Pierson, "Increasing Returns, Path Dependence, and the Study of Politics." See also, Sarigil, "Path Dependence."

<sup>255</sup> Sawer, *The Ethical State?: Social Liberalism in Australia*, pp. 184-185. See also, Edwards, *The Passion of Politics: The Role of Ideology and Political Theory in Australia*, p. 157.

neoliberalism also promotes a different view of the role of the state, considering its primary purpose as being to support and enable the market, which becomes the paradigm through which all aspects of society are viewed, and the best mechanism for promoting equality.<sup>256</sup> The influence of this view of government's role as an 'enabling state' on philanthropy in European countries has been documented, as has its connections to 'new' marketised forms and new initiatives in philanthropy.<sup>257</sup> The neoliberal view of government's role also forms a significant part of the thesis' theoretical framework as it seeks to demonstrate how the relationship between government and philanthropy can be used to assess potential changes in views regarding the role of the state. Given the connection of marketised philanthropy to a neoliberal view of the state, and having established Australian philanthropy's role in connection with the social liberal ethical state, the thesis will use philanthropy's position as a means of assessing the extent and impact of the neoliberal challenge to the established social liberal path dependency.

Sawer observes the impact of the neoliberal challenge to the social liberal path dependency in the 'sidelining' of 'the social-liberal institutions of arbitration and old age pensions', as well as views regarding 'the role of the state as the provider of shared public institutions and services—the basis for equal opportunity for its citizens,' and, more specifically, the 'idea of taxing for social justice, of society reclaiming the value it has helped created.'<sup>258</sup> Other authors have also noted the influence of neoliberalism in Australia from the 1970s.<sup>259</sup> As well as those noted above who have considered neoliberalism's impact through the increased marketisation of service provision, Rawlings, for example, suggests a growing perception of unfairness surrounding Australia's taxation system stems from the nation's economic restructuring in the 1970s and 1980s that 'valorised the neoliberal conception of "fairness as personal economic liberty" in all areas of state-citizen relationships.'<sup>260</sup> O'Brien considers that 'significant cuts to welfare spending' influenced by the

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<sup>256</sup> Brown, "Neo-Liberalism and the End of Liberal Democracy." See also, Harvey, *A Brief History of Neoliberalism*; Rawlings, "Contesting Fairness and Fragmenting Groups: Cultural Narratives of Taxation and Citizenship in Globalising Australia."; Patricia Mooney Nickel and Angela M. Eikenberry, "Responding to "Natural" Disasters: The Ethical Implications of the Voluntary State," *Administrative Theory & Praxis* 29, no. 4 (2007).

<sup>257</sup> See Anheier and Daly, "Combining Roles and Visions: Patterns and Implications."; Garry W. Jenkins, "Who's Afraid of Philanthrocapitalism," *Case Western Reserve Law Review*, no. 3 (2010); Whitfield, "Alternative to Private Finance of the Welfare State: A Global Analysis of Social Impact Bond, Pay-for-Success & Development Impact Bond Projects."

<sup>258</sup> Sawer, *The Ethical State?: Social Liberalism in Australia*, p. 185.

<sup>259</sup> John Passant, "Neoliberalism in Australia and the Henry Tax Review," *Journal of the Australasian Tax Teachers Association* (2013); Lyons and Dalton, "Australia: A Continuing Love Affair with the New Public Management."; Rawlings, "Contesting Fairness and Fragmenting Groups: Cultural Narratives of Taxation and Citizenship in Globalising Australia."; Meagher and Susan Goodwin (eds.), *Markets, Rights and Power in Australian Social Policy*.

<sup>260</sup> Rawlings, "Contesting Fairness and Fragmenting Groups: Cultural Narratives of Taxation and Citizenship in Globalising Australia."

'neoliberal economic agenda' in the 1990s saw welfare organisations 'having to defend the very idea of the welfare safety net.' She suggests as a result of government outsourcing, philanthropy 'regained some of the influence it had enjoyed in the nineteenth century.'<sup>261</sup> Given philanthropy's connection to the social liberal path dependency it could be expected that it would come to occupy a more central role were a fundamental change to have occurred as a result of this neoliberal challenge to the established social liberal path dependency. The thesis will use philanthropy as a means of assessing the extent and impact of the neoliberal challenge to the established social liberal path dependency. Sawyer does suggest that 'the Australasian tradition of social liberalism is not yet dead,' and that 'it still has much to offer equality seekers of all kinds.'<sup>262</sup>

### Methodology

As has been indicated throughout this introduction, this thesis aims to use the relationship between government and philanthropy to provide an insight into views regarding the role of the state. Considering the Australian context specifically, it will first establish the particular position occupied by philanthropy in Australia as being connected to a social liberal view of government's role through an established path dependency. Having established this connection, the thesis will then use philanthropy's position to assess the extent of neoliberalism's influence in Australia. To this end, the concept of path dependency discussed above as part of its theoretical framework also forms part of the thesis' methodology. As philanthropy's particular role is connected to the social liberal path dependency established during the country's nation building period, it should follow that fundamental changes in views regarding the role of the state would be reflected in philanthropy's role and the position it occupies within society. This is particularly so given neoliberalism's influence on new conceptions of philanthropy, and new initiatives as discussed above, with neoliberal conceptions of the role of the state representing the primary challenge to the established social liberal path dependency.

The thesis also seeks to achieve its aims through employing a comparative approach influenced by the international literature on philanthropy discussed above, comparing Australia's philanthropic context with that of the United States and United Kingdom. Both of these countries 'lay claim to "owning" or "perfecting" philanthropy.'<sup>263</sup> They have been categorised, along with

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<sup>261</sup> A.P. O'Brien, "Charity and Philanthropy," *Sydney Journal* 1 (2008).

<sup>262</sup> Sawyer, *The Ethical State?: Social Liberalism in Australia*, p. 185.

<sup>263</sup> Although this is not necessarily the case as Moody and Breeze note in the volume's chapter regarding the role of foundations in shaping modern India for example. Moody and Breeze, "Editor's Introduction," p. 90.

Australia, as 'liberal regimes' under social origins theory.<sup>264</sup> Under this category, 'low government social welfare spending is associated with a relatively large nonprofit sector', and there is 'significant ideological and political hostility to the extension of government social welfare protections and a decided preference for voluntary approaches instead.'<sup>265</sup> Despite being similarly categorised though, there are significant differences in the philanthropic landscape between the three countries, which argue the connection of philanthropy's role and position within society to particular views regarding the role of the state. These differences serve to highlight the relationship between philanthropy and government in Australia, as well as to indicate how this can be used to assess the impact of neoliberal conceptions of the role of the state. As the thesis' seeks to use philanthropy's position to provide additional insights into views regarding the role of the state, as well as contributing to the study of neoliberalism in Australia, the comparative approach is employed specifically in a manner that will support it in achieving its aims. While comparisons are included throughout the thesis, there are particular aspects of the philanthropic landscape in both the United States and United Kingdom that will be emphasised in particular sections to do this.

The United States is generally considered the ideal model of a highly developed philanthropic culture, with some level of at least informal comparison inherent in most discussions of philanthropy in Australia.<sup>266</sup> This is evident in the above discussion of potential reasons contributing to Australia's seemingly underdeveloped philanthropic culture. Debate within the United States regarding the accountability and transparency of philanthropic foundations highlights the existence of a unique philanthropic role and relationship with government, which has resulted from the country's specific historical context. As such, this comparison will assist the thesis in its aim to establish the particular relationship between government and philanthropy in Australia. The United Kingdom has undergone a significant reform of its philanthropic structures and regulatory arrangements in the twenty-first century, which has seen the government involved in developing and promoting new initiatives such as social impact bonds that promote a neoliberal influenced view

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<sup>264</sup> Salamon and Anheier, "Social Origins of Civil Society: Explaining the Nonprofit Sector Cross-Nationally."; Anheier and Salamon, "The Nonprofit Sector in Comparative Perspective."; Scaife et al., "Giving in Australia: Philanthropic Potential Beginning to Be Realized."

<sup>265</sup> Salamon and Anheier, "Social Origins of Civil Society: Explaining the Nonprofit Sector Cross-Nationally."; Anheier and Salamon, "The Nonprofit Sector in Comparative Perspective."; Scaife et al., "Giving in Australia: Philanthropic Potential Beginning to Be Realized."

<sup>266</sup> See e.g. Gramberg and Bassett, "Neoliberalism and the Third Sector in Australia." This is also the case in European literature. See, Heydemann and Toepler, "Foundations and the Challenge of Legitimacy in Comparative Perspective," p. 7; Liffman, *A Tradition of Giving: Seventy-Five Years of Myer Family Philanthropy*; McDonald and Scaife, "Print Media Portrayals of Giving: Exploring National 'Cultures of Philanthropy'."; Industry Commission, "Charitable Organisations in Australia," *Report No. 45*, Melbourne, Australian Government Publishing Service, 16 June 1995, <https://www.pc.gov.au/inquiries/completed/charity/45charit.pdf>.

of the role of the state. As well as aligning with the particular relationship between philanthropy and government established in the United Kingdom, this reform has generated substantial debate regarding philanthropy's role relative to that of the state, demonstrating the changes in government's role identified in the European literature on philanthropy discussed above. Examining these debates will support the thesis in its aim of using the relationship between philanthropy and government to assess potential changes regarding views of the role of the state. The thesis will utilise the existing literature and commentary focused on the main debates within both countries, alongside primary sources where relevant, to highlight and emphasise the particular nature of the Australian context. This will support its original contribution to the study of Australian philanthropy, and particularly to the understanding of Australian political and policy contexts through its examination of neoliberalism's influence on views regarding the role of the state alongside the continued influence of a social liberal position.

In looking to identify the particular relationship between government and philanthropy, the thesis will focus on formal philanthropic structures and institutions. This focus is supported by its preferred definition of philanthropy as the structured, large-scale provision of funds to support not-for-profit organisations and initiatives to promote a perceived public benefit. The rationale for adopting this definition is explored further in the section below outlining the scope and limitations for the thesis. The thesis will consider regulatory arrangements in the first instance as it is through regulation that philanthropic entities are provided with legal or structural form, and that governments can act to restrict, encourage, and otherwise influence philanthropic activity. In this way they provide an indication of the role philanthropy is considered to occupy within society, as well as the nature of its relationship with government. Regulatory arrangements are also identified as likely to be subject to path dependencies, and as such are likely to reflect the particular nature of the relationship between philanthropy and government within a country, which in turn reflects views regarding the role of the state. Thus, regulatory arrangements, which give effect to formal philanthropic entities, are likely to both reflect and to shape views regarding philanthropy's role and what should be considered the proper role of the state.

The thesis will consider the historical development of Australia's regulatory arrangements in comparison with the United States and United Kingdom,<sup>267</sup> before undertaking a systemic comparison of current arrangements, particularly focussing on the legal forms available for philanthropic entities, taxation arrangements, and the role of the national regulator. Differences in

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<sup>267</sup> Legal frameworks in both the United States and Australia were also initially inherited from the United Kingdom. See, Todd and Martin, "The Income Tax Exemption of Charities and the Tax Deductibility of Charitable Donations: The United States and Australia Compared."

regulatory arrangements are cited in the literature as an impediment for developing systematic comparisons of philanthropic activity between countries.<sup>268</sup> This is not a concern for the current thesis however, with such differences supporting its argument that philanthropy's position within society, as indicated through regulatory arrangements, reflects the particular nature of its relationship with government, and particular views of the role of the state.

In addition to looking directly at regulatory arrangements themselves, the thesis will also consider other policy actions and rhetoric employed by governments, utilising material including reports, submissions, speeches, and media releases, as well as other statements from individual politicians, departments, and other government bodies. Incorporating elements of discourse analysis into the thesis' methodological approach in this way will support it in its aim to identify the relationship between government and philanthropy, and particularly as it seeks to use this relationship to examine potential changes in views regarding the role of the state. While policy approaches such as the social coalition in Australia and the Big Society in the United Kingdom have sought to encourage philanthropy through their rhetoric, the policy actions associated with these approaches appear to support a neoliberal oriented view of government's role. For example, in the context of reform in the United Kingdom, philanthropic entities expressed concern that, having indicated a change in its own role towards becoming an 'enabling state', government was seeking to effectively force philanthropy to alter its activities towards substituting functions previously considered the responsibility of the state.<sup>269</sup> Governments in the United Kingdom, the United States and Australia have also in recent years sought to promote new initiatives considered part of an 'extended family' of philanthropy. The promotion of such initiatives also reflects a particular neoliberal view of government's role that is embedded within these approaches. As the thesis aims specifically to assess the extent of the neoliberal challenge to the established social liberal path dependency in Australia, these elements of ideology are also incorporated into the thesis' methodology as it seeks to contribute to the study of neoliberalism in Australia.

As the above paragraph indicates, considering the views and actions of philanthropic entities themselves will also be important in order for the thesis to achieve its aims. The thesis will focus on

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<sup>268</sup> For example, the United Kingdom does not recognise grant-making philanthropic foundations as distinct from other not-for-profit organisations. Heydemann and Toepler, "Foundations and the Challenge of Legitimacy in Comparative Perspective," pp. 9-12; Diana Leat, "United Kingdom," in *The Politics of Foundations: A Comparative Analysis*, ed. Helmut K. Anheier and Siobhan Daly (London: Routledge, 2009), pp. 98-99; Toepler, "Toward a Comparative Understanding of Foundations."

<sup>269</sup> See e.g. Diana Leat, "Government, Foundations and Big Society: Will You Be My Friend?," in *The Big Society Debate: A New Agenda for Social Welfare?*, ed. Armine Ishkanian and Simon Szreter (Cheltenham, UK: Edward Elgar, 2011), p. 137; Harrow and Jung, "Philanthropy Is Dead; Long Live Philanthropy?"; Diana Leat, "United Kingdom."

the actions of philanthropic entities in particular policy areas, for example, comparing philanthropic activity between Australia and the United States in the area of school education. The focus on this area which has traditionally been considered the responsibility of government demonstrates the particular nature of the relationship between philanthropy and government in Australia. The thesis will also consider the response of philanthropic entities to new policy approaches and their engagement with new initiatives in order to assess potential changes in its role, which would indicate a fundamental change in views regarding what the proper the role of the state is considered to be. As mentioned above, philanthropic entities in the United Kingdom responded with concern, and expressed opposition to what they saw as government seeking to support a change in its own role through promoting increased philanthropy and pursuing sector reform. Australian philanthropy's engagement with social impact bonds will be outlined in *chapter six*, with this indicating an approach which differs from that promoted by government and inherent within the original model. This suggests that the neoliberal view may not be dominant in Australia. The thesis will utilise reports, including annual reports and program evaluations, surveys, and other statements from philanthropic entities in order to identify views regarding their own role in relation to these initiatives along with that of government. Although this does involve an assessment of philanthropic motivations to some extent, it differs from the way these have been considered previously in the Australian literature on philanthropy discussed above, as the aim is to establish the way philanthropic entities view their role and position in relation to government.

Finally, the thesis' focus on identifying the relationship between government and philanthropy, and using this to provide insight into potentially changing views regarding the role of the state is supported through its structure. The substantive chapters are divided into three parts based on the three 'paradigms' through which the relationship between government and philanthropy can be viewed, as identified by Kaspar Villadsen. Utilising the critical, competitive, and cooperative paradigms allows the thesis to consider different approaches to the relationship in order to facilitate the fulfilment of its aims. The critical paradigm is used to identify the position philanthropy occupies in Australia relative to that of the state. This is indicated through an ambivalence regarding philanthropy's position in society that, as noted in this introduction, is reflected in the literature, as well as through media reports and general discussion, and the thesis argues that this also reflects philanthropy's connection to the social liberal path dependency. The competitive paradigm supports a more detailed exploration of the particular nature of the Australian relationship from the perspective of government in looking to influence philanthropic activity through regulation, and from philanthropic entities themselves in seeking to influence government by leveraging their private resources. Then finally, the cooperative paradigm supports the thesis in



its consideration of government efforts to promote philanthropy through policy actions and rhetoric, which are often framed in terms of creating a cooperative relationship between government and philanthropy, and the response from philanthropic entities. The thesis' structure thus forms part of its methodological approach in supporting the development of its aims to establish the specific relationship between philanthropy and government, and to use the connection between them to assess the impact of neoliberalism in Australia on views regarding what should be the proper role of the state.

### Scope and Limitations

As mentioned above, conceptions of philanthropy have changed over time. Moody and Breeze note 'philanthropy has taken distinctive forms in different eras as a result of being embedded in the dominant ideas and beliefs of the time and being influenced by contemporary forms of social organisation.'<sup>270</sup> This sees it as well placed to highlight potential changes in views regarding the role of the state. As has been indicated above, the thesis is primarily concerned with three particular conceptions of philanthropy.<sup>271</sup> First, there is the charitable philanthropy of the eighteenth and nineteenth centuries, which focused on providing material aid to the deserving poor and is associated with the development of modern social work.<sup>272</sup> Charitable philanthropy gave way to the scientific philanthropy of the late nineteenth and early twentieth centuries, the second conception, which sought to address the 'root' causes of social issues, commonly through the funding of research.<sup>273</sup> Parallels are drawn between this shift and the rising influence of marketised philanthropy from the late twentieth century.<sup>274</sup> This conception, which incorporates several labels including strategic or venture philanthropy and philanthrocapitalism, sees philanthropy as being guided by the principles of the market, such as efficiency and impact.<sup>275</sup> There is debate regarding whether this phenomenon truly represents a new form of philanthropy as it demonstrates the same intent to address root causes as scientific philanthropy, and charitable philanthropy could also be included in this debate, particularly as it became associated with 'organised charity' in the

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<sup>270</sup> Moody and Breeze, "Editor's Introduction," p. 91.

<sup>271</sup> Earlier periods are considered where necessary e.g., in establishing the origins of the regulatory relationship between philanthropy and government in the United Kingdom (in chapter 3) it is necessary to consider philanthropy in the Tudor period.

<sup>272</sup> Zunz, *Philanthropy in America: A History*; Villadsen, "Modern Welfare and 'Good Old' Philanthropy."; Christianson, *Philanthropy in British and American Fiction: Dickens, Hawthorne, Eliot and Howells*. Kennedy, "Charity and Ideology in Colonial Victoria."

<sup>273</sup> Lagemann, *The Politics of Knowledge: The Carnegie Corporation, Philanthropy, and Public Policy*; Zunz, *Philanthropy in America: A History*; Ealy, "The Intellectual Crisis in Philanthropy."

<sup>274</sup> Megan E. Tompkins-Stange, *Policy Patrons: Philanthropy, Education Reform, and the Politics of Influence* (Cambridge, Massachusetts: Harvard Education Press, 2016), pp. 66-67.

<sup>275</sup> Rodger, "'New Capitalism', Colonisation and the Neo-Philanthropic Turn in Social Policy."; Bishop and Green, *Philanthrocapitalism: How the Rich Can Save the World and Why We Should Let Them*.

nineteenth century.<sup>276</sup> However, the different logic and values guiding these separate conceptions of philanthropy influence its relationship with government, and as such can be used to provide an indication of changing views regarding the role of the state.

Looking to encompass these different conceptions of philanthropy sees the thesis endeavoring to cover a considerable time span. As it also seeks to do so across three countries, it is necessary to limit the scope in other ways. In particular, the thesis adopts a narrower, more popularly based definition of philanthropy, viewing it as the planned and structured, large-scale provision of funds to support not-for-profit organisations and initiatives with a view to promoting a perceived public benefit of good.<sup>277</sup> Defining philanthropy in this way follows a similar approach to that taken by Michael Moody and Beth Breeze in their volume *The Philanthropy Reader*, who choose to focus on 'elite' philanthropy as this better corresponds to the popular understanding of philanthropy, and also because this represents 'the locus of much of the innovation in philanthropic discourse and practice.'<sup>278</sup> The chosen definition of philanthropy supports the thesis' focus on the relationship between government and philanthropy as it is demonstrated through structural or institutional forms. Philanthropy's primary institutional form is the foundation, which like philanthropy itself, can be difficult to define in both conceptual and legal terms.<sup>279</sup> Foundations have performed different functions over time.<sup>280</sup> In Ancient Greece and Rome, they 'established and then sustained academies, libraries, public works and welfare organisations.'<sup>281</sup> In the medieval period, foundations became associated with 'stewardship' as Christian teachings become more prominent, and all property was thought to belong to God.<sup>282</sup> Then alongside the development of scientific philanthropy in the late nineteenth and early twentieth centuries, foundations came to be viewed as 'problem-solving institutions' with a role to play in developing public policy at the national level.<sup>283</sup> Prewitt considers foundations in the contemporary period are distinguished by a 'permanent

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<sup>276</sup> See e.g. Ealy, "The Intellectual Crisis in Philanthropy."; Breeze and Lloyd, *Richer Lives: Why Rich People Give*; Kennedy, *Charity Warfare: The Charity Organisation Society in Colonial Melbourne*.

<sup>277</sup> There is a precedent for adopting more popular definitions in Australia historically, for example the term 'Public Benevolent Institutions', which has a significant legacy in Australian charity law, corresponds to a narrower, popular view of charity. See O'Connell, "Charitable Treatment? – a Short History of Taxation of Charities in Australia."

<sup>278</sup> Moody and Breeze, "Editor's Introduction," p. xiii.

<sup>279</sup> The category does not exist in some countries, or is only defined through taxation regulation. See e.g. Prewitt, "Foundations."; Heydemann and Toepler, "Foundations and the Challenge of Legitimacy in Comparative Perspective," pp. 9-12.

<sup>280</sup> Prewitt, "Foundations."; Heydemann and Toepler, "Foundations and the Challenge of Legitimacy in Comparative Perspective," pp. 9-12.

<sup>281</sup> Prewitt, "Foundations," p. 360.

<sup>282</sup> *Ibid*, p. 360.

<sup>283</sup> Anheier and Hammack, "American Foundations: Their Roles and Contributions to Society."; Anheier and Leat, "Philanthropic Foundations: What Rationales?"; Moody and Breeze, "Editor's Introduction."

endowment with a permissive mission statement.<sup>284</sup> They are organisations primarily engaged in grant-making as opposed to direct service provision.<sup>285</sup>

Anheier and Hammack observe that, as 'notable institutions', foundations 'make ideas and practices regular, routine, almost solid', and 'generally help to shape their environments.'<sup>286</sup> As they represent 'sources of wealth, influence and initiative independent of government and business', they 'reflect divergent and changing ideas as to what is really charitable and valuable.'<sup>287</sup> Prewitt also argues that foundations operate from an 'implicit if not explicit notion of how their philanthropic dollars change the underlying conditions—back to the root-cause metaphor—that lead to human suffering and strife.'<sup>288</sup> It is in this capacity, both reflecting and actively seeking to shape values and priorities, that foundations' philanthropic activity is connected to, and most clearly likely to indicate, views regarding the role of the state, including potential changes.

Foundations also occupy a unique space as both part of the not-for-profit sector and a source of funding for it.<sup>289</sup> The definition of philanthropy adopted by the thesis supports a focus on this latter function. Focusing on philanthropy as an alternative source of funding for the not-for-profit sector will allow a clearer assessment of its relationship with government, supporting the thesis to achieve its aims. Government actions indicate a view of philanthropy as a funding source to address social issues, which it acts to restrict, encourage, or otherwise influence through regulation and other policy measures. It is from this perspective that the thesis approaches the relationship between philanthropy and government, considering it as it is expressed through government actions and viewing the activities of foundations in this context. This approach is reflected in the thesis' structure, which considers philanthropy through competitive and cooperative paradigms that see government looking to restrict and encourage philanthropy respectively. This structure will be discussed in more detail below. In this way, the definition adopted by the thesis in focusing on large-scale institutional philanthropic activity best supports the thesis in its aims to establish Australian philanthropy's position in relation to government, and use this relationship to examine the influence of neoliberalism on views of the state's role.

The distinction between philanthropy's existence as part of the not-for-profit sector and a source of funding for it is not necessarily straightforward though, particularly when considering the

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<sup>284</sup> Prewitt, "Foundations," p. 363.

<sup>285</sup> Ibid, p. 363.

<sup>286</sup> Anheier and Hammack, "American Foundations: Their Roles and Contributions to Society."

<sup>287</sup> Ibid.

<sup>288</sup> Prewitt, "Foundations."

<sup>289</sup> Ibid.

different conceptions of philanthropy outlined above. For example, the charitable conception of philanthropy encompassed more direct service provision, making it difficult to separate from the wider not-for-profit sector. More recently, the literature surrounding marketised philanthropy also suggests its innovations 'are blurring boundaries between sectors that previously seemed clearly distinct.'<sup>290</sup> Several authors recognise difficulties in defining philanthropy as a complicating factor in its study.<sup>291</sup> The definition of philanthropy adopted by the thesis does see several exclusions, and it must be noted that many authors and organisations do define philanthropy more broadly. For example, Philanthropy Australia, the sector's peak body, considers philanthropy to be 'the planned and structured giving of time, information, goods and services, influence and voice as well as money to improve the wellbeing of humanity and community.'<sup>292</sup> This thesis will not consider volunteering, nor informal or low level giving, which Zunz refers to in his exploration of philanthropy in the United States as 'mass philanthropy.'<sup>293</sup> As such, it also excludes collective giving approaches such as giving circles, which do represent a significant focus within the literature on philanthropy, focused in particular on their facilitation by technological advances that have created new giving platforms.<sup>294</sup> These approaches may speak to the relationship between philanthropy and government, particularly as they are viewed in terms of 'democratising' philanthropy. However, the intention of the thesis is to focus on the relationship between government and philanthropy as defined in terms of the large-scale provision of funds and expressed through philanthropic institutions, as this approach viewing philanthropy as an alternative source of funds, is best suited to provide insights regarding potentially changing views of the role of the state.

In addition, the thesis will not focus on direct service provision activities associated with the not-for-profit sector more broadly. As noted elsewhere in this introduction, there is a long history of service delivery by not-for-profit organisations in Australia, often undertaken in conjunction with

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<sup>290</sup> Moody and Breeze, "Editor's Introduction," pp. 315, 403. The thesis does consider innovations that form part of philanthropy's 'extended family', allowing it to highlight the blurring of boundaries between sectors.

<sup>291</sup> See e.g. Ibid; Siobhan Daly, "Philanthropy as an Essentially Contested Concept," *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations* 23, no. 3 (2012); Prewitt, "Foundations."

<sup>292</sup> Philanthropy Australia, "Sector Overview," <https://www.philanthropy.org.au/tools-resources/sector-overview/>.

<sup>293</sup> Zunz, *Philanthropy in America: A History*.

<sup>294</sup> See e.g. Angela M. Eikenberry, *Giving Circles: Philanthropy, Voluntary Association, and Democracy* (Bloomington, Indiana: Indiana University Press, 2009); Angela M. Eikenberry and Beth Breeze, "Growing Philanthropy through Giving Circles: Collective Giving and the Logic of Charity," *Social Policy and Society* 17, no. 3 (2017); Angela M. Eikenberry, "Who Benefits from Giving Circles in the U.S. And the U.K.?", *Foundation Review* 9, no. 3 (2017); Moody and Breeze, "Editor's Introduction." The influence of this trend has been observed in Australia as well. See e.g. Baker, Barraket, and Elmes, "Philanthropy: A Decade of Change?"

government.<sup>295</sup> This is indicative of a complex, well-established relationship, and the effects of marketisation are also reflected in the activities of the not-for-profit sector, as also outlined above particularly as part of the literature review.<sup>296</sup> This is acknowledged in the later chapters of the thesis particularly. However, as such entities operate differently to philanthropic foundations which represent a source of funding, this places them outside of the thesis' scope. It is also for this reason that the thesis will not consider initiatives such as social enterprises and social entrepreneurship, though they are also associated with marketisation. Social enterprises employ 'entrepreneurial strategies' to promote the public interest through activities such as creating employment, providing 'accessible products and services' and donating 'at least 50% of profits or revenue to charity.'<sup>297</sup> Gray et al. suggest interest in social enterprises can be attributed in part to 'transformations in the welfare sector', as well as reflecting governments' 'repositioning' of themselves as 'partners in the provision of services.'<sup>298</sup> MacDonald and Howorth, who identify social enterprise activities across 'seventeenth, eighteenth and nineteenth century England', suggesting this is not a new phenomenon, note 'an ebb and flow' in these activities 'dependent on changes in welfare provision and religious and political imperatives of the day.'<sup>299</sup> This suggests these activities can also be connected to views regarding the role of the state, and they often aim to create change and influence government actions. However, the thesis' focus on philanthropy as a source of funding establishes a particular and more direct approach to viewing its relationship with government that sees these entities falling outside of the scope for this particular thesis.

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<sup>295</sup> See e.g. Lyons, *Third Sector: The Contribution of Nonprofit and Cooperative Enterprise in Australia*; A. P. O'Brien, "Charity and Philanthropy."; Kennedy, *Charity Warfare: The Charity Organisation Society in Colonial Melbourne*; Swain, "Philanthropy and Nation Building."

<sup>296</sup> King and Meagher, "Introduction: Politics, Profits and Practices in Child and Aged Care."; Meagher and Goodwin, "Introduction: Capturing Marketisation in Australian Social Policy."; Wanna, Lee, and Yates, *Managing Under Austerity, Delivering Under Pressure: Performance and Productivity in Public Service*; Mitropoulos and Bryan, "Social Benefit Bonds: Financial Markets inside the State." Wanna, "Delivering under Pressure: Public Service, Productivity and Performance."; Meagher and Wilson, "The Politics of Market Encroachment: Policymaker Rationales and Voter Responses."; Connell, Fawcett, and Meagher, "Neoliberalism, New Public Management and the Human Service Professions: Introduction to the Special Issue."; King and Meagher, "Introduction: Politics, Profits and Practices in Child and Aged Care." Meagher and Goodwin, "Introduction: Capturing Marketisation in Australian Social Policy."; Wanna, "Delivering under Pressure: Public Service, Productivity and Performance."; Mitropoulos and Bryan, "Social Benefit Bonds: Financial Markets inside the State."; Wanna, Lee, and Yates, *Managing Under Austerity, Delivering under Pressure: Performance and Productivity in Public Service*; Meagher, "A Genealogy of Aged Care, *Arena Quarterly* No.6, June 2021."

<sup>297</sup> Mel Gray, Karen Healy, and Penny Crofts, "Social Enterprise: Is It the Business of Social Work?," *Australian Social Work* 56, no. 2 (2003); Social Traders, "What Is a Social Enterprise?," *Trends and Insights*, 28 June 2011, <https://www.socialtraders.com.au/news/what-is-a-social-enterprise>.

<sup>298</sup> Gray, Healy, and Crofts, "Social Enterprise: Is It the Business of Social Work?"

<sup>299</sup> Matthew MacDonald and Carole Howorth, "Roots of Social Enterprise: Entrepreneurial Philanthropy, England 1600-1908," *Social Enterprise Journal* 14, no. 1 (2018).

## Overview

The thesis is broadly divided into three sections based on the three paradigms identified by Kaspar Villadsen through which the relationship between philanthropy and government can be viewed: the critical, competitive and cooperative paradigms.<sup>300</sup> These paradigms will enable consideration of different aspects of the relationship, and combine with the comparative approach, as outlined above, to facilitate the fulfilment of the thesis' aims in demonstrating how the relationship between government and philanthropy can be used to provide an insight into views regarding the role of the state, and specifically in the Australian context to assess the influence of the neoliberal view of this role. Although the relationship between government and philanthropy differs in each of the three countries considered by the thesis, a strong competitive element can be identified in both the United States and United Kingdom, while Australian philanthropy differs in occupying a supporting or ancillary position that supports a particular relationship with the state deriving from its connection to an established social liberal path dependency.

The first section is based on the critical paradigm, which views philanthropy as not contributing any positive function to society. The two chapters within this section will establish Australian philanthropy's particular ancillary role and its connection to the social path dependency established at federation. *Chapter one* considers the concept of philanthropy as being unnecessary. It makes the observation that Australian attitudes to philanthropy are generally characterised by an ambivalence rather than hostility, which might be expected given the perception of Australia as a distinctly 'un-philanthropic' nation, as discussed above. The chapter argues that this ambivalence is indicative of the ancillary role assumed by Australian philanthropy and traces the historical development of this role in connection with a social liberal view of the state in more detail. The chapter demonstrates philanthropy's ancillary role aligning with social liberalism particularly as an expression of active citizenship, with this aspect particularly being explored further in *chapter two*, which is concerned with directly critical views of philanthropy. Although such critical views may not be predominant in Australia, they do present an effective means of identifying the role philanthropy is envisioned as occupying within society, and in doing so demonstrate how philanthropy's role within society is connected to views regarding what should be the proper role of the state. The chapter will examine a number of roles often ascribed to philanthropy with a view to demonstrating further the particular nature of Australian philanthropy's ancillary role.

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<sup>300</sup> Villadsen, "Modern Welfare and 'Good Old' Philanthropy."

The second section, based on Villadsen's competitive paradigm, seeks to demonstrate how current philanthropic arrangements in Australia reflect the influence of the established social liberal path dependency and support a social liberal view of the role of the state. *Chapter three* directly compares Australia's regulatory arrangements to those of the United States and the United Kingdom. As noted above, regulatory arrangements represent an example of institutional arrangements that are likely to be influenced by established path dependencies. The regulatory landscape in both the United Kingdom and United States reflects a competitive relationship. In the United Kingdom, philanthropy and government are considered to occupy distinct spheres, and regulatory arrangements demonstrate an inverse relationship where a change in the role of one entity has a corresponding effect on the other. The recent reform process particularly demonstrates the competitive element within this relationship with government seeking to influence philanthropic activity through regulatory arrangements as it sought to redefine its own role. The United States represents a more directly competitive relationship as regulatory arrangements reflect the government's efforts to preserve what is felt to be an 'arbitrary' divide between itself and philanthropy to prevent foundations from encroaching upon its territory. This reflects a view of philanthropic foundations as occupying a central position within society as public institutions influencing the identity and direction of the nation. Rather than supporting a competitive relationship, Australia's regulatory landscape, which has been described as 'confused' or 'disjointed', reflects philanthropy's ancillary role. The chapter particularly identifies how the most recent significant regulatory change, the introduction of Private Ancillary Funds, both reflects philanthropy's ancillary position by requiring distributions to be directed to areas that support the state as the central entity in supporting society, and reinforces it by prohibiting them from engaging in service provision and other direct operations.

A competitive relationship can also be demonstrated by philanthropy seeking to exert a direct influence over government by leveraging its private resources to gain support for a philanthropist's particular agenda and privately conceived notions of the public good. *Chapter four* will explore this aspect of the competitive relationship between philanthropy and government in the United States in comparison with Australia, utilising the fields of primary and secondary education as a case study. The sophisticated leveraging arrangements that have developed in this area in the United States are particularly associated with the 'new' marketised forms of philanthropy, and demonstrate a neoliberal approach and view of the role of the state. Australian philanthropic activity in this area is shown to take a different approach in looking to work with government and support the existing system rather than to leverage support for alternatives. Although philanthropists employ concepts associated with leverage such as 'scaling', their aims in doing so differ from the

United States as they look to the state to provide equal access to programs and initiatives. This is reflective of the social liberal influence, which supported looking to the state for inclusion with a view to promoting equality of opportunity. A focus on addressing disadvantage and promoting community engagement also reflect philanthropy's ancillary role, particularly as an expression of active citizenship. The case study considering philanthropic activity in the area of school education thus demonstrates philanthropy's continued connection to a social liberal view of the state's role through its occupation of an ancillary position.

The third and final section considers the cooperative paradigm, recognizing that cooperative approaches to the relationship between government and philanthropy are often associated with a neoliberal approach and view of the role of the state. As such, this section will allow the thesis to more directly address its aim of demonstrating how the particular relationship between government and philanthropy within a country can provide an insight into potential changes in views regarding the role of the state, and specifically in the Australian context, provide a means of assessing the impact and extent of the neoliberal challenge to the established social liberal path dependency. *Chapter five* considers policy positions that see government looking to promote a cooperative relationship with philanthropy, focusing on the Big Society in the United Kingdom and the social coalition in Australia. In the United Kingdom, Prime Minister David Cameron's Big Society was criticised from within the voluntary sector as seeking to disguise the state's retreat from welfare provision as part of the government's pursuit of a neoliberal agenda by seeking the substitution of philanthropic for government funding. Despite its cooperative rhetoric, the Big Society more closely reflected the established competitive relationship between philanthropy and government in the United Kingdom. Prior to this in Australia, John Howard promoted increased philanthropy as part of his social coalition, which was aligned with the concept of mutual obligation. The social coalition was similarly viewed as reflecting and distracting from a neoliberal agenda and view of government's role. Howard's rhetoric surrounding the social coalition also though evoked the active citizenship associated with social liberalism, and the primary initiative implemented to increase philanthropy was the introduction of Private Ancillary Funds that both reflect and reinforce philanthropy's ancillary position. This suggests that the social liberal path dependency remained influential despite the neoliberal ascendancy in this period.

Cooperative approaches also form the basis of recent innovations in philanthropic activity, and *chapter six* focuses on social impact bonds and impact investing as part of the 'extended family' of philanthropy. Social impact bonds are closely associated with marketised philanthropy, and the original model is underpinned by a neoliberal view of the role of the state. Australia's interest in, and adoption of, social impact bonds, which claim to facilitate cooperation between the public, private



and not-for-profit sectors, particularly appears to suggest neoliberalism's success in displacing the social liberal view of government's role. However, where the original model reflects the established relationship between government and philanthropy in the United Kingdom, variations on this model produced as social impact bonds have been adopted internationally reflect the particular relationships within these countries. The contributions of philanthropic entities to the development of social impact bonds in the United States have produced models that reflect the central position of foundations, though they still support the original model's neoliberal approach. In Australia however, philanthropic involvement appears to challenge the neoliberal approach. The chapter indicates that the way social impact bonds have been constructed in Australia suggests government is still being viewed as occupying a central position in supporting citizens and providing welfare, and that like philanthropy more broadly, the bonds are viewed as occupying an ancillary position supporting existing arrangements. The thesis thus argues that the social liberal path dependency does continue to exert a significant influence in terms of views regarding the role of the state in Australia.

Australian philanthropy's ancillary role indicates a particular view of the role of the state in its connection to the social liberal path dependency, viewing it as occupying a central position within society in terms of promoting equality of opportunity. This is demonstrated through current regulatory arrangements which reinforce as well as reflect philanthropy's ancillary position, and this position continues to influence philanthropic entities in their relationship with government, particularly in the context of new initiatives which promote an alternative, neoliberal influenced view of the role of the state. Although there has been increased interest in philanthropy in Australia, including in new models and initiatives associated with its extended family, its fundamental role, and the position it occupies alongside the state, has not substantially changed, and it still views its role as ancillary to government. Given philanthropy's connection to the social liberal path dependency—and social liberalism's particular view of the role of the state—it can be argued that the path dependency, and this view of government's role, thus retain a significant influence. Thus, the thesis argues that the situation is more complex than simply suggesting the social liberal path dependency has been displaced by neoliberalism's influence in Australia, just as the relationship between philanthropy and government is more complicated than simply being based on a consideration that 'government will provide.' The thesis' analysis of the Australian context demonstrates how the relationship between philanthropy and government can be used to examine identity views regarding the role of the state, as well as to examine and assess potential changes in these views.

In this, it represents a significant contribution to the literature on philanthropy within Australia as well as internationally. In the Australian context specifically, the thesis demonstrates the

continued influence of the social liberal path dependency, and the particular role of the state associated with it. As such, it also presents a contribution to the current study of Australian politics and public policy more broadly. Policy implications relate to philanthropy directly in the first instance, as initiatives intended to encourage increased philanthropy are more likely to be successful if they are based on a clear understanding of the particular role and position philanthropy occupies within society. The thesis also supports a deeper understanding of the relationships between the public, private and not-for-profit sectors in a period where the boundaries between them are felt to be 'blurring', particularly in the context of the marketisation of services. As noted above, the thesis is primarily focused on philanthropy in its function as a potential funding source for the not-for-profit sector, but there are also policy implications here for not-for-profit organisations engaged in service provision, and which have been affected by marketisation in the area of welfare policy particularly. The relationship between the government, market and philanthropic funders will affect how these organisations operate. There are also implications regarding policy making more generally, with the thesis considering the key policy question regarding what should be the proper role of the state. In using philanthropy's role to assess the impact of the neoliberal challenge and identifying the continued influence of the social liberal path dependency, the thesis also seeks to contribute to the understanding of how the state's role is viewed in Australia, and particularly to the understanding of neoliberalism in Australia.

## Chapter 1: Philanthropy and Social Liberalism

This first section of the thesis seeks to establish the particular role philanthropy occupies in Australia and its relationship with government. To do this it will employ the critical paradigm, the first of the three paradigms identified by Villadsen through which the relationship between government and philanthropy has been viewed. The critical paradigm questions philanthropy's ability to benefit society and does not consider it to serve any necessary or worthwhile function.<sup>1</sup> While views directly critical of philanthropy will be addressed in the following chapter, this chapter will consider the perception that philanthropy is irrelevant and unnecessary within society. Such a perception sees philanthropy an 'inefficient and piecemeal strategy' that is 'obsolete' and 'ineffective', and does not have a place within modern society.<sup>2</sup> Such a view of philanthropy aligns with the ambivalence regarding its role and position within society that characterises assessments of philanthropy in Australia. This chapter will explore this ambivalence, which is reflected particularly in discussions regarding transparency and accountability, arguing that it represents a particular view of philanthropy's role and relationship with government in Australia. It traces the historical development of this particular role, which occurred in the context of social liberalism in Australia.

While philanthropy often occupied a central position in colonial Australia, conditions in the late nineteenth century saw it begin to prove inadequate. At the same time, ideas associated with social liberalism became particularly influential in Australia. Social liberalism takes a particular view of the role of the state, considering it as the only entity capable of promoting equality of opportunity. Philanthropy did retain a role that was consistent with social liberalism as an expression of active citizenship. Active citizenship is an important concept within social liberalism. In exchange for the state creating the conditions necessary to secure this equality of opportunity, citizens were obliged to engage 'in the life of the community' through active citizenship. As an expression of active citizenship, philanthropy performed an important ancillary role supporting the state, which occupied a central position within society in promoting equality of opportunity. The particular nature of ancillary role in Australia is particularly highlighted within this chapter through comparison with the United States, where philanthropy performs a more distributive role, and in this period occupied a central position as compromise between liberalism and socialism. The influence of social liberalism in Australia however meant such a philanthropic compromise was not necessary. Social liberal ideas were at the height of their influence during Australia's nation-building period, and this saw its

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<sup>1</sup> Villadsen, "Modern Welfare and 'Good Old' Philanthropy."

<sup>2</sup> Wright, "Generosity Vs. Altruism: Philanthropy and Charity in the United States and United Kingdom."; Kerry O'Halloran, "Conclusion," in *Modernising Charity Law: Recent Developments and Future Directions* ed. Myles McGregor-Lowndes and Kerry O'Halloran (Cheltenham: Edward Elgar Publishing, 2010), p. 272.

particular view of the role of the state become embedded within a path dependency allowing it to remain influential. Philanthropy's ancillary role, and the particular relationship with government it inculcated, also became connected to the social liberal path dependency. This demonstrates how philanthropy's position can be used to provide insights into views regarding the role of the state in Australia.

### Australia's Ambivalence towards Philanthropy

Australia's philanthropic culture is generally characterised by an ambivalence regarding its position within society.<sup>3</sup> This is noteworthy given Australia's perception as an 'unphilanthropic' country, and particularly considering the attitudes to wealth identified in the introduction, which suggest a more directly negative view might be expected. This ambivalence is reflected in comments in the literature regarding a lack of data relating to philanthropic activity in Australia,<sup>4</sup> and in the 'ad hoc' manner in which regulation has been developed.<sup>5</sup> It is particularly evident though when considering accountability and transparency. This differs from other countries, for example in the United States, where discussions on accountability and transparency connect to wider debate regarding philanthropy's role in society and its alignment with democracy. Diana Leat, writing in 2004, observed 'foundations in Australia have rarely, if ever, been the subject of public debate and scrutiny', and 'there has been little or no discussion of wider issues to do with accountability and

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<sup>3</sup> See Baker et al., "Giving Australia 2016: Philanthropy and Philanthropists."

<sup>4</sup> See e.g. Diana Leat, "Editorial," in *Philanthropy Research Papers*, ed. Diana Leat (Melbourne: Philanthropy Australia, 2000); Lyons, *Third Sector: The Contribution of Nonprofit and Cooperative Enterprise in Australia*; Scaife et al., "Foundations for Giving: Why and How Australians Structure Their Philanthropy"; Wendy Scaife, "Giving Australia 2016: Background Paper," *Commissioned by the Commonwealth of Australia, represented by the Department of Social Services*, Australian Centre for Philanthropy and Non-Profit Studies, Queensland University of Technology, Australia, December 2016, [https://www.communitybusinesspartnership.gov.au/wp-content/uploads/2016/11/giving\\_australia\\_2016\\_background\\_paper.pdf](https://www.communitybusinesspartnership.gov.au/wp-content/uploads/2016/11/giving_australia_2016_background_paper.pdf).

The Giving Australia research sought to address this although a lack of data is still identified. See e.g. Williamson et al., "Founders, Families, and Futures: Perspectives on the Accountability of Australian Private Ancillary Funds."

<sup>5</sup> Leat, "What Do Australian Foundations Do - Who Knows and Who Cares?"; Adelman et al., "Philanthropic Freedom: A Pilot Study."; McGregor-Lowndes, "Philanthropic Freedom Pilot Study: Australia Country Report"; Martin, "The Sociopolitical and Legal History of the Tax Deduction for Donations to Charities in Australia and How the 'Public Benevolent Institution' Developed."; Berman, "A Charitable Concern."; O'Connell, "Charitable Treatment? – a Short History of Taxation of Charities in Australia."; Australian Government, Productivity Commission, "Contribution of the Not-for-Profit Sector," Productivity Commission Research Report, Canberra, Australian Government, January 2010, <https://www.pc.gov.au/inquiries/completed/not-for-profit/report/not-for-profit-report.pdf>, p. xxiii, 114; Industry Commission, "Charitable Organisations in Australia," p. 8; Australian Government, Australian Taxation Office, "Types of DGRs," <https://www.ato.gov.au/non-profit/getting-started/getting-endorsed/is-my-organisation-eligible-for-dgr-endorsement/-types-of-dgrs/?anchor=ListedbynameDGRs#ListedbynameDGRs>; Adelman, Barnett, and Russell, "Index of Philanthropic Freedom 2015"; Lyons, *Third Sector: The Contribution of Nonprofit and Cooperative Enterprise in Australia*, p. 20.

governance of tax-subsidised organisations pursuing public policy goals in a democracy.<sup>6</sup> Others have made similar observations. For example, McDonald and Scaife suggest media coverage 'routinely undervalued' philanthropy.<sup>7</sup> Cham notes an aversion to transparency by the peak body Philanthropy Australia, on the basis that it would represent 'an intrusion... and a disincentive' as well as hinder philanthropic entities.<sup>8</sup> And although Williamson et al. suggest accountability was 'gaining increased attention' in Australia, their study of Private Ancillary Funds did not find any evidence of discussion regarding 'the ambiguous and contested role of philanthropic foundations in democracy.'<sup>9</sup>

The position of the national regulator presents an example of Australia's ambivalence towards philanthropy along with the not-for-profit sector as a whole. Despite the sector's 'long history'<sup>10</sup>, the inheritance of charity law from England,<sup>11</sup> and the recommendations of a number of reports and inquiries,<sup>12</sup> Australia did not have a central regulatory body until the Australian Charities and Not-for-Profit Commission (ACNC) was established in December 2012.<sup>13</sup> It was established as part of a broader reform of the not-for-profit sector and was initially intended to promote accountability.<sup>14</sup> However, throughout the implementation process a secondary aim to 'reduce the regulatory burden' on charities, which was not necessarily compatible with the aim of increased accountability and

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<sup>6</sup> Leat, "What Do Australian Foundations Do - Who Knows and Who Cares?"

<sup>7</sup> McDonald and Scaife, "Print Media Portrayals of Giving: Exploring National 'Cultures of Philanthropy'."

<sup>8</sup> Cham, "The Rise and Fall of Australia's First Independent Regulator for the Not-for-Profit Sector: A Missed Opportunity for Philanthropy."

<sup>9</sup> Williamson, Luke, and Furneaux, "Why Be Accountable? Exploring Voluntary Accountability of Australian Private Ancillary Funds."

<sup>10</sup> Cham, "The Rise and Fall of Australia's First Independent Regulator for the Not-for-Profit Sector: A Missed Opportunity for Philanthropy."

<sup>11</sup> Leat, "What Do Australian Foundations Do - Who Knows and Who Cares?"

<sup>12</sup> McGregor-Lowndes 2014, cited in Phillips and Smith, "A Dawn of Convergence?: Third Sector Policy Regimes in the 'Anglo-Saxon' Cluster." See for example, Industry Commission, "Charitable Organisations in Australia"; Inquiry into the Definition of Charities and Related Organisations Australia, "Report of the Inquiry into the Definition of Charities and Related Organisations," Australian Government, The Treasury, June 2001, <https://webarchive.nla.gov.au/awa/20140124012122/http://cdi.gov.au/html/report.htm>; The Senate: Standing Committee on Economics, "Disclosure Regimes for Charities and Not-for-Profit Organisations," Canberra: Commonwealth of Australia, December 2008, [https://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate/Economics/Completed\\_inquiries/2008-10/charities\\_08/report/index](https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/Completed_inquiries/2008-10/charities_08/report/index); Australian Government, Productivity Commission, "Contribution of the Not-for-Profit Sector."

<sup>13</sup> Australian Charities and Not-for-profit Commission, "ACNC Open for Business," *Media Release*, 3 December 2012, [http://pandora.nla.gov.au/pan/144013/20140118-0004/www.acnc.gov.au/ACNC/Comms/Med\\_R/MR\\_010.html](http://pandora.nla.gov.au/pan/144013/20140118-0004/www.acnc.gov.au/ACNC/Comms/Med_R/MR_010.html).

<sup>14</sup> See Australian Government, The Treasury, "Final Report: Scoping Study for a National Not-for-Profit Regulator," (Canberra: Commonwealth of Australia, April 2011); Australian Government, Productivity Commission, "Contribution of the Not-for-Profit Sector." See also, O'Connell, Martin, and Chia, "Law, Policy and Politics in Australia's Recent Not-for-Profit Sector Reforms."; Ian Murray, "Not-for-Profit Reform: Back to the Future?," *Third Sector Review* 20 (2014); Commonwealth of Australia, "Charities Act 2013," <https://www.legislation.gov.au/Details/C2013A00100>.

transparency, 'appeared to gain greater salience.'<sup>15</sup> This reduction of 'red tape' was also cited as the reason for the Coalition government's desire to abolish the ACNC in 2014,<sup>16</sup> though the move has been suggested to be more ideologically or politically motivated.<sup>17</sup> The fact that the focus on accountability became lost in the story of the national regulator, as well as the fact that the debate regarding the establishment and attempted abolishment of this entity did not permeate the general public,<sup>18</sup> particularly demonstrates the 'lack of concern' for accountability in Australian philanthropy.

Cham notes even when it does focus on this area the ACNC largely excludes philanthropic trusts and foundations 'from any form of public accountability.'<sup>19</sup> Philanthropic entities are subject to lesser formal accountability requirements than in other countries such as the United States and United

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<sup>15</sup> O'Connell, Martin, and Chia, "Law, Policy and Politics in Australia's Recent Not-for-Profit Sector Reforms."; Australian Charities and Not for Profits Commission (ACNC) Implementation Taskforce, "Implementation Report", Canberra: Australian Government, June 2012, <https://apo.org.au/sites/default/files/resource-files/2012-06/apo-nid29857.pdf>; The Senate: Standing Committee on Economics, "Disclosure Regimes for Charities and Not-for-Profit Organisations"; Butcher, "The Third Sector and Government in Australia: Not-for-Profit Reform under Labor, 2007–13."; Phillips and Smith, "A Dawn of Convergence?: Third Sector Policy Regimes in the 'Anglo-Saxon' Cluster."

<sup>16</sup> Kevin Andrews, "Australian Charities and Not-for-profits Commission (Repeal) (No. 1) Bill 2014: Second Reading Speech," *Parliamentary Debates*, Australia, House of Representatives, 19 March 2014, pp. 2386-2388, [https://parlinfo.aph.gov.au/parlInfo/download/chamber/hansardr/fc34435e-5f7a-4507-bac8-a38614e5fd1e/toc\\_pdf/House%20of%20Representatives\\_2014\\_03\\_19\\_2302\\_Official.pdf;fileType=application%2Fpdf#search=%22chamber/hansardr/fc34435e-5f7a-4507-bac8-a38614e5fd1e/0000%22](https://parlinfo.aph.gov.au/parlInfo/download/chamber/hansardr/fc34435e-5f7a-4507-bac8-a38614e5fd1e/toc_pdf/House%20of%20Representatives_2014_03_19_2302_Official.pdf;fileType=application%2Fpdf#search=%22chamber/hansardr/fc34435e-5f7a-4507-bac8-a38614e5fd1e/0000%22); Commonwealth of Australia House of Representatives, "Australian Charities and Not-for-profits Commission (Repeal) (No. 1) Bill 2014: Explanatory Memorandum," *Circulated by the Authority of the Minister for Social Services, the Hon Kevin Andrews MP*, 2013-2014, <https://www.legislation.gov.au/Details/C2014B00045/Explanatory%20Memorandum/Text>; Myles McGregor-Lowndes, "Australia - Two Political Narratives and One Charity Regulator Caught in the Middle," *Chicago-Kent Law Review*, no. 3 (2016).

<sup>17</sup> i.e., it was consistent with the desire for small government reflecting a neoliberal influence. John Butcher, "Regulation Bonfire Offers Little Warmth for Not for Profit Sector," *Probono Australia*, 27 March 2014, <https://probonoaustralia.com.au/news/2014/03/regulation-bonfire-offers-little-warmth-for-not-for-profit-sector/>; Phillips and Smith, "A Dawn of Convergence?: Third Sector Policy Regimes in the 'Anglo-Saxon' Cluster."; Elizabeth Cham, "Root and Branch Reform or Business as Usual? The Rise and Fall of Australia's First Regulator for the Not-for Profits Sector," *Submission to Senate Standing Committee Re the Australian Charities and Not-for-Profit Commission (Repeal) (No 1) Bill*, 1 April 2014, [https://www.aph.gov.au/parliamentary\\_business/committees/senate/economics/acnc/submissions?main\\_content\\_1\\_RadGrid1ChangePage=2\\_20](https://www.aph.gov.au/parliamentary_business/committees/senate/economics/acnc/submissions?main_content_1_RadGrid1ChangePage=2_20); Murray, "Not-for-Profit Reform: Back to the Future?"

<sup>18</sup> Daniel Hurst, "Charities Appeal to Tony Abbott to Drop Plan to Scrap Regulator," *The Guardian*, 19 March 2014, <https://www.theguardian.com/world/2014/mar/19/charities-appeal-to-tony-abbott-to-drop-plan-to-scrap-regulator>; Butcher, "The Third Sector and Government in Australia: Not-for-Profit Reform under Labor, 2007–13."; Cham, "The Rise and Fall of Australia's First Independent Regulator for the Not-for-Profit Sector: A Missed Opportunity for Philanthropy."; Christian Porter MP and Kelly O'Dwyer MP, "Retention of the Australian Charities and Not-for-profits Commission," *Media Release*, 4 March 2016, <https://formerministers.dss.gov.au/17490/retention-of-the-australian-charities-and-not-for-profits-commission/>; Helen Rittelmeyer, "Independent Charities, Independent Regulators: The Future of Not-for-Profit Regulation," *Issue Analysis No. 143*, The Centre for Independent Studies, 6 February 2014, <https://www.cis.org.au/app/uploads/2015/07/ia143.pdf>; McGregor-Lowndes, "Australia - Two Political Narratives and One Charity Regulator Caught in the Middle."

<sup>19</sup> Christian Porter MP and Kelly O'Dwyer MP, "Retention of the Australian Charities and Not-for-profits Commission."

Kingdom.<sup>20</sup> There is no requirement for philanthropic entities to report publicly and only 'very few' foundations have a public presence.<sup>21</sup> There is also 'less demand for publicly available reporting' in Australia than other countries.<sup>22</sup> Cham observes the lack of 'any substantial debate either within or outside philanthropy on the issue.'<sup>23</sup> In the absence of these formal measures, accountability becomes voluntary and is left to the discretion of the individual fund.<sup>24</sup> Williamson et al. found that although Private Ancillary Funds, arguably the most popular and prominent philanthropic structure in Australia, acknowledged a level of accountability towards the general public, this was felt to be achieved through 'compliance' with the regulatory requirements of the national regulator and the Australian Taxation Office' as representatives of the Australian public.<sup>25</sup> Direct public accountability via transparency was not viewed as a necessary component of overall accountability.<sup>26</sup> Primarily, accountability was linked to a desire to communicate the organisation's achievements, to promote efficiency and to 'demonstrate impact.'<sup>27</sup> Williamson et al. see this form of accountability as linked to 'emotions and values', for example, relating to a duty or obligation to a founder or founding family, and to the Australian public.<sup>28</sup> This seems to suggest a philanthropy is viewed in terms of occupying a particular role in the Australia context which differs from other countries.

The concern regarding the absence of a wider discussion of accountability is that it will 'hinder public trust and confidence' in the philanthropic sector. However, a report cited in the explanatory memorandum for the ACNC repeal suggested a central regulator was unnecessary as 'in the minds of

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<sup>20</sup> Coyte, Rooney, and Phua, "The Impossibility of Philanthropic Funding Decisions: The Australian Non-Government Funder Experience."; Williamson, Luke, and Furneaux, "Why Be Accountable? Exploring Voluntary Accountability of Australian Private Ancillary Funds."

<sup>21</sup> Private Ancillary Funds are required to submit an annual report to the national regulator, though they can request that this not be made public. "Why Be Accountable? Exploring Voluntary Accountability of Australian Private Ancillary Funds."; Cham, "The Rise and Fall of Australia's First Independent Regulator for the Not-for-Profit Sector: A Missed Opportunity for Philanthropy."; Williamson et al., "Founders, Families, and Futures: Perspectives on the Accountability of Australian Private Ancillary Funds."

<sup>22</sup> Coyte, Rooney, and Phua, "The Impossibility of Philanthropic Funding Decisions: The Australian Non-Government Funder Experience."

<sup>23</sup> Cham, "The Rise and Fall of Australia's First Independent Regulator for the Not-for-Profit Sector: A Missed Opportunity for Philanthropy."

<sup>24</sup> Coyte, Rooney, and Phua, "The Impossibility of Philanthropic Funding Decisions: The Australian Non-Government Funder Experience."; Williamson, Luke, and Furneaux, "Why Be Accountable? Exploring Voluntary Accountability of Australian Private Ancillary Funds."; Williamson et al., "Founders, Families, and Futures: Perspectives on the Accountability of Australian Private Ancillary Funds."

<sup>25</sup> "Founders, Families, and Futures: Perspectives on the Accountability of Australian Private Ancillary Funds."

<sup>26</sup> Ibid; Williamson, Luke, and Furneaux, "Why Be Accountable? Exploring Voluntary Accountability of Australian Private Ancillary Funds."

<sup>27</sup> "Why Be Accountable? Exploring Voluntary Accountability of Australian Private Ancillary Funds."; Williamson et al., "Founders, Families, and Futures: Perspectives on the Accountability of Australian Private Ancillary Funds."

<sup>28</sup> Williamson, Luke, and Furneaux, "Why Be Accountable? Exploring Voluntary Accountability of Australian Private Ancillary Funds."; Williamson et al., "Founders, Families, and Futures: Perspectives on the Accountability of Australian Private Ancillary Funds."

most citizens, the answer to the question of how charities are regulated in their country will continue to be ... "I'm sure the government has got ways."<sup>29</sup> This response and perception from people is particularly interesting given the 'relatively generous' tax concessions available to these entities, which represent 'a significant and ongoing financial "subsidy" through forgone tax revenue.'<sup>30</sup> It is also interesting in a period where 'organisations investing significant capital such as superannuation funds and universities ... [are] being asked to justify their policies.'<sup>31</sup> Leat considered Australia's 'lack of concern' regarding accountability to be 'puzzling' given the nation's attitude towards governmental responsibility which should make philanthropic activities more contentious, particularly in a climate where increased philanthropic activity is being encouraged.<sup>32</sup> This indicates that the ambivalence towards philanthropy is related to the role it is considered to occupy in society. While in the United States and other countries, discussions of accountability directly address philanthropy's role and its position within democracy. In Australia, it is the absence of these discussions that starts to give an indication of philanthropy's particular role.

A number of reasons are suggested in explanation of Australia's ambivalence towards philanthropy. Leat, for example suggests the size of the sector and relative lack of scandals (though notes this itself may be a result of the lack of accountability measures), as possible explanations, along with the perception that tax concessions are not as significant in Australia as in other countries. She also suggests that from a government perspective, 'it is bad politics to regulate the interests of the rich and religious.'<sup>33</sup> She also considers government support of the not-for-profit sector may suggest accountability is felt to be achieved as an extension of government accountability.<sup>34</sup> Williamson et al. suggest the ambivalence relates to 'the strong egalitarian ethos that persists in Australian society', and also to a desire for privacy identified within the sector.<sup>35</sup> McDonald and Scaife note Australian views on philanthropy 'reflect historical narratives ... [where] as a convict colony government presence

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<sup>29</sup> Rittelmeyer, "Independent Charities, Independent Regulators: The Future of Not-for-Profit Regulation."

<sup>30</sup> Williamson et al., "Founders, Families, and Futures: Perspectives on the Accountability of Australian Private Ancillary Funds."; Williamson, Luke, and Furneaux, "Why Be Accountable? Exploring Voluntary Accountability of Australian Private Ancillary Funds." See also, Cham, "The Rise and Fall of Australia's First Independent Regulator for the Not-for-Profit Sector: A Missed Opportunity for Philanthropy."

<sup>31</sup> Williamson, Luke, and Furneaux, "Why Be Accountable? Exploring Voluntary Accountability of Australian Private Ancillary Funds."

<sup>32</sup> Leat, "What Do Australian Foundations Do - Who Knows and Who Cares?"

<sup>33</sup> Ilchman and Burlingame 1999, quoted in *ibid*.

<sup>34</sup> *Ibid*; McGregor-Lowndes, "Philanthropic Freedom Pilot Study: Australia Country Report"; Williamson et al., "Founders, Families, and Futures: Perspectives on the Accountability of Australian Private Ancillary Funds."

<sup>35</sup> "Founders, Families, and Futures: Perspectives on the Accountability of Australian Private Ancillary Funds."; McDonald and Scaife, "Print Media Portrayals of Giving: Exploring National 'Cultures of Philanthropy'." See also, Cham, "Root and Branch Reform or Business as Usual? The Rise and Fall of Australia's First Regulator for the Not-for Profits Sector."



was constant in Australia, creating dependency and a sense of government responsibility.<sup>36</sup> Swain suggests there is also a gendered dimension, as, following the development of the wage earners welfare state in Australia, the traditionally female-dominated philanthropy became marginalised and dismissed as insignificant with the focus becoming about ensuring that the male wage earner could provide for his family via his wage.<sup>37</sup> Murphy suggests that the concept of the wage earners welfare state could also support the distinction between deserving and undeserving, which had been an important principle underpinning colonial philanthropy that played a central role in the nineteenth century particularly.<sup>38</sup> As such, he argues, philanthropy was considered less important in society.<sup>39</sup> These explanations indicate the involvement of government, suggesting that the particular role philanthropy plays in Australia is connected to how the position of the state is viewed. Australian philanthropy's role is connected to a particular view of the role of the state, which has seen it become embedded within the nation's consciousness and policy institutions.

### Path Dependence

Path dependence as a concept in social science is concerned with 'the way that human affairs will tend to course along paths already cut into the landscape, avoiding the risks and costs associated with beating new paths.'<sup>40</sup> It is an approach which enables consideration of 'longstanding patterns of social action reinforced by social understandings and expectations.'<sup>41</sup> An established path can however be either 'swamped' or 'eroded' by new ideas or approaches.<sup>42</sup> Pierson argues that path dependency, in the form of 'increasing returns',<sup>43</sup> is particularly relevant to the study of politics as it enables the understanding of 'sources of political stability and change.'<sup>44</sup> He suggests the concept supports the claims of the historical institutionalist approach as it 'recognises that political development must be understood as a process that unfolds over time' and 'stresses that many of the contemporary political implications of these temporal processes are embedded in institutions – whether formal rules, policy

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<sup>36</sup> McDonald and Scaife, "Print Media Portrayals of Giving: Exploring National 'Cultures of Philanthropy'."

<sup>37</sup> Shurlee Swain, "Women and Philanthropy in Colonial and Post-Colonial Australia," *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations* 7, no. 4 (1996).

<sup>38</sup> Murphy, "The Other Welfare State Non-Government Agencies and the Mixed Economy of Welfare in Australia."

<sup>39</sup> Ibid.

<sup>40</sup> Sawyer, *The Ethical State?: Social Liberalism in Australia*, p. 5.

<sup>41</sup> Ibid, p. 371. See also, Sarigil, "Path Dependence."

<sup>42</sup> Pierson, "Increasing Returns, Path Dependence, and the Study of Politics." See also, Sarigil, "Path Dependence."

<sup>43</sup> "Path Dependence."

<sup>44</sup> Pierson, "Increasing Returns, Path Dependence, and the Study of Politics."

structures or norms.<sup>45</sup> This suggests that views regarding the role of the state and the position philanthropy occupies within society can be subject to path dependence.

Pierson identifies four aspects of politics that align with the concept of path dependence. Two of these are particularly relevant to the question of philanthropy's role and its relationship with government. In the first instance, he argues that institutions 'encourage individuals and organisations to invest in specialised skills, deepen relationships with other individuals and organisations and develop particular political and social identities.'<sup>46</sup> Views on philanthropy and the role of the state can form an important element of these identities. In addition, Pierson argues 'the complexity and opacity of politics' means that 'once established, basic outlooks on politics, ranging from ideologies to understandings of particular aspects of governments or orientations toward political groups or parties, are generally tenacious. They are, in other words, path dependent.'<sup>47</sup> Perceptions surrounding philanthropy in Australia are connected to a particular view of government's role influenced by social liberalism. The concept of path dependency explains how views associated with this ideological position, which was at the height of its popularity in the late nineteenth and early twentieth centuries, can continue to exert a significant influence throughout the twentieth century and potentially further, as this thesis argues.

Authors have recognised that philanthropy can be subject to established path dependencies, though they do not necessarily consider it in these terms. Prewitt for example observes 'the organisational forms taken by philanthropy, especially the quasi-permanent foundation, have been conditioned by state and market formation.'<sup>48</sup> Wright also identified in her examination of attitudes towards giving and wealth in the United States and United Kingdom, two distinct cultures based on altruism and generosity respectively, and observed 'policies and institutions are created – and are effective within particular cultural contexts.'<sup>49</sup> Anheier considered whether 'difference in foundation size and growth, and also purpose, approach, roles and performance, are dependent on ... regime types, that is, relevant persistent institutional patterns with path dependencies and deep political and social moorings.'<sup>50</sup> These examples demonstrate a recognition that differences in historical

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<sup>45</sup> Ibid.

<sup>46</sup> Ibid.

<sup>47</sup> Ibid. This addresses the criticism of the concept of path dependence that it has an 'utilitarian, materialist bias', and does not recognise that 'non-material factors and considerations (i.e., ideas, values, and legitimacy concerns) constitute a path.' Sarigil, "Path Dependence."

<sup>48</sup> Prewitt, "American Foundations: What Justifies Their Unique Privileges and Powers."

<sup>49</sup> Wright, "Generosity Vs. Altruism: Philanthropy and Charity in the United States and United Kingdom."

<sup>50</sup> Anheier, "Philanthropic Foundations in Cross-National Perspective: A Comparative Approach," pp. 1597-1598.

circumstances and institutional settings can impact the position of the philanthropic sector and point to path dependence as an appropriate means of analysing this.

In Australia, there is evidence that the relationship between government and the not-for-profit sector is linked to a path dependence. Butcher observes that a government's position on the political spectrum is 'not necessarily a reliable predictor of its policy stance towards the NFP sector,' potentially indicating that this stems from an alternative source.<sup>51</sup> Phillips and Smith found despite a number of common trends regarding the not-for-profit sector between the United States, United Kingdom, Canada and Australia, 'significant diversity is evident in important aspects of their sector regimes due to domestic politics and the path dependency carved out by different kinds of regulatory institutions.'<sup>52</sup> In Australia, the position of the not-for-profit sector, and philanthropy in particular, reflects the influence of social liberalism, which was at its height during Australia's nation-building period. In particular, it has embedded a social liberal view of the role of the state, and the ambivalence with which philanthropy is viewed stems from the particular role it has developed alongside this view. The following sections will explore this connection in outlining how the social liberal path dependency became established in Australia and embedded its particular view of the role of the state

### Social Liberalism

Sawer argues that the influence of social liberal thought in Australia during its nation-building period resulted in the development of a path dependency that has embedded a particular view of the role of the state within the nation's consciousness. This also had a significant impact on philanthropy's role. Social liberalism grew out of a view, which became prevalent in the late nineteenth century, that 'the promise of liberalism had not been realised.'<sup>53</sup> Thinkers such as T.H. Green and D.G. Ritchie considered that 'in circumstances of marked disadvantage, liberty could not be achieved by individuals acting alone. Sickness, poverty, lack of education, unemployment, and so on could constitute such serious impediments to individual advancement that real liberty could never be achieved.'<sup>54</sup> This 'new' liberalism considered 'in such circumstances, the state must act to ensure the conditions where meaningful individual choice could be exercised; for instance, by providing public education, or safety nets against sickness and destitution.'<sup>55</sup> As Sawer puts it 'once the goal of equal opportunity for self-

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<sup>51</sup> Butcher, "The Third Sector and Government in Australia: Not-for-Profit Reform under Labor, 2007–13."

<sup>52</sup> Phillips and Smith, "A Dawn of Convergence?: Third Sector Policy Regimes in the 'Anglo-Saxon' Cluster." The authors do suggest policy convergence can be a means of undermining or eroding an established path dependency.

<sup>53</sup> Walter, *What Were They Thinking? The Politics of Ideas in Australia*, p. 62. See also Edwards, *The Passion of Politics: The Role of Ideology and Political Theory in Australia*, pp. 41-47.

<sup>54</sup> Walter, *What Were They Thinking? The Politics of Ideas in Australia*, p. 62.

<sup>55</sup> *Ibid*, p. 62.

development is accepted, the only way the community can achieve this purpose is through state action.<sup>56</sup> This position, that ‘the capacity to exercise liberty depended upon economic well-being’ and that this ‘warranted intervention is social relationships’, was argued in books such as Ritchie’s *The Principles of State Interference*, published in 1891.<sup>57</sup>

Social liberalism conceived of an ‘ethical state’, the role of which was to secure the conditions necessary for citizens to develop to their full potential. In this, it adopted a different view of equality of opportunity from that assumed in the United States, for example, where it was focused on ‘equal rights to compete for unequal rewards, within an ethos of competition and minimal government.’<sup>58</sup> In looking to promote equality of opportunity, the ethical state acted ‘on behalf of citizens as a countervailing power to the market.’ It also ‘placed considerable emphasis on creating opportunities for different groups to form and express opinions.’<sup>59</sup> This promoted in Australia ‘a political culture which legitimised looking to the state to obtain rights and to advance rights claims.’<sup>60</sup> Philanthropy has been considered to perform both of these functions, acting as a mechanism of redistribution, and supporting civil society in seeking to advance rights. Viewed in these terms, philanthropy would be considered unnecessary alongside the ethical state, and such a view is likely to manifest as an ambivalence regarding its activities. The embedding of the social liberal view of the state’s role through a path dependency in Australia’s suggests that this perception of philanthropy was equally likely to endure.

These social liberal ideas regarding the ethical state and social liberalism were influential in England between the 1880s and 1920 and Sawyer observes they were ‘at the height of their influence’ in Australia during its nation-building period.<sup>61</sup> Walter notes the arguments of those associated with social liberalism ‘such as Lord Acton, L.T. Hobhouse, J.A. Hobson, Henry Jones and Graham Walls’, were likely read in Australia, alongside those of T.H. Green.<sup>62</sup> Jones in particular was invited to Australia and was said to have ‘had a significant impact’ when he met with Alfred Deakin, who came to embody the social liberal position in Australian politics.<sup>63</sup> In addition, ‘Green’s disciples’, such as Edward Caird who became professor of moral philosophy at the University of Glasgow, had a direct influence on ‘migrant individuals who travelled to Australia.’ Thus, Green’s ideas were more directly

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<sup>56</sup> Sawyer, *The Ethical State?: Social Liberalism in Australia*, p. 23.

<sup>57</sup> Walter, *What Were They Thinking? The Politics of Ideas in Australia*, p. 99.

<sup>58</sup> Sawyer, *The Ethical State?: Social Liberalism in Australia*, p. 23.

<sup>59</sup> *Ibid*, pp. 25, 153.

<sup>60</sup> *Ibid*, p. 112.

<sup>61</sup> *Ibid*, pp. 31, 180; Walter, *What Were They Thinking? The Politics of Ideas in Australia*, p. 99.

<sup>62</sup> *What Were They Thinking? The Politics of Ideas in Australia*, p. 99.

<sup>63</sup> *Ibid*, pp. 99-100.

transmitted to the new country.<sup>64</sup> These migrants included the reverend Charles Strong who is identified as a particular supporter of social liberalism in Australia along with Charles Pearson and Francis Anderson.<sup>65</sup>

Social liberalism was initially most influential in colonial Victoria. Victoria's development as a colony had differed from that of New South Wales and 'confronted with extraordinary population growth as a result of the gold rushes, turned its efforts to urban growth and industrial development, protecting its nascent manufacturing sector through tariffs - and developing a revenue base reliant on those tariffs.'<sup>66</sup> Hence, Walter argues 'Victoria was the natural context for the generation of colonial liberalism receptive to the new liberal currents of the 1880s.'<sup>67</sup> Walter cites two particularly influential proponents of social liberalism in Victoria. First there was David Syme, whose book *Outlines of an Industrial Science*, published in 1876, argued that 'what is good for all and not merely for an individual or class, should be undertaken by the state; and what benefits only the few should be left to private enterprise.'<sup>68</sup> Charles Pearson was also particularly significant, viewing 'state socialism as a "consummation" of the liberal project' in his 1894 book *National Life and Character*.<sup>69</sup> The conditions in Victoria which made it the most suitable location for social liberalism to develop also supported the evolution of a particularly sophisticated philanthropic sector in the late nineteenth century.<sup>70</sup> This suggests a connection between philanthropy and social liberalism.

Walter has argued 'the inherent contradiction within liberalism – whether liberty is best achieved through individual action, or must be guaranteed by state intervention ... played out in unique ways in Australian politics.'<sup>71</sup> He notes there were 'divisions in liberal opinion' within and between the colonies, and that the decade following federation was 'a period of intense competition, multi-party politics and fragile, shifting alliances' alongside 'conflicting intellectual currents.'<sup>72</sup> Social liberalism represented one of these currents with the other two being, in Walter's terms, 'an adaptation of classical liberalism' influenced by Herbert Spencer and closer to *laissez faire*, along with a state socialism 'owing more to George and Bellamy than to Marx.'<sup>73</sup> The leaders of parties

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<sup>64</sup> Ibid, p. 99; Sawyer, *The Ethical State?: Social Liberalism in Australia*, p. 36.

<sup>65</sup> Walter, *What Were They Thinking? The Politics of Ideas in Australia*, pp. 87-88.

<sup>66</sup> Ibid, p. 64.

<sup>67</sup> Ibid, p. 64.

<sup>68</sup> D. Syme *Outlines of an Industrial Science*, London: H.S. King, 1876, p. 185, in *ibid*, p. 66.

<sup>69</sup> Ibid, p. 66.

<sup>70</sup> See e.g. Lina Caneva, "Melbourne V Sydney - the Capital of Charity and Philanthropy," *Pro Bono News*, 26 March 2015, <https://probonoaustralia.com.au/news/2015/03/melbourne-v-sydney-the-capital-of-charity-and-philanthropy/>.

<sup>71</sup> Walter, *What Were They Thinking? The Politics of Ideas in Australia*, pp. 62-63.

<sup>72</sup> Ibid, pp. 61-62. 87-88.

<sup>73</sup> Ibid, pp. 87-88.

embodying these three positions became 'national figures and integral voices in a process that, by the decades end, had produced a two-party system and a set of governing assumptions that were to shape Australian politics for another seventy years.'<sup>74</sup> For Walter, the 'initial field of contention in federal politics', tariffs, can be viewed as analogous with 'addressing the question of degrees of state intervention and hence for more fundamental issues – what should be the nature of the nation state, and what was a liberal polity to mean.'<sup>75</sup> On this question the Protectionist party, within which social liberalism found expression, was able to 'mediate between Free Trade and Labor', representing the other ideological positions.

The early period of 'political fluidity' ended with the 'Fusion' of the Free Trade and Protectionist parties, but also with Deakin having 'established the warrant for what has been called "the ethical state"- a liberal polity where freedom was associated not solely with individualism, but with state intervention to assure conditions where a level of liberty could be meaningfully enjoyed by all.'<sup>76</sup> Deakin stated, 'a colonial liberal ... is one who favours state interference with liberty and industry at the pleasure and interests of the majority, while those who stand for the free play of individual choice and energy are classed as Conservatives.'<sup>77</sup> Although the Free Trade Party was 'philosophically distinct from traditional conservatives' it came to be considered so, as 'in the eyes of progressives, they stood in the way of national development, failed to see that the *laissez faire* approach had not delivered freedom, and ignored the truth that public good demanded public (and not just individual) action.'<sup>78</sup> The Labor Party was also affected by Deakin's colonial liberalism, which became the dominant approach in Australian politics. Walter observes 'being forced to govern on Deakin's terms allowed moderate leaders – and parliamentary labourism – to flourish.'<sup>79</sup> The Fisher Labor government which followed Deakin in 1913 followed an agenda that was 'a recognisable continuation of Deakin's "New Protectionism" and more radical labour voices were marginalised.'<sup>80</sup>

Walter notes personality was important in this period, and the fact 'that Deakin was able to call the shots was decisive.'<sup>81</sup> He also notes the importance of circumstances, suggesting politicians in the period had been 'very much influenced by the conflicts and crashes of the 1890s', which they wished to avoid in the future.<sup>82</sup> These conditions supported the social liberal views espoused by Deakin

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<sup>74</sup> Ibid, p. 88.

<sup>75</sup> Ibid, p. 90.

<sup>76</sup> Ibid, p. 109.

<sup>77</sup> A. Deakin, *The Federal Story: the inner history of the Federal cause, 1880-1900*, 1963, p. 12. in *ibid*, p. 114.

<sup>78</sup> Ibid, pp. 114-115.

<sup>79</sup> Ibid, p. 110.

<sup>80</sup> Ibid, p. 110.

<sup>81</sup> Ibid, p. 110.

<sup>82</sup> Ibid, pp. 113-114.

to prevail when the conflicting positions of the earlier period settled into 'the Australian settlement', which included 'a regulated industrial system with needs-based wages', as well as the 'acceptance of government roles in targeted welfare delivery and national development.'<sup>83</sup> In Walter's view the settlement was 'informed by a conviction that the doctrine of *laissez-faire* had failed', and influenced by the concept of positive liberty as well as the work of T.H. Green and Henry Jones.<sup>84</sup> Walter considers 'the early Commonwealth period ensured that Australia would be a liberal polity ... in which individual enterprise was lauded, but state action was accepted.'<sup>85</sup> This Australian Settlement underpinned the creation of a path dependency which embedded the prevailing social liberal views, particularly regarding the role of the state, into the national consciousness in Australia. The continued influence of these views is reflected in both attitudes and institutional arrangements. As philanthropy demonstrates both these aspects, it is well suited to provide an indication the influence of the social liberal path dependency and the particular view of the role of the state it promotes.

### Redistribution and Taxation

The way taxation is conceived in Australia provides a good example to highlight the influence of the social liberal path dependency, as well as philanthropy's connection to it. Social liberalism supports the redistribution of wealth, believing that society has 'enabled the accumulation of wealth', and as such it has a 'corresponding right to share in the social value it helped to create.'<sup>86</sup> The ethical state is considered the most appropriate entity to perform this redistribution through progressive taxation, as 'neither markets nor philanthropy can produce equal opportunity.'<sup>87</sup> This does not preclude philanthropy within society. However, it does view it as unnecessary and inappropriate as a mechanism for facilitating wealth redistribution, as discussed above. As such it does not afford philanthropy a central position within society.<sup>88</sup> This view differs from the United States, for example, where philanthropy has come to occupy a significant redistributive role and governments

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<sup>83</sup> Ibid, pp. 109- 111.

<sup>84</sup> Although the Free Trader position was evident in the Australia settlement, being demonstrated in 'attention to limits on state action' and 'the emphasis on only residual welfare with self-sufficiency. Ibid, pp. 109-111, 113.

<sup>85</sup> Ibid, p. 116.

<sup>86</sup> Sawyer, *The Ethical State?: Social Liberalism in Australia*, p. 29.

<sup>87</sup> Ibid, pp. 29, 189. The original social liberals also supported inheritance taxes, which is interesting given the perception that the absence of these taxes accounts for an 'underdeveloped' philanthropic culture in Australia. See e.g. McGregor-Lowndes, "Philanthropic Freedom Pilot Study: Australia Country Report"; Miriam Steffens, "Philanthropy Is Big Business - except in Corporate Australia," *Sydney Morning Herald*, 4 June 2010, <https://www.smh.com.au/business/philanthropy-is-big-business-except-in-corporate-australia-20110603-1fktm.html>.

<sup>88</sup> Sawyer, *The Ethical State?: Social Liberalism in Australia*, p. 23.

have been cautious in taxing income, with progressive taxation proving particularly galling to the wealthy.<sup>89</sup>

This historical development of Australia's taxation policy demonstrates the influence of social liberalism and its attachment to the path dependency it generated. Smith observes that the influence of new 'ideas about taxation and the role of government' in the later part of the nineteenth century saw the embrace of direct taxation in Australia to fund the nation's 'path-breaking social reform.'<sup>90</sup> This facilitated a move towards 'more redistributive taxation', with 'inequalities of wealth' justifying 'taxing the rich for the direct benefit of the poor.'<sup>91</sup> The interest in redistribution through taxation was also supported by the view that 'wealth could be as much an obstacle to self-development as poverty.' In this case, taxation also sought to 'quench the anti-social ardour for measured wealth, for social power and the vanity of display.'<sup>92</sup> Sawyer notes progressive taxes were 'pioneered by Victoria', with influential proponents of social liberalism in Australia such as Charles Pearson having supported a progressive land tax in the nineteenth century.<sup>93</sup>

Land taxes were particularly significant as 'wealth and economic power were visibly connected with control over land.' This saw them become 'tools of social justice and wealth redistribution' by 'forcing the land monopolies to "burst up" their estates.'<sup>94</sup> A federal land tax was introduced in 1910 to fund the aged pension, and its graduated rate structure made it 'one of the most progressive taxes that Australia has ever had.'<sup>95</sup> A national income tax was introduced during the First World War, which Sawyer notes was 'remarkable for its highly progressive character.'<sup>96</sup> If the state is responsible for facilitating redistribution in pursuit of equality, as in this case, there is no need for philanthropy to also engage directly in this task.<sup>97</sup> The economic conditions of the 1890s had also supported a view that philanthropy was ineffective in this role.

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<sup>89</sup> Judith Sealander, "Curing Evils at Their Source: The Arrival of Scientific Giving," in *Charity, Philanthropy and Civility in American History*, ed. Lawrence J. Friedman and Mark D. McGarvie (New York: Cambridge University Press, 2002), pp. 225-226; Julian Wolpert, "Redistributional Effects of America's Private Foundations," in *The Legitimacy of Philanthropic Foundations: United States and European Perspectives*, ed. Kenneth Prewitt, et al. (New York: Russell Sage Foundation, 2006), p. 131; Sealander, *Private Wealth and Public Life: Foundation Philanthropy and the Reshaping of American Social Policy from the Progressive Era to the New Deal*, p. 5.

<sup>90</sup> Julie P Smith, *Taxing Popularity: The Story of Taxation in Australia*, Research Study (Australian Tax Research Foundation); No. 43. (Sydney: Australian Tax Research Foundation, 2004), pp. 8-11, 21. Smith argues the gold rushes played a significant role in 'stimulating' calls for progressive taxation as well as democracy, p. 17.

<sup>91</sup> *Ibid*, pp. 21-23.

<sup>92</sup> Sawyer, *The Ethical State?: Social Liberalism in Australia*, p. 29.

<sup>93</sup> "From the Ethical State to the Minimal State: State Ideology in Australia," *Politics* 18, no. 1 (1983), pp. 82, 83.

<sup>94</sup> Smith, *Taxing Popularity: The Story of Taxation in Australia*, pp. 28, 29.

<sup>95</sup> *Ibid*, p. 49.

<sup>96</sup> Sawyer, "From the Ethical State to the Minimal State: State Ideology in Australia," p. 82. See also, Smith, *Taxing Popularity: The Story of Taxation in Australia*, p. 52.

<sup>97</sup> Sawyer, *The Ethical State?: Social Liberalism in Australia*, p. 23.



The redistributive nature of taxation in Australia has also been recognised more recently, despite policy changes which reflect the influence of alternative views associated with neoliberalism.<sup>98</sup> Studies of the Australian Survey of Social Attitudes had noted broad support for tax increases to facilitate social spending.<sup>99</sup> Wilson et al. consider Australia a comparatively redistributive state with 'highly targeted benefits to the poor (largely at the expense of the wealthy, not the middle) and highly progressive direct taxes.'<sup>100</sup> Rawlings sees this as evidence that views on taxation reflect Australia's connection to the social liberal path dependency as a cultural institution. He further suggests this is because these views are concerned with the 'relationship between citizens and the state.'<sup>101</sup> Rawlings identifies a particular emphasis on 'fairness' in attitudes towards the taxation system, inferring a definition of fairness based on a 'communitarian' approach where inequalities are seen as 'unfair', and as such 'appropriate policies and procedures should be enacted and enforced to mitigate against widespread social inequalities, and hence contribute to a fair society.'<sup>102</sup> From this position, taxation 'should not be considered as a burden, but in light of the good it brings to the whole community, including the taxpayer.'<sup>103</sup> This aligns with the ethical state, which supports a 'social liberty that emphasises group freedom; the ultimate group being the nation state whose "imaginings" are rendered real by the policies of active citizenship.'<sup>104</sup> This example of taxation thus demonstrates how perceptions regarding various aspects of the political arena can become part of a group identity and be connected to a path dependency. It also demonstrates how social liberal views, particularly regarding the role of government, which were at the height of their

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<sup>98</sup> See e.g. Shaun Wilson, Ben Spies-Butcher, and Adam Stebbing, "Targets and Taxes: Explaining the Welfare Orientations of the Australian Public," *Social Policy & Administration* 43, no. 5 (2009); Dan Ariely, Mike Norton, and David Neal, "Australian Attitudes Towards Wealth, Inequality and the Minimum Wage," *Empirica Research*, A report prepared for the ACTU, April 2011, <https://apo.org.au/node/26123>.

Saunders and Wong do suggest though that attitudes towards redistribution often vary depending on how the question is phrased. Peter Saunders and Melissa Wong, "Examining Australian Attitudes to Inequality and Redistribution," *Journal of Australian Political Economy* no. 71 (2013).

<sup>99</sup> Meagher, "Do Australians Want a Private Welfare State? Are They Getting One Anyway?"; Wilson and Meagher, "Howard's Welfare State: How Popular Is the New Social Policy Agenda?"; Wilson, Meagher, and Hermes, "A New Role for Government? Trends in Social Policy Preferences since the Mid-1980s." Wilson, Meagher, and Breusch, "Where to for the Welfare State?"

<sup>100</sup> Shaun Wilson, Ben Spies-Butcher, and Adam Stebbing, "Targets and Taxes: Explaining the Welfare Orientations of the Australian Public," *Social Policy & Administration* 43, no. 5 (2009).

<sup>101</sup> Gregory Rawlings, "Cultural Narratives of Taxation and Citizenship: Fairness, Groups and Globalisation," *Australian Journal of Social Issues* 38, no. 3 (2003).

<sup>102</sup> Ibid. In his assessment of attitudes towards taxation, Wilson identifies a number of other influential factors affecting these views, including pragmatic and structural factors. Shaun Wilson, "Not My Taxes! Explaining Tax Resistance and Its Implications for Australia's Welfare State," *Australian Journal of Political Science* 41, no. 4 (2006).

<sup>103</sup> Rawlings, "Cultural Narratives of Taxation and Citizenship: Fairness, Groups and Globalisation."

<sup>104</sup> Ibid.

popularity during the late nineteenth and early twentieth centuries, have had a continued influence in the current period.

### Active Citizenship

Philanthropy's role in Australia also demonstrates a particular example of the influence of the social liberal path dependency. It has already been noted that philanthropy would be considered ineffective and unnecessary alongside the ethical state as a method of redistribution, and in promoting rights claims. This is something that would see it being viewed with an ambivalence within society. While it is unnecessary in a central role though, there is a particular role for philanthropy alongside the social liberal ethical state as an expression of active citizenship. Sawyer argues that social liberalism recognised the 'realisation of individual liberty and individual potential could take place only in relation with the community.'<sup>105</sup> Equality of opportunity was 'premised on the interdependence of individuals and the role of the community (with the state as its collective agency) in achieving equal opportunities for all its members.'<sup>106</sup> Sawyer considered this to be 'a reapplication of the older republican idea of active citizenship, itself rooted in the order of the Athenian polis.'<sup>107</sup> In return for state provision of the conditions necessary for securing equality of opportunity, social liberalism considered citizens had an obligation to be 'engaging in the life of the community to promote the community interest.'<sup>108</sup> This indicates a role for philanthropy representing a way for citizens to contribute to the community and fulfil their obligations under active citizenship.

Williamson et al's assessment of the reasons Private Ancillary Funds engage in voluntary accountability as being linked to a duty or obligation to a founder or founding family and to the Australian public,<sup>109</sup> aligns with this view of philanthropy's role as an expression of active citizenship. Philanthropists also often describe their actions in terms of 'giving back' suggesting they view their actions as part of a broader commitment to the community.<sup>110</sup> This implies an acknowledgement that their position in society is to at least some extent attributable to the resources made available to them by the community. Another example is philanthropist William Wyatt in his founding of his

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<sup>105</sup> Sawyer, *The Ethical State?: Social Liberalism in Australia*, p. 10.

<sup>106</sup> Ibid, p. 23.

<sup>107</sup> Lyons, *Third Sector: The Contribution of Nonprofit and Cooperative Enterprise in Australia*, p. 209.

<sup>108</sup> Sawyer, *The Ethical State?: Social Liberalism in Australia*, p. 11.

<sup>109</sup> Williamson, Luke, and Furneaux, "Why Be Accountable? Exploring Voluntary Accountability of Australian Private Ancillary Funds."; Williamson et al., "Founders, Families, and Futures: Perspectives on the Accountability of Australian Private Ancillary Funds."

<sup>110</sup> See e.g. James Kirby and Rod Myer, *Richard Pratt: One out of the Box: The Secrets of an Australian Billionaire* (Milton, Qld: John Wiley & Sons Australia, 2009); Liffman, *A Tradition of Giving: Seventy-Five Years of Myer Family Philanthropy*.

eponymous trust.<sup>111</sup> This aligns with a view of philanthropy as expression of active citizenship, where in return for the state providing the conditions necessary for citizens to develop to their full potential citizens are obliged to become involved in 'the life of the community to promote the common interest.'<sup>112</sup> An important part of active citizenship is promoting the common good,<sup>113</sup> and giving back to the community in the form of philanthropic activity could fulfil this obligation. The CEO of Philanthropy Australia commented in 2018:

We have a social compact with our community, with ourselves and with the state that I think infers a responsibility to be active citizens. So forget money. I absolutely believe we all have a responsibility to be active participants in the work that we are creating ... I also believe that for a whole range of reasons many of our neighbours have some of that ability diminished or taken away ... I believe that the rest of us have almost double responsibility then to help those other citizens and neighbours get back their ability to be active citizens in that way.<sup>114</sup>

Active citizenship was an important concept within social liberalism as it enabled the functioning of the ethical state. It was part of the state's role to support and encourage active citizenship within the community.<sup>115</sup> While significant, this function as an expression of active citizenship does not place philanthropy in a central position within society, but rather sees it occupying supporting or ancillary role, which aligns with the ambivalence regarding its position demonstrated in discussions of accountability and transparency. If philanthropy is viewed as occupying a supporting position, the concern for accountability is likely to be lesser, and as Leat suggested it may be acceptable for this to be an extension of governmental accountability as the state is considered to occupy the central position.<sup>116</sup> This would also account for the view identified in the context of the position of the not-for-profit regulator that government would have 'ways' of ensuring not-for-profit accountability.<sup>117</sup> These attitudes regarding accountability suggest philanthropy is seen in a non-

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<sup>111</sup> Philanthropy Australia considers the Wyatt Trust to be the oldest philanthropic foundation in Australia. Philanthropy Australia, "Fast Facts and Statistics on Giving in Australia," <https://www.philanthropy.org.au/tools-resources/fast-facts-and-stats/>; Carol S. Fort, *Keeping a Trust : South Australia's Wyatt Benevolent Institution and Its Founder* (Kent Town, SA: Wakefield Press, 2008).

<sup>112</sup> Sawyer, *The Ethical State?: Social Liberalism in Australia*, p. 11.

<sup>113</sup> Ibid, pp. 11, 34.

<sup>114</sup> Sarah Davies, quoted in Williams, "Petre Benchmark Encourages Greater Giving from Australia's Most Wealthy."

<sup>115</sup> Williamson, Luke, and Furneaux, "Why Be Accountable? Exploring Voluntary Accountability of Australian Private Ancillary Funds."; Williamson et al., "Founders, Families, and Futures: Perspectives on the Accountability of Australian Private Ancillary Funds."

<sup>116</sup> Leat, "What Do Australian Foundations Do - Who Knows and Who Cares?"; McGregor-Lowndes, "Philanthropic Freedom Pilot Study: Australia Country Report"; Williamson et al., "Founders, Families, and Futures: Perspectives on the Accountability of Australian Private Ancillary Funds."

<sup>117</sup> Rittelmeyer, "Independent Charities, Independent Regulators: The Future of Not-for-Profit Regulation."

central role supporting government rather than necessarily having no role within society. Philanthropy's development of such an ancillary role in Australia reflects the influence of the social liberal path dependency. Philanthropy's role is particularly connected to this path dependency because of the role it played historically and its established relationship with government.

### Philanthropy's Connection to the Social Liberal Path Dependency

The story of philanthropy's historical development in Australia is intertwined with that of social liberalism, demonstrating its connection to the social liberal path dependency. Philanthropy's initial development in the Australian colonies 'was celebrated as evidence of the truly British character of the settlement.'<sup>118</sup> Australia only imported part of England's welfare arrangements though, and the absence of a Poor Law saw philanthropy's role become more central in the colonies.<sup>119</sup> O'Brien suggests that in Sydney philanthropy 'was the main institutional assistance protecting poor people from starvation and homelessness.'<sup>120</sup> Kennedy argues that in Victoria 'a combination of voluntary charity and *ad hoc* government relief at times of special distress' was deemed to be satisfactory in terms of welfare support.<sup>121</sup> The principles of the Poor Law, such as 'less eligibility', and the distinction between the deserving and undeserving poor, were still 'embodied in diffuse form' by charitable organisations and 'expressed as a cluster of practices, attitudes and sometimes incoherent values.'<sup>122</sup> This justified 'harsh inquiry procedures' into applicants for assistance, and most 'underwent a ritual of stigmatization and humiliation.'<sup>123</sup> This issue was that a reliance on philanthropy also meant a reliance on philanthropic actors to determine who was able to benefit from philanthropy, and ultimately who could be considered part of the 'community.'<sup>124</sup>

Philanthropy's central role in colonial Australia was supported by its 'unusually close relationship with government.'<sup>125</sup> O'Brien notes while 'government was the provider of welfare' in Sydney, voluntary effort held a 'special appeal' in light of 'disillusion' with the Poor Law 'during the colony's formative years.' This led to the development of a 'hybrid' form where charitable

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<sup>118</sup> Swain, "Women and Philanthropy in Colonial and Post-Colonial Australia."

<sup>119</sup> "Philanthropy and Nation Building."; "Women and Philanthropy in Colonial and Post-Colonial Australia.";

Kennedy, "Charity and Ideology in Colonial Victoria," p. 61.

The situation differed in South Australia where Governor George Grey sought to follow the 'spirit' of the 'new' poor law of 1834, though poor relief did come to be recognised as 'part of a systematic effort by government to regulate the economy'. 'Robert Dare, "Paupers' Rights: Governor Grey and the Poor Law in South Australia," *Australian Historical Studies* 25, no. 99 (1992).

<sup>120</sup> O'Brien, "Charity and Philanthropy."

<sup>121</sup> Kennedy, "Charity and Ideology in Colonial Victoria," p. 61.

<sup>122</sup> *Ibid*, p. 63; O'Brien, *Philanthropy and Settler Colonialism*, pp. 5-6.

<sup>123</sup> Kennedy, "Charity and Ideology in Colonial Victoria," pp. 54, 65-66.

<sup>124</sup> Swain, "Philanthropy and Nation Building."

<sup>125</sup> O'Brien, *Philanthropy and Settler Colonialism*, p. 5; O'Brien, "Charity and Philanthropy."

organisations were run by 'committees of citizens', but 'remained heavily subsidised by government.'<sup>126</sup> Government was often the main subscriber to early philanthropic entities in Victoria as well, though it did not have any direct operational input.<sup>127</sup> Kennedy describes a charity 'web' in Victoria with 'state charities' in the centre taking responsibility for the most unpopular causes. The bulk of the web comprised 'public charities', which were 'managed by voluntary committees enjoying high prestige', although they still 'derived nearly two thirds of their income from the state.'<sup>128</sup> The outer sections then comprised another separate web of 'lesser public, religious and private charity' including visiting societies, ethnic societies, professional funds, and individual giving.<sup>129</sup> This demonstrates a particular relationship between philanthropy and government.

While early colonial philanthropy tended to reflect the 'paternalism by which the early governors ruled', this changed as the nineteenth century became 'the age of philanthropy.'<sup>130</sup> The gold rushes had enabled both 'unprecedented economic growth' and 'the expansion of philanthropy for those who were its victims.'<sup>131</sup> The economic situation of the 1880s and 1890s then saw a proliferation of new philanthropic organisations to assist people 'thrown out of work' as a result of the depression.<sup>132</sup> As demand grew in Victoria, it was recognised that for the charity web to continue to be effective 'it would require some kind of coordination and reorganisation.'<sup>133</sup> A branch of the British Charity Organisation Society (COS) was established in Melbourne in 1887 seeking to perform this role, though it did not necessarily provide any new resources. The original organisation in England had been established to 'streamline charities and avoid the overlapping of assistance.'<sup>134</sup> It considered 'existing funds are always more than sufficient if only "imposition" could be extirpated.'<sup>135</sup> The organisation was founded in Australia by Edward Morris whose tutor had been T.H. Green, an influential figure in social liberalism. Kennedy observes that Green was likely to have influenced Morris's views on charity, although there was no evidence of his ideas on 'social duty' and the role of the state.'<sup>136</sup> Like other philanthropic entities of this period in Australia, this branch of the COS was distinguished by its close relationship with the state.<sup>137</sup> Although the 'dominance' of the Benevolent Society in Sydney meant

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<sup>126</sup> "Charity and Philanthropy."

<sup>127</sup> Swain, "Women and Philanthropy in Colonial and Post-Colonial Australia."; Kennedy, "Charity and Ideology in Colonial Victoria."

<sup>128</sup> "Charity and Ideology in Colonial Victoria," pp. 67-68.

<sup>129</sup> Ibid, p. 71.

<sup>130</sup> O'Brien, *Philanthropy and Settler Colonialism*, p. 14, 67; O'Brien, "Charity and Philanthropy."

<sup>131</sup> O'Brien, *Philanthropy and Settler Colonialism*, pp. 61-62.

<sup>132</sup> Ibid, p. 89.

<sup>133</sup> Kennedy, "Charity and Ideology in Colonial Victoria," p. 70.

<sup>134</sup> O'Brien, "Charity and Philanthropy."

<sup>135</sup> Kennedy, "Charity and Ideology in Colonial Victoria," pp. 70, 73.

<sup>136</sup> Morris was a supporter of free trade. *Charity Warfare: The Charity Organisation Society in Colonial Melbourne*, p. 85.

<sup>137</sup> Ibid, p. 233.

that COS did not exert the same influence there as in Melbourne, its approach influenced a number of smaller organisations as 'in response to the depression a considerable number of suburban societies were established during the 1890s.'<sup>138</sup> Thane suggests the Australian branch of the COS was a 'powerful' influence 'against state action' in favour of philanthropy.<sup>139</sup>

If the nineteenth century represented the high point of philanthropy though, it also 'signaled its decline' by 'demonstrating its inability to cope with widespread distress.' It was subject to extensive 'debate about and criticism of its deficiencies.'<sup>140</sup> The principles of charity organisation did not prove successful. The economic crisis of 1892 initially resulted in a giving 'boom' which was to be distributed by the COS. However, Kennedy observes this 'short, overwhelming flood gave way to another long apathetic drought.'<sup>141</sup> Kennedy suggests, the 'charity boom exposed the self-interest and inappropriateness of emotional giving and underlined a strong tendency in the system to break down whenever need reached a peak.'<sup>142</sup> He argues, in this period 'Victoria had witnessed more co-operative charitable effort on a limited scale than any of the other colonies', and Melbourne had 'participated in a most intensive debate over the meaning and philosophy of poor relief and poverty.'<sup>143</sup> But still, 'the charity scene in Melbourne and its colony continued to be fragmented, inefficient, competitive, confused in purpose; in need of reform.'<sup>144</sup> By the end of the nineteenth century it became apparent that private charity alone was not enough as 'organisation requires legislation.'<sup>145</sup>

Philanthropy was also being affected in this period by 'deep shifts in the understanding of poverty ... slowly and unevenly raising it from the domain of personal culpability.'<sup>146</sup> Relief and welfare then became more of a matter of right rather than individual discretion.<sup>147</sup> This was part of a wider political change as well, where, as Swain puts it 'conservatives condemned the man who begged, radicals condemned the society that drove him to beg.'<sup>148</sup> The Reverend Charles Strong, who was identified above as an important figure in social liberalism's dissemination in Australia, 'elaborated most fully new understandings of the structural causes of poverty' in his report to the Commission on Charitable Institutions of 1890-1891.<sup>149</sup> Strong had been 'one of the founding fathers' of the COS but

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<sup>138</sup> O'Brien, "Charity and Philanthropy."

<sup>139</sup> Pat Thane, *The Foundations of the Welfare State* (London: Longman Group Limited 1982).

<sup>140</sup> O'Brien, *Philanthropy and Settler Colonialism*, pp. 14, 67.

<sup>141</sup> Kennedy, *Charity Warfare: The Charity Organisation Society in Colonial Melbourne*, pp. 154, 159.

<sup>142</sup> *Ibid*, p. 177.

<sup>143</sup> *Ibid*, p. 232.

<sup>144</sup> *Ibid*, p. 232.

<sup>145</sup> *Ibid*, p. 218.

<sup>146</sup> O'Brien, *Philanthropy and Settler Colonialism*, p. 88, see also, p. 106; Swain, "Women and Philanthropy in Colonial and Post-Colonial Australia."

<sup>147</sup> "Women and Philanthropy in Colonial and Post-Colonial Australia."

<sup>148</sup> *Ibid*.

<sup>149</sup> O'Brien, *Philanthropy and Settler Colonialism*, p. 98.

resigned following the commission, where he suggested ‘friends of the poor ... should look to the abolition of charity and poverty alike, and to the transformation of the competitive system which underpinned them both.’<sup>150</sup> O’Brien argues that the depression of the 1890s ‘laid bare’ “the relationships of supplication and indignity” inherent with philanthropy.<sup>151</sup> Its arbitrary nature was also recognised, as philanthropic women particularly came to be ‘criticised for their political and religious biases, their officiousness and “their peculiar whims and fancies.”’<sup>152</sup> Ultimately, philanthropy became identified with ‘the maintenance of the system that produced such suffering and seen as something which a just society would not support.’<sup>153</sup> Having recognised the issues associated with a reliance on voluntary philanthropy, a new system for addressing social issues was required.

O’Brien suggests at the turn of the twentieth century, ‘anarchism, socialism, social Darwinism, new liberalism, eugenics – all proffered holistic solutions to problems now seen to need more than volunteers acting from “love of mankind.”’<sup>154</sup> As the previous section outlines, new – or social – liberalism became the basis of the Australian settlement and embedded its particular view of the role of the state within the nation’s institutions and consciousness. O’Brien notes that philanthropy was ‘challenged’ by this ‘political philosophy’, which ‘envisaged an enhanced role for the state in mitigating the worst effects of capitalism.’<sup>155</sup> Previously, philanthropy’s close relationship with government had allowed it to advocate successfully for social reform. Now however, reform movements ‘were constructed in opposition to charitable solutions.’<sup>156</sup> For example, it was felt ‘if the worker could provide for his family, it was assumed there would be no need for philanthropy.’<sup>157</sup>

Social liberalism’s influence had a significant impact on philanthropy as it ‘changed how it worked.’<sup>158</sup> O’Brien argues philanthropy became concerned with ‘prevention’, and this sat alongside the ‘protection’, which she notes ‘was a core of Australia’s social laboratory’, both in economic terms and in the sense of protecting people through, for example, ‘the arbitration court and a minimum wage.’<sup>159</sup> Swain and O’Brien suggest the influence of colonial philanthropy was still felt alongside the ethical state in the period following federation. For example, they suggest excluding Chinese

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<sup>150</sup> Kennedy, *Charity Warfare: The Charity Organisation Society in Colonial Melbourne*, pp. 78, 110-111, 126, 128.

<sup>151</sup> O’Brien, *Philanthropy and Settler Colonialism*, pp. 100-101.

<sup>152</sup> Ibid, p. 90. Swain also notes these women ‘appear to have felt no necessity to justify the way they worked.’ Swain, “Women and Philanthropy in Colonial and Post-Colonial Australia.”

<sup>153</sup> “Women and Philanthropy in Colonial and Post-Colonial Australia.”

<sup>154</sup> O’Brien, *Philanthropy and Settler Colonialism*, p. 87.

<sup>155</sup> O’Brien, “Charity and Philanthropy.”

<sup>156</sup> O’Brien, *Philanthropy and Settler Colonialism*, pp. 67-86; O’Brien, “Charity and Philanthropy.”; Swain, “Women and Philanthropy in Colonial and Post-Colonial Australia.”

<sup>157</sup> “Women and Philanthropy in Colonial and Post-Colonial Australia.”

<sup>158</sup> O’Brien, *Philanthropy and Settler Colonialism*, p. 87.

<sup>159</sup> Ibid, pp. 101, 104, 114-115.

immigrants and the Indigenous population from philanthropy influenced the initial exclusion of these groups from citizenship 'by locating them outside the bounds of the imagined future community.'<sup>160</sup> Sawyer does acknowledge 'definite limits to social liberal thinking on equal opportunity', though argued that Australia's social liberal path dependency established a pattern of looking to the state to promote equality of opportunity, which could be utilised by these groups later in the twentieth century.<sup>161</sup> This framework though could actually be seen as an extension of previous colonial arrangements where, as Swain argues, 'the first goal of any group seeking to establish a philanthropic organisation was to gain access to government funding.'<sup>162</sup> This indicates a particular relationship between government and philanthropy that would see philanthropy's role particularly connected to path dependency which was developing.

Aged pensions are another area where colonial philanthropy's influence is considered to be felt. O'Brien considers the introduction of an old aged pension in New South Wales in 1901 as social liberalism's 'most significant manifestation' in the state.<sup>163</sup> Kennedy suggests in Victoria though that the pension introduced by the Turner government, which can be characterised as social liberal and of which Deakin was a part, represented an 'extension' of Victoria's charitable tradition into legislation.<sup>164</sup> Pension legislation was considered in the context of debate regarding organised charity in Melbourne, and Kennedy contends the 1898 report of Victoria's old-age pension commission 'should be read .... as a document that endorsed Organised Charity and brought it up to date, incorporating the Society's creed into the mainstream of Victorian 1900s liberalism.'<sup>165</sup> For Kennedy, the fact that the first pensions were 'both means tested and character tested' suggested they were conceived as 'a gracious gift from the government.'<sup>166</sup> Swain also views the 'means and moral testing' of welfare payments as 'evidence of the survival of a charitable ideology into the area of state provision.'<sup>167</sup>

Sawyer discusses the connections between social liberalism and the aged pension, arguing 'social liberalism contributed both the philosophical arguments and the social research which underpinned the introduction of old age pensions.'<sup>168</sup> In opposition to Kennedy's assessment, she

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<sup>160</sup> Swain, "Philanthropy and Nation Building."; O'Brien, "Charity and Philanthropy."; O'Brien, *Philanthropy and Settler Colonialism*, pp. 87, 89.

<sup>161</sup> Sawyer, *The Ethical State?: Social Liberalism in Australia*.

<sup>162</sup> Swain, "Women and Philanthropy in Colonial and Post-Colonial Australia."

<sup>163</sup> O'Brien, "Charity and Philanthropy."

<sup>164</sup> Kennedy, *Charity Warfare: The Charity Organisation Society in Colonial Melbourne*, pp. 216-217.

<sup>165</sup> *Ibid*, pp. 235, 236.

<sup>166</sup> *Ibid*, p. 236.

<sup>167</sup> Swain, "Women and Philanthropy in Colonial and Post-Colonial Australia."

<sup>168</sup> Sawyer, *The Ethical State?: Social Liberalism in Australia*, pp. 74-75.



argues that debates both prior to and following federation emphasized the view that 'old aged pensions were not a matter of charity but of right', and government provision was considered to be both more compassionate and 'more efficient than "the chance efforts of the well-intentioned."'169 In Sawyer's view, 'the fact that levels of pension payment and criteria of eligibility were to be characterised by considerable economy, particularly in Victoria, does not negate the generosity of the original conception.'170 The rationale for the aged pension 'was that past services performed by citizens, whether in war or peace, entitled them to help from the state during their declining years.'171 The reciprocal nature of the rationale also appears to reflect the concept of active citizenship associated with social liberalism.

Exploring the evolution of philanthropy in Australia during the nineteenth century colonial period as attitudes and circumstances changed highlights a connection between the respective roles of philanthropy and government, as well as the particular influence of social liberalism on the relationship between them. This suggests that a simple explanation that Australia's philanthropic culture is not as developed as other countries due to 'an expectation that government will provide' is not sufficient to understand philanthropy's role in contemporary Australia. Philanthropy retained a role following the development of the Australian settlement 'but it was no longer central.'172 The conditions at the end of the nineteenth century that had demonstrated its inadequacies, along with changing views regarding the causes of poverty, saw it cast in an ancillary role supporting the ethical state. The prevalence of this thinking during Australia's nation-building period saw this particular view of the roles of philanthropy and the state respectively become embedded within a social liberal path dependency that would remain influential.

### Philanthropic Compromise

Though solutions to social problems came to be constructed in opposition to philanthropy in Australia at the beginning of the twentieth century, this was not necessarily the case in other countries. In this period in the United States, for example philanthropy particularly came to represent a compromise between liberal and socialist positions. Philanthropy was associated with voluntarism, with civil society already seen as occupying an important, central position in society. During the 'golden age' of philanthropy in the late nineteenth and early twentieth centuries, the actions of high profile philanthropists such as Andrew Carnegie and John D. Rockefeller served to

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<sup>169</sup> Ibid, pp. 74-75.

<sup>170</sup> Ibid.

<sup>171</sup> Ibid.

<sup>172</sup> Swain, "Women and Philanthropy in Colonial and Post-Colonial Australia."

'legitimate industrial capitalism' as well as making 'the American class system, unequal reward structure, and deadening workplace more palatable.'<sup>173</sup> This was a period of rapid industrial change accompanied by an equally rapid rise in wealth and inequality, and it was felt adapting would require 'a well ordered, peaceful society, something which 'could not be achieved through market forces alone.'<sup>174</sup> Karl and Katz noted 'from the 1870s on, increasing labour unrest, together with a growing awareness of urban poverty and its consequences, certainly led many who were critical ...to predict some sort of socialist transformation.'<sup>175</sup> In Australia, the influence of social liberalism, which was based on the view that 'the promise of liberalism had not been realised', meant philanthropy was not necessary to provide such a compromise.<sup>176</sup>

In the United States though, people were wary of supporting an interventionist state which 'encroaches on private property and personal freedoms' as well as 'threatening the freedom of the market.'<sup>177</sup> Philanthropy represented a voluntary method of redistribution, and as such a compromise in this situation. Foundations supported 'directing private wealth to the provision of public good without encroaching on political and economic freedoms.'<sup>178</sup> It aligned with the 'weak state tradition' of the United States, which stems from the country's birth in 'a revolution against tyrannical state power.'<sup>179</sup> Prewitt suggests the compromise was positive, as foundations became important in 'building a modern social science, whose personnel and research could help guide democratic decision making.' This allowed them to 'simultaneously protect economic interests from civil violence or class conflict, and also be guided by democratic instincts that would lead to a heavy investment in leadership training as well as public education and enlightenment.'<sup>180</sup> It served to justify, and at the same time ameliorate to an extent some of the negative effects of the market economy while maintaining the status quo to preserve a natural and desirable state of inequality. Community foundations, which developed in response to the concern that large foundations were

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<sup>173</sup> Sealander, *Private Wealth and Public Life: Foundation Philanthropy and the Reshaping of American Social Policy from the Progressive Era to the New Deal*, p. 9; Karl and Katz, "Foundations and Ruling Class Elites."; Roelofs, *Foundations and Public Policy: The Mask of Pluralism*, pp. 7-8; Eric Franklin Amarante, "The Perils of Philanthrocapitalism," *Maryland Law Review* 78, no. 1 (2018).

<sup>174</sup> Sealander, *Private Wealth and Public Life: Foundation Philanthropy and the Reshaping of American Social Policy from the Progressive Era to the New Deal*, p. 26.

<sup>175</sup> Karl and Katz, "Foundations and Ruling Class Elites."

<sup>176</sup> Walter, *What Were They Thinking? The Politics of Ideas in Australia*, p. 62.

<sup>177</sup> Prewitt, "American Foundations: What Justifies Their Unique Privileges and Powers," p. 40; "Foundations."

<sup>178</sup> "Foundations."

<sup>179</sup> *Ibid*, p. 362.

<sup>180</sup> *Ibid*, p. 364.

too close to the national government, were also thought to represent a middle ground or 'path between socialism and laissez fair capitalism.'<sup>181</sup>

Villadsen also suggests that in Europe philanthropy in this period also came to represent a form of 'social-liberal compromise', one which ultimately led to the development of the welfare state, as another entity which can facilitate redistribution for the purpose of enhancing equality.<sup>182</sup> While the welfare state is primarily based on universal social rights for citizens, it can involve a form of redistribution as government provision of services and entitlements is funded through generally progressive taxation regimes.<sup>183</sup> Sawyer argues that the established social liberal path dependency also provided the context for the development of Australia's welfare state in its establishment of 'the discourse of equal opportunity and the fair go.'<sup>184</sup> Despite concerns that the advent of the welfare state in Europe and expanded the role of central government in the United States would render philanthropy obsolete, it continued to operate alongside government in a manner which reflected existing relationships.<sup>185</sup> This is also what has occurred in Australia where philanthropy's role is connected to the social liberal path dependency and demonstrates the particular view of philanthropy in Australia.

Kennedy suggests the Charity Organisation movement as it was imported from England to Australia could be viewed in similar terms as a philanthropic compromise in Australia.<sup>186</sup> The movement did not prove particularly successful in Australia however, in part due to the economic and social context in the 1890s. Walter notes politicians during Australia's nation-building period were 'very much influenced by the conflicts and crashes of the 1890s' and were concerned to avoid such issues in the future.<sup>187</sup> Philanthropy had proven inadequate in this context and so was not considered as a solution. Social liberalism recognised many of the same failings in the classical liberal doctrine which had led to the philanthropic compromise in the United States, particularly its reliance

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<sup>181</sup> Diana Leat, "The Development of Community Foundations in Australia: Recreating the American Dream," *Centre of Philanthropy and Nonprofit Studies, Queensland University of Technology*, July 2004, [https://eprints.qut.edu.au/69030/1/cpns\\_book\\_SPV.pdf](https://eprints.qut.edu.au/69030/1/cpns_book_SPV.pdf).

<sup>182</sup> Villadsen, "Modern Welfare and 'Good Old' Philanthropy. "; Garrow and Hasenfeld, "Social Enterprises as an Embodiment of a Neoliberal Welfare Logic. "; Ealy, "The Intellectual Crisis in Philanthropy."

<sup>183</sup> Prewitt, "Foundations," p. 359.

<sup>184</sup> Sawyer, *The Ethical State?: Social Liberalism in Australia*, p. 48.

<sup>185</sup> See Zunz, *Philanthropy in America: A History*; Lagemann, *The Politics of Knowledge: The Carnegie Corporation, Philanthropy, and Public Policy*; Sealander, *Private Wealth and Public Life: Foundation Philanthropy and the Reshaping of American Social Policy from the Progressive Era to the New Deal*; Peter D. Hall, "The Welfare State and the Careers of Public and Private Institutions since 1945," in *Charity, Philanthropy and Civility in American History*, ed. Lawrence J. Friedman and Mark D. McGarvie (New York University of Cambridge Press, 2002), p. 369.

<sup>186</sup> Kennedy, "Charity and Ideology in Colonial Victoria," p. 74.

<sup>187</sup> Walter, *What Were They Thinking? The Politics of Ideas in Australia*, pp. 113-114.

on the market and relationships based on contracts between individuals.<sup>188</sup> The social liberal perspective also differed from the socialism of the period.<sup>189</sup> Deakin did not support state socialism, arguing that 'the virtues of private enterprise must not be forgotten' and that 'the choice is not ... between nationalisation and allowing all industries to fall under unrestricted competition. Between these distant points lies all the range of regulation.'<sup>190</sup> This suggests social liberalism was viewed as capable of providing a middle ground between political positions.<sup>191</sup> The influence of social liberalism in Australia created a situation where philanthropy was not considered necessary, or in fact desirable, as a compromise between differing ideologies. Although the particular circumstances were significant in the development of these views regarding philanthropy and government, their prevalence during Australia's nation-building period saw them being embedded within the established path dependency which enabled their continued influence.

Philanthropy in Australia has developed a role alongside a political culture that 'legitimizes looking to the state' to support equality of opportunity for all citizens.<sup>192</sup> Philanthropic actions can be viewed as part of a reciprocal relationship as an expression of active citizenship. This is a complementary or ancillary role which supports a particular view of the role of the state as promoting equality of opportunity, and which differs from the more central role philanthropy has occupied internationally. The comparison with the United States and Europe to a lesser extent, which demonstrates philanthropy came to fulfil a central role in the period internationally, demonstrated that philanthropy's ancillary role and relationship with the state is particular to Australia, representing a response to particular circumstances. Because these circumstances coincided with Australia's nation-building period the particular role of philanthropy, along with that of the state, became embedded with a path dependency, which established a particular relationship between the two that continued to be influential.

### Neoliberal challenge

Pierson notes that path dependencies can be 'swamped' immediately or eroded over time by different ideas and approaches.<sup>193</sup> Sawyer identified a challenge to the established social liberal path dependency in Australia in the influence of neoliberalism, which promotes an alternative view of the

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<sup>188</sup> Sawyer, *The Ethical State?: Social Liberalism in Australia*, p. 89.

<sup>189</sup> Walter, *What Were They Thinking? The Politics of Ideas in Australia*, p. 13.

<sup>190</sup> A. Deakin, *The Pre-Sessional Speech of Mr. Alfred Deakin, MP, to his constituents*, Melbourne, the author, 24 June 1905 in, *ibid*.

<sup>191</sup> See Edwards, *The Passion of Politics: The Role of Ideology and Political Theory in Australia*, p. 46.

<sup>192</sup> Sawyer, *The Ethical State?: Social Liberalism in Australia*, p. 122.

<sup>193</sup> Pierson, "Increasing Returns, Path Dependence, and the Study of Politics." See, also Sarigil, "Path Dependence."

role of the state and the responsibilities of citizens.<sup>194</sup> This could see the social liberal conception of the state, as well as philanthropy's ancillary role as an expression of active citizenship, being supplanted by a view of citizenship and equality based on the concepts of 'contract and consent.'<sup>195</sup> O'Brien suggests that in Australia 'significant cuts to welfare spending' from the 1990s influenced by a 'neoliberal economic agenda' saw welfare organisations 'having to defend the very idea of the welfare safety net', amidst the contracting out of welfare services.<sup>196</sup> The origins of the neoliberal influence in Australia can be traced through 'economic and public sector reform' in the 1980s, which Pusey argued 'greatly reduced the redistributive function of the Canberra state apparatus and altered the whole cast of public policy.'<sup>197</sup> The reform impacted the relationship between government and society and promoted the neoliberal view of the role of the state.<sup>198</sup> Authors have outlined the influence of neoliberalism on welfare policy in Australia, particularly through the contracting out of welfare services to not-for-profit organisations and increasing conditionality attaching to welfare payments, along with the increased marketisation of service delivery.<sup>199</sup>

Connections have been identified between philanthropy and the neoliberal approach. Nickel and Eikenberry refer to the 'voluntary state', the only role of which is to support the conditions necessary for the operation of the market. It seeks to 'devolve responsibility for human welfare to the market' and sees 'the voluntary and discretionary redistribution of *individual* wealth as the only

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<sup>194</sup> Sawer, *The Ethical State?: Social Liberalism in Australia*, pp. 68, 184-195.

<sup>195</sup> Ibid, pp. 68, 184-185; Judith Brett, *Australian Liberals and the Moral Middle Class: From Alfred Deakin to John Howard* (Cambridge: Cambridge University Press, 2003), pp. 172-180.

<sup>196</sup> O'Brien, "Charity and Philanthropy."

<sup>197</sup> Michael Pusey, *Economic Rationalism in Canberra: A Nation Building State Changes Its Mind* (Cambridge: Cambridge University Press, 1991), pp. 4-9, 13, 31, 172, 199, 201.

<sup>198</sup> Ibid, pp. 4-9, 13, 31, 172, 199, 201; Marian Sawer, "Introduction," in *Australia and the New Right*, ed. Marian Sawer (North Sydney: George Allen & Unwin Australia Pty Ltd, 1982), pp. viii; Political Manifestations of Australian Libertarianism." in *Australia and the New Right*, ed. Marian Sawer (North Sydney: George Allen & Unwin Pty Ltd., 1982), pp. 14-18; Pusey, *Economic Rationalism in Canberra: A Nation Building State Changes Its Mind*, pp. 5-8, 13. See also, Walter, *What Were They Thinking? The Politics of Ideas in Australia*; Edwards, *The Passion of Politics: The Role of Ideology and Political Theory in Australia*, p. 157; Brett, *Australian Liberals and the Moral Middle Class: From Alfred Deakin to John Howard*, pp. 168-179.

<sup>199</sup> See e.g. Philip Mendes, *Australia's Welfare Wars: The Players, the Politics and the Ideologies* (Chicago: University of New South Wales Press, 2017); *Australia's Welfare Wars Revisited: The Players, the Politics and the Ideologies* (Sydney: UNSW Press, 2008); Francis G. Castles, "A Farewell to Australia's Welfare State," *International Journal of Health Services* 31, no. 3 (2001); Ben Spies-Butcher, "Welfare Reform," in *Australian Public Policy: Progressive Ideas in the Neoliberal Ascendancy*, ed. Chris Miller and Lionel Orchard (Bristol: Policy Press, 2014); Rob Watts, "'Running on Empty': Australia's Neoliberal Social Security System, 1988-2015," in *Basic Income in Australia and New Zealand: Perspectives from the Neoliberal Frontier*, ed. Jennifer Mays, Greg Marston, and John Tomlinson (New York: Palgrave Macmillan US, 2016); Mark Davis, "Neoliberalism, the Culture Wars and Public Policy," in *Australian Public Policy: Progressive Ideas in the Neoliberal Ascendancy*, ed. Chris Miller and Lionel Orchard (Bristol: Policy Press, 2014); Walter, *What Were They Thinking? The Politics of Ideas in Australia*; Meagher and Susan Goodwin (eds.), *Markets, Rights and Power in Australian Social Policy*; Connell, Fawcett, and Meagher, "Neoliberalism, New Public Management and the Human Service Professions: Introduction to the Special Issue."

means to achieve social welfare.<sup>200</sup> This has been reflected internationally with philanthropy being looked to as a substitute for government funds in the context of not-for-profit sector reform.<sup>201</sup> In this view, philanthropy as a means of giving back to the community as an expression of active citizenship is not necessary as the neoliberal approach considers they wealthy have already benefitted society through their wealth creation activities.<sup>202</sup> The neoliberal approach could also consider philanthropy ineffective. For example, Frederick Hayek viewed philanthropy and the not-for-profit sector as incompatible with 'modern economic orders,' considering 'if our modern economy can generate and allocate resources more efficiently than any other conceivable "system" then it is no longer necessary to engage in informal, local, non-commercial - in a word pre-modern-modes of giving and learning.'<sup>203</sup> The economy was viewed as 'the generative core of economic life (potent, efficient, systemic) in contrast to charity and philanthropic giving which were regarded as outmoded, inefficient and ad hoc.'<sup>204</sup> Hayek 'urged modern humanitarians to devote fewer resources to charity and more to commerce', which would 'provide a greater benefit to the community than most direct "altruistic action."'<sup>205</sup> Both Hayek and Milton Freidman considered 'philanthropic ends are better served by the commercial machine than by individual acts of caring and sharing.'<sup>206</sup> Hayek argued particularly that businesses should not engage in philanthropy as they 'lack the knowledge to effectively allocate resources to social endeavours.'<sup>207</sup> He suggested 'proven abilities to use resources efficiently in production does not necessarily confer special competence' in this area<sup>208</sup>

However, newer marketised conceptions of philanthropy consider market success in itself as a qualification to successfully address social issues. Garnett suggests thinkers have started to envision a society where 'market processes' exist alongside 'aggressive and imaginative voluntary

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<sup>200</sup> Nickel and Eikenberry, "Responding to "Natural" Disasters: The Ethical Implications of the Voluntary State."; "Philanthropy in an Era of Global Governance."

<sup>201</sup> "Responding to "Natural" Disasters: The Ethical Implications of the Voluntary State."; Madden, "Giving and Identity: Why Affluent Australians Give – or Don't – to Community Causes."; Smyllie, Scaife, and McDonald, "That's What Governments Do."; Helmut K. Anheier and Siobhan Daly, "Roles of Foundations in Europe: A Comparison," in *Legitimacy of Philanthropic Foundations: United States and European Perspectives*, ed. Kenneth Prewitt, et al. (New York: Sage Foundation, 2006).

<sup>202</sup> Bishop and Green, *Philanthrocapitalism: How the Rich Can Save the World and Why We Should Let Them*, p. 261.

<sup>203</sup> Robert F. JR Garnett, "Hayek and Philanthropy: A Classical Liberal Road Not (yet) Taken," in *Hayek, Mill and the Liberal Tradition*, ed. Andrew Farrant (London: Routledge 2010), pp. 149, 150, 153.

<sup>204</sup> Ibid, p. 153.

<sup>205</sup> Hayek 1988, p. 81 cited in ibid, p. 149.

<sup>206</sup> Ibid.

<sup>207</sup> Ibid, p. 150.

<sup>208</sup> Hayek 1967, p. 311 cited in ibid, p. 150.

action in the public interest.<sup>209</sup> This does not necessarily move away from the ‘commerce only’ model of society, though as a fundamental aspect of neoliberalism is that it involves ‘the extension of economic rationalism to formerly non-economic domains’ as the market becomes the paradigm through which all aspects of society are viewed.<sup>210</sup> Marketised conceptions of philanthropy are based on the belief that ‘the skills and wisdom necessary to create large fortunes could be tapped to devise strategies and programs for social benefit.’<sup>211</sup> In contrast to Hayek’s original view, these forms of philanthropy consider that the skills acquired in achieving business success confer a unique suitability to address social issues by applying the skills and logic of the market. These marketised forms of philanthropy have generated significant discussion including substantial criticisms, which will be examined in the following chapter as they provide significant insight in the role of the state.

Garnett suggests moving beyond such a ‘commerce only’ approach and incorporating philanthropy into a wider conception of the market would ‘allow economists to recognise the nuance and complexity of hybrid forms such as “for profit social ventures and entrepreneurial non-profits.”’<sup>212</sup> He envisions these hybrid models will allow philanthropy to be conceived as ‘more than a mere supplement to the real economy – a palliative to fill gaps, redistribute resources, repair damage and otherwise heal the pathologies of modern commercial societies.’<sup>213</sup> Rather than being viewed simply as a mechanism of redistribution, philanthropy could be conceived in broader terms of the positive impact it can have on society.<sup>214</sup> Such hybrid models are being developed, for example in the form of social impact bonds and impact investing, considered as part of an ‘extended family’ of philanthropy.<sup>215</sup> These are discussed in more detail the Australian context in *chapter six*. However, as that chapter demonstrates, the influence of neoliberalism on the way these models have developed has meant that while they may present a wider conception of philanthropy and the market, they are underpinned by a narrowly conceived, neoliberal influenced view of government’s role and continue to reflect a neoliberal approach.

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<sup>209</sup> Cornuelle 1992: 6 and Cornuelle 1993 [1965] in *ibid*. Garnett suggests such a view is supported by the work of Adam Smith, as well as Hayek, whose framing of the economy allows for a border approach to human welfare. *Ibid*, pp. 154-155.

<sup>210</sup> Brown, "Neo-Liberalism and the End of Liberal Democracy." See also, Harvey, *A Brief History of Neoliberalism*; Garrow and Hasenfeld, "Social Enterprises as an Embodiment of a Neoliberal Welfare Logic."

<sup>211</sup> Wolpert, "Redistributional Effects of America's Private Foundations," pp. 133-134.

<sup>212</sup> Fulton and Blau 2005, p. 15, 28 cited in Garnett, "Hayek and Philanthropy: A Classical Liberal Road Not (yet) Taken," p. 157.

<sup>213</sup> *Ibid*. See also, Richard B. Gunderman, "Imagining Philanthropy." *Conversations on Philanthropy* Volume IV, The Legacy of Kenneth Boulding (2007).

<sup>214</sup> "Imagining Philanthropy."

<sup>215</sup> See e.g. McGoey, "The Philanthropic State: Market–State Hybrids in the Philanthrocapitalist Turn."; Scaife et al., "Giving Australia 2016: Literature Review."

In addition to Sawyer's identification of the neoliberal concept of citizenship within Australia and the observations of other authors regarding neoliberalism's influence in Australia, Rawlings identified a growing perception of unfairness surrounding Australia's taxation system which threatened to undermine its legitimacy, with implications for the position of the state.<sup>216</sup> He suggests this stems from Australia's economic restructuring in the 1970s and 1980s, which 'valorised' the neoliberal conception of "'fairness as personal economic liberty" in all areas of state-citizen relationships.<sup>217</sup> This could be considered further evidence of the neoliberal challenge to the established social liberal path dependency. Rawlings argues, if it is not considered fair, the tax system 'ceases to be a form of mutual obligation (in terms of the "good it brings the community") and becomes a "burden."<sup>218</sup> In this situation philanthropy is more likely to be employed as a mechanism of redistribution. The Labor Party's loss in the 2019 federal election having campaigned on a tax agenda that was 'unashamedly redistributive',<sup>219</sup> may also suggest a move away from redistributive taxation and also potentially the breakdown of the social liberal path dependency.<sup>220</sup> While this evidence may confirm the challenge to the social liberal path dependency in Australia, its impact and extent is not necessarily clear. This may indicate that the concept of path dependence is flawed. However, given philanthropy's connection to the social liberal path dependency, which has been established, it could be supposed that a significant move away from the social liberal view of government's role would be reflected in changes to philanthropy's role also. Particularly, it could be expected to adopt a more central role. O'Brien suggests 'as the government came to outsource many of the functions that had previously been assigned to the state ... [philanthropy] regained some of the influence it had enjoyed in the nineteenth century.'<sup>221</sup>

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<sup>216</sup> Rawlings does also find though that 'people still believe that compliance with the tax system is an important social responsibility and that it should be fair despite its imperfections.' Rawlings, "Cultural Narratives of Taxation and Citizenship: Fairness, Groups and Globalisation."

<sup>217</sup> Ibid.

<sup>218</sup> Ibid.

<sup>219</sup> Bill Shorten, "2019 Budget-in-Reply Address," Canberra, 4 April 2019, [https://www.billshorten.com.au/2019\\_budget\\_in\\_reply\\_address\\_canberra\\_thursday\\_4\\_april\\_2019](https://www.billshorten.com.au/2019_budget_in_reply_address_canberra_thursday_4_april_2019); Andrew Probyn, "Leaders' Debate Shows We're Back Where We Started — Stick with the Known, or Risk the New?," *ABC News*, 30 April 2019, <https://www.abc.net.au/news/2019-04-30/leaders-debate-shows-were-back-where-we-started/11056740>.

The response to the 2014 Commonwealth budget also provides an example here. It was argued that the measures proposed would not result in redistribution but rather increased inequality in Australia. See, Joe Hockey, "A Budget for Opportunity," *Address to the Sydney Institute*, 11 June 2014, <https://ministers.treasury.gov.au/ministers/joe-hockey-2015/speeches/budget-opportunity-address-sydney-institute>; Peter Whiteford, "The Age of Disentitlement," Crawford School of Public Policy, Australian National University, <https://crawford.anu.edu.au/news/4765/age-disentitlement>.

<sup>220</sup> In his 2019 Budget reply speech, Opposition Leader Bill Shorten accused the government of having moved away from redistributive taxation. This was of course though not the only factor influencing the 2019 election campaign. See Shorten, "2019 Budget-in-Reply Address."

<sup>221</sup> O'Brien, "Charity and Philanthropy."



Philanthropy has increased in Australia, particularly since the 1990s, which saw the introduction of new regulatory arrangements.<sup>222</sup> Marketised forms of philanthropy, such as 'strategic' and 'venture' philanthropy, have influenced philanthropic practice in Australia and hybrid arrangements such as social impact bonds and impact investing, both of which are connected to a neoliberal approach and view of the role of the state, are also becoming more prominent.<sup>223</sup> However, as the following chapters will demonstrate, philanthropy still primarily occupies an ancillary position supporting a central role for government in promoting equality of opportunity, a role which developed as a result of its connection to the social liberal path dependency. Although marketised conceptions of philanthropy and new hybrid models appear to be influential, philanthropic engagement suggests they are not being fully embraced, in turn suggesting that philanthropy's ancillary role, and by extension the social liberal view of government's role, remain influential.<sup>224</sup>

## Conclusion

This discussion has shown that Australian philanthropy's relationship with the state is more complex than simply suggesting an expectation that 'government will provide' has led to an underdeveloped culture of giving. While philanthropy occupied a central position in Australia's colonial period, the economic conditions of the late nineteenth century, along with changing views regarding the nature of poverty and the potential role of the state in addressing it, saw philanthropy come to be perceived as inadequate. Social liberalism became particularly influential in Australia at this time, supporting a view of the role of the state that saw it occupying a central position in promoting equality of opportunity. Philanthropy came to be viewed as an ineffective means of redistribution, and unnecessary as a means of supporting recognition for disadvantaged and excluded groups, as social liberalism created 'a political culture that legitimised looking to the state to obtain rights and to advance rights claims.'<sup>225</sup> Philanthropy did though develop a role which aligned with the prevailing social liberal approach, representing an expression of active citizenship. Social liberalism felt that in return for the state's provision of the conditions necessary for securing equality of opportunity,

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<sup>222</sup> See e.g. Maggie Coggan, "Record Amount of Dollars Donated by Australia's Wealthiest," *Pro Bono News*, 6 May 2019, [https://probonoaustralia.com.au/news/2019/05/record-amount-of-dollars-donated-by-australias-wealthiest/?utm\\_source=Pro+Bono+Australia+-+email+updates&utm\\_campaign=f61b659c1f](https://probonoaustralia.com.au/news/2019/05/record-amount-of-dollars-donated-by-australias-wealthiest/?utm_source=Pro+Bono+Australia+-+email+updates&utm_campaign=f61b659c1f).

<sup>223</sup> See e.g. Hooper, "Grantmaking or Strategic Investment? The Challenge of "New" Philanthropic Discourses.," "A Many-Headed Beast: A Review of the Literature on Strategic Philanthropy," in *Australian Philanthropy: Research Papers 2000* ed. Diana Leat (Melbourne: Philanthropy Australia 2000). Baker et al., "Giving Australia 2016: Philanthropy and Philanthropists."

<sup>224</sup> See Hooper, "Grantmaking or Strategic Investment? The Challenge of "New" Philanthropic Discourses.," "A Many-Headed Beast: A Review of the Literature on Strategic Philanthropy."

<sup>225</sup> Sawer, *The Ethical State?: Social Liberalism in Australia*, p. 112.

social liberalism considered citizens had an obligation to be 'engaging in the life of the community to promote the community interest.'<sup>226</sup> This saw philanthropy occupying an ancillary role supporting the ethical state, which assumes a central position in society. Philanthropy did assume a more central role in other countries in the late nineteenth century, for example acting as a 'compromise' between liberal and more socialist views in the United States. In Australia however, social liberalism's influence saw such a compromise as unnecessary.

Social liberal ideas were at the height of their influence during Australia's nation-building period in the late nineteenth and early twentieth centuries. This saw them become embedded within a path dependency that allowed these views to remain influential during the twentieth century. Philanthropy's ancillary role in relation to the state also became attached to this path dependency, and this establishes a relationship between philanthropy and government that is particular to Australia. The influence of the social liberal path dependency can be seen reflected in the ambivalence regarding philanthropy's actions and position within society which authors identify in assessments of Australian philanthropy, particularly in discussions regarding accountability and transparency. In particular, this is indicated by the suggestion that not-for not-for-profit accountability may be considered as an extension of government accountability. The influence of the social liberal path dependency, and the role of the state associated with it, is also reflected through institutions, and in the attitudes of philanthropists regarding their role and position within society, as *chapters three* and *four* will demonstrate. Understanding philanthropy's particular role in Australia is important in creating policy that aims to encourage increased philanthropic activity. It also suggests that the particular relationship between philanthropy and government can be used to provide insights into views regarding the role of the state.

The following chapter will further highlight the particular nature of philanthropy's ancillary role in Australia by exploring alternative conceptions of the role philanthropy may perform in society. It will also explore the link between perceptions of philanthropy's role and views regarding the role of the state through examining directly critical views regarding philanthropy. In doing so the chapter will seek to demonstrate how the particular relationship between government and philanthropy can be used to provide an insight into views regarding the role of the state within a country. This then suggests that this relationship can be used to identify and examine potential changes in such views, In the Australian context, philanthropy's connection to the social liberal path dependency suggests its role can be used to assess the impact of the neoliberal challenge, as were the neoliberal view of the role of the state to become dominant, indicating the breakdown of the

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<sup>226</sup> Ibid, p. 11.

established path dependency, it could be expected that this would be reflected in a substantial change regarding philanthropy's position.

## Chapter 2 Criticisms of Philanthropy

Having identified the ancillary role philanthropy came to occupy in Australia in the previous chapter, this chapter will seek to explore it further by examining alternative conceptions of philanthropy's role. It will demonstrate the link between views of philanthropy's role and those regarding the role of the state in considering a second aspect of the critical paradigm identified by Villadsen, focusing on directly critical views which reject philanthropy altogether.<sup>1</sup> The first aspect of the critical paradigm saw philanthropy as not contributing any positive function to society, and as the previous chapter has argued, this aligns with the ambivalence regarding philanthropy's role and position that characterises discussions of philanthropy in Australia, and also reflects philanthropy's ancillary role. This ancillary role is connected to a social liberal view of the role of the state, with the relationship between philanthropy and government being connected to the social liberal path dependency established during the country's nation-building period. Examining directly critical views regarding philanthropy in the Australian context will highlight the particular nature of Australian philanthropy's ancillary role and its relationship with government. While the connection between the role philanthropy is envisioned as performing within society and views regarding the role of the state can also be observed in the actions of philanthropists, the presence of overlapping motivating factors influencing individual philanthropists makes this less apparent.<sup>2</sup> Critical views regarding philanthropy demonstrate more clearly the connection between views regarding philanthropy's role and those regarding the role of the state.

The chapter will consider three distinct roles or functions commonly ascribed to philanthropy: philanthropy as a mechanism for the redistribution of resources, as has been also discussed in the previous chapter; philanthropy as an expression of reciprocity; and philanthropy as a support for civil society. Karl and Katz argue in the United States that 'the critics of philanthropy' have shaped the debate regarding philanthropy's role and position within society.<sup>3</sup> Many of the critical views regarding philanthropy, and indeed much of discussion of its position within society, come from the United States. For example, the large-scale philanthropic institutions that developed in the late nineteenth and early twentieth centuries were felt to represent a 'conspiracy' to undermine democracy.<sup>4</sup> As such, these critical views are likely to reflect the specific nature of philanthropy and its relationship with government in the United States. By considering the resonance of these critical views, and the views of philanthropy's role they envision, in the

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<sup>1</sup> Villadsen, "Modern Welfare and 'Good Old' Philanthropy."

<sup>2</sup> Wright, "Generosity Vs. Altruism: Philanthropy and Charity in the United States and United Kingdom."

<sup>3</sup> Karl and Katz, "Foundations and Ruling Class Elites."

<sup>4</sup> "The American Private Philanthropic Foundation and the Public Sphere 1890–1930."

Australian context, the chapter will demonstrate the particular nature of Australian philanthropy's ancillary role. As well as the United States, comparison with the United Kingdom throughout the chapter will also serve to further highlight the specific Australian context. A significant level of criticism is also directed particularly towards marketised philanthropy, and this indicates a particular neoliberal view of the role of the state. Examining these critical views in the Australian context will then also help to establish how the relationship between government and philanthropy can be used to assess the influence of neoliberal views regarding the role of the state in Australia.

### Philanthropy as Redistribution

With a history dating from Elizabethan England, philanthropy's most readily conceived of role is arguably as a mechanism of redistribution.<sup>5</sup> Criticisms of philanthropy that link it to economic inequality primarily view its role as a mechanism of redistribution. Increased interest in philanthropy internationally has seen comparisons made between the current period and the 'gilded age' of wealth creation in the United States. This coincided with the 'golden age of philanthropy', promoting a view that high levels of wealth are 'an important prerequisite for philanthropy.'<sup>6</sup> In both periods, the distribution of this wealth is also increasingly uneven, suggesting this itself may be a prerequisite for philanthropy.<sup>7</sup> As discussed in the previous chapter, philanthropy in Australia does not occupy a redistributive role as a result of its connection with the social liberal path dependency. Social liberalism sees the ethical state occupying the central position facilitating redistribution through taxation in order to support equality of opportunity. A trend towards greater inequality has also been observed since the 1990s in Australia as well, in a period that also saw a concerted effort to increase philanthropy.<sup>8</sup> This could potentially result in a change to philanthropy's role, seeing it become more redistributive. The 2016 *Giving Australia* research states 'in an era when an increasingly disproportionate share of assets is accruing to the relative few ... wealthy individuals

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<sup>5</sup> Prewitt, "Foundations," p. 360.

<sup>6</sup> Theo N.M. Schuyt, "Philanthropy in European Welfare States: A Challenging Promise?," *International Review of Administrative Sciences* 76, no. 4 (2010). See also, Sealander, *Private Wealth and Public Life: Foundation Philanthropy and the Reshaping of American Social Policy from the Progressive Era to the New Deal*; Anheier and Leat, *Creative Philanthropy: Towards a New Philanthropy for the Twenty-First Century*.

<sup>7</sup> Schuyt, "Philanthropy in European Welfare States: A Challenging Promise?" See also, Harrow and Jung, "Philanthropy Is Dead; Long Live Philanthropy?"

<sup>8</sup> See e.g. Senate Community Affairs References Committee, "Bridging Our Growing Divide: Inequality in Australia," Commonwealth of Australia, December 2014, <https://apo.org.au/node/43117>; Andrew Leigh, *Battlers and Billionaires the Story of Inequality in Australia* (Melbourne: Schwartz Publishing Pty. Ltd, 2013), p. 40; David Richardson and Richard Denniss, "Income & Wealth Inequality in Australia," *The Australia Institute*, July 2014, <https://australiainstitute.org.au/wp-content/uploads/2020/12/PB-64-Income-and-wealth-inequality-FINAL.pdf>; Davidson et al., "Inequality in Australia 2020 - Part 1: Overview."

and families have become increasingly important.<sup>9</sup> Such a change in philanthropy's role may suggest the success of the neoliberal challenge. O'Brien also observes:

The historical similarities between the socio-economic conditions at the turn of the nineteenth and the turn of the twenty-first centuries are striking in both eras philanthropy gained greater status as the market economy grew and there was a growing tendency to blame the poor for their difficult circumstances.<sup>10</sup>

Such a change in philanthropy's role would potentially indicate that the social liberal path dependency has substantially broken down.

High levels of economic inequality present a number of issues for society. In particular, they can 'erode' belief in equal opportunity as the wealthy become able to disproportionately influence the public agenda and skew perceptions of 'the common good.'<sup>11</sup> Philanthropy presents one way in which this can occur. This erosion of equal opportunity is likely to negatively impact trust in government, which can lead to 'weakened support for social policy programs', as people 'only support measures from which they themselves profit.'<sup>12</sup> For example, Rawlings suggests changes in perceptions of fairness surrounding Australia's taxation system have resulted from the influence of neoliberalism, which has supported 'opportunities for tax minimisation, avoidance and evasion', creating 'the perception that the state is no longer neutral with all groups in society.'<sup>13</sup> Low trust in government could also support a situation where the wealthy elect to engage in their own form of redistribution through philanthropy, allowing them to exert influence. This undermines the social liberal view of the ethical state functioning to promote equality of opportunity through redistribution, and is more reflective of the neoliberal influenced voluntary state discussed in the previous chapter that seeks to 'devolve responsibility for human welfare to the market', and sees 'the voluntary and discretionary redistribution of *individual* wealth as the only means to achieve social welfare.'<sup>14</sup> While the former supported a taxation system in Australia viewed 'in light of the good it brings to the whole community, including the taxpayer,'<sup>15</sup> the later considers 'the voluntary

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<sup>9</sup> Baker et al., "Giving Australia 2016: Philanthropy and Philanthropists."

<sup>10</sup> O'Brien, "Charity and Philanthropy."

<sup>11</sup> Leigh, *Battlers and Billionaires the Story of Inequality in Australia*, p. 89; Oxfam Australia, "Still the Lucky Country? The Growing Gap between Rich and Poor Is a Gaping Hole in the G20 Agenda," *Oxfam Australia*, June 2014, [https://www.oxfam.org.au/wp-content/uploads/2014/06/2014-66-g20-report\\_fa\\_web-2.pdf](https://www.oxfam.org.au/wp-content/uploads/2014/06/2014-66-g20-report_fa_web-2.pdf).

<sup>12</sup> Armin Schäfer, "Consequences of Social Inequality for Democracy in Western Europe," *Zeitschrift für Vergleichende Politikwissenschaft* 6, no. 2 (2012).

<sup>13</sup> Rawlings, "Cultural Narratives of Taxation and Citizenship: Fairness, Groups and Globalisation."

<sup>14</sup> Nickel and Eikenberry, "Responding to "Natural" Disasters: The Ethical Implications of the Voluntary State."

<sup>15</sup> Sawyer, *The Ethical State?: Social Liberalism in Australia*; Rawlings, "Contesting Fairness and Fragmenting Groups: Cultural Narratives of Taxation and Citizenship in Globalising Australia."

and discretionary redistribution of *individual wealth* as the only means to achieve social welfare.<sup>16</sup> This suggests that viewing philanthropy's role as a mechanism of redistribution reflects a neoliberal ideological position.

Views of philanthropy as a mechanism of redistribution generally consider it in opposition to government. Proponents argue philanthropy is preferable to government taxation because philanthropists are not beholden to any particular constituency the way government and the market are.<sup>17</sup> As well as allowing it to be more flexible and innovative, this 'hyperagency' status allows philanthropy to directly target populations that would benefit directly from redistribution, and thus be more effective over the long term.<sup>18</sup> By contrast, government must adopt a more systematic approach, treating all citizens equally.<sup>19</sup> It is also limited by the election cycle, and this means government redistribution is only able to superficially address inequality.<sup>20</sup> Wolpert argues as well that government taxation is ineffective as a method of redistribution as the wealthiest in society are the most able to engage in tax avoidance strategies, reducing the amount available for redistribution in the first instance. Government is thus likely to secure more wealth for the good of society by supporting voluntary redistribution through philanthropy.<sup>21</sup> Wolpert suggests governments' incentivising of philanthropy through tax concessions is an acknowledgement of this point, though he does note there is no evidence to suggest those who seek to avoid taxes would be the same people likely to pursue philanthropic activity.<sup>22</sup> This differs significantly from the social liberal position which supports redistribution through taxation, as the state is considered the only entity able to secure equality of opportunity for citizens.

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<sup>16</sup> Nickel and Eikenberry, "Responding to "Natural" Disasters: The Ethical Implications of the Voluntary State."

<sup>17</sup> Bishop and Green, *Philanthrocapitalism: How the Rich Can Save the World and Why We Should Let Them*; Wolpert, "Redistributional Effects of America's Private Foundations," p. 132; Ekkehard Thümler, "Foundations, Schools and the State," *Public Management Review* 13, no. 8 (2011).

<sup>18</sup> Wolpert, "Redistributional Effects of America's Private Foundations," pp. 132, 133, 137. See also, Matthew Bishop, "Philanthrocapitalism: Solving Public Problems through Private Means," *Social Research* 80, no. 2 (2013); Bishop and Green, *Philanthrocapitalism: How the Rich Can Save the World and Why We Should Let Them*; Nickel and Eikenberry, "Philanthropy in an Era of Global Governance."; Paul G. Schervish, "Hyperagency and High-Tech Donors: A New Theory of the New Philanthropists," *Paper Presented at the Annual Conference of the Association for Research on Nonprofit organisations and Voluntary Action*, 2003, [https://www.bc.edu/content/dam/files/research\\_sites/cwp/pdf/haf.pdf](https://www.bc.edu/content/dam/files/research_sites/cwp/pdf/haf.pdf); Jung and Harrow, "New Development: Philanthropy in Networked Governance—Treading with Care."

<sup>19</sup> See e.g. B. Guy Peters, "Tax Policy," in *Handbook of Public Policy*, ed. B. Guy Peters and Jon Pierre (London: SAGE Publications, 2006).

<sup>20</sup> Wolpert, "Redistributional Effects of America's Private Foundations," pp. 125, 130; Bishop and Green, *Philanthrocapitalism: How the Rich Can Save the World and Why We Should Let Them*.

<sup>21</sup> Wolpert, "Redistributional Effects of America's Private Foundations," pp. 123, 132-133. See also, Prewitt, "Foundations," p. 259.

<sup>22</sup> Wolpert, "Redistributional Effects of America's Private Foundations," pp. 131- 132.

Philanthropy's independence is also a significant basis for criticism, and it is through such criticisms that the connection between philanthropy as a mechanism of redistribution and the neoliberal conception of government's role can be viewed. Anheier identifies several weaknesses of philanthropic foundations stemming from their 'dual independence', from voters and shareholders.<sup>23</sup> He refers to 'particularism', where 'foundations disproportionately favour one specific group of beneficiaries based on value preferences.'<sup>24</sup> While government's attachment to the electoral cycle provides it with an anchor to public opinion, the absence of any such link for foundations suggests philanthropic redistribution is more likely to represent a private and potentially arbitrarily determined view of the common good.<sup>25</sup> Prewitt observes a 'circularity' in the view that philanthropy is expected to promote the common good, as evidenced through the offered tax concessions, when 'what emerges as "the public good" is itself the result of private deliberation.'<sup>26</sup> Dogan suggests 'philanthropists intend to impose their vision of the good society through collective missionary-like (religious and secular) ventures.'<sup>27</sup> Wolpert argues that in philanthropic distributions 'the donor essentially retains control of his or her money that can be targeted to his or her vision of a better society.'<sup>28</sup> This is likely to differ from the views of recipients, and also be influenced by a desire for 'recognition and approval' on the part of the philanthropist.<sup>29</sup> Anheier sees this particularism as being intertwined with the other weaknesses of foundations he identifies, for example, 'amateurism', where foundations make decisions without a full understanding of the issue or the potential implications of their actions, and 'paternalism', which sees 'the substitution of a foundation's judgement for that of its beneficiaries.'<sup>30</sup> For Prewitt, this particularism makes philanthropy 'largely undemocratic.'<sup>31</sup>

It may also make philanthropy ineffective as a mechanism of redistribution. Prewitt suggests although philanthropy appears to be redistributive, because funds tend to come from the wealthy

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<sup>23</sup> Anheier, "Philanthropic Foundations in Cross-National Perspective: A Comparative Approach."

<sup>24</sup> Ibid.

<sup>25</sup> Thümler does suggest though that philanthropy still requires a level of public support to be successful. Thümler, "Foundations, Schools and the State." See also, Sealander, "Curing Evils at Their Source: The Arrival of Scientific Giving."

<sup>26</sup> Prewitt, "Foundations," pp. 375; Mattei Dogan, "In Search of Legitimacy: Similarities and Differences between the Continents," in *The Legitimacy of Philanthropic Foundations: United States and European Perspective*, ed. Kenneth Prewitt, et al. (New York: Russell Sage Foundation, 2006).

<sup>27</sup> "In Search of Legitimacy: Similarities and Differences between the Continents."

<sup>28</sup> Wolpert, "Redistributional Effects of America's Private Foundations," p. 134.

<sup>29</sup> Ibid, pp. 134, 138; Prewitt, "Foundations," p. 363; Geoffrey Miller, *The Mating Mind: How Sexual Choice Shaped the Evolution of Human Nature* (New York: Doubleday, 2000); Kumru and Vesterlund, "The Effect of Status on Charitable Giving.," Michael Menietti, Lise Vesterlund, and Anat Bracha, "Seeds to Succeed?: Sequential Giving to Public Projects," *Journal of Public Economics* 96, no. 5 (2011).

<sup>30</sup> Anheier, "Philanthropic Foundations in Cross-National Perspective: A Comparative Approach." See also, Wolpert, "Redistributional Effects of America's Private Foundations," pp. 138-139.

<sup>31</sup> Prewitt, "Foundations," p. 374.



and programs tend to 'disproportionately benefit the less well off', this is very difficult to measure.<sup>32</sup> Margo found 'only a minority of foundation grant dollars can be readily classified as pro-poor', and Prewitt suggests philanthropy's claim of being more efficient is somewhat 'counterintuitive', as 'the efficient use of resources is presumed to rely on a method that holds those who spend funds accountable for their performance.'<sup>33</sup> As well as questioning its redistributive effect, critical views of philanthropy also claim that it actually supports the preservation of inequality.<sup>34</sup> Prewitt observes an apparent 'irony' that philanthropic foundations, which are the products of 'the accumulation of substantial private wealth', seek 'to improve the lot of the poor and powerless' by addressing the 'root causes' of issues, but do not question 'the political-economic arrangements that allow for great inequalities in wealth acquisition.'<sup>35</sup> He argues critiques of philanthropy 'share the assumption that foundations intend to perpetuate the system under which huge private wealth is accumulated.'<sup>36</sup> While critiques from the left are concerned that philanthropy will be successful in this aim, 'the right fears this wholesome mission is thwarted by liberals who have captured the foundation.'<sup>37</sup> The assumption that forms the basis for this critique implies a view of government's role which supports inequality and is more likely to consider it as being related to the efforts of the individual.<sup>38</sup> It reflects what Sawyer refers to as 'the thin view of equal opportunity found in American versions of liberalism, where equal opportunity means equal rights to compete for unequal rewards, within an ethos of competition and minimal government intervention.'<sup>39</sup> This differs from the social liberal view, which saw 'equal opportunity as the chief object of the state.'<sup>40</sup> In Australia, philanthropy's ineffectiveness in supporting equality of opportunity was recognised at the end of the nineteenth century and this was a factor supporting the basis of philanthropy's connection to the social liberal path dependency.

Discussing this view of philanthropy's role in the United States in historical terms, Sealander suggests that in the context of economic and societal changes in the late nineteenth and early

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<sup>32</sup> Ibid. See also, Charles T. Clotfelter, "The Distributional Consequences of Nonprofit Activities," in *Who Benefits from the Nonprofit Sector?*, ed. Charles T. Clotfelter (Chicago: The University of Chicago Press, 1992); Wolpert, "Redistributional Effects of America's Private Foundations," p. 124.

<sup>33</sup> Robert A. Margo, "Foundations" in *Who Benefits from the Nonprofit Sector*, ed. Charles T. Clotfelter (Chicago: The University of Chicago Press, 1992); Prewitt, "Foundations." See also Indraneel Dasgupta and Ravi Kanbur, "Does Philanthropy Reduce Inequality?," *The Journal of Economic Inequality* 9, no. 1 (2011).

<sup>34</sup> Dogan, "In Search of Legitimacy: Similarities and Differences between the Continents." See also, Nielsen, *The Big Foundations*; Donald Fisher, "The Role of Philanthropic Foundations in the Reproduction and Production of Hegemony: Rockefeller Foundations and the Social Sciences," *Sociology* 17, no. 2 (1983); Cham, "Root and Branch Reform or Business as Usual? The Rise and Fall of Australia's First Regulator for the Not-for Profits Sector."; Joan Roelofs, "Foundations and Collaboration," *Critical Sociology* 33, no. 3 (2007).

<sup>35</sup> Prewitt, "Foundations."

<sup>36</sup> Ibid, p. 364; See also Nickel and Eikenberry, "Philanthropy in an Era of Global Governance."

<sup>37</sup> Prewitt, "Foundations," p. 364.

<sup>38</sup> Nickel and Eikenberry, "Philanthropy in an Era of Global Governance."

<sup>39</sup> Sawyer, *The Ethical State?: Social Liberalism in Australia*, p. 23.

<sup>40</sup> Ibid, p. 23.

twenties centuries it was logical for 'the nation's richest families' to try and 'maintain the existing order.'<sup>41</sup> Finding that 'control of society required not just control of the production of oil or steel', but also 'control of the production of knowledge', these families created philanthropic foundations as 'an effective vehicle for exercising ideological and intellectual "hegemony" over American society.'<sup>42</sup> There were concerns raised in the United States in this period that 'foundations would perpetuate the dominance of business interests in American political and social life.'<sup>43</sup> These foundations served as 'organisational buffers' between the wealthy and those applying to them for support. This had the effect of 'divorcing' philanthropic acts from the conditions that made them necessary, conditions that, in some cases, the philanthropist had been directly responsible for.<sup>44</sup> In this way, 'golden age' philanthropy served to 'legitimate industrial capitalism.'<sup>45</sup> This aligns with the perception of philanthropy being used as a compromise between classical liberal and socialist positions discussed in the previous chapter.<sup>46</sup> It suggests the philanthropic compromise in the United States supported the preservation of inequality. It also suggests a particular view of philanthropy's role in the United States. The influence of social liberalism in Australia meant that such a compromise was not developed, and philanthropy adopted an ancillary role.

The critique of philanthropy perpetuating inequality is also applied to newer conceptions of philanthropy such as philanthrocapitalism, which Edwards views as a 'symptom of a disordered and profoundly unequal society.'<sup>47</sup> Marketised conceptions of philanthropy consider that the redistribution of resources is best achieved by applying the logic and precepts of the market.<sup>48</sup> Previous success in accumulating wealth sees the philanthropist as best qualified to determine how redistribution should occur, meaning 'particularism' is not considered a weakness as Anheier suggests.<sup>49</sup> Amarante suggests that this reflects the amateurism he identifies as one of three 'traditional critiques' of philanthropy.<sup>50</sup> Philanthropic amateurism 'stems from the illogical belief that

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<sup>41</sup> Sealander, *Private Wealth and Public Life: Foundation Philanthropy and the Reshaping of American Social Policy from the Progressive Era to the New Deal*, p. 8.

<sup>42</sup> *Ibid*, p. 8.

<sup>43</sup> Prewitt, "Foundations," p. 364.

<sup>44</sup> Sealander, *Private Wealth and Public Life: Foundation Philanthropy and the Reshaping of American Social Policy from the Progressive Era to the New Deal*, p. 223.

<sup>45</sup> *Ibid*, p. 9; Karl and Katz, "Foundations and Ruling Class Elites."; Roelofs, *Foundations and Public Policy: The Mask of Pluralism*, pp. 7-8.

<sup>46</sup> See Robert F Arnove (ed), *Philanthropy and Cultural Imperialism*; Villadsen, "Modern Welfare and 'Good Old' Philanthropy."; Prewitt, "American Foundations: What Justifies Their Unique Privileges and Powers."

<sup>47</sup> Edwards, *Just Another Emperor?: The Myths and Realities of Philanthrocapitalism*, p. 8.

<sup>48</sup> *Ibid*; Bishop and Green, *Philanthrocapitalism: How the Rich Can Save the World and Why We Should Let Them*.

<sup>49</sup> *Philanthrocapitalism: How the Rich Can Save the World and Why We Should Let Them*. See also. Anheier, "Philanthropic Foundations in Cross-National Perspective: A Comparative Approach."

<sup>50</sup> Amarante, "The Perils of Philanthrocapitalism."

wealthy individuals are equipped to address some of the world's most complex and intransigent problems simply because they successfully amassed a fortune in the private sector.<sup>51</sup> Critiques consider though, that skills developed in one area may not necessarily be transferable to another, particularly one which relies largely on measures of success less quantifiable than money.<sup>52</sup> In particular, market-based definitions of efficiency are being adopted as a standard measure, but these represent only a narrow measure of success limited to economic considerations and not adequately encompassing other social and cultural factors that are important to promoting equality.<sup>53</sup> The critique of marketised forms of philanthropy as mechanisms of redistribution generally argues that they are incapable of promoting equality as they operate within the same capitalist market paradigm responsible for creating the inequalities philanthropy is seeking to address.<sup>54</sup>

In this, marketised conceptions of philanthropy reflect the neoliberal ideological position where the market is viewed as the paradigm through which all aspects of society are organised. For Garrow and Hasenfeld, marketised philanthropy reflects neoliberalism's 'extension of economic rationality into formerly non-economic domains.'<sup>55</sup> This aligns with Nickel and Eikenberry's conception of the voluntary state, discussed in the previous chapter, which 'locates social responsibility' within the market, and sees 'the voluntary and discretionary redistribution of *individual wealth* as the only means to achieve social welfare.'<sup>56</sup> They see this, like the creation of the initial foundations during the 'golden age' of philanthropy, as having the effect of 'divorcing' philanthropic actions from the circumstances they are seeking to alleviate, allowing the philanthropist to appear 'benevolent' despite having been largely responsible for creating those circumstances through their market activity.<sup>57</sup> For Nickel and Eikenberry, allowing redistribution to be guided by the principles of the market further obscures the fact that these same principles were responsible for the creation of the original unequal conditions.<sup>58</sup> Marketised conceptions of philanthropy also reflect a neoliberal influenced view of the role of the state. The view that philanthropists guided by market principles are best able to facilitate the redistribution of resources reflects an assumption that the state is unable to

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<sup>51</sup> Ibid; Nickel and Eikenberry, "Philanthropy in an Era of Global Governance."

<sup>52</sup> See Lorenzi and Hilton, "Optimizing Philanthrocapitalism."

<sup>53</sup> See e.g. Gunderman, "Imagining Philanthropy."

<sup>54</sup> See Bosworth, "The Cultural Contradictions of Philanthrocapitalism."; Patricia Mooney Nickel and Angela M. Eikenberry, "A Critique of the Discourse of Marketized Philanthropy," *American Behavioral Scientist* 52, no. 7 (2009). Similar criticism is also made of traditional foundation philanthropy. See e.g. Roelofs, *Foundations and Public Policy: The Mask of Pluralism*; Arnove and Pinede, "Revisiting the 'Big Three' Foundations."

<sup>55</sup> Garrow and Hasenfeld, "Social Enterprises as an Embodiment of a Neoliberal Welfare Logic." See also Thümler, "Foundations, Schools and the State."; Harvey, *A Brief History of Neoliberalism*.

<sup>56</sup> Nickel and Eikenberry, "Responding to 'Natural' Disasters: The Ethical Implications of the Voluntary State."

<sup>57</sup> Ibid.

<sup>58</sup> Ibid, p. 536. See also. Rathgeb Smith, "Foundations and Public Policy."

adequately perform this role. Whitfield sees philanthrocapitalism, which he considers to be 'the embedding of neoliberalism into the activities of foundations and trusts', as perpetuating the belief that private funding is required to 'fill the gaps' in government service provision.<sup>59</sup> This assumption supports a narrow, neoliberal view of government's role as being to facilitate and support the market.<sup>60</sup> This differs from the social liberal view where the state engages directly in redistribution to promote equality through taxation. Rather, neoliberalism considers equality to be achieved through the market itself.

It is on the basis of this view that some critics oppose both government and philanthropic redistribution equally. Historically this view was associated with social Darwinism, which considered inequality to be a natural state and the result of individual failings.<sup>61</sup> Redistribution in any form equalled 'interference' with this natural state and 'was at the best unwise, at the worst dangerous.'<sup>62</sup> Prewitt suggests philanthropic distribution 'justified the acquisition of vast wealth in private hands.'<sup>63</sup> Arguments opposed to philanthropic redistribution can also reflect a neoliberal position, arguing that the wealthy should focus their efforts on wealth creation as this is how they can most benefit society.<sup>64</sup> Redistribution is likely to discourage innovation and self-sufficiency by 'instilling in individuals, institutions, and society, an acceptance of things as they are.'<sup>65</sup> This is similar to the traditional critique of philanthropic re-distribution, that it actually preserves inequality, and it reflects the concept of welfare dependency, which is associated with neoliberalism as it places responsibility for welfare on the individual.<sup>66</sup> It also reflects the paternalistic notion of 'forced freedom.'<sup>67</sup> Paternalism is another of philanthropy's weakness identified by Anheier who describes it as 'the substitution of a foundation's judgement for that of its beneficiaries.'<sup>68</sup> Opposition to redistribution in any form thus further reflects the neoliberal view of the state.

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<sup>59</sup> Whitfield, "Alternative to Private Finance of the Welfare State: A Global Analysis of Social Impact Bond, Pay-for-Success & Development Impact Bond Projects."

<sup>60</sup> Meghan Joy and John Shields, "Social Impact Bonds: The Next Phase of Third Sector Marketization?," *Canadian Journal of Nonprofit and Social Economy Research* 4, no. 2 (2013).

<sup>61</sup> Nickel and Eikenberry, "Responding to "Natural" Disasters: The Ethical Implications of the Voluntary State."

<sup>62</sup> Sealander, "Curing Evils at Their Source: The Arrival of Scientific Giving," p. 226.

<sup>63</sup> Prewitt, "Foundations."

<sup>64</sup> Bishop and Green, *Philanthrocapitalism: How the Rich Can Save the World and Why We Should Let Them*, p. 261.

<sup>65</sup> Kerry O'Halloran, "Charity and Religion," in *International Encyclopedia of Civil Society* ed. Helmut Anheier and Stefan Toepler (New York: Springer US, 2010), p. 112. See also Leigh, *Battlers and Billionaires the Story of Inequality in Australia*, p. 88.

<sup>66</sup> Braithwaite, Gatens, and Mitchell, "If Mutual Obligation Is the Answer, What Is the Question?"

<sup>67</sup> See Carney and Ramia, "Contractualism and Citizenship: Rivals or Bedfellows?"; Bessant, "The Politics of Official Talk About Welfare Reform in Australia."

<sup>68</sup> Anheier, "Philanthropic Foundations in Cross-National Perspective: A Comparative Approach." See also, Wolpert, "Redistributional Effects of America's Private Foundations," pp. 138-139.

It was on primarily the basis of philanthropy's role as a mechanism of redistribution that it was dismissed as ineffective in Australia in the late nineteenth century. The influence of social liberalism, which considered the state to occupy a central position in promoting equality of opportunity, created a perception that it was unnecessary. This is reflected particularly in the contemporary period in the ambivalence regarding accountability and transparency, as outlined in the previous chapter. Philanthropy's redistributive role proved incompatible with social liberalism as it reflected a classical liberal view of government's role and the relationship between citizens and the state. Newer marketised conceptions of philanthropy also view philanthropy primarily as a mechanism of redistribution, and reflect the neoliberal view of the market as the paradigm through which all aspects of society should be organised. The role of the state is to facilitate the operations of the market. Government does not itself engage in redistribution as the social liberal ethical state does in order to promote equality of opportunity. The connection of philanthropy's redistributive role to the neoliberal view of the state suggests that an increase in philanthropy's prevalence in Australia would be an indication that the neoliberal challenge to the social liberal path dependency had been successful. However, just as viewing philanthropy as a mechanism of redistribution reflects a narrow view of government's role, simply viewing it in these terms reflects only a narrow view of philanthropy's potential contribution to society. This chapter will now consider additional conceptions of philanthropy's role which provide further insights into view of the role of the state, and which better align with the social liberal position. This suggests they will better resonate in the Australian context demonstrating a particular relationship between philanthropy and government within the country.

### Philanthropy as Leverage

Marketised conceptions of philanthropy also tend to conceive of its role in terms of leverage. For example, Bishop and Green consider the use of private funds to leverage additional support to be an 'essential' element of philanthrocapitalism.<sup>69</sup> Government is the primary target as philanthropists seek public funds to 'scale up' their initiatives.<sup>70</sup> Critiques of philanthropy in this role are similar to those viewing it as a mechanism of redistribution in arguing that it allows philanthropists, who are not accountable to external stakeholders, disproportionate influence over the public agenda.<sup>71</sup> While acknowledging that the wealthy have always exhibited a degree of influence over the shaping of public

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<sup>69</sup> Bishop and Green, *Philanthrocapitalism: How the Rich Can Save the World and Why We Should Let Them*, pp. 76-77. See also, Jenkins, "Who's Afraid of Philanthrocapitalism."

<sup>70</sup> See e.g. Stephen J. Ball, "New Philanthropy, New Networks and New Governance in Education," *Political Studies* 56, no. 4 (2008); Husock, "Disaggregating Public Purposes."; Bosworth, "The Cultural Contradictions of Philanthrocapitalism."

<sup>71</sup> Rogers, "Why Philanthro-Policymaking Matters."

programs, Rogers argues that the merging of philanthropy and the market under these newer conceptions of philanthropy has the potential to amplify this, affording the philanthropist a significantly higher level of control.<sup>72</sup>

Viewing philanthropy's role in terms of leverage also indicates a similar view of the role of the state as when it is considered as a mechanism of redistribution. Bishop and Green do suggest philanthrocapitalism adopts a wider view of the state's role, arguing:

The state is better placed, for reasons of legal power and accountability, to do some things, like creating welfare systems that provide universal coverage with consistent standards and without discriminating against particular individual groups.<sup>73</sup>

However, philanthropy in this approach is still placed in direct opposition to government. The need for government to be universal in its approach to welfare, as well as its attachment to the electoral cycle is felt to make it less effective in addressing inequality compared with philanthropy. Bishop and Green particularly claim '[g]overnments tend to be hopeless at risky innovation', and suggest in leveraging their resources 'philanthropists ... should be trying to improve the way [government money] is spent.'<sup>74</sup> This view considers it is philanthropy that sets the agenda while the state uses its resources to support its actions. This, along with the suggestion that government is unable to be innovative, implies a neoliberal role of the state as being to support the functioning of the market. The role recognised for government alongside philanthropy in the context of leverage is secondary to philanthropy in terms of promoting equality.<sup>75</sup> This reflects a neoliberal approach regarding the supremacy of the market, and a neoliberal view of government's role as being to support the market, which differs from the social liberal view that saw the state occupying a central position in promoting equality of opportunity. As such, similarly to redistribution, this role for philanthropy is unlikely to resonate in the Australian context. Philanthropy considered as leverage also reflects a competitive relationship between government and philanthropy, and will be explored further in these respect in *chapter four*.

### Philanthropy as Reciprocity

Philanthropy can also be considered as an expression of reciprocity, a role which may better align with the social liberal path dependency in Australia. This conception of philanthropy has been

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<sup>72</sup> Ibid.

<sup>73</sup> Bishop and Green, *Philanthrocapitalism: How the Rich Can Save the World and Why We Should Let Them*, p. 283.

<sup>74</sup> Ibid, p. 268.

<sup>75</sup> See *ibid*.

significant historically. In Ancient Greece and Rome, philanthropy was 'based on an implicit understanding that the donor would receive appropriate recognition and some public power in return.'<sup>76</sup> Religious conceptions of giving also involve an element of reciprocity in that the donor receives a 'spiritual return' and has the opportunity to 'contribute to their own salvation.'<sup>77</sup> Marcel Mauss developed the notion of the gift economy in the early twentieth century where society is structured through a series of gifts that, though they appear to be voluntary, are motivated by 'obligation and economic self-interest', and which 'articulate the dominant institutions.'<sup>78</sup> The gift economy was presented 'a theoretical counterpart' to Adam Smith's invisible hand, as resembling the market, 'it supplies each individual with a personal incentive for collaborating in the pattern of exchanges.'<sup>79</sup> Hamer suggests this notion underpinned the paternalistic philanthropy of the Victorian era which saw giving as a moral obligation.<sup>80</sup> Titmuss disagreed with Mauss, using blood donations as an example of a gift where there is 'no explicit expectation or moral enforcement of a return gift', and donations are motivated internally rather than contractually.<sup>81</sup> He does not suggest motivations are 'purely altruistic' though, as while there is no 'assurance' their donation will be directly reciprocated, there is a level of trust that their actions will be reciprocated at some point in the future.<sup>82</sup> Titmuss thus still views philanthropy as an expression of reciprocity, simply in a less direct manner.

This indirect form of reciprocity is significant when considering contemporary philanthropy, as most donors are precluded from receiving a direct material return from their donations under taxation law.<sup>83</sup> As well, it has been noted that, as philanthropy is most often directed towards the

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<sup>76</sup> Matthew Bishop and Michael Green, "Philanthrocaptialism Bonus Chapter, Ancient Giving." <http://philanthrocapitalism.net/bonus-chapters/ancient-giving/>. See also, Martti Muukkonen, "Philanthropy, Ancient," ed. Helmut Anheier and Stefan Toepler, *International Encyclopedia of Civil Society* (New York: Springer, 2009).

<sup>77</sup> See e.g., McCleary, "Salvation, Damnation, and Economic Incentives."; O'Halloran, "Charity and Religion."; P. Ishwara Bhat, Shanthi Gopalan, and Yashavantha Dongre, "Philanthropy and Religion, Hinduism," in *International Encyclopedia of Civil Society*, ed. Helmut K. Anheier and Stefan Toepler (New York, NY: Springer US, 2010); Woods Bowman, "Philanthropy and Religion, Christianity," *ibid*; Samiul Hasan, "Philanthropy and Religion, Islam," *ibid*; Gloria S. H. Denoon, "Philanthropy and Religion, Buddhism," *ibid*.

<sup>78</sup> Marcel Mauss, *The Gift: The Form and Reason for Exchange in Archaic Societies* trans. W.D. Halls (London: Routledge, 1950 [1990]), pp. 3, 79; Mary Douglas, "Forward: No Free Gifts," in *The Gift: The Form and Reason for Exchange in Archaic Societies* ed. Marcel Masuss (London: Routledge 1950 [1990]), p. ix.

<sup>79</sup> "Forward: No Free Gifts," p. xiv.

<sup>80</sup> John Hamer, "English and American Giving: Past and Future Imaginings," *History and Anthropology* 18, no. 4 (2007).

<sup>81</sup> Richard M. Titmuss, *The Gift Relationship: From Human Blood to Social Policy* (London: George Allen & Unwin Ltd, 1970), pp. 73, 212, 239.

<sup>82</sup> *Ibid*, pp. 228, 239.

<sup>83</sup> See, Australian Government, Australian Taxation Office, "Gift Types and Conditions.," <https://www.ato.gov.au/Non-profit/Gifts-and-fundraising/Receiving-tax-deductible-gifts/Gift-types-and-conditions/>. This is also the case in the United States and United Kingdom, see, Internal Revenue Service, "Publication 526 (2019), Charitable Contributions: For Use in Preparing 2019 Returns,"

most disadvantaged within society, there can be no expectation of a direct return by philanthropists.<sup>84</sup> Significant donations do though create a relationship involving expectations regarding a level of reciprocity between donor and recipient.<sup>85</sup> McDonald et al. found in their study of Australian philanthropists that even those who considered their motivations to be altruistic had expectations of reciprocity in terms of acknowledgement, recognition and information from the recipient.<sup>86</sup> They may also expect a less tangible return in the form of social or psychological benefits, for example, in allowing them to enhance their social status or to win social approval.<sup>87</sup> Illingworth et al. consider 'many people seem to give to charitable causes for the sake of self promotion or to ward off criticism of their business dealings.'<sup>88</sup> Reich notes similarly 'there are obvious benefits that some, perhaps even many or all, donors receive in making a charitable contribution.'<sup>89</sup> Weisbrod noted that not-for-profit entities can employ 'coercive and compulsive powers' though this may be more 'subtle' as 'the pressures are social rather than governmentally sanctioned fines or imprisonment.'<sup>90</sup> In addition to this social pressure, Weisbrod considers:

Pareto-optimal redistribution – individuals utility functions may be such that they derive benefit from either the act of giving or from seeing someone else benefited. A donor to a voluntary organisation may derive satisfaction from the act of giving to a worthy cause. Also he may benefit from the gratitude, esteem and plaudits of his neighbours and fellow citizens

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<https://www.irs.gov/publications/p526>; HM Revenue & Customs, "Guidance: Gift Aid: What Donations Charities and CASCs Can Claim On," <https://www.gov.uk/guidance/gift-aid-what-donations-charities-and-cascs-can-claim-on>.

<sup>84</sup> Katie McDonald, Wendy Scaife, and Susan Smyllie, "Give and Take in Major Gift Relationships," *Australian Journal of Social Issues* 46, no. 2 (2011); Miller, *The Mating Mind: How Sexual Choice Shaped the Evolution of Human Nature*.

<sup>85</sup> McDonald, Scaife, and Smyllie, "Give and Take in Major Gift Relationships."; Susan A Ostrander and Paul G. Schencish, "Giving and Getting: Philanthropy as a Social Relationship," in *Critical Issues in American Philanthropy*, ed. Jon. Van Til and The Eldon and Anne Foote Trust Philanthropy Collection (San Francisco: Jossey-Bass, 1990).

<sup>86</sup> McDonald, Scaife, and Smyllie, "Give and Take in Major Gift Relationships."

<sup>87</sup> See John Elster, "The Valmont Effect: The Warm-Glow Theory of Philanthropy," in *Giving Well: The Ethics of Philanthropy* ed. Patricia Illingworth, Thomas Pogge, and Leif Wenar (New York: Oxford University Press 2011); Kumru and Vesterlund, "The Effect of Status on Charitable Giving."; McDonald, Scaife, and Smyllie, "Give and Take in Major Gift Relationships."

<sup>88</sup> Patricia Illingworth, Thomas Pogge, and Leif Wenar, "Introduction: The Ethics of Philanthropy," in *Giving Well: The Ethics of Philanthropy*, ed. Thomas Pogge, Patricia Illingworth, and Leif Wenar (New York: Oxford University Press, 2011). See also, Elster, "The Valmont Effect: The Warm-Glow Theory of Philanthropy."; Wolpert, "Redistributional Effects of America's Private Foundations," p. 138; Handy and Handy, *The New Philanthropists: The New Generosity*.

<sup>89</sup> Rob Reich, "Toward a Political Theory of Philanthropy," in *Giving Well: The Ethics of Philanthropy*, ed. Thomas Pogge, Patricia Illingworth and Leif Wenar (New York: Oxford University Press, 2011), p. 180.

<sup>90</sup> Burton A. Weisbrod, "Toward a Theory of the Voluntary Nonprofit Sector on a Three-Sector Economy " in *The Voluntary Nonprofit Sector: An Economic Analysis*, ed. Weisbrod Burton A (Lexington, Mass: Lexington Books, 1977), p. 65.



– rewards which to some extent show up as financial returns and act to internalise what would otherwise be external benefits to the donor.<sup>91</sup>

Geoffrey Miller sees philanthropy, along with other expressions of generosity, as manifestations of sexual selection theory, which considers that ‘human minds evolved not just as survival machines, but as courtship machines.’<sup>92</sup> To Miller, this places philanthropy in opposition to reciprocity, which he views as ‘an efficient resource transfer.’<sup>93</sup> Such a conception of reciprocity cannot account for features of philanthropy such as the donor’s desire for acknowledgement or the ‘charity fashion cycle.’<sup>94</sup> However these features do make sense when philanthropy is considered as a display in order to attract a potential mate.<sup>95</sup> This suggests an indirect form of reciprocity as the philanthropist is still acting with the expectation of receiving a return, even if this may be subconscious. Studies in the area of behavioural economics have also suggested philanthropists act with this expectation.<sup>96</sup> Building on previous work, Kumru and Vesterlund found that overall contributions are higher when details of an initial donation are published, particularly where this donation has been made by a ‘high status’ donor. In this situation, others seek to ‘mimic’ the actions of the original donor in an attempt to enhance their own status, whether through the act of giving itself or through association with the original donor.<sup>97</sup> Here there is the expectation of a direct, though intangible, return, and this is underscored by the finding that as the initial donor does not receive a return in this form there is a need for some more tangible benefit in form of recognition and publicity.<sup>98</sup> Illingworth et al. also observe ‘economists and psychologists talk about the “warm glow of giving”’, where philanthropists act ‘from a desire to feel good about themselves’ receiving a return in the form of a ‘warm glow.’<sup>99</sup> For psychologists, this is demonstrated through brain imaging as ‘certain reward structures in the brain are activated when people make decisions to donate.’<sup>100</sup> Economists have developed models based on the notion of the warm glow that have been

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<sup>91</sup> This raises questions on in the context of tax concessions for Burton as well. Ibid, p. 65.

<sup>92</sup> Miller, *The Mating Mind: How Sexual Choice Shaped the Evolution of Human Nature*, pp. 3-4, 15.

<sup>93</sup> Ibid, p. 322.

<sup>94</sup> Miller refers to the ‘charity fashion cycle’ to describe the phenomenon of donors being more likely to support ‘popular’ causes. Geoffrey Miller, *The Mating Mind: How Sexual Choice Shaped the Evolution of Human Nature* (New York: Doubleday, 2000), pp. 294, 325.

<sup>95</sup> Ibid, pp. 323-325.

<sup>96</sup> For example, Rachel Croson and Uri Gneezy, "Gender Differences in Preferences," *Journal of Economic Literature* 47, no. 2 (2009).

<sup>97</sup> Kumru and Vesterlund, "The Effect of Status on Charitable Giving." See also, Vesterlund, "The Informational Value of Sequential Fundraising."; Anat Brachs, Michael Menitetti, and Lise Vesterlund, "Seeds to Succeed? Sequential Giving to Public Projects," *Journal Of Public Economics* 95, no. 5-6 (2011).

<sup>98</sup> Kumru and Vesterlund, "The Effect of Status on Charitable Giving."

<sup>99</sup> Illingworth, Pogge, and Wenar, "Introduction: The Ethics of Philanthropy," pp. 6, 9; Reich, "Toward a Political Theory of Philanthropy."

<sup>100</sup> Elster, "The Valmont Effect: The Warm-Glow Theory of Philanthropy," pp. 67, 74.

supported by 'controlled laboratory experiments.'<sup>101</sup> Elster suggests that although these models represent an attempt to explain philanthropy with as little 'deviation' as possible from the rational actor model, they actually represent 'irrationality' by requiring a level of 'self-deception' as donors must believe they are acting altruistically in order to achieve the warm glow.<sup>102</sup> Elster sees 'a lack of intellectual sophistication' in the economic model as it 'does not distinguish between getting pleasure from donating and donating solely in order to achieve that pleasure.'<sup>103</sup> It also does not adequately account for other facets of a non-material return in giving. The 'warm glow' is a positive manifestation of internal motivation but can also be expressed negatively through the desire to 'alleviate guilt.'<sup>104</sup> There can also be external motivations as people act to either 'seek praise' or 'avoid blame' from 'an external audience.'<sup>105</sup> Regardless of whether the non-material return is internal or external this debate regarding the 'warm glow' demonstrates the ways in which philanthropists can receive a non-material return for their actions, and also that philanthropy can be considered as a function of indirect reciprocity.<sup>106</sup>

Having established that philanthropic activity can be undertaken as part of a reciprocal relationship with the expectation of a return to the philanthropist, it follows that criticisms of philanthropy in this role focus on self-interest. Philanthropists' goals are likely to differ from those of their intended beneficiaries, prompting criticism related to paternalism.<sup>107</sup> The 'paternalism critique' stems from the nineteenth century view of poverty as 'a symptom of vice and laziness.' As such, recipients 'could not be trusted to make decisions on how charitable funds were spent.'<sup>108</sup> This view remains embedded with the current approach to philanthropy that sees funds channelled through foundations and other intermediaries.<sup>109</sup> This approach 'robs people of their dignity and self-determination', and creates a relationship of dependency as they are given 'no say over the

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<sup>101</sup> This notion is also referred to as 'impure altruism.' See James Andreoni, "Philanthropy," in *Handbook of the Economics of Giving, Altruism and Reciprocity*, ed. Serge-Christophe Kolm and Jean Mercier Ythie (Amsterdam: Elsevier Science and Technology, 2006), p. 1220; "Impure Altruism and Donations to Public Goods: A Theory of Warm-Glow Giving?," *Economic Journal* 100, no. 401 (1990); Elster, "The Valmont Effect: The Warm-Glow Theory of Philanthropy," p. 67.

<sup>102</sup> "The Valmont Effect: The Warm-Glow Theory of Philanthropy," pp. 72-73, 77, 78; Andreoni, "Philanthropy," p. 1204.

<sup>103</sup> Elster, "The Valmont Effect: The Warm-Glow Theory of Philanthropy," pp. 72-73.

<sup>104</sup> Ibid, p. 74. See also, Reich, "Toward a Political Theory of Philanthropy," p. 180.

<sup>105</sup> Elster, "The Valmont Effect: The Warm-Glow Theory of Philanthropy," pp. 73, 74. See also, Anheier and Leat, "Philanthropic Foundations: What Rationales?"

<sup>106</sup> See Andreoni, "Philanthropy," p. 1226; Reich, "Toward a Political Theory of Philanthropy."

<sup>107</sup> See Anheier, "Philanthropic Foundations in Cross-National Perspective: A Comparative Approach."

<sup>108</sup> Amarante, "The Perils of Philanthrocapitalism.,"; Lester M. Salamon, "Of Market Failure, Voluntary Failure, and Third-Party Government: Toward a Theory of Government-Nonprofit Relations in the Modern Welfare State," *Journal of Voluntary Action Research* 16, no. 1-2 (1987).

<sup>109</sup> Amarante, "The Perils of Philanthrocapitalism.,"; Salamon, "Of Market Failure, Voluntary Failure, and Third-Party Government: Toward a Theory of Government-Nonprofit Relations in the Modern Welfare State."

resources that are spent on their behalf.<sup>110</sup> Salamon observes that a reliance on philanthropic funding 'vests most of the influence on the definition of community needs in the hands of those in command of the greatest resources.'<sup>111</sup> Amarante cites the interaction between paternalism and the other 'traditional critiques' of philanthropy, viewing it as 'antidemocratic' in that it does not allow equal input from the community, and 'amateurish' in that it is likely to lead to donor's believing they are the one's best able to address complex social issue.<sup>112</sup> Daly notes in relation to community foundations in the United Kingdom that competition for funds has resulted in foundations being led by 'the interests and requirements' of donors, creating tensions within the community, which feels 'those in control of the bulk of the resources decide what the needs of the community are.'<sup>113</sup> This sees philanthropy as inherently undemocratic. Amarante considers philanthropy's 'antidemocratic' nature to stems from its paternalism, stating 'because philanthropists know best, they do not need outside input.'<sup>114</sup> The absence of such outside input is how philanthropy comes to 'reflect the distinct view of the wealthy', a view which ultimately serves to reinforce the original paternalistic attitude.<sup>115</sup>

The self-interested view of philanthropy is taken further in Pierre Bourdieu's assessment of the gift relationship.<sup>116</sup> He considers giving to be an act of 'symbolic violence', described as 'the gentle, invisible form of violence, which is never recognised as such, and is not so much undergone as chosen.'<sup>117</sup> For Bourdieu, giving creates 'a form of master-slave relationship' where the donor and recipient become 'tied' together through 'codes of honour, debt and gratitude.' This has 'an unrecognised effect in shaping the dispositions of the actors involved in the exchange.'<sup>118</sup> He argued that while gifts may appear magnanimous and unconditional they are:

also a way of possessing (a gift which is not matched by a counter-gift creates a lasting bond, restricting the debtors freedom and forcing him to adopt a peaceful, co-operative, prudent attitude); because in the absence of any judicial guarantee, or any coercive force, one of the

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<sup>110</sup> Amarante, "The Perils of Philanthrocapitalism."; Salamon, "Of Market Failure, Voluntary Failure, and Third-Party Government: Toward a Theory of Government-Nonprofit Relations in the Modern Welfare State."

<sup>111</sup> "Of Market Failure, Voluntary Failure, and Third-Party Government: Toward a Theory of Government-Nonprofit Relations in the Modern Welfare State."

<sup>112</sup> Amarante, "The Perils of Philanthrocapitalism."

<sup>113</sup> Daly, "Institutional Innovation in Philanthropy: Community Foundations in the UK." See also, Amarante, "The Perils of Philanthrocapitalism."

<sup>114</sup> "The Perils of Philanthrocapitalism."

<sup>115</sup> Ibid.

<sup>116</sup> Matt Bowden, "Gift Relationship," in *International Encyclopedia of Civil Society*, ed. Helmut K. Anheier and Stefan Toepler (New York: Springer, 2010).

<sup>117</sup> Pierre Bourdieu, "Outline of a Theory of Practice," ed. Jack Goody (Cambridge: Cambridge University Press, 1977), p. 192.

<sup>118</sup> Bowden, "Gift Relationship."

few ways of “holding” someone is to *keep up* a lasting asymmetrical relationship such as indebtedness.<sup>119</sup>

Bourdieu further argues that wealth ‘can exert power, and exert it durably, only in the form of symbolic capital’ i.e. the gratitude, obligation and prestige engendered through philanthropy.<sup>120</sup> Although these gift relationships came to be replaced by more ‘objective mechanisms’ as societies developed, Bourdieu argues that such mechanisms actually also facilitate a continuation of the gift relationship. He states that it is through ‘legitimacy-giving redistribution, public (“social” policies) and private (financing of “disinterested” foundations, grants to hospitals and to academic and cultural institutions), that the efficacy of the mechanisms of production is exerted.’<sup>121</sup>

Philanthropic self-interest also underpins criticism regarding the apparent arbitrary nature of philanthropy. This can be demonstrated through Weisbrod’s economic model of not-for-profit sector development, which views it as a result of both private sector and government failure to meet demand for public goods. It also sees philanthropists effectively ‘voting’ through their donations for the causes they wish to see addressed.<sup>122</sup> Many philanthropists cite a personal connection to the causes they choose to support.<sup>123</sup> Wright found philanthropists in the United States sought to address ‘needs that they can directly see, feel and understand’, leading them to concentrate on ‘organizations in which they are or have been personally involved - their church, the college or university they attended, a hospital that helped their family.’<sup>124</sup> Such a ‘localism’ bias creates an issue of ‘philanthropic insufficiency’ for not-for-profit organisations seeking funding, where they are ‘unable to attract sufficient resources either temporally or geographically.’<sup>125</sup> In addition, if a philanthropist is looking to increase their social standing, they will be more likely to support ‘popular’ causes. This relates to the ‘charity fashion-cycle’, which Miller refers to in the context of sexual selection theory, to describe the phenomenon of donors being more likely to support

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<sup>119</sup> Bourdieu, "Outline of a Theory of Practice," p. 194; See also, Bowden, "Gift Relationship."

<sup>120</sup> Bourdieu, "Outline of a Theory of Practice," p. 195.

<sup>121</sup> Ibid, pp. 196-197.

<sup>122</sup> It follows for Weisbrod then that the size of the voluntary sector in a society is related to the level of diversity within the community. Weisbrod, "Toward a Theory of the Voluntary Nonprofit Sector on a Three-Sector Economy," pp. 59-61; Wolfgang Seibel, "Theories of Nonprofit Sector, Political," in *International Encyclopedia of Civil Society*, ed. Helmut K. Anheier and Stefan Toepler (New York: Springer 2010).

<sup>123</sup> See e.g. Handy and Handy, *The New Philanthropists: The New Generosity*; Scaife et al., "Foundations for Giving: Why and How Australians Structure Their Philanthropy."

<sup>124</sup> Wright, "Generosity Vs. Altruism: Philanthropy and Charity in the United States and United Kingdom."

<sup>125</sup> Jonathan Garton, "The Future of Civil Society Organisations: Towards a Theory of Regulation for Organised Civil Society," in *Modernising Charity Law: Recent Developments and Future Directions*, ed. Myles McGregor-Lowndes and Kerry O'Halloran (Cheltenham: Edward Elgar Publishing, 2010), p. 220.

'popular' causes.<sup>126</sup> It creates a situation referred to as 'philanthropic particularism', where the aims and activities of the not-for-profit sector are 'shaped' by the preferences of philanthropists.<sup>127</sup> Salamon suggests that 'so long as private charity is the only support for the voluntary sector, those in control of the charitable resources can determine what the sector does and whom it serves.'<sup>128</sup>

Philanthropists do not necessarily view themselves as the initiator of the reciprocal relationship.<sup>129</sup> Wright suggested the self-interested giving she observed in the United States reflected a reciprocal relationship in representing a way of 'expressing appreciation of what one has received,' i.e., through donations to schools and hospitals.<sup>130</sup> This approach appears to be particularly prominent within marketised philanthropy with prominent 'philanthrocapitalists' such as Bill Gates speaking of their giving in terms of 'giving back' to the wider community.<sup>131</sup> Alexandra Williamson and Wendy Scaife found in their interviews with philanthropists whose wealth derived from entrepreneurship that an obligation to give back was 'the strongest of the motivations for giving.'<sup>132</sup> Issues and criticisms regarding philanthropic paternalism and arbitrariness are still relevant in this situation though. Marketised forms of philanthropy particularly are likely to exacerbate these issues. Armante sees this in the fact that philanthrocapitalist's are adopting alternative vehicles for giving that are not subject to the same transparency framework as traditional foundations.<sup>133</sup> Ostrander also considers that the rise of philanthropic intermediaries alongside the greater desire for donor control has accompanied the rise of marketised philanthropy, tipping the balance within the philanthropic relationship towards the donor.<sup>134</sup> Jenkins sees this exacerbation of issues as something inherent with marketised philanthropy itself, with the emphasis on 'strategy and effectiveness' deepening the divide between donor and recipient and seeing philanthropists 'leaning

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<sup>126</sup> Miller, *The Mating Mind: How Sexual Choice Shaped the Evolution of Human Nature*, pp. 294, 325. See also, Selina Tually et al., "Beyond Charity: The Engagement of the Philanthropic and Homelessness Sectors in Australia: Final Report," *National Homelessness Research Agenda 2009-2013*, Centre for Housing, Urban and Regional Planning, June 2013, [http://library.bsl.org.au/jspui/bitstream/1/4110/1/Beyond-Charity\\_Engagement%20of%20philanthropic%20&%20homelessness%20sectors%20in%20Australia\\_2013.pdf](http://library.bsl.org.au/jspui/bitstream/1/4110/1/Beyond-Charity_Engagement%20of%20philanthropic%20&%20homelessness%20sectors%20in%20Australia_2013.pdf).

<sup>127</sup> Salamon, "Of Market Failure, Voluntary Failure, and Third-Party Government: Toward a Theory of Government-Nonprofit Relations in the Modern Welfare State."; Garton, "The Future of Civil Society Organisations: Towards a Theory of Regulation for Organised Civil Society."

<sup>128</sup> Salamon, "Of Market Failure, Voluntary Failure, and Third-Party Government: Toward a Theory of Government-Nonprofit Relations in the Modern Welfare State."

<sup>129</sup> Wolpert, "Redistributional Effects of America's Private Foundations," p. 129.

<sup>130</sup> Wright, "Generosity Vs. Altruism: Philanthropy and Charity in the United States and United Kingdom."

<sup>131</sup> Matthew Bishop and Michael Green, "FAQ," <http://philanthrocapitalism.net/about/faq/>; *Philanthrocapitalism: How the Rich Can Save the World and Why We Should Let Them*; Prewitt, "Foundations," p. 362. This view could also underpin anonymous giving. See also, McDonald, Scaife, and Smyllie, "Give and Take in Major Gift Relationships."

<sup>132</sup> Williamson and Scaife, "From Entrepreneur to Philanthropist: The 'Second Half of the Game'."

<sup>133</sup> Amarante, "The Perils of Philanthrocapitalism."

<sup>134</sup> Ostrander and Schencish, "Giving and Getting: Philanthropy as a Social Relationship,"

towards foundation-centred problem-solving models that disempower grantees and the communities they serve.<sup>135</sup> The premise of marketised philanthropy 'advances the concentration of power and influence in the hands of ... an elite set of philanthropcapitalists relying on their personal views and business experience to select social solutions for the rest of the society.'<sup>136</sup> This form of philanthropy, which is 'based on market principles', tends to 'favor solutions grounded in competition and individualism' which will 'impact the types of projects more likely to receive funding.'<sup>137</sup>

These criticisms are significant when philanthropy represents a primary source of funding and occupies a central position within society. However, if viewed alongside government, philanthropy as an expression of reciprocity, particularly in the sense of giving back to the community, can have a positive impact. Kelen suggests that such forms of indirect reciprocity can be 'built on ... cohesive community ties', and as such support a 'high level of cooperation' within society.<sup>138</sup> It is in this way that philanthropy's role as an expression of reciprocity can align with and support the social liberal path dependency in Australia. Australian philanthropists also cite personal connections to causes as motivation for giving, and frame their actions in terms of 'giving back', something which can be seen in this context as part of a broader commitment to supporting the community.<sup>139</sup> Social liberalism asserted the role of the community in the 'realisation of individual liberty and individual potential' reflecting the concept of positive liberty.<sup>140</sup> This for T.H. Green was related to the concept of active citizenship. The role of the state as the 'collective agent' of the community was to secure the conditions necessary for equality, and in return citizens had an obligation to engage 'in the life of the community to promote the common interest, at any level from the local to the international.'<sup>141</sup> Social liberalism considered 'the full development of potential only occurred in the context of active citizenship, not in the pursuit of private pleasures or luxurious living.'<sup>142</sup> Engaging in philanthropic activity as a form of 'giving back' can represent a way for citizens to fulfil the obligations of active

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<sup>135</sup> Jenkins, "Who's Afraid of Philanthrocapitalism."

<sup>136</sup> Ibid.

<sup>137</sup> Ibid.

<sup>138</sup> Andras Kelen, "Reciprocity," in *International Encyclopedia of Civil Society*, ed. Helmut K. Anheier and Stefan Toepler (New York: Springer, 2010).

<sup>139</sup> McDonald, Scaife, and Smyllie, "Give and Take in Major Gift Relationships.," Scaife, McDonald, and Smyllie, "A Transformational Role: Donor and Charity Perspectives on Major Giving in Australia"; Centre for Social Impact, "Daniel Petre Lecture: What Has Philanthropy Got to Do with Me?"; Philanthropy Australia, "Sector Overview." Also see for example statements by philanthropists such as Daniel Petre, David Gunn, Susan Alberti and Lance Reichstein. Brad Crouch, "Millionaire Gives up a Fortune to Save Lives," *The Advertiser*, 4 January 2014; Susan Alberti Medical Research Foundation, "About Sue," <http://susanalbertifoundation.org.au/about-sue/>; Reichstein Foundation, "History," <https://www.reichstein.org.au/about-us/history/>; Petre, "Philanthropy by Numbers," *Medium*, 30 April 2018.

<sup>140</sup> Sawer, *The Ethical State?: Social Liberalism in Australia*, pp. 10, 22-23.

<sup>141</sup> Ibid, p. 10.

<sup>142</sup> Ibid, p. 153.

citizenship, creating the type of reciprocal relationship expressed by Kelen. Such an approach to philanthropy also sees it occupying an ancillary rather than a central role which would limit the criticism of paternalism and arbitrariness.

Mauss saw the principles of his gift exchange theory reflected contemporarily in France's social insurance legislation, which was based on the notion that 'the worker had given his life and his labour, on the one hand to the collectivity, and on the other hand to his employers.'<sup>143</sup> This being the case, 'the state itself, representing the community owes him, as do it employers, together with some assistance from himself, a certain security in life against unemployment, sickness old-age and death.'<sup>144</sup> This is a similar rationale to that which formed the basis for old-age pensions in Australia, and which was significantly influenced by social liberalism.<sup>145</sup> Hamer suggests this approach may also have underpinned nineteenth century social legislation in the United Kingdom.<sup>146</sup> Douglas in her forward to *The Gift* sees this as a weakness in Mauss' work, as 'social democracy's redistributions are legislated for in elected bodies and the sums are drawn from tax revenues.' As such, they 'lack any power mutually to obligate persons in a contest of honour.'<sup>147</sup> However, it suggests that Mauss' view of reciprocal giving does align with the social liberalism that has influenced both the role of the state and philanthropy in Australia. Mauss called for a return to the gift economy, and one of the things he argued for was 'more good faith, more sensitivity, more generosity in contracts.'<sup>148</sup> This was also a concern for social liberalism, with T.H. Green suggesting the state's role should be to 'prevent some contracts being made which, because of the inequalities of the parties ... "become an instrument of disguised oppression."<sup>149</sup>

When philanthropy is conceived in these terms, Australian philanthropists' consideration of their giving in terms of 'giving back' could also be viewed as evidence of the continued existence of the social liberal path dependency, despite the 'neoliberal policy turn.'<sup>150</sup> The neoliberal approach is underpinned by an alternative concept of citizenship based on individual contract rights and 'independence from government.'<sup>151</sup> Philanthropy continuing to be viewed in terms of giving back then does appear to suggest the concept of active citizenship remains embedded within Australian

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<sup>143</sup> Mauss, *The Gift: The Form and Reason for Exchange in Archaic Societies*, pp. 65, 67.

<sup>144</sup> *Ibid*, p. 67.

<sup>145</sup> See Sawyer, *The Ethical State?: Social Liberalism in Australia*, pp. 74-75.

<sup>146</sup> Hamer, "English and American Giving: Past and Future Imaginings."

<sup>147</sup> Mauss, *The Gift: The Form and Reason for Exchange in Archaic Societies*, p. xv.

<sup>148</sup> *Ibid*, p. 69.

<sup>149</sup> T.H. Green. *Liberal legislation and Freedom on Contract*, quoted in Sawyer, *The Ethical State?: Social Liberalism in Australia*, p. 11.

<sup>150</sup> *Ibid*.

<sup>151</sup> *Ibid*, pp. 184-185.

society and has not been supplanted by this alternative conception. The rhetoric of giving back was prominent in the actions of Prime Minister's Community Business Council (PMCBC) in the late 1990s which aimed to encourage increased philanthropic activity. The actions of the PMCBC will be discussed in more detail in *chapter five* but suggest that the concept of active citizenship remains embedded within Australian society. This in turn suggests the continued influence of the social liberal path dependency. The concept of active citizenship is also relevant when considering another of philanthropy's potential roles with implications for viewing government's position; its role as a support for civil society.

### Philanthropy and Civil Society

Civil society is felt to play an important role supporting democracy as it occupies a distinct intermediary space, protecting citizens from the excesses and 'atomising effects' of both the market and the state.<sup>152</sup> Prewitt sees the not-for-profit sector as an 'arena from which to mount resistance when the state encroaches too far into the personal sphere or when the market is too indifferent to the public good.'<sup>153</sup> In order to fulfil this role, civil society must be independent of both market and state, and it is here that philanthropic funding becomes important.<sup>154</sup> Philanthropy occupies a unique role within civil society as both part of the not-for-profit sector and a source of funding for it. Prewitt suggests foundations are 'embedded' within civil society, seeking to 'expand' and 'strengthen' it.<sup>155</sup> It is in this way philanthropic foundations as private entities performing a public role can gain legitimacy, by positioning themselves as 'expressions of civil society.'<sup>156</sup> However, criticism suggests organised philanthropy may actually compromise civil society's independence and undermine democracy within a society. Such criticisms are particularly made in the context of marketised philanthropy. Consideration of civil society, and philanthropy's role in supporting it, necessarily has implications for the role of the state.<sup>157</sup> It particularly raises questions in the Australian context, where social liberalism considered that 'the proper role of the state was to act on

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<sup>152</sup> Edwards, *Just Another Emperor?: The Myths and Realities of Philanthrocapitalism*, p. 30; Lyons, *Third Sector: The Contribution of Nonprofit and Cooperative Enterprise in Australia*; Anheier and Daly, "Roles of Foundations in Europe: A Comparison."; Eikenberry and Kluver, "The Marketization of the Nonprofit Sector: Civil Society at Risk?"; Frank Prochaska, *Schools of Citizenship Charity and Civic Virtue* (London: Civitas: Institute for the Study of Civil Society, 2002); Arnove and Pinede, "Revisiting the "Big Three" Foundations."

<sup>153</sup> Prewitt, "Foundations," p. 358.

<sup>154</sup> Prochaska, *Schools of Citizenship Charity and Civic Virtue*; Williamson et al., "Founders, Families, and Futures: Perspectives on the Accountability of Australian Private Ancillary Funds."

<sup>155</sup> Prewitt, "Foundations."; Anheier and Daly, "Combining Roles and Visions: Patterns and Implications," p. 61.

<sup>156</sup> Dogan, "In Search of Legitimacy: Similarities and Differences between the Continents." See also, Zunz, *Philanthropy in America: A History*.

<sup>157</sup> Prochaska, *Schools of Citizenship Charity and Civic Virtue*.



behalf of citizens as a countervailing power to the market', and supported 'a political culture which legitimised looking to the state to obtain rights and to advance rights claims.'<sup>158</sup>

Civil society supports democracy through fostering the 'skills and attitudes of good citizenship', including altruistic attitudes which spawn philanthropic activity and are 'necessary to promote the common good.'<sup>159</sup> Charities, and other entities within civil society, teach people to work together with others from different backgrounds and with differing points of view in pursuit of a common goal, as people are required to 'take common counsel, choose leaders, harmonise differences, and obey the expressed will of the majority.'<sup>160</sup> As a 'focus for communal values', these entities can also 'help to break down personal barriers and reduce social fragmentation.'<sup>161</sup> Effectively, civil society supports 'trust-building and the human capacity to cooperate as crucial virtues of a democratic political culture.'<sup>162</sup> Schlesinger argued that by 'embracing all ages, classes, creeds and ethnic groups', voluntary associations represented 'a great cementing force for national integration.'<sup>163</sup> He suggested that voluntary associations in the United States created 'a sort of irregular government', through which people 'learned to conduct most of the major concerns of life, spiritual, economic, political, cultural and recreational.'<sup>164</sup> The large philanthropic institutions in the United States claim to embody this view, although others see them in opposition to this traditional approach.<sup>165</sup> The tension between these positions underpins the relationship between philanthropy and government in the United States and will be discussed further in the following chapter. Prochaska argues that in the United Kingdom as well charities 'are part of the process of encouraging and diffusing local democracy', as they 'provide a moral training and experience in the democratic grass roots.'<sup>166</sup>

In considering the connection between democracy and civil society the starting point for most authors is Alexis de Tocqueville's *Democracy in America*.<sup>167</sup> He observed 'the most democratic

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<sup>158</sup> Ibid, pp. 153, 112.

<sup>159</sup> Eikenberry and Kluver, "The Marketization of the Nonprofit Sector: Civil Society at Risk?" p. 133. See also, Zunz, *Philanthropy in America: A History*, p. 66; Kerry O'Halloran, "Conclusion," in *Modernising Charity Law: Recent Developments and Future Directions* ed. Myles McGregor-Lowndes and Kerry O'Halloran (Cheltenham: Edward Elgar Publishing, 2010).

<sup>160</sup> Arthur M. Schlesinger, "Biography of a Nation of Joiners," *The American Historical Review* 50, no. 1 (1944).

<sup>161</sup> Prochaska, *Schools of Citizenship Charity and Civic Virtue*; "Charity and Social Democracy an Anglo-American Historical Perspective," *Asia Pacific Journal of Social Work and Development* 17, no. 1 (2007).

<sup>162</sup> Seibel, "Theories of Nonprofit Sector, Political."

<sup>163</sup> Schlesinger, "Biography of a Nation of Joiners."

<sup>164</sup> Ibid.

<sup>165</sup> See e.g. Karl and Karl, "Foundations and Government: A Tale of Conflict and Consensus," p. 64.

<sup>166</sup> Prochaska, *Schools of Citizenship Charity and Civic Virtue*.

<sup>167</sup> See e.g. Aspen Brinton, "Civil Society Theory: De Tocqueville," in *International Encyclopedia of Civil Society*, ed. Helmut K. Anheier and Stefan Toepler (New York: Springer, 2010); Seibel, "Theories of Nonprofit Sector,

country on the face of the earth is that in which men have in our time carried to the highest perfection the art of pursuing in common the common object of their common desires and have applied this new science to the greatest number of purposes.<sup>168</sup> Tocqueville saw civil society as playing an 'essential, albeit indirect, role in fostering democratic citizenship.<sup>169</sup> Allowing individuals 'to be part of something larger than the circumstances of their own existence' enabled them to 'become better collaborators, leaders and citizens.'<sup>170</sup> Tocqueville was particularly interested in 'political associations', which he asserted could 'be considered as large free schools where all members of the community go to learn the general theory of association.'<sup>171</sup> He considered that while there was 'a natural, and perhaps a necessary, connection' between political and civil associations within a society, and that civil associations 'facilitate' political association, it is the political association which 'teaches the means of combination' and 'love of association', which people 'then transfer to civil life.'<sup>172</sup>

Tocqueville's recognition of political associations reflects another important function of civil society within democracy, that of representation.<sup>173</sup> This sees civil society as 'an alternative power centre', with organisations engaged in developing and promoting alternative views of how society should be organized.<sup>174</sup> Primarily philanthropy supports civil society and democracy through the promotion of pluralism.<sup>175</sup> Cham suggests the promotion of pluralism to be 'the function that is often seen as the most powerful of philanthropy's roles.'<sup>176</sup> In the United States, Fleishman argues:

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Political."; Kevin den Dulk, "Citizens Aren't Just Born. They're Formed," *Comment*, 27 June 2019, <https://www.cardus.ca/comment/article/citizens-arent-just-born-theyre-formed/#>.

<sup>168</sup> Alexis de Tocqueville, "Democracy in America" (The Floating Press 2009 [1840]), p. 980.

<sup>169</sup> Daniel Stid, "Civil Society and the Foundations of Democratic Citizenship," *Stanford Social Innovation Review*, 16 August 2018, [https://ssir.org/articles/entry/civil\\_society\\_and\\_the\\_foundations\\_of\\_democratic\\_citizenship](https://ssir.org/articles/entry/civil_society_and_the_foundations_of_democratic_citizenship).

<sup>170</sup> Ibid.

<sup>171</sup> Tocqueville, "Democracy in America," p. 996.

<sup>172</sup> Ibid, pp. 994, 1000.

<sup>173</sup> Ibid, pp. 354-355. See also, O'Halloran, "Conclusion."

<sup>174</sup> Edwards, *Just Another Emperor?: The Myths and Realities of Philanthrocapitalism*, p. 29; Lyons, *Third Sector: The Contribution of Nonprofit and Cooperative Enterprise in Australia*, p. 210; Mark D. McGarvie, "The Dartmouth College Case and the Legal Design of Civil Society," in *Charity, Philanthropy and Civility in American History*, ed. Lawrence J. Friedman and Mark D. McGarvie (New York: Cambridge University Press, 2002), pp. 102-103; Prewitt, "Foundations."

<sup>175</sup> See Steven Grosby, "Peter Berger's Contribution to the Pluralism of Mediating Structures," *Society* 47, no. 3 (2010); Anheier and Daly, "Philanthropic Foundations in Modern Society," pp. 99, 14-15; Salamon and Anheier, "Social Origins of Civil Society: Explaining the Nonprofit Sector Cross-Nationally."; Anheier and Leat, "Philanthropic Foundations: What Rationales?"; Reich, *Just Giving: Why Philanthropy Is Failing Democracy and How It Can Do Better*.

Weisbrod's economic model of the not-for-profit sector also refers to its connection with pluralism. Weisbrod, "Toward a Theory of the Voluntary Nonprofit Sector on a Three-Sector Economy."

<sup>176</sup> Cham, "Root and Branch Reform or Business as Usual? The Rise and Fall of Australia's First Regulator for the Not-for Profits Sector."

foundations, along with the organizations they support, are the great secret of the dynamism of America's civic sector... [j]ust as private investors and venture capitalists spark the creation of new products and services in the for-profit sector, foundations provide the capital that powers innovation and diverse experimentation in the civic sector.<sup>177</sup>

He suggests 'foundations enable the creation of countless civic-sector organisations ...and assist them in building national, regional and local constituencies that move into the forefront of continuing social change. Those organisations, together with the foundations that support them, play an influential role in the constant reinvention of American society, including the redistribution of power and wealth.'<sup>178</sup> Foundations in the United States defended themselves against proposed regulatory restrictions in 1969 on the basis that the *Tax Reform Act* represented an attack on pluralism.<sup>179</sup>

Given their independence, philanthropic foundations are considered to be 'particularly well placed' to both promote and facilitate pluralism, and to strengthen civil society.<sup>180</sup> Anheier and Daly suggest, 'in some cases, the very presence of foundations is also viewed as a sign of pluralism itself.'<sup>181</sup> This is felt to be because they are able to take risks and support 'unpopular ideas or art forms', as well as those 'too idiosyncratic to attract widespread voter support or compete in the marketplace.'<sup>182</sup> Foundations can 'stimulate debate' by providing 'a voice to subscribers and civil leaders' to promote 'minority rights,' thus representing a 'counterweight' to the state.<sup>183</sup> Social change philanthropy, which some authors consider to represent a distinct conception of philanthropy,<sup>184</sup> aligns with this representative function. This form of philanthropy, which grew from foundations' involvement in the civil rights movements in the United States, seeks a more equal and democratic relationship between philanthropists and their recipients, with the emphasis on the

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<sup>177</sup> Fleishman, *The Foundation: A Great American Secret; How Private Wealth Is Changing the World*, p. 3.

<sup>178</sup> *Ibid*, p. 3.

<sup>179</sup> Eric John Abrahamson, Sam Hurst, and Barbara Shubinski, *Democracy and Philanthropy: The Rockefeller Foundation and the American Experiment*. The Rockefeller Foundation Centennial Series (New York: The Rockefeller Foundation, 2013), p. 162.

<sup>180</sup> Anheier and Daly, "Philanthropic Foundations in Modern Society."

<sup>181</sup> Anheier and Daly, "Comparing Foundation Roles." in *The Politics of Foundations: A Comparative Analysis* ed. Helmut Anheier and Siobhan Daly (London: Routledge 2006), p. 36.

<sup>182</sup> Prewitt, "Foundations."; Anheier and Daly, "Philanthropic Foundations in Modern Society," pp. 11-12; "Combining Roles and Visions: Patterns and Implications," p. 61.

<sup>183</sup> Prochaska, *Schools of Citizenship Charity and Civic Virtue*; Anheier and Daly, "Philanthropic Foundations in Modern Society," pp. 11-12; "Comparing Foundation Roles," p. 36; Schlesinger, "Biography of a Nation of Joiners."

<sup>184</sup> See e.g. Anheier and Daly, "Philanthropic Foundations in Modern Society," pp. 11-12; Wendy Scaife, "Challenges in Indigenous Philanthropy: Reporting Australian Grantmakers' Perspectives," *Australian Journal of Social Issues* 41, no. 4 (2006); Prewitt, "Foundations." Anheier and Leat also refer to 'creative philanthropy' in a similar vein. Anheier and Leat, *Creative Philanthropy: Towards a New Philanthropy for the Twenty-First Century*.

empowerment of often marginalised populations, providing them with a 'voice as well as money.'<sup>185</sup> This form of philanthropy is generally concentrated at the local level and focuses on 'community development and organisational capacity building' in promoting a 'bottom-up' approach to addressing issues.<sup>186</sup> It connects with the community foundation movement, which also developed in the United States in response to the perception that the larger philanthropic foundations were becoming too closely associated with the national government and no longer represented the American traditions of voluntarism and localism.<sup>187</sup>

Philanthropy's role in supporting civil society is also subject to criticism though. Largely this reflects an apparent paradox where foundations are claimed to be integral to supporting democracy, but are also considered to be inherently undemocratic in nature.<sup>188</sup> Criticism concerns foundations' ability to promote pluralism in this context. For example, Toepler suggests in the United States, the level of funding provided by philanthropists makes the argument regarding their promotion of pluralism 'inherently weak.'<sup>189</sup> Prewitt also questions the extent to which foundations 'contribute to important social change', arguing that 'they cannot operate on behalf of a cause that does not already have organisational underpinnings.'<sup>190</sup> He considers the civil rights movements as an example, though notes philanthropy can perform a supporting role through 'institutionalising' change and 'facilitating legitimacy', citing the Ford Foundation's support of the feminist movement as an example.<sup>191</sup>

Criticism of philanthropy's involvement with civil society primarily sees it as compromising philanthropy's independence by bringing it into closer alignment with either the state or the market. Ealy argues that the creation of large philanthropic foundations in the late nineteenth and early twentieth centuries in the United States led to the professionalisation and bureaucratisation of civil society, thus 'enfeebling' it. This ultimately resulted in a closer alignment with, and an expanded role

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<sup>185</sup> Scaife, "Challenges in Indigenous Philanthropy: Reporting Australian Grantmakers' Perspectives." See also, Prewitt, "Foundations," pp. 370, 373.

<sup>186</sup> "Foundations," p. 370; Scaife, "Challenges in Indigenous Philanthropy: Reporting Australian Grantmakers' Perspectives."

<sup>187</sup> Leat, "The Development of Community Foundations in Australia: Recreating the American Dream." See also, Karl and Karl, "Foundations and Government: A Tale of Conflict and Consensus," p. 64.

<sup>188</sup> See e.g. Jenkins, "Who's Afraid of Philanthrocapitalism.,"; Seibel, "Theories of Nonprofit Sector, Political.,"; Evelyn Brody, "Institutional Dissonance in the Nonprofit Sector," *Villanova Law Review* 41, no. 2 (1996); Prewitt, "Foundations.,"; Roelofs, "Foundations and Collaboration."

<sup>189</sup> Toepler, "Foundation Roles and Visions in the USA: Comparative Note, p. 332; Nielsen, *The Big Foundations*.

<sup>190</sup> Prewitt, "Foundations," p. 373. See also, Anheier and Daly, "Philanthropic Foundations in Modern Society," p. 12.

<sup>191</sup> Prewitt, "Foundations," pp. 373. See also, Scaife, "Challenges in Indigenous Philanthropy: Reporting Australian Grantmakers' Perspectives."

for, the state.<sup>192</sup> In the current context, Villadsen identified a concern that when foundations and other not-for-profit organisations become 'professionalised' they come to more closely resemble government funders, which undermines the 'voluntary principle' on which the sector is based, and which promotes a healthy democracy.<sup>193</sup> The introduction of tax concessions is also felt to have undermined civil society's independence in enabling the state to influence philanthropic activity.<sup>194</sup>

Civil society's independence may also be compromised through closer alignment with the market.<sup>195</sup> Roelofs argues that while foundations may seek to 'teach' democracy, the role of corporate and private funds within democracy is 'missing from their lessons.'<sup>196</sup> She argues 'a root problem of the civil society basis for democracy is that pluralism has always been a realm of great inequality.'<sup>197</sup> This is because 'power is inordinately based on resources obtained from corporations and foundations', and not all groups are able to organise and attract the necessary funds.<sup>198</sup> Roelofs suggests that while not-for-profit entities 'wear the mask of pluralism', they 'are controlled by elites via funding, integration into coalitions, and overlapping personnel.'<sup>199</sup> This is a particular consideration in the context of marketised conceptions of philanthropy. Edwards suggests that 'the concentration of wealth and power amongst philanthrocapitalists is unhealthy for democracy' given the inherent power imbalance it creates, 'steering' civil society to become more 'businesslike' in order to attract more funding from philanthropists.<sup>200</sup> Market values come to replace the traditional values of civil society, distorting its function within democracy, and in Edwards' terms 'colonising civil society'<sup>201</sup> Traditionally civil society has been organised on the basis of cooperation rather than competition and its relationships are not characterised as contracts but formed between volunteers, 'friends and neighbours' and fellow citizens.<sup>202</sup> As such, its functions cannot be easily

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<sup>192</sup> Ealy, "The Intellectual Crisis in Philanthropy." See also, Zunz, *Philanthropy in America: A History*, pp. 135-136.

<sup>193</sup> Villadsen, "Modern Welfare and 'Good Old' Philanthropy."

<sup>194</sup> Ealy, "The Intellectual Crisis in Philanthropy."

<sup>195</sup> Edwards, *Just Another Emperor?: The Myths and Realities of Philanthrocapitalism*, p. 30; Eikenberry and Kluver, "The Marketization of the Nonprofit Sector: Civil Society at Risk?" See also, Bishop and Green, *Philanthrocapitalism: How the Rich Can Save the World and Why We Should Let Them*, p. 266.

<sup>196</sup> Roelofs, *Foundations and Public Policy: The Mask of Pluralism*, p. 204.

<sup>197</sup> *Ibid*, p. 204; see also, Roelofs, "Foundations and Collaboration."

<sup>198</sup> *Foundations and Public Policy: The Mask of Pluralism*, p. 203.

<sup>199</sup> *Ibid*, pp. 202-203.

<sup>200</sup> Edwards, *Just Another Emperor?: The Myths and Realities of Philanthrocapitalism*, pp. 8, 30, 266; Eikenberry and Kluver, "The Marketization of the Nonprofit Sector: Civil Society at Risk?"; Jenkins, "Who's Afraid of Philanthrocapitalism."; Bishop and Green, *Philanthrocapitalism: How the Rich Can Save the World and Why We Should Let Them*, p. 266.

<sup>201</sup> Edwards, *Just Another Emperor?: The Myths and Realities of Philanthrocapitalism*, p. 8. See also, Nickel and Eikenberry, "A Critique of the Discourse of Marketized Philanthropy."; Eikenberry and Kluver, "The Marketization of the Nonprofit Sector: Civil Society at Risk?"

<sup>202</sup> Edwards, *Just Another Emperor?: The Myths and Realities of Philanthrocapitalism*, p. 60.

measured and quantified to produce a 'bottom line' as required under marketised conceptions of philanthropy.<sup>203</sup> Marketised philanthropy is also more likely to 'champion those causes that stabilise the current system', which shifts the focus onto individual acts and away from the need for substantive, systematic change.<sup>204</sup> This undermines civil society's representative role and ultimately democracy as a whole.<sup>205</sup> Similar criticisms can also be applied to social change philanthropy, notably that it relies on the philanthropist not exploiting the inherent power imbalance in the relationship with their recipients. This can impede the full participation of the marginalised population.<sup>206</sup>

Renewed interest in the importance of civil society from the later part of the twentieth century has also seen criticism that it is being employed to support a 'roll-back of the state.' For example, in the United Kingdom the Big Society policy rhetoric that was prominent from 2010-2015 called for less reliance on government and increased philanthropic activity to strengthen civil society.<sup>207</sup> In the United States, Roelofs notes 'Tocqueville's ideas have come into fashion', particularly within the communitarian movement.<sup>208</sup> Stid suggests the 'neo-Tocquevillian' approach, is more focused on the view of voluntary associations as 'a means of solving collective problems' so as to not require government involvement, rather than in terms of 'fostering democratic citizenship.'<sup>209</sup> This neo-Tocquevillian approach was popularised by Peter Berger and Richard John Neuhaus's book: *To empower people: the role of mediating structures in public policy*, published in 1977.<sup>210</sup> The book addresses the 'tension' in the United States 'between wanting more government services and less government.'<sup>211</sup> Voluntary associations were conceived of as 'alternative' service providers which avoided the 'deleterious, enervating influence of the overbearing, paternalistic, and

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<sup>203</sup> Ibid, p. 30.

<sup>204</sup> Nickel and Eikenberry, "A Critique of the Discourse of Marketized Philanthropy."

<sup>205</sup> Eikenberry and Kluver, "The Marketization of the Nonprofit Sector: Civil Society at Risk?"; Bishop and Green, *Philanthrocapitalism: How the Rich Can Save the World and Why We Should Let Them*, p. 266; Edwards, *Just Another Emperor?: The Myths and Realities of Philanthrocapitalism*; Thümler, "Foundations, Schools and the State."; Tually, Skinner, and Slatter, "The Role of the Philanthropic Sector in Addressing Homelessness: Australian and International Experiences: Literature Review."

<sup>206</sup> Scaife, "Challenges in Indigenous Philanthropy: Reporting Australian Grantmakers' Perspectives."

<sup>207</sup> David Cameron, "PM's Speech on Big Society," 14th February 2011, <https://www.gov.uk/government/speeches/pms-speech-on-big-society>; John Jackson Roger, "'New Capitalism', Colonisation and the Neo-Philanthropic Turn in Social Policy: Applying Luhmann's Systems Theory to the Big Society Project," *International Journal of Sociology and Social Policy* 33, no. 11/12 (2013).

<sup>208</sup> Roelofs, *Foundations and Public Policy: The Mask of Pluralism*, p. 203.

<sup>209</sup> Stid, "Civil Society and the Foundations of Democratic Citizenship."

<sup>210</sup> Peter L. Berger and Richard John Neuhaus, *To Empower People: The Role of Mediating Structures in Public Policy* (Washington, DC: American Enterprise Institute for Public Policy Research, 1977); Grosby, "Peter Berger's Contribution to the Pluralism of Mediating Structures."

<sup>211</sup> "Peter Berger's Contribution to the Pluralism of Mediating Structures."

ambivalently desired welfare state on the character of its citizens.<sup>212</sup> However, Roelofs argues their 'elite' supporters will not allow them to 'create an alternative public sphere.'<sup>213</sup>

Criticism of the civil society argument, and philanthropy's role in it, highlights a particular view of the role of the state.<sup>214</sup> Proponents of civil society generally consider it in opposition to government.<sup>215</sup> Prochaska suggests this view of civil society, as 'a separate sphere of voluntary organisations as a buffer against government', developed in the eighteenth century with Thomas Paine. This view, which reflected an older notion of republican citizenship, 'found expression' in the philanthropy of the nineteenth century.<sup>216</sup> From the United States perspective, Tocqueville's interest in voluntary associations as 'a means of solving collective problems' reflected a view that was 'skeptical that government above the local township level could do much to solve problems.'<sup>217</sup> He argued, 'a government can no more be competent to keep alive and to renew the circulation of opinions and feelings amongst a great people, than to manage all the speculations of productive industry.'<sup>218</sup> A strong civil society does not necessarily have to exist in opposition to government however.<sup>219</sup> Tocqueville saw voluntary associations as 'buttressing and, at the same time, counterbalancing the institutions of the democratic state', and did suggest 'the central government needed to regulate some of the irregularities and prejudices of isolated locales.'<sup>220</sup> For Brinton, Tocqueville's work suggests he was concerned with 'the right sort of relationship between government and civil society, where each supports the other.'<sup>221</sup>

Tocqueville's work, which focused on the 'historical roots' of democracy in the United States, also demonstrated that the role of civil society reflects a country's societal, political and historical circumstances.<sup>222</sup> In Australia, government financial support underpinned the development of civil society from the early colonial period. This was particularly the case regarding service providing not-

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<sup>212</sup> Ibid.

<sup>213</sup> Roelofs, *Foundations and Public Policy: The Mask of Pluralism*.

<sup>214</sup> See e.g. Brinton, "Civil Society Theory: De Tocqueville."; O'Halloran, "Conclusion."; Cham, "The Rise and Fall of Australia's First Independent Regulator for the Not-for-Profit Sector: A Missed Opportunity for Philanthropy."

<sup>215</sup> Prewitt, "Foundations," p. 357; Prochaska, "Charity and Social Democracy an Anglo-American Historical Perspective."; *Schools of Citizenship Charity and Civic Virtue*; Cham, "The Rise and Fall of Australia's First Independent Regulator for the Not-for-Profit Sector: A Missed Opportunity for Philanthropy."

<sup>216</sup> Prochaska, *Schools of Citizenship Charity and Civic Virtue*.

<sup>217</sup> Stid, "Civil Society and the Foundations of Democratic Citizenship."

<sup>218</sup> Tocqueville, "Democracy in America," p. 984.

<sup>219</sup> See John Jackson Rodger, "'New Capitalism', Colonisation and the Neo-Philanthropic Turn in Social Policy," *International Journal of Sociology and Social Policy* 33, no. 11/12 (2013).

<sup>220</sup> Seibel, "Theories of Nonprofit Sector, Political."

<sup>221</sup> Brinton, "Civil Society Theory: De Tocqueville."

<sup>222</sup> Seibel, "Theories of Nonprofit Sector, Political."

for-profit entities.<sup>223</sup> Not-for-profit sector growth from the late 1960s was supported by the Commonwealth government in response to advocacy, first by not-for-profit entities themselves, then by 'feminists and other community activists' directly seeking assistance and recognition for groups including 'older people, people with disabilities, children, the homeless.'<sup>224</sup> This is consistent with the social liberal perspective. As well as acting 'on behalf of citizens as a countervailing force to the market', the social liberal ethical state also 'placed considerable emphasis on creating opportunities for different groups to form and express opinions' as part of its role in promoting equality of opportunity and ensuring all citizens developed to their full potential.<sup>225</sup> The influence this social liberal view in Australia, which became embedded within the nation's institutional arrangements, suggests that civil society is not required as a 'buffer' protecting citizens from the state and market. As such, philanthropy is then not considered to occupy a central role in providing support for civil society (and by extension democracy) in its functions of promoting democratic citizenship and representation. However, philanthropy in Australia does perform an important function related to this support of civil society, which reflects and demonstrates its ancillary role more broadly.

Social liberalism saw the state as having a significant role in fostering democratic citizenship. Although the state 'could not directly promote moral goodness', it could 'maintain the conditions that made possible the free exercise of the human faculties and the liberation of powers to contribute to the common good.'<sup>226</sup> An important aspect of equal opportunity for the state was supporting 'the capacity and duty to contribute to the community through active citizenship', which involved 'engaging in the life of the community to promote the common interest.'<sup>227</sup> The concept was 'disseminated' through the public education system and textbooks that 'taught students how state intervention increased their liberty, and helped them realise their potential through removing obstacles that would prevent them from living their best life', as well as 'the duties expected in return, the duty of active citizenship and pursuit of the common good.'<sup>228</sup> Social liberalism recognised that for citizens to develop to their full potential would require 'active citizenship – doing things worth doing, things of social and cultural benefit, in common with others.'<sup>229</sup> So rather than the voluntary organisations of civil society acting as 'schools of democracy', the state assumed a central role here.

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<sup>223</sup> See O'Brien, *Philanthropy and Settler Colonialism*; Lyons, *Third Sector: The Contribution of Nonprofit and Cooperative Enterprise in Australia*, p. 100.

<sup>224</sup> *Third Sector: The Contribution of Nonprofit and Cooperative Enterprise in Australia*.

<sup>225</sup> Sawer, *The Ethical State?: Social Liberalism in Australia*, pp. 25, 153; See also, Ian Marsh, "Interest Groups and Social Movements," in *The Cambridge Handbook of Social Sciences in Australia* ed. Ian McAllister, Riaz Hassan, and Steve Dowrick (Cambridge: Cambridge University Press 2003), p. 323.

<sup>226</sup> Sawer, *The Ethical State?: Social Liberalism in Australia*, p. 12.

<sup>227</sup> *Ibid*, p. 10.

<sup>228</sup> *Ibid*, p. 22.

<sup>229</sup> *Ibid*, p. 12.



As noted in the previous section, philanthropic activity undertaken with a view to contribute to the community can be viewed as fulfilling the obligations of active citizenship, which sees philanthropy function alongside a state that occupies a central role in promoting equality of opportunity.

Philanthropy's functioning as an expression of active citizenship is also significant when considering the representative function of civil society in Australia. The social liberal path dependency underpinned a political culture that promoted looking to the state to 'obtain rights and to advance rights claims.'<sup>230</sup> This supported a situation where social change is achieved in cooperation with the state, which functions as 'a vehicle for social justice for its citizens.'<sup>231</sup> Sawyer notes 'the role of the ethical state is not to be neutral but, rather to assist socially disadvantaged groups to organise, crystallise their views, present their claims and participate in the deliberative process.'<sup>232</sup> Sawyer cites the government funding of 'community peak bodies' as an example, arguing that these bodies 'provide an avenue for the recognition and accommodation of difference', and generally 'represent sections of the community that are electorally unpopular as well as resource poor.'<sup>233</sup> The Australian Government continues to fund peak bodies using a similar rationale. For example, the Department of Social Services funds peak bodies in the area of disability services to 'provide the capacity for all people, and their representative organisations, to have their views communicated to the Government, regardless of type of disability, gender, cultural background, age or membership.'<sup>234</sup> However, a report published in 2003 suggested the neoliberal influenced policy environment in Australia had influenced the role of peak bodies. For example, the process of tendering had 'led to a lack of diversity' among these organisations and left 'little room' for peak bodies to 'develop sophisticated relationships with the state.'<sup>235</sup>

Peak bodies themselves though continue to view their role in terms of providing 'systematic' advocacy and providing 'a voice to minority and disadvantaged groups.'<sup>236</sup> A 2010 report by the South

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<sup>230</sup> Prochaska, *Schools of Citizenship Charity and Civic Virtue*, pp. 153, 112.

<sup>231</sup> Sawyer, *The Ethical State?: Social Liberalism in Australia*, p. 68.

<sup>232</sup> Ibid, p. 154.

<sup>233</sup> Ibid, pp. 154-155.

<sup>234</sup> Australian Government, Department of Social Services, "National Disability Representative Organisations," <https://www.dss.gov.au/our-responsibilities/disability-and-carers/program-services/consultation-and-advocacy/national-disability-peak-bodies>.

<sup>235</sup> Rose Melville, "Changing Roles of Community-Sector Peak Bodies in a Neo-Liberal Policy Environment in Australia," *Institute of Social Change and Critical Inquiry, University of Wollongong*, September 2003, <https://apo.org.au/sites/default/files/resource-files/2003-09/apo-nid7844.pdf>, p. 6.

<sup>236</sup> Greg Ogle and Kari Bowling, "Unique Peaks: The Definition, Role and Contribution of Peak Organisations in the South Australian Health and Community Services Sector," *SACOSS Information Paper*, South Australian Council of Social Service [SACOSS], Unley, SA, May 2011, [https://www.sacoss.org.au/sites/default/files/public/documents/Reports/110614\\_Unique\\_Peaks\\_Def\\_Value\\_%26\\_Contribution\\_Paper.pdf](https://www.sacoss.org.au/sites/default/files/public/documents/Reports/110614_Unique_Peaks_Def_Value_%26_Contribution_Paper.pdf).

Australian Council of Social Services recognised the importance of the relationship with government to peak bodies, and that governments 'provided the mainstay of funding for peak bodies.'<sup>237</sup> It acknowledged that this could present an issue as peak bodies are placed in an awkward position of having to critique their funding body.<sup>238</sup> However, Sawyer argues, 'where social liberalism is a dominant discourse, a two-way relationship is possible in which mutual influence occurs.'<sup>239</sup> As well, ahead of the 2019 federal election the peak body for the community sector, the Australian Council of Social Services (ACOSS) called for the incoming government to 'restore and lift funding for peak bodies and advocacy organisations so that marginalised voices are heard in public policy debate.'<sup>240</sup> These attitudes from peak bodies suggest that the neoliberal policy influence may not have completely eroded the established social liberal path dependency.

Sawyer also cites the women's movement of the 1970s as an example of the ethical state fulfilling the representative function of civil society, highlighting how it was able 'to draw on the dominant social-liberal discourse to mobilise supporters and to persuade power-holders.'<sup>241</sup> Philanthropy has also provided support for social change in Australia, playing a significant role in the 2017 campaign for marriage equality.<sup>242</sup> A number of established foundations, including the Sidney Myer Fund and Myer Foundation, and Perpetual Equities Trustees, provided funding support during this campaign.<sup>243</sup> The Reichstein Foundation partnered with the Australian Communities Foundation and the Limb Family Foundation to attract additional donations, and viewed its involvement as 'a story of how philanthropy can be an ally for and with communities on the frontline of change.'<sup>244</sup> Individuals

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<sup>237</sup> Ibid.

<sup>238</sup> Ibid.

<sup>239</sup> Sawyer, *The Ethical State?: Social Liberalism in Australia*, pp. 157-158.

<sup>240</sup> Australian Council of Social Service, "Policy Priorities for the Next Australian Government: Whole of Government Advisory Structures," *Australian Council of Social Service*, March 2019, <https://www.acoss.org.au/wp-content/uploads/2019/03/ACOSS-Pre-election-priorities-whole-of-govt-advisory-structures.pdf>.

<sup>241</sup> Sawyer, *The Ethical State?: Social Liberalism in Australia*, pp. 155, 156.

<sup>242</sup> "Marriage Equality Campaign Recognised at 2018 Philanthropy Australia Awards." *Alliance Magazine*, 28 July 2018, <https://www.alliancemagazine.org/blog/marriage-equality-campaign-recognised-at-2018-philanthropy-australia-awards/>.

<sup>243</sup> Jemima Whyte, "Philanthropy 50: Australia's Most Generous Givers," *Financial Review*, 25 April 2018, <https://www.afr.com/afr-magazine/philanthropy-50-australias-top-private-givers-20180313-h0xemk>; Sidney Myer Fund: The Myer Foundation, "Annual Report 2016–17," <https://uploads.prod01.sydney.platformos.com/instances/338/assets/documents/SMF%20TMF%20FY17%20Annual%20Report.pdf?updated=1596090158>, p. 27; "Annual Report 2015-2016," <https://uploads.prod01.sydney.platformos.com/instances/338/assets/documents/SMF%20TMF%20FY16%20Annual%20Report.pdf?updated=1596090145>, p. 27.

<sup>244</sup> John Spierings, "We All Got This Done!," *Reichstein Foundation*, 7 December 2017, <https://reichstein.org.au/news/we-all-got-this-done/>. See also, Georgia Mathews, "Where to from Here? LGBTIQ+ Communities and Their Rights in Australia," *Right Now: Human Rights in Australia*, 3 July 2018, [http://rightnow.org.au/opinion-3/lgbtiq-communities-rights-australia/?utm\\_source=newsletter](http://rightnow.org.au/opinion-3/lgbtiq-communities-rights-australia/?utm_source=newsletter).

such as Alan Joyce and Ian Darling also made significant contributions.<sup>245</sup> Philanthropy Australia's award for best large grant in 2018 was awarded to the Tom Snow and Brook Horn Family Trust for its contribution to the campaign, with Horn stating 'the equality campaign was the result of significant philanthropic leadership that gave strength to the thousands of everyday Australians who were willing to stand up and push for fairness and equality.'<sup>246</sup> Georgia Matthews, the founder and director of Australia's first LGBTIQ+ giving circle stated she had 'no doubt that philanthropy played a key role in achieving the result.'<sup>247</sup> The question this raises is whether philanthropy's involvement in the campaign for marriage equality reflects a change in role for Australian philanthropy and as such the erosion of the social liberal path dependency.

The social change conception of philanthropy became prevalent in the context of the civil rights movements in the United States and, as Prewitt notes, 'connects with the rights-based liberalism that was then gaining momentum.'<sup>248</sup> As has been noted, the influence of social liberalism meant that philanthropic funding was not necessary to support similar movements in Australia. Wendy Scaife has suggested social change philanthropy as an effective approach for Australian philanthropy in addressing Indigenous issues in particular, as it would mean philanthropists 'take the counsel of Indigenous representatives grounded in the culture and issues.'<sup>249</sup> Such calls for philanthropic engagement to promote social change may suggest a failure of the ethical state to recognise difference and promote equality of opportunity for all citizens. However, Scaife does consider this to be a way for philanthropy to perform an important function within the wider political and cultural context, and this aligns with the view of philanthropy representing an expression of active citizenship, acting to engage 'with the life of the community' in order to promote the common good.

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<sup>245</sup> "Where to from Here? LGBTIQ+ Communities and Their Rights in Australia"; Phillip Coorey, "Qantas Boss Alan Joyce Personally Donates \$1m to Same-Sex Marriage Cause," *Financial Review*, 12 September 2017, <https://www.afr.com/politics/qantas-boss-alan-joyce-personally-donates-1m-to-samesex-marriage-cause-20170912-gyfgow>; Fiona Higgins, "Yes Matters," *Australia Philanthropic Services*, Client Newsletter, September 2017, <http://australianphilanthropicservices.com.au/yes-matters-ian-darling-talks-to-fiona-higgins-about-donating-to-the-yes-campaign>; Paul Karp, "Marriage Equality: Lots of Support but Little Funding from Corporate Australia," *The Guardian*, 2 September 2017, <https://www.theguardian.com/australia-news/2017/sep/02/marriage-equality-lots-of-support-but-little-funding-from-corporate-australia>; Phillip Coorey, "Gay Marriage Yes Campaign Not Banking on Corporate Donations," *Financial Review*, 8 September 2017, <https://www.afr.com/politics/gay-marriage-yes-campaign-not-banking-on-corporate-donations-20170908-gyd8al>; Michael Koziol, Mathew Dunckley, and Fergus Hunter, "'I Get into a Lot of Trouble for This': Big Business Leaders Come out in Support of Same-Sex Marriage," *The Sydney Morning Herald*, 11 September 2017 [Updated 13 September 2017], <https://www.smh.com.au/politics/federal/i-get-into-a-lot-of-trouble-for-this-big-business-leaders-come-out-in-support-of-samesex-marriage-20170912-gyfm8w.html>.

<sup>246</sup> "Marriage Equality Campaign Recognised at 2018 Philanthropy Australia Awards." *Alliance Magazine*, 28 July 2018; Jemima Whyte, "Philanthropy 50: Australia's Most Generous Givers."

<sup>247</sup> Matthews, "Where to from Here? LGBTIQ+ Communities and Their Rights in Australia."

<sup>248</sup> Prewitt, "Foundations," p. 370; Toepler, "Foundation Roles and Visions in the USA: Comparative Note."

<sup>249</sup> Scaife, "Challenges in Indigenous Philanthropy: Reporting Australian Grantmakers' Perspectives."

Regarding philanthropic support for the marriage equality campaign philanthropist, Ian Darling considered the issue was about 'a healthy community and a safe community. Our society is being damaged by the exclusion of an important group within our community who are being made to feel as though they are not part of it.'<sup>250</sup>

Viewed in this light, philanthropic support of social change can sit alongside a central role for government, and does not necessarily reflect the erosion of the social liberal path dependency, which suggests the social liberal influenced view of the role of the state may remain influential in Australia. As an example Sawyer notes that T.H. Green had 'no qualms about campaigning for temperance legislation, as long as it was introduced by elected local authorities with the support and understanding of the local community.'<sup>251</sup> The campaign for marriage equality could be viewed in similar terms. Finally, the community foundation movement which is connected to social change philanthropy, and developed in the United States in response to concerns regarding the centralisation of government, and of foundations, found it could gain credibility and legitimacy through association with particularly local governments in Australia.<sup>252</sup> This indicates that government continues to occupy a central position in terms of supporting its citizens. Social liberalism provided the framework for the state, as the central entity responsible for promoting equality of opportunity, to recognise differences and, philanthropy can support this by enabling voices to be heard and incorporated into the policy process as an expression of active citizenship.

## Conclusion

Just as there is rarely one set of factors motivating philanthropists, philanthropic activity itself is not confined to a single role or function within society. This chapter's exploration of the critical views associated with three main roles commonly ascribed to philanthropy demonstrates how its position is connected to particular views regarding the role of the state. For example, criticisms made of marketised forms of philanthropy indicate a neoliberal view of the role of the state, and views of philanthropy's role as supporting civil society consider it in opposition to government. Some criticisms are common across different roles, and reactions to these 'traditional critiques', relating to philanthropic amateurism and a paternalistic and undemocratic nature, demonstrate how views regarding philanthropy's role and relationship with government can differ between countries.<sup>253</sup> In

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<sup>250</sup> Higgins, "Yes Matters."

<sup>251</sup> Sawyer, *The Ethical State?: Social Liberalism in Australia*, p. 153.

<sup>252</sup> The stalling of initial efforts to establish community foundations in Australia is attributed in part to this 'ambivalence regarding the role of foundations and of the state.' Leat, "The Development of Community Foundations in Australia: Recreating the American Dream."

<sup>253</sup> Amarante, "The Perils of Philanthrocapitalism."

the United States for example, they do not prevent philanthropic activity from being influential, and foundations from occupying a central position, because the positive impact they have in supporting civil society, and therefore democracy, is significant enough to outweigh such criticisms.<sup>254</sup> This reflects a view of the state's role that sees it as less able to promote the values of citizenship and support collective action.

In the Australian context, considering the resonance of these different views of philanthropy's role supports a deeper exploration and understanding of the particular role philanthropy has come to occupy. Traditional criticisms do not appear to have gained particular salience in Australia, with discussions of philanthropy's role tending to be characterised by an ambivalence, which, as *chapter 1* has argued, suggests philanthropy is not viewed as occupying a central position within society but rather as performing an ancillary role. This role developed alongside a social liberal view of the role of the state, which saw it occupying a central position in promoting equality of opportunity with the aim to support the full development of citizens. Given this aim, social liberalism's ethical state was considered the most appropriate entity to facilitate the redistribution of resources through taxation, while philanthropy was felt to be inadequate in this role. Social liberalism's influence also saw the development of a framework which supported looking to the state for inclusion, suggesting philanthropy to be unnecessary in this context as well. However, social liberalism considered that in return for the state securing the conditions necessary for equality of opportunity, citizens are also obliged to actively engage within the community, and it is primarily as an expression of this active citizenship that philanthropy has assumed its ancillary role within Australia. This ancillary position is reflected in considerations of philanthropy's role as an expression of reciprocity, and its support of social change in Australia can also be viewed in terms of 'engaging' with the community to promote the common interest and supporting the state in its central role.

This consideration of critical views regarding philanthropy in connection with particular views of the role of the state also begins to demonstrate how the position of philanthropy within a society and its relationship with government can be used as a tool to examine changes in the way the role of the state is viewed within society. In the Australian context, critical views which highlight a particular neoliberal view of the role of the state can provide an insight regarding the potential erosion of the social liberal path dependency as a result of neoliberal policy influence. Given

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<sup>254</sup> See *ibid*; Jenkins, "Who's Afraid of Philanthrocapitalism."; Prewitt, "Foundations," p. 364; Brody, "Institutional Dissonance in the Nonprofit Sector."; Karl and Katz, "The American Private Philanthropic Foundation and the Public Sphere 1890–1930."; Barry D. Karl, "Philanthropy and the Maintenance of Democratic Elites," *ibid.* 35, no. 3 (1997).

philanthropy's connection to the social liberal path dependency, the success of the neoliberal challenge to the path dependency could be expected to be reflected in a change in philanthropy's role and the position it occupies within society. This will be explored further in the following chapters, and particularly in the final section of the thesis. The following two chapters will next consider the continued influence of the social liberal path dependency, first institutionally through regulatory arrangements, and in the attitudes and actions of philanthropists. Both reflect philanthropy's ancillary role and indicate the presence of the social liberal view of the role of the state.

## Chapter 3 Philanthropic Regulation

The preceding two chapters have outlined how Australian philanthropy has developed in an ancillary role alongside a social liberal view of the role of the state, with the particular relationship between them becoming embedded within the path dependency established during Australia's nation-building period. This section of the thesis will now explore how this path dependency has continued to influence philanthropy's role as it seeks to demonstrate how philanthropy's position can provide insights into the way the role of the state is perceived within a country. To support this, the following two chapters will utilise the second of the three paradigms Villadsen identified for viewing the relationship between philanthropy and government, the competitive paradigm.<sup>1</sup> A competitive relationship between government and philanthropy exists where one entity seeks to control or directly influence the other. *Chapter four* will consider the concept of philanthropic leverage in demonstrating the particular relationship between philanthropy and government through the actions of philanthropists. This chapter will demonstrate the institutional influence of the social liberal path dependency in Australia by examining regulatory arrangements relating to philanthropy. Toepler suggests the relationship between government and philanthropic foundations 'expresses itself in regulation, conceptual questions about the role of foundations in a democracy and the government's expectations for foundation contribution.'<sup>2</sup> Focusing on regulations, this chapter also considers these additional elements, as government can use regulations as means of attempting to shape or influence foundations, demonstrating its expectations and views regarding philanthropy's role, along with its own. Regulations may also reflect views and expectations that are influential within society more broadly. In representing the formal relationship between philanthropy and government, regulations represent institutional arrangements that are likely to be influenced by established path dependencies.<sup>3</sup> In this, they represent an important means for the thesis to fulfil its aim of using the relationship between government and philanthropy in Australia to provide an insight into views regarding the role of the state, including potential changes in such views.

The chapter will directly compare Australia's regulatory arrangements with those in the United Kingdom and United States in order to highlight the particular influence of the social liberal path dependency in Australia. It will consider the regulations themselves, including their development, along with the position of the national regulator and the operation of peak bodies

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<sup>1</sup> Kaspar Villadsen, "Modern Welfare and 'Good Old' Philanthropy."

<sup>2</sup> Stefan Toepler, "Toward a Comparative Understanding of Foundations."

<sup>3</sup> See Susan D. Phillips and Steven Rathgeb Smith, "A Dawn of Convergence?: Third Sector Policy Regimes in the 'Anglo-Saxon' Cluster.;" Gregory Rawlings, "Contesting Fairness and Fragmenting Groups: Cultural Narratives of Taxation and Citizenship in Globalising Australia."

representing the philanthropic sector. Though there are acknowledged differences in definitions which impede a systematic comparison,<sup>4</sup> this approach does provide a significant insight into the development of the particular relationships between philanthropy and government within a country. The relationship between government and philanthropy in the United Kingdom reflects Villadsen's view of a competitive relationship deriving from the fact that both are felt to exist in separate spheres with each operating according to different operating logics.<sup>5</sup> An inverse relationship has developed between them which has seen philanthropy's position within society defined in relation to that of the state. Government expectations regarding philanthropy's role have been particularly indicated through regulatory reform of the not-for-profit sector in the twenty-first century, with these reforms also reflecting an alteration of its own role.<sup>6</sup> Toepler notes that particular expectations regarding the role philanthropy should occupy have underpinned reforms of 'legal and fiscal frameworks' driven by government in several countries.<sup>7</sup> In the United Kingdom, this reform demonstrates the competitive aspect of the relationship between government and philanthropy, and illustrates the influence of different views of the state's role, expanding and contracting in opposition to philanthropy. This demonstrates how philanthropy can be used to provide an insight regarding the role of the state.

In the United States, regulation reflects a more directly competitive relationship as government seeks to preserve what has been considered to be an 'arbitrary divide' between itself and philanthropy and prevent foundations from encroaching on their territory.<sup>8</sup> This situation reflects debates regarding the legitimacy of philanthropic foundations as private institutions operating in the realm of public policy are demonstrated through regulatory arrangements.<sup>9</sup> Toepler suggests that, unlike in the United Kingdom and other countries, foundations in the United States 'draw their legitimacy from working with the non-profit sector as the primary medium for pursuing

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<sup>4</sup> Steven Heydemann and Stefan Toepler, "Foundations and the Challenge of Legitimacy in Comparative Perspective," pp. 9-12; Diana Leat, "United Kingdom," in *The Politics of Foundations: A Comparative Analysis*, ed. Helmut K. Anheier and Siobhan Daly (London: Routledge, 2009), pp. 98-99; Toepler, "Toward a Comparative Understanding of Foundations."

<sup>5</sup> Villadsen also identifies a concern that these separate spheres be maintained in order to preserve the independence of the not-for-profit sector. Villadsen, "Modern Welfare and 'Good Old' Philanthropy."

<sup>6</sup> It should also be noted that elements of the reform did differ between jurisdictions in the United Kingdom. See e.g. Paul Chaney and Daniel Wincott, "Envisioning the Third Sector's Welfare Role: Critical Discourse Analysis of 'Post-Devolution' Public Policy in the UK 1998–2012," *Social Policy & Administration* 48, no. 7 (2014); Tobias Jung, Jenny Harrow, and Susan D. Phillips, "Developing a Better Understanding of Community Foundations in the UK's Localisms," *Policy and Politics* 41, no. 3 (2013).

<sup>7</sup> Toepler, "Toward a Comparative Understanding of Foundations."

<sup>8</sup> Zunz, *Philanthropy in America: A History*; Rathgeb Smith, "Foundations and Public Policy."

<sup>9</sup> See e.g. Anheier and Leat, "Philanthropic Foundations: What Rationales?"; Moody and Breeze, "Editor's Introduction."; Anheier and Hammack, "American Foundations: Their Roles and Contributions to Society."; Heydemann and Toepler, "Foundations and the Challenge of Legitimacy in Comparative Perspective."



their missions and goals', and do not consider their role in relation to government. This view sees foundations as the inheritors of the American traditions of localism and voluntarism, espoused by Alexis de Tocqueville in his writings on America.<sup>10</sup> However, this contrasts with the actions of many prominent large-scale foundations operating as quasi-public institutions engaged in policy making at the national level. This is also reflected in the position of foundations. Neilsen observed a 'dichotomy' between a 'traditionalist' view of foundations, which felt they should 'try to be as independent as possible of government activity or influence', and a 'modernist' view which considered philanthropists and foundations 'must not only recognise the preponderance of government in their working sphere but must attempt in some positive way to relate to it.'<sup>11</sup> The tension between these differing aspects of philanthropy's role indicates the central position philanthropic foundations are considered to occupy in the United States, and underpins a competitive relationship with government, where regulations have sought to establish and preserve what several authors consider to be an arbitrary divide between them.<sup>12</sup>

Salamon considers both the United Kingdom and United States to be 'liberal regimes' within Anheier's social origins theory, which seeks to compare foundations and the context in which they operate.<sup>13</sup> Seibel sees such liberal regimes as being 'characterised by a competitive style of interaction between state and civil society organisations.'<sup>14</sup> Australia has also been placed within this category.<sup>15</sup> However, its regulatory arrangements do not reflect a competitive relationship between government and philanthropy. Rather, they demonstrate the ancillary role Australian philanthropy has developed, as outlined in the previous chapters, particularly in the way they see philanthropic activity being directed in particular areas.<sup>16</sup> This ancillary role assumes a particular view of the role of

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<sup>10</sup> The tension between these views can particularly be seen in debate regarding whether foundations are public or private entities. See e.g. Fernandez and Hager, "Public and Private Dimensions of Grantmaking Foundations."; Brody and Tyler, "Respecting Foundation and Charity Autonomy: How Public Is Private Philanthropy?"; Hall, "Philanthropy, the Nonprofit Sector & the Democratic Dilemma."; Zunz, *Philanthropy in America: A History*; "Why Is the History of Philanthropy Not a Part of American History."; Nielsen, *The Big Foundations*; Karl and Katz, "The American Private Philanthropic Foundation and the Public Sphere 1890–1930."; Karl and Karl, "Foundations and Government: A Tale of Conflict and Consensus."; Sealander, *Private Wealth and Public Life: Foundation Philanthropy and the Reshaping of American Social Policy from the Progressive Era to the New Deal*.

<sup>11</sup> Nielsen, *The Big Foundations*, pp. 388-397.

<sup>12</sup> Zunz, *Philanthropy in America: A History*; Rathgeb Smith, "Foundations and Public Policy."

<sup>13</sup> Salamon and Anheier, "Social Origins of Civil Society: Explaining the Nonprofit Sector Cross-Nationally."

<sup>14</sup> Seibel, "Theories of Nonprofit Sector, Political."; Salamon and Anheier, "Social Origins of Civil Society: Explaining the Nonprofit Sector Cross-Nationally."

<sup>15</sup> Scaife et al., "Giving in Australia: Philanthropic Potential Beginning to Be Realized," p. 490.

<sup>16</sup> See e.g. Lyons, *Third Sector: The Contribution of Nonprofit and Cooperative Enterprise in Australia*, p. 141; John McLeod, "The Support Report: The Changing Shape of Giving and the Significant Implications for Recipients," *JB Were*, June 2018, <https://www.jbwere.com.au/content/dam/jbwere/documents/JBWere-Support-Report-2018.pdf>.

the state and philanthropy's relationship with government, and its presence within current regulatory arrangements illustrates the influence of the social liberal path dependency to which this role and relationship became connected. The formal regulatory arrangements in all three countries demonstrate how philanthropy's role and relationship with government can differ significantly even within broader categories such as liberal regimes. In using regulatory arrangements to explore these particular relationships, the chapter demonstrates how, philanthropic structures, and the relationship between philanthropy and government they reflect, can also provide an insight into the way the role of the state is viewed within a particular country.<sup>17</sup>

### Separate spheres of government and philanthropy in the United Kingdom

There is no legal distinction between 'service-providing' charitable organisations and 'grant-making' philanthropic foundations in the United Kingdom.<sup>18</sup> As such, the primary distinction is between the voluntary sector and the state, reflecting a relationship between them that views philanthropy and government as distinct entities representing separate spheres. The formal relationship between the state and philanthropy was initially established in the Elizabethan period through the enactment of the Poor Laws and the Statute of Charitable Uses, which defined the respective responsibilities of both entities.<sup>19</sup> The Poor Laws were intended to 'provide a 'safety net' of statutory relief, though

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<sup>17</sup> This is in addition to supporting a wider understanding of how the not-for-profit sector operates, which is the aim of social origins theory as well as related comparative approaches within the international literature on philanthropy. See e.g. Anheier and Daly, "Philanthropic Foundations in Modern Society."; Salamon and Anheier, "Social Origins of Civil Society: Explaining the Nonprofit Sector Cross-Nationally."; Anheier and Salamon, "The Nonprofit Sector in Comparative Perspective."; Anheier and Daly, "Combining Roles and Visions: Patterns and Implications."; Wiepking and Handy, "Introduction."; Anheier, "Philanthropic Foundations in Cross-National Perspective: A Comparative Approach."

<sup>18</sup> See, Association of Charitable Foundations, "What Is a Foundation?," <https://www.acf.org.uk/about/what-is-a-foundation/>. There were calls during the recent reform process for a separate, less stringent regulatory process for foundations. The government ultimately determined though that as foundations received the same financial and reputational benefits of other charities, they should be subject to the same regulatory requirements. Joint Committee on the Draft Charities Bill, "The Draft Charities Bill," *Volume I Report, Formal Minutes and Evidence*, London: The Stationery Office Limited, 30 September 2004, <https://publications.parliament.uk/pa/jt200304/jtselect/jtchar/167/167.pdf>; Secretary of State for the Home Department, "The Government Reply to the Report from the Joint Committee on the Draft Charities Bill Session 2003–04" *HL Paper 167/HC 660*, December 2004, [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/251106/6440.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/251106/6440.pdf).

<sup>19</sup> The Poor Laws were enacted in 1597 and 1601 and the Statute of Charitable Uses in 1601. Lord Hodgson, "Trusted and Independent: Giving Charity Back to Charities," *Review of the Charities Act 2006*, The Stationery Office, London, July 2012, [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/79275/Charities-Act-Review-2006-report-Hodgson.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/79275/Charities-Act-Review-2006-report-Hodgson.pdf); O'Halloran, "Government–Charity Boundaries."; Anheier and Daly, "Combining Roles and Visions: Patterns and Implications."; Breeze and Lloyd, *Richer Lives: Why Rich People Give*.

‘only if the social and economic situation should exceed the capacities of private philanthropies.’<sup>20</sup> The Statute of Charitable Uses was intended to encourage philanthropic activity by creating an administrative framework and providing a surer legal standing for philanthropy.<sup>21</sup> Its preamble outlined ‘a list of charities the state wished to encourage’, and its broad definitions enabled voluntary organisations to ‘assume the primary burden of poor relief.’<sup>22</sup> The two acts effectively created ‘a public private partnership “in which the state filled in gaps left by charity.”’<sup>23</sup> These formal arrangements set the tone for the ‘mixed economy of welfare’, within which the balance shifted first towards voluntary and then government provision, with the increased emphasis on one resulting in corresponding changes to the other.<sup>24</sup>

Volunteerism<sup>25</sup> was dominant in the early part of the nineteenth century as social issues were viewed ‘in moral terms’ as the result of individual weakness. This being the case, ‘legitimate’ need would not be beyond ‘the resources of private charity.’<sup>26</sup> The establishment of the Charity Organisation Society in 1869 represented the institutional embodiment of these views.<sup>27</sup> They were also reflected in the ‘New Poor Law’ of 1834, which defined the relationship between philanthropy and the state as one where ‘well-organised charity would assist the deserving poor by encouraging them to maintain themselves’, and the state ‘would deal with the undeserving in such a way as to try to jolt them into the ranks of the deserving.’<sup>28</sup> This view of the state’s role, reinforced in the

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<sup>20</sup> Hodgson, "Trusted and Independent: Giving Charity Back to Charities."; James Fishman, "Encouraging Charity in a Time of Crisis: The Poor Laws and the Statute of Charitable Uses of 1601," *SSRN Electronic Journal* (2005), <http://dx.doi.org/10.2139/ssrn.868394>; Benjamin Kirkman Gray, *A History of English Philanthropy from the Dissolution of the Monasteries to the Taking of the First Census* (London: P.S. King & Son, 1905), pp. 2-3, 12, 6, 32; Joanna Innes, "The "Mixed Economy of Welfare" in Early Modern England: Assessments of the Options from Hale to Malthus (C. 1683-1803)," in *Charity, Self-Interest and Welfare in the English Past*, ed. Martin Daunton (London: UCL Press 1996), p. 142.

<sup>21</sup> Fishman, "Encouraging Charity in a Time of Crisis: The Poor Laws and the Statute of Charitable Uses of 1601."

<sup>22</sup> *Ibid.*

<sup>23</sup> *Ibid.* See also, Innes, "The "Mixed Economy of Welfare" in Early Modern England: Assessments of the Options from Hale to Malthus (C. 1683-1803)," p. 168; David Owen, *English Philanthropy, 1660-1960* (Cambridge, Massachusetts: Belknap Press of Harvard University Press, 1964), p. 70.

<sup>24</sup> Innes, "The "Mixed Economy of Welfare" in Early Modern England: Assessments of the Options from Hale to Malthus (C. 1683-1803)."; Geoffrey Finlayson, *Citizen, State, and Social Welfare in Britain 1830-1990* (Oxford: Clarendon Press, 1994), p. 80.

<sup>25</sup> Nineteenth century volunteerism comprised a number of strands with philanthropy being prominent. *Citizen, State, and Social Welfare in Britain 1830-1990*, p. 80.

<sup>26</sup> *Ibid.*, pp. 103, 136.

<sup>27</sup> Owen, *English Philanthropy, 1660-1960*, p. 211; Finlayson, *Citizen, State, and Social Welfare in Britain 1830-1990*, pp. 71, 92, 147; Martin Daunton, *Trusting Leviathan: The Politics of Taxation in Britain, 1799-1914* (Cambridge, UK: Cambridge University Press, 2001), p. 283.

<sup>28</sup> Finlayson, *Citizen, State, and Social Welfare in Britain 1830-1990*, pp. 92-93; Daunton, *Trusting Leviathan: The Politics of Taxation in Britain, 1799-1914*, pp. 264-265; Michael D. Roberts, "Head Versus Heart? Voluntary Associations and Charity Organisation in England C. 1700-1850," in *Charity, Philanthropy and Reform: From the 1690s to 1850*, ed. Hugh Cunningham and Joanna Innes (Basingstoke: Macmillan, 1998), p. 79; Fishman, "Encouraging Charity in a Time of Crisis: The Poor Laws and the Statute of Charitable Uses of 1601"; Owen,

'Goschen minute' published in 1869, saw it operating 'in a limited, closely defined sphere', allowing a 'tremendous social expanse to be occupied by private benevolence.'<sup>29</sup> As poverty came to be viewed more as the result of environmental factors in the later part of the nineteenth century though, debate arose as to whether charity should, or even could, adequately address it, and whether 'the community, as represented by the state, might have an obligation to deal with distress and want.'<sup>30</sup> New (social) liberalism became influential in this period, arguing that 'the state had a role in setting right the shortcomings of an economic system which had produced poverty on such a scale as would put self-improvement beyond the capacity of the individual.'<sup>31</sup>

The state had been expanding in practical terms for some time,<sup>32</sup> and the influence of these views alongside broader political changes such as the extension of the franchise, marked a more significant shift in its role, indicated for example, in the campaign for the introduction of old age pensions.<sup>33</sup> The views of the previous period remained influential though, with the poor law remaining in place, and the state's initial growth in the nineteenth century sought to 'enable' the voluntary sector. This was 'consistent with the circumstances in which free enterprise, whether in economic or in social matters, could properly flourish.'<sup>34</sup> While new liberal politicians recognised the need for a more active state to create the conditions for 'individual self-fulfillment', they also 'remained firmly attached to the ideas of individual effort, self-reliance and the improvement of character', as demonstrated particularly in the *National Insurance Act 1911*.<sup>35</sup> As it expanded, the

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*English Philanthropy, 1660-1960*, pp. 134-135; Jose Harris, *Private Lives, Public Spirit: A Social History of Britain 1870-1914* (Oxford: Oxford University Press, 1993), p. 195; Thane, *The Foundations of the Welfare State*, pp. 32-35, 38. See also, Roy Douglas, *Taxation in Britain since 1660* (London: Macmillan Press 1999), p. 67.

<sup>29</sup> Owen, *English Philanthropy, 1660-1960*, pp. 134-138.

<sup>30</sup> Ibid, pp. 92, 134-135, 181, 204-205, 211, 212-213, 502-505, 512, 525; Finlayson, *Citizen, State, and Social Welfare in Britain 1830-1990*, pp. 100, 106, 119, 136, 143-147, 154-155, 160, 161-166, 204-205; Thane, *The Foundations of the Welfare State*, pp. 37-38, 51-57; Gray, *A History of English Philanthropy from the Dissolution of the Monasteries to the Taking of the First Census*, p. 285.

<sup>31</sup> Finlayson, *Citizen, State, and Social Welfare in Britain 1830-1990*, p. 161; Thane, *The Foundations of the Welfare State*, pp. 57-58.

<sup>32</sup> Through for example, Royal Commissions and the creation of new government departments, as well as creating legislation in areas such as education. Harris, *Private Lives, Public Spirit: A Social History of Britain 1870-1914*, pp. 183, 205, 215-216; Owen, *English Philanthropy, 1660-1960*, pp. 500-503; Gray, *A History of English Philanthropy from the Dissolution of the Monasteries to the Taking of the First Census*, pp. 286-287; Finlayson, *Citizen, State, and Social Welfare in Britain 1830-1990*, p. 165; Thane, *The Foundations of the Welfare State*, pp. 38-47, 64-84.

<sup>33</sup> Finlayson, *Citizen, State, and Social Welfare in Britain 1830-1990*, pp. 124, 162-166; Owen, *English Philanthropy, 1660-1960*, pp. 505, 512-513, 525. See also, Harris, *Private Lives, Public Spirit: A Social History of Britain 1870-1914*, pp. 9, 121-123, 182, 194, 197-198, 205-207; Douglas, *Taxation in Britain since 1660*, pp. 72-83; Daunton, *Trusting Leviathan: The Politics of Taxation in Britain, 1799-1914*, pp. 330-374. Thane, *The Foundations of the Welfare State*, pp. 58-62, 81-88, 91-98; Breeze and Lloyd, *Richer Lives: Why Rich People Give*, p. 30.

<sup>34</sup> Finlayson, *Citizen, State, and Social Welfare in Britain 1830-1990*, pp. 86-91, 106.

<sup>35</sup> Harris, *Private Lives, Public Spirit: A Social History of Britain 1870-1914*, p. 218; Finlayson, *Citizen, State, and Social Welfare in Britain 1830-1990*, pp. 181-182.

state also 'relied on voluntary agencies to a considerable degree', although these entities 'often did the utmost to ensure that their separate identity and interests were protected.'<sup>36</sup> There was also resistance from sections of the voluntary sector, most notably the Charity Organisation Society. However it was clear by 1914 that a fundamental shift regarding the role of the state had taken place.<sup>37</sup>

The balance within the mixed economy of welfare shifted further in favour of government provision with the creation of the welfare state in the post-war period.<sup>38</sup> This left the position of the voluntary sector unclear, and it was thought charities may largely become obsolete.<sup>39</sup> This was not the state's intention however, and the *Charities Act 1960* 'officially recognised voluntary action as an integral part of the machinery of the welfare state.'<sup>40</sup> The Act sought 'to establish a statutory basis for the cooperation between the public and voluntary welfare sectors,' and in this it resembled the aim of the Statute of Charitable Uses which was implemented alongside the Poor Laws.<sup>41</sup> The intended role for charities was outlined in a number of studies, most notably the *Nathan Committee* of 1950-1952, which saw it in terms of supplementing the statutory services through their ability to uncover new needs and develop innovative means of addressing them, as well in terms of ensuring accountability of the services.<sup>42</sup> Though it 'still prided itself on its independence,' the voluntary sector 'became orientated towards the welfare state', recognising that it needed state resources to 'realise its potential and in some cases to ensure its survival.'<sup>43</sup>

This historical overview of the formal relationship between government and the voluntary sector demonstrates an inverse relationship where philanthropy's role has been defined against that of the state. This relationship is also reflected in the more recent reform process, which has sought to again redefine the roles of both entities. It is here that a competitive element is particularly evident as government has seemingly sought to use regulatory reform to effectively force

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<sup>36</sup> *Citizen, State, and Social Welfare in Britain 1830-1990*, pp. 134-135, 166-171, 176, 187, 125-133, 194, 198.

<sup>37</sup> *Ibid*, pp. 94-97, 142, 191, 199; Owen, *English Philanthropy, 1660-1960*, pp. 51, 212, 503; Thane, *The Foundations of the Welfare State*, pp. 63-64, 88-91; Harris, *Private Lives, Public Spirit: A Social History of Britain 1870-1914*.

<sup>38</sup> Thane, *The Foundations of the Welfare State*, pp. 223-267; Owen, *English Philanthropy, 1660-1960*, pp. 525-526, 531-532.

<sup>39</sup> Hodgson, "Trusted and Independent: Giving Charity Back to Charities."; Breeze and Lloyd, *Richer Lives: Why Rich People Give*.

<sup>40</sup> Owen, *English Philanthropy, 1660-1960*, pp. 526, 573, 595.

<sup>41</sup> *Ibid*, pp. 526, 573, 595.

<sup>42</sup> *Ibid*, pp. 525-526, 533-537, 574-575; Finlayson, *Citizen, State, and Social Welfare in Britain 1830-1990*, pp. 288, 291, 293, 302; Hodgson, "Trusted and Independent: Giving Charity Back to Charities."

<sup>43</sup> Finlayson, *Citizen, State, and Social Welfare in Britain 1830-1990*, pp. 351, 392; Owen, *English Philanthropy, 1660-1960*, p. 293; The Wolfenden Committee, *The Future of Voluntary Organisations: Report of the Wolfenden Committee* (London: Croom Helm, 1978).

philanthropic foundations to substitute functions which had come to be considered as belonging to the state in the post-war period. The balance within the mixed economy of welfare had begun to shift with the rise of the 'new right', which considered the state neither could nor should occupy the central position in welfare provision. Its rhetoric surrounding 'self help and individual responsibility' influenced New Labour's 'Third Way' approach under Tony Blair.<sup>44</sup> It was Blair's government which initiated the reform process, citing a desire to increase public trust and confidence in the voluntary sector by 'modernising' the legal framework which underpinned it.<sup>45</sup> The aim to alter the relationship between government and the voluntary sector was clear in the expressed desire to enable the sector 'to become a more active partner with Government in shaping policy and delivery', and ultimately for it, and the 'strong empowered community' it represented, to become 'capable of taking charge and taking action.'<sup>46</sup> The competitive element of the relationship is reflected in concerns expressed from within the voluntary sector that rather than an equal partnership, the government sought for philanthropic foundations in particular to substitute functions which were considered to be the responsibility of the state.<sup>47</sup>

The focal point of the reform became the *Charities Act 2006*, which appeared to represent an attempt to redefine the voluntary sector's role in similar terms as the Statute of Charitable Uses had done.<sup>48</sup> For example, the stated aim of promoting public trust and confidence in the voluntary sector, which was particularly reflected in efforts to outline the role the Charity Commission as the regulatory body, echoes that of the 1601 Statute as it sought to encourage increased support for the sector by providing it with a sound legal and administrative basis.<sup>49</sup> The *Charities Act* also introduced

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<sup>44</sup> Finlayson, *Citizen, State, and Social Welfare in Britain 1830-1990*, p. 422; Timothy P. R. Weaver, *Blazing the Neoliberal Trail: Urban Political Development in the United States and the United Kingdom* (Philadelphia: University of Pennsylvania Press, 2016).

<sup>45</sup> See, Joint Committee on the Draft Charities Bill, "The Draft Charities Bill"; Cabinet Office Strategy Unit (UK), "Private Action, Public Benefit: A Review of Charities and the Wider Not-for-Profit Sector," *Strategy Unit Report*, London, September 2002, <https://webarchive.nationalarchives.gov.uk/+/http://www.cabinetoffice.gov.uk/media/cabinetoffice/strategy/assets/strat%20data.pdf>.

<sup>46</sup> "Private Action, Public Benefit: A Review of Charities and the Wider Not-for-Profit Sector"; Secretary of State for the Home Department, "The Government Reply to the Report from the Joint Committee on the Draft Charities Bill Session 2003–04."

<sup>47</sup> See Leat, "United Kingdom," pp. 100, 113.

<sup>48</sup> The United Kingdom of Great Britain and Northern Ireland, "*Charities Act 2006* (C. 50)," London: The Stationary Office, [http://www.legislation.gov.uk/ukpga/2006/50/pdfs/ukpga\\_20060050\\_en.pdf](http://www.legislation.gov.uk/ukpga/2006/50/pdfs/ukpga_20060050_en.pdf). This Act was later consolidated with remaining provisions from the *Charities Act 1993* into the *Charities Act 2011*. The United Kingdom of Great Britain and Northern Ireland "*Charities Act 2011*," <https://www.legislation.gov.uk/ukpga/2011/25/contents/enacted>.

<sup>49</sup> Fishman, "Encouraging Charity in a Time of Crisis: The Poor Laws and the Statute of Charitable Uses of 1601"; Cabinet Office Strategy Unit (UK), "Private Action, Public Benefit: A Review of Charities and the Wider Not-for-Profit Sector"; Joint Committee on the Draft Charities Bill, "The Draft Charities Bill"; Hodgson, "Trusted and Independent: Giving Charity Back to Charities."; Nick Hurd MP Minister for Civil Society, "Response to the Charities Act Review from the Minister for Civil Societies," *Interim Government Response*, 3 December 2012,

a statutory definition of charity to replace the existing common law definition, which significantly expanded the number of charitable purposes, including a number of areas generally considered to be the responsibility of government in the post-war period.<sup>50</sup> The original Statute of Charitable Uses had also included a broad definition of charity for the period, intended to support the voluntary sector in undertaking the bulk of welfare provision.<sup>51</sup> Given the way the voluntary sector's role has been defined against that of government, this effort to expand it through regulatory reform suggests a concurrent shift regarding the role of the state. While there was no Poor Law to explicitly define the state's position as in the Elizabethan period, government actions in the context of the reform indicate a change in the way it views its role.

Following a change in government in 2010, reform continued in the context of the 'Big Society', which sought an increase in 'giving and philanthropy.'<sup>52</sup> This policy agenda saw a number of initiatives implemented to support the voluntary sector including the Big Society Bank, Big Society Network and the Big Lottery Fund.<sup>53</sup> It was also promoted alongside significant funding cuts, suggesting, despite government statements to the contrary,<sup>54</sup> that the intention was for philanthropy particularly to replace government funding. This indicated a significant shift in the role of the state. One think tank suggested that the clear link between the Big Society and spending cuts 'seems to mark the end of the post-war settlement', as 'unpaid labour – mostly female – and the

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[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/79277/Charities-Act-Review-2006-response-Nick-Hurd.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/79277/Charities-Act-Review-2006-response-Nick-Hurd.pdf); House of Commons Public Administration Select Committee, "Public Services and the Third Sector: Rhetoric and Reality," *Eleventh Report of Session 2007–08*, Volume I, The Stationery Office Limited, London, July 2008,

<https://publications.parliament.uk/pa/cm200708/cmselect/cmpubadm/112/112.pdf>.

<sup>50</sup> The United Kingdom of Great Britain and Northern Ireland, "Charities Act 2011." The statutory definition of charity introduced a public benefit requirement, though there was no statutory definition of public benefit, which promoted criticism from the voluntary sector that the requirement represented government attempting to control the sector.

<sup>51</sup> Fishman, "Encouraging Charity in a Time of Crisis: The Poor Laws and the Statute of Charitable Uses of 1601"; Joint Committee on the Draft Charities Bill, "The Draft Charities Bill"; The United Kingdom of Great Britain and Northern Ireland, "Charities Act 2006 (C. 50)."

<sup>52</sup> Cathy Pharoah, "Private Giving and Philanthropy – Their Place in the Big Society," *People, Place & Policy Online* 5, no. 2 (2011).

<sup>53</sup> The National Lottery Community Fund, "About the National Lottery Community Fund," <https://www.tnlcommunityfund.org.uk/about>; The United Kingdom of Great Britain and Northern Ireland, "National Lottery Act 2006," <http://www.legislation.gov.uk/ukpga/2006/23/contents>; Cathy Pharoah, Catherine Walker, and with Emma Hutchins, "Foundation Giving Trends 2018," *Association of Charitable Foundations*, October 2018, [https://www.acf.org.uk/downloads/publications/ACF147\\_Foundation\\_Giving\\_Trends\\_2018\\_For\\_web\\_spreads.pdf](https://www.acf.org.uk/downloads/publications/ACF147_Foundation_Giving_Trends_2018_For_web_spreads.pdf); Leat, "United Kingdom."

<sup>54</sup> Pharoah, "Private Giving and Philanthropy – Their Place in the Big Society."; Cameron, "PM's Speech on Big Society."

charitable and voluntary sectors are expected to fill the gaps as the state retreats.<sup>55</sup> Peak body the Association of Charitable Foundations commented that philanthropy had ceased to be ‘the icing on the cake’, and other organisations such as the National Council for Voluntary Organisations (NCVO) commented in similar terms.<sup>56</sup> The approach of the Big Society along with these comments from the voluntary sector highlight the change in the role of the state inherent within the reform process, reflecting the established inverse relationship between government and the voluntary sector. This shift reflected the influence of a particular view of the state’s role influenced by neoliberalism, which sees it occupying a particular position in terms of supporting the market.<sup>57</sup> The neoliberal underpinnings of the Big Society as they relate to the role of the state will be discussed in more detail in *chapter five*.<sup>58</sup>

The voluntary sector’s response to the reform process demonstrates the competitive element to the established inverse relationship, with government seeming to utilise it to facilitate a change in its own role by redefining the role of the voluntary sector through regulatory reform. Philanthropic foundations in particular were concerned that government was attempting to force the substitution of functions that had been considered part of the state’s own expanded role in the twentieth century.<sup>59</sup> For example, a proposal to introduce a minimum distribution requirement for foundations, in anticipation of the increase in funds it would produce, was felt to represent a desire for government to decrease its own role in welfare provision.<sup>60</sup> The response to reform also

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<sup>55</sup> Anna Coote, "Cutting It: The ‘Big Society’ and the New Austerity," The New Economics Foundation [NEF], 2010, [https://b3cdn.net/nefoundation/fe562b1ef767dac0af\\_g0m6iykyd.pdf](https://b3cdn.net/nefoundation/fe562b1ef767dac0af_g0m6iykyd.pdf); Michael Burton, *The Politics of Public Sector Reform: From Thatcher to the Coalition* (Basingstoke: Palgrave Macmillan, 2013), p. 41.

<sup>56</sup> Hugh Radojev, "'Foundations Are No Longer the Icing on the Cake', Says ACF Chief Executive," *Civil Society Media*, 27 September 2017, <https://www.civilsociety.co.uk/news/grant-making-by-foundations-now-comparable-to-government-grants.html>; Pharoah, "Private Giving and Philanthropy – Their Place in the Big Society."; National Council for Voluntary Organisations [NCVO], "NCVO Response to the Giving Green Paper," March 2011, [https://www.ncvo.org.uk/images/documents/policy\\_and\\_research/giving\\_and\\_philanthropy/NCVO\\_Giving\\_Green\\_Paper\\_Submission\\_March\\_2011.pdf](https://www.ncvo.org.uk/images/documents/policy_and_research/giving_and_philanthropy/NCVO_Giving_Green_Paper_Submission_March_2011.pdf).

<sup>57</sup> Anna Coote and Jane Franklin, "Transforming Welfare: New Economics, New Labour and the New Tories," *Soundings* 44 (2010); Coote, "Cutting It: The ‘Big Society’ and the New Austerity." This is evident in Cameron’s comments, see e.g. David Cameron, "The Big Society," *Hugo Young Lecture*, 10 November 2009, <https://conservative-speeches.sayit.mysociety.org/speech/601246>.

<sup>58</sup> This neoliberal influence was also identified in the Third Way approach, which provided the initial context for the reform. See e.g. Coote and Franklin, "Transforming Welfare: New Economics, New Labour and the New Tories."; Weaver, *Blazing the Neoliberal Trail: Urban Political Development in the United States and the United Kingdom*.

<sup>59</sup> See e.g. Harrow and Jung, "Philanthropy Is Dead; Long Live Philanthropy?"; Leat, "United Kingdom."

<sup>60</sup> Cathy Pharoah and Jenny Harrow, "Payout with an English Accent: Exploring the Case for a Foundation ‘Distribution Quota’ in the UK," *Working Paper Presented at ARNOVA 39th Annual Conference, 18-20 November 2010, Alexandria, USA*, Centre for Charitable Giving and Philanthropy and Cass Business School, City University London, 2010, [https://www.cass.city.ac.uk/\\_\\_data/assets/pdf\\_file/0004/366529/CGAP-Payout-with-an-english-accent.pdf](https://www.cass.city.ac.uk/__data/assets/pdf_file/0004/366529/CGAP-Payout-with-an-english-accent.pdf); Association of Charitable Foundations, "Report and Financial Statements Year Ended 31st December 2009," *Association of Charitable Foundations*, London, 2009,



demonstrates a view that government and the voluntary sector represent distinct and separate spheres, and that one is not interchangeable with the other. There were concerns regarding whether the voluntary sector was able to perform the expanded role envisioned by the reform process, and whether philanthropic funds would be sufficient if required to substitute for government provision.<sup>61</sup> As well, it was felt that being asked to substitute government functions would limit the sector's ability to be innovative in identifying and addressing needs, something that was considered a fundamental part of philanthropy's role in the post war period.<sup>62</sup> Pharoah considered that given the 'highly personal and often complex nature of donor choices and motivation it is unlikely philanthropy will be able to effectively replace government funding.'<sup>63</sup> There was significant opposition to restrictions on the sector's ability to engage in advocacy, particularly in response to the *Transparency of Lobbying, Non-party Campaigning and Trade Union Administration Act 2014*, as it was felt this misrepresented the sector's role as being simply to provide 'relief.'<sup>64</sup> Viewing the voluntary sector's role in such a way allows it to be considered interchangeably with government provision, supporting the substitution argument. The sector's response, however, indicates that it does not consider itself in these terms.

The formal relationship between the state and voluntary sector in the United Kingdom, as demonstrated through regulatory arrangements, views both as distinct entities. An inverse relationship exists between them, which over time has seen a change in the role of one entity produce a corresponding shift for the other. This relationship has seen philanthropy's role being effectively defined in relation to that of the state. This can be seen historically where the expansion

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[https://www.acf.org.uk/downloads/annual-reports/ACF\\_annual\\_report\\_2009.pdf](https://www.acf.org.uk/downloads/annual-reports/ACF_annual_report_2009.pdf); "Report and Financial Statements Year Ended 31st December 2010," *Association of Charitable Foundations*, London, 2010, [https://www.acf.org.uk/downloads/annual-reports/ACF\\_annual\\_report\\_2010.pdf](https://www.acf.org.uk/downloads/annual-reports/ACF_annual_report_2010.pdf); "Report and Financial Statements Year Ended 31st December 2011," *Association of Charitable Foundations*, London, 2011, [https://www.acf.org.uk/downloads/annual-reports/ACF\\_annual\\_report\\_2011.pdf](https://www.acf.org.uk/downloads/annual-reports/ACF_annual_report_2011.pdf).

<sup>61</sup> Pharoah, "Private Giving and Philanthropy – Their Place in the Big Society." Coote, "Cutting It: The 'Big Society' and the New Austerity."

<sup>62</sup> Harrow and Jung, "Philanthropy Is Dead; Long Live Philanthropy?"; Leat, "United Kingdom."

<sup>63</sup> Pharoah, "Private Giving and Philanthropy – Their Place in the Big Society."

<sup>64</sup> House of Commons Public Administration Select Committee, "The Role of the Charity Commission and "Public Benefit": Postlegislative Scrutiny of the Charities Act 2006: Third Report of Session 2013–14," *Volume 1: Report, together with formal minutes, oral and written evidence*, The Stationery Office Limited, London, May 2013, <https://publications.parliament.uk/pa/cm201314/cmselect/cmpubadm/76/76.pdf>; Minister for the Cabinet Office, "Government Responses To: 1) the Public Administration Select Committee's Third Report of 2013-14: The Role of the Charity Commission and "Public Benefit": Post-Legislative Scrutiny of the Charities Act 2006 2) Lord Hodgson's Statutory Review of the Charities Act 2006: Trusted and Independent, Giving Charity Back to Charities," London, September 2013, [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/237077/Response-charities-legal-framework.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/237077/Response-charities-legal-framework.pdf); Karen Barker and Tim Harrison, "The Lobbying Act: A Waste of Time and Resources?," *NFP Synergy*, London, February 2015, <https://nfpsynergy.net/free-report/lobbying-act-waste-time-and-resources>; Pharoah and Harrow, "Payout with an English Accent: Exploring the Case for a Foundation 'Distribution Quota' in the UK."

of the state saw the voluntary sector adopt a more limited, supplementary role. The more recent reform process then particularly demonstrates the competitive aspect of this relationship as government sought to broaden the role of the voluntary sector through regulatory change. This expanded role was further encouraged by policy arrangements that also indicated a corresponding change regarding the role of the state. The response from the voluntary sector to this reform, concern that it is being forced to substitute functions previously considered the role of government as a result of the state's redefinition of its own role, indicates both the competitive element within the relationship between it and government, and the view that they are both distinct entities which are not interchangeable. This inverse relationship demonstrates quite directly how the relationship between government and philanthropy can be used to provide an insight into the role of the state, and potential changes within it. While the relationship between government and philanthropy does differ between countries, similar insights regarding the role of the state can still be identified through formal regulatory arrangements.

### Arbitrary Separation in the United States

Regulatory arrangements in the United States also reflect a competitive relationship between philanthropy and government, although the nature of this relationship differs significantly from that of the United Kingdom. Foundations in the United States do not define their role in relation to the state.<sup>65</sup> Rather, the competitive relationship between philanthropy and government stems from questions regarding the position of foundations as private institutions engaged in public policy making at the national level.<sup>66</sup> It is also underpinned by a tension within philanthropy itself between this national-level policy role and the view of foundations as embodying the traditions of localism and voluntarism, which occupy a fundamental position in terms of American identity.<sup>67</sup> The tension between these roles influences the suspicion which has seen government seek to enforce a separation between philanthropy and politics through regulation, despite some considering this an 'arbitrary divide', given philanthropy's significant influence in the area of national policy.<sup>68</sup> Toepler argues this tension has 'led to an American regulatory framework that is in core aspects much less

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<sup>65</sup> Heydemann and Toepler, "Foundations and the Challenge of Legitimacy in Comparative Perspective," p. 22; Toepler, "Foundation Roles and Visions in the USA: Comparative Note."

<sup>66</sup> See e.g. Fleishman, *The Foundation: A Great American Secret; How Private Wealth Is Changing the World*; Heydemann and Toepler, "Foundations and the Challenge of Legitimacy in Comparative Perspective."

<sup>67</sup> Toepler, "Foundation Roles and Visions in the USA: Comparative Note."; Karl and Karl, "Foundations and Government: A Tale of Conflict and Consensus."; Karl and Katz, "The American Private Philanthropic Foundation and the Public Sphere 1890–1930."; "Foundations and Ruling Class Elites."; Ealy, "The Intellectual Crisis in Philanthropy."

<sup>68</sup> See Zunz, *Philanthropy in America: A History*, p. 5; "Why Is the History of Philanthropy Not a Part of American History," p. 44; Toepler, "Toward a Comparative Understanding of Foundations."; "Foundation Roles and Visions in the USA: Comparative Note."

foundation friendly than those in other countries.<sup>69</sup> When foundations were challenged by the view that they were becoming too political in the second half of the twentieth century, they defended themselves by appealing to those earlier approaches, positioning themselves as the 'inheritors' of the Tocquevillian tradition.<sup>70</sup> From the 1970s, these competing conceptions of philanthropy's position came to align with opposing political ideologies, which encompass particular views of the role of the state. The formal relationship between government and philanthropy in the United States thus demonstrates, in a different sense to the United Kingdom, how the particular relationship between government and philanthropy can provide insight regarding the role of the state in a country.

The competitive nature of the relationship between philanthropy and government in the United States is demonstrated in first instance in the influence of one of its most prominent philanthropic entities, the Rockefeller Foundation.<sup>71</sup> Karl and Karl argue it was the debate surrounding the application for a federal charter for the foundation that 'established the political character of the relationship between foundations and the federal government.'<sup>72</sup> John D. Rockefeller saw the attainment of a federal charter to 'establish the largest, richest private foundation in the world,'<sup>73</sup> as an expression of confidence in the state, and as a symbolic gesture demonstrating his intention to allocate his wealth towards the public good.<sup>74</sup> A negative response was not expected as charters had been granted for similar foundations, including several previously established by Rockefeller himself.<sup>75</sup> As well, a pattern of cooperation between philanthropy and the federal government did exist at the time.<sup>76</sup> The power of the federal government had been the subject of 'major political debate in the first century of American government', with the civil war

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<sup>69</sup> "Toward a Comparative Understanding of Foundations."; "Foundation Roles and Visions in the USA: Comparative Note."

<sup>70</sup> Karl and Karl, "Foundations and Government: A Tale of Conflict and Consensus," p. 64.

<sup>71</sup> See e.g. Ibid, p. 55; Abrahamson, Hurst, and Shubinski, *Democracy and Philanthropy: The Rockefeller Foundation and the American Experiment*, p. 44; Karl and Katz, "The American Private Philanthropic Foundation and the Public Sphere 1890–1930."; Eleanor L. Brilliant, *Private Charity and Public Inquiry: A History of the Filer and Peterson Commissions* (Bloomington: Indiana University Press, 2000).

<sup>72</sup> Karl and Karl, "Foundations and Government: A Tale of Conflict and Consensus," p. 54.

<sup>73</sup> Abrahamson, Hurst, and Shubinski, *Democracy and Philanthropy: The Rockefeller Foundation and the American Experiment*, p. 24.

<sup>74</sup> Raymond B. Fosdick, *The Story of the Rockefeller Foundation* (New York: Harper, 1952), p. 19; Karl and Katz, "Foundations and Ruling Class Elites."; Sealander, *Private Wealth and Public Life: Foundation Philanthropy and the Reshaping of American Social Policy from the Progressive Era to the New Deal*, pp. 217-218.

<sup>75</sup> For example, The Rockefeller Institute for Medical Research established in 1901 and The General Education Board, founded in 1903, which the new foundation was based on. Fosdick, *The Story of the Rockefeller Foundation*; Karl and Karl, "Foundations and Government: A Tale of Conflict and Consensus."; Abrahamson, Hurst, and Shubinski, *Democracy and Philanthropy: The Rockefeller Foundation and the American Experiment*, pp. 26-27, 36, 40; Karl and Katz, "Foundations and Ruling Class Elites."

<sup>76</sup> Karl and Karl, "Foundations and Government: A Tale of Conflict and Consensus," p. 57; Nielsen, *The Big Foundations*, pp. 378-379.

'affirming' its 'limitations' with respect to social issues.<sup>77</sup> However, technological change in the early twentieth century, 'led entrepreneurs and managers engaged in the building of national industry ... to see a new range of national needs in education, in scientific research and in the relation of the two to human welfare more generally.'<sup>78</sup> The 'unwillingness of Americans to give their national government the authority to set national standards of well-being, let alone enforce them' saw philanthropy become 'the first' to attempt to address these issues on a national scale.<sup>79</sup> Rockefeller felt seen his proposed national level foundation to be a logical extension of this arrangement.<sup>80</sup>

However, Rockefeller's proposed foundation was seen in the context of a growing suspicion of 'vast wealth' and 'fear of corporate monopolies that seemed to threaten the rights of other individuals to form groups to engage in similar or even opposing public programs.'<sup>81</sup> This 'robber baron' critique particularly focused on 'the oil, steel and railroad industries', which were also the 'principal sources of much of the initial philanthropic wealth.'<sup>82</sup> Philanthropy was viewed in this context as combining 'novel ideological justifications for the existing order' with 'sophisticated palliatives disguised as objective social science.'<sup>83</sup> A week after the charter bill was first introduced to Congress in 1910, Rockefeller's Standard Oil Company was charged under antitrust laws with the

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<sup>77</sup> Karl and Katz, "The American Private Philanthropic Foundation and the Public Sphere 1890–1930."

<sup>78</sup> Ibid; Karl and Katz, "Foundations and Ruling Class Elites."; Sealander, *Private Wealth and Public Life: Foundation Philanthropy and the Reshaping of American Social Policy from the Progressive Era to the New Deal*, pp. 25-26; Nielsen, *The Big Foundations*, pp. 382-383.

<sup>79</sup> Karl and Katz, "The American Private Philanthropic Foundation and the Public Sphere 1890–1930."; "Foundations and Ruling Class Elites."; Toepler, "Foundation Roles and Visions in the USA: Comparative Note."; Sealander, *Private Wealth and Public Life: Foundation Philanthropy and the Reshaping of American Social Policy from the Progressive Era to the New Deal*, pp. 25-26; Karl and Karl, "Foundations and Government: A Tale of Conflict and Consensus," pp. 58, 61.

<sup>80</sup> Karl and Katz, "Foundations and Ruling Class Elites."; "The American Private Philanthropic Foundation and the Public Sphere 1890–1930."

<sup>81</sup> Karl and Karl, "Foundations and Government: A Tale of Conflict and Consensus," pp. 54-55; Abrahamson, Hurst, and Shubinski, *Democracy and Philanthropy: The Rockefeller Foundation and the American Experiment*, p. 43; Brilliant, *Private Charity and Public Inquiry: A History of the Filer and Peterson Commissions*; Reich, *Just Giving: Why Philanthropy Is Failing Democracy and How It Can Do Better*; Karl and Karl, "Foundations and Government: A Tale of Conflict and Consensus," p. 59; Robert Bremner, *American Philanthropy* (Chicago: The University of Chicago Press 1960), p. 117; Toepler, "Foundation Roles and Visions in the USA: Comparative Note."; Karl and Katz, "The American Private Philanthropic Foundation and the Public Sphere 1890–1930."; "Foundations and Ruling Class Elites."; Fleishman, *The Foundation: A Great American Secret; How Private Wealth Is Changing the World*, p. 5; Barkan, "Plutocrats at Work: How Big Philanthropy Undermines Democracy."

<sup>82</sup> Karl and Katz, "Foundations and Ruling Class Elites."; "The American Private Philanthropic Foundation and the Public Sphere 1890–1930."; Bremner, *American Philanthropy*, p. 117; Maribel Morey, "Philanthropists and the White House: Who's the Boss?," *The Atlantic*, May 14 2014, <https://www.theatlantic.com/business/archive/2014/05/philanthropists-and-the-white-house/370805/>, p. 4.

<sup>83</sup> Karl and Katz, "Foundations and Ruling Class Elites."; "The American Private Philanthropic Foundation and the Public Sphere 1890–1930."; Bremner, *American Philanthropy*, p. 117; Morey, "Philanthropists and the White House: Who's the Boss?"

Supreme Court ultimately ordering the dissolution of the company.<sup>84</sup> This seemingly confirmed the view that the foundation was an attempt to perpetuate Rockefeller's wealth and create an alternative monopoly in the area of social policy.<sup>85</sup> Congress 'feared that this great concentration of private money would undermine the foundations of American democracy.'<sup>86</sup> Rockefeller did revise his proposal to allow for greater government oversight in response to concerns the foundation would 'invade the purview of the government', indicating a 'desire for an acknowledgement of the Rockefeller Foundation's legitimacy in the eyes of a national public.'<sup>87</sup> Congress still did not approve a federal charter though, and its refusal determined 'the character of the debates over philanthropy and public policy', creating a situation where 'foundations would remain both private institutions and active influencers on public policy.'<sup>88</sup> Though later in the century they would claim independence to be a fundamental aspect of their role in representing the traditions of localism and voluntarism, the 'charter fight' suggests that foundations had their independence effectively 'forced on them' by Congress, which refused an opportunity that would have allowed them to more directly oversee foundation actions.<sup>89</sup>

The Rockefeller Foundation then became a focus of the Industrial Relations Commission established in 1913 to investigate causes of industrial unrest.<sup>90</sup> Rockefeller's connection with the

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<sup>84</sup> Abrahamson, Hurst, and Shubinski, *Democracy and Philanthropy: The Rockefeller Foundation and the American Experiment*, pp. 25, 35, 42; Fosdick, *The Story of the Rockefeller Foundation*, pp. 18-19; Zunz, *Philanthropy in America: A History*, pp. 20-21; Sealander, *Private Wealth and Public Life: Foundation Philanthropy and the Reshaping of American Social Policy from the Progressive Era to the New Deal*, p. 218.

<sup>85</sup> Zunz, *Philanthropy in America: A History*; Fosdick, *The Story of the Rockefeller Foundation*, pp. 18-19; Abrahamson, Hurst, and Shubinski, *Democracy and Philanthropy: The Rockefeller Foundation and the American Experiment*, pp. 34, 38, 39; Karl and Karl, "Foundations and Government: A Tale of Conflict and Consensus," p. 55; Bremner, *American Philanthropy*, p. 118.

<sup>86</sup> Abrahamson, Hurst, and Shubinski, *Democracy and Philanthropy: The Rockefeller Foundation and the American Experiment*, pp. 24-26, 37, 31, 41; Karl and Karl, "Foundations and Government: A Tale of Conflict and Consensus," p. 55; Fosdick, *The Story of the Rockefeller Foundation*, pp. 15, 17.

<sup>87</sup> Abrahamson, Hurst, and Shubinski, *Democracy and Philanthropy: The Rockefeller Foundation and the American Experiment*, pp. 40, 44; Karl and Karl, "Foundations and Government: A Tale of Conflict and Consensus," p. 55; Karl and Katz, "Foundations and Ruling Class Elites."; Sealander, *Private Wealth and Public Life: Foundation Philanthropy and the Reshaping of American Social Policy from the Progressive Era to the New Deal*, pp. 220-221; Reich, *Just Giving: Why Philanthropy Is Failing Democracy and How It Can Do Better*; Karl and Katz, "The American Private Philanthropic Foundation and the Public Sphere 1890-1930."

<sup>88</sup> The Rockefeller Foundation was ultimately established through the New York legislature in 1913, without the proposed additional oversight provisions. Karl and Karl, "Foundations and Government: A Tale of Conflict and Consensus," pp. 55, 59-60; Karl and Katz, "The American Private Philanthropic Foundation and the Public Sphere 1890-1930."; Abrahamson, Hurst, and Shubinski, *Democracy and Philanthropy: The Rockefeller Foundation and the American Experiment*, pp. 31, 41-44; Reich, *Just Giving: Why Philanthropy Is Failing Democracy and How It Can Do Better*; Karl and Katz, "Foundations and Ruling Class Elites."

<sup>89</sup> Karl and Karl, "Foundations and Government: A Tale of Conflict and Consensus," p. 59-60; Abrahamson, Hurst, and Shubinski, *Democracy and Philanthropy: The Rockefeller Foundation and the American Experiment*, p. 44; Karl and Katz, "The American Private Philanthropic Foundation and the Public Sphere 1890-1930."

<sup>90</sup> Sealander, *Private Wealth and Public Life: Foundation Philanthropy and the Reshaping of American Social Policy from the Progressive Era to the New Deal*, pp. 224-225; Arno and Pinede, "Revisiting the 'Big Three'"

'Ludlow massacre' in 1914, and the foundation's commissioning of a 'far-reaching study' into industrial relations, raised suspicion as to the foundation's purpose, and saw the focus of the Commission widen to focus on philanthropic foundations in 1915.<sup>91</sup> The Commission's chair, Frank Walsh, argued of philanthropic foundations that 'their enormous leverage of industrial wealth' allowed them 'to become moulders of public thought.'<sup>92</sup> He 'singled out' Rockefeller's philanthropy as 'a menace to the welfare of society', suggesting it to be 'indistinguishable' from his business interests, with neither being 'subject to significant public scrutiny.'<sup>93</sup> The Commission did not result in any legislative change and was 'subsumed' by preparations for the First World War.<sup>94</sup> It did however make foundations in general wary of government.

Still, foundation actions in the first half of the twentieth century were directly political, as by focusing on addressing the root causes of issues they played a significant role in America's nation-building process.<sup>95</sup> Foundations supported several increases in presidential power,<sup>96</sup> and through their support 'conferred legitimacy' upon 'a complex system of institutions devoted to the generation, communication and control of research with a bearing on public policy.' They also established a 'managerial elite', which worked across government, universities and foundations.<sup>97</sup>

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Foundations."; Brilliant, *Private Charity and Public Inquiry: A History of the Filer and Peterson Commissions*; Karl and Katz, "The American Private Philanthropic Foundation and the Public Sphere 1890–1930."; Nielsen, *The Big Foundations*, pp. 53-54.

<sup>91</sup> Brilliant, *Private Charity and Public Inquiry: A History of the Filer and Peterson Commissions*; Sealander, *Private Wealth and Public Life: Foundation Philanthropy and the Reshaping of American Social Policy from the Progressive Era to the New Deal*, pp. 226-227; Arno and Pinede, "Revisiting the "Big Three" Foundations."

<sup>92</sup> Bremner, *American Philanthropy*, p. 119. See also, Karl and Katz, "The American Private Philanthropic Foundation and the Public Sphere 1890–1930."; Brilliant, *Private Charity and Public Inquiry: A History of the Filer and Peterson Commissions*; Roelofs, *Foundations and Public Policy: The Mask of Pluralism*, p. 8; Roelofs, "Foundations and Collaboration."

<sup>93</sup> Frank Walsh, "Are the Great Foundations perilous?" *The Independent*, 83 (1915), pp. 262-263, cited in Sealander, *Private Wealth and Public Life: Foundation Philanthropy and the Reshaping of American Social Policy from the Progressive Era to the New Deal*, pp. 224, 228, 230-31; Brilliant, *Private Charity and Public Inquiry: A History of the Filer and Peterson Commissions*; Karl and Katz, "The American Private Philanthropic Foundation and the Public Sphere 1890–1930."; Nielsen, *The Big Foundations*, pp. 53-54.

<sup>94</sup> Sealander, *Private Wealth and Public Life: Foundation Philanthropy and the Reshaping of American Social Policy from the Progressive Era to the New Deal*, pp. 231-234; Brilliant, *Private Charity and Public Inquiry: A History of the Filer and Peterson Commissions*.

<sup>95</sup> Sealander, *Private Wealth and Public Life: Foundation Philanthropy and the Reshaping of American Social Policy from the Progressive Era to the New Deal*, p. 244; Anheier and Hammack, "American Foundations: Their Roles and Contributions to Society."; Roelofs, "Foundations and Collaboration."

<sup>96</sup> For example, through support of the 1921 *Budget and Accountancy Act*, as well as the creation of the Executive Office of the President in 1939 and the creation of the National Security Office within this in 1947. Sealander, *Private Wealth and Public Life: Foundation Philanthropy and the Reshaping of American Social Policy from the Progressive Era to the New Deal*, p. 244; Nielsen, *The Big Foundations*, pp. 397-386; Roelofs, *Foundations and Public Policy: The Mask of Pluralism*, p. 66.

<sup>97</sup> Karl and Katz, "The American Private Philanthropic Foundation and the Public Sphere 1890–1930."; Anheier and Hammack, "American Foundations: Their Roles and Contributions to Society."; Nielsen, *The Big Foundations*, pp. 381-382; Roelofs, *Foundations and Public Policy: The Mask of Pluralism*.

The Rockefeller Foundation supported the creation of several national research institutions in the *Social Science Research Council*, the *National Bureau of Economic Research* and the *Institute of Government Research* (later renamed the Brookings Institute).<sup>98</sup> President Herbert Hoover approached foundations in 1929 to assemble 'a group of the country's most prominent social scientists to study the state of American society', which would inform government policy.<sup>99</sup> The Rockefeller Foundation provided \$600 000, along with additional material support, for Hoover's *President's Committee on Social Trends*.<sup>100</sup> Through their focus on research, foundations were influential in shaping the role of the state and contributed to the development of a national character. Although the *Revenue Act of 1934* set out a separation of philanthropy and politics on the basis that policy decisions should be taken in response to 'expert information and politically neutral scientific knowledge', it did not address the fact that this information was often provided by philanthropic foundations.<sup>101</sup> As the federal government became more active in response to the Depression, foundations began to engage more directly with public policy, and the development of a national culture, stimulated by increased government involvement in areas such as education, health, scientific research and the arts, created the conditions for questions of civil rights and equal opportunities to arise.<sup>102</sup>

Foundation engagement with the civil rights movements saw a 'political backlash' as 'politicians worried they were all vulnerable to foundations' political and electoral whims.'<sup>103</sup> Congressional debate in the 1950s and 1960s highlighted concern, against the backdrop of cold war anxieties, that foundation activities were 'un-American',<sup>104</sup> and that they represented a way for the

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<sup>98</sup> Karl and Katz, "The American Private Philanthropic Foundation and the Public Sphere 1890–1930."; Sealander, *Private Wealth and Public Life: Foundation Philanthropy and the Reshaping of American Social Policy from the Progressive Era to the New Deal*, pp. 16-17.

<sup>99</sup> Karl and Katz, "Foundations and Ruling Class Elites."; Brilliant, *Private Charity and Public Inquiry: A History of the Filer and Peterson Commissions*; Sealander, *Private Wealth and Public Life: Foundation Philanthropy and the Reshaping of American Social Policy from the Progressive Era to the New Deal*, pp. 227, 241; Roelofs, "Foundations and Collaboration."

<sup>100</sup> Sealander, *Private Wealth and Public Life: Foundation Philanthropy and the Reshaping of American Social Policy from the Progressive Era to the New Deal*, pp. 235-236. 238.

<sup>101</sup> Zunz, *Philanthropy in America: A History*, p. 98.

<sup>102</sup> Karl and Katz, "Foundations and Ruling Class Elites."; Rathgeb Smith, "Foundations and Public Policy."; Toepler, "Foundation Roles and Visions in the USA: Comparative Note."; Brilliant, *Private Charity and Public Inquiry: A History of the Filer and Peterson Commissions*.

<sup>103</sup> Soskis and Katz, "Looking Back at 50 Years of U.S. Philanthropy"; Peter Frumkin, "The Long Recoil from Regulation: Private Philanthropic Foundations and the Tax Reform Act of 1969," *The American Review of Public Administration* 28, no. 3 (1998); Toepler, "Foundation Roles and Visions in the USA: Comparative Note."; Abrahmason, Hurst, and Shubinski, *Democracy and Philanthropy: The Rockefeller Foundation and the American Experiment*, p. 158; Karl and Karl, "Foundations and Government: A Tale of Conflict and Consensus," p. 63; Zunz, *Philanthropy in America: A History*, pp. 220-225.

<sup>104</sup> Abrahmason, Hurst, and Shubinski, *Democracy and Philanthropy: The Rockefeller Foundation and the American Experiment*, pp. 144-152, 159, 165; Karl and Karl, "Foundations and Government: A Tale of Conflict

wealthy to avoid taxation.<sup>105</sup> Arguments against foundations followed a similar form to those made in relation to the proposed Rockefeller Foundation at the beginning of the century, though they came from conservative rather than progressive forces.<sup>106</sup> It was argued the foundation form 'seemed to enable a relatively small group of individuals, extensively linked through membership on foundation boards and related institutions, or even one major donor, to use vast resources for influencing public policy.'<sup>107</sup> This was a particular concern for those who viewed tax exemptions as 'essentially a public subsidy.'<sup>108</sup> In 'defending themselves', foundations emphasised their role as part of the third sector and argued that proposed restrictions represented a threat to pluralism. They placed themselves in opposition to government, expressing concern regarding 'the further accretion of the power of government.'<sup>109</sup> Here foundations invoked the traditions of localism and volunteerism, though their actions in the first part of the twentieth century had placed them in opposition to the 'particularity and localism on which the fervent individualism Americans identified as their common birthright was based.'<sup>110</sup> Ealy, for example, suggests foundations altered the relationship between government and society, supporting increased centralisation at the expense of independent and voluntary civil society.<sup>111</sup> Community foundations also had been developed in opposition to large-scale philanthropy, which was considered detrimental to the voluntary

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and Consensus," p. 62; Zunz, *Philanthropy in America: A History*, p. 255; Brilliant, *Private Charity and Public Inquiry: A History of the Filer and Peterson Commissions*.

<sup>105</sup> See Abrahamson, Hurst, and Shubinski, *Democracy and Philanthropy: The Rockefeller Foundation and the American Experiment*; Brilliant, *Private Charity and Public Inquiry: A History of the Filer and Peterson Commissions*; Zunz, *Philanthropy in America: A History*, p. 225; Nielsen, *The Big Foundations*, p. 9.

<sup>106</sup> Zunz, *Philanthropy in America: A History*, p. 225; Brilliant, *Private Charity and Public Inquiry: A History of the Filer and Peterson Commissions*; Karl and Katz, "The American Private Philanthropic Foundation and the Public Sphere 1890–1930."; Nielsen, *The Big Foundations*, pp. 6-7; Abrahamson, Hurst, and Shubinski, *Democracy and Philanthropy: The Rockefeller Foundation and the American Experiment*, p. 154; Nielsen, *The Big Foundations*, pp. 7-8.

<sup>107</sup> Brilliant, *Private Charity and Public Inquiry: A History of the Filer and Peterson Commissions*; Council on Foundations, "History of the Council on Foundations," <https://www.cof.org/sites/default/files/documents/files/History-Council-on-Foundations.pdf>.

<sup>108</sup> Brilliant, *Private Charity and Public Inquiry: A History of the Filer and Peterson Commissions*; Council on Foundations, "History of the Council on Foundations."

<sup>109</sup> Karl and Katz, "The American Private Philanthropic Foundation and the Public Sphere 1890–1930."; Toepler, "Foundation Roles and Visions in the USA: Comparative Note."; Abrahamson, Hurst, and Shubinski, *Democracy and Philanthropy: The Rockefeller Foundation and the American Experiment*, pp. 160-163.

<sup>110</sup> Karl and Katz, "The American Private Philanthropic Foundation and the Public Sphere 1890–1930." See also, Soskis and Katz, "Looking Back at 50 Years of U.S. Philanthropy"; Karl and Katz, "Foundations and Ruling Class Elites."; Brilliant, *Private Charity and Public Inquiry: A History of the Filer and Peterson Commissions*; Sealander, *Private Wealth and Public Life: Foundation Philanthropy and the Reshaping of American Social Policy from the Progressive Era to the New Deal*.

<sup>111</sup> Ealy, "The Intellectual Crisis in Philanthropy."



institutions and civil society around which community life had previously been structured.<sup>112</sup> This suggests that particular argument by the foundations may not have been completely warranted

Congressional debates resulted in the *Tax Reform Act 1969*, which imposed 'serious restrictions' on foundations for the first time, 'reasserting a firewall between philanthropy and politics.'<sup>113</sup> The Act distinguished foundations from public charities and prevented them from engaging directly in political activity i.e., lobbying. It also imposed an excise tax and minimum payout requirement, and included a prohibition on self-dealing.<sup>114</sup> Foundations had though been able to exert some influence over the final Act through the the *Commission on Foundations and Private Philanthropy* (known as the Peterson Commission), which had been initiated by John D. Rockefeller III.<sup>115</sup> Foundation uncertainty regarding their relationship with government following the Act's implementation, along with Congress's consideration of further tax reform in the 1970s, prompted Rockefeller to initiate a second private commission, the *Commission of Private Philanthropy and Public Needs*. As well as 'tax-related matters', the Filer Commission as it was known, considered questions regarding philanthropy's wider position within society and its relationship with government.<sup>116</sup> The Commission was mildly successful in 'preserving the tax deductibility of donations', and is credited with establishing the concept of the 'third sector.'<sup>117</sup> However, its main

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<sup>112</sup> Leat, "The Development of Community Foundations in Australia: Recreating the American Dream"; Joseph J. Thorndike, "Reforming the Internal Revenue Service: A Comparative History," *Administrative Law Review* 53, no. 2 (2001); Anheier and Hammack, "American Foundations: Their Roles and Contributions to Society."

<sup>113</sup> Council on Foundations, "History of the Council on Foundations"; Abrahmason, Hurst, and Shubinski, *Democracy and Philanthropy: The Rockefeller Foundation and the American Experiment*, pp. 160- 162; Soskis and Katz, "Looking Back at 50 Years of U.S. Philanthropy"; Toepler, "Foundation Roles and Visions in the USA: Comparative Note."; Zunz, *Philanthropy in America: A History*, p. 230; Morey, "Philanthropists and the White House: Who's the Boss?"; Rathgeb Smith, "Foundations and Public Policy."; Nielsen, *The Big Foundations*, p. 377; Roelofs, *Foundations and Public Policy: The Mask of Pluralism*, p. 13.

<sup>114</sup> Council on Foundations, "History of the Council on Foundations"; Zunz, *Philanthropy in America: A History*, p. 229; Toepler, "Foundation Roles and Visions in the USA: Comparative Note."; 91st United States Congress, "H.R. 13270 an Act to Reform the Income Tax Laws," 30 December, 1969, U.S. Government Printing Office, Volume 83, pp. 487-742, <https://www.govinfo.gov/app/details/STATUTE-83/STATUTE-83-Pg487/summary>; Toepler, "Foundation Roles and Visions in the USA: Comparative Note."; Nielsen, *The Big Foundations*, pp. 373-375; Roelofs, *Foundations and Public Policy: The Mask of Pluralism*.

<sup>115</sup> This was despite its final report not being published until six months after the Tax Reform Act had become law. Zunz, *Philanthropy in America: A History*, p. 227; Abrahmason, Hurst, and Shubinski, *Democracy and Philanthropy: The Rockefeller Foundation and the American Experiment*, p. 164; Karl and Karl, "Foundations and Government: A Tale of Conflict and Consensus," p. 63; Brilliant, *Private Charity and Public Inquiry: A History of the Filer and Peterson Commissions*; The Commission on Foundations and Private Philanthropy, "Foundations, Private Giving, and Public Policy: Report and Recommendations of the Commission on Foundations and Private Philanthropy," (Chicago and London: University of Chicago Press, 1970).

<sup>116</sup> Brilliant, *Private Charity and Public Inquiry: A History of the Filer and Peterson Commissions*, pp. 387-388.

<sup>117</sup> Alicia Schortgen, "Commission on Private Philanthropy and Public Needs (the Filer Commission)," in *International Encyclopedia of Civil Society*, ed. Helmut K. Anheier and Stefan Toepler (New York: Springer, 2010); Zunz, *Philanthropy in America: A History*, p. 239; Brilliant, *Private Charity and Public Inquiry: A History of the Filer and Peterson Commissions*; Commission on Private Philanthropy and Public Needs, "Giving in America: Toward a Stronger Voluntary Sector: Report of the Commission on Private Philanthropy and Public Needs," (Washington, 1975); Roelofs, *Foundations and Public Policy: The Mask of Pluralism*.

recommendation for a 'permanent commission' as a 'quasi-governmental' agency that could 'provide a collective representation of their views', and act as an advocate for philanthropy, was not adopted by government.<sup>118</sup> Creating such a body would have demonstrated a recognition of foundations as 'quasi-governmental institutions' and given them 'official standing' in the policy making arena, something for which they were prepared to exchange a degree of their 'precious, if artificial, independence.'<sup>119</sup> The Government's failure to accept the proposal, as with its denial of a federal charter to the Rockefeller Foundation earlier in the century, cast foundations more firmly as private institutions. However, the new regulations did not affect the network between foundations and government.<sup>120</sup> Provisions for the 'examination of broad social, economic and similar problems', and 'making available the results of nonpartisan analysis, study, or research', allowed for continued policy influence by foundations.<sup>121</sup>

Also to come from the Filer Commission, was the National Committee for Responsive Philanthropy, a representative organisation that felt foundations should be involved in the policy process.<sup>122</sup> This organisation supports 'government oversight', viewing philanthropy as 'a complementary partner' to government, and considers 'philanthropy at its best serves the public good, not private interests.'<sup>123</sup> Peak body, the Council on Foundations, outlined a similar view that foundations were 'public institutions that should treat their funds as public trusts to be governed by public purposes', and incorporated this into a code of conduct which became a condition of membership.<sup>124</sup> Several foundations did not accept this condition however, and established a separate organisation in 1983, the Philanthropy Roundtable. These foundations were 'united by a

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<sup>118</sup> Rathgeb Smith, "Foundations and Public Policy."; Commission on Private Philanthropy and Public Needs, "Giving in America: Toward a Stronger Voluntary Sector: Report of the Commission on Private Philanthropy and Public Needs."; Schortgen, "Commission on Private Philanthropy and Public Needs (the Filer Commission)."; Brilliant, *Private Charity and Public Inquiry: A History of the Filer and Peterson Commissions*; Zunz, *Philanthropy in America: A History*, pp. 239-240.

<sup>119</sup> Karl and Karl, "Foundations and Government: A Tale of Conflict and Consensus," p. 63; Zunz, *Philanthropy in America: A History*, p. 240.

<sup>120</sup> Roelofs, *Foundations and Public Policy: The Mask of Pluralism*.

<sup>121</sup> Ibid.

<sup>122</sup> The organisation was established by the Donee Group, which had distributed its own report from the Commission. Zunz, *Philanthropy in America: A History*, p. 240; Brilliant, *Private Charity and Public Inquiry: A History of the Filer and Peterson Commissions*; Commission on Private Philanthropy and Public Needs, "Giving in America: Toward a Stronger Voluntary Sector: Report of the Commission on Private Philanthropy and Public Needs."

<sup>123</sup> National Committee for Responsive Philanthropy, "Criteria for Philanthropy at Its Best: Benchmarks to Assess and Enhance Grantmaker Impact," Report, *National Committee for Responsive Philanthropy*, Washington DC, 2009, [https://bjn9t2lhlni2dhd5hvym7llj-wpengine.netdna-ssl.com/wp-content/uploads/2016/10/paib-fulldoc\\_lowres.pdf](https://bjn9t2lhlni2dhd5hvym7llj-wpengine.netdna-ssl.com/wp-content/uploads/2016/10/paib-fulldoc_lowres.pdf); National Committee for Responsive Philanthropy "About," <https://www.ncrp.org/about-us>; "Strategic Framework 2017-2026," 2016, <http://bjn9t2lhlni2dhd5hvym7llj-wpengine.netdna-ssl.com/wp-content/uploads/2018/02/NCRP-strategic-framework-for-2017-2026.pdf>.

<sup>124</sup> Frumkin, "The Long Recoil from Regulation: Private Philanthropic Foundations and the Tax Reform Act of 1969."

common commitment to an essentially private and donor-driven vision of philanthropy.<sup>125</sup> This aligns with the view of foundations as private entities and ‘inheritors of the philanthropic traditions in America.’<sup>126</sup> The Philanthropy Roundtable retains links to the Republican Party, with a number of staff moving between the two, and is concerned with ‘protecting philanthropic freedom’ and aiding members to ‘advance liberty, opportunity, and personal responsibility in America and abroad.’<sup>127</sup> The period following the introduction of the *Tax Reform Act 1969* thus saw both competing conceptions of philanthropy’s role come to be represented through separate membership organisations.<sup>128</sup> This situation indicates an additional ideological aspect to the competitive relationship between government and philanthropy in the United States, and demonstrates more directly philanthropy’s connection to views of the role of the state.

This period also saw the rise of ‘conservative movement philanthropy’, which ‘threw aside all pretence of disinterested academic expertise’ as it sought to use philanthropy to create ‘a new counter-intelligentsia’ in opposition to ‘the egalitarian ethic and collectivist ethos that fed the welfare state and undermined individuals and liberty.’<sup>129</sup> Think tanks were its main strategic outlet. The Heritage Foundation report, *Mandate for Leadership: Policy Management in a Conservative Administration*, was distributed by President Ronald Regan at his first cabinet meeting as ‘a blueprint to run the administration.’<sup>130</sup> Progressive foundations accused these organisations of ‘weaponising’ philanthropy and ‘invested in research into the strategies of conservative donors’, then began funding their own think tanks to influence policy.<sup>131</sup> Conservative foundations responded ‘that they merely began arming themselves in a war that had long been waging.’<sup>132</sup> The success of their agenda ‘put social welfare measures on the defensive’, and helped to ‘create a public opinion that government’s domestic activities were either incompetent or downright malicious.’<sup>133</sup> In response, some foundations, including Ford, Rockefeller and Carnegie, supported the redesigning government

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<sup>125</sup> Ibid; Zunz, *Philanthropy in America: A History*, p. 252.

<sup>126</sup> Karl and Karl, "Foundations and Government: A Tale of Conflict and Consensus," p. 64.

<sup>127</sup> Philanthropy Roundtable, "Who We Are," <https://www.philanthropyroundtable.org/home/about/who-we-are/>; Philanthropy Roundtable, "History of the Philanthropy Roundtable," <https://www.philanthropyroundtable.org/home/about/who-we-are/history-of-the-philanthropy-roundtable/>; Alliance for Charitable Reform, "Who We Are," <http://acreform.org/who-we-are/>; Zunz, *Philanthropy in America: A History*, p. 251

<sup>128</sup> Karl and Karl, "Foundations and Government: A Tale of Conflict and Consensus," p. 69; Frumkin, "The Long Recoil from Regulation: Private Philanthropic Foundations and the Tax Reform Act of 1969."; Nielsen, *The Big Foundations*, pp. 388-397.

<sup>129</sup> Zunz, *Philanthropy in America: A History*, pp. 215, 248; Soskis and Katz, "Looking Back at 50 Years of U.S. Philanthropy"; Arno and Pinede, "Revisiting the ‘Big Three’ Foundations."

<sup>130</sup> Soskis and Katz, "Looking Back at 50 Years of U.S. Philanthropy"; Zunz, *Philanthropy in America: A History*, p. 248; Roelofs, *Foundations and Public Policy: The Mask of Pluralism*.

<sup>131</sup> Soskis and Katz, "Looking Back at 50 Years of U.S. Philanthropy"; Zunz, *Philanthropy in America: A History*.

<sup>132</sup> Zunz, *Philanthropy in America: A History*; Soskis and Katz, "Looking Back at 50 Years of U.S. Philanthropy"

<sup>133</sup> Roelofs, *Foundations and Public Policy: The Mask of Pluralism*, p. 77.

movement, which basically accepted this view of government, but sought to improve it through 'more citizen engagement and accountability.'<sup>134</sup> This situation led to a description of the philanthropic landscape at the beginning of the twenty-first century as 'a battlefield', with foundations representing different ideological views 'all using policy in combat against the status quo.'<sup>135</sup>

Philanthropic activity in this period also often reflected a neoliberal approach through the 'new' forms of philanthropy that became prominent in the 1990s and in the twenty-first century, promoting 'new techniques and instruments of collaboration and contact between government and private philanthropy.'<sup>136</sup> Soskis and Katz suggest under this new approach, foundation hesitancy about political engagement 'has dissipated and transformed into something more like zeal', as foundations look to 'inform, advocate for or against, or reform the implementation of public policy.'<sup>137</sup> The concept of 'leverage' has become particularly important within this context and will be explored more detail in the following chapter.<sup>138</sup> Both conceptions of philanthropy's role as reflected in the National Committee for Responsive Philanthropy and the Philanthropy Roundtable appear to be accommodated within this new approach, as it is foundations' position as private entities, which merits their involvement in influencing public policy. Despite this though, the more prominent engagement of foundations in policy has attracted criticism similar to that of the twentieth century, reflecting a suspicion of concentrated private wealth, and stemming from foundations' position as private entities engaged in public policy.<sup>139</sup> This criticism 'raised the spectre of new regulation.'<sup>140</sup> Tompkins-Stange suggests that although individual foundations have not been

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<sup>134</sup> Ibid.

<sup>135</sup> Soskis and Katz, "Looking Back at 50 Years of U.S. Philanthropy."

<sup>136</sup> Ibid; Fleishman, *The Foundation: A Great American Secret; How Private Wealth Is Changing the World*, p. 264.

<sup>137</sup> Soskis and Katz, "Looking Back at 50 Years of U.S. Philanthropy." See also, Zunz, *Philanthropy in America: A History*, pp. 262-263.

<sup>138</sup> Soskis and Katz, "Looking Back at 50 Years of U.S. Philanthropy."

<sup>139</sup> See Fleishman, *The Foundation: A Great American Secret; How Private Wealth Is Changing the World*, p. 253.

<sup>140</sup> Soskis and Katz, "Looking Back at 50 Years of U.S. Philanthropy"; Toepler, "Foundation Roles and Visions in the USA: Comparative Note."; Rathgeb Smith, "Foundations and Public Policy."; Arnove and Pinede, "Revisiting the 'Big Three' Foundations."; Roelofs, *Foundations and Public Policy: The Mask of Pluralism*. Foundations did respond to these criticisms, see e.g. John Fonte, "Philanthropy and the American Regime: Is It Time for Another Congressional Investigation of Tax-Exempt Foundations?," *Working Paper for the Bradley Center for Philanthropy and Civic Renewal*, Hudson Institute, November 2004, [https://www.hudson.org/content/researchattachments/attachment/372/philanthropy\\_and\\_the\\_american\\_regime.pdf](https://www.hudson.org/content/researchattachments/attachment/372/philanthropy_and_the_american_regime.pdf); Patrick Ferraro, "H.R. 7 and Foundation Giving", *Guidestar Blog*, 10 January 2003, <https://trust.guidestar.org/h.r.-7-and-foundation-giving>; Fleishman, *The Foundation: A Great American Secret; How Private Wealth Is Changing the World*, pp. 252-257; William A. Schambra, "The New Politics of Philanthropy," *Hudson Institute*, 13 November 2003, <https://www.hudson.org/research/3097-the-new-politics-of-philanthropy>; Pablo Eisenberg, "Don't Cry for Thee, Foundations," *The Chronicle of Philanthropy*, 29 May 2003, <https://www.philanthropy.com/article/dont-cry-for-thee-foundations/>; 108th United States

censored for their political activity, 'rumours periodically circulate in the philanthropic community about the risk of governmental scrutiny ... the impact of the *Tax Reform Act of 1969* remains, to varying degrees, alive and well in the foundation field.'<sup>141</sup>

Regardless of these trends within philanthropy, the basis of the regulatory relationship between philanthropy and government remains the distinction between public charities and private foundations implemented in the *Tax Reform Act 1969*, which reflects the arbitrary divide between politics and philanthropy.<sup>142</sup> Public charities are able to demonstrate broad public support through multiple funding sources.<sup>143</sup> Community foundations, originally established in opposition to the national character of large foundations, are classified as public charities, and their community connections align them with the view of philanthropy as embodying the traditions localism and voluntarism, reflecting the Tocquevillian perception of America.<sup>144</sup> Private foundations by contrast have a much narrower financial base.<sup>145</sup> There are three main groups of private foundations within this legal category: corporate foundations, family foundations and independent foundations. The goals of corporate foundations tend to align with those of the parent entity, supporting suspicion that the foundation is not primarily concerned with the community but is seeking to provide the

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Congress, "H.R.7 - Charitable Giving Act of 2003," <https://www.congress.gov/bill/108th-congress/house-bill/7>; United States Senate Committee on Finance Charity Oversight and Reform, "Keeping Bad Things from Happening to Good Charities," Congressional Hearing on June 22, 2004, <http://www.finance.senate.gov/hearings/hearing/download/?id=066c0319-b047-4bcb-b985-d7834070346e>; Marc Hoffman, "Senate Finance Considers Far-Reaching Changes in Tax Exempt Laws: Staff Proposes New Taxes, Filings, Fees and Prohibitions," *Planned Giving Design Centre*, 30 June 2004, <https://www.pgdc.com/pgdc/senate-finance-considers-far-reaching-changes-tax-exempt-laws>; Terri Lynn Helge, "Policing the Good Guys: Regulation of the Charitable Sector through a Federal Charity Oversight Board," *Cornell Journal of Law and Public Policy*, 19 (2009); Panel on the Nonprofit Sector convened by Independent Sector, "Strengthening Transparency Governance Accountability of Charitable Organizations: A Final Report to Congress and the Nonprofit Sector," *Independent Sector*, Washington DC, June 2005, <https://efc.issuelab.org/resource/strengthening-transparency-governance-accountability-of-charitable-organizations-a-final-report-to-congress-and-the-nonprofit-sector.html>.

<sup>141</sup> Tompkins-Stange, *Policy Patrons: Philanthropy, Education Reform, and the Politics of Influence*, p. 14.

<sup>142</sup> See e.g. Rathgeb Smith, "Foundations and Public Policy."; Nielsen, *The Big Foundations*, pp. 18-19.

<sup>143</sup> Internal Revenue Service, "EO Operational Requirements: Private Foundations and Public Charities," <https://www.irs.gov/charities-non-profits/eo-operational-requirements-private-foundations-and-public-charities>; GrantSpace, "What Is the Difference between a Private Foundation and a Public Charity," <https://grantspace.org/resources/knowledge-base/private-foundations-vs-public-charities/>; Roelofs, "Foundations and Collaboration."

<sup>144</sup> See, Leat, "The Development of Community Foundations in Australia: Recreating the American Dream"; Peter Walkenhorst, "Foundations, Community," in *International Encyclopedia of Civil Society*, ed. Helmut K. Anheier and Stefan Toepler (New York: Springer, 2010); National Standards for U.S. Community Foundations, "A High Standard for Community Foundations," <https://www.cfstandards.org/>; "Our History," <https://www.cfstandards.org/about-us/our-history>.

<sup>145</sup> Internal Revenue Service, "EO Operational Requirements: Private Foundations and Public Charities"; GrantSpace, "What Is the Difference between a Private Foundation and a Public Charity."

corporate entity with 'a competitive edge.'<sup>146</sup> Family foundations see a single family, often descendants of the founder, exerting significant control over a foundation's activities through funding and governance.<sup>147</sup> Family foundations are often at the centre of debate regarding accountability as their particular motivations make them more likely to support 'narrow and sometimes idiosyncratic' causes, and to act from self-interest.<sup>148</sup> Arguments in the context of the 1969 *Tax Reform Act* suggested these foundations allowed some families disproportionate influence over policy.<sup>149</sup> Finally, independent foundations are often motivated by a desire to support 'a particular cause or ideology', and are governed by an independent board and staff comprised of 'community, business and academic leaders.'<sup>150</sup> These foundations are more likely to make funding decisions based on personal relationships between foundation staff and grantees.<sup>151</sup>

The basis of the distinction between public charities and private foundations in terms of sources of funding reflects the concern that foundations represent private entities seeking to exert undue influence over society and undermine democracy. The regulatory focus on an organisation's funding sources rather than its activities is demonstrated by the Pew Charitable Trusts. Originally founded as a private foundation comprised of seven trusts, the organisation was able to become a public charity in 2004 by arguing that these trusts, which had all be established by J. Howard Pew and his brother, constituted separate sources of funding.<sup>152</sup> The move generated debate regarding the nature of public support, as despite its being able to meet the public support test its nature still

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<sup>146</sup> Michael Alberg-Seberich, "Foundations, Corporate," in *International Encyclopedia of Civil Society* ed. Helmut K. Anheier and Stefan Toepler (New York: Springer, 2010).

<sup>147</sup> Family foundations began to be considered as distinct group in the mid-1980s with the National Centre for Family Philanthropy was established in 1997. National Centre for Family Philanthropy, "Who We Are," <https://www.ncfp.org/about-us/who-we-are/>; Council on Foundations, "Glossary of Philanthropic Terms," <https://www.cof.org/content/glossary-philanthropic-terms>; Kevin Laskowski, "Foundations, Family," in *International Encyclopedia of Civil Society*, ed. Helmut K. Anheier and Stefan Toepler (New York: Springer 2010); Michael Moody, Allison Lugo Knapp, and Marlene Corrado, "What Is a Family Foundation?," *The Foundation Review* 3, no. 4 (2011).

<sup>148</sup> Laskowski, "Foundations, Family."; Council on Foundations, "Glossary of Philanthropic Terms"; Jasmine McGinnis and Shena Ashley, "The Family Difference? Exploring the Congruence in Grant Distribution Patterns between Family and Independent Foundation," *The Foundation Review* 3, no. 4 (2011); Moody, Knapp, and Corrado, "What Is a Family Foundation?"; Rathgeb Smith, "Foundations and Public Policy."

<sup>149</sup> McGinnis and Ashley, "The Family Difference? Exploring the Congruence in Grant Distribution Patterns between Family and Independent Foundation."

<sup>150</sup> Council on Foundations, "Independent Foundations," <https://www.cof.org/foundation-type/independent-foundations>; "Glossary of Philanthropic Terms"; McGinnis and Ashley, "The Family Difference? Exploring the Congruence in Grant Distribution Patterns between Family and Independent Foundation."; Robert C. Lowry, "Foundation Patronage toward Citizen Groups and Think Tanks: Who Gets Grants?," *The Journal of Politics* 61, no. 3 (1999); David C. Hammack, "Foundations, Independent," in *International Encyclopedia of Civil Society*, ed. Helmut K. Anheier and Stefan Toepler (New York: Springer, 2010).

<sup>151</sup> Lowry, "Foundation Patronage toward Citizen Groups and Think Tanks: Who Gets Grants?"

<sup>152</sup> The Pew Charitable Trusts, "Investment Philosophy," <https://www.pewtrusts.org/en/about/how-we-work/investment-philosophy>; "History," <https://www.pewtrusts.org/en/about/history>; "Trusting Pew," *The Wall Street Journal*, 18 February 2004, <https://www.wsj.com/articles/SB107706572241632153>.

reflected that of a private foundation, for example in its governance and relationship with grantees.<sup>153</sup> However, the new classification meant it was able to pursue its private agenda more freely, particularly lobbying and advocacy activities.<sup>154</sup> There was also criticism from those concerned with donor intent, who argued that the organisation was originally established by Howard J. Pew and his brother to promote their particular view of society, and becoming a public charity moved away from this.<sup>155</sup> This example particularly demonstrates how the predominant concern with sources of funding within regulation reflects the wider, almost paradoxical nature, of foundations' role in the United States as private entities that seek to influence public policy making at the national level, as well as the seemingly arbitrary nature of the regulatory arrangements that stem from this.

Reflecting a suspicion of concentrated private wealth in its decision not to grant a federal charter for the Rockefeller Foundation, Congress initially cast philanthropic foundations as private entities. However, foundations have played a significant role influencing public policy at the national level, despite regulatory arrangements that have sought to restrict their engagement in the political arena. These regulatory arrangements seem to enforce an arbitrary divide however, as the scientific philanthropy of the twentieth century, and the marketised philanthropy of the twenty-first, have significantly influenced policy. This demonstrates the central position philanthropic foundations occupy in the United States. The competitive relationship this establishes between government and philanthropy is also underpinned by a tension within philanthropy itself, which was demonstrated particularly in the context of the *Tax Reform Act of 1969*, where some foundations viewed their role as policy institutions and stewards of public funds, while others viewed themselves as embodying the nation's older philanthropic traditions of voluntarism, localism, and individualism. The alignment of these views with opposing political ideologies particularly demonstrates the way that philanthropy and the position of foundations within society reflects, and is connected to, views of the role of the state.

### Australia's Regulatory Framework

Philanthropic regulation in Australia reflects the influence of both the United Kingdom and the United States. However, Australian regulatory arrangements do not reflect the competitive

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<sup>153</sup> Pablo Eisenberg, "Pew's Shift to Charity Status Goes against What Is Best for the Public," *The Chronicle of Philanthropy*, 11 December 2003, <https://www.philanthropy.com/article/Pews-Shift-to-Charity-Status/163707>.

<sup>154</sup> Public charities are able to devote up to five per cent of their income to advocacy. "US Pew Foundation Changes to a Charity," *Pro Bono News*, 24 November 2003, <https://probonoaustralia.com.au/news/2003/11/us-pew-foundation-changes-to-a-charity/>; "Pew Charitable Trusts to Reorganize as a Public Charity," *Philanthropy News Digest*, 6 November 2003, <http://philanthropynewsdigest.org/news/pew-charitable-trusts-to-reorganize-as-a-public-charity>; Eisenberg, "Pew's Shift to Charity Status Goes against What Is Best for the Public."

<sup>155</sup> "Trusting Pew"; Zunz, *Philanthropy in America: A History*, p. 189.

relationship between government and philanthropy as it exists in either country. Australia 'inherited' its legal framework from England, but not adopting a poor law meant that it only inherited half of the regulatory relationship between philanthropy and government.<sup>156</sup> The absence of the poor law saw philanthropy take on increased importance in colonial Australia.<sup>157</sup> Philanthropy proved inadequate at the end of the nineteenth century though, as social liberalism, which saw the state occupying a central position within society in promoting equality of opportunity, became influential. This cast philanthropy in an ancillary role, and the particular relationship with government it created became incorporated into the national path dependency. In the twenty-first century, Australia has undertaken a regulatory reform of the not-for-profit sector, again influenced by a similar undertaking in the United Kingdom, though this met with mixed success. While elements of the process have indicated a neoliberal influence as in that country, other aspects demonstrate the continued influence of the social liberal path dependency. The most significant recent regulatory change related to philanthropy directly though had occurred prior to this reform process with the introduction of Private Ancillary Funds (PAFs) as a dedicated structure to support tax deductible giving. These funds, which have become the most prominent philanthropic vehicles in Australia, were modelled directly on the private foundations of the United States and are subject to similar restrictions.<sup>158</sup> However, they also reflect, and serve to reinforce, Australian philanthropy's ancillary role, indicating the continued institutional influence of the social liberal path dependency in Australia, and the social liberal view of the role of the state.

Regulatory arrangements surrounding the not-for-profit sector in Australia are referred to variously as 'disjointed', 'confused', 'muddled', 'incoherent' and 'lax', and as having developed in a 'causal', 'ad hoc' or 'haphazard' manner.<sup>159</sup> These views of the regulatory arrangements align with

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<sup>156</sup> See J. B. Hirst, "Keeping Colonial History Colonial: The Hartz Thesis Revisited," *Historical Studies* 21, no. 82 (1984).

<sup>157</sup> Although generally government support was also provided. See Swain, "Philanthropy and Nation Building." "Women and Philanthropy in Colonial and Post-Colonial Australia."; Kennedy, "Charity and Ideology in Colonial Victoria."; *Charity Warfare: The Charity Organisation Society in Colonial Melbourne*; A. P. O'Brien, "Charity and Philanthropy."; O'Brien, *Philanthropy and Settler Colonialism*; Dare, "Paupers' Rights: Governor Grey and the Poor Law in South Australia."; Margaret Conley, "The 'Undeserving' Poor: Welfare and Labour Policy," in *Australian Welfare History: Critical Essays*, ed. Richard Kennedy (South Melbourne: Macmillan, 1982); Murphy, "The Other Welfare State Non-Government Agencies and the Mixed Economy of Welfare in Australia."

<sup>158</sup> Prime Minister's Community Business Partnership, "Prescribed Private Funds " *Fact Sheet 7*, [https://www.dss.gov.au/sites/default/files/documents/05\\_2012/pmcbp\\_fs7.pdf](https://www.dss.gov.au/sites/default/files/documents/05_2012/pmcbp_fs7.pdf).

<sup>159</sup> Leat, "What Do Australian Foundations Do - Who Knows and Who Cares?"; Adelman et al., "Philanthropic Freedom: A Pilot Study."; McGregor-Lowndes, "Philanthropic Freedom Pilot Study: Australia Country Report"; Martin, "The Sociopolitical and Legal History of the Tax Deduction for Donations to Charities in Australia and How the 'Public Benevolent Institution' Developed."; Berman, "A Charitable Concern."; O'Connell, "Charitable Treatment? – a Short History of Taxation of Charities in Australia."; Australian Government, Productivity Commission, "Contribution of the Not-for-Profit Sector," pp. xxiii, 114; Industry Commission, "Charitable Organisations in Australia," p. 8; Australian Government, Australian Taxation Office, "Types of DGRs";



the ambivalence regarding its position that characterised discussions of philanthropy, and, as *chapter one* argues, reflects philanthropy's connection to the social liberal path dependency.<sup>160</sup> Leat, for example, cites a complex legal system as a reason for a 'lack of attention to governance and accountability in Australia.'<sup>161</sup> Philanthropy becomes unnecessary as a mechanism of redistribution when considered alongside the social liberal view of role of the state, which views it occupying a central position within society in terms of promoting equality of opportunity. Philanthropy however, assumed an ancillary role in Australia alongside social liberalism's ethical state, as the two previous chapters have also demonstrated. The regulatory arrangements in Australia also reflect this ancillary role, which is connected to the established social liberal path dependency.

One particular element within Australia's regulatory arrangements is 'the distinction between charities and public benevolent institutions', which Leat describes as 'a peculiarly Australian invention.'<sup>162</sup> Public Benevolent Institutions (PBIs) are charities that aim 'to relieve poverty, sickness, suffering, distress, misfortune, disability or helplessness.'<sup>163</sup> As such, they reflect a popular understanding of charity which differs from the wider technical definition.<sup>164</sup> A concern with a narrow view of charitable purposes is a prominent element within the historical development of Australia's regulatory environment. O'Connell notes that while early colonial taxation legislation included exemptions for not-for-profit organisations, these exemptions generally 'confined the scope of their legislation to what might be called the "popular" meaning of charity, namely to the relief of persons in "necessitous circumstances."<sup>165</sup> The estate tax introduced in New South Wales in the 1860s was the first to use 'the language of "benevolent institutions" and public charitable

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Adelman, Barnett, and Russell, "Index of Philanthropic Freedom 2015"; Lyons, *Third Sector: The Contribution of Nonprofit and Cooperative Enterprise in Australia*, p. 20.

<sup>160</sup> See e.g. Leat, "What Do Australian Foundations Do - Who Knows and Who Cares?"; Adelman et al., "Philanthropic Freedom: A Pilot Study."; McGregor-Lowndes, "Philanthropic Freedom Pilot Study: Australia Country Report"; Martin, "The Sociopolitical and Legal History of the Tax Deduction for Donations to Charities in Australia and How the 'Public Benevolent Institution' Developed."; Berman, "A Charitable Concern."; O'Connell, "Charitable Treatment? – a Short History of Taxation of Charities in Australia."; Australian Government, Productivity Commission, "Contribution of the Not-for-Profit Sector," p. xxiii, 114; Industry Commission, "Charitable Organisations in Australia," p. 8; Australian Government, Australian Taxation Office, "Types of DGRs"; Adelman, Barnett, and Russell, "Index of Philanthropic Freedom 2015"; Lyons, *Third Sector: The Contribution of Nonprofit and Cooperative Enterprise in Australia*, p. 20.

<sup>161</sup> Leat, "What Do Australian Foundations Do - Who Knows and Who Cares?"

<sup>162</sup> Industry Commission, "Charitable Organisations in Australia."

<sup>163</sup> Australian Charities and Not-for-profits Commission, "Public Benevolent Institution," <https://www.acnc.gov.au/tools/topic-guides/public-benevolent-institution>.

<sup>164</sup> Martin, "The Sociopolitical and Legal History of the Tax Deduction for Donations to Charities in Australia and How the 'Public Benevolent Institution' Developed."

<sup>165</sup> O'Connell, "Charitable Treatment? – a Short History of Taxation of Charities in Australia."; Smith, *Taxing Popularity: The Story of Taxation in Australia*, p. 172.

purposes.<sup>166</sup> The Victorian income tax legislation in 1890 distinguished between 'charitable', and 'philanthropic institutions', which were concerned with 'the saving of human life, the promotion of health temperance or mortality, the prevention of cruelty or vice, or other cognate objects of a philanthropic or humane nature.'<sup>167</sup>

The first federal land tax legislations of 1910 'included an exemption for all land owned by "public charitable" and "public educational" institutions.'<sup>168</sup> In response to arguments that the term 'public was ambiguous and 'could be constituted to mean "in the sense of being controlled or supported by the State", the government argued that the term had come from the legislation in New South Wales and referred to the 'public purpose' of a charity.<sup>169</sup> O'Connell argues this language represented an attempt to implement a 'narrower, popular' definition of charity, as opposed to the much broader technical definition which was supported by the federal courts.<sup>170</sup> The High Court ruled in the 1920s that the term 'public charitable institutions' aligned with the popular understanding of 'an institution which – assuming its "public character" – is "charitable" in the sense of affording relief to persons in necessitous or helpless circumstances, and in most instances, at all events if required, gratuitously.'<sup>171</sup> Following a successful appeal to the Privy Council that found in favour of the wider technical definition of charity, the government adopted the term Public Benevolent Institution, which the courts interpreted as entities 'organised, promoted or conducted for the relief of poverty or distress (sickness, disability, destitution, suffering, misfortune or helplessness).'<sup>172</sup> This concept effectively 'enshrined the idea that charitable status should not be the sole way of gaining tax privileges for philanthropic organisations.'<sup>173</sup> The 1927 *Income Tax Assessment Act 1927* referred to a 'public charitable institution' as meaning 'a public hospital, a public benevolent institution and includes a public fund established and maintained for the purpose

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<sup>166</sup> This language was also used in the Land Tax introduced during the depression of the 1890s. O'Connell, "Charitable Treatment? – a Short History of Taxation of Charities in Australia."; Martin, "The Sociopolitical and Legal History of the Tax Deduction for Donations to Charities in Australia and How the 'Public Benevolent Institution' Developed."

<sup>167</sup> O'Connell, "Charitable Treatment? – a Short History of Taxation of Charities in Australia."

<sup>168</sup> Ibid.

<sup>169</sup> Ibid.

<sup>170</sup> Ibid.

<sup>171</sup> *Chesterman v Federal Commissioner of Taxation* cited in ibid; Martin, "The Sociopolitical and Legal History of the Tax Deduction for Donations to Charities in Australia and How the 'Public Benevolent Institution' Developed."

<sup>172</sup> "The Sociopolitical and Legal History of the Tax Deduction for Donations to Charities in Australia and How the 'Public Benevolent Institution' Developed."; Australian Government, Australian Taxation Office, "Types of DGRs."

<sup>173</sup> Martin, "The Sociopolitical and Legal History of the Tax Deduction for Donations to Charities in Australia and How the 'Public Benevolent Institution' Developed."

of providing money for such institutions or for the relief of persons in necessitous circumstances.<sup>174</sup> While there is a financial motive for the Australian government in seeking to limit the concessions offered,<sup>175</sup> this focus on a restricted, popular definition of charity also suggests that charity and philanthropy were not considered to occupy a central role within society.

Similar debate regarding the definition of charity occurred in the context of the introduction of the original federal estate and income taxes.<sup>176</sup> Although the proposed income tax did not originally include a provision for charitable deduction, at the urging particularly of James Chester Manifold, part of a family of notable philanthropists in Victoria, a deduction was included for donations to 'public charitable institutions.'<sup>177</sup> It had been felt that such a deduction would have been unnecessary as donors were unlikely to be motivated by such a 'direct advantage,'<sup>178</sup> and it continued to be contested on this basis during the first half of the twentieth century. This occurred following the end of the First World War, as well as in the 1922 *Royal Commission on Taxation*, which recommended the deduction be abolished, and the *Commonwealth Committee on Taxation of 1950-1955*.<sup>179</sup> Despite this though, 'provision for both exemptions and tax deductions' expanded alongside the growth of the not-for-profit sector and changes in perceptions of the role of the state.<sup>180</sup> For example, changes in the areas where deductions could be claimed from the 1930s onwards 'reflected expanded government involvement in education and health.'<sup>181</sup> At first this was demonstrated through organisations being named specifically within the legislation itself, then following the creation of a separate register that grouped organisations under particular categories. New categories added to this list, including the environment as 'welfare and rights' demonstrated the continued expansion.<sup>182</sup> The expansion of charitable purposes alongside that of the state's purview reflects Sawyer's view that the social liberal path dependency in Australia established a framework which could be used by groups seeking inclusion later in the twentieth century.<sup>183</sup> This suggests that rather than philanthropy and government being viewed as belonging to separate

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<sup>174</sup> O'Connell, "Charitable Treatment? – a Short History of Taxation of Charities in Australia."; Commonwealth of Australia, "Income Tax Assessment Act 1927," <https://www.legislation.gov.au/Details/C1927A00032>.

<sup>175</sup> Martin, "The Sociopolitical and Legal History of the Tax Deduction for Donations to Charities in Australia and How the 'Public Benevolent Institution' Developed."; Todd and Martin, "The Income Tax Exemption of Charities and the Tax Deductibility of Charitable Donations: The United States and Australia Compared."

<sup>176</sup> O'Connell, "Charitable Treatment? – a Short History of Taxation of Charities in Australia."

<sup>177</sup> Ibid; Martin, "The Sociopolitical and Legal History of the Tax Deduction for Donations to Charities in Australia and How the 'Public Benevolent Institution' Developed."

<sup>178</sup> O'Connell, "Charitable Treatment? – a Short History of Taxation of Charities in Australia."

<sup>179</sup> Ibid.

<sup>180</sup> Ibid.

<sup>181</sup> Ibid.

<sup>182</sup> Ibid.

<sup>183</sup> Sawyer, *The Ethical State?: Social Liberalism in Australia*, pp. 157, 179.

spheres, as in the United States, philanthropy and charity in Australia is viewed as operating alongside government occupying a supporting role.

Australia's concern with a narrower, popular definition of charity is also reflected in current regulatory arrangements. To receive tax-deductible donations an organisation must be registered as a Deductible Gift Recipient (DGR). This requires an additional registration process separate to registering as a charity, and not all charities are eligible for DGR status.<sup>184</sup> Public Benevolent Institutions form the largest category of Deductible Gift Recipients and both DGR's and PBI's direct distributions to areas that support the state.<sup>185</sup> Todd and Martin suggest 'the ad hoc growth of the DGR categories without expansion of this status' reflects the desire of the government to protect its revenue.<sup>186</sup> It also though reflects the ambivalence with which charity and philanthropy are viewed within Australia. The federal government undertook a reform of DGR status in 2017 which sought to simplify the 'administration and oversight' of these entities, though did not change the underpinning principle of basing tax deductibility on a narrower, popular definition of charity.<sup>187</sup> This indicates that this concern with charitable purposes is in an important feature within Australia's regulatory landscape.

This concern with the purpose of entities and a narrower definition of charity is also present in the regulations surrounding philanthropic structures in Australia, and this demonstrates a significant difference with the United States. In their comparison of legal systems in Australia and the United States, Martin and Todd consider Australia's 'limitations on types of entities eligible for

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<sup>184</sup> Australian Charities and Not-for-profits Commission, "Deductible Gift Recipients (DGRs) and the ACNC." <https://www.acnc.gov.au/tools/factsheets/deductible-gift-recipients-dgrs-and-acnc>; Todd and Martin, "The Income Tax Exemption of Charities and the Tax Deductibility of Charitable Donations: The United States and Australia Compared."

<sup>185</sup> O'Connell, Martin, and Chia, "Law, Policy and Politics in Australia's Recent Not-for-Profit Sector Reforms."; Martin, "The Sociopolitical and Legal History of the Tax Deduction for Donations to Charities in Australia and How the 'Public Benevolent Institution' Developed."; Todd and Martin, "The Income Tax Exemption of Charities and the Tax Deductibility of Charitable Donations: The United States and Australia Compared."; Australian Government, Australian Taxation Office, "Types of DGRs."

<sup>186</sup> Todd and Martin, "The Income Tax Exemption of Charities and the Tax Deductibility of Charitable Donations: The United States and Australia Compared."

<sup>187</sup> These reforms were originally due to be implemented in 2019 but have been delayed. Australian Charities and Not-for-profits Commission, "DGR Reform." <https://www.acnc.gov.au/tools/topic-guides/dgr-reform>; Australian Government, Australian Taxation Office, "Deductible Gift Recipient Reform," [https://www.ato.gov.au/General/New-legislation/In-detail/Other-topics/Not-for-profit/Deductible-gift-recipient-reform/#:~:text=On%205%20December%202017%20the,and%20confidence%20in%20the%20sector](https://www.ato.gov.au/General/New-legislation/In-detail/Other-topics/Not-for-profit/Deductible-gift-recipient-reform/#:~:text=On%205%20December%202017%20the,and%20confidence%20in%20the%20sector;); "DGR Reforms Delayed," <https://www.ato.gov.au/Non-profit/Newsroom/Fundraising/DGR-reforms-delayed/>; Todd and Martin, "The Income Tax Exemption of Charities and the Tax Deductibility of Charitable Donations: The United States and Australia Compared."; Wendy Williams, "Sector Welcomes 'Sensible' DGR Reforms," *Pro Bono News*, 6 December 2018, <https://probonoaustralia.com.au/news/2017/12/sector-welcomes-sensible-dgr-reforms/>.

donations' as an important difference.<sup>188</sup> Private Ancillary Funds, introduced (as Prescribed Private Funds) in 2001 as part of a broader push to encourage increased philanthropy, have become the most prominent philanthropic structure, and represent the the most significant recent regulatory change affecting philanthropy.<sup>189</sup> When they were introduced as a new philanthropic vehicle they were referred to as similar in nature to family foundations in the United States, and they resemble private foundations in that their funds 'must come from the founder, or parties related to the founder.'<sup>190</sup> The change of name occurred in 2009 as part of a plan to make the entities more accountable and 'improve their integrity.'<sup>191</sup> It also sought to create a closer alignment with Public Ancillary Funds (PuAFs), an older philanthropic structure first introduced in 1963 that differs from PAFs in that organisations must solicit funds from the general public on an ongoing basis.<sup>192</sup> The guidelines for these entities were revised in 2011 to improve their integrity, with the new guidelines based on those of PAFs.<sup>193</sup> The guidelines for both structures were amended again in 2016, bringing them into closer alignment.<sup>194</sup> Both structures are subject to similar requirements as private foundations in the United States, for example, they are both subject to minimum distribution requirements, prohibited from self-dealing, and are required to ensure 'responsible persons' on their boards.<sup>195</sup> Restrictions for Private Ancillary Funds are stricter, but they are of the same nature as those for Public Ancillary Funds. This demonstrates that the primary regulatory concern in Australia is not with a philanthropic entity's source of funds as it is in the United States, where it

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<sup>188</sup> Todd and Martin, "The Income Tax Exemption of Charities and the Tax Deductibility of Charitable Donations: The United States and Australia Compared."

<sup>189</sup> John Howard, "Community-Business Partnership Develops New Tax Initiatives to Promote Philanthropy," *Media Release*, 30 March 2001, <https://pmtranscripts.pmc.gov.au/release/transcript-12842>.

<sup>190</sup> Although a family foundation is not a legal categorisation in the United States. Prime Minister's Community Business Partnership, "Prescribed Private Funds"; Commonwealth of Australia, "Private Ancillary Fund Guidelines 2009, Explanatory Statement,"

<https://www.legislation.gov.au/Details/F2009L03700/Explanatory%20Statement/Text>.

<sup>191</sup> McLeod, "The PAF Report – Record Fund Numbers and Distributions"; Commonwealth of Australia, "Private Ancillary Fund Guidelines 2009, Explanatory Statement."

<sup>192</sup> Many community foundations are classed as Public Ancillary Funds "Public Ancillary Fund Guidelines 2011," <https://www.legislation.gov.au/Details/F2016C00434>.

<sup>193</sup> Ward, "*Private Ancillary Funds Trustee Handbook*."

<sup>194</sup> Alexandra K. Williamson, "Perceptions on the Accountability of Public Ancillary Funds" (Queensland University of Technology, 2019); Kelly O'Dwyer, "Amendments to the Private and Public Ancillary Fund Guidelines," *Media Release*, 5 May 2016, <http://ministers.treasury.gov.au/ministers/kelly-odwyer-2016/media-releases/amendments-private-and-public-ancillary-fund-guidelines>.

<sup>195</sup> Commonwealth of Australia, "Private Ancillary Fund Guidelines 2009," <https://www.legislation.gov.au/Details/F2009L03700>; "Public Ancillary Fund Guidelines 2011." As the existing PAF guidelines were due to sunset on 1 October 2019 the *Taxation Administration (Private Ancillary Fund) Guidelines 2019* were developed but 'do not alter the substantive meaning or operation of the existing guidelines.' Australian Government, The Treasury, "Remake of Sunsetting Private Ancillary Fund Guidelines," <https://treasury.gov.au/consultation/c2019-T397047>.

reflects the tension regarding philanthropy's position within society that underpins the established relationship between philanthropy and government.

In Australia, philanthropic structures demonstrate that the primary regulatory concern is with the actions of philanthropic entities through the charitable purposes they support. Private and Public Ancillary Funds are both characterised as Item 2 DGRs, making them able to receive tax-deductible donations.<sup>196</sup> They are though both restricted in their distribution of funds to organisations designated as either Item 1 or Item 4 DGRs, which are public benevolent institutions and cultural institutions.<sup>197</sup> This reflects the historical concern with charitable purpose and a popular definition of charity present within Australia's charity law, a definition which overlaps with, and has expanded alongside, perceptions regarding the responsibilities of the state. Similar to the United States and United Kingdom, this aspect of the regulatory landscape reflects the established relationship between philanthropy and government in Australia, which has seen philanthropy occupy an ancillary role operating alongside the state. As well as reflecting this ancillary role, these regulatory arrangements also serve to reinforce it. Item 2 DGR organisations are prohibited from engaging in service provision and other direct programs, requiring these entities to act as ancillary funders, as is indicated directly in the naming of the vehicles.<sup>198</sup> And in also requiring those funds to be directed towards purposes which reflect a view of philanthropy supporting government action, these regulatory arrangements support the established relationship between government and philanthropy in Australia, demonstrating the continued influence of the social liberal path dependency. The provision of tax deductions for these funds indicates government's support for this view of philanthropy's role, and the popularity of the funds suggests an acceptance of philanthropy's position from within the wider community as well, further suggesting the influence of the social liberal path dependency in Australia through regulatory arrangements.

The original revision of Prescribed Private Funds occurred in the context of a wider regulatory reform of the not-for-profit sector under the Labor government elected in 2007. This also saw the Australian Charities and Not-for-profit Commission (ACNC) established as a national regulator and the introduction of a statutory definition of charity.<sup>199</sup> This reform process, and the

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<sup>196</sup> Australian Government, Australian Taxation Office, "Types of DGRs."

<sup>197</sup> Commonwealth of Australia, "Private Ancillary Fund Guidelines 2009."; "Public Ancillary Fund Guidelines 2011"; Commonwealth of Australia, "Income Tax Assessment Act 1997, Volume 1: Sections 1-1 to 36-55." <https://www.legislation.gov.au/Details/C2019C00265>.

<sup>198</sup> "Income Tax Assessment Act 1997, Volume 1: Sections 1-1 to 36-55," <https://www.legislation.gov.au/Details/C2019C00265>.

<sup>199</sup> This reform also included machinery of government changes and coincided with similar reform processes in other countries, including the United Kingdom. See Murray, "Not-for-Profit Reform: Back to the Future?"; O'Connell, Martin, and Chia, "Law, Policy and Politics in Australia's Recent Not-for-Profit Sector Reforms."; Phillips and Smith, "A Dawn of Convergence?: Third Sector Policy Regimes in the 'Anglo-Saxon' Cluster."

mixed success it enjoyed, also demonstrates the established relationship between government and philanthropy in Australia. Earlier attempts at reform had been rejected by the sector, which had become disenchanted by a relationship with government that Lyons described as being characterised by 'a pattern of indifference interwoven with ignorance and flashes of hostility.'<sup>200</sup> Ahead of its election in 2007, Labor had promised a more consultative and partnership-based approach to the sector as part of its social inclusion agenda, and the reform commenced within this context.<sup>201</sup> It saw the development of a National Compact, similar to an arrangement created in the United Kingdom, which Rudd suggested marked 'a new era of collaboration between the Australian Government and community and not-for-profit organisations' by providing a 'framework for ongoing dialogue and consultation that will enrich policy and program development and service delivery.'<sup>202</sup> From this starting point, the government identified a number of priority areas for action including 'to reduce red tape and streamline reporting.'<sup>203</sup>

Despite Rudd's rhetoric though, the reform process did not 'mark a shift' in the relationship between government and the not-for-profit sector.<sup>204</sup> Butcher suggests this is because Rudd failed to embed this approach effectively.<sup>205</sup> It also potentially resulted from the fact that the proposed reform did not align with the social liberal path dependency and was underpinned by an alternative view of government's role. Earlier attempts at reform also reflected a neoliberal influence and will be considered in terms of the policy context which supported them in *chapter five*. Some within the sector 'harboured reservations' regarding the process as it would see it's 'worth' being measured by its economic rather than its social contribution.<sup>206</sup> This concern was strengthened by the contract

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<sup>200</sup> M.J. Lyons, "Improving Government-Community Sector Relations," *Journal of Contemporary Issues in Business and Government* 9, no. 1 (2003); Butcher, "The Third Sector and Government in Australia: Not-for-Profit Reform under Labor, 2007–13."; Australian Government, Productivity Commission, "Contribution of the Not-for-Profit Sector"; O'Connell, Martin, and Chia, "Law, Policy and Politics in Australia's Recent Not-for-Profit Sector Reforms."; Julia Gillard and Penny Wong, "An Australian Social Inclusion Agenda," *ALP Election 2007*, 22 November 2007, [https://parlinfo.aph.gov.au/parlInfo/download/library/partypol/Z61P6/upload\\_binary/z61p62.pdf;fileType=application%2Fpdf#search=%22library/partypol/Z61P6%22](https://parlinfo.aph.gov.au/parlInfo/download/library/partypol/Z61P6/upload_binary/z61p62.pdf;fileType=application%2Fpdf#search=%22library/partypol/Z61P6%22).

<sup>201</sup> "An Australian Social Inclusion Agenda"; Australian Government, Productivity, Commission, "Contribution of the Not-for-Profit Sector," p. xi; Butcher, "The Third Sector and Government in Australia: Not-for-Profit Reform under Labor, 2007–13."

<sup>202</sup> Labor's social inclusion agenda was influenced by Tony Blair's Third Way approach in the UK. Kevin Rudd, "Prime Minister Speech Launch of the National Compact with the Third Sector," Parliament House, Canberra, 17 March 2010, <https://pmtranscripts.pmc.gov.au/release/transcript-17138>; Butcher, "The Third Sector and Government in Australia: Not-for-Profit Reform under Labor, 2007–13."; O'Connell, Martin, and Chia, "Law, Policy and Politics in Australia's Recent Not-for-Profit Sector Reforms."

<sup>203</sup> Rudd, "Prime Minister Speech Launch of the National Compact with the Third Sector."

<sup>204</sup> O'Connell, Martin, and Chia, "Law, Policy and Politics in Australia's Recent Not-for-Profit Sector Reforms."

<sup>205</sup> Butcher, "The Third Sector and Government in Australia: Not-for-Profit Reform under Labor, 2007–13."

<sup>206</sup> Ibid; O'Connell, Martin, and Chia, "Law, Policy and Politics in Australia's Recent Not-for-Profit Sector Reforms."

culture which continued to characterise the relationship between the sector and government, as well as the increased involvement of the Treasury in the consultation process.<sup>207</sup> It was further exemplified in the Productivity Commission report *Contribution of the Not-for-Profit Sector*, which focused on the economic contributions of the sector.<sup>208</sup> This report came to overtake the National Compact as the blueprint for reform, particularly after Julia Gillard replaced Rudd as Prime Minister.<sup>209</sup> The reform came to focus more on 'red tape reduction' in an 'apparent retreat from Rudd's communitarian messaging.'<sup>210</sup> Rather than social inclusion, Gillard promoted the 'participatory economy', an approach which was 'more closely aligned with neoliberalism.'<sup>211</sup>

As the Labor government's 'political fortunes' changed, the focus of the reform narrowed towards establishing a central regulator and implementing a statutory definition of charity, and the process became more rushed, which added to the unease within the sector.<sup>212</sup> Following the 2013 election, the incoming Coalition government sought to reverse much of the reform, also on the basis of reducing red tape. This was consistent with its desire for 'small government,' although plans to abolish the ACNC were eventually abandoned.<sup>213</sup> Ultimately, the reform did not result in a more central position for the not-for-profit sector and did not provide 'a coherent response to the legislative and regulatory neglect' that characterised this area of policy.<sup>214</sup> O'Connell et al. suggested that 'the reform process was confused as the result of the contest over, and ambivalence about the appropriate role and sphere of the NFP sector.'<sup>215</sup> This ambivalence though does reflect the view of philanthropy occupying an ancillary role, indicating a particular view of the state's role as occupying a central position with regard to promoting equality of opportunity. This is a particular relationship

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<sup>207</sup> "Law, Policy and Politics in Australia's Recent Not-for-Profit Sector Reforms."; Butcher, "The Third Sector and Government in Australia: Not-for-Profit Reform under Labor, 2007–13."; McGregor-Lowndes, "Australia - Two Political Narratives and One Charity Regulator Caught in the Middle."

<sup>208</sup> Australian Government, Productivity Commission, "Contribution of the Not-for-Profit Sector"; Butcher, "The Third Sector and Government in Australia: Not-for-Profit Reform under Labor, 2007–13."

<sup>209</sup> "The Third Sector and Government in Australia: Not-for-Profit Reform under Labor, 2007–13."

<sup>210</sup> Ibid; McGregor-Lowndes, "Australia - Two Political Narratives and One Charity Regulator Caught in the Middle."

<sup>211</sup> Butcher, "The Third Sector and Government in Australia: Not-for-Profit Reform under Labor, 2007–13."; Julia Gillard, "The Dignity of Work," *Address to the Sydney Institute Annual Dinner*, Sydney, 13 April 2011, <https://pmtranscripts.pmc.gov.au/release/transcript-17787>.

<sup>212</sup> O'Connell, Martin, and Chia, "Law, Policy and Politics in Australia's Recent Not-for-Profit Sector Reforms."; Butcher, "The Third Sector and Government in Australia: Not-for-Profit Reform under Labor, 2007–13."

<sup>213</sup> Lina Caneva, "Scrapping ACNC Will 'Break Shackles of Red Tape' - Andrews," *Pro Bono Australia*, 23 October 2014, <https://probonoaustralia.com.au/news/2014/10/scrapping-acnc-will-break-shackles-of-red-tape-andrews/>; Murray, "Not-for-Profit Reform: Back to the Future?"; Butcher, "The Third Sector and Government in Australia: Not-for-Profit Reform under Labor, 2007–13."

<sup>214</sup> Australian Charities and Not-for-profits Commission, "Governance Standards," <https://www.acnc.gov.au/tools/topic-guides/governance-standards>; Butcher, "The Third Sector and Government in Australia: Not-for-Profit Reform under Labor, 2007–13."

<sup>215</sup> O'Connell, Martin, and Chia, "Law, Policy and Politics in Australia's Recent Not-for-Profit Sector Reforms."



between government and philanthropy in Australia that stems from the social liberal path dependency.

The reform process did result in the *Charities Act 2013*, which successfully implemented a 'comprehensive statutory definition of charity' and charitable purposes.<sup>216</sup> In this, it reflects the concern for charitable purposes that is a prominent feature of Australia's regulatory landscape. The Act defines a charity as a 'not for profit entity' which exists to pursue 'charitable purposes that are for the public benefit', as well as 'purposes that are incidental or ancillary to and in furtherance or in aid of' these charitable purposes. The reference to ancillary purposes allows philanthropic organisations, particularly private ancillary funds, to be considered as charities. Previously they were required to seek a separate status from the ATO as 'Income Exempt Funds.'<sup>217</sup> There was no equivalent to the public benefit requirement, which had prompted concern in the United Kingdom on the basis that it represented the government attempting to control philanthropic activity.<sup>218</sup> Like the United Kingdom though, the charitable purposes listed in the Act included areas which would popularly be considered within the purview of government, such as 'advancing' social or public welfare, health, education, religion, culture, as well as 'advancing or protecting human rights.'<sup>219</sup> In the United Kingdom, this promoted concerns that the government was attempting to force philanthropy to 'substitute' for the state in the provision of these functions. In Australia though, the overlap reflects the historical approach where the definition of charity has expanded alongside perceptions regarding government's responsibilities and supports philanthropy's ancillary role operating alongside the state.

The incoming Coalition government also sought to repeal the *Charities Act 2013*, and it was felt this stemmed from a desire to restrict advocacy.<sup>220</sup> The reform process had not sought to change

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<sup>216</sup> Commonwealth of Australia, "*Charities Act 2013*"; Murray, "Not-for-Profit Reform: Back to the Future?"; "Reform at Last: Budget Establishes One-Stop NFP Regulator," *Pro Bono Australia*, 11 May 2011, <https://probonoaustralia.com.au/news/2011/05/reform-at-last-budget-establishes-one-stop-nfp-regulator/>; Commonwealth of Australia, "*Charities Act 2013*"; "New Charities Act Expands Charity Purpose," *Pro Bono Australia*, 17 December 2013, <https://probonoaustralia.com.au/news/2013/12/new-charities-act-expands-charity-purpose/>; Todd and Martin, "The Income Tax Exemption of Charities and the Tax Deductibility of Charitable Donations: The United States and Australia Compared."

<sup>217</sup> Australian Charities and Not-for-profits Commission, "Private and Public Ancillary Funds and the ACNC," <https://www.acnc.gov.au/tools/guidance/guides/private-and-public-ancillary-funds-and-acnc>; Australian Government, Australian Taxation Office, "Characteristics of an ITEF," [https://www.ato.gov.au/Non-profit/Getting-started-for-non-profit-organisations/In-detail/Tax-concessions/Income-tax-exempt-funds/Is-your-fund-an-income-tax-exempt-fund-/?anchor=Characteristics\\_of\\_an\\_ITEF#Characteristics\\_of\\_an\\_ITEF](https://www.ato.gov.au/Non-profit/Getting-started-for-non-profit-organisations/In-detail/Tax-concessions/Income-tax-exempt-funds/Is-your-fund-an-income-tax-exempt-fund-/?anchor=Characteristics_of_an_ITEF#Characteristics_of_an_ITEF); Australian Government Australian Business Register, "Abn Lookup, Charitable Tax Concessions," <https://abr.business.gov.au/Help/CharitableTaxConcession>.

<sup>218</sup> O'Connell, Martin, and Chia, "Law, Policy and Politics in Australia's Recent Not-for-Profit Sector Reforms."

<sup>219</sup> Commonwealth of Australia, "*Charities Act 2013*."

<sup>220</sup> Murray, "Not-for-Profit Reform: Back to the Future?"

the existing position on advocacy in Australia to assert a stronger boundary between charity and politics. High court findings which affirmed the right for not-for-profit organisations to engage in advocacy were one of the drivers influencing the reform.<sup>221</sup> The Productivity Commission report also acknowledged the sector's advocacy role as important.<sup>222</sup> The position on advocacy in Australia was 'relatively generous compared to other common law countries, and the reform actually introduced 'statutory protection for the rights of NFP organisation's to engage in advocacy.'<sup>223</sup> This suggests particularly that a competitive relationship between philanthropy and government was not envisioned. This position on advocacy also reflects philanthropy's ancillary role as an expression of active citizenship. There do continue to be concerns raised from within the sector though that the government is seeking to restrict their advocacy role through other means.<sup>224</sup> This suggests an antagonistic element to the relationship between government and philanthropy, which has been observed under governments acknowledged as being influenced by neoliberalism.

The disjointed and 'ad hoc' nature in which regulation has developed highlights the ambivalence regarding the position of the not-for-profit sector in society which characterises Australian philanthropy. Australia's regulatory arrangements regarding the not-for-profit sector do however demonstrate a concern regarding charitable purposes which is evident in both their historical development and in recent reform attempts. Restricting tax deductibility to a subset of charities does represent government's influencing philanthropic activity, although this does not indicate a competitive relationship between government and philanthropy as in the United Kingdom and the United States. Rather, in adopting a definition based more closely on the popular understanding of charity that has expanded alongside perceptions of government's role, it reflects the ancillary role philanthropy developed alongside social liberalism, which saw the state as occupying a central position in promoting citizen wellbeing in its aim of promoting equality of opportunity. DGRs and PBIs direct distributions to areas which support the state, and the areas where government funding is considered 'particularly important' align with the most popular areas

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<sup>221</sup> Ann O'Connell, Fiona Martin, and Joyce Chia, "Law, Policy and Politics in Australia's Recent Not-for-Profit Sector Reforms."

<sup>222</sup> Australian Government, Productivity Commission, "Contribution of the Not-for-Profit Sector."

<sup>223</sup> Butcher, "The Third Sector and Government in Australia: Not-for-Profit Reform under Labor, 2007–13."; O'Connell, Martin, and Chia, "Law, Policy and Politics in Australia's Recent Not-for-Profit Sector Reforms."

<sup>224</sup> See e.g. Anna Henderson, "Government Accused of Trying to 'Silence' Charity Sector with New Commissioner," *ABC News*, 7 December 2017, <https://www.abc.net.au/news/2017-12-07/governments-new-charity-commissioner-will-silence-the-sector/9237432>; Jonathon Hunyor and Cassandra Goldie, "Who's Afraid of Advocacy?," *Media Release*, Australian Council on Social Service [ACOSS], 30 May 2019, [https://www.acoss.org.au/media\\_release/whos-afraid-of-advocacy/](https://www.acoss.org.au/media_release/whos-afraid-of-advocacy/); Lina Caneva, "Philanthropists Need to Save Advocacy [Opinion]," *Pro Bono News*, 28 May 2015, <http://www.probonoaustralia.com.au/news/2015/05/philanthropists-need-save-advocacy>.

for philanthropic activity, for example in community services, education, and health.<sup>225</sup> This further suggests philanthropy is viewed as performing a supporting role. The most prominent philanthropic structures, Private Ancillary Funds, particularly demonstrate this position as they both reflect and reinforce philanthropy's ancillary role. This demonstrates the influence of the established social liberal path dependency on institutions through regulatory arrangements.

## Conclusion

Regulatory arrangements represent institutions that can be influenced by, and thus are likely to reflect, existing path dependencies.<sup>226</sup> In the United Kingdom, United States and Australia the regulatory arrangements surrounding philanthropy reflect the particular established relationships between philanthropy and government. In the United Kingdom, an inverse relationship has developed where philanthropy and government exist as separate entities, and a shift in the position of one sees a corresponding change in the role of the other. The most recent reform process particularly demonstrates the competitive aspect of this relationship as philanthropic foundations expressed concern that they were being forced to substitute functions previously considered to belong to the state. In the United States, philanthropic foundations occupy a central role in society. However, a competitive relationship stems from a tension between conceptions of foundations' role as public institutions engaged in policy making at the national level, and as private entities embodying the traditions of voluntarism and localism. This tension underpins a regulatory system that seeks to enforce what many consider to be an arbitrary divide between philanthropy and politics. In Australia, regulatory arrangements do not reflect a competitive relationship, but rather the ancillary role which philanthropy developed alongside a particular social liberal view of the role of the state during the country's nation-building period. *Chapter one* has demonstrated how this ancillary role underpins an ambivalence towards philanthropy's role and position within society, and this is demonstrated in the 'disjointed' nature of Australia's regulatory system. This ancillary role is also particularly demonstrated in the regulations surrounding the most recently implemented, and now most prominent, philanthropic structures, which both reflect and reinforce the view of philanthropy as supporting the state.

This demonstrates that the relationship between government and philanthropy is particular to a country. It also demonstrates how philanthropy's role within society and relationship with

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<sup>225</sup> Lyons, *Third Sector: The Contribution of Nonprofit and Cooperative Enterprise in Australia*, p. 141; McLeod, "The Support Report: The Changing Shape of Giving and the Significant Implications for Recipients."

<sup>226</sup> See Phillips and Smith, "A Dawn of Convergence?: Third Sector Policy Regimes in the 'Anglo-Saxon' Cluster."; Rawlings, "Contesting Fairness and Fragmenting Groups: Cultural Narratives of Taxation and Citizenship in Globalising Australia."; Toepler, "Toward a Comparative Understanding of Foundations."

government can provide an insight into views of the role of the state. In Australia's case, regulatory arrangements demonstrate the continued influence of the social liberal path dependency established at federation. The exploration of the particular relationship in the United Kingdom and the United States also demonstrates how changes in the role of the state are reflected in philanthropy's role. This can be seen quite directly in the United Kingdom, where government sought to expand the role of the voluntary sector through regulatory changes as it was altering its own position, moving towards a more neoliberal influenced view of the role of the state. In the United States, the engagement of 'new', 'marketised' forms of philanthropy with government also reflects a neoliberal approach, encompassing both conceptions of foundations role within society as it is their status as private entities that merits their engagement with public policy. This particular relationship between government and philanthropy is explored further in the following chapter, which focuses on philanthropic leverage. In Australia, philanthropy's connection to the social liberal path dependency suggests that changes in the role of the state would be reflected in philanthropy's role. The following chapter will continue to explore the influence of the social liberal path dependency, considering the attitudes and actions of philanthropic entities in Australia more closely.

## Chapter 4: Philanthropic Leverage

A competitive relationship between government and philanthropy stems from one entity seeking to control or directly influence the other. While government may seek to do this through regulation, as the previous chapter has considered, philanthropy looks to do so by leveraging its resources to influence policy and garner support for privately conceived agendas. Tompkins-Stange suggests foundations view policy influence broadly in terms of legislative change, as well as 'changing debates and conversations about political issues at a national level or illustrating best practices in the administration of public organisations.'<sup>1</sup> Approaches to the concept of leverage thus reflect the particular nature of the relationship between philanthropy and government within a country, and demonstrate philanthropy's connection to particular views of the role of the state. In exploring the concept of leverage, this chapter will further elucidate Australian philanthropy's particular ancillary role, as well as identifying the influence of the social liberal path dependency in the actions and attitudes of philanthropic entities. The chapter considers the Australian context in comparison with the United States, where particularly sophisticated leveraging arrangements have been developed. The success of leveraging arrangements in influencing policy, and subsequent criticism, reflects the tension regarding the role of foundations as private institutions within a democracy that characterises the philanthropic landscape in the United States.<sup>2</sup>

Philanthropic foundations have historically engaged in 'pump priming.' This is the provision of short-term grants to develop new projects with the intention that alternative funding, generally from government, would be secured to continue and expand these initiatives if warranted.<sup>3</sup> In the United States this approach, which echoed the notion of scientific replication, underpinned foundations' role in the formation of national policy and identity in the early twentieth century.<sup>4</sup> More recently, the concept of leverage represents an important element within the marketised approaches to philanthropy that developed in the latter part of the twentieth century.<sup>5</sup> Tompkins-Stange argues that these forms of philanthropy 'are notable for their interest in engaging directly in

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<sup>1</sup> Tompkins-Stange, *Policy Patrons: Philanthropy, Education Reform, and the Politics of Influence*, p. 15.

<sup>2</sup> Wolpert, "Redistributional Effects of America's Private Foundations."; Tually, Skinner, and Slatter, "The Role of the Philanthropic Sector in Addressing Homelessness: Australian and International Experiences: Literature Review"; Prewitt, "American Foundations: What Justifies Their Unique Privileges and Powers."; Peter Frumkin, "Accountability and Legitimacy in American Foundation Philanthropy," in *The Legitimacy of Philanthropic Foundations: United States and European Perspectives*, ed. Kenneth Prewitt, et al. (New York: Russell Sage Foundation, 2006); Rogers, "Why Philanthro-Policymaking Matters."; "Why the Social Sciences Should Take Philanthropy Seriously."; Ball, "New Philanthropy, New Networks and New Governance in Education."

<sup>3</sup> See for example Leat, "United Kingdom."; Roelofs, "Foundations and Collaboration."

<sup>4</sup> Karl and Karl, "Foundations and Government: A Tale of Conflict and Consensus," p. 68; Soskis and Katz, "Looking Back at 50 Years of U.S. Philanthropy."

<sup>5</sup> Rogers, "Why Philanthro-Policymaking Matters."

policy contexts in order to produce greater return on their investments and leveraging and amplifying their grant dollars.<sup>6</sup> Philanthrocapitalism in particular considers philanthropy as a ‘catalyst for change’, and ‘a critical force for shaping our world’, given its independence.<sup>7</sup> This ‘hyperagency’ status is contrasted with government, which must take a more systematic approach to addressing social issues and supporting citizens.<sup>8</sup> Philanthrocapitalism views government’s role in terms of providing additional resources to ‘scale-up’ initiatives.<sup>9</sup> This appears to reflect a neoliberal view of the state’s role as being to support the market representing the primary source of innovation central to supporting society. This leverage-based approach to philanthropy represents a significant difference from Australian philanthropy’s traditional ancillary role – which is connected to a social liberal view of the role of the state. As such, exploring the concept in the Australian context will also provide an insight regarding potential changes in perceptions surrounding the role of the state.

To effectively explore the concept of leverage and the insights it provides regarding philanthropy’s connection to views of the role of the state, this chapter will consider a case study in the field of school education. In the United States, this is an area that demonstrates prevalent approaches regarding philanthropy’s engagement with policy and politics. It particularly highlights the marketised approach to philanthropy, as improving public schools has become a particular interest for ‘many of the high-tech entrepreneurs who have shown an affinity for the venture philanthropy model.’<sup>10</sup> Sophisticated leveraging arrangements have been developed as philanthropists seek to influence policy and promote reform from outside of the established system. The success of these arrangements, as well as the criticism they have generated regarding philanthropists’ ability to exert a disproportionate influence over policy at the expense of local communities, demonstrates philanthropy’s connection to wider societal views. Several authors have considered the influence of foundations and philanthropists within the school reform movement in the United States. This chapter will examine these arguments to highlight the particular competitive relationship between philanthropy and government that is demonstrated through leveraging

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<sup>6</sup> Tompkins-Stange, *Policy Patrons: Philanthropy, Education Reform, and the Politics of Influence*, p. 58.

<sup>7</sup> Rogers, "Why the Social Sciences Should Take Philanthropy Seriously."; Bishop and Green, *Philanthrocapitalism: How the Rich Can Save the World and Why We Should Let Them*.

<sup>8</sup> *Philanthrocapitalism: How the Rich Can Save the World and Why We Should Let Them*.

<sup>9</sup> Sarah Reckhow and Jeffrey W. Snyder, "The Expanding Role of Philanthropy in Education Politics," *Educational Researcher* 43, no. 4 (2014); Rogers, "Why the Social Sciences Should Take Philanthropy Seriously."; Anheier and Hammack, "American Foundations: Their Roles and Contributions to Society."; Bishop and Green, *Philanthrocapitalism: How the Rich Can Save the World and Why We Should Let Them*.

<sup>10</sup> Soskis and Katz, "Looking Back at 50 Years of U.S. Philanthropy"; Frumkin, "Inside Venture Philanthropy."

arrangements, and to establish the connection between marketised approaches to philanthropy and neoliberal views of the role of the state.

The situation in the United States is compared to the Australian context, where philanthropic engagement with school education also reflects its broader role and relationship with government. Rather than a competitive relationship though, philanthropy in Australia occupies an ancillary position, which developed alongside a social liberal view of the role of the state. Education represented an important element within social liberalism as means of promoting equality of opportunity (something that was considered the responsibility of the state) and promoting active citizenship.<sup>11</sup> As in the United States, Australia has also undertaken an education reform in the twenty-first century, and philanthropy has been considered in this context. Views on philanthropy's role within education are identified in this chapter primarily through examining the 2011 review of schooling conducted by David Gonski, himself a noted philanthropist, and the Leading Learning in Education Philanthropy (LLEAP) project, which conducted surveys with philanthropists engaged in this area, together with some additional reports and examples of specific philanthropic actions. The primary characteristics of Australian school philanthropy—a desire to address disadvantage and a concern for community engagement—reflect philanthropy's connection to social liberalism, and its view of the role of the state. However, Australian philanthropists do view their role in this area in similar terms to those of the marketised approach in the United States, as 'catalysts of change' seeking outcomes relating to 'scale and influence.'<sup>12</sup> Thus, this case study will enable the chapter to explore and consider the influence of the social liberal path dependency as well as the recognised neoliberal challenge to it.

### The United States

The concept of philanthropic leverage is demonstrated particularly through philanthropists' engagement with the public school system in the United States. This is an area where philanthropy has been influential historically. It was a particular focus for the new foundations of the early

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<sup>11</sup> See Sawer, *The Ethical State?: Social Liberalism in Australia*, p. 10, 22, 35, 41-45.

<sup>12</sup> See Michelle Anderson and Emma Curtin, "Leading Learning in Education and Philanthropy: 2011 Survey Report," *Australian Council for Educational Research (ACER)*, Melbourne, November 2011, [https://www.acer.org/files/LLEAP\\_SurveyReport.pdf](https://www.acer.org/files/LLEAP_SurveyReport.pdf); "Leading Learning in Education and Philanthropy: 2012 Survey Report: Schools, Not-for-Profits, Philanthropic Foundations and Trusts in Australia: Building Knowledge to Maximise the Impact of Philanthropy in Education," *Australian Council for Educational Research (ACER)*, Melbourne, November 2012, [https://www.acer.org/files/LLEAP\\_2012\\_Survey\\_FullReport.pdf](https://www.acer.org/files/LLEAP_2012_Survey_FullReport.pdf); Anderson, "Where the Money Goes: Private Wealth for Public Good." See also, Smyllie, Scaife, and McDonald, "That's What Governments Do."

twentieth century, which were concerned with 'public policy making.'<sup>13</sup> Philanthropic interest generally declined as education became primarily a state and local issue, though it revived when the federal government started to become more involved in education from the 1980s.<sup>14</sup> The Annenberg Prize was developed in the 1990s as a philanthropic initiative seeking to develop 'public-private partnerships for local education reform.'<sup>15</sup> However, its failure 'to achieve systematic change' saw philanthropic interest 'peter out' before the introduction of the *No Child Left Behind Act (2001)*, which 'further increased the federal government's role in education', allowing philanthropists 'an exceptional opportunity to participate in national policy making.'<sup>16</sup>

The Annenberg Challenge was argued to have failed because it sought to achieve reform working from within the established system.<sup>17</sup> By contrast, the more recent school reform movement has seen primarily new philanthropic entities, such as the Bill and Melinda Gates Foundation, the Ely and Edythe Broad Foundation and the Chan Zuckerberg Initiative, seeking to influence policy and set the agenda in education from the outside by leveraging their private resources.<sup>18</sup> The 'visibility and centrality of philanthropy within public education' has increased

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<sup>13</sup> See e.g. Roelofs, *Foundations and Public Policy: The Mask of Pluralism*; Soskis and Katz, "Looking Back at 50 Years of U.S. Philanthropy"; Sealander, *Private Wealth and Public Life: Foundation Philanthropy and the Reshaping of American Social Policy from the Progressive Era to the New Deal*; Tompkins-Stange, *Policy Patrons: Philanthropy, Education Reform, and the Politics of Influence*, p. 18.

<sup>14</sup> Anheier and Hammack, "American Foundations: Their Roles and Contributions to Society."; Soskis and Katz, "Looking Back at 50 Years of U.S. Philanthropy"; Diane Ravitch, "Bill Gates, the Nation's Superintendent of Schools," *Los Angeles Times*, 30 July 2006, <https://www.latimes.com/archives/la-xpm-2006-jul-30-op-ravitch30-story.html>; Sarah Reckhow, "Beyond Blueprints: Questioning the Replication Model in Education Philanthropy," *Society* 52, no. 6 (2015); Janelle Scott, "The Politics of Venture Philanthropy in Charter School Policy and Advocacy," *Educational Policy* 23, no. 1 (2009); Roelofs, *Foundations and Public Policy: The Mask of Pluralism*; Samantha Hedges et al., "Private Actors and Public Goods: A Comparative Case Study of Funding and Public Governance in K-12 Education in 3 Global Cities," *Journal of Educational Administration and History* 52, no. 1 (2020).

<sup>15</sup> Reckhow and Snyder, "The Expanding Role of Philanthropy in Education Politics."; Tompkins-Stange, *Policy Patrons: Philanthropy, Education Reform, and the Politics of Influence*, p. 17.

<sup>16</sup> Soskis and Katz, "Looking Back at 50 Years of U.S. Philanthropy"; Reckhow and Snyder, "The Expanding Role of Philanthropy in Education Politics."

<sup>17</sup> "The Expanding Role of Philanthropy in Education Politics."; Frederick M. Hess, "Inside the Gift Horse's Mouth: Philanthropy and School Reform," *Phi Delta Kappan* 87, no. 2 (2005); Tompkins-Stange, *Policy Patrons: Philanthropy, Education Reform, and the Politics of Influence*, p. 17.

<sup>18</sup> Rob Reich, "A Failure of Philanthropy: American Charity Shortchanges the Poor, and Public Policy Is Partly to Blame," *Standord Social Innovation Review*, Winter 2005, [https://ssir.org/articles/entry/a\\_failure\\_of\\_philanthropy](https://ssir.org/articles/entry/a_failure_of_philanthropy); David Denby, "Public Defender," *New Yorker* 88, no. 36 (2012); Reckhow and Snyder, "The Expanding Role of Philanthropy in Education Politics."; Hess, "Inside the Gift Horse's Mouth: Philanthropy and School Reform."; Barkan, "Plutocrats at Work: How Big Philanthropy Undermines Democracy."; Robert B. Schwartz, "Forward," in *Policy Patrons: Philanthropy, Education Reform, and the Politics of Influence*, ed. Megan E. Tompkins-Stange (Cambridge, Massachusetts: Harvard Education Press, 2016); Tompkins-Stange, *Policy Patrons: Philanthropy, Education Reform, and the Politics of Influence*, p. 18.



significantly,<sup>19</sup> and philanthropic funding has converged on particular reform initiatives, for example national standards and the promotion of charter schools as alternatives to traditional public schools.<sup>20</sup> In channelling their resources to particular reform initiatives in this way, foundations ‘confer’ legitimacy upon them.<sup>21</sup> And while the scale of the resources foundations command is lesser than the public education budget as a whole, the tightly allocated nature of public funds allows philanthropists to use their resources to leverage government support for their preferred initiatives.<sup>22</sup> The success of these leveraging arrangements demonstrates a particular perception of the role of the state.

### Charter Schools

Philanthropic funding has concentrated on supporting the charter school movement, and this example demonstrates the sophisticated leveraging arrangements which have developed in the United States. These ‘publicly funded, privately operated schools’ have risen significantly in prominence as a result of support from ‘high profile philanthropic foundations’ that have sought to employ their resources to leverage support for the movement and produce ‘catalytic impact across a wider population of students.’<sup>23</sup> As well as directly funding the development and operation of these schools, philanthropists have also sought to support the ‘diffusion of the charter school movement’ in other ways.<sup>24</sup> For example, funding has been allocated to support alternative models of teacher accreditation and school leadership, with the graduates of these schemes often employed in

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<sup>19</sup> Tompkins-Stange, *Policy Patrons: Philanthropy, Education Reform, and the Politics of Influence*, pp. 2, 113-114.

<sup>20</sup> Rogers, "Why the Social Sciences Should Take Philanthropy Seriously."; Reckhow, "Beyond Blueprints: Questioning the Replication Model in Education Philanthropy."; John R. Thelin, "The Gates Foundation's Uncertain Legacy," *The Chronicle of Higher Education* 59, no. 42 (2013); Soskis and Katz, "Looking Back at 50 Years of U.S. Philanthropy"; Reckhow and Snyder, "The Expanding Role of Philanthropy in Education Politics."; Scott, "The Politics of Venture Philanthropy in Charter School Policy and Advocacy."; "Forward."; Tompkins-Stange, *Policy Patrons: Philanthropy, Education Reform, and the Politics of Influence*, pp. 58, 115.

<sup>21</sup> Rand Quinn, Megan Tompkins-Stange, and Debra Meyerson, "Beyond Grantmaking: Philanthropic Foundations as Agents of Change and Institutional Entrepreneurs," *Nonprofit and Voluntary Sector Quarterly* 43, no. 6 (2014); Reckhow and Snyder, "The Expanding Role of Philanthropy in Education Politics."; Tompkins-Stange, *Policy Patrons: Philanthropy, Education Reform, and the Politics of Influence*, p. 145.

<sup>22</sup> Frederick M. Hess, "Philanthropy Gets in the Ring: Edu-Funders Get Serious About Education Policy," *Phi Delta Kappan* 93, no. 8 (2012); "Inside the Gift Horse's Mouth: Philanthropy and School Reform."; Rogers, "Why the Social Sciences Should Take Philanthropy Seriously."; Mark Schmitt, "Philanthropy, Politics and Democracy," *Society* 52, no. 6 (2015); Barkan, "Plutocrats at Work: How Big Philanthropy Undermines Democracy."; Tompkins-Stange, *Policy Patrons: Philanthropy, Education Reform, and the Politics of Influence*, pp. 17, 59.

<sup>23</sup> Quinn, Tompkins-Stange, and Meyerson, "Beyond Grantmaking: Philanthropic Foundations as Agents of Change and Institutional Entrepreneurs."; Hess, "Inside the Gift Horse's Mouth: Philanthropy and School Reform."; Scott, "The Politics of Venture Philanthropy in Charter School Policy and Advocacy."; Tompkins-Stange, *Policy Patrons: Philanthropy, Education Reform, and the Politics of Influence*, p. 58.

<sup>24</sup> Quinn, Tompkins-Stange, and Meyerson, "Beyond Grantmaking: Philanthropic Foundations as Agents of Change and Institutional Entrepreneurs."

philanthropically supported charter schools and in education departments.<sup>25</sup> Support has also been provided to develop 'educational entrepreneurs' as 'a new class of professionals', with the intention that this group will manage and drive forward the charter school movement.<sup>26</sup> Philanthropists have funded events to facilitate the development of a network of educational entrepreneurs, who combine the backgrounds and skills of business with education. This has cultivated an impression of 'insiders and outsiders', as these exclusive events have come to include others in influential positions such as politicians, researchers and other policy makers.<sup>27</sup>

Leverage is also pursued through more indirect means, with foundations enhancing both the visibility and credibility of charter schools by providing funding to external organisations, and creating 'a de facto advocacy coalition', with the aim of influencing debates and promoting 'charter friendly federal and state education policies.'<sup>28</sup> Funds have been provided to think tanks and research centers in an environment where researchers 'compete fiercely for the right to evaluate high-profile initiatives', and where success is dependent on relationships which may be adversely affected by negative assessments.<sup>29</sup> Funding has also been provided to advocacy organisations, with Reckhow and Snyder observing that organisations receiving funding are those which are 'highly active in policy debates on issues such as common standards and charter school expansion.'<sup>30</sup> They also suggest philanthropic involvement in school reform has coincided with changes in the voices involved in policy debates at the national level. One 2018 article also suggested 'many Gates funded groups have become the de facto experts who lead the conversation in local communities.'<sup>31</sup> Tompkins-Stange suggests that in funding these organisations, foundations have effectively sought

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<sup>25</sup> Ibid. Alex Daniels, "Gates Digs In," *Chronicle of Philanthropy* 27, no. 13 (2015); Schmitt, "Philanthropy, Politics and Democracy."; Reckhow, "Beyond Blueprints: Questioning the Replication Model in Education Philanthropy."; Scott, "The Politics of Venture Philanthropy in Charter School Policy and Advocacy."; Hess, "Inside the Gift Horse's Mouth: Philanthropy and School Reform."

<sup>26</sup> Quinn, Tompkins-Stange, and Meyerson, "Beyond Grantmaking: Philanthropic Foundations as Agents of Change and Institutional Entrepreneurs."

<sup>27</sup> Ibid.

<sup>28</sup> Reckhow and Snyder, "The Expanding Role of Philanthropy in Education Politics."; Scott, "The Politics of Venture Philanthropy in Charter School Policy and Advocacy."; Hess, "Philanthropy Gets in the Ring: Edu-Funders Get Serious About Education Policy."; "Inside the Gift Horse's Mouth: Philanthropy and School Reform."

<sup>29</sup> "Inside the Gift Horse's Mouth: Philanthropy and School Reform."; Reckhow and Snyder, "The Expanding Role of Philanthropy in Education Politics."; Daniels, "Gates Digs In." See also Tompkins-Stange, *Policy Patrons: Philanthropy, Education Reform, and the Politics of Influence*, pp. 9, 123.

<sup>30</sup> Reckhow and Snyder, "The Expanding Role of Philanthropy in Education Politics."; Hess, "Philanthropy Gets in the Ring: Edu-Funders Get Serious About Education Policy."; Scott, "The Politics of Venture Philanthropy in Charter School Policy and Advocacy."

<sup>31</sup> Sally Ho, "AP Analysis Shows How Bill Gates Influences Education Policy," *AP News*, 16 May 2018, <https://apnews.com/a4042e82ffaa4a34b50ceac464761957/AP-analysis-shows-how-Bill-Gates-influences-education-policy>.

to create ‘a social movement of the foundations own design’, with the aim of ‘prying open a policy window.’<sup>32</sup>

These leveraging arrangements have proven successful at both the state and national level. For example, President Barack Obama’s Secretary of Education Arne Duncan, who had ‘led’ school closures and charter school expansion in Chicago and expressed a desire to support and promote charter schools at the national level, made federal funding available to support the reform of Detroit’s struggling public school system.<sup>33</sup> The Broad foundation subsidized the salary for the ‘state-appointed’ Emergency Financial Officer of Detroit Public Schools, who sought to close a significant number of traditional public schools while also expanding charter schools.<sup>34</sup> Similar approaches have been seen in areas such as in Newark, New Jersey and in Los Angeles, where administrators are funded by foundations.<sup>35</sup> Foundations were also able to assume ‘a central role in the design, guidance and implementation of major federal grant competitions such as Race to the Top and Investing in Innovation.’<sup>36</sup> The assessment criteria for Race to the Top aligned with the aims of philanthropists, including ‘abolishing limits on charter school expansion’, along with promoting ‘data-driven instruction, and teacher and principal evaluations based in part on student test scores.’<sup>37</sup> The Investing in Innovation Fund saw \$500 million contributed by a group of private foundations to “leverage” the US Department of Education’s \$650 million fund to scale effective models of improving student achievement.<sup>38</sup> Federal legislation has also provided opportunities for philanthropists to leverage support for their initiatives, allowing them to ‘directly shape new policy directions at the US Department of Education.’<sup>39</sup> For example, the Bill and Melinda Gates Foundation offered funds to states to ‘help shape new education plans’, a requirement under the 2015 *Every Student Succeeds Act*, with the assessment criteria for these grants aligning with Gates’ preferred reform initiatives.<sup>40</sup>

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<sup>32</sup> Tompkins-Stange, *Policy Patrons: Philanthropy, Education Reform, and the Politics of Influence*, p. 3.

<sup>33</sup> Pauline Lipman, "Capitalizing on Crisis: Venture Philanthropy’s Colonial Project to Remake Urban Education," *Critical Studies in Education* 56, no. 2 (2015); Quinn, Tompkins-Stange, and Meyerson, "Beyond Grantmaking: Philanthropic Foundations as Agents of Change and Institutional Entrepreneurs."

<sup>34</sup> The Officer was also a graduate from the Broad Superintendent Academy. Lipman, "Capitalizing on Crisis: Venture Philanthropy’s Colonial Project to Remake Urban Education."

<sup>35</sup> Barkan, "Plutocrats at Work: How Big Philanthropy Undermines Democracy."; Tompkins-Stange, *Policy Patrons: Philanthropy, Education Reform, and the Politics of Influence*, p. 30.

<sup>36</sup> *Policy Patrons: Philanthropy, Education Reform, and the Politics of Influence*, p. 25.

<sup>37</sup> Lipman, "Capitalizing on Crisis: Venture Philanthropy’s Colonial Project to Remake Urban Education."; Tompkins-Stange, *Policy Patrons: Philanthropy, Education Reform, and the Politics of Influence*, pp. 113-114.

<sup>38</sup> *Policy Patrons: Philanthropy, Education Reform, and the Politics of Influence*, pp. 113-114.

<sup>39</sup> *Ibid*, pp. 113-114.

<sup>40</sup> Ho, "AP Analysis Shows How Bill Gates Influences Education Policy."

## Social Mechanisms

Philanthropy's success in leveraging its private resources also stems from its ability to effectively exploit a number of contextual factors or 'social mechanisms.'<sup>41</sup> Three such mechanisms are identified in particular. In the first instance, philanthropists were able to exploit the perception that the existing education system was failing, in particular that it was failing the nation economically.<sup>42</sup> For example, Bill Gates argued that an underperforming education system 'threatens the economic future and competitiveness of the United States.'<sup>43</sup> The promotion of charter schools in place of 'failing' traditional public schools, also supports this view.<sup>44</sup> Philanthropists' emphasis on evaluation represents another social mechanism, aligning with a broader interest in evidence-based approaches, something which is a hallmark of marketised forms of philanthropy that employ managerial and entrepreneurial approaches to measure returns in terms of impact and growth to scale.<sup>45</sup> The emphasis on 'measurable outcomes' has been identified as 'an important lever in public policy debates.'<sup>46</sup> A third mechanism relates to the 'celebrity' status of philanthropists. Hess suggests 'prior success in their past endeavours' has awarded many prominent philanthropists 'a degree of celebrity', which 'magnifies the impact of their giving in allowing them to command respect from the media and public officials.'<sup>47</sup> Tompkins-Stange observed of the Gates and Broad Foundations, a 'comfort with using their institutions' own brands and political capital as tools to pursue influence', and 'to lend legitimacy to initiatives.'<sup>48</sup> A 2006 study found Bill Gates, who is perhaps the most prominent example of a celebrity philanthropist, to be the most influential individual in education policy, ahead of politicians, department heads and academics in the field.<sup>49</sup> The Bill and Melinda

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<sup>41</sup> Barkan, "Plutocrats at Work: How Big Philanthropy Undermines Democracy."

<sup>42</sup> Christopher B. Swanson and Janelle Barlage, "Influence: A Study of the Factors Shaping Education Policy," *Editorial Projects in Education Research Center*, December 2006, [https://www.edweek.org/media/influence\\_study.pdf](https://www.edweek.org/media/influence_study.pdf); Quinn, Tompkins-Stange, and Meyerson, "Beyond Grantmaking: Philanthropic Foundations as Agents of Change and Institutional Entrepreneurs."; Hess, "Inside the Gift Horse's Mouth: Philanthropy and School Reform."; Ravitch, "Bill Gates, the Nation's Superintendent of Schools"; Denby, "Public Defender."

<sup>43</sup> Bill Gates, "Our Education Efforts Are Evolving," *Speech*, Council of the Great City Schools, Cleveland, Ohio, 19 October 2017, <https://www.gatesnotes.com/Education/Council-of-Great-City-Schools>; Jeff Polet, "Gates Admits Common Core Failure, Then Doubles Down on It," *Philanthropy Daily*, 1 November 2017, <https://www.philanthropydaily.com/gates-philanthropy-failure-common-core/>.

<sup>44</sup> See e.g. Denby, "Public Defender."

<sup>45</sup> Quinn, Tompkins-Stange, and Meyerson, "Beyond Grantmaking: Philanthropic Foundations as Agents of Change and Institutional Entrepreneurs."; Daniels, "Gates Digs In."; Scott, "The Politics of Venture Philanthropy in Charter School Policy and Advocacy."; Reckhow and Snyder, "The Expanding Role of Philanthropy in Education Politics."

<sup>46</sup> Hess, "Inside the Gift Horse's Mouth: Philanthropy and School Reform."

<sup>47</sup> *Ibid.* See also Bosworth, "The Cultural Contradictions of Philanthrocapitalism."

<sup>48</sup> Tompkins-Stange, *Policy Patrons: Philanthropy, Education Reform, and the Politics of Influence*, pp. 43. 56.

<sup>49</sup> Swanson and Barlage, "Influence: A Study of the Factors Shaping Education Policy"; Hess, "Inside the Gift Horse's Mouth: Philanthropy and School Reform."

Gates Foundation was also among the most influential organisations in education reflecting Gates' celebrity status.<sup>50</sup> Diane Ravitch has argued, 'never before has any individual or foundation had so much power to direct the course of American education.'<sup>51</sup>

These social mechanisms are underpinned by a belief in the superiority of business approaches. The dominant reform initiatives supported by philanthropists to 'fix' the current system, which is apparently failing, assume 'education reform could greatly benefit from the strategies and principles that contributed to their financial success in the private sector.'<sup>52</sup> The Broad Foundation, for example, 'was founded with the explicit intention to apply Eli Broad's success as an entrepreneur to the charitable causes he supported.'<sup>53</sup> Bosworth argues society's 'equation of corporate success with philosophical wisdom ... helps explain the political authority that Gates and his allies are now gaining to direct public policy ... absent the usual requirement of holding public office.'<sup>54</sup> The emphasis on measurable impact and evaluation has been referred to as a 'fig leaf', masking the development of 'a whole system of learning that emphasises "economic competition, STEM success, skills for success in the workplace" and facility in "technology."<sup>55</sup>

This view is evident within marketised forms of philanthropy, which seek to employ 'the techniques of capitalism to reshape existing social institutions.'<sup>56</sup> Barkan argues marketised philanthropy, with its focus on 'return on investment, strategic giving, grantee accountability, numerical data to verify results, social entrepreneurship and public-private partnership', has been on a 'crusade to remake public education for low-income and minority children in the image of the private sector.'<sup>57</sup> Tompkins-Stange argues that the desire to leverage government through an 'outcome-oriented approach' reflects an 'entrepreneurial mindset' that values 'competition, accountability and standardisation', and supports 'results driven management.'<sup>58</sup> She considers as an example that philanthropic support of charter schools aims to 'induce competition for public schools

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<sup>50</sup> "Inside the Gift Horse's Mouth: Philanthropy and School Reform."

<sup>51</sup> Ravitch, "Bill Gates, the Nation's Superintendent of Schools." See also Scott, "The Politics of Venture Philanthropy in Charter School Policy and Advocacy."; Tompkins-Stange, *Policy Patrons: Philanthropy, Education Reform, and the Politics of Influence*, p. 7.

<sup>52</sup> *Policy Patrons: Philanthropy, Education Reform, and the Politics of Influence*, pp. 56-58; Rogers, "Why the Social Sciences Should Take Philanthropy Seriously."; Hess, "Inside the Gift Horse's Mouth: Philanthropy and School Reform."; Schwartz, "Forward," p. vii.

<sup>53</sup> Tompkins-Stange, *Policy Patrons: Philanthropy, Education Reform, and the Politics of Influence*, p. 28.

<sup>54</sup> Bosworth, "The Cultural Contradictions of Philanthrocapitalism." See also Amarante, "The Perils of Philanthrocapitalism."; Scott, "The Politics of Venture Philanthropy in Charter School Policy and Advocacy."

<sup>55</sup> Polet, "Gates Admits Common Core Failure, Then Doubles Down on It."

<sup>56</sup> Rogers, "Why the Social Sciences Should Take Philanthropy Seriously."; Barkan, "Plutocrats at Work: How Big Philanthropy Undermines Democracy."

<sup>57</sup> "Plutocrats at Work: How Big Philanthropy Undermines Democracy."

<sup>58</sup> Tompkins-Stange, *Policy Patrons: Philanthropy, Education Reform, and the Politics of Influence*, pp. 56-58.

to improve.<sup>59</sup> In New York City, Schools Chancellor Joel Klein and Mayor Michael Bloomberg sought to “charterize” the entire school system’ with the aim of creating a competitive environment.<sup>60</sup> The Broad Foundation has ‘sought to increase the presence of managerial professionals within the education sector’, aiming to increase ‘efficiency and effectiveness in schools’ while also developing ‘human capital pipelines.’<sup>61</sup> The Common Core Standards Initiative promoted by the Gates Foundation was also felt to promote a similar approach to the Key Performance Indicators (KPIs) of ‘modern management practices’ in its aim to introduce clear and consistent standards.<sup>62</sup> Schwartz suggests also suggests generally that the approach taken by philanthropists ‘blurs the line between contracting and grantmaking.’<sup>63</sup>

The dominance of this marketised philanthropy also reflects a neoliberal view regarding the supremacy of the market. Authors have identified elements of the neoliberal approach in the school reform process, with Cohen suggesting it ‘aligns ideologically and programatically with a commitment to a much greater shift to privatisation of the US economy.’<sup>64</sup> Denby suggests it has promoted ‘a rethinking of leaders as managers and parents as customers and consumers.’<sup>65</sup> Considering Philadelphia in particular, Lipman suggests the reform process has seen the local education department move ‘from a provider of public education to a manager of public charter and contract schools.’<sup>66</sup> Barkan suggests the school reform movement is underpinned by a view that ‘if schools were run like businesses competing in the market ... the achievement gap that separates poor and minority students and affluent students would disappear.’<sup>67</sup> This reflects the neoliberal position that considers the market to be the primary entity for promoting equality within society. The school reform initiatives supported by philanthropists reflect a view of education as being linked to ‘economic competitiveness and technological savvy’, with an emphasis on ‘the skills to succeed in the workplace’, which reflects this view of market dominance.<sup>68</sup> The approach taken by

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<sup>59</sup> Ibid, p. 58.

<sup>60</sup> Scott, "The Politics of Venture Philanthropy in Charter School Policy and Advocacy."

<sup>61</sup> Tompkins-Stange, *Policy Patrons: Philanthropy, Education Reform, and the Politics of Influence*, pp. 26-30.

<sup>62</sup> Peter Isackson, "The Gates Foundation Repeats Its Mistakes," *The Fair Observer*, 15 January 2019, [https://www.fairobserver.com/region/north\\_america/bill-melinda-gates-foundation-common-core-education-america-news-today-23901/](https://www.fairobserver.com/region/north_america/bill-melinda-gates-foundation-common-core-education-america-news-today-23901/); Common Core State Standards Initiative, "About the Standards," <http://www.corestandards.org/about-the-standards/>.

<sup>63</sup> Schwartz, "Forward," pp. ix-x.

<sup>64</sup> Rick Cohen, "Strategic Grantmaking: Foundations and the School Privatization Movement," *National Committee for Responsive Philanthropy*, Washington DC, 2007, <https://www.issuelab.org/resources/2959/2959.pdf>.

<sup>65</sup> Denby, "Public Defender."

<sup>66</sup> Lipman, "Capitalizing on Crisis: Venture Philanthropy’s Colonial Project to Remake Urban Education."

<sup>67</sup> Barkan, "Plutocrats at Work: How Big Philanthropy Undermines Democracy."

<sup>68</sup> Polet, "Gates Admits Common Core Failure, Then Doubles Down on It"; Isackson, "The Gates Foundation Repeats Its Mistakes"; Gates, "Our Education Efforts Are Evolving."

philanthropists in seeking to leverage their private resources to garner government support for these initiatives indicates a neoliberal view of the role of the state as being fundamentally to support the market in producing this competitive workforce.<sup>69</sup> Marketised philanthropy views foundations as 'effective, efficient problem solvers than can circumvent bureaucratic blockages and catalyse innovation.'<sup>70</sup> This supports a neoliberal view of the role of the state as being to support the market. The influence of this neoliberal view of education and of the role of the state is particularly evident when considering criticism of philanthropic involvement in school reform, with Denby, for example, suggesting that education policy has 'become caught up in the ideological struggle between government as a guarantor of community good and market-driven competition as a potential creator of excellence.'<sup>71</sup>

### Criticism of Philanthropy's Influence on School Reform

Despite successes at the policy level, philanthropic engagement in school reform has attracted significant criticism.<sup>72</sup> In the first instance, criticism of philanthropic involvement in school reform reflects what Amarante refers to as the 'traditional critiques' of philanthropy, particularly that of philanthropic amateurism.<sup>73</sup> Amarante observes that 'the illogical belief that wealthy philanthropists are equipped to address some of the world's most complex and intransigent problems simply because they successfully amass a fortune in the private sector', sees the 'amateurs instinctive solutions ... artificially elevated to dominate the public discourse simply because of the amateurs financial support.'<sup>74</sup> Amarante argues this process is intensified 'when philanthropists use the mechanisms that helped them amass their fortunes ... on their philanthropic efforts.'<sup>75</sup> This then intensifies the criticism of philanthropic paternalism, where it is felt 'because philanthropists know best they do not need outside input.'<sup>76</sup> Amarante contends that 'often philanthropists seek out experts not to find a right answer, but rather to confirm their suspected answers.'<sup>77</sup> Then, by employing their financial resources to support these answers, 'they quickly become the loudest voice in any given argument.' As such, 'there is little diversity of opinions and the the philanthropists' chosen solution to a problem becomes the only solution considered.'<sup>78</sup> This highlights 'the

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<sup>69</sup> See Tompkins-Stange, *Policy Patrons: Philanthropy, Education Reform, and the Politics of Influence*, p. 114.

<sup>70</sup> Ibid, p. 144.

<sup>71</sup> Denby, "Public Defender."

<sup>72</sup> Tompkins-Stange, *Policy Patrons: Philanthropy, Education Reform, and the Politics of Influence*.

<sup>73</sup> See Amarante, "The Perils of Philanthrocapitalism."

<sup>74</sup> Ibid.

<sup>75</sup> Ibid.

<sup>76</sup> Ibid.

<sup>77</sup> Ibid.

<sup>78</sup> Ibid.

antidemocratic nature of philanthropy.<sup>79</sup> Ultimately, criticism of philanthropy's involvement in school reform relates to the view of philanthropy as 'plutocratic' and as 'privileging the view of elites.'<sup>80</sup>

Lipman argues that philanthropic involvement in school reform is likely to exacerbate rather than reduce inequality, as accountability to funders rather than to the community through government has a particularly negative effect on traditionally disadvantaged communities and individuals. This has the effect of intensifying inequities stemming from students' economic and ethnic backgrounds.<sup>81</sup> In response to this criticism, and to demonstrate that their actions do not simply reflect the "'whims" of elites', foundations emphasize the evidence-based nature of the initiatives they support.<sup>82</sup> However, it is argued that evaluation measures do not consider variations in student backgrounds, applying the same measures equally to all students. With the requirement for charter schools to meet the benchmarks set by funders, this leads to 'disproportionately low enrolments' of these groups. This then effectively creates a tiered system where these students have no choice but to attend traditional public schools, which, often as a result of successful leveraging by philanthropists, are funded at the same rate as the charter schools that are also receiving additional resources.<sup>83</sup> This reflects a neoliberal view of equality where equal treatment is given regardless, but also sees traditional schools become less competitive alongside better-resourced, philanthropically supported alternatives.<sup>84</sup> This criticism also considers the position of the state, with Hedges et al. arguing that the 'retreat of the state', which is the result of successful leveraging by philanthropists, 'may exacerbate inclusion and equity issues for parts of the population with less resources and financial revenue to draw upon to acquire leverage and status.'<sup>85</sup>

An additional significant criticism, which relates to philanthropy's particular nature and role in the United States, is that it has not adequately taken into account the views of local communities in its desire for a national approach. Programs and initiatives are conceived on a national level, for

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<sup>79</sup> Ibid.

<sup>80</sup> Barkan, "Plutocrats at Work: How Big Philanthropy Undermines Democracy."; Tompkins-Stange, *Policy Patrons: Philanthropy, Education Reform, and the Politics of Influence*, pp. 115, 120, 127-128.

<sup>81</sup> Lipman, "Capitalizing on Crisis: Venture Philanthropy's Colonial Project to Remake Urban Education." See also, Tompkins-Stange, *Policy Patrons: Philanthropy, Education Reform, and the Politics of Influence*, pp. 135-136; Reckhow, "Beyond Blueprints: Questioning the Replication Model in Education Philanthropy."; Scott, "The Politics of Venture Philanthropy in Charter School Policy and Advocacy."

<sup>82</sup> Tompkins-Stange, *Policy Patrons: Philanthropy, Education Reform, and the Politics of Influence*, p. 123.

<sup>83</sup> Scott, "The Politics of Venture Philanthropy in Charter School Policy and Advocacy."

<sup>84</sup> See, Lipman, "Capitalizing on Crisis: Venture Philanthropy's Colonial Project to Remake Urban Education."; Quinn, Tompkins-Stange, and Meyerson, "Beyond Grantmaking: Philanthropic Foundations as Agents of Change and Institutional Entrepreneurs."

<sup>85</sup> Hedges et al., "Private Actors and Public Goods: A Comparative Case Study of Funding and Public Governance in K-12 Education in 3 Global Cities."



example, Mark Zuckerberg's highly publicised donation to schools in Newark intended to create 'a blueprint for national replication,'<sup>86</sup> something which has seen the authority of local jurisdictions being eroded. The centralising nature of charter management organisations, which do not allow for local variation and community involvement, represents an example of the erosion of local authority, as does support for national standards.<sup>87</sup> Ho suggests the Common Core national standards promoted particularly by the Gates Foundation came to be considered 'a symbol of federal overreach', as while there was a pilot, the initiative was implemented from the 'top-down.'<sup>88</sup> Many people consider schools to be community as well as educational institutions, and there is a tension between the view promoted by reform initiatives, which 'rewards skills that ensure productivity and progress', and 'traditional values' that view education in terms of 'forming responsible citizens and independent thinkers.'<sup>89</sup> It is the latter which prevail in 'the beliefs of most parents and teachers.'<sup>90</sup> However, several authors have noted that it is market-based reform initiatives which have become dominant.<sup>91</sup> Reckhow suggests that traditional values are being overlooked as local governments have been 'blinded' by the economic resources offered by philanthropists.<sup>92</sup> The market-based reform initiatives reflect a neoliberal position, viewing education as important in terms of producing a competitive workforce. However, Barkan argues that philanthropic engagement has 'undermined democracy and civil society' by stifling the voices of 'students, their parents and families, educators, and citizens who support public education.'<sup>93</sup> This reflects the tension that underpins the relationship between philanthropy and government in the United States, as foundations seek to function as national level public policy making institutions and also claim to be the inheritors of the Tocquevillian traditions of localism and voluntarism.

New Orleans represents an example of the exclusion of the community from education. In the wake of Hurricane Katrina, philanthropic funds exerted a particular influence in redesigning the

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<sup>86</sup> Reckhow and Snyder, "The Expanding Role of Philanthropy in Education Politics."; John Warner, "Bill Gates, Please Stay Away from Higher Education," *Inside Higher Education*, 28 June 2019, <https://www.insidehighered.com/blogs/just-visiting/bill-gates-please-stay-away-higher-education>; Reckhow, "Beyond Blueprints: Questioning the Replication Model in Education Philanthropy."

<sup>87</sup> Reckhow and Snyder, "The Expanding Role of Philanthropy in Education Politics."; Reckhow, "Beyond Blueprints: Questioning the Replication Model in Education Philanthropy."; Barkan, "Plutocrats at Work: How Big Philanthropy Undermines Democracy."

<sup>88</sup> Ho, "AP Analysis Shows How Bill Gates Influences Education Policy"; Elaine McArdle, "What Happened to the Common Core?," *E. Harvard Ed. Magazine*, Fall 2014, <https://www.gse.harvard.edu/news/ed/14/09/what-happened-common-core>.

<sup>89</sup> Denby, "Public Defender."; Isackson, "The Gates Foundation Repeats Its Mistakes."

<sup>90</sup> Hess, "Inside the Gift Horse's Mouth: Philanthropy and School Reform."

<sup>91</sup> Tompkins-Stange, *Policy Patrons: Philanthropy, Education Reform, and the Politics of Influence*; Schwartz, "Forward."

<sup>92</sup> Reckhow, "Beyond Blueprints: Questioning the Replication Model in Education Philanthropy."

<sup>93</sup> Barkan, "Plutocrats at Work: How Big Philanthropy Undermines Democracy."

public education system so that it would be comprised primarily of charter schools.<sup>94</sup> The authority of the local school district was reduced, and the local community felt disempowered by the imposition of national standards along with the level of outside funding being accepted.<sup>95</sup> In other places, such concerns have detracted from philanthropists' successful leveraging of their resources to influence school education policy. In Newark for example, Ras Baraka ran a successful mayoral campaign based on his opposition to school reform, particularly the influence of outside funders in setting the agenda for the schools.<sup>96</sup> In Washington D.C. Mayor Adrian Fenty, who supported a plan to develop and implement a new system based on charter schools primarily funded by philanthropists, was defeated in 2010 as particularly African American voters reacted against the dismissal of teachers and the perceived 'unwillingness to listen and respond to community input.'<sup>97</sup> A failure to adequately consider the views of the local community has led to opposition to philanthropic activity in the area of school reform. This returns to the critique of philanthropic paternalism outlined above. Hess observed, 'the dangers of hubris' associated with philanthropists' approach in believing they have the correct answers, particularly when these answers do not appear to align with the beliefs and values of the wider community.<sup>98</sup> The adoption of initiatives promoted by philanthropists despite community opposition also suggests a neoliberal approach to education as being to support the economy is being prioritised over an alternative view of education based on citizenship, which is supported by the wider school communities.<sup>99</sup>

### Policy failure?

Resistance to the school reform initiatives supported by philanthropists would appear to indicate a failure. Amarante considers 'the entrepreneurial willingness to fail' to be among the traits of marketised philanthropy.<sup>100</sup> A 'trial-and-error' approach is particularly evident in the actions of the

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<sup>94</sup> Reckhow, "Beyond Blueprints: Questioning the Replication Model in Education Philanthropy."; Tompkins-Stange, *Policy Patrons: Philanthropy, Education Reform, and the Politics of Influence*, p. 31.

<sup>95</sup> Reckhow, "Beyond Blueprints: Questioning the Replication Model in Education Philanthropy."; Scott, "The Politics of Venture Philanthropy in Charter School Policy and Advocacy."; Hedges et al., "Private Actors and Public Goods: A Comparative Case Study of Funding and Public Governance in K-12 Education in 3 Global Cities."

<sup>96</sup> Reckhow, "Beyond Blueprints: Questioning the Replication Model in Education Philanthropy."

<sup>97</sup> Ibid; Scott, "The Politics of Venture Philanthropy in Charter School Policy and Advocacy."

<sup>98</sup> Hess, "Inside the Gift Horse's Mouth: Philanthropy and School Reform."

<sup>99</sup> Denby, "Public Defender."; Isackson, "The Gates Foundation Repeats Its Mistakes"; Barkan, "Plutocrats at Work: How Big Philanthropy Undermines Democracy."

<sup>100</sup> Amarante, "The Perils of Philanthrocapitalism." See also, Tompkins-Stange, *Policy Patrons: Philanthropy, Education Reform, and the Politics of Influence*, p. 119; Barkan, "Plutocrats at Work: How Big Philanthropy Undermines Democracy."; Valerie Strauss, "Bill Gates Spent Hundreds of Millions of Dollars to Improve Teaching. New Report Says It Was a Bust," *The Washington Post*. 29 June 2018, <https://www.washingtonpost.com/news/answer-sheet/wp/2018/06/29/bill-gates-spent-hundreds-of-millions-of-dollars-to-improve-teaching-new-report-says-it-was-a-bust/>.

Bill and Melinda Gates Foundation, which has underwritten a number of initiatives that have produced 'less-than-desired results.'<sup>101</sup> The foundation's initial 'small schools initiative' was abandoned as the results were unimpressive, creating 'widespread confusion and anxiety amongst grantees.'<sup>102</sup> Having decided to focus more directly on influencing the policy context, the foundation then developed initiatives focused on teacher quality and a standardised curriculum.<sup>103</sup> This saw the foundation devote 'hundreds of millions' to supporting the Common Core Standards initiative, including funds to 'persuade state education leaders to implement them.'<sup>104</sup> These standards became contentious as opposition from teachers associations and parent groups developed, resulting in a number of states reviewing or revoking their support.<sup>105</sup> A report published in 2018 on the Foundation's 'Partnerships for Effective Teaching' initiative also found that it largely 'did not achieve its stated goals for students.'<sup>106</sup>

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<sup>101</sup> Valerie B Strauss, "Bill Gates Has a(Nother) Billion-Dollar Plan for K-12 Public Education. The Others Didn't Go So Well," *Washington Post*, 20 October 2017, <https://www.washingtonpost.com/news/answer-sheet/wp/2017/10/19/bill-gates-has-another-plan-for-k-12-public-education-the-others-didnt-go-so-well/>; Strauss, "Bill Gates Spent Hundreds of Millions of Dollars to Improve Teaching. New Report Says It Was a Bust."

<sup>102</sup> Amarante, "The Perils of Philanthrocapitalism."; Strauss, "Bill Gates Spent Hundreds of Millions of Dollars to Improve Teaching. New Report Says It Was a Bust"; Lipman, "Capitalizing on Crisis: Venture Philanthropy's Colonial Project to Remake Urban Education."; Bill Gates, "2009 Annual Letter," *Bill and Melinda Gates Foundation*, <https://docs.gatesfoundation.org/Documents/2009-bill-gates-annual-letter.pdf>; Tompkins-Stange, *Policy Patrons: Philanthropy, Education Reform, and the Politics of Influence*, pp. 21-22, 119.

<sup>103</sup> Strauss, "Bill Gates Spent Hundreds of Millions of Dollars to Improve Teaching. New Report Says It Was a Bust"; Gates, "2009 Annual Letter"; "Annual Letter 2010," *Bill and Melinda Gates Foundation*, <https://www.gatesfoundation.org/who-we-are/resources-and-media/annual-letters-list/annual-letter-2010>; "Annual Letter 2011," *Bill and Melinda Gates Foundation*, <https://www.gatesfoundation.org/Who-We-Are/Resources-and-Media/Annual-Letters-List/Annual-Letter-2011>; Tompkins-Stange, *Policy Patrons: Philanthropy, Education Reform, and the Politics of Influence*, p. 22.

<sup>104</sup> Strauss, "Bill Gates Spent Hundreds of Millions of Dollars to Improve Teaching. New Report Says It Was a Bust"; Moriah Balingit, "Billionaire Bill Gates Announces a \$1.7 Billion Investment in U.S. Schools," *The Washington Post*, 19 October 2017, [https://www.washingtonpost.com/local/education/billionaire-bill-gates-announces-a-17-billion-investment-in-us-schools/2017/10/19/9938f11c-b4eb-11e7-a908-a3470754bbb9\\_story.html](https://www.washingtonpost.com/local/education/billionaire-bill-gates-announces-a-17-billion-investment-in-us-schools/2017/10/19/9938f11c-b4eb-11e7-a908-a3470754bbb9_story.html); Warner, "Bill Gates, Please Stay Away from Higher Education"; Baxter Dmitry, "Bill Gates Admits His Common Core Experiment Is a Failure," *News Punch*, 24 February 2018, <https://newspunch.com/bill-gates-common-core-failure/>; Joy Pullmann, "Bill Gates Tacitly Admits His Common Core Experiment Was a Failure," *The Federalist*, 25 October 2017, <https://thefederalist.com/2017/10/25/bill-gates-tacitly-admits-common-core-experiment-failure/>.

<sup>105</sup> William F. Jasper, "Education Malpractice " *The New American*, 17 April 2015, <https://www.thenewamerican.com/reviews/books/item/20681-education-malpractice>; Balingit, "Billionaire Bill Gates Announces a \$1.7 Billion Investment in U.S. Schools."

<sup>106</sup> Strauss, "Bill Gates Spent Hundreds of Millions of Dollars to Improve Teaching. New Report Says It Was a Bust"; Brian M. Strecher et al., "Improving Teaching Effectiveness: Final Report: The Intensive Partnerships for Effective Teaching through 2015–2016," *RAND Corporation*, 2018, [https://www.rand.org/pubs/research\\_reports/RR2242.html](https://www.rand.org/pubs/research_reports/RR2242.html); Leanna Garfield, "Bill and Melinda Gates Have Spent Billions on US Education — but They Are Not yet Satisfied with the Results," *Business Insider*, 13 February 2018, <https://www.businessinsider.com/bill-melinda-gates-foundation-education-2018-2/?r=AU&IR=T>.

In 2018, Gates, having acknowledged that the foundation did not have 'as much as they would like' to show for their investment in education, indicated that it would 'no longer directly invest in developing models to evaluate teachers.'<sup>107</sup> He outlined a new strategy which would acknowledge the importance of 'locally driven solutions identified by networks of schools.'<sup>108</sup> Some interpreted this as an acknowledgement of the failure of the Common Core approach, and it could be seen as an attempt to address criticism of the foundation's activities on the basis that they excluded the local communities as discussed above. However, Gates' statements suggest the foundation is still promoting a centralised, national level approach, and one which stems from a belief in the superiority of business methods. For example, the new approach retains the foundation's commitment to 'data-driven continuous learning' and 'evidence-based interventions.'<sup>109</sup> Gates also argued 'teachers need better curricula and professional development aligned with the Common Core', suggesting the foundation would 'support pilots of scaleable professional development supports', as well as 'aligned curriculum choices, for example curriculums aligned with the Next Generation Science Standards which are linked to Common Core.'<sup>110</sup> Gates referred to the foundation's new approach as an 'evolution' rather than a fundamental shift, with the failures of the previous model largely attributed to issues in the scaling and implementation phase. Such issues would be addressed by the new approach.<sup>111</sup> The foundation's initial response to the opposition to Common Core standards was to develop a campaign focused on explaining and promoting them, and this new approach appears to be similar.<sup>112</sup> This suggests the foundation

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<sup>107</sup> Gates, "Our Education Efforts Are Evolving."

<sup>108</sup> Ibid; Polet, "Gates Admits Common Core Failure, Then Doubles Down on It"; Balingit, "Billionaire Bill Gates Announces a \$1.7 Billion Investment in U.S. Schools"; Garfield, "Bill and Melinda Gates Have Spent Billions on US Education — but They Are Not yet Satisfied with the Results."

<sup>109</sup> Gates, "Our Education Efforts Are Evolving"; Polet, "Gates Admits Common Core Failure, Then Doubles Down on It"; Balingit, "Billionaire Bill Gates Announces a \$1.7 Billion Investment in U.S. Schools"; Alex Newman, "After Common Core, Bill Gates Launches New Education Plan," *Freedom Project Media*, 24 October 2017, <https://freedomproject.com/the-newman-report/382-after-common-core-bill-gates-launches-new-schemes-to-brainwash-kids>; Nicholas Tampio, "How Gates Foundation's Push for 'High-Quality' Curriculum Will Stifle Teaching," *The Conversation*, 28 January 2019, <https://theconversation.com/how-gates-foundations-push-for-high-quality-curriculum-will-stifle-teaching-110323>.

<sup>110</sup> Gates, "Our Education Efforts Are Evolving"; Strauss, "Bill Gates Has a(Nother) Billion-Dollar Plan for K-12 Public Education. The Others Didn't Go So Well"; Polet, "Gates Admits Common Core Failure, Then Doubles Down on It"; Balingit, "Billionaire Bill Gates Announces a \$1.7 Billion Investment in U.S. Schools"; Tampio, "How Gates Foundation's Push for 'High-Quality' Curriculum Will Stifle Teaching."

<sup>111</sup> Polet, "Gates Admits Common Core Failure, Then Doubles Down on It"; Dmitry, "Bill Gates Admits His Common Core Experiment Is a Failure"; Pullmann, "Bill Gates Tacitly Admits His Common Core Experiment Was a Failure"; Peter Greene, "Bill Gates Is Still Pushing Common Core," *Curmudgucation*, 9 January 2019, <http://curmudgucation.blogspot.com/2019/01/bill-gates-is-still-pushing-common-core.html>; Jane Robbins, "Bill Gates Doesn't Get It," *The American Spectator*, 7 June 2018.

<sup>112</sup> Daniels, "Gates Digs In."; Pullmann, "Bill Gates Tacitly Admits His Common Core Experiment Was a Failure."

continues to support an approach and initiatives that promote a neoliberal view of education as being related to supporting the economy rather than a community-based view.

Tompkins-Stange suggests this debate, and the criticism of philanthropic involvement in education, 'underscores the complexity of questions surrounding the role of philanthropy as a private actor in the public arena.'<sup>113</sup> In this, it reflects the nature of philanthropy more generally in the United States. The sophisticated leveraging arrangements employed by philanthropists in an attempt to influence the policy agenda echo the creation of large foundations in the early twentieth century with the purpose of influencing the development of policy at the national level. Criticism of this approach on the basis that it excludes the local community from education policy reflects the tension between this view and that of philanthropic foundations as the inheritors of the traditions of localism and voluntarism, considered fundamental to supporting democracy in the United States. Amarante argues that foundations' influence in school reform gained by leveraging their resources has 'allowed philanthropists to silence dissidents and disincentivise alternative proposals.'<sup>114</sup> For Tompkins-Stange this 'challenges a core assumption about the value that foundations add to policy contexts through experimentation and innovation outside the constraint of state bureaucracy.'<sup>115</sup>

As well as reflecting the nature of philanthropy in the United States, philanthropic engagement in school reform also provides an insight into the role of the state. Tompkins-Stange argues with regard to education reform that 'the dominance of managerial values has become so prevalent as to be merely taken for granted.'<sup>116</sup> This implies a neoliberal view regarding the supremacy of the market. Foundations leverage their own resources, but also look to exploit a number of social mechanisms, which are underpinned by a belief in the superiority of business approaches. This also implies a neoliberal view of the state as being overly bureaucratic and ineffective. The success achieved by foundations in leveraging support for their chosen reform initiatives, influenced by their experiences in the private sector, suggests a neoliberal view regarding the supremacy of the market has become dominant in the United States. This also indicates the prevalence of a neoliberal view of the role of the state as being to support the market.

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<sup>113</sup> Tompkins-Stange, *Policy Patrons: Philanthropy, Education Reform, and the Politics of Influence*, pp. 149, 6.

<sup>114</sup> Amarante, "The Perils of Philanthrocapitalism." See also, Tompkins-Stange, *Policy Patrons: Philanthropy, Education Reform, and the Politics of Influence*, p. 119; Barkan, "Plutocrats at Work: How Big Philanthropy Undermines Democracy."; Strauss, "Bill Gates Spent Hundreds of Millions of Dollars to Improve Teaching. New Report Says It Was a Bust."

<sup>115</sup> Tompkins-Stange, *Policy Patrons: Philanthropy, Education Reform, and the Politics of Influence*.

<sup>116</sup> *Ibid*, p. 125.

## Australia

Like in the United States, philanthropic engagement with school education in Australia reflects the established relationship between government and philanthropy. Australian philanthropy generally adopts a different approach to the United States. In their study on 'advocacy, agenda-setting and the public policy influence of Private Ancillary Funds', Williamson and Luke found 'none of the interviewees noted actions of overtly attempting to change government policy', and 'most in the population of PAFs were not interested in systemic change and were a long distance from engaging with public policy.'<sup>117</sup> Australian school philanthropy demonstrates an approach that reflects philanthropy's ancillary role, and the influence of the social liberal path dependency in the attitudes and actions of philanthropists.

## The Education Revolution

There are similarities between the United States and Australia in terms of the policy context surrounding school education. Like the United States, Australia has recently sought education reform, particularly through the 'Education Revolution' pursued by the federal Labor government elected in 2007. As in the United States, the Education Revolution represented a greater national government involvement in education, and its goals, including 'improving teacher quality and school leadership', along with 'measuring school accountability' and promoting 'increased transparency and accountability', appear to reflect a neoliberal view of education.<sup>118</sup> The reform process in Australia does not appear to have demonstrated a particular change in views regarding government's role though. This is demonstrated by the centrepiece of the reform, the *Review of Funding for Schooling*, led by David Gonski. This sought to develop a funding system that would be 'transparent, fair, financially sustainable and effective in promoting excellence for all Australian students.'<sup>119</sup> The review, referred to as the Gonski report, did recognise a role for philanthropy, and recommended that the government support its increase, although its consideration of philanthropy was framed in terms of 'how it can play a significant role in supporting governments to improve the outcomes of students in schools, particularly in schools in disadvantaged communities.'<sup>120</sup> The report did consider

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<sup>117</sup> Williamson and Luke, "Agenda-Setting and Public Policy in Private Foundations."

<sup>118</sup> Kevin Rudd, "Joint Media Release with the Deputy Prime Minister, Julia Gillard, An Education Revolution in Our Schools," 27 August 2008, <https://pmtranscripts.pmc.gov.au/release/transcript-16089>; "National Education Agreement," The COAG Standing Council on Federal Financial Relations, 2008, <https://apo.org.au/node/30169>; David Gonski et al., "Review of Funding for Schooling: Final Report," *Department of Education, Employment and Workplace Relations*, Canberra, December 2011, <https://docs.education.gov.au/system/files/doc/other/review-of-funding-for-schooling-final-report-dec-2011.pdf>; Tompkins-Stange, *Policy Patrons: Philanthropy, Education Reform, and the Politics of Influence*.

<sup>119</sup> Gonski et al., "Review of Funding for Schooling: Final Report."

<sup>120</sup> Ibid.

charter schools along with their criticisms, including the potential influence on education policy afforded to private entities, and concluded that, although increased philanthropy was desirable, there was a need to ensure that it 'aligns with our vision for schools in Australia' in the form it takes.<sup>121</sup>

Considering philanthropy in these terms reflects the ancillary role it developed alongside the social liberal ethical state, with the particular relationship between them becoming embedded within the social liberal path dependency. As well as definitely casting philanthropy in an ancillary role, the Gonski report was clear that the funding of public education would continue to be a state responsibility, affirming 'the role of the government as a universal provider of schooling' in its proposed funding model.<sup>122</sup> Gonski subsequently stated, 'philanthropy must not be seen as a substitute for the requirement that governments fund a needs-based aspirational school system.'<sup>123</sup> The review also suggested that schools and state governments may not pursue philanthropic funds as doing so 'could attract criticism that they were evading their responsibility to adequately fund schools.'<sup>124</sup> Social liberalism views the state as occupying a central position within society in terms of promoting equality of opportunity, and the aims of the Gonski report emphasised equality of access as the basis for its proposed funding model.<sup>125</sup> This suggests that both the social liberal path dependency, and the view of the role of the state embedded within it, remain influential in Australia. This is evident in the approach taken by Australian philanthropy in its engagement with school education as well as in the policy context. It contrasts with the United States where philanthropic engagement in school reform promotes a neoliberal view of education, and of the state's role. This is reflected in both the initiatives it supports and its approach of leveraging its private resources to garner support for these initiatives.

### Australian School Philanthropy

Reflecting its ancillary view of philanthropy's role, the Gonski report recommended the creation of a new national level fund to 'work alongside existing public and private funds and community organisations', and 'facilitate connections between donors and education across the country.'<sup>126</sup>

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<sup>121</sup> As well as the similar 'academy schools' being established in the United Kingdom. Ibid.

<sup>122</sup> Ibid.

<sup>123</sup> David M. Gonski, *I Gave a Gonski: Selected Speeches* (Melbourne: Viking, an imprint of Penguin Books, 2015), p. 58. See also Alexandra Hansen, "Gonski: Commission of Audit Got It Wrong on School Funding," *The Conversation*, 21 May 2014, <https://theconversation.com/gonski-commission-of-audit-got-it-wrong-on-school-funding-27027>.

<sup>124</sup> Gonski et al., "Review of Funding for Schooling: Final Report."

<sup>125</sup> Ibid.

<sup>126</sup> Ibid.

Such 'intermediary' organisations are a particular feature of Australian school philanthropy.<sup>127</sup> These, generally not-for-profit, organisations provide a means of overcoming regulatory barriers that prevent philanthropic funds being provided to public schools directly.<sup>128</sup> As many schools cannot be designated as Deductible Gift Recipients (DGRs), they are unable to receive funds from Private and Public Ancillary Funds, the most popular philanthropic vehicles in Australia. Other philanthropic structures also have requirements that few schools are able to meet.<sup>129</sup> Schools can circumvent these restrictions by establishing specific funds (for example, building or library funds), which can be endorsed as charitable by the Australian Taxation Office (ATO). Few do this though, and there is considerable confusion from schools, and some philanthropists, particularly as regulatory arrangements can also vary between states.<sup>130</sup>

Intermediary organisations represent more than simply a means of circumventing regulatory arrangements though, and their role is illustrative of the approach taken by Australian philanthropy in its engagement with school education. These organisations can assist in managing the relationship between philanthropists and recipients, particularly in mediating power imbalances. For example, they can assist corporate philanthropists, who it has been noted may be 'poorly equipped to engage with schools and students in disadvantaged communities.'<sup>131</sup> Intermediary organisations can also act as effective brokers, and are considered 'an ideal mechanism for targeting philanthropic intervention

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<sup>127</sup> Rosalyn Black, "Boardroom to Classroom: The Role of the Corporate and Philanthropic Sectors in School Education," *Foundation for Young Australians*, Melbourne, Department of Education and Early Childhood Development, 2009, <https://apo.org.au/node/17442>; Michelle Anderson and Emma Curtin, "Leading Learning in Education and Philanthropy (LLEAP): 2013 Survey Report: Leading by Evidence to Maximise the Impact of Philanthropy in Education," *Australian Council for Educational Research (ACER)*, Melbourne, February 2014, [https://www.acer.org/files/LLEAP\\_2013FullSurveyReport.pdf](https://www.acer.org/files/LLEAP_2013FullSurveyReport.pdf); "Leading Learning in Education and Philanthropy: 2012 Survey Report: Schools, Not-for-Profits, Philanthropic Foundations and Trusts in Australia: Building Knowledge to Maximise the Impact of Philanthropy in Education."

<sup>128</sup> Black, "Boardroom to Classroom: The Role of the Corporate and Philanthropic Sectors in School Education"; Anderson and Curtin, "Leading Learning in Education and Philanthropy (LLEAP): 2013 Survey Report: Leading by Evidence to Maximise the Impact of Philanthropy in Education"; "Leading Learning in Education and Philanthropy: 2012 Survey Report: Schools, Not-for-Profits, Philanthropic Foundations and Trusts in Australia: Building Knowledge to Maximise the Impact of Philanthropy in Education"; Gonski et al., "Review of Funding for Schooling: Final Report."

<sup>129</sup> Anderson and Curtin, "Leading Learning in Education and Philanthropy (LLEAP): 2013 Survey Report: Leading by Evidence to Maximise the Impact of Philanthropy in Education"; Gonski et al., "Review of Funding for Schooling: Final Report."; Anderson and Curtin, "Leading Learning in Education and Philanthropy: 2012 Survey Report: Schools, Not-for-Profits, Philanthropic Foundations and Trusts in Australia: Building Knowledge to Maximise the Impact of Philanthropy in Education"; ACNC, "Schools, Universities and Other Education Providers and the ACNC," <https://www.acnc.gov.au/for-charities/start-charity/before-you-start-charity/charity-subtypes/schools-universities-and-other>; Black, "Boardroom to Classroom: The Role of the Corporate and Philanthropic Sectors in School Education."

<sup>130</sup> Anderson and Curtin, "Leading Learning in Education and Philanthropy: 2011 Survey Report"; "Leading Learning in Education and Philanthropy: 2012 Survey Report: Schools, Not-for-Profits, Philanthropic Foundations and Trusts in Australia: Building Knowledge to Maximise the Impact of Philanthropy in Education."

<sup>131</sup> Black, "Boardroom to Classroom: The Role of the Corporate and Philanthropic Sectors in School Education."



where it is most needed and likely to succeed.<sup>132</sup> They work with state and territory governments to target funds to priority areas that 'allow for donations to be secured from multiple sources and consolidated for widespread and/or strategic impact, such as for scaling up proven initiatives.'<sup>133</sup> The new intermediary organisation proposed in the Gonski report was considered in these terms. It was envisioned that it would 'fund initiatives designed to improve student outcomes, particularly in low-socioeconomic areas', and that it 'could have a role in scaling up effective small scale pilot programs and implementing them across state and territory borders.'<sup>134</sup>

The proposed organisation was discussed by participants in the Leading Learning in Education Philanthropy (LLEAP) project, which ran for three years from 2011 to 2013, and sought to identify the role of philanthropy in education with a view to making it more effective from the perspective of both schools and foundations.<sup>135</sup> Participants were generally supportive of the proposed new entity, providing it functioned to 'better focus and target funds to address inequalities in education for learners most in need.'<sup>136</sup> Capacity building for both donors and beneficiaries, along with the greater coordination of funds, were considered as advantages, and philanthropists particularly felt the proposed entity could represent a means of 'adding credibility', as well as providing a mechanism to pool resources to achieve greater impact in particular areas.<sup>137</sup> Concerns related to the centralised nature of the entity were expressed though. Particularly, it was felt it may prevent local philanthropic networks from forming, and negatively impact the relationship building that is crucial to effective philanthropic engagement.<sup>138</sup> It may also see funding converge in particular areas, which could compromise innovation, and could see disadvantaged schools miss out on funds.<sup>139</sup> Concerns were also expressed that the new fund would see government attempt to relinquish responsibility for school funding and facilitate 'an increased reliance by government on

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<sup>132</sup> Ibid; Gonski et al., "Review of Funding for Schooling: Final Report."

<sup>133</sup> "Review of Funding for Schooling: Final Report."

<sup>134</sup> Ibid.

<sup>135</sup> The project was supported by prominent philanthropic entities, such as the Ian Potter, Origin, Scanlon and Vincent Fairfax Family Foundations. Anderson and Curtin, "Leading Learning in Education and Philanthropy (LLEAP): 2013 Survey Report: Leading by Evidence to Maximise the Impact of Philanthropy in Education." See also, Black, "Boardroom to Classroom: The Role of the Corporate and Philanthropic Sectors in School Education"; Michelle Anderson, "Maximising the Impact of Philanthropy in Education," *Teacher: The National Education Magazine*, no. 221, May (2011).

<sup>136</sup> Anderson and Curtin, "Leading Learning in Education and Philanthropy: 2012 Survey Report: Schools, Not-for-Profits, Philanthropic Foundations and Trusts in Australia: Building Knowledge to Maximise the Impact of Philanthropy in Education."

<sup>137</sup> Ibid.

<sup>138</sup> Anderson and Curtin, "Leading Learning in Education and Philanthropy: 2011 Survey Report."

<sup>139</sup> Ibid.

philanthropy.<sup>140</sup> In 2012 the Commonwealth Government sought to establish this intermediary organisation, committing \$5 million to establish the Schools Plus Fund.<sup>141</sup> Donors were able to nominate where they would like their funds to be distributed, and in order to receive funding schools were required to be 'categorised as disadvantaged according to the Index of Community Socio-Education Disadvantage.'<sup>142</sup>

The presence of intermediary organisations in Australian school philanthropy demonstrates the approach adopted by Australian philanthropists. In the first instance, it demonstrates a willingness to work within the existing system to achieve change. For example, in Australia a report considering philanthropic engagement with Indigenous education suggested philanthropy could support 'services that build on or complement the core school program funding by the Commonwealth and State and Territory Governments', as well as those that 'help students and their families access the educational facilities and programs provided by the government and non-government schools.'<sup>143</sup> This differs from the predominant approach in the United States, where philanthropists seek to force change from outside of the existing system, using private resource to leverage support for privately conceived alternatives.<sup>144</sup> Where alternative educational arrangements are supported by philanthropy in Australia, they generally aim to complement rather than change the existing system. For example, the Doxa Youth Foundation in Victoria developed the Doxa schools, which aim to 'offer supportive education for young people who have become disengaged from schools.' The schools 'provide six months in an alternative school setting', followed by 'a further 12 months of support through a mentoring program once the student returns to the mainstream system.'<sup>145</sup> This alternative approach is designed to support student engagement and to 'fill gaps' in the existing system rather than seeking to change it.<sup>146</sup>

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<sup>140</sup> Anderson and Curtin, "Leading Learning in Education and Philanthropy: 2012 Survey Report: Schools, Not-for-Profits, Philanthropic Foundations and Trusts in Australia: Building Knowledge to Maximise the Impact of Philanthropy in Education."

<sup>141</sup> "Govt Sets up Philanthropic Funding for Schools," *Pro Bono News*, 14 June 2013, <https://probonoaustralia.com.au/news/2013/06/govt-sets-up-philanthropic-funding-for-schools/>; Schools Plus, "About Us," <https://www.schoolsplus.org.au/about-us/>.

<sup>142</sup> Schools Plus, "Which Schools Are Eligible," [https://www.schoolsplus.org.au/rh\\_promo/which-schools-are-eligible/](https://www.schoolsplus.org.au/rh_promo/which-schools-are-eligible/).

<sup>143</sup> Louise Doyle and Regina Hill, "Our Children, Our Future: Achieving Improved Primary and Secondary Education Outcomes for Indigenous Students: An Overview of Investment Opportunities and Approaches," *The AMP Foundation, Effective Philanthropy and Social Ventures Australia*, Melbourne, 2008, [https://www.socialventures.com.au/assets/Our\\_Children\\_Our\\_Future.pdf](https://www.socialventures.com.au/assets/Our_Children_Our_Future.pdf); Black, "Boardroom to Classroom: The Role of the Corporate and Philanthropic Sectors in School Education."

<sup>144</sup> Although this approach is not uniform in the United States. See Tompkins-Stange, *Policy Patrons: Philanthropy, Education Reform, and the Politics of Influence*, pp. 54-56, 59-60, 67-68; Schwartz, "Forward."

<sup>145</sup> Black, "Boardroom to Classroom: The Role of the Corporate and Philanthropic Sectors in School Education."

<sup>146</sup> *Ibid.*

This willingness to work within the existing system is also demonstrated by philanthropy's emphasis on collaboration. The LLEAP reports suggested greater collaboration 'could help accelerate and focus change effects, without stifling the responsiveness of communities and organisations to address locally identified student need.'<sup>147</sup> It could also help to facilitate 'scaling-up, sharing of the learnings and pooling or maximising existing resources', which 'may lead to greater efficiencies or, at the very least, greater understanding in our shared commitment to better student outcomes.'<sup>148</sup> Increased collaboration and cooperation were identified as important outcomes by philanthropists, and were seen as important elements in their strategic engagement.<sup>149</sup> As in the United States, philanthropists view their role in education in terms of supporting innovation as 'catalysts for change', with a preference for funding 'pilot programs and new or improved programs.'<sup>150</sup> They are interested in 'scaling up' successful projects and initiatives and feel philanthropy can play an important role in 'system change', addressing disadvantage 'through the reform of public policy, institutional practice and community attitudes.'<sup>151</sup> These aims do appear to reflect the marketised approach to philanthropy, and indeed education itself, adopted in the United States. However, while there are examples of attempts to leverage support for programs similar to in the United States,<sup>152</sup> in

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<sup>147</sup> Anderson and Curtin, "Leading Learning in Education and Philanthropy: 2012 Survey Report: Schools, Not-for-Profits, Philanthropic Foundations and Trusts in Australia: Building Knowledge to Maximise the Impact of Philanthropy in Education."

<sup>148</sup> "Leading Learning in Education and Philanthropy (LLEAP): 2013 Survey Report: Leading by Evidence to Maximise the Impact of Philanthropy in Education."

<sup>149</sup> "Leading Learning in Education and Philanthropy: 2011 Survey Report"; "Leading Learning in Education and Philanthropy: 2012 Survey Report: Schools, Not-for-Profits, Philanthropic Foundations and Trusts in Australia: Building Knowledge to Maximise the Impact of Philanthropy in Education."

<sup>150</sup> "Leading Learning in Education and Philanthropy: 2011 Survey Report"; "Leading Learning in Education and Philanthropy: 2012 Survey Report: Schools, Not-for-Profits, Philanthropic Foundations and Trusts in Australia: Building Knowledge to Maximise the Impact of Philanthropy in Education"; "Leading Learning in Education and Philanthropy (LLEAP): 2013 Survey Report: Leading by Evidence to Maximise the Impact of Philanthropy in Education."

<sup>151</sup> "Leading Learning in Education and Philanthropy: 2012 Survey Report: Schools, Not-for-Profits, Philanthropic Foundations and Trusts in Australia: Building Knowledge to Maximise the Impact of Philanthropy in Education"; Black, "Boardroom to Classroom: The Role of the Corporate and Philanthropic Sectors in School Education."

<sup>152</sup> For example, the 'thrive by five initiative' developed by Andrew Forrest's Minderoo foundation. This initiative seeks to 'drive systematic change' through 'partnerships with research institutions, investment at the community level and engagement with policy makers to strengthen early childhood development.' It has been successful in promoting its Challis model with the Western Australia state government providing funds to extend it throughout the state. Minderoo Foundation, "Ensuring Every Child Has a Bright Future," <https://www.minderoo.com.au/thrive-by-five/>; The Minderoo Foundation, "Time to Act: Investing in Our Children and Our Future: A Minderoo Foundation Position," [https://cdn.minderoo.com.au/content/uploads/2019/02/06102007/TB5\\_Time2Act\\_20170119\\_FNL\\_Digital-p.pdf](https://cdn.minderoo.com.au/content/uploads/2019/02/06102007/TB5_Time2Act_20170119_FNL_Digital-p.pdf); Lucy Martin, "Successful Armadale School Program Being Rolled out across WA," *ABC News*, 25 Sep 2014, <https://www.abc.net.au/news/2014-08-23/challis-school-model-to-be-rolled-out-to-other-centres/5690548>.

general, the approach adopted by philanthropists in pursuing these aims differs, and is more closely aligned philanthropy's role in Australia more widely.

An approach emphasising collaboration and a willingness to work within and alongside the existing system demonstrates the ancillary role adopted by Australian philanthropy. This role reflects philanthropy's connection to the social liberal path dependency and implies a particular view of the role of the state as occupying a central position within society in terms of promoting equality of opportunity. At the launch of the LLEAP project it was argued that while philanthropy 'can address needs government cannot', the state still 'must be involved from the start.'<sup>153</sup> It was considered, 'philanthropy works best when it seeks out and provides support to those who are best placed to innovate within their community', and 'is less effective as a vehicle for change when attempting to set the agenda.'<sup>154</sup> The willingness to work within the existing system manifests particularly in the role of intermediaries, but the discussion surrounding the introduction of a new national intermediary organisation also highlights two further major characteristics of philanthropy's engagement in school education in Australia: a concern for broader community engagement and a particular desire to address disadvantage. Both of these characteristics also reflect the ancillary nature of Australian philanthropy in different ways, and will be explored further below.

### Addressing Disadvantage

Though philanthropists viewed their primary role in terms of promoting change and innovation, they also indicated a particular concern for addressing disadvantage. For example, the 2009 report *Boardroom to Classroom: The role of the corporate and philanthropic sectors in school education*, found a view among philanthropists that 'any private involvement in public education should not only aim to raise achievement but should also aim to promote equity.'<sup>155</sup> The LLEAP surveys found that philanthropists identified targets based on 'such factors as access and participation difficulties', and considered the most important measure of success to be their grants 'resulting in improved access to learning for their target audience,' with this ranking higher than measures directly related to policy or system change.<sup>156</sup> The desire to address disadvantage is evident in the first instance through philanthropists' desire to address 'immediate need' through the funding of 'discrete "programs" or potentially "one-off types of support that may help overcome a barrier for particular

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<sup>153</sup> Anderson, "Maximising the Impact of Philanthropy in Education."

<sup>154</sup> Ibid.

<sup>155</sup> Black, "Boardroom to Classroom: The Role of the Corporate and Philanthropic Sectors in School Education."

<sup>156</sup> Anderson and Curtin, "Leading Learning in Education and Philanthropy: 2012 Survey Report: Schools, Not-for-Profits, Philanthropic Foundations and Trusts in Australia: Building Knowledge to Maximise the Impact of Philanthropy in Education"; "Leading Learning in Education and Philanthropy (LLEAP): 2013 Survey Report: Leading by Evidence to Maximise the Impact of Philanthropy in Education."

individuals and groups."<sup>157</sup> This could include: providing funds for 'experiences', such as excursions and exchanges; 'access to expertise', through mentors and tutors'; and providing 'materials or resources' such as books, uniforms and other equipment, including 'assistive technologies.'<sup>158</sup> Philanthropists saw for themselves an important role assisting in the provision of 'basic services or resources to help students "fit in" or participate fully in the local community.'<sup>159</sup>

The LLEAP researchers suggested this desire to address immediate need may be 'incongruous' with philanthropy's more strategic and system-oriented role, and philanthropists did consider it a 'challenge' balancing it with the aim to fund strategically and 'prioritise the bigger picture such as policy change.'<sup>160</sup> The two aims are not incompatible though, as Australian philanthropists' strategic role also stems from the desire to address disadvantage. Philanthropists defined disadvantage in terms that considered it to be 'coupled strongly with the local context and circumstances of a learner', which to the LLEAP researchers indicated 'a recognition that disadvantage is dynamic and could happen to anyone.'<sup>161</sup> Considering disadvantage in this way supports a strategic approach to philanthropy, as it cannot be addressed simply by fulfilling immediate needs. This wider view of disadvantage sees philanthropists seeking to engage particularly in areas where 'combinations and/or concentrations of disadvantage' exist, and to address 'hard to alleviate circumstances' such as homelessness and poverty.'<sup>162</sup> It involves a recognition that 'disadvantaged communities require long term concerted effort to effect change.'<sup>163</sup>

The desire to address disadvantage influences philanthropy's strategic role most clearly through the concept of scaling. Philanthropists, along with schools and intermediaries, viewed

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<sup>157</sup> "Leading Learning in Education and Philanthropy (LLEAP): 2013 Survey Report: Leading by Evidence to Maximise the Impact of Philanthropy in Education"; "Leading Learning in Education and Philanthropy: 2012 Survey Report: Schools, Not-for-Profits, Philanthropic Foundations and Trusts in Australia: Building Knowledge to Maximise the Impact of Philanthropy in Education"; "Leading Learning in Education and Philanthropy: 2011 Survey Report."

<sup>158</sup> "Leading Learning in Education and Philanthropy (LLEAP): 2013 Survey Report: Leading by Evidence to Maximise the Impact of Philanthropy in Education"; "Leading Learning in Education and Philanthropy: 2012 Survey Report: Schools, Not-for-Profits, Philanthropic Foundations and Trusts in Australia: Building Knowledge to Maximise the Impact of Philanthropy in Education."

<sup>159</sup> "Leading Learning in Education and Philanthropy (LLEAP): 2013 Survey Report: Leading by Evidence to Maximise the Impact of Philanthropy in Education."

<sup>160</sup> "Leading Learning in Education and Philanthropy: 2012 Survey Report: Schools, Not-for-Profits, Philanthropic Foundations and Trusts in Australia: Building Knowledge to Maximise the Impact of Philanthropy in Education."

<sup>161</sup> Ibid.

<sup>162</sup> Ibid; Anderson and Curtin, "Leading Learning in Education and Philanthropy (LLEAP): 2013 Survey Report: Leading by Evidence to Maximise the Impact of Philanthropy in Education."

<sup>163</sup> "Leading Learning in Education and Philanthropy: 2012 Survey Report: Schools, Not-for-Profits, Philanthropic Foundations and Trusts in Australia: Building Knowledge to Maximise the Impact of Philanthropy in Education"; "Leading Learning in Education and Philanthropy (LLEAP): 2013 Survey Report: Leading by Evidence to Maximise the Impact of Philanthropy in Education."

scaling as important in terms of addressing inequality and promoting equality of access.<sup>164</sup> The *Boardroom to Classroom* report found a view among philanthropists that ‘the resources and opportunities represented by external agencies should be available to all Victorian government schools. Otherwise, they will only reinforce or aggravate the discrepancies that already exist between schools.’<sup>165</sup> Scaling was considered important to ‘break down the patchiness of current involvement where support is offered to varying degrees of quality and on an ad hoc basis, which meant that many schools miss out on needed opportunities.’<sup>166</sup> School leaders suggested ‘new resources should be shared across a geographic cluster of schools’ and saw scaling as a means of facilitating this.<sup>167</sup> As the addition of predominantly public funds to expand an initiative, initially supported by philanthropic entities, with a view to addressing disadvantage, scaling is also indicative of the continued influence of the social liberal path dependency through philanthropic activity in Australia. In particular, it demonstrates a social liberal view of the role of the state as occupying a central position in promoting equality of opportunity. Given this, Australian school philanthropy in its desire to address disadvantage, reflects philanthropy’s ancillary role supporting the central position of the state. This differs from the United States, where scaling is viewed as part of a marketised approach to philanthropy that sees philanthropists seeking to leverage their resources to change the established system from the outside, and gain government support for privately conceived alternatives.

### Active Citizenship

The second significant characteristic of Australian school philanthropy—a focus on community engagement—is related to the desire to address disadvantage. In seeking to address disadvantage in the manner of ensuring students are able to participate fully in the local community, philanthropists appear to adopt a broad view of education. One respondent in the LLEAP survey, for example, highlighted the need to ‘ensure education is considered in a holistic sense, not just performance data regarding numeracy and literacy but including education towards improved social skills, life skills, general wellbeing and mental health, as well as creativity – a full set of elements which make up the “whole person.”’<sup>168</sup> This view of education is evident in the Melbourne Declaration on Education policy goals developed in 2008, that in promoting ‘equity and excellence’, sought for ‘all

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<sup>164</sup> "Leading Learning in Education and Philanthropy: 2011 Survey Report"; "Leading Learning in Education and Philanthropy: 2012 Survey Report: Schools, Not-for-Profits, Philanthropic Foundations and Trusts in Australia: Building Knowledge to Maximise the Impact of Philanthropy in Education."

<sup>165</sup> Black, "Boardroom to Classroom: The Role of the Corporate and Philanthropic Sectors in School Education."

<sup>166</sup> Ibid.

<sup>167</sup> Ibid.

<sup>168</sup> Anderson and Curtin, "Leading Learning in Education and Philanthropy: 2011 Survey Report."

young Australians to become successful learners, confident and creative individuals and informed citizens.<sup>169</sup> The LLEAP project considered that 'within the declaration is the expectation that relationships be formed to help forge connections between young people and the communities in which they learn, live and work.'<sup>170</sup> The Gonski report noted a 'growing recognition' that collective action through school and community partnerships can help to strengthen efforts by governments to address educational disadvantage.<sup>171</sup> Philanthropy plays an important role in supporting these connections, with the report referring to it as 'one aspect of community engagement with schools which is beneficial to students and should be encouraged.'<sup>172</sup> 'Community building' was also identified as an important focus area for philanthropists participating in the LLEAP surveys.<sup>173</sup>

Philanthropy's concern for community engagement is demonstrated through programs that seek to facilitate connections, and this is part of its strategic role as catalysts for change. For example, Changemakers Australia, which was established 'to encourage and resource greater philanthropic activity for long-term structural change', focused on supporting and creating opportunities for disadvantaged groups, as well as developing partnerships between community groups, philanthropic and government organisations.<sup>174</sup> The Linking Schools and Early Education project funded by the R.E. Ross Trust, which brings together a number of government, university and not-for-profit organisations, also sought to work in partnership with the local community, with the aim to 'bridge the gap between early years services and primary schools in disadvantaged areas.'<sup>175</sup> This project came to influence the policy direction of the Victorian State Government, particularly in the formation of the Department of Education and Early Childhood Development.<sup>176</sup>

In pursuing this strategic role, philanthropy also demonstrates a broader view of education through its promotion of community engagement. The Stephanie Alexander Kitchen Garden Program provides an example. The program 'attracts volunteers from the community and builds

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<sup>169</sup> Ibid; Ministerial Council on Education, "Melbourne Declaration on Educational Goals for Young Australians," *Ministerial Council on Education, Employment, Training and Youth Affairs*, December 2008, [http://www.curriculum.edu.au/verve/\\_resources/National\\_Declaration\\_on\\_the\\_Educational\\_Goals\\_for\\_Young\\_Australians.pdf](http://www.curriculum.edu.au/verve/_resources/National_Declaration_on_the_Educational_Goals_for_Young_Australians.pdf).

<sup>170</sup> Anderson and Curtin, "Leading Learning in Education and Philanthropy: 2011 Survey Report."

<sup>171</sup> Gonski et al., "Review of Funding for Schooling: Final Report." See also, Black, "Boardroom to Classroom: The Role of the Corporate and Philanthropic Sectors in School Education"; Ministerial Council on Education, "Melbourne Declaration on Educational Goals for Young Australians."

<sup>172</sup> Gonski et al., "Review of Funding for Schooling: Final Report."

<sup>173</sup> Anderson, "Maximising the Impact of Philanthropy in Education."; Anderson and Curtin, "Leading Learning in Education and Philanthropy: 2012 Survey Report: Schools, Not-for-Profits, Philanthropic Foundations and Trusts in Australia: Building Knowledge to Maximise the Impact of Philanthropy in Education"; "Leading Learning in Education and Philanthropy: 2011 Survey Report."

<sup>174</sup> Black, "Boardroom to Classroom: The Role of the Corporate and Philanthropic Sectors in School Education."

<sup>175</sup> Gonski et al., "Review of Funding for Schooling: Final Report."

<sup>176</sup> Black, "Boardroom to Classroom: The Role of the Corporate and Philanthropic Sectors in School Education."

school-community networks through the wide range of organisations that donate their time or resources to its operation.<sup>177</sup> Its aims centre on 'enhancing and strengthening the school community across many levels', with developing links with the wider community constituting an important part of this.<sup>178</sup> The Stephanie Alexander Garden Foundation was established in 2004 to expand the program, which had been developed with an individual school. The Victorian State Government supported the program to become 'embedded in the primary school curriculum', having identified several positives, including 'health and subsequent economic benefits', which 'extended to the home and local community.'<sup>179</sup> In 2008, the Commonwealth Government committed funding to expand the program across Australia,<sup>180</sup> and additional funds for further expansion were committed in 2012, enabling the program to fulfil its long-term goal to 'integrate the Kitchen Garden model and approach to food education into the primary school curriculum across Australia.'<sup>181</sup> The successful scaling of a program that reflects a broader view of education as supporting the wider school community suggests that such a view is prevalent within society.

The concern for community engagement aligns with the nature of philanthropy in Australia generally. In its desire to address disadvantage, it reflects philanthropy's ancillary role as an expression of active citizenship. Active citizenship is an important concept associated with social liberalism, where in return for the state's provision of the conditions necessary for securing equality of opportunity, citizens have an obligation to 'engage in the life of the community to promote the common interest.'<sup>182</sup> Active citizenship supports the function of the ethical state and underpins philanthropy's ancillary role in Australia. In supporting community engagement, philanthropy represents a means of fulfilling the obligations of active citizenship. The concept of active citizenship was important in shaping the development of philanthropy's ancillary role alongside the state in the early twentieth century, and this role became embedded within the social liberal path dependency. In the case of school philanthropy, viewing their role as an expression of active citizenship influences philanthropists to pursue initiatives that demonstrate a broader view of education, particularly a view of education supporting engagement with the wider community. As such, Australian school

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<sup>177</sup> Ibid; Heather Yeatman et al., "Stephanie Alexander Kitchen Garden National Program Evaluation: Final Report," *Centre for Health Service Development, University of Wollongong*, Wollongong, NSW, February 2013, [https://www.kitchengardenfoundation.org.au/sites/default/files/food%20education/sakgnp\\_evaluation\\_uow\\_finalreport\\_2012.pdf](https://www.kitchengardenfoundation.org.au/sites/default/files/food%20education/sakgnp_evaluation_uow_finalreport_2012.pdf); Australian Government Department of Health and Ageing, "Stephanie Alexander Kitchen Garden National Program," <https://webarchive.nla.gov.au/awa/20091002063831/http://www.healthyactive.gov.au/internet/healthyactive/publishing.nsf/Content/kitchen-garden>.

<sup>178</sup> Yeatman et al., "Stephanie Alexander Kitchen Garden National Program Evaluation: Final Report."

<sup>179</sup> Ibid.

<sup>180</sup> Ibid.

<sup>181</sup> Ibid.

<sup>182</sup> Sawer, *The Ethical State?: Social Liberalism in Australia*, p. 11.



philanthropy is consistent with the established relationship between government and philanthropy more broadly, and demonstrates the continued influence of the social liberal path dependency.

### A Changing Approach to Education?

There is however evidence of the neoliberal, market-based approach in Australia's Education Revolution and subsequent school reform policies.<sup>183</sup> Prior to the 2010 federal election, the Labor government stated it was 'putting school reform at the top of its priorities for economic reform.'<sup>184</sup> It spoke of its 'investment' in schools, on which it would receive a return through 'higher participation, stronger productivity, and increased economic growth.'<sup>185</sup> This appears to reflect the narrower conception of education as supporting the economy. A neoliberal view of the state's role as being to support and create markets also seemed to be apparent in the government's aim to achieve school reform through 'improved market design – so that we work to create the conditions in which markets serve the public interest through vigorous competition, transparent information, greater choice and becoming more responsive to the needs of service users.'<sup>186</sup> David Gonski led a second review of school education in 2018, the aims of which also appeared to reflect a neoliberal influence. For example, it sought to 'improve the preparedness of school leaders to succeed in employment, further training or higher education', and to 'propose related transparency and accountability measures that support the effective monitoring, reporting and application of investment.'<sup>187</sup>

One particular element of school reform that demonstrates this neoliberal approach is the *My School* website, which was developed with the intention of promoting transparency and accountability by providing quantitative data on schools.<sup>188</sup> It supported the development of a 'quasi-market', reflecting the values of 'choice, efficiency and competition' that are associated with neoliberalism.<sup>189</sup> The website places parents in a central position, asking them to make decisions in

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<sup>183</sup> Rudd, "Joint Media Release with the Deputy Prime Minister, Julia Gillard, An Education Revolution in Our Schools"; "National Education Agreement"; Gonski et al., "Review of Funding for Schooling: Final Report."

<sup>184</sup> Julia Gillard and Simon Crean, "Making Every School a Great School: Labor's Plan Reforming Our Schools and Building a Stronger National Economy," *Media Release*, 9 August 2010, [https://parlinfo.aph.gov.au/parlInfo/download/media/pressrel/6NLX6/upload\\_binary/6nlx60.pdf;fileType=application%2Fpdf#search=%22media/pressrel/6NLX6%22](https://parlinfo.aph.gov.au/parlInfo/download/media/pressrel/6NLX6/upload_binary/6nlx60.pdf;fileType=application%2Fpdf#search=%22media/pressrel/6NLX6%22).

<sup>185</sup> Australian Labor Party, "School Reform: Making Every School a Great School," August 2010, <https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id:%22library/partypol/KGOX6%22>.

<sup>186</sup> Ibid.

<sup>187</sup> Australian Government, Department of Education and Training, "Through Growth to Achievement: Report of the Review to Achieve Educational Excellence in Australian Schools," *Department of Education and Training*, Canberra, March 2018, <https://docs.education.gov.au/node/50516>.

<sup>188</sup> Australian Labor Party, "School Reform: Making Every School a Great School"; Guy Redden and Remy Low, "My School, Education, and Cultures of Rating and Ranking," *Review of Education, Pedagogy, and Cultural Studies* 34, no. 1-2 (2012); Brad Gobby, "Obligated to Calculate: My School, Markets, and Equipping Parents for Calculativeness," *Journal of Education Policy* 31, no. 4 (2016).

<sup>189</sup> "Obligated to Calculate: My School, Markets, and Equipping Parents for Calculativeness."

line with the 'objective criteria' provided.<sup>190</sup> Hedges et al. argued in 2018 that the increasing role of parents in school funding via fees and fundraising was indicative of an increasingly market-oriented approach to education, which 'conceptualised individuals and organisations as rational, self-interested entities.'<sup>191</sup> Gobby argues the *My School* website demonstrates a neoliberal approach, where 'public service providers are opened up to greater public scrutiny and influence, and citizens are expected as a matter of social, economic and moral obligation to be active in their self-government.'<sup>192</sup> This obligation differs from that associated with active citizenship as it is focused on individual responsibility and accountability rather than on the individual's contribution to the community in aid of the common good. These contrasting views of citizen responsibility reflect different conceptions of the role of the state, and are demonstrated in the different approaches to school education between Australia and the United States. The neoliberal view is demonstrated in the focus on individual performance and data-driven approaches, which is part of the marketised approach adopted in the United States particularly. The social liberal view is demonstrated in the concern for community engagement, reflecting a wider view of education.

Despite its aims appearing to reflect a neoliberal approach, the second Gonski review did also continue to recognise schools as community organisations, noting that 'schooling should enrich students' lives, leaving them inspired to pursue new ideas and set ambitious goals throughout life.'<sup>193</sup> It again referenced the Melbourne Declaration on Education policy goals, and in its findings it suggested 'fit for purpose school-community engagement undertaken to respond to identified student needs is an effective way to improve the relevance of learning and support personal development and student learning growth.'<sup>194</sup> This suggests that the wider view of education still has a presence within Australian school education. In discussing the increasingly market-oriented approach to education in Australia, Hedges et al. also notes that the government does hold 'in check' the increasing prevalence of private funders in education policy.<sup>195</sup> This suggests that government continues to occupy a central position in education policy. This is reflective of the social liberal view of the role of the state, which saw it occupying a central position in promoting equality, particularly through the provision of education which is linked to active citizenship. These examples suggest that social liberal views remain prevalent in Australia alongside more recent neoliberal influences. The

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<sup>190</sup> Ibid.

<sup>191</sup> Hedges et al., "Private Actors and Public Goods: A Comparative Case Study of Funding and Public Governance in K-12 Education in 3 Global Cities."

<sup>192</sup> Gobby, "Obligated to Calculate: My School, Markets, and Equipping Parents for Calculativeness."

<sup>193</sup> Australian Government, Department of Education and Training, "Through Growth to Achievement: Report of the Review to Achieve Educational Excellence in Australian Schools."

<sup>194</sup> Ibid.

<sup>195</sup> Hedges et al., "Private Actors and Public Goods: A Comparative Case Study of Funding and Public Governance in K-12 Education in 3 Global Cities."

impact of the neoliberal challenge, promoting a significantly different conception of both the role of the state and the responsibilities of citizens,<sup>196</sup> on the social liberal path dependency will be assessed more directly in the following two chapters forming the final section of the thesis. The fact that Australian philanthropy's engagement in the area of school education continues to reflect its ancillary role, which is connected to the social liberal path dependency, suggests that this path dependency does remain influential though.

## Conclusion

Philanthropy's engagement in school education reflects the particular nature of its relationship with government in both Australia and the United States, and as such provides an insight into views of the role of the state in both countries. In the United States, this engagement reflects the tension surrounding the position of philanthropic foundations. Sophisticated leveraging arrangements demonstrate the view of foundations as 'quasi-public' institutions designed to influence policy making at the national level. Criticism of the influence these arrangements afford philanthropists over education policy then reflects the tension between this approach and the view of foundations reflecting the traditions of voluntarism and localism. In Australia, philanthropic engagement in school education demonstrates philanthropy's ancillary role, particularly as an expression of active citizenship, in its willingness to work within the established system, and its desire to support community engagement. Rather than seeking to leverage resources to influence policy from outside of the existing system, philanthropists' desire to influence policy is considered in terms of the securing of government funds to 'scale' a philanthropically supported program with the view to promoting equality. The sophisticated leveraging arrangement employed in the United States by philanthropists to influence education policy also reflect marketised approaches to philanthropy, which indicate a particular neoliberal view of the role of the state as being to support the market.

The concept of leverage demonstrates philanthropy's connection to wider societal views. In addition to utilising their private economic resources, philanthropists in the United States have also exploited a number of social mechanisms, which are underpinned by a belief in the supremacy of the market, to successfully influence policy. Marketised approaches to philanthropy have also promoted a particular view of education as being to produce workers and entrepreneurs, and this is reflected in philanthropists' use of leverage. In its desire to address disadvantage and concern for community engagement, Australian school philanthropy promotes a wider view of education focused on additional elements of citizenship, including creativity and community engagement. The successful

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<sup>196</sup> Sawyer, *The Ethical State?: Social Liberalism in Australia*, pp. 68, 184-195.

scaling of projects that reflect this wider view of education, such as the Stephanie Alexander Kitchen Garden Program, suggests the prevalence of such a view of education within the wider community, in the same way success in the United States reflects the prevalence of the marketised approach. A more community-oriented approach has been identified in the United States, and there are examples of more direct leveraging in Australia. However, neither approach has become dominant, suggesting that they do not reflect the prevalent views within society. Thus, the concept of leverage is particularly able to demonstrate how philanthropic activity can serve to provide an insight into prevalent views and perceptions within the wider community.

Leverage also provides a more direct example of how philanthropy can indicate views regarding the role of the state. In the context of the marketised approaches to philanthropy dominant in the United States, leverage is underpinned by a belief in the supremacy of the market, reflecting a neoliberal position. It instils an expectation that the state will provide its resources to scale-up initiatives developed by philanthropists, and which are guided by the logic and precepts of the market, demonstrating a neoliberal view of the role of the state as being to support the market as the primary entity supporting society. While Australian philanthropists also seek to bring their projects to scale, their aim in doing so primarily reflects a desire to address disadvantage, with public funds being sought to expand programs with the aim of promoting equality. This is consistent with the social liberal view of the role of the state, which sees it occupying a central position in securing equality of opportunity. Philanthropy has developed in an ancillary role alongside the state, which is reflected in the desire to address disadvantage that underpins its view of scaling, as well as in its concern for community engagement. The focus on community engagement particularly demonstrates philanthropy's ancillary role alongside social liberalism as an expression of active citizenship. The reciprocal relationship established through active citizenship, where citizens are obliged to engage with the community and to 'promote the common interest', in return for the state assuming a central role in providing the conditions necessary to secure equality of opportunity, sees philanthropy occupying a supporting role alongside the state.<sup>197</sup> The main characteristics of Australian school philanthropy thus represent the influence of the social liberal path dependency as reflected in the actions and attitudes of philanthropists.

The preceding two chapters have considered the relationship between philanthropy and government through a competitive paradigm. Both the United States and United Kingdom demonstrate a competitive relationship, although this takes different forms reflecting the particular context within each country. The United States represents a more directly competitive or

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<sup>197</sup> Ibid, p. 11.

antagonistic relationship where government has sought to restrict philanthropy through regulation, and philanthropy has sought to influence government through leveraging its private resources. The United Kingdom's competitive relationship stems from either government or philanthropy seeking to influence the operations of the other by exploiting the inverse relationship that exists between them, as outlined in *chapter 3* and demonstrated through regulatory arrangements. Most recently, government has sought to encourage an expanded role for philanthropy alongside a redefinition of the role of the state within society. To a significant extent this has occurred through policy rhetoric and actions that purport to seek a more cooperative relationship between philanthropy and government. In particular, such approaches appear to support a neoliberal view of the role of the state. The following chapters will examine such cooperative approaches further as they consider the final of Kaspar Villadsen's paradigms for viewing the relationship between government and philanthropy.

Australian philanthropy's relationship with government cannot be characterised as competitive. Regulatory arrangements both reflect and reinforce philanthropy's ancillary role in relation to government, and philanthropic foundations are not 'overtly attempting to change government policy', instead being likely to consider their role in terms of supporting the state and promoting community engagement.<sup>198</sup> This chapter's exploration of the concept of leverage further illustrates the particular nature of philanthropy's role and demonstrates its connection to the social liberal path dependency. Elements of Australia's education policy do appear to reflect a neoliberal influence though, which is indicative of a significant challenge to this established path dependency. Given both the connection of neoliberalism to marketised philanthropy discussed in this chapter, and the association of a neoliberal view of the state's role with attempts to promote a cooperative relationship between government and philanthropy mentioned above, examining this relationship through the cooperative paradigm will enable the thesis to consider the extent and influence of this neoliberal challenge to the social liberal path dependency. In the area of school education, philanthropy's approach, which continues to reflect its ancillary role, suggests the social liberal path dependency remains influential despite the neoliberal policy influence in Australia. The final section of the thesis will seek to explore this directly, demonstrating how the particular relationship between philanthropy and government within a country can be used to explore potential changes in views regarding the role of the state.

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<sup>198</sup> See Williamson and Luke, "Agenda-Setting and Public Policy in Private Foundations."

## Chapter 5 Cooperative Policy Positions

Having now established that Australian philanthropy occupies an ancillary role that is connected to a social liberal view of the role of the state, reflected in regulations and in the actions of philanthropists, this final section of the thesis will seek to demonstrate how the particular relationship between government and philanthropy can be used to identify and assess potential changes in views regarding the role of the state. Specifically in the Australian context, it will utilise the relationship established in the preceding chapters to examine the degree of success and influence of the neoliberal challenge to the established social liberal path dependency. The origins of this challenge are associated with 'economic and public sector reform' in the 1980s, which Pusey argued 'greatly reduced the redistributive function of the Canberra state apparatus and altered the whole cast of public policy', as well as influencing 'the relationship between state and society.'<sup>1</sup> This reform was underpinned by new right views supporting a neoliberal view of the role of the state.<sup>2</sup> Authors, including for example, Philip Mendes, have outlined the significant influence of neoliberalism particularly on welfare policy in Australia.<sup>3</sup> As philanthropy's ancillary role is connected to the social liberal path dependency, the success of this neoliberal challenge could be reasonably expected to be reflected in a shift in philanthropy's role.

The following two chapters will explore the final of Villadsen's three paradigms—the cooperative paradigm. The connection between marketised philanthropy and a neoliberal approach has already been established throughout the thesis, particularly in *chapter four*. Similarly, cooperative approaches to the relationship between government and philanthropy are often underpinned by a neoliberal view of the role of the state. This sees them as particularly useful in achieving the thesis's aim of assessing the extent of neoliberalism's influence in Australia. This chapter will focus on government efforts to promote a cooperative relationship with philanthropy,

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<sup>1</sup> Pusey, *Economic Rationalism in Canberra: A Nation Building State Changes Its Mind*, pp. 4-9, 13, 31, 172, 199, 201. See also, Brett, *Australian Liberals and the Moral Middle Class: From Alfred Deakin to John Howard*, pp. 168-179.

<sup>2</sup> The new right in Australia comprised a number of 'diverse' elements, including political parties, think tanks, media campaigns and publications, united in opposition to 'state intervention to promote egalitarian goals.' Sawyer, "Introduction," pp. viii, 14-18; Pusey, *Economic Rationalism in Canberra: A Nation Building State Changes Its Mind*, pp. 5-8, 13. See also, Walter, *What Were They Thinking? The Politics of Ideas in Australia*.

<sup>3</sup> See Mendes, *Australia's Welfare Wars: The Players, the Politics and the Ideologies; Australia's Welfare Wars Revisited: The Players, the Politics and the Ideologies*; Castles, "A Farewell to Australia's Welfare State."; Spies-Butcher, "Welfare Reform."; Watts, "'Running on Empty': Australia's Neoliberal Social Security System, 1988–2015."; Walter, *What Were They Thinking? The Politics of Ideas in Australia*; Edwards, *The Passion of Politics: The Role of Ideology and Political Theory in Australia*, pp. 147-157.

while *chapter six* will consider innovations within philanthropy itself, with both areas reflecting a neoliberal view of the state's role.

In considering policy approaches, this chapter will particularly seek to compare the Big Society in the United Kingdom and the social coalition in Australia. It will examine the discourse surrounding both policy approaches as indicated primarily through speeches and statements from the Prime Ministers who championed them—David Cameron in the United Kingdom and John Howard in Australia—along with contemporary commentary and criticism from various elements within society. Despite the cooperative rhetoric surrounding it, the Big Society appeared to more closely reflect the competitive side of the inverse relationship between government and philanthropy identified in this thesis, where a change in the role of one entity had a corresponding effect on the other. The Big Society was criticised by many as an attempt to disguise the government's actions to reduce its role in accordance with a neoliberal agenda. The social coalition also reflected a neoliberal influence, particularly when considered in the context of mutual obligation. However, rhetoric regarding the social coalition also aligned it with Australian philanthropy's ancillary role, and its main regulatory outcome both reflected and reinforced philanthropy's position in relation to government. This would appear to suggest that the social liberal path dependency has remained influential to at least some extent, operating alongside a significant neoliberal influence in Australia.

### The Big Society

The trajectory of the Big Society in the United Kingdom demonstrates how government efforts to promote a cooperative relationship with philanthropy can provide an insight regarding changes in the role of the state. The Big Society claimed to 'seek a closer relationship between government, philanthropy and private action' in its aim to stimulate community empowerment and individual responsibility.<sup>4</sup> It was promoted by Conservative Prime Minister David Cameron, and differed from similar initiatives pursued by the previous Labour government in its emphasis on government's position, with Cameron framing debate in terms of 'the size and role of the state.'<sup>5</sup> It reflected the

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<sup>4</sup> Leat, "Government, Foundations and Big Society: Will You Be My Friend?" p. 137; David Lewis, "Conclusion: The Big Society and Social Policy," in *The Big Society Debate: A New Agenda for Social Welfare*, ed. Simon Szreter and Armine Ishkanian (Cheltenham, UK: Edward Elgar, 2011), p. 179; Simon Szreter and Armine Ishkanian, "Introduction: What Is Big Society? Contemporary Social Policy in a Historical and Comparative Perspective," *ibid.* ed. Armine Ishkanian and Simon Szreter (Edward Elgar); Richard Fries, "Charity and Big Society," *ibid.*, ed. Armine Ishkanian and Simon Szreter (Edward Elgar); Cathy Pharoah, "Funding and the Big Society," *ibid.*, ed. Armine Ishkanian and Simon Szreter (Edward Elgar)

<sup>5</sup> Cameron, "The Big Society"; Caroline Slocock et al., "The Big Society Audit 2012," *Civil Exchange*, May 2012, [http://www.civilexchange.org.uk/wp-content/uploads/2012/05/THE-BIG-SOCIETY-AUDIT-2012\\_Civil-ExchangeFinal8May.pdf](http://www.civilexchange.org.uk/wp-content/uploads/2012/05/THE-BIG-SOCIETY-AUDIT-2012_Civil-ExchangeFinal8May.pdf); Caroline Slocock, Ruth Hayes, and David Harker, "Whose Society? The Final Big

particular competitive relationship between government and philanthropy in the United Kingdom that was established with the introduction of the Statute of Charitable Uses alongside the Poor Laws. As outlined in *chapter three*, these regulatory arrangements established an inverse relationship where the expansion of one entity has resulted in changes in the role of the other. The Big Society was introduced alongside significant budget cuts in the wake of the Global Financial Crisis, prompting the view that it was simply a rhetorical device intended to disguise government's withdrawal from a number of areas, and was effectively forcing philanthropy to 'substitute' provision of these functions.<sup>6</sup>

The Big Society underpinned the Conservative Party's 2010 election manifesto, which emphasised 'personal, professional, civic and corporate responsibility' in order to 'repair the torn fabric of society.'<sup>7</sup> The cooperative rhetoric helped Cameron to distance himself from his 'Thatcherite predecessors', and move beyond the perception of the Conservatives as the 'nasty party.'<sup>8</sup> Cameron evoked figures such as Edmund Burke and Michael Oakeshott to indicate 'a strong liberal, civic tradition within conservative thinking.'<sup>9</sup> Parallels were also drawn with 'communitarian'

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Society Audit," *Civil Exchange*, January 2015, [https://www.barrowcadbury.org.uk/wp-content/uploads/2015/01/Whose-Society\\_The-Final-Big-Society-Audit\\_final1.pdf](https://www.barrowcadbury.org.uk/wp-content/uploads/2015/01/Whose-Society_The-Final-Big-Society-Audit_final1.pdf); Lewis, "Conclusion: The Big Society and Social Policy," p. 189; John Mohan, "The Conservative Party, the 'Big Society' and the Third Sector in the United Kingdom: Stable Foundations, Uneven Contours?," *Third Sector Review* 19, no. 2 (2013).

<sup>6</sup> For example, concerns that the Big Society was simply 'an alibi for cuts' were expressed by the Archbishop of Canterbury, think tank New Economics Foundation, as well as the concept's 'intellectual architect' Phillip Blond. Heidi Blake, "Dr Rowan Williams: 'Two and a Half Cheers for the Big Society'," *The Telegraph*, 24 July 2010, <https://www.telegraph.co.uk/news/religion/7907830/Dr-Rowan-Williams-Two-and-a-half-cheers-for-the-Big-Society.html>; Phillip Blond, "The Austerity Drive Must Not Derail the Winning 'Big Society'," *The Guardian*, 3 October 2010, <https://www.theguardian.com/commentisfree/2010/oct/03/cuts-big-society-treasury-civic-state>. See also, Coote, "Cutting It: The 'Big Society' and the New Austerity."; Howard Gibson, "Between the State and the Individual: 'Big Society' Communitarianism and English Conservative Rhetoric," *Citizenship, Social and Economics Education* 14, no. 1 (2015); Armine Ishkanian, "From 'Shock Therapy' to Big Society: Lessons from the Post-Socialist Transitions," in *The Big Society Debate: A New Agenda for Social Welfare*, ed. Armine Ishkanian and Simon Szreter (Edward Elgar: Cheltenham, UK, 2011); Pharoah, "Funding and the Big Society."; Leat, "Government, Foundations and Big Society: Will You Be My Friend?"

<sup>7</sup> David Cameron, "Putting Britain Back on Her Feet," *Speech at the Conservative Party Conference*, Manchester, 8 October 2009, <https://conservative-speeches.sayit.mysociety.org/speech/601277>; "The Big Society"; Slocock et al., "The Big Society Audit 2012"; Conservative Party, *The Conservative Manifesto 2010: A Invitation to Join the Government of Britain*, Conservative Research Department, London, 2010, [https://issuu.com/conservatives/docs/cpmanifesto2010\\_hires](https://issuu.com/conservatives/docs/cpmanifesto2010_hires).

<sup>8</sup> Martin Albrow, "'Big Society' as Rhetorical Intervention," in *The Big Society Debate: A New Agenda for Social Welfare?*, ed. Armine Ishkanian and Simon Szreter (Cheltenham, UK: Edward Elgar, 2011), p. 107. See also, Szreter and Ishkanian, "Introduction: What Is Big Society? Contemporary Social Policy in a Historical and Comparative Perspective."; Mohan, "The Conservative Party, the 'Big Society' and the Third Sector in the United Kingdom: Stable Foundations, Uneven Contours?"; Alan Ware, "The Big Society and Conservative Politics: Back to the Future or Forward to the Past?," *The Political Quarterly* 82, no. s1 (2011); Lewis, "Conclusion: The Big Society and Social Policy," pp. 186-187;

<sup>9</sup> Cameron, "The Big Society"; "Speech on the Big Society," Milton Keynes, 23 May 2011, <https://www.newstatesman.com/blogs/the-staggers/2011/05/society-government-public>. See also, Gibson, "Between the State and the Individual: 'Big Society' Communitarianism and English Conservative Rhetoric."; Rodney Barker, "Big Societies, Little Platoons and the Problems with Pluralism," *The Political Quarterly* 82, no.



ideas in the United States, which viewed civil society as an intermediary between the state and the individual, and its organisations as ‘bulwarks against the claims of an overwhelming state.’<sup>10</sup> Cameron referred to society in these terms, stating ‘in the past, the left focused on the state and the right focused on the market, we’re harnessing that space in between – society - the “hidden wealth” of our nation.’<sup>11</sup> This rhetorical approach was consistent with the view that the Big Society evoked an attempt by the government to disguise the alteration of its role within society. Civil society’s value as an intermediary lies in its support of pluralism, and philanthropy itself can also be seen in these terms, as *chapter two* discusses.<sup>12</sup> Barker saw Burke’s concept of the ‘little platoon’, evoked in the Big Society rhetoric, as a particular example of this pluralism as it could be applied equally to a ‘fox hunt or hedge fund’ as to a ‘parents’ group or allotment association.’<sup>13</sup> He viewed the emphasis on pluralism within the Big Society as a means of transferring responsibility away from government, akin to the ‘dumping of public babies on other people’s doorsteps.’<sup>14</sup>

Phillip Blond, the Big Society’s ‘intellectual architect,’<sup>15</sup> sought a revival of civil society, which he felt had been eroded by both the state and market under governments from both sides of politics.<sup>16</sup> This revival would allow society to be policed by ‘a shared commitment to social and moral norms’ rather than a bureaucratic state, and would see the creation of a ‘moral economy’ to ensure a ‘basic just distribution of resources’, which for Blond was preferable to redistribution by the state.<sup>17</sup> Blond argued it was important that communities and service providers were able to obtain ‘a tangible stake in their local services,’ stressing that this was different from attempts to ‘empower

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1 (2011); Albrow, "Big Society' as Rhetorical Intervention."; Matthew Hilton, "Charities, Voluntary Organisations and Non-Governmental Organisations in Britain since 1945," in *The Big Society Debate: A New Agenda for Social Welfare?*, ed. Armine Ishkanian and Simon Szreter (Cheltenham, UK: Edward Elgar, 2011), p. 90.

<sup>10</sup> For example, the work of Robert Nisbet, cited in Gibson, "Between the State and the Individual: 'Big Society' Communitarianism and English Conservative Rhetoric."

<sup>11</sup> Cameron, "Speech on the Big Society."

<sup>12</sup> Gibson, "Between the State and the Individual: 'Big Society' Communitarianism and English Conservative Rhetoric."; Leat, "Government, Foundations and Big Society: Will You Be My Friend?" p. 134; Grosby, "Peter Berger's Contribution to the Pluralism of Mediating Structures."; Anheier and Daly, "Philanthropic Foundations in Modern Society," pp. 99, 14-15; Anheier and Leat, "Philanthropic Foundations: What Rationales?"

<sup>13</sup> Barker, "Big Societies, Little Platoons and the Problems with Pluralism."; Gibson, "Between the State and the Individual: 'Big Society' Communitarianism and English Conservative Rhetoric."

<sup>14</sup> Barker, "Big Societies, Little Platoons and the Problems with Pluralism."

<sup>15</sup> Gibson, "Between the State and the Individual: 'Big Society' Communitarianism and English Conservative Rhetoric." See also, Pharoah, "Funding and the Big Society," p. 117; Cameron, "The Big Society"; John Harris, "Philip Blond: The Man Who Wrote Cameron's Mood Music," *The Guardian*, 8 August 2009, <https://www.theguardian.com/theguardian/2009/aug/08/philip-blond-conservatives-david-cameron>; Phillip Blond, *Red Tory: How the Left and Right Have Broken Britain and How We Can Fix It* (London: Faber and Faber, 2010).

<sup>16</sup> *Red Tory: How the Left and Right Have Broken Britain and How We Can Fix It*, pp. 3, 109, 122, 125, 130-132, 291.

<sup>17</sup> *Ibid*, pp. 153-159, 187, 190-194, 286-288.

citizens as constituents and consumers' undertaken by previous governments.<sup>18</sup> While some elements of Blond's view were reflected in the rhetoric of the Big Society, the policies promoted in practice appeared to be quite removed from it. In particular, while Blond devoted significant attention to outlining the role of the market in the decline of civil society, along with what he considered necessary economic reforms, the Big Society left 'big capitalism' largely 'untouched.'<sup>19</sup> This suggests that despite Cameron's rhetoric about compassionate conservatism, the Big Society reflected a more neoliberal approach. This was particularly so with regard to the role of the state.

### Neoliberal Underpinnings

Though the government rejected the proposition that the Big Society was being used as a 'smokescreen,'<sup>20</sup> think tank New Economics argued 'spending cuts on the scale and speed announced by government would not be possible without a strategy for shifting responsibility away from the state.'<sup>21</sup> The Big Society represented such a strategy. It was premised on the notion that society had become 'broken' as a result of the influence of 'big government.'<sup>22</sup> It followed then, that reducing the role of the state would 'reignite the voluntary spirit,' which would in turn support 'alternative models of funding' services.<sup>23</sup> Think tank Civil Exchange noted in its 2013 *Big Society*

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<sup>18</sup> Ibid, pp. 9. 254, 265-266.

<sup>19</sup> Slocock, Hayes, and Harker, "Whose Society? The Final Big Society Audit"; Szreter and Ishkanian, "Introduction: What Is Big Society? Contemporary Social Policy in a Historical and Comparative Perspective."; Lewis, "Conclusion: The Big Society and Social Policy."

<sup>20</sup> Conservative Party, *The Conservative Manifesto 2010: A Invitation to Join the Government of Britain*. See also, Cameron, "The Big Society"; "Have No Doubt, the Big Society Is on Its Way," *The Guardian*, 13 February 2011, <https://www.theguardian.com/commentisfree/2011/feb/12/david-cameron-big-society-good>; Gibson, "Between the State and the Individual: 'Big Society' Communitarianism and English Conservative Rhetoric."; David Cameron, "Our Big Society Agenda," *Speech*, Liverpool, 19 July 2010, <https://conservative-speeches.sayit.mysociety.org/speech/601459>; Rebecca Cooney, "David Cameron Admits Failings in His Big Society Agenda," *Third Sector*, 24 November 2017, <https://www.thirdsector.co.uk/david-cameron-admits-failings-big-society-agenda/policy-and-politics/article/1451160>.

<sup>21</sup> Coote, "Cutting It: The 'Big Society' and the New Austerity." Gibson, "Between the State and the Individual: 'Big Society' Communitarianism and English Conservative Rhetoric."; Cameron, "Have No Doubt, the Big Society Is on Its Way"; Lewis, "Conclusion: The Big Society and Social Policy," p. 187; Matt Dawson, "Against the Big Society: A Durkheimian Socialist Critique," *Critical Social Policy* 33, no. 1 (2013); Albrow, "'Big Society' as Rhetorical Intervention."; Gibson, "Between the State and the Individual: 'Big Society' Communitarianism and English Conservative Rhetoric."; Cameron, "Our Big Society Agenda"; Slocock, Hayes, and Harker, "Whose Society? The Final Big Society Audit"; Cooney, "David Cameron Admits Failings in His Big Society Agenda."

<sup>22</sup> See e.g. Conservative Party, *The Conservative Manifesto 2010: A Invitation to Join the Government of Britain*; Cameron, "The Big Society"; "Our Big Society Agenda"; "Let's Mend Our Broken Society," *Speech*, Gillingham, Kent, 27 April 2010, <https://conservative-speeches.sayit.mysociety.org/speech/601479>; "Your Invitation to Join the Government of Britain," *Speech*, 13 April 2010, <https://conservative-speeches.sayit.mysociety.org/speech/601491>.

<sup>23</sup> Szreter and Ishkanian, "Introduction: What Is Big Society? Contemporary Social Policy in a Historical and Comparative Perspective," p. 16; Markus Ketola, "European Perspectives on the Big Society Agenda," in *The Big Society Debate: A New Agenda for Social Welfare?*, ed. Armine Ishkanian and Simon Szreter (Cheltenham, UK: Edward Elgar, 2011), p. 162; Pharoah, "Funding and the Big Society," p. 124; Norman, 2010 cited in Gibson, "Between the State and the Individual: 'Big Society' Communitarianism and English Conservative Rhetoric."

*Audit* that the concept was being 'increasingly presented as representing a smaller state.'<sup>24</sup> Ketola argues that the Big Society 'neatly links together the critiques of the Big State and a lack of volunteering one side and reduced government spending (reducing the size of government) and increased volunteerism on the other.'<sup>25</sup> This representation of the relationship between philanthropy and government as a 'zero-sum tussle' aligns with the existing inverse relationship between philanthropy and government in the United Kingdom.<sup>26</sup> It also reflects a neoliberal view of the state as being overly bureaucratic, and as such, ineffective in supporting society, suggesting that the existing relationship may lend itself to a neoliberal approach.

This neoliberal view of the state is particularly reflected in the public sector reform pursued under the banner of the Big Society. Despite Phillip Blond's desire for a move away from market based reforms focused on 'competition, choice and contracting out,'<sup>27</sup> the focus was on allowing charities to 'compete for the running of public services.'<sup>28</sup> Cameron stated, 'when social enterprises and charities have the power to compete in the public sector, they will increase competition, drive costs down and put pressure on existing providers to 'raise their game.'<sup>29</sup> This indicates a neoliberal view of the state's role as being unable to promote the innovation necessary to address issues and support society.<sup>30</sup> Cameron indicated that he saw the state 'as an instrument for helping to create a strong society', and to 'stimulate social action.'<sup>31</sup> This was to be achieved primarily through

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<sup>24</sup> Caroline Slocock et al., "The Big Society Audit 2013," *Civil Exchange*, December 2013, <https://www.civilexchange.org.uk/wp-content/uploads/2013/12/THE-BIG-SOCIETY-AUDIT-2013webversion.pdf>; David Cameron, "Social Investment Can Be a Great Force for Social Change," *Speech at the Social Impact Investment Forum*, London, 6 June 2010, <https://www.gov.uk/government/speeches/prime-ministers-speech-at-the-social-impact-investment-conference>; "David Cameron's Conservative Party Conference Speech: In Full," published in *The Telegraph*, 10 October 2012, <https://www.telegraph.co.uk/news/politics/conservative/9598534/David-Camersons-Conservative-Party-Conference-speech-in-full.html>.

<sup>25</sup> Ketola, "European Perspectives on the Big Society Agenda," pp. 161-162, 163-164.

<sup>26</sup> *Ibid*, pp. 161-162, 163-164.

<sup>27</sup> Blond, *Red Tory: How the Left and Right Have Broken Britain and How We Can Fix It*, p. 243; Cameron, "The Big Society." See also, Lewis, "Conclusion: The Big Society and Social Policy," p. 179; Slocock, Hayes, and Harker, "Whose Society? The Final Big Society Audit."

<sup>28</sup> Lewis, "Conclusion: The Big Society and Social Policy," p. 188.

<sup>29</sup> David Cameron, "We Will Make Government Accountable to the People," *Speech*, July 8 2010, <https://conservative-speeches.sayit.mysociety.org/speech/601460>.

<sup>30</sup> Such marketisation of welfare services has also occurred in Australia. See e.g. Meagher and Goodwin, "Introduction: Capturing Marketisation in Australian Social Policy."; Wanna, Lee, and Yates, *Managing Under Austerity, Delivering Under Pressure: Performance and Productivity in Public Service.*"; King and Meagher, "Introduction: Politics, Profits and Practices in Child and Aged Care."; Meagher, "A Genealogy of Aged Care, *Arena Quarterly* No.6, June 2021"; "The Challenge of the Care Workforce: Recent Trends and Emerging Problems."; Meagher and Wilson, "The Politics of Market Encroachment: Policymaker Rationales and Voter Responses."

<sup>31</sup> Cameron, "The Big Society." See also, "Have No Doubt, the Big Society Is on Its Way"; Lewis, "Conclusion: The Big Society and Social Policy," p. 187; Dawson, "Against the Big Society: A Durkheimian Socialist Critique."; Albrow, "'Big Society' as Rhetorical Intervention."; Gibson, "Between the State and the Individual: 'Big Society'

empowering communities to promote 'innovation', which indicated to several authors that the government was seeking to 'create the conditions for a more aspirational, entrepreneurial culture.'<sup>32</sup> This suggests a neoliberal view of the role of the state as being to create the necessary conditions to support the market, which occupies the central position in supporting society through its ability to innovate (something the state is unable to do due to its bureaucratic nature). This view of the state's role as being to support and facilitate markets was further evidenced by the fact that in practice this reform process benefitted the private sector. This first *Big Society Audit*, published in 2012, found ninety per cent of 'prime contracts' had been awarded to private sector entities, 'with the voluntary sector acting primarily as subcontractors.'<sup>33</sup>

A significant element within the public sector reform pursued in the context of the Big Society was the promotion of public sector mutuals, and this also demonstrates a neoliberal approach. Blond had proposed a 'power of civil association' to allow the creation of 'new employee and community owned entities to deliver public services.'<sup>34</sup> This was incorporated into the Big Society, with the government creating a taskforce to 'promote the concept of Public Service Mutuals inside and outside government.'<sup>35</sup> The benefits of public service mutuals were framed in marketised terms, with the Minister for the Cabinet office referring to their ability to increase 'public sector productivity', as well as to develop 'innovative new ways of delivering better services for less money.'<sup>36</sup> Cameron also linked mutuals to his desire to 'open up provision of state services to small businesses, social enterprises or charities as they see what is being done by the state and how they could do it better.'<sup>37</sup> This support of mutuals reflects the neoliberal approach identified above which

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Communitarianism and English Conservative Rhetoric."; Cameron, "Our Big Society Agenda"; Slocock, Hayes, and Harker, "Whose Society? The Final Big Society Audit"; Cooney, "David Cameron Admits Failings in His Big Society Agenda"; Cameron, "The Big Society."

<sup>32</sup> Gibson, "Between the State and the Individual: 'Big Society' Communitarianism and English Conservative Rhetoric."; Dawson, "Against the Big Society: A Durkheimian Socialist Critique," pp. 113-114. Ibid.

<sup>33</sup> Slocock et al., "The Big Society Audit 2012." See also, Slocock, Hayes, and Harker, "Whose Society? The Final Big Society Audit"; Slocock et al., "The Big Society Audit 2013"; Mohan, "The Conservative Party, the 'Big Society' and the Third Sector in the United Kingdom: Stable Foundations, Uneven Contours?"

<sup>34</sup> Blond, *Red Tory: How the Left and Right Have Broken Britain and How We Can Fix It*, pp. 242, 249-254.

<sup>35</sup> Cabinet Office, "Mutuals Taskforce," <https://www.gov.uk/government/groups/mutuals-taskforce#documents>.

<sup>36</sup> Cabinet Office and The Rt Hon Lord Maude of Horsham, "Cabinet Office Mutuals Reach Century Success", *Press Release*, 23 July 2014, <https://www.gov.uk/government/news/cabinet-office-mutuals-reach-century-success>; Paul Gosling, "When 'Mutualisation' of Public Services Is Actually Privatisation," *The News*, 24 August 2014, <https://www.thenews.coop/88845/sector/when-mutualisation-of-public-services-is-actually-privatisation/>.

<sup>37</sup> Cameron, "The Big Society." See also, "Your Invitation to Join the Government of Britain."; "Welsh Manifesto Launch," *Speech*, 16 April 2010, <https://conservative-speeches.sayit.mysociety.org/speech/601489>. "From Central Power to People Power," *Speech*, 22 February 2010, <https://conservative-speeches.sayit.mysociety.org/speech/601529>.

seeks to extend the precepts of the market within society, particularly into social policy, and views the state's role as being to support this.

Members of the Mutuels Taskforce expressed concern that the way these entities were defined risked 'turning the word "mutual" into a cover for privatization.'<sup>38</sup> Although Blond had stated: 'it is important that public sector mutuels are not a cover for privatising the state under an acceptable brand,'<sup>39</sup> this was not what appeared to occur in practice, as many of the new entities established to provide public services were substantially owned by private sector partners rather than employees.<sup>40</sup> The significant involvement of private sector entities suggested that there was no real difference between public sector mutuels and other contracting or privatization arrangements, prompting the claim that the promotion of mutuels and emphasis on employee ownership was simply a 'fig leaf' for a Tory privatisation agenda.<sup>41</sup> Privatisation particularly demonstrates the neoliberal approach of extending market practices and ideas into areas previously considered the responsibility of the state, indicating that the market occupies a central position in supporting society. The government's interest in public sector mutuels also reflects a wider interest in hybrid models. Such models, representing an apparent reconfiguration of the relationships between the public, private and not-for-profit sectors, and underpinned by a neoliberal view of the state's role, are the focus of the following chapter.

The emphasis on localism also reflected a neoliberal approach within the Big Society's cooperative rhetoric itself. Localism occupied a prominent position within this rhetoric and was associated with the Big Society's aim to empower communities and individuals, with the intention being for communities to ultimately take responsibility for their own service provision.<sup>42</sup> This rhetoric places an emphasis on individual responsibility, reflecting a neoliberal approach. It also suggests a desire by government to reduce its own role by transferring responsibilities to local communities. Critics of the Big Society identified a number of issues with the localism agenda. In the first instance, it employed an 'old-fashioned' conception of community based on geographic location, which ignored

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<sup>38</sup> Gosling, "When 'Mutualisation' of Public Services Is Actually Privatisation."

<sup>39</sup> Hannah Fearn, "There's a Danger Public Sector Mutuels Are Figleaves for Privatisation," *The Guardian*, 3 July 2013, <https://www.theguardian.com/social-enterprise-network/2013/jul/03/public-sector-mutuels-cover-privatisation>; Gosling, "When 'Mutualisation' of Public Services Is Actually Privatisation."

<sup>40</sup> "When 'Mutualisation' of Public Services Is Actually Privatisation."

<sup>41</sup> Fearn, "There's a Danger Public Sector Mutuels Are Figleaves for Privatisation."

<sup>42</sup> John Fenwick and Jane Gibbon, "Localism and the Third Sector: New Relationships of Public Service?," *Public Policy and Administration* 31, no. 3 (2016); Nick Ockenden, Matthew Hill, and Joanna Stuart, "The Big Society and Volunteering: Ambitions and Expectations," in *The Big Society Debate: A New Agenda for Social Welfare?*, ed. Armine Ishkanian and Simon Szreter (Cheltenham, UK: Edward Elgar, 2011); Cameron, "Speech on the Big Society"; Ministry of Housing, Communities & Local Government, "Community Right to Challenge," *Statutory Guidance*, 27 June 2012, <https://www.gov.uk/government/publications/community-right-to-challenge-statutory-guidance>.

the impact of technical change and other 'external influences' such as globalisation.<sup>43</sup> It was also felt this conception of localism would reinforce entrenched social divisions, as voluntary organisations were unevenly distributed reflecting 'hundreds of years of investment on the part of philanthropists, and voluntary effort and fundraising on the part of communities.'<sup>44</sup> This uneven distribution would present an issue as communities would come to focus solely on their own situations at the expense of wider social concerns.<sup>45</sup> Cameron did recognise this as a 'fair criticism' of the Big Society in 2017.<sup>46</sup> This uneven distribution of voluntary organisations is, however, less of an issue when viewed from a neoliberal position where inequality is considered to result from 'the natural workings of a spontaneous order.'<sup>47</sup>

Despite the rhetorical importance of localism, the Big Society did not substantially devolve power to the local level.<sup>48</sup> A House of Commons Select Committee report noted significant expenditure would be required for the Big Society's localism agenda to be successful.<sup>49</sup> However, local government contributors reported that as the localism agenda was competing with that of 'cost cutting', the latter would win out as 'the savings will have to come first.'<sup>50</sup> The report also noted there was 'a general suspicion on the part of the public that localism is a mask for budget cuts,'<sup>51</sup> and

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<sup>43</sup> Mohan, "The Conservative Party, the 'Big Society' and the Third Sector in the United Kingdom: Stable Foundations, Uneven Contours?"; Ware, "The Big Society and Conservative Politics: Back to the Future or Forward to the Past?"; Gibson, "Between the State and the Individual: 'Big Society' Communitarianism and English Conservative Rhetoric."; Joe Harris, "'Big Society' and 'Great Society': A Problem in the History of Ideas," in *The Big Society Debate: A New Agenda for Social Welfare?*, ed. Armine Ishkanian and Simon Szreter (Cheltenham, UK: Edward Elgar, 2011); Dawson, "Against the Big Society: A Durkheimian Socialist Critique."

<sup>44</sup> Ware, "The Big Society and Conservative Politics: Back to the Future or Forward to the Past?"; Gibson, "Between the State and the Individual: 'Big Society' Communitarianism and English Conservative Rhetoric."; Hilton, "Charities, Voluntary Organisations and Non-Governmental Organisations in Britain since 1945."; Ockenden, Hill, and Stuart, "The Big Society and Volunteering: Ambitions and Expectations," p. 157; Mohan, "The Conservative Party, the 'Big Society' and the Third Sector in the United Kingdom: Stable Foundations, Uneven Contours?"; Jung, Harrow, and Phillips, "Developing a Better Understanding of Community Foundations in the UK's Localisms."

<sup>45</sup> Dawson, "Against the Big Society: A Durkheimian Socialist Critique."; Mohan, "The Conservative Party, the 'Big Society' and the Third Sector in the United Kingdom: Stable Foundations, Uneven Contours?"

<sup>46</sup> Cooney, "David Cameron Admits Failings in His Big Society Agenda."

<sup>47</sup> Mohan, "The Conservative Party, the 'Big Society' and the Third Sector in the United Kingdom: Stable Foundations, Uneven Contours?"

<sup>48</sup> Slocock, Hayes, and Harker, "Whose Society? The Final Big Society Audit"; Fenwick and Gibbon, "Localism and the Third Sector: New Relationships of Public Service?"; Ketola, "European Perspectives on the Big Society Agenda."; Gibson, "Between the State and the Individual: 'Big Society' Communitarianism and English Conservative Rhetoric."

<sup>49</sup> House of Commons, Communities and Local Government Committee, "Localism," *Third Report of Session 2010–12: Volume I: Report, Together with Formal Minutes, Oral and Written Evidence*, House of Commons, London, May 2011, <https://publications.parliament.uk/pa/cm201012/cmselect/cmcomloc/547/54702.htm>. pp. 3, 4, 22. See also, Simon Szreter, "Britain's Social Welfare Provision in the Long Run: The Importance of Accountable, Well-Financed Local Government," in *The Big Society Debate: A New Agenda for Social Welfare?*, ed. Armine Ishkanian and Simon Szreter (Cheltenham, UK: Edward Elgar, 2011).

<sup>50</sup> House of Commons, Communities and Local Government Committee, "Localism," p. 75.

<sup>51</sup> *Ibid*, pp. 3, 28, 93.

highlighted a concern that the government intended to follow the devolution of power inherent in the localism agenda to its 'logical conclusion', withdrawing from service provision altogether.<sup>52</sup> The allocation of resources within the Big Society appeared to undermine its cooperative rhetoric in other areas as well. Mohan notes that the government did not adequately provide for the 'necessary infrastructure' to support voluntary service provision.<sup>53</sup> This was particularly indicated by cuts to the Charity Commission, which risked compromising public trust in the voluntary sector, something that was crucial to achieving the Big Society's overall aims.<sup>54</sup> This supports the view that the cooperative approach promoted by the Big Society was simply rhetorical, intended to facilitate a transfer of responsibility away from government and disguise a neoliberal reform agenda.

### Philanthropy in the Big Society

Philanthropy was an important part of the Big Society debate, figuring prominently within its rhetoric as representing a 'return to a "golden age" before the state "stole" our sense of civic responsibility.'<sup>55</sup> Philanthropy was envisioned as the primary 'alternative' funding source for services, and it was felt increased philanthropy would result from the Big Society's 're-ignition' of the 'voluntary spirit.'<sup>56</sup> Community foundations were particularly felt to be important in light of the localism agenda.<sup>57</sup> The *Giving White Paper* published in 2012 suggested the Big Society's emphasis on empowered communities would create 'new motivations for people to give time and money to their communities.'<sup>58</sup> It recommended an approach based on behavioural economics to achieve this, reflecting the neoliberal approach in looking to apply the logic and approaches of the market to encourage increased giving. Primarily though, philanthropy was important within the Big Society as it represented a strategy to transfer responsibility away from the state. Criticism from within the philanthropic sector considered that the Big Society was looking to philanthropy as a substitute for

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<sup>52</sup> Ibid, pp. 4, 28.

<sup>53</sup> Ockenden, Hill, and Stuart, "The Big Society and Volunteering: Ambitions and Expectations," p. 157; Fries, "Charity and Big Society," p. 102; Ishkanian, "From "Shock Therapy" to Big Society: Lessons from the Post-Socialist Transitions," p. 181; Fenwick and Gibbon, "Localism and the Third Sector: New Relationships of Public Service?"; Lewis, "Conclusion: The Big Society and Social Policy."

<sup>54</sup> Fries, "Charity and Big Society," p. 102.

<sup>55</sup> Leat, "Government, Foundations and Big Society: Will You Be My Friend?" p. 137. Cabinet Office, "Building the Big Society," *Policy Paper*, 18 May 2010, <https://www.gov.uk/government/publications/building-the-big-society>; Cameron, "Our Big Society Agenda." See also Fries, "Charity and Big Society."; Gibson, "Between the State and the Individual: 'Big Society' Communitarianism and English Conservative Rhetoric."

<sup>56</sup> See Lewis, "Conclusion: The Big Society and Social Policy," pp. 184-185.

<sup>57</sup> Jung, Harrow, and Phillips, "Developing a Better Understanding of Community Foundations in the UK's Localisms."

<sup>58</sup> Cabinet Office, "Giving White Paper," The Stationery Office Limited, London, May 2011, [https://www.educationandemployers.org/wp-content/uploads/2014/06/giving-white-paper\\_23\\_may\\_2011.pdf](https://www.educationandemployers.org/wp-content/uploads/2014/06/giving-white-paper_23_may_2011.pdf).

government funding as well as to disguise a 'rolling back' of the state.<sup>59</sup> This demonstrates the competitive nature of the inverse relationship between government and the voluntary sector, including philanthropy, outlined in *chapter three*, where in acting to define its own role, government seeks to influence that of philanthropy.

Critics argued it would not be feasible for philanthropy to substitute for government funding. Pharoah for example argued that philanthropy 'does not necessarily have sufficient resources and a diverse enough donor base to extend easily or rapidly into meeting the new demands of building Big Society, while also picking up areas such as libraries, an early victim of the statutory cuts.'<sup>60</sup> The *Giving White Paper's* proposed approach based on behavioural economics was argued to be unsuitable for achieving the sort of 'sustained behavioural change' necessary for philanthropy to replace government funding.<sup>61</sup> It was also felt philanthropy may not be effective as a direct substitute for government funding.<sup>62</sup> Concerns particularly related to philanthropy's uneven and arbitrary nature. Private funders are 'driven and shaped by their own interests, conditions and objectives', which are likely to differ from 'statutory spending priorities', and may not necessarily align with public benefit.<sup>63</sup> For this reason, many foundations were said to also prefer an 'arm's length' relationship with government.<sup>64</sup> This view of government and philanthropy as being substantially different in nature and operating according to distinct logics aligns with understanding of the two entities as occupying separate spheres which underpins the inverse relationship that has developed between them. The view also supported the creation of the mixed economy of welfare in the United Kingdom, setting the tone for the competitive element within the relationship as the balance has shifted over time more towards one or the other entity.

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<sup>59</sup> Leat, "Government, Foundations and Big Society: Will You Be My Friend?" p. 137.

<sup>60</sup> Pharoah, "Private Giving and Philanthropy – Their Place in the Big Society." See also Jung and Harrow, "New Development: Philanthropy in Networked Governance—Treading with Care."

<sup>61</sup> Thaler and Sunstein, 2008 in Liz Richardson, "Can We 'Nudge' Citizens Towards More Civic Action?," in *The Big Society Debate: A New Agenda for Social Welfare*, ed. Armine Ishkanian and Simon Szreter (Cheltenham, UK: Edward Elgar, 2011); Cabinet Office, "Giving White Paper"; Karl and Katz, "The American Private Philanthropic Foundation and the Public Sphere 1890–1930," pp. 123-126.

<sup>62</sup> Gibson, "Between the State and the Individual: 'Big Society' Communitarianism and English Conservative Rhetoric.," Pharoah, "Funding and the Big Society," p. 126; Leat, "Government, Foundations and Big Society: Will You Be My Friend?" pp. 129-138.

<sup>63</sup> Szreter and Ishkanian, "Introduction: What Is Big Society? Contemporary Social Policy in a Historical and Comparative Perspective," pp. 14-15; Lewis, "Conclusion: The Big Society and Social Policy," p. 184; Pharoah, "Funding and the Big Society."

<sup>64</sup> Gibson, "Between the State and the Individual: 'Big Society' Communitarianism and English Conservative Rhetoric.," Pharoah, "Funding and the Big Society," p. 126; Leat, "Government, Foundations and Big Society: Will You Be My Friend?" pp. 129-138.



Critics also suggested that despite its rhetoric, the Big Society was actually overlooking an established cooperative relationship in the United Kingdom.<sup>65</sup> Szreter argues that the implementation of the Elizabethan Poor Laws alongside the Statute of Charitable Uses created a cooperative relationship by establishing the mixed economy of welfare which saw government and the voluntary sector operating alongside each other.<sup>66</sup> Szreter felt Victorian Britain, considered 'the paradigm era of the small state', particularly demonstrated a cooperative relationship, noting voluntary organisations became 'much more effective', operating alongside local governments 'enthused with the "civic gospel" of municipally organised uplift for the poor.'<sup>67</sup> Arguments opposing the notion underpinning the Big Society, that the United Kingdom was a 'broken society in which civic minded participation was petering out', similarly suggested the existence of a cooperative relationship in the contemporary period.<sup>68</sup> It was argued that while some traditional forms of voluntary organisation had declined, what had generally occurred was a shift towards 'highly professional, media savvy campaigning NGOs.'<sup>69</sup> These organisations are often supported 'because of their interconnections with the state', acting 'not as radical opponents of governments, but as moderate co-operators.'<sup>70</sup> Such arguments support the view that, despite its rhetoric, the primary aim of the Big Society was not to promote a more cooperative relationship between government and philanthropy, but rather to present a strategy to facilitate a transfer of responsibility away from the state and disguise a neoliberal reform agenda. In this, it more closely reflects the competitive, inverse relationship that the mixed economy of welfare established, where the two entities were defined in opposition to one another and a change in the role of one produced a corresponding effect on the other.

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<sup>65</sup> Fenwick and Gibbon, "Localism and the Third Sector: New Relationships of Public Service?"; Szreter, "Britain's Social Welfare Provision in the Long Run: The Importance of Accountable, Well-Financed Local Government," pp. 41-43.

<sup>66</sup> "Britain's Social Welfare Provision in the Long Run: The Importance of Accountable, Well-Financed Local Government," pp. 41-43; Lorie Charlesworth, "Big Society, Legal Structures, Poor Law and the Myth of a Voluntary Society," in *The Big Society Debate: A New Agenda for Social Welfare*, ed. Armine Ishkanian and Simon Szreter (Cheltenham, UK: Edward Elgar, 2011) pp. 53-54; Szreter and Ishkanian, "Introduction: What Is Big Society? Contemporary Social Policy in a Historical and Comparative Perspective," pp. 16-17; Fenwick and Gibbon, "Localism and the Third Sector: New Relationships of Public Service?"

<sup>67</sup> Szreter, "Britain's Social Welfare Provision in the Long Run: The Importance of Accountable, Well-Financed Local Government," pp. 44-46.

<sup>68</sup> Szreter and Ishkanian, "Introduction: What Is Big Society? Contemporary Social Policy in a Historical and Comparative Perspective," p. 16.

<sup>69</sup> Hilton, "Charities, Voluntary Organisations and Non-Governmental Organisations in Britain since 1945," p. 83. See also, pp. 82-86; Szreter and Ishkanian, "Introduction: What Is Big Society? Contemporary Social Policy in a Historical and Comparative Perspective," pp. 17, 24.

<sup>70</sup> Hilton, "Charities, Voluntary Organisations and Non-Governmental Organisations in Britain since 1945," pp. 82-92.

The Big Society rhetoric 'has faded quietly from British politics,'<sup>71</sup> with its failure attributed to the fact that it did not 'deliver against its original goals' of creating empowered communities and fostering a more cooperative environment.<sup>72</sup> Civil Exchange's final *Big Society Audit*, published in 2015, found despite its rhetorical focus on building 'closer relationships', the Big Society had failed to create a cooperative environment because it did not 'replace the market-based public sector management model ... with a collaborative one.'<sup>73</sup> This, together with its implementation alongside extensive public spending cuts, supports the view that the concept represented simply a rhetorical 'fig leaf' to distract from and disguise a neoliberal influenced policy agenda. Despite its failure, the debate surrounding the Big Society does provide an insight regarding how the relationship between philanthropy and government reflects broader questions regarding the role of the state. In particular, it demonstrates how an alteration of the state's role is reflected in efforts to change philanthropy's role and position within society, even where these proposed changes are resisted. Specifically, the Big Society illustrates how attempts to promote a cooperative relationship between government and philanthropy can be underpinned by a neoliberal view of the role of the state. The Big Society reflected the competitive aspect within the relationship between government and philanthropy in the United Kingdom, as in moving to redefine its own role government has sought to also alter that of philanthropy. Although the Big Society was ultimately unsuccessful, new models such as social impact bonds developed in the same period have seen greater success. These models also seek to promote a more cooperative relationship and are underpinned by a neoliberal view of the role of the state, and will form the focus of the following chapter.

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<sup>71</sup> Cameron last mentioned the Big Society in his 2013 Christmas message. Gibson, "Between the State and the Individual: 'Big Society' Communitarianism and English Conservative Rhetoric."; Patrick Butler, "Why the 'Big Society' Is Now Just a Hashtag for Coalition Hypocrisy," *The Guardian*, 20 January 2015, <https://www.theguardian.com/society/2015/jan/20/the-big-society-civil-exchange-audit-shows-coalition-contempt-and-hypocrisy>; Slocock, Hayes, and Harker, "Whose Society? The Final Big Society Audit."

<sup>72</sup> "Whose Society? The Final Big Society Audit."

<sup>73</sup> Leat, "Government, Foundations and Big Society: Will You Be My Friend?"; Slocock, Hayes, and Harker, "Whose Society? The Final Big Society Audit"; Cabinet Office and The Rt Hon Nick Hurd MP, "Government and Voluntary Sector Agree New Compact," *Media Release*, 14 December 2010, <https://www.gov.uk/government/news/government-and-voluntary-sector-agree-new-compact>; Cabinet Office, "The Compact: The Coalition Government and Civil Society Organisations Working Effectively in Partnership for the Benefit of Communities and Citizens in England," *Cabinet Office*, London, December 2010, [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/61169/The\\_20Compact.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/61169/The_20Compact.pdf); "The Compact Accountability and Transparency Guide: Helping to Build Stronger Partnerships between the Coalition Government and Civil Society Organisations," *Cabinet Office*, London, December 2010, [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/61168/The\\_20Compact\\_20Accountability\\_20Guide.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/61168/The_20Compact_20Accountability_20Guide.pdf).

## The Social Coalition

In Australia, Prime Minister John Howard also sought to promote a more cooperative relationship between government and the not-for-profit sector through his concept of the social coalition. Howard described the social coalition as comprising 'partnerships of individuals, business, government, and welfare and charitable organisations', each 'recognising that they have a role, not competing with each other.'<sup>74</sup> Similarly to the Big Society, Howard viewed the concept as tapping into 'the volunteering sentiment of individuals and the willingness of businesses to engage with their communities.'<sup>75</sup> Also in common with the Big Society, the social coalition was criticised as representing a rhetorical device to disguise the government's pursuit of a neoliberal agenda.<sup>76</sup> A neoliberal view of the role of the state reflected the cooperative rhetoric surrounding the social coalition. As well as stressing the importance of partnerships to support 'a free, fair and united society,'<sup>77</sup> Howard spoke of the 'limits of government', stating 'we realised government cannot do it all alone.'<sup>78</sup> Minister for Family Services Kay Patterson made similar comments, defining the social

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<sup>74</sup> John Howard, "The Next Ten Years," *John Howard's Federation Address*, 28 January 2000, <https://australianpolitics.com/2000/01/29/john-howard-federation-address.html>; "Address at the Prime Minister's Community Business Partnership Awards Dinner," Australian Technology Park, Sydney, 17 December 2003, <https://pmtranscripts.pmc.gov.au/release/transcript-21050>. See also. "Vision and Values," *The Australian*, 1 January 2000; "Address at the Opening of Lou's Place," Kings Cross, 12 May 2000, <https://pmtranscripts.pmc.gov.au/release/transcript-11637>; "Address to the 'Learning for Life' - Access for Rural Youth in Partnership with the Westpac Foundation, the Smith Family," Melbourne, 23 June 2000, <https://pmtranscripts.pmc.gov.au/release/transcript-11683>; "Address at the Wintercare Gala Luncheon - 'Impressions of Winter' (Anglicare's June Appeal)," 30 June 2000, <https://pmtranscripts.pmc.gov.au/release/transcript-22816>.

<sup>75</sup> "Address by the Prime Minister to the Benevolent Society's Annual Sydney Leadership Dinner," Sydney Town Hall, 13 March 2001, <https://australianpolitics.com/2001/03/13/howard-speaks-about-benevolence.html#more-11209>. See also Grace Pretty et al., "Psychological Sense of Community and Its Relevance to Well-Being and Everyday Life in Australia," *The Australian Psychological Society*, September 2006, <https://groups.psychology.org.au/Assets/Files/Community-Updated-Sept061.pdf>.

<sup>76</sup> See e.g. Catherine McDonald and Greg Marston, "Fixing the Niche?: Rhetorics of the Community Sector in the Neo-Liberal Welfare Regime," *Just Policy: A Journal of Australian Social Policy*, no. 27 (2002); Gramberg and Bassett, "Neoliberalism and the Third Sector in Australia"; Everingham, "Reconstituting Community: Social Justice, Social Order and the Politics of Community."

<sup>77</sup> John Howard, "Keynote Address to the ACOSS National Congress," Adelaide, 5 November 1998, <https://webarchive.nla.gov.au/awa/20000731130000/http://www.pm.gov.au/news/speeches/1998/ACOSS.htm>.

<sup>78</sup> "Transcript of the Prime Minister the Hon John Howard MP Address to ACOSS Congress," Regent Theatre, Melbourne, 25 October 2001, <https://pmtranscripts.pmc.gov.au/release/transcript-12373>; "Quest for a Decent Society," *The Australian*, 1 December 2000. See also, Philip Mendes, "Reconstituting the Public as the Private: John Howard on the Welfare State," *Journal of Economic & Social Policy* 4, no. 2 (2000).

coalition as 'the idea that problems cannot be solved by anyone alone,'<sup>79</sup> and particularly that 'government alone cannot solve every problem.'<sup>80</sup>

Howard linked the social coalition directly to a call for increased philanthropy through his concept of mutual obligation, stating that 'just as we now expect unemployed young people to work for the dole, it is reasonable to expect that same principle of mutual obligation to apply to the business sector.'<sup>81</sup> He indicated that those who had been successful had a duty to 'give back' to society, as 'those of us who can contribute to the life of the community should be expected and encouraged to do so.'<sup>82</sup> Howard was particularly concerned with corporate philanthropy, suggesting 'a company that derives profit from the community has an obligation to contribute to its development.'<sup>83</sup> Howard's rhetoric here differed though from the way this concept of mutual obligation was applied to individuals in the context of welfare reform. This is important in terms of using philanthropy to assess the influence and success of the neoliberal challenge to the social liberal path dependency. When applied to philanthropy, mutual obligation aligns with the particular ancillary role Australian philanthropy has developed, and given the connection of this role of the social liberal path dependency, suggests the path dependency, and the social liberal view of the state it supports, remains influential in lessening neoliberalism's impact in Australia.

### Mutual Obligation

Howard considered his government's welfare reform process a particular example of the social coalition, claiming it 'emphasised the power and desirability of a holistic approach involving all of the various sectors and implemented locally.'<sup>84</sup> The final report of the Government's Welfare Reform

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<sup>79</sup> Kay Patterson, "Speech to Open the International Philanthropy Conference: A Wealth of Experience and Launch Giving Australia Research Report," Hotel Sofitel, Melbourne, 10 October 2005, <https://formerministers.dss.gov.au/3015/speech-to-open-the-international-philanthropy-conference-a-wealth-of-experience-and-launch-giving-australia-research-report/>.

<sup>80</sup> Ibid.

<sup>81</sup> Howard, "Keynote Address to the ACOSS National Congress."

<sup>82</sup> Ibid. See also, Centre for Corporate Public Affairs and Business Council of Australia, "Corporate Community Involvement: Establishing a Business Case," *Australian Government, Department of Family and Community Services and Prime Minister's Community Business Partnership*, Melbourne, 2000, [https://web.archive.org/awa/20070828231400mp\\_/http://www.partnerships.gov.au/downloads/ccipart1.pdf](https://web.archive.org/awa/20070828231400mp_/http://www.partnerships.gov.au/downloads/ccipart1.pdf).

<sup>83</sup> John Howard, "Building a Stronger and Fairer Australia: Liberalisation in Economic Policy and Modern Conservatism in Social Policy," *Address to the 'Australia Unlimited' Roundtable*, 4 May 1999, <https://webarchive.nla.gov.au/awa/19991031130000/http://www.pm.gov.au/media/pressrel/1999/AustraliaUnlimitedRoundtable.htm>. See also, "Address by the Prime Minister to the Benevolent Society's Annual Sydney Leadership Dinner"; "Address at the Launch of St Vincent De Paul Winter Appeal," Sydney, 1 May 2001, <https://pmtranscripts.pmc.gov.au/release/transcript-12279>; "Keynote Address to the ACOSS National Congress"; "New Thinking for Social Accountability," *The Australian*, 15 January 2000.

<sup>84</sup> "Address by the Prime Minister to the Benevolent Society's Annual Sydney Leadership Dinner."

Reference Group reflected the rhetoric of social coalition, taking 'the view that the social support system will be stronger and more sustainable if governments, businesses, not-for-profit organisations and community work together.'<sup>85</sup> The Reference Group particularly indicated an important role for 'community-based organisations' in providing welfare services, suggesting they were 'often key players in the development of successful business-community partnerships.'<sup>86</sup> As with the social coalition itself, this welfare reform was underpinned by Howard's concept of mutual obligation.<sup>87</sup> He outlined the concept stating, 'society, in my view, has a responsibility to look after those who are deserving of help. They in turn have a responsibility to meet reasonable ... requests from society to contribute in return for the assistance they have received.'<sup>88</sup> Goodin argues that, defined in this way, the concept is also connected to 'one of the most deeply seated moral primitives [sic] in the (post-) Judeo-Christian word', a view 'that people cannot enjoy rights without also accepting responsibilities/duties.'<sup>89</sup> It also reflects the Third Way approach, which considers 'citizens are obliged to make a productive contribution to the community in return for any benefit received.'<sup>90</sup>

In considering that welfare recipients needed 'to be willing to do something to help themselves',<sup>91</sup> mutual obligation also supports the view that this group could be 'compelled by governments, through various behaviour modification strategies, to take up opportunities that

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<sup>85</sup> Reference Group on Welfare Reform, "Participation Support for a More Equitable Society: Final Report of the Reference Group on Welfare Reform," *Department of Family and Community Services*, Canberra, July 2000 July 2000,

[https://webarchive.nla.gov.au/awa/20000830114752/http://www.facs.gov.au/internet/facsinternet.nsf/aboutfacs/programs/esp-welfare\\_reform\\_final.htm](https://webarchive.nla.gov.au/awa/20000830114752/http://www.facs.gov.au/internet/facsinternet.nsf/aboutfacs/programs/esp-welfare_reform_final.htm), p. 45.

<sup>86</sup> Ibid.

<sup>87</sup> Braithwaite, Gatens, and Mitchell, "If Mutual Obligation Is the Answer, What Is the Question?" See also, Jennifer Doyle, "The 'Third Way' and Mutual Obligation: Rethinking the Welfare State," *AQ: Australian Quarterly* 75, no. 3 (2003).

<sup>88</sup> John Howard, "The Inaugural Prime Minister's on Prime Ministers Lecture," Old Parliament House, Canberra, 3 September 1997, <https://pmtranscripts.pmc.gov.au/release/transcript-10467>. See also, The Hon John Howard MP, Prime Minister (delivered by The Hon Peter Dutton MP, Minister for Workforce Participation), "Address to the Australian Council of Social Service," Sydney, 10 November 2005, <https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id:%22media/pressrel/WYVH6%22>; John Howard, "Address at the Official Launch of Centrelink (Commonwealth Services Delivery Agency)," The Great Hall, Parliament House, Canberra, 24 September 1997, <https://pmtranscripts.pmc.gov.au/release/transcript-10503>.

<sup>89</sup> Robert E. Goodin, "Structures of Mutual Obligation," *Journal of Social Policy* 31 (2002); Carney and Ramia, "Contractualism and Citizenship: Rivals or Bedfellows?"; Braithwaite, Gatens, and Mitchell, "If Mutual Obligation Is the Answer, What Is the Question?"

<sup>90</sup> Doyle, "The 'Third Way' and Mutual Obligation: Rethinking the Welfare State."

<sup>91</sup> Howard, "Address at the Official Launch of Centrelink (Commonwealth Services Delivery Agency)."

facilitate greater self-reliance.<sup>92</sup> Here it aligns with the paternalistic notion of 'forced freedom',<sup>93</sup> and particularly neoconservative philosopher Lawrence Mead's conception of 'new paternalism', where welfare should 'emphasise duties and obligations as well as needs and rights', and as such becomes conditional on meeting specific requirements in order to impart a particular 'moral character' and conduct in welfare recipients.<sup>94</sup> Howard considered the social coalition as one of the defining characteristics of his 'modern conservatism approach to social policy',<sup>95</sup> and saw the government's role within the coalition as 'fostering a sense of moral obligation and duty amongst its citizens.'<sup>96</sup> The community was considered as playing an important role here. Mendes argued Howard sought 'the relegation of social problems to the private sphere ... principally to reintegrate welfare recipients with what he considered to be mainstream social values and morality.'<sup>97</sup> The involvement of not-for-profit organisations was encouraged, with Mendes suggesting these were 'precisely the types of groups Howard would see as reinforcing mainstream social values.'<sup>98</sup> Many of the not-for-profit organisations promoted through the social coalition and involved in delivering the new welfare services were 'religious charities', which have traditionally emphasised the moral, rather than the structural causes of poverty', and concentrated on solutions based on 'the regeneration of moral character' instead of 'social action or income distribution.'<sup>99</sup> Mendes saw this support of 'old fashioned, paternalistic charity' as representing 'another means of imposing certain values on disadvantaged groups, with the view that it will be 'good for them in the long run.'<sup>100</sup>

### Neoliberalism, Mutual Obligation, and the Social Coalition

Mutual obligation, particularly as it applies to welfare reform, also demonstrates a neoliberal approach. The Welfare Reform Reference Group report viewed mutual obligation as a means of

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<sup>92</sup> Doyle, "The 'Third Way' and Mutual Obligation: Rethinking the Welfare State."

<sup>93</sup> Carney and Ramia, "Contractualism and Citizenship: Rivals or Bedfellows?"; "Mutuality, Mead & McClure: More 'Big M's' for the Unemployed?"; Bessant, "The Politics of Official Talk About Welfare Reform in Australia."

<sup>94</sup> Mendes, "Reconstituting the Public as the Private: John Howard on the Welfare State."; Braithwaite, Gatens, and Mitchell, "If Mutual Obligation Is the Answer, What Is the Question?"; Everingham, "Reconstituting Community: Social Justice, Social Order and the Politics of Community."

<sup>95</sup> Howard, "Quest for a Decent Society."; "Building a Stronger and Fairer Australia: Liberalisation in Economic Policy and Modern Conservatism in Social Policy."

<sup>96</sup> The Hon John Howard MP, Prime Minister (delivered by The Hon Peter Dutton MP, Minister for Workforce Participation), "Address to the Australian Council of Social Service."

<sup>97</sup> Mendes, "Reconstituting the Public as the Private: John Howard on the Welfare State."

<sup>98</sup> Ibid. See also McDonald and Marston, "Fixing the Niche?: Rhetorics of the Community Sector in the Neo-Liberal Welfare Regime."

<sup>99</sup> Everingham, "Reconstituting Community: Social Justice, Social Order and the Politics of Community."; Bessant, "The Politics of Official Talk About Welfare Reform in Australia."; Castles, "A Farewell to Australia's Welfare State."

<sup>100</sup> Mendes, "Reconstituting the Public as the Private: John Howard on the Welfare State."

preventing welfare dependency.<sup>101</sup> This is 'consistent with neoliberal philosophy' because welfare dependency 'is seen to interfere with the regulatory effects of market competition.'<sup>102</sup> Mutual obligation thus evokes the classical liberal distinction between the deserving and undeserving poor. This distinction has been reinvented in the context of neoliberalism with the aim of coercing welfare recipients into altering their 'personal behaviour.'<sup>103</sup> Welfare recipients are considered as 'inferior and subservient' individuals who represent 'an unjustifiable burden on those with a solid work ethic.'<sup>104</sup> Such individuals are contrasted with active citizens who are 'non-dependent, dynamic, moving, productive and profitable.'<sup>105</sup> This distinction is evoked to justify 'administration incentives' and 'the imposition of supervision over behaviours and actions.' Concepts like mutual obligation represent 'a new form of disciplining the poor', effectively asking welfare recipients to 'prove their worth' in order to access benefits.<sup>106</sup> Everingham suggests this approach reflected 'the fundamental assumption about human nature that underlies the *laissez-faire* tradition ... that human beings are essentially self-interested and can be expected to pursue their own private gain.'<sup>107</sup> As such, 'rewards and punishments can be manipulated to engender particular behaviours, creating a welfare system which operates by 'marshalling and manipulating tangible and intangible *incentives*' (italics in the original).<sup>108</sup>

The ends to which these incentives are directed reflect a neoliberal view of the role of the state. Mutual obligation was focused on those welfare recipients with the ability to enter the labour

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<sup>101</sup> Reference Group on Welfare Reform, "Participation Support for a More Equitable Society: Final Report of the Reference Group on Welfare Reform."

<sup>102</sup> Everingham, "Reconstituting Community: Social Justice, Social Order and the Politics of Community."; Gramberg and Bassett, "Neoliberalism and the Third Sector in Australia"; Reference Group on Welfare Reform, "Participation Support for a More Equitable Society: Final Report of the Reference Group on Welfare Reform"; John Howard, "Address to Add Lib- Italian Australian Institute Lunch," Melbourne, 13 October 2000, <https://pmtranscripts.pmc.gov.au/release/transcript-11643>; Anthony Gray and Pauline Collins, "The Interplay of Welfare-to-Work and Work Choices," *Hecate* 33, no. 1 (2007); Margaret Alston, "Social Capital in Rural Australia," *Rural Society* 12, no. 2 (2002).

<sup>103</sup> Mendes, "Reconstituting the Public as the Private: John Howard on the Welfare State."; Terry Carney, "Welfare to Work; or Work-Discipline Re-Visited?," *The Australian Journal of Social Issues* 41, no. 1 (2006); Doyle, "The 'Third Way' and Mutual Obligation: Rethinking the Welfare State."; Carney and Ramia, "Contractualism and Citizenship: Rivals or Bedfellows?"; Castles, "A Farewell to Australia's Welfare State."

<sup>104</sup> Bessant, "The Politics of Official Talk About Welfare Reform in Australia."

<sup>105</sup> Ibid. See also, Carney and Ramia, "Contractualism and Citizenship: Rivals or Bedfellows?"

<sup>106</sup> "Contractualism and Citizenship: Rivals or Bedfellows?"; Castles, "A Farewell to Australia's Welfare State."; Bessant, "The Politics of Official Talk About Welfare Reform in Australia."; Mendes, "Reconstituting the Public as the Private: John Howard on the Welfare State."; Carney, "Welfare to Work; or Work-Discipline Re-Visited?"; Doyle, "The 'Third Way' and Mutual Obligation: Rethinking the Welfare State."; Bettina Cass, "From Meeting Needs and Establishing Entitlements to Enforcing Obligations: 1967-2004," *Australian Journal of Social Issues* 40, no. 1 (2005); Eva Cox, "Philanthropy Fails as a Marketing Objective," *The Australian*, 19 January 2000.

<sup>107</sup> Everingham, "Reconstituting Community: Social Justice, Social Order and the Politics of Community."

<sup>108</sup> Carney, "Welfare to Work; or Work-Discipline Re-Visited?" See also, Braithwaite, Gatens, and Mitchell, "If Mutual Obligation Is the Answer, What Is the Question?"

market, and for this group, payments become conditional on 'making a genuine effort to support ... [themselves] through paid labour.'<sup>109</sup> The welfare reform process sought the 're-orientation' of the welfare support system towards becoming a 'participation support system', and both the interim and final reports of the Welfare Reform Reference Group indicated a focus on developing the skills necessary to gain employment.'<sup>110</sup> The government's 'welfare to work' reforms, which followed the review, sought to engender those attributes 'which would normally be fostered by the labour market', such as honesty and self-reliance.<sup>111</sup> Howard argued the mutual obligation approach would 'help people in the transition to paid jobs by building and maintaining skills, self-esteem and social networks.'<sup>112</sup> This approach reflects a neoliberal view of the role of the state as being to support and provide the necessary conditions for the market as the most appropriate entity for promoting equality and supporting society.<sup>113</sup> This view was reflected by Minister for Workforce Participation Peter Dutton's statement, speaking on behalf of the Prime Minister, that 'the most important contribution government can make to our social wellbeing is to foster a growing, productive economy.'<sup>114</sup>

'Individualised service delivery, with a focus on individual outcomes' was a prominent aspect of the welfare reform process.<sup>115</sup> As well as reflecting 'marketised notions of customised assistance',<sup>116</sup> this individualised approach also reflects the neoliberal view that the common good is

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<sup>109</sup> Goodin, "Structures of Mutual Obligation."; Braithwaite, Gatens, and Mitchell, "If Mutual Obligation Is the Answer, What Is the Question?"

<sup>110</sup> Reference Group on Welfare Reform, "Participation Support for a More Equitable Society: Final Report of the Reference Group on Welfare Reform"; "Participation Support for a More Equitable Society: The Interim Report of the Reference Group on Welfare Reform," *Department of Family and Community Services, Canberra* March 2000, [https://webarchive.nla.gov.au/awa/20000806130000/http://www.facs.gov.au/wr\\_int\\_rep/default.htm](https://webarchive.nla.gov.au/awa/20000806130000/http://www.facs.gov.au/wr_int_rep/default.htm). See also, Peter Dawkins, "The Case for Welfare Reform as Proposed by the McClure Report," *The Australian Economic Review* 34, no. 1 (2001); Chelsey Martin, "PM's Social Coalition 'a Con Job'," *The Australian Financial Review*, 13 January 2000.

<sup>111</sup> Braithwaite, Gatens, and Mitchell, "If Mutual Obligation Is the Answer, What Is the Question?"; Carney and Ramia, "Mutuality, Mead & McClure: More 'Big M's' for the Unemployed?"; Mendes, "Reconstituting the Public as the Private: John Howard on the Welfare State."; Carney, "Welfare to Work; or Work-Discipline Re-Visited?"; Castles, "A Farewell to Australia's Welfare State."

<sup>112</sup> John Howard, "A Stronger More Cohesive Society," *Keynote Address to the Mission Australian National Conference, Canberra, 6 August 2001*, <https://pmtranscripts.pmc.gov.au/release/transcript-12427>.

<sup>113</sup> See Nickel and Eikenberry, "Responding to "Natural" Disasters: The Ethical Implications of the Voluntary State."

<sup>114</sup> The Hon John Howard MP, Prime Minister (delivered by The Hon Peter Dutton MP, Minister for Workforce Participation), "Address to the Australian Council of Social Service."

<sup>115</sup> Reference Group on Welfare Reform, "Participation Support for a More Equitable Society: Final Report of the Reference Group on Welfare Reform"; Bettina Cass and Deborah Brennan, "Communities of Support or Communities of Surveillance and Enforcement in Welfare Reform Debates," *Australian Journal of Social Issues* 37, no. 3 (2002).

<sup>116</sup> Bessant, "The Politics of Official Talk About Welfare Reform in Australia."; Cass, "From Meeting Needs and Establishing Entitlements to Enforcing Obligations: 1967-2004."



achieved through individuals working to 'advance their own circumstances in competition with each other.'<sup>117</sup> This approach also reflected a neoliberal view in looking to 'expand processes of individualisation further into the society.'<sup>118</sup> Everingham argues neoliberalism 'explicitly aims ... to widen the scope of those social relationships which involve formalised obligations and responsibilities between independent individuals.'<sup>119</sup> Mutual obligation promoted a contractual view of welfare, an approach that saw it become structured in a way that was 'characteristic of exchange relations in the labour market.'<sup>120</sup> This contractual approach was also reflected in the government's actions in seeking to 'claim value for the investment that had been made in citizens through mutual obligation.'<sup>121</sup> This idea of a 'return on investment' was referred to in both the interim and final reports of the Welfare Reform Reference Group,<sup>122</sup> and similar market language was used in discussion of the government's 'Stronger Families and Communities Strategy', a significant initiative under the social coalition.<sup>123</sup> This reflects the neoliberal approach of extending market logic and concepts into areas of social policy, indicating a view of the market which sees it as occupying the central position within society.

The contractual focus of mutual obligation suggests a change in the way the role of government is viewed in Australia. Social liberalism had moved away from 'the notion of the atomised individual relating to others only through contract,' developing a significant critique of contract as the basis for society as it did not promote equality.<sup>124</sup> T.H. Green had considered the state's role as being 'not only to uphold contracts but also to prevent some contracts from being made.'<sup>125</sup> The contracts promoted through mutual obligation would appear to represent examples of such contracts, as given that welfare benefits were already means tested, recipients 'had no other

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<sup>117</sup> Gramberg and Bassett, "Neoliberalism and the Third Sector in Australia"; Everingham, "Reconstituting Community: Social Justice, Social Order and the Politics of Community."

<sup>118</sup> "Reconstituting Community: Social Justice, Social Order and the Politics of Community." See also, Braithwaite, Gatens, and Mitchell, "If Mutual Obligation Is the Answer, What Is the Question?"

<sup>119</sup> Everingham, "Reconstituting Community: Social Justice, Social Order and the Politics of Community."

<sup>120</sup> Goodin, "Structures of Mutual Obligation." See also, Carney and Ramia, "Mutuality, Mead & McClure: More 'Big M's' for the Unemployed?"; "Contractualism and Citizenship: Rivals or Bedfellows?"; Everingham, "Reconstituting Community: Social Justice, Social Order and the Politics of Community."; Anderson, "Mutual Obligation, Shared Responsibility Agreements & Indigenous Health Strategy."; Braithwaite, Gatens, and Mitchell, "If Mutual Obligation Is the Answer, What Is the Question?"; Tony Eardley, "Mutual Obligation and the Job Network: The Effect of Competition on the Role of Non-Profit Employment Services," *Australian Journal of Social Issues* 37, no. 3 (2002).

<sup>121</sup> Braithwaite, Gatens, and Mitchell, "If Mutual Obligation Is the Answer, What Is the Question?"

<sup>122</sup> Reference Group on Welfare Reform, "Participation Support for a More Equitable Society: Final Report of the Reference Group on Welfare Reform"; "Participation Support for a More Equitable Society: The Interim Report of the Reference Group on Welfare Reform"; John Howard, "Strengthening Australian Families and Communities," *Media Release*, 16 April 2000, <https://pmtranscripts.pmc.gov.au/release/transcript-22710>.

<sup>123</sup> Howard "Strengthening Australian Families and Communities."

<sup>124</sup> Sawer, *The Ethical State?: Social Liberalism in Australia*, p. 10.

<sup>125</sup> *Ibid*, p. 11.

way to meet their basic needs,' making the contract unequal.<sup>126</sup> Mutual obligation adopted a narrow view of reciprocity where, rather than having 'the strong help the weak, in anticipation that they might (or will) someday be weak and need help in return', it sought 'repayment from the weak, when they are weak', and through 'one very specific thing (entering the labour market).'<sup>127</sup> This seems quite a different view of reciprocity to that envisioned by social liberalism, and reflected in philanthropic activity, where in return for the state's provision of the conditions necessary for securing equality of opportunity, citizens had an obligation to be 'engaging in the life of the community to promote the community interest.'<sup>128</sup> The focus on the individual within mutual obligation also saw a move 'away from building the capacity of education, training and employment programs and other institutions.'<sup>129</sup> This was an important part of securing the necessary conditions for equality of opportunity, and the change suggests a significant shift in the way government's role was envisioned.

Though the emphasis was on the individual within mutual obligation, the community still occupied an important role in delivering welfare services, with this also reflecting a neoliberal approach. In the first instance, the community appeared to be being employed to disguise the government's neoliberal agenda in a similar manner as in the Big Society discussed above. Though some did view the social coalition as consistent with Howard's view on social policy prior to taking government, others suggested his promotion of the social coalition represented an attempt to 'draw fire away from' the implementation of his tax reform agenda, and to counter a perception of 'hard-heartedness' his government had developed.<sup>130</sup> Authors noted that the notion of community was being 'valorised' at the same time government was looking to reduce its responsibility in welfare.<sup>131</sup> Cass and Brennan argued the Welfare Reform Reference Group used the notion of community as 'the salve for welfare policies which remain essentially individualist and contractual in their

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<sup>126</sup> Goodin, "Structures of Mutual Obligation."; Cass, "From Meeting Needs and Establishing Entitlements to Enforcing Obligations: 1967-2004."

<sup>127</sup> Goodin, "Structures of Mutual Obligation."

<sup>128</sup> Alison McClelland, "Mutual Obligation and the Welfare Responsibilities of Government," *Australian Journal of Social Issues* 37, no. 3 (2002).

<sup>129</sup> Cass, "From Meeting Needs and Establishing Entitlements to Enforcing Obligations: 1967-2004."; McClelland, "Mutual Obligation and the Welfare Responsibilities of Government."; Everingham, "Reconstituting Community: Social Justice, Social Order and the Politics of Community."

<sup>130</sup> "Political Chronicles: January to June 2000," *Australian Journal of Politics & History* 46, no. 4 (2000); Dennis Shanahan, "PM Puts Social Policy on Pedestal," *The Australian* 2000; Gerald Henderson, "Howard's Social Muse," *Courier Mail*, 13 January 2000; Debra Way, "Howard Outlines Social Coalition Plan," *Australian Associated Press*, 12 January 2000. See also, Michelle Grattan, "Howard Emerges to Fight a Monster," *Sydney Morning Herald*, 18 January 2000; Michael Harvey, "Taxing Break for PM," *Herald Sun*, 19 January 2000.

<sup>131</sup> McDonald and Marston, "Fixing the Niche?: Rhetorics of the Community Sector in the Neo-Liberal Welfare Regime."; Gramberg and Bassett, "Neoliberalism and the Third Sector in Australia"; Everingham, "Reconstituting Community: Social Justice, Social Order and the Politics of Community."

practice.<sup>132</sup> Everingham also felt the Reference Group's 'almost sole reliance on community solutions' allowed government to evade its 'obligation to undertake, on behalf of society, programs and policies designed to overcome structural disadvantage and unemployment.'<sup>133</sup> Howard saw his government's efforts towards 'sustaining the vital balance of public and private resources in areas of health and education' as examples of 'a social coalition on a strategic scale.'<sup>134</sup> However, government actions such as industrial relations reform, cuts to public school funding while increasing funds for private schools, and the 'promotion of the private health system through the introduction of the private health insurance rebate' were considered more consistent with a neoliberal policy agenda than the rhetoric of partnership promoted through the social coalition.<sup>135</sup>

Howard indicated that he saw the social coalition as a way of addressing the growing and increasingly politicised gap between the rich and poor, acknowledging that 'not everyone is sharing equally in the benefits flowing from our current economic strength.'<sup>136</sup> It was thought that community involvement could 'help bridge the deepening social divisions' that had resulted from neoliberal economic policies, and compensate for any 'shortfalls' in provision without requiring direct government investment, 'which would risk crowding out private investment.'<sup>137</sup> This supports a neoliberal view of the role of the state as being to support the market. This view is also demonstrated in Everingham's argument that the values of the community tend to stem from 'social relations which are embedded in its system of economic organisation.'<sup>138</sup> As such, community organisations will seek to inculcate in welfare recipients those traits 'necessary to succeed in an increasingly competitive world' such as 'self-reliance and individual enterprise.'<sup>139</sup> As communities also function 'as sites of surveillance and control', they are also likely to discipline those who do not conform to such values, particularly when conforming is constructed as an obligation or legal requirement.<sup>140</sup> This suggests that community involvement in welfare reform could be considered to

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<sup>132</sup> Cass and Brennan, "Communities of Support or Communities of Surveillance and Enforcement in Welfare Reform Debates."

<sup>133</sup> Doyle, "The 'Third Way' and Mutual Obligation: Rethinking the Welfare State."

<sup>134</sup> Howard, "Address by the Prime Minister to the Benevolent Society's Annual Sydney Leadership Dinner."

<sup>135</sup> Gramberg and Bassett, "Neoliberalism and the Third Sector in Australia"; Wilson and Meagher, "Howard's Welfare State: How Popular Is the New Social Policy Agenda?"

<sup>136</sup> Howard, "Quest for a Decent Society."; Shanahan, "PM Puts Social Policy on Pedestal."; Louise Dodson, "Crunch Time for Government," *The Australian Financial Review* 10 January 2000.

<sup>137</sup> Everingham, "Reconstituting Community: Social Justice, Social Order and the Politics of Community."; Gramberg and Bassett, "Neoliberalism and the Third Sector in Australia"; Reference Group on Welfare Reform, "Participation Support for a More Equitable Society: Final Report of the Reference Group on Welfare Reform"; Cass and Brennan, "Communities of Support or Communities of Surveillance and Enforcement in Welfare Reform Debates."

<sup>138</sup> Everingham, "Reconstituting Community: Social Justice, Social Order and the Politics of Community."

<sup>139</sup> Ibid.

<sup>140</sup> Cass, "From Meeting Needs and Establishing Entitlements to Enforcing Obligations: 1967-2004."

promote a neoliberal approach, not just disguise it. King and Meagher also suggest that the influence of market principles on welfare service provision would 'result in paid care being de-politicized', that is, falling 'outside the domain of democratic deliberation and active policy intervention.'<sup>141</sup> This view would align with a neoliberal view of the role of the state, conceiving it more narrowly in terms of supporting the market.

Community involvement in welfare provision was also seen as means to 'embed the government's neoliberal agenda' within the not-for-profit sector itself.<sup>142</sup> New funding arrangements, themselves more contractual in nature, which emphasised efficiency and outcomes, along with the government's desire to create 'contestability', forced the sector to 'transform its structures, operations and administration', and to 'imitate the practice of for-profit enterprises.'<sup>143</sup> The emphasis on competition in particular reflects the new public management approach of creating 'markets in areas traditionally served by government,'<sup>144</sup> and demonstrates a neoliberal view of the role of the state as a creator and facilitator of markets.<sup>145</sup> Authors including Gabrielle Meagher have discussed the impact of marketisation on the not-for-profit sector.<sup>146</sup> Concerns were expressed that the competitive elements of the new approach would conflict with the traditional impulses of community organisations towards information-sharing and cooperation.<sup>147</sup> It was also considered that the process of market creation favours larger organisations resulting in a loss of 'local

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<sup>141</sup> King and Meagher, "Introduction: Politics, Profits and Practices in Child and Aged Care."

<sup>142</sup> Gramberg and Bassett, "Neoliberalism and the Third Sector in Australia." See also, Everingham, "Reconstituting Community: Social Justice, Social Order and the Politics of Community."; Carney and Ramia, "Contractualism and Citizenship: Rivals or Bedfellows?"; Michelle Gunn, "New Era Appropriate Time to Give 'Halo' Effect the Slip," *The Australian* 24 January 2000.

<sup>143</sup> Gramberg and Bassett, "Neoliberalism and the Third Sector in Australia." Sarah Maddison, Richard Dennis, and Clive Hamilton, "Silencing Dissent: Non-Government Organisations and Australian Democracy," *The Australia Institute*, June 2004, <https://www.tai.org.au/node/928>; Gemma Edgar, "Agreeing to Disagree: Maintaining Dissent in the NGO Sector," *Discussion Paper Number 100*, The Australia Institute, August 2008, [https://www.tai.org.au/sites/default/files/DP100\\_8.pdf](https://www.tai.org.au/sites/default/files/DP100_8.pdf); Carney and Ramia, "Mutuality, Mead & McClure: More 'Big M's' for the Unemployed?"; King and Meagher, "Introduction: Politics, Profits and Practices in Child and Aged Care."

<sup>144</sup> Gramberg and Bassett, "Neoliberalism and the Third Sector in Australia."

<sup>145</sup> Ibid; Everingham, "Reconstituting Community: Social Justice, Social Order and the Politics of Community."; Carney and Ramia, "Contractualism and Citizenship: Rivals or Bedfellows?"

<sup>146</sup> See e.g. Gabrielle Meagher and Susan Goodwin, "Introduction: Capturing Marketisation in Australian Social Policy," in *Markets, Rights and Power in Australian Social Policy*, ed. Gabrielle Meagher and Susan Goodwin, Vol. 1 (Sydney: Sydney University Press, 2015); King and Meagher, "Introduction: Politics, Profits and Practices in Child and Aged Care."; Meagher and Goodwin, "Introduction: Capturing Marketisation in Australian Social Policy."; Wanna, "Delivering under Pressure: Public Service, Productivity and Performance."; Mitropoulos and Bryan, "Social Benefit Bonds: Financial Markets inside the State."; Wanna, Lee, and Yates (eds.), *Managing Under Austerity, Delivering Under Pressure: Performance and Productivity in Public Service*.

<sup>147</sup> Gramberg and Bassett, "Neoliberalism and the Third Sector in Australia"; Eardley, "Mutual Obligation and the Job Network: The Effect of Competition on the Role of Non-Profit Employment Services."; Carney and Ramia, "Mutuality, Mead & McClure: More 'Big M's' for the Unemployed?"

knowledge, expertise and networks.<sup>148</sup> The new funding arrangements also limited the advocacy role of not-for-profit organisations, restricting their ability to criticise government.<sup>149</sup> This suggests that the social coalition's desire to establish partnerships and promote a cooperative approach was simply rhetorical as otherwise, this rhetoric would have been 'followed by practices designed to build mutuality, trust and strengthened networks.'<sup>150</sup>

The Job Network established by the Howard government provides an example demonstrating the neoliberal approach as it relates to both community involvement and to the role of the state. Howard considered the Job Network an example of the social coalition, describing it as 'a partnership between non-government employment service providers and government.'<sup>151</sup> It consisted of public, private, and not-for-profit organisations, which competed 'for contracts to deliver services to unemployed people.'<sup>152</sup> Howard suggested these entities, 'motivated by high ideals, stirred by a sense of vocation, guided by local knowledge of their communities can help job seekers better than a bureaucracy forced to work to rigid regulation.'<sup>153</sup> This reflects a neoliberal view of the role of the state as being unable to promote innovation, a view which sees it occupying a secondary position to the market. Carney and Ramia suggest the Job Network was 'informed by the free market logic of contestability, performance-based funding, local competition between providers, and flexibility.'<sup>154</sup> The Job Network created a quasi-marketplace, with contracts underpinned by 'economic efficiency principles and focused on individualised service.'<sup>155</sup> While the government body Centrelink was nominally responsible for enforcing penalties under mutual obligation, it relied on data and information from the contracted service providers, designating these

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<sup>148</sup> Alston, "Social Capital in Rural Australia."; Cass and Brennan, "Communities of Support or Communities of Surveillance and Enforcement in Welfare Reform Debates."; Everingham, "Reconstituting Community: Social Justice, Social Order and the Politics of Community."

<sup>149</sup> Gramberg and Bassett, "Neoliberalism and the Third Sector in Australia"; Edgar, "Agreeing to Disagree: Maintaining Dissent in the NGO Sector"; Maddison, Denniss, and Hamilton, "Silencing Dissent: Non-Government Organisations and Australian Democracy."

<sup>150</sup> Alston, "Social Capital in Rural Australia."; Cass and Brennan, "Communities of Support or Communities of Surveillance and Enforcement in Welfare Reform Debates."

<sup>151</sup> Howard, "The Next Ten Years." See also "Address by the Prime Minister to the Benevolent Society's Annual Sydney Leadership Dinner."

<sup>152</sup> Rachel Bacon, "Rewriting the Social Contract - the SSAT, the AAT and the Contracting out of Employment Services," *Federal Law Review* 30 (2002); Eardley, "Mutual Obligation and the Job Network: The Effect of Competition on the Role of Non-Profit Employment Services."

<sup>153</sup> Howard, "Address by the Prime Minister to the Benevolent Society's Annual Sydney Leadership Dinner."

<sup>154</sup> Carney and Ramia, "Mutuality, Mead & McClure: More 'Big M's' for the Unemployed?"; Carney, "Welfare to Work; or Work-Discipline Re-Visited?"

<sup>155</sup> "Welfare to Work; or Work-Discipline Re-Visited?"; Eardley, "Mutual Obligation and the Job Network: The Effect of Competition on the Role of Non-Profit Employment Services."

organisations as 'the locus of real responsibility.'<sup>156</sup> In its emphasis on 'efficiency and satisfaction rather than equitable treatment', it also indicated an 'abdication of Government's responsibilities as a guarantor of equality and fairness of administration.'<sup>157</sup> This example suggests that mutual obligation, as reflected in the government's welfare reform process, demonstrated a neoliberal approach, and particularly a neoliberal influenced view of the role of the state.

### Criticism of the Social Coalition

Criticism of the social coalition viewed it as a rhetorical device employed to distract from the government's pursuit of a neoliberal agenda. Similar to the Big Society, it was argued that the social coalition did not adequately account for the uneven distribution of resources between communities, and that its focus on local geographical communities in a globalised world rendered it 'an old-fashioned idea for a new age.'<sup>158</sup> Criticism focused most prominently though on the concern that through the social coalition, the Howard Government was looking to utilise private philanthropy as a substitute for public funding with a view to reducing the role of government in welfare and social policy.<sup>159</sup> For example, Opposition Labor MP Annette Ellis argued:

while we see government spending being cut so dramatically, we hear at the same time the call to volunteer and the organisations out there to take on more and more of the role of government... We hear much from the Prime Minister about the social coalition, corporate philanthropy and many things, but they all mean the same thing- the devolution of government responsibility and the growing expectation and almost growing demand that someone else do it for them.<sup>160</sup>

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<sup>156</sup> Carney and Ramia, "Mutuality, Mead & McClure: More 'Big M's' for the Unemployed?"; Eardley, "Mutual Obligation and the Job Network: The Effect of Competition on the Role of Non-Profit Employment Services."; Castles, "A Farewell to Australia's Welfare State."

<sup>157</sup> Carney and Ramia, "Mutuality, Mead & McClure: More 'Big M's' for the Unemployed?"

<sup>158</sup> Kim Beazley, "Government Can't Evade Accountability," *The Australian*, 17 January 2000; Tony Harris, "Social Coalition No Help to States," *The Australian Financial Review*, 18 January 2000; Mungo MacCallum, "Parable of the Passed Buck," *Sydney Morning Herald*, 22 January; Henderson, "Howard's Social Muse."; Cox, "Philanthropy Fails as a Marketing Objective."; "New Social Order More Like Old Feudal Times," *Canberra Times*, 29 January 2000; Cass and Brennan, "Communities of Support or Communities of Surveillance and Enforcement in Welfare Reform Debates."; Bessant, "The Politics of Official Talk About Welfare Reform in Australia."; McDonald and Marston, "Fixing the Niche?: Rhetorics of the Community Sector in the Neo-Liberal Welfare Regime."

<sup>159</sup> See Mendes, "Reconstituting the Public as the Private: John Howard on the Welfare State."; *Australia's Welfare Wars Revisited: The Players, the Politics and the Ideologies*, pp. 146-147; Harris, "Social Coalition No Help to States."; Richard. McGregor, "PM Policy a Social Disservice - ALP," *The Australian*, 13 January 2000.

<sup>160</sup> Annette Ellis, "Appropriation Bill (No.3) 1999-2000: Appropriation Bill (No. 4) 1999-2000: Second Reading," *Parliamentary Debates*, Australia, House of Representatives, 13 March, pp. 14584-14586, [https://parlinfo.aph.gov.au/parlInfo/download/chamber/hansardr/2000-03-13/toc\\_pdf/239-3752.pdf;fileType=application%2Fpdf#search=%22chamber/hansardr/2000-03-13/0000%22](https://parlinfo.aph.gov.au/parlInfo/download/chamber/hansardr/2000-03-13/toc_pdf/239-3752.pdf;fileType=application%2Fpdf#search=%22chamber/hansardr/2000-03-13/0000%22).

Fellow Labor MP Harry Jenkins argued that the social coalition represented 'a major shift of core governmental responsibility to non-government entities', arguing that, given its 'ad hoc nature', all forms of private philanthropy should be 'adjuncts to government, not substitutes for it.'<sup>161</sup> Labor's Mark Latham argued similarly that a reliance on philanthropy limited the role of government by allowing 'companies to direct the benefit of public money involved in the tax concession.'<sup>162</sup>

Where criticism of the social coalition differs from that of the Big Society is that it reflects a particular view of the role of the state, and its relationship with philanthropy. Opposition leader Kim Beazley, writing in *The Australian*, suggested that the social coalition represented a 'crucial misreading of ... the role of government', arguing that:

Caring for the needy in our society is a moral responsibility of a civilised and fair society, not just a question of service delivery. The reason government has taken a lead role in the past is because it is the one institution through which we as a community can guarantee that moral responsibility is fulfilled.<sup>163</sup>

By contrast, Beazley argued the social coalition considered 'the quality (and quantity) of social services should instead depend on the capacity of a patchwork of different providers - with government playing an even smaller role.'<sup>164</sup> Deputy Opposition leader Simon Crean echoed this view, claiming that Howard felt 'the most needy in society should be looked after only as a charity, not as a moral responsibility of a civilised society.'<sup>165</sup> He also suggested businesses 'should not be the ones left to fill funding holes created by an uncaring government.'<sup>166</sup>

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<sup>161</sup> Harry Jenkins, "Grievance Debate: Corporate Philanthropy," *Parliamentary Debates*, Australia, House of Representatives, 9 October, p. 21080,

[https://parlinfo.aph.gov.au/parlInfo/download/chamber/hansardr/2000-10-09/toc\\_pdf/737-973.pdf;fileType=application%2Fpdf#search=%22chamber/hansardr/2000-10-09/0000%22](https://parlinfo.aph.gov.au/parlInfo/download/chamber/hansardr/2000-10-09/toc_pdf/737-973.pdf;fileType=application%2Fpdf#search=%22chamber/hansardr/2000-10-09/0000%22).

<sup>162</sup> Mark Latham, "Taxation Laws Amendment Bill (No. 8) 1999: Consideration of Senate Message."

*Parliamentary Debates*, Australia, House of Representatives. 9 May, p. 16081-16082,

[https://parlinfo.aph.gov.au/parlInfo/download/chamber/hansardr/2000-05-09/toc\\_pdf/399-5146.pdf;fileType=application%2Fpdf#search=%22chamber/hansardr/2000-05-09/0000%22](https://parlinfo.aph.gov.au/parlInfo/download/chamber/hansardr/2000-05-09/toc_pdf/399-5146.pdf;fileType=application%2Fpdf#search=%22chamber/hansardr/2000-05-09/0000%22); "Taxation Laws Amendment Bill (No. 8) 1999: Second Reading." *Parliamentary Debates*, Australia, House of Representatives, 22 September 1999, pp. 10174-10177,

[https://parlinfo.aph.gov.au/parlInfo/download/chamber/hansardr/1999-09-22/toc\\_pdf/H%201999-09-22.pdf;fileType=application%2Fpdf#search=%221990s%201999%2009%2022%22](https://parlinfo.aph.gov.au/parlInfo/download/chamber/hansardr/1999-09-22/toc_pdf/H%201999-09-22.pdf;fileType=application%2Fpdf#search=%221990s%201999%2009%2022%22); "Private Members Business: Banking Services," *Parliamentary Debates*, Australia, House of Representatives, 18 June 2001, pp. 27734-27736, [https://parlinfo.aph.gov.au/parlInfo/download/chamber/hansardr/2001-06-18/toc\\_pdf/1344-1.pdf;fileType=application%2Fpdf#search=%22chamber/hansardr/2001-06-18/0000%22](https://parlinfo.aph.gov.au/parlInfo/download/chamber/hansardr/2001-06-18/toc_pdf/1344-1.pdf;fileType=application%2Fpdf#search=%22chamber/hansardr/2001-06-18/0000%22).

<sup>163</sup> Beazley, "Government Can't Evade Accountability."

<sup>164</sup> Ibid.

<sup>165</sup> McGregor, "PM Policy a Social Disservice - ALP."; Karen Middleton, "Howard in Search for Social Coalition" *The West Australian*, 13 January 2000.

<sup>166</sup> Martin, "PM's Social Coalition 'a Con Job'."

Similar views were also expressed outside of parliament.<sup>167</sup> The National Australia Bank suggested the social coalition implied 'that you can reduce the state's contribution to social welfare by increasing that of the corporate sector.'<sup>168</sup> The Business Council of Australia argued it was 'the legitimate and indeed the essential role of government to provide policies, social services and programs', while business sought to 'generate investment and industry.'<sup>169</sup> Research on corporate citizenship also found businesses were 'suspicious of being asked to accept a transfer of responsibility in areas traditionally served by government', and did not 'see themselves as necessarily competent to assume additional roles in the community.'<sup>170</sup> The Catholic Commission for Justice, Development and Peace argued 'Government cannot abrogate its responsibility' in areas of social policy, seeing its role as moving beyond charity to 'fix up the cause of disadvantage and enable an environment where human dignity is respected.'<sup>171</sup> Philanthropy's role was to 'complement this.'<sup>172</sup> The Smith Family expressed concern that the desire to promote corporate philanthropy could be interpreted as 'shirking government responsibility.'<sup>173</sup> This view was shared by welfare peak body the Australian Council of Social Services (ACOSS), which considered 'some responsibilities, only government can assume', being in 'critical areas of public policy.'<sup>174</sup> ACOSS's former president and New South Wales Commissioner of Community Services argued, 'governments have a legitimate and primary role in the fostering of social and economic equity', and 'cannot ignore or contract out their responsibilities for the maintenance of a fair and inclusive community.'<sup>175</sup> He considered

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<sup>167</sup> Mendes, *Australia's Welfare Wars Revisited: The Players, the Politics and the Ideologies*, p. 147; See also, MacCallum, "Parable of the Passed Buck."; Dodson, "Crunch Time for Government."; "Charities Face Corporate Competition," *The Australian*, 24 January 2000; Harris, "Social Coalition No Help to States."; Gunn, "New Era Appropriate Time to Give 'Halo' Effect the Slip."; Lowitja O'Donoghue, "Australia Day Address 2000 by Dr Lowitja O'Donoghue," *Speech*, Sydney, 24 January 2000, <https://www.australiaday.com.au/whats-on/australia-day-address/australia-day-address-2000-by-dr-lowitja-odonoghue/>; Howard, "New Thinking for Social Accountability."

<sup>168</sup> Ron Burke, "A New Model for Corporate Philanthropy," *Family Matters* 51, no. Spring/Summer (1998).

<sup>169</sup> MacCallum, "Parable of the Passed Buck." See also, Centre for Corporate Public Affairs in conjunction with Business Council of Australia, "Corporate Community Involvement: Establishing a Business Case."

<sup>170</sup> "Corporate Community Involvement: Establishing a Business Case."

<sup>171</sup> Liz Curran, "PM's Plan to Off-Load Welfare," *The Australian*, 7 November 1998.

<sup>172</sup> *Ibid.*

<sup>173</sup> Caitlin Cronin, "Corporate Social Responsibility in Australia: A Select Review of the Literature," *Background Paper No. 3*, The Smith Family, 2001

[http://library.bsl.org.au/jspui/bitstream/123456789/382/1/Corporate%20Social%20Responsibility%20in%20Australia\\_SmithFamily.pdf](http://library.bsl.org.au/jspui/bitstream/123456789/382/1/Corporate%20Social%20Responsibility%20in%20Australia_SmithFamily.pdf); Robert Simons, "Joint Committee on Corporations and Financial Services. Reference: Corporate Responsibility," *Official Committee Hansard*, Sydney, 23 November 2005, <https://www.aph.gov.au/binaries/hansard/joint/commttee/j8914.pdf>.

<sup>174</sup> Michael Raper, "Examining the Assumptions Behind the Welfare Review," in *Reforming the Welfare State*, ed. Peter Saunders (Melbourne: Australian Institute of Family Studies, December 2000); Gordon Gregory, "In Some Cases Survival Depends on Welfare," *The Australian* 14 January 2000; Eleri Morgan-Thomas, "Bridging the Great Divide," *Courier Mail* 21 January 2000; Middleton, "Howard in Search for Social Coalition "; Way, "Howard Outlines Social Coalition Plan."

<sup>175</sup> Robert Fitzgerald, "Don't Contract out Responsibility," *The Australian*, 13 January 2000.



philanthropy 'should be encouraged, but not in substitution of adequate support through governments on behalf of the community at large.'<sup>176</sup>

Howard disputed these criticisms, stating that the social coalition was not 'some kind of excuse for the Government reducing its role or retreating away from its responsibilities', but rather about 'finding better ways of delivering on' those responsibilities.<sup>177</sup> Beazley argued though that through budget cuts, the Howard government had 'already reduced the role of the state', and this had resulted in charities and communities being 'forced to fill the gaps.'<sup>178</sup> Although Howard argued his government had increased spending on health, education and welfare,<sup>179</sup> funding cuts to not-for-profit organisations and to the welfare budget meant that it was 'not hard to believe' the social coalition intended to further reduce government's role.<sup>180</sup> It was felt that were the aim to strengthen communities, more government spending would be necessary, as 'higher levels of trust in others tends to correlate with economic prosperity, government intervention and lower inequality.'<sup>181</sup> The government's denial of a GST exemption request from charities, which had been made on the basis that the tax would represent 'an imposition that would reduce the services they could provide', was particularly felt to undermine the social coalition's rhetoric regarding partnerships with the not-for-profit sector.<sup>182</sup>

These criticisms of the social coalition demonstrate a particular view of the role of the state and its relationship with philanthropy. Government is felt to play an important role in addressing the causes of disadvantage to support welfare, while philanthropy, along with the not-for-profit sector more broadly, is viewed as playing a 'complementary' role. For example, Gray et al. argued from a social work perspective that the social coalition 'should be seen as a complement to, rather than a replacement for, governmental involvement in social service provision', and that 'government has a

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<sup>176</sup> Ibid.

<sup>177</sup> Howard, "Address at the Launch of St Vincent De Paul Winter Appeal." See also, "Quest for a Decent Society."; "Address by the Prime Minister to the Benevolent Society's Annual Sydney Leadership Dinner"; "Study Finds 4.5m Aussies Collect Social Security Allowances 27% of Population on Benefits," *Hobart Mercury*, 26 January 2000.

<sup>178</sup> Beazley, "Government Can't Evade Accountability." Others made similar arguments. See e.g. Wayne Swan, "House of Representatives Family and Community Services and Veterans' Affairs Legislation Amendment (2003 Budget and Other Measures) Bill 2003: Second Reading," *Parliamentary Debates*, Australia, House of Representatives, 7 October, p. 20653, [https://parlinfo.aph.gov.au/parlInfo/download/chamber/hansardr/2003-10-07/toc\\_pdf/2904-2.pdf;fileType=application%2Fpdf#search=%22chamber/hansardr/2003-10-07/0000%22](https://parlinfo.aph.gov.au/parlInfo/download/chamber/hansardr/2003-10-07/toc_pdf/2904-2.pdf;fileType=application%2Fpdf#search=%22chamber/hansardr/2003-10-07/0000%22); MacCallum, "Parable of the Passed Buck."

<sup>179</sup> Howard, "The Next Ten Years."

<sup>180</sup> MacCallum, "Parable of the Passed Buck."

<sup>181</sup> Cox, "Philanthropy Fails as a Marketing Objective."

<sup>182</sup> David Nason, "Charities Forced into the 'Jungle'" *The Australian*, 25 January; Richard McGregor, "Social Coalition Fights GST," *The Australian* 24 January 2000; "Charities Face Corporate Competition."

role to play in investigating sustainable community initiatives and resourcing innovative community enterprises and participatory processes.<sup>183</sup> This reflects the relationship between government and philanthropy embedded within the social liberal path dependency, where the state occupies a central position in promoting equality of opportunity and philanthropy fulfills an ancillary role as an expression of active citizenship. While in the context of welfare reform mutual obligation reflected a neoliberal approach, in its efforts to encourage increased philanthropic activity the social coalition did align more closely with Australian philanthropy's ancillary role. This raises a question regarding the continued influence of the social liberal path dependency and the neoliberal challenge to it.

### Active Citizenship

Philanthropy's ancillary role was particularly demonstrated through the actions of the Prime Minister's Community Business Partnership. John Howard established the Partnership in 1999 to 'play an important role in developing a new social coalition in Australia', and in particular, to 'advise the government on strategies to foster philanthropic giving in Australia.'<sup>184</sup> It can be argued the Partnership's most effective and influential action was the development of new taxation arrangements to support philanthropy.<sup>185</sup> Howard considered these new measures to reflect 'the social coalition at work: the government provides the tax break, the corporate sector responds, and the needy in the community get the benefit of that assistance', through the not-for-profit organisation.<sup>186</sup> This statement does reflect a neoliberal view of the state's role as being to support the market as the central entity in promoting equality of opportunity. David Gonski, who chaired the Partnership's Taxation Working Group, though later observed that his approach to the new arrangements had been 'based on the philosophy that the taxpayer pays taxes, and the government

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<sup>183</sup> Gray, Healy, and Crofts, "Social Enterprise: Is It the Business of Social Work?"

<sup>184</sup> John Howard, "Announcement of Members of the Prime Minister's Community Business Partnership," *Media Release*, 19 August 1999, <https://webarchive.nla.gov.au/awa/20000504130000/http://www.pm.gov.au/media/pressrel/1999/business1908.htm>; Gonski, *I Gave a Gonski: Selected Speeches*.

<sup>185</sup> It also initiated the original *Giving Australia* research project, described as 'the most comprehensive survey ever of the contributions made in money and time by Australian individuals and businesses.' Australian Government, Department of Social Services, "The Former Prime Minister's Community Business Partnership Resources," <https://www.dss.gov.au/communities-and-vulnerable-people/programmes-services/the-prime-ministers-community-business-partnership/the-former-prime-ministers-community-business-partnership-resources>.

<sup>186</sup> John Howard, "Questions without Notice: Taxation: Charities," *Parliamentary Debates*, Australia, 29 March 1999, pp. 4558-4559, [https://parlinfo.aph.gov.au/parlInfo/download/chamber/hansardr/1999-03-29/toc\\_pdf/H%201999-03-29.pdf;fileType=application%2Fpdf#search=%221990s%201999%2003%2029%22](https://parlinfo.aph.gov.au/parlInfo/download/chamber/hansardr/1999-03-29/toc_pdf/H%201999-03-29.pdf;fileType=application%2Fpdf#search=%221990s%201999%2003%2029%22).

is responsible for distributing that money for social good.<sup>187</sup> This suggests that the group had also been influenced by a social liberal view of the role of the state.

The most prominent of the proposed taxation measures was the introduction of a new vehicle for tax-deductible philanthropy in Prescribed Private Funds (later renamed Private Ancillary Funds), which as *chapter three* establishes, both reflect and reinforce philanthropy's ancillary role. Distributions from Prescribed Private Funds were restricted to organisations which fit within a popular definition of charity, and which overlap with what are considered to be the welfare responsibilities of the state, reflecting the regulatory tradition in Australia.<sup>188</sup> The entities themselves were also prohibited from engaging directly in service provision and restricted to providing a supporting role through the provision of funds.<sup>189</sup> Philanthropic activity conducted through this new vehicle was thus required to perform an ancillary role in distributing funds to particular areas where they were supporting the state in promoting equality of opportunity. As such, the introduction of Prescribed Private Funds aligned with the established relationship between government and philanthropy. Given the connection of this relationship to the social liberal path dependency, the activities of the Prime Minister's Community Business Council in this area would appear to suggest its continued influence Australia.

Howard's rhetoric regarding mutual obligation, as it applied to encouraging increased philanthropy in the context of the social coalition, did also reflect a broader view of the concept which aligned with Australian philanthropy's ancillary role as an expression of active citizenship. The Prime Minister's Community Business Partnership was comprised of 'prominent Australia's from the business and community sectors', including noted philanthropists, and in the government's view this group demonstrated 'the great willingness of Australians from all walks of life to give something back to their community and to the nation.'<sup>190</sup> Constructing the Partnership in these terms reflects

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<sup>187</sup> Gonski, *I Gave a Gonski: Selected Speeches*, pp. 28-29. See also, John Howard, Peter Costello, and Jocelyn Newman, "Federal Government Tax Measures to Encourage Philanthropy," *Media Release*, 26 March 1999, <https://webarchive.nla.gov.au/awa/20000409162003/http://www.pm.gov.au/media/pressrel/1999/philanthropy2603.htm>; Howard, "Community-Business Partnership Develops New Tax Initiatives to Promote Philanthropy."

<sup>188</sup> See e.g. Australian Government, Australian Taxation Office, "Types of DGRs."; Martin, "The Sociopolitical and Legal History of the Tax Deduction for Donations to Charities in Australia and How the 'Public Benevolent Institution' Developed."; O'Connell, "Charitable Treatment? – a Short History of Taxation of Charities in Australia."

<sup>189</sup> See Commonwealth of Australia, "Private Ancillary Fund Guidelines 2009"; Australian Government, Australian Taxation Office, "Types of DGRs."

<sup>190</sup> Patterson, "Speech to Open the International Philanthropy Conference: A Wealth of Experience and Launch Giving Australia Research Report." See also, Gianni Zappalà, "Corporate Citizenship and the Role of Government: The Public Policy Case," *Research Paper*, No. 4 2003–04. Department of the Parliamentary Library Information and Research Services, December 2003, <https://www.aph.gov.au/binaries/library/pubs/rp/2003-04/04rp04.pdf>; John Howard, "Federation Address

Howard's conception of the social coalition as a form of mutual obligation where those who have been successful have a duty to give back to the community that has enabled their success.<sup>191</sup> Speaking at a partnership event in 2003, Howard suggested that 'the idea that it was part of your responsibility of [sic] successful corporate citizens to give something back to the community and to work together with others to achieve goals for Australia', was one that had 'really taken root' as a result of the social coalition.<sup>192</sup> Partnership member Richard Pratt demonstrated this, considering his philanthropy in terms of 'a need to give back to a society that had offered him so many opportunities.'<sup>193</sup> This differs from the narrower contractual view of mutual obligation indicated within the rhetoric surrounding welfare reform, and in this context mutual obligation more closely reflects philanthropy's connection to the social liberal path dependency in occupying an ancillary role, operating alongside the ethical state as an expression of active citizenship.

The social liberal concept of active citizenship involved 'engaging in the life of the community to promote the common interest.'<sup>194</sup> Social liberalism considered 'the community, in the form of the state, had the obligation to provide equal opportunity to its members, but one aspect of this equal opportunity was the capacity and the duty to contribute to the community through active citizenship.'<sup>195</sup> In framing the social coalition in terms of 'giving back' to the community, Howard evoked this concept of active citizenship, which is connected to the social liberal view of the role of the state. Active citizenship supported the functioning of the social liberal ethical state, and it was part of the state's role to encourage active citizenship within the community. Howard's focus on increasing community involvement in welfare also aligns with active citizenship, as the concept considers the community to be important in ensuring citizens reach their full potential.<sup>196</sup> Social liberalism considered both that 'the full development of potential only occurred in the context of active citizenship', and that 'the realisation of individual potential could take place only in relationship with the community.'<sup>197</sup> Howard's evocation of this concept of active citizenship may have represented an attempt to disguise or distract from a neoliberal agenda, as criticism of the

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'the Australian Way'," *Presented to The Queensland Chamber of Commerce and Industry*, 28 January 1999, <https://pmtranscripts.pmc.gov.au/release/transcript-31856>; Howard, Costello, and Newman, "Federal Government Tax Measures to Encourage Philanthropy."; Howard, "The Next Ten Years: John Howard's Federation Address."

<sup>191</sup> Howard, "Keynote Address to the ACOSS National Congress."

<sup>192</sup> "Address at the Prime Minister's Community Business Partnership Awards Dinner." One member of the social coalition, Richard Pratt, represented an example of this, indicating that he considered his philanthropy in terms of 'a need to give back to a society that had offered him so many opportunities.' Kirby and Rod Myer, *Richard Pratt: One out of the Box: The Secrets of an Australian Billionaire*, p. 103.

<sup>193</sup> *Richard Pratt: One out of the Box: The Secrets of an Australian Billionaire*, p. 103.

<sup>194</sup> Sawyer, *The Ethical State?: Social Liberalism in Australia*, p. 10.

<sup>195</sup> *Ibid*, p. 10.

<sup>196</sup> *Ibid*, p. 153.

<sup>197</sup> *Ibid*, p. 10.

social coalition suggested. However, even were this to be the case the use of active citizenship in the rhetoric surrounding the social coalition suggests the continued relevance of the concept. This then also suggests that the social liberal path dependency, and the particular view of the role of the state it promotes, may remain influential in some capacity within Australian society.

A wider conception of mutual obligation was reflected in the final report of the Welfare Reform Reference Group. The Group had been asked to consider 'the broader application of mutual obligation' in its terms of reference, and the report stated, 'in our view the whole social support system ... is a very tangible expression of the mutual obligations of the community as a whole towards its more vulnerable members.'<sup>198</sup> This aligns with the social liberal position where the state, representing the community, 'had the obligation to provide equal opportunity to its members.'<sup>199</sup> One member of the Reference Group, Peter Dawkins, stated separately that it had 'argued a broad view of the mutual obligations should be taken' that emphasised 'obligations on all parts of society' including government and business.<sup>200</sup> It 'sought to place the process of reform of the income support system and associated government services in the context of a role for all parts of society through mutual obligation and social partnerships.'<sup>201</sup> The report argues, 'the social support support system will be stronger and more sustainable if government, business, not-for-profit organisations and communities work together to maximise opportunities for economic and social participation by individuals.'<sup>202</sup> The reference to social participation reflects a wider view of mutual obligation, with the report stating 'our concept of participation values all of the ways in which people contribute to their own lives and the lives of people around them.'<sup>203</sup> This differs from the narrow contractual approach promoted in the government rhetoric on welfare reform, as well as elsewhere within the report, and discussed above. This broader view of reciprocity and mutual obligation also more closely reflects a social liberal view of the role of the state.

The Reference Group was also concerned with the role of government in its final report. References to 'community capacity building', and the need for the community to 'take collective responsibility for its own wellbeing' suggest a neoliberal approach.<sup>204</sup> However, the report also

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<sup>198</sup> Reference Group on Welfare Reform, "Participation Support for a More Equitable Society: Final Report of the Reference Group on Welfare Reform," pp. 62, 34; Dawkins, "The Case for Welfare Reform as Proposed by the McClure Report."

<sup>199</sup> Sawyer, *The Ethical State?: Social Liberalism in Australia*, p. 11.

<sup>200</sup> Dawkins, "The Case for Welfare Reform as Proposed by the McClure Report."

<sup>201</sup> Ibid.

<sup>202</sup> Reference Group on Welfare Reform, "Participation Support for a More Equitable Society: Final Report of the Reference Group on Welfare Reform," p. 45.

<sup>203</sup> Ibid, pp. 41-42.

<sup>204</sup> Ibid, p. 49.

recognised that government involvement through funding and leadership would continue to be important in addressing disadvantage.<sup>205</sup> Government funding was also considered necessary 'to encourage and support community/business partnerships.'<sup>206</sup> The report noted that the government would be 'constrained by community expectation as to how it discharged its responsibilities, which included maintaining an 'adequate safety net of income support and related programs to alleviate poverty.'<sup>207</sup> It recommended the government retain this responsibility along with that of providing 'opportunities for social and economic participation for jobless families and households.'<sup>208</sup> This discussion of government's role reflects the social liberal view of the state's role as occupying a central position in promoting equality of opportunity. This was also reflected in the report's consideration of business. While it did suggest 'business has wider social obligations' it considered its primary obligation was through providing 'taxation revenue to finance the participation support system and other community purposes.'<sup>209</sup> This indicates that the state, which is responsible for the distribution of taxation revenue, occupies a central position, which differs from the neoliberal approach where the market is considered to occupy such a position in promoting equality. While the neoliberal view of the role of the state is evident within the Reference Group's report, the presence of the social liberal view of government's role in the document underpinning the welfare reform process suggests the social liberal path dependency has remained influential to some extent.

### Beyond the Social Coalition

Following the defeat of the Howard government in 2007, new Prime Minister Kevin Rudd moved away from the social coalition and the notion of mutual obligation, though still sought to promote a cooperative relationship with the not-for-profit sector by developing a National Compact.<sup>210</sup> This was modelled on an initiative of the Blair Labour government in the United Kingdom, and was part of the government's wider not-for-profit reform discussed in *chapter three*.<sup>211</sup> While the sector were generally supportive, there were concerns that the Compact was simply a framing device which did not promise real change, similar to criticism of both the social coalition and the Big Society.<sup>212</sup> Others

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<sup>205</sup> Ibid, pp. 39, 45, 49.

<sup>206</sup> Ibid, p. 49.

<sup>207</sup> Ibid, p. 35. Another example cited in the report was 'making 12 years of schooling available to young people.' Social liberalism considered education as a particularly important responsibility of government in terms of promoting equality of opportunity.

<sup>208</sup> Ibid, p. 39, 42-43.

<sup>209</sup> Ibid, pp. 35-38.

<sup>210</sup> O'Connell, Martin, and Chia, "Law, Policy and Politics in Australia's Recent Not-for-Profit Sector Reforms."

<sup>211</sup> Schuyt, *Philanthropy and the Philanthropic Sector: An Introduction*, pp. 61, 126; Home Office, "Compact on Relations between Government and the Voluntary and Community Sector in England," The Stationery Office, London, November 1998, [http://www.compactvoice.org.uk/sites/default/files/compact\\_1998.pdf](http://www.compactvoice.org.uk/sites/default/files/compact_1998.pdf).

<sup>212</sup> O'Connell, Martin, and Chia, "Law, Policy and Politics in Australia's Recent Not-for-Profit Sector Reforms."

highlighted the fact that under the Compact the relationship with government was still based on contracts and was primarily concerned with the economic contribution of the sector.<sup>213</sup> The economic focus was extended under Julia Gillard, as the Productivity Commission's report on the contribution of the not-for-profit sector came to replace the National Compact as the blueprint for sector reform, and the Treasury became increasingly involved in the process.<sup>214</sup> This focus on economic contribution demonstrates a neoliberal approach regarding the supremacy of the market, suggesting that a neoliberal influenced view of the role of the state also underpinned this cooperative approach to the relationship between government and philanthropy. The National Compact was 'put aside' following the election of the Coalition government led by Tony Abbott in 2013.<sup>215</sup>

Abbott re-established the Prime Minister's Community Business Partnership in 2014 with the aim to 'bring together government, community and business leaders to develop practical strategies to foster a culture of philanthropic giving and volunteering in Australia.'<sup>216</sup> With this iteration of the partnership there was an emphasis on collaboration connected to a new focus on innovation and investment.<sup>217</sup> Research undertaken for the Partnership stated that this 'need for innovation within philanthropy and the broader not-for-profit sector reflects the emphasis and the role of innovation within the wider economy, and is at the centre of the Australian Government's policy agenda.'<sup>218</sup> The Partnership particularly looked to promote social impact investment as part of an 'extended family' of philanthropy.<sup>219</sup> This presented 'an opportunity to attract new resources and expertise that can address disadvantage and strengthen communities, to reduce reliance on

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<sup>213</sup> Ibid.

<sup>214</sup> Ibid; Butcher, "The Third Sector and Government in Australia: Not-for-Profit Reform under Labor, 2007–13."; Australian Government, Productivity Commission, "Contribution of the Not-for-Profit Sector."

<sup>215</sup> Butcher, "The Third Sector and Government in Australia: Not-for-Profit Reform under Labor, 2007–13."

<sup>216</sup> Tony Abbott, "Partnership to Promote a Generous Australia," *Media Release*, 18 October 2014, <https://pmtranscripts.pmc.gov.au/release/transcript-23901>; Xavier Smerdon, "PMs Community Business Partnership Reborn," *Pro Bono News*, 21 October 2014, <https://probonoaustralia.com.au/news/2014/10/pms-community-business-partnership-reborn/>.

<sup>217</sup> This was demonstrated in its terms of reference, through its working groups and in submissions to several reviews and inquiries. See Prime Minister's Community Business Partnership, "Terms of Reference." <https://www.communitybusinesspartnership.gov.au/about/terms-of-reference/>; Prime Minister's Community Business Partnership, "Working Groups," <https://www.communitybusinesspartnership.gov.au/about/working-groups/>; Alexandra Gartmann, "Prime Minister's Community Business Partnership (the Partnership) Submission to the Treasury on the Exposure Draft of Amendments to the Private Ancillary Fund Guidelines 2009 and the Public Ancillary Fund Guidelines 2011," *The Prime Minister's Community Business Partnership*, 12 February 2016, [https://www.communitybusinesspartnership.gov.au/wp-content/uploads/2017/06/signed\\_paf\\_puaf\\_submission\\_to\\_treasury\\_-\\_feb\\_2016.pdf](https://www.communitybusinesspartnership.gov.au/wp-content/uploads/2017/06/signed_paf_puaf_submission_to_treasury_-_feb_2016.pdf).

<sup>218</sup> Philanthropy Australia, "Program Related Investments – an Opportunity for Australia," *The Prime Minister's Community Business Partnership*, Commonwealth of Australia, Department of Social Services, Canberra, November 2015, [https://www.communitybusinesspartnership.gov.au/wp-content/uploads/2016/01/program\\_related\\_investments\\_report.pdf](https://www.communitybusinesspartnership.gov.au/wp-content/uploads/2016/01/program_related_investments_report.pdf).

<sup>219</sup> Scaife et al., "Giving Australia 2016: Literature Review."

government.<sup>220</sup> Abbott considered philanthropy in similar terms, stating it 'plays a critical role in Australian society, empowering communities and creating a sense of purpose and belonging.'<sup>221</sup> This differs from Howard's rhetoric on 'giving back to the community', and the emphasis on empowering communities through innovation appears to reflect a neoliberal approach supporting a reduction of the role of the state. Research commissioned by the Partnership into social investment considered the state's role in terms of 'helping people find and maintain good quality, secure employment' and 'supporting and stimulating jobs growth through sound economic management and a positive business operating environment.'<sup>222</sup> This demonstrates a neoliberal view of the state's role as being to support the market, which is considered to occupy a central position in supporting society and promoting equality.

Both the National Compact and the current iteration of the Prime Minister's Community Business Partnership represent examples of cooperative approaches to government's relationship with philanthropy that are underpinned by a neoliberal view of the role of the state. In the absence of the social coalition's accompanying rhetoric regarding giving back to the community, this suggests that the neoliberal challenge to the social liberal path dependency has been successful. There are still indications of a social liberal view of the role of the state being reflected within the current Partnership though. Research commissioned into collective giving, considering it a potential 'strategy for growing social impact', reported a view among the majority of those canvassed 'that government should ensure that everyone has a decent standard of living.'<sup>223</sup> As well, the Partnership does appear to cast social impact investment in an ancillary role similar to traditional philanthropy. This may indicate the social liberal path dependency retains some influence. The following chapter will consider the influence of the neoliberal challenge to the social liberal path dependency further in the context of new innovations and the 'extended family' of philanthropy.

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<sup>220</sup> Australian Government Prime Minister's Community Business Partnership, "Prime Minister's Community Business Partnership Annual Report 2015," *Commonwealth of Australia, Department of Social Services*, Canberra, 2015, [https://www.communitybusinesspartnership.gov.au/wp-content/uploads/2016/04/j2732\\_-\\_community\\_business\\_partnership\\_annual\\_report\\_acc.pdf](https://www.communitybusinesspartnership.gov.au/wp-content/uploads/2016/04/j2732_-_community_business_partnership_annual_report_acc.pdf).

<sup>221</sup> Abbott, "Partnership to Promote a Generous Australia."

<sup>222</sup> Australian Government Prime Minister's Community Business Partnership, "Prime Minister's Community Business Partnership Annual Report 2015"; Ernst & Young [EY], "Social Impact Investing Research," *Department of Social Services for the Prime Minister's Community Business Partnership*, 23 March 2016, [https://www.communitybusinesspartnership.gov.au/wp-content/uploads/2016/11/social\\_impact\\_investing\\_research\\_report.pdf](https://www.communitybusinesspartnership.gov.au/wp-content/uploads/2016/11/social_impact_investing_research_report.pdf).

<sup>223</sup> James Boyd and Lee Partridge, "Collective Giving and Its Role in Australian Philanthropy," *Creative Partnerships Australia*, Department of Social Services, July 2017, [https://www.philanthropy.org.au/images/site/publications/collective\\_giving\\_report\\_2017\\_-\\_accessible\\_version.pdf](https://www.philanthropy.org.au/images/site/publications/collective_giving_report_2017_-_accessible_version.pdf); Scaife et al., "Giving Australia 2016: Literature Review."



## Conclusion

Utilising the cooperative paradigm to consider the relationship between government and philanthropy has provided extremely useful insights regarding the nature of philanthropy in both Australia and the United Kingdom. This in turn provides an insight into views regarding the role of the state. In characterising the roles of the state and voluntary sector as a ‘zero sum tussle’, the rhetorical construction of the Big Society in the United Kingdom reflects the broader relationship between philanthropy and government, outlined particularly in *chapter three*, where a shift in the role of one entity has seen changes in the position of the other. Despite its cooperative rhetoric, the Big Society actually reflects the competitive element within this relationship, indicated by the argument that government has sought to reduce its own role by looking to expand that of the voluntary sector. The Big Society also particularly demonstrates how attempts to promote a cooperative relationship between government and the voluntary sector—including philanthropy—can be underpinned by a neoliberal view of the state’s role. In light of its implementation alongside significant public spending cuts, critics of the Big Society, largely from within the voluntary sector, felt that its cooperative rhetoric was being employed to distract from or disguise a change in the role of the state, reducing it to creating and supporting markets. The emphasis on community empowerment and individual responsibility within the Big Society rhetoric also reflected this neoliberal view of the state’s role in seeking to foster an entrepreneurial and innovative population to support the market.

Entwined with the concept of mutual obligation, John Howard’s social coalition in Australia promoted an individual, contractual approach to welfare support that saw it become conditional and oriented towards acquiring the necessary skills to facilitate entering the market. The social coalition also presented a way to ‘embed’ such a neoliberal approach focused on efficiency and outcomes within the operations of the not-for-profit sector. Criticism from within parliament, as well as welfare, religious, and business groups, took a particular view of government, seeing it as occupying a central position in promoting equality of opportunity. It also took a particular view of philanthropy as performing an ancillary role supporting government, rather than occupying a more central position itself. The response to the social coalition thus reflects the established relationship between government and philanthropy in Australia.

The social liberal view of the state’s role can be detected in the final report of the Welfare Reform Reference Group that underpinned the welfare reform process. While the report expressed an aim to avoid welfare dependency and support market participation, the Reference Group also acknowledged that government would necessarily play a role in terms of funding, and in providing

leadership in addressing disadvantage, reflecting the social liberal view of the state as occupying a central position in promoting equality of opportunity. Howard's rhetoric when discussing the social coalition in the context of encouraging increased philanthropy also reflected a wider view of mutual obligation, framing it in terms of giving back to the community. This aligns with the ancillary role Australian philanthropy has developed as an expression of active citizenship, considered a 'corollary of what the state did for its citizens,' and linked to the ethical state of social liberalism.<sup>224</sup> Potentially the most significant outcome of the social coalition, from the perspective of philanthropy at least, was the introduction of a new vehicle for tax deductible giving, which both reflects and reinforces Australian philanthropy's ancillary role, aligning with the country's regulatory tradition. This all suggests that the established social liberal path dependency in Australia, and particularly the view of the state's role it inculcates, has retained a significant influence, and not been displaced completely by the influence of neoliberalism. In the context of the social coalition at the beginning of the twenty-first century, social liberal views continued to be reflected in policy rhetoric (even if this was primarily to justify a neoliberal agenda), as well as through established institutions such as regulatory arrangements.

Both the Big Society and the social coalition have now 'faded' from policy discussions. More recently, cooperative approaches to the relationship between philanthropy and government have been promoted through new initiatives and innovations relating to philanthropy directly. Such initiatives, which also involve the private and not-for-profit sectors more broadly, also promote a particular neoliberal influenced view of the role of the state. The following chapter will explore these more recent developments in philanthropy, focusing particularly on analysing social impact bonds, which were originally developed in the context of the Big Society, and align with the nature of the relationship between philanthropy and government in the United Kingdom. Exploring these initiatives in the Australian context will provide a further insight regarding the extent and influence of the neoliberal challenge to the established social liberal path dependency in Australia.

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<sup>224</sup> Sawyer, *The Ethical State?: Social Liberalism in Australia*, p. 45.

## Chapter 6 Social Impact Bonds and Philanthropy's Extended Family

As the previous chapter has indicated, cooperative approaches to the relationship between government and philanthropy can reflect a neoliberal view of the role of the state. This chapter will focus on recent innovations surrounding the philanthropic sector that are also claimed to support a cooperative approach. Like the policy approaches discussed in *chapter five*, these are also associated with a neoliberal view of the state's role. The chapter will focus particularly on social impact bonds, and their intersection with social impact investment, which are both part of what the 2016 *Giving Australia* research referred to as the 'extended family of philanthropy'.<sup>1</sup> Social impact bonds are presented as an innovative mechanism attracting funds from private investors to support the delivery of particular programs or initiatives that address complex social issues. An intermediary organisation is also normally engaged to perform a coordinating or project management role. If the program is successful, a return is paid to investors, with this being generally tied to government savings.<sup>2</sup> Proponents argue the mechanism serves to 'align the interests' of government, investors and not-for-profit service providers via contractual arrangements.<sup>3</sup> Social impact investing is an approach which seeks to achieve positive social or environmental outcomes alongside financial returns on investment by bringing together the public, private and not-for-profit sectors.<sup>4</sup>

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<sup>1</sup> Baker et al., "Giving Australia 2016: Philanthropy and Philanthropists." See also, Australian Government, Prime Minister's Community Business Partnership, "Prime Minister's Community Business Partnership Annual Report 2015."

<sup>2</sup> See e.g. Alex Nicholls and Emma Tomkinson, "The Peterborough Pilot Social Impact Bond," in *Social Finance*, ed. Alex Nicholls, Rob Paton, and Jed Emerson (Oxford: Oxford University Press, 2015). Kyle McKay, "Evaluating Social Impact Bonds as a New Reentry Financing Mechanism: A Case Study on Reentry Programming in Maryland," *Maryland Department of Legislative Services*, January 2013, <http://mgaleg.maryland.gov/Pubs/BudgetFiscal/2013-Evaluating-Social-Impact-Bonds.pdf>; Timothy Rudd et al., "Financing Promising Evidence-Based Programs: Early Lessons from the New York City Social Impact Bond," *MDRC*, December 2013, [https://www.mdrc.org/sites/default/files/Financing\\_Promising\\_evidence-Based\\_Programs\\_FR.pdf](https://www.mdrc.org/sites/default/files/Financing_Promising_evidence-Based_Programs_FR.pdf); Whitfield, "Alternative to Private Finance of the Welfare State: A Global Analysis of Social Impact Bond, Pay-for-Success & Development Impact Bond Projects"; Eve Chiapello and Lisa Knoll, "The Welfare Conventions Approach: A Comparative Perspective on Social Impact Bonds," *Journal of Comparative Policy Analysis: Research and Practice* 22, no. 2 (2020).

<sup>3</sup> Nicholls and Tomkinson, "The Peterborough Pilot Social Impact Bond."; Ministry of Justice and Social Finance UK, "Minister Launches Social Impact Bond Pilot," *Press Release*, Ministry of Justice, London. 10 September 2010,

<https://webarchive.nationalarchives.gov.uk/20100911070445/http://www.justice.gov.uk/news/announcements/t100910a.htm>; Jane Hughes and Jill Scherer, "Foundations for Social Impact Bonds How and Why Philanthropy Is Catalyzing the Development of a New Market," *Social Finance*, February 2014, <https://socialfinance.org/wp-content/uploads/Foundation-for-Social-Impact-Bonds-2014.pdf>; Peter Shergold, "The Road to Genuine Partnerships with the Third Sector: Are We There Yet?," in *Managing Under Austerity, Delivering Under Pressure*, ed. John Wanna, Hsu-Ann Lee, and Sophie Yates, Performance and Productivity in Public Service (Acton, ACT: ANU Press, 2015).

<sup>4</sup> See e.g. Baker et al., "Giving Australia 2016: Philanthropy and Philanthropists"; Australian Government, The Treasury, "Australian Government Principles for Social Impact Investing."

The chapter will first consider the literature regarding the original social impact bond model developed in the United Kingdom to identify the cooperative elements along with the neoliberal underpinnings of the model. It will then seek to identify the variations on this original model adopted in the United States and Australia by examining primary source material relating to the development of social impact bonds. It will particularly consider material related to the involvement of philanthropic entities as the chapter seeks to demonstrate how these variations reflect the particular relationship between philanthropy and government in each of the three countries. Focusing on the Australian context specifically, the chapter will argue that although the presence of the neoliberal view of the role of the state which underpins the social impact bond model is evident in discussions regarding social impact bonds and social impact investing, Australia's engagement with social impact bonds continues to reflect philanthropy's ancillary role which is connected to a social liberal view of the role of the state, suggesting a continued influence for the established social liberal path dependency.

Initial social impact bonds have attracted predominately 'philanthropically minded' investors, with 'a capable and well-funded philanthropic sector' being considered necessary to support their development.<sup>5</sup> The bonds have been particularly associated with marketised conceptions of philanthropy, with Whitfield for example considering them to be a 'merging' of public-private partnerships with philanthrocapitalism, which he viewed in terms of 'the embedding of neoliberalism into the activities of foundations and trusts.'<sup>6</sup> As with marketised philanthropy more generally, social impact bonds reflect a neoliberal approach, regarding the market as the entity best placed to promote equality and as such, affording it a central position within society.<sup>7</sup> This implies a particular, narrow view of the state's role as being to support the market.<sup>8</sup> Social impact bonds are underpinned by an assumption that the government itself is unable to develop innovative and effective responses to social issues, necessitating the involvement of private investors.<sup>9</sup> The chapter will explore three of the main features of social impact bonds that particularly demonstrate this assumption, and the neoliberal approach more generally: a focus on measurable outcomes; support

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<sup>5</sup> Joy and Shields, "Social Impact Bonds: The Next Phase of Third Sector Marketization?"

<sup>6</sup> Whitfield, "Alternative to Private Finance of the Welfare State: A Global Analysis of Social Impact Bond, Pay-for-Success & Development Impact Bond Projects." See also, Warner, "Private Finance for Public Goods: Social Impact Bonds."; Joy and Shields, "Social Impact Bonds: The Next Phase of Third Sector Marketization?"

<sup>7</sup> See e.g. Amarante, "The Perils of Philanthrocapitalism."; Jenkins, "Who's Afraid of Philanthrocapitalism."

<sup>8</sup> Whitfield, "Alternative to Private Finance of the Welfare State: A Global Analysis of Social Impact Bond, Pay-for-Success & Development Impact Bond Projects." See also, Warner, "Private Finance for Public Goods: Social Impact Bonds."; Joy and Shields, "Social Impact Bonds: The Next Phase of Third Sector Marketization?"

<sup>9</sup> "Social Impact Bonds: The Next Phase of Third Sector Marketization?"; Whitfield, "Alternative to Private Finance of the Welfare State: A Global Analysis of Social Impact Bond, Pay-for-Success & Development Impact Bond Projects."

for preventative initiatives; and the transfer of risk from government to the private investors. Social impact bonds' association with the social investment market also reflects this neoliberal view of the role of the state as a creator and facilitator of markets.

Social impact bonds originated in the United Kingdom, and the model aligns with the established inverse relationship between government and philanthropy in clearly defining the role of each of the entities involved in opposition to one another. The subsequent development of social impact bonds in the United States and Australia has produced variations on this original model. These variations reflect foundation involvement and see the mechanism aligning with the particular relationships that exist between philanthropy and government in these countries as well. In the United States, the central position foundations have assumed in establishing enabling infrastructure and providing 'guarantees' to mitigate the risk for private investors reflects their role as public institutions engaged in policy making.<sup>10</sup> Government involvement with social impact bonds indicates the neoliberal view of the role of the state promoted by the model, reflecting the assumption that private sector involvement is necessary to support innovation. It also aligns with the competitive relationship in the United States with both philanthropy and government seeking to influence the other's activities. Australian philanthropy differs though, having developed in an ancillary position which is connected to a contrasting view of the role of the state, and the particular relationship between philanthropy and government is embedded within the social liberal path dependency established at federation. The embrace of social impact bonds promoting a neoliberal view of the role of the state in Australia could be viewed as indicative of the success of the neoliberal challenge to this established path dependency. Philanthropy's engagement with mechanism, however, does continue to reflect its ancillary role and the established relationship with government. Examining these apparently cooperative mechanisms thus demonstrates how the relationship between philanthropy and government can be used to provide insights into potentially changing views regarding the role of the state, allowing it particularly to assess the extent of neoliberalism's influence in Australia.

### Origins

Social impact bonds are purported to be a product of collaboration in 'policy design, service delivery and management', as they seek to 'encourage blending the skills of multiple actors to design and

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<sup>10</sup> This role is contrasted with that of philanthropy embodying the traditions of localism and voluntarism. See e.g., Nielsen, *The Big Foundations*; Lenore T. Ealy, "The Intellectual Crisis in Philanthropy."; Karl and Karl, "Foundations and Government: A Tale of Conflict and Consensus," p. 64.

deliver social services.<sup>11</sup> A link between cooperative approaches and the market is made in the *Giving Australia* research, which suggests the notion of ‘sharing resources, brainpower and connections’ has analogies in the financial world.<sup>12</sup> In announcing the launch of the first social impact bond in the United Kingdom in September 2010, the CEO of not-for-profit organisation Social Finance, which had been involved in the development of the model, stated ‘The Social Impact Bond aligns the interests of government, charities, social enterprises and socially motivated investors.’<sup>13</sup> This reflects the bonds’ development in the context of social finance, a concept which developed in the 1990s and aims to facilitate financial sector engagement with those working to support the community. The United Kingdom is considered the market leader in social finance, and government has supported its development in various ways, including through fiscal policy, regulation, provision of infrastructure and in establishing ‘new commissioning processes.’<sup>14</sup> Social impact bonds represent an example of these new processes in seeking to attract direct investment to social services.<sup>15</sup> The cooperative elements of social finance have seen the concept promoted as a means of countering the narrow economic focus of neoliberal policies.<sup>16</sup> However, the development of social impact bonds does appear to reflect a particular neoliberal view of the role of the state as a creator and facilitator of markets.

A social impact bond ‘pilot’ was developed in the United Kingdom, based at Peterborough Prison and focused on criminal justice. Several investors in this pilot viewed their involvement as ‘an

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<sup>11</sup> See Warner, "Private Finance for Public Goods: Social Impact Bonds."; Joy and Shields, "Social Impact Bonds: The Next Phase of Third Sector Marketization?"; "Debate: How Do Social Impact Bonds Economize Social Policy?," *Public Money & Management* 40, no. 3 (2020).

<sup>12</sup> Scaife et al., "Giving Australia 2016: Literature Review."

<sup>13</sup> Ministry of Justice and Social Finance UK, "Minister Launches Social Impact Bond Pilot." See also, Nicholls and Tomkinson, "The Peterborough Pilot Social Impact Bond."

<sup>14</sup> "The Peterborough Pilot Social Impact Bond."; Edward T. Jackson, "Evaluating Social Impact Bonds: Questions, Challenges, Innovations, and Possibilities in Measuring Outcomes in Impact Investing," *Community Development* 44, no. 5 (2013); Jarrod Ormiston et al., "Overcoming the Challenges of Impact Investing: Insights from Leading Investors," *Journal of Social Entrepreneurship* 6, no. 3 (2015); Nicholls and Tomkinson, "The Peterborough Pilot Social Impact Bond."

<sup>15</sup> "The Peterborough Pilot Social Impact Bond."; Jackson, "Evaluating Social Impact Bonds: Questions, Challenges, Innovations, and Possibilities in Measuring Outcomes in Impact Investing."; Ormiston et al., "Overcoming the Challenges of Impact Investing: Insights from Leading Investors."; Juan David Rivera Acevedo, "Market-Based Solutions for Social Challenges: A Collaborative Policy Making Strategy," *presented at the ECPR General Conference*, Montreal, August 2015; Joy and Shields, "Social Impact Bonds: The Next Phase of Third Sector Marketization?"

<sup>16</sup> Brendan Murtagh and Niamh Goggin, "Finance, Social Economics and Community Development," *Community Development Journal* 50, no. 3 (2014); Whitfield, "Alternative to Private Finance of the Welfare State: A Global Analysis of Social Impact Bond, Pay-for-Success & Development Impact Bond Projects"; Warner, "Private Finance for Public Goods: Social Impact Bonds."; Eleonora Broccardo, Maria Mazzuca, and Maria Laura Frigotto, "Social Impact Bonds: The Evolution of Research and a Review of the Academic Literature," *Corporate Social Responsibility and Environmental Management* 27, no. 3 (2020).

opportunity to learn about social investment.<sup>17</sup> It was referred to as ‘an important next step in the development of a social investment market’, with the intention that social impact bonds would ‘represent a new asset class’ to ‘accelerate’ the growth of this market by ‘unlocking new sources of capital.’<sup>18</sup> It was hoped that in their focus on outcomes and developing evidence bases, social impact bonds would address ‘a lack of knowledge of the peculiarities of the social economy’, which had seen the social investment sector described as ‘relatively small, inefficient and embryonic.’<sup>19</sup> This interest in the developing a social investment market reflects a neoliberal view of the role of the state as a market creator and facilitator. Murtagh and Goggin suggest social investment is considered more in terms of its associations with the ‘rolling back of the state’, as private finance is substituted for government funding.<sup>20</sup> Social impact bonds were developed in the context of fiscal austerity, and the CEO of Social Finance UK suggested that it was a climate ‘ripe’ for social investment ‘to be more fully explored’, given ‘society’s needs are increasing and public expenditure is declining.’<sup>21</sup>

A desire to develop the social investment market formed a significant component within the Big Society policy approach, which as discussed in the previous chapter, was felt by critics to be an

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<sup>17</sup> Nicholls and Tomkinson, "The Peterborough Pilot Social Impact Bond."; Murtagh and Goggin, "Finance, Social Economics and Community Development."

<sup>18</sup> Nicholls and Tomkinson, "The Peterborough Pilot Social Impact Bond." See also, Benjamin R. Cox, "Financing Homelessness Prevention Programs with Social Impact Bonds," *Review of Banking & Financial Law* 31 (2011); Christine Cooper, Cameron Graham, and Darlene Himick, "Social Impact Bonds: The Securitization of the Homeless," *Accounting, Organizations and Society* 55 (2016); Chris Fox and Robert Grimm, "The Role of Social Innovation in Criminal Justice Reform and the Risk Posed by Proposed Reforms in England and Wales," *Criminology & Criminal Justice* 15, no. 1 (2015); Whitfield, "Alternative to Private Finance of the Welfare State: A Global Analysis of Social Impact Bond, Pay-for-Success & Development Impact Bond Projects"; Murtagh and Goggin, "Finance, Social Economics and Community Development." Others have suggested that social impact bonds may actually distort the social investment market. See e.g. Othmar M. Lehner and Alex Nicholls, "Social Finance and Crowdfunding for Social Enterprises: A Public-Private Case Study Providing Legitimacy and Leverage," *Venture Capital* 16, no. 3 (2014).

<sup>19</sup> Fox and Grimm, "The Role of Social Innovation in Criminal Justice Reform and the Risk Posed by Proposed Reforms in England and Wales."; Whitfield, "Alternative to Private Finance of the Welfare State: A Global Analysis of Social Impact Bond, Pay-for-Success & Development Impact Bond Projects."

<sup>20</sup> Murtagh and Goggin, "Finance, Social Economics and Community Development." See also, Nicholls and Tomkinson, "The Peterborough Pilot Social Impact Bond."

<sup>21</sup> "The Peterborough Pilot Social Impact Bond."; Joy and Shields, "Austerity in the Making: Reconfiguring Social Policy through Social Impact Bonds."; Philippa J Tomczak, "The Penal Voluntary Sector in England and Wales: Beyond Neoliberalism?," *Criminology & Criminal Justice* 14, no. 4 (2014).

<sup>21</sup> Dennis Gough, "Revolution: Marketisation, the Penal System and the Voluntary Sector," in *Critical Reflections: Social and Criminal Justice in the First Year of Coalition Government*, ed. Arianna Silvestri (London: Centre for Crime and Justice Studies, May 2010-April 2011), [https://www.crimeandjustice.org.uk/sites/crimeandjustice.org.uk/files/Critical\\_reflections\\_FULL.pdf](https://www.crimeandjustice.org.uk/sites/crimeandjustice.org.uk/files/Critical_reflections_FULL.pdf). See also, John Rodger, "Rehabilitation Revolution in a Big Society?," in *Ibid*, ed. Arianna Silvestri (London: Centre for Crime and Justice Studies., May 2010-April 2011), [https://www.crimeandjustice.org.uk/sites/crimeandjustice.org.uk/files/Critical\\_reflections\\_FULL.pdf](https://www.crimeandjustice.org.uk/sites/crimeandjustice.org.uk/files/Critical_reflections_FULL.pdf).

attempt by the government to disguise a neoliberal agenda.<sup>22</sup> The Conservative Party had included a commitment to developing social impact bonds in its 2010 election manifesto: *Big Society, Not Big Government*, and following its electoral victory, established the Centre for Social Impact Bonds within the Cabinet Office along with the Social Outcomes Fund with the aim of establishing an evidence base and ‘growing the market.’<sup>23</sup> In this, they operated alongside the organisation Big Society Capital, which was also established in 2012 to become a ‘cornerstone investor in innovative products such as social impact bonds.’<sup>24</sup> In its focus on criminal justice, the initial social impact bond pilot was also incorporated as part of the government’s ‘rehabilitation revolution.’ This looked to combine the concepts of payment-by-results and justice reinvestment, which contends that focusing on prevention may actually be more ‘economically efficient,’ allowing governments to focus on rehabilitation without appearing to be ‘soft on crime.’<sup>25</sup> While the two are not incompatible, the rehabilitation revolution attracted criticism for focusing too narrowly on creating efficiencies through ‘reducing recidivism’, and ignoring the social justice elements such as ‘combatting social exclusion’ also inherent within justice reinvestment more broadly.<sup>26</sup> This criticism took a view that the approach was being employed to support marketisation in the area of criminal justice rather

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<sup>22</sup> See e.g. Acevedo, "Market-Based Solutions for Social Challenges: A Collaborative Policy Making Strategy."; Nicholls and Tomkinson, "The Peterborough Pilot Social Impact Bond."; Whitfield, "Alternative to Private Finance of the Welfare State: A Global Analysis of Social Impact Bond, Pay-for-Success & Development Impact Bond Projects"; Joy and Shields, "Social Impact Bonds: The Next Phase of Third Sector Marketization?"

<sup>23</sup> Jackson, "Evaluating Social Impact Bonds: Questions, Challenges, Innovations, and Possibilities in Measuring Outcomes in Impact Investing."; Department for Digital, Culture, Media & Sport, Cabinet Office, and Office for Civil Society, "A Guide to Social Impact Bonds," <https://www.gov.uk/guidance/social-impact-bonds#sources-of-funding-for-sib-projects>.

<sup>24</sup> Nicholls and Tomkinson, "The Peterborough Pilot Social Impact Bond."; Acevedo, "Market-Based Solutions for Social Challenges: A Collaborative Policy Making Strategy."; Joy and Shields, "Social Impact Bonds: The Next Phase of Third Sector Marketization?"

<sup>25</sup> Ministry of Justice, "Breaking the Cycle. Effective Punishment, Rehabilitation and Sentencing of Offenders," The Stationary Office, London, December 2010, [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/185936/breaking-the-cycle.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/185936/breaking-the-cycle.pdf). See also, Fox Chris and Kevin Albertson, "Payment by Results and Social Impact Bonds in the Criminal Justice Sector: New Challenges for the Concept of Evidence-Based Policy?," *Criminology & Criminal Justice* 11, no. 5 (2011); Robert Reiner, "Return of the Nasty Party," in *Critical Reflections: Social and Criminal Justice in the First Year of Coalition Government*, ed. Arianna Silvestri (London: Centre for Crime and Justice Studies, May 2010-April 2011), [https://www.crimeandjustice.org.uk/sites/crimeandjustice.org.uk/files/Critical\\_reflections\\_FULL.pdf](https://www.crimeandjustice.org.uk/sites/crimeandjustice.org.uk/files/Critical_reflections_FULL.pdf); Nicholls and Tomkinson, "The Peterborough Pilot Social Impact Bond."; Fox and Grimm, "The Role of Social Innovation in Criminal Justice Reform and the Risk Posed by Proposed Reforms in England and Wales."; D. Max Crowley, "Building Efficient Crime Prevention Strategies," *Criminology & Public Policy* 12, no. 2 (2013).

<sup>26</sup> Mike Maguire, "Third Tier in the Supply Chain? Voluntary Agencies and the Commissioning of Offender Rehabilitation Services," in *The Voluntary Sector and Criminal Justice*, ed. Anthea Hucklesby and Mary Corcoran (London: Palgrave Macmillan UK, 2016). A similar argument was made for social impact bonds. See Fox and Grimm, "The Role of Social Innovation in Criminal Justice Reform and the Risk Posed by Proposed Reforms in England and Wales."; Tomczak, "The Penal Voluntary Sector in England and Wales: Beyond Neoliberalism?"



than to counter it.<sup>27</sup> This indicates that despite the cooperative rhetoric, the context from which social impact bond developed reflects a neoliberal approach and view of the role of the state, with this context being reflected in the model itself.

### Social impact bonds and neoliberalism

Whitfield argues that social impact bonds demonstrate 'the four processes of neoliberal transformation of the public sector and the welfare state, namely financialisation, personalisation, marketisation and privatisation.'<sup>28</sup> Social impact bonds are designed to attract private investors, with social services being 're-cast' as financial opportunities offering a return on investment.<sup>29</sup> The bonds can also potentially represent part of a paradox where they are presented as a financialised solution to a problem caused by the economically destructive nature of financialisation.<sup>30</sup> Personalisation, or individualisation, is reflected in the use of 'financial instruments, institutions and market mechanisms to produce certain subjects who think, feel, act and perform in ways that conform to productive citizenship and non-dependence on welfare.'<sup>31</sup> A reliance on the discipline of the market

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<sup>27</sup> Kevin Wong, Chris Fox, and Kevin Albertson, "Justice Reinvestment in an "Age of Austerity": Developments in the United Kingdom," *Victims & Offenders* 9, no. 1 (2014).

<sup>28</sup> Whitfield, "Alternative to Private Finance of the Welfare State: A Global Analysis of Social Impact Bond, Pay-for-Success & Development Impact Bond Projects." See also, Meagher and Goodwin, "Introduction: Capturing Marketisation in Australian Social Policy."; Joy and Shields, "Social Impact Bonds: The Next Phase of Third Sector Marketization?"; Cooper, Graham, and Himick, "Social Impact Bonds: The Securitization of the Homeless."; Jacques Defourny and Marthe Nyssens, "Conceptions of Social Enterprise and Social Entrepreneurship in Europe and the United States: Convergences and Divergences," *Journal of Social Entrepreneurship* 1, no. 1 (2010); Warner, "Private Finance for Public Goods: Social Impact Bonds."; Joy and Shields, "Austerity in the Making: Reconfiguring Social Policy through Social Impact Bonds."

<sup>29</sup> Cooper, Graham, and Himick, "Social Impact Bonds: The Securitization of the Homeless."; Warner, "Private Finance for Public Goods: Social Impact Bonds."; Chris and Albertson, "Payment by Results and Social Impact Bonds in the Criminal Justice Sector: New Challenges for the Concept of Evidence-Based Policy?"; Whitfield, "Alternative to Private Finance of the Welfare State: A Global Analysis of Social Impact Bond, Pay-for-Success & Development Impact Bond Projects"; Meagher and Goodwin, "Introduction: Capturing Marketisation in Australian Social Policy."; Defourny and Nyssens, "Conceptions of Social Enterprise and Social Entrepreneurship in Europe and the United States: Convergences and Divergences."; Mitropoulos and Bryan, "Social Benefit Bonds: Financial Markets inside the State."; Joy and Shields, "Debate: How Do Social Impact Bonds Economize Social Policy?"

<sup>30</sup> See Christophe Schinckus, "Financial Innovation as a Potential Force for a Positive Social Change: The Challenging Future of Social Impact Bonds," *Research in International Business and Finance* 39 (2017); Tony Katsigiannis, Renu Agarwal, and Kai Jin, "Business Model Approach to Public Service Innovation," in *The Handbook of Service Innovation*, ed. Renu Agarwal, et al. (London: Springer, 2015); Meagher and Goodwin, "Introduction: Capturing Marketisation in Australian Social Policy."; Emily Gustafsson-Wright, Sophie Gardiner, and Vidya Putcha, "The Potential and Limits of Impact Bonds: Lessons from the First Five Years of Experience Worldwide," *Brookings Institution*, Washington DC, 2015, <https://www.brookings.edu/wp-content/uploads/2015/07/impact-bondsweb.pdf>.

<sup>31</sup> Government of South Australia, "Building a Stronger Society: A Discussion Paper on Social Impact Investment," December 2013, [http://assets.yoursay.sa.gov.au/production/2013/12/18/00\\_24\\_24\\_430\\_Building\\_a\\_Stronger\\_Society\\_web\\_version\\_.pdf](http://assets.yoursay.sa.gov.au/production/2013/12/18/00_24_24_430_Building_a_Stronger_Society_web_version_.pdf); Whitfield, "Alternative to Private Finance of the Welfare State: A Global Analysis of Social Impact Bond, Pay-for-Success & Development Impact Bond Projects"; Beth Cook, Chris Dodds, and William Mitchell,

(marketisation) is evident in social impact bond's 'unashamed use of market terminology' and focus on evidence-based approaches and outcomes measurement. It is also demonstrated in the way contracts are designed to support effectiveness, particularly in trusting 'evaluation and profit mechanisms to ensure compliance.'<sup>32</sup> There is a particular discussion in the literature regarding social impact bonds and privatisation. Joy and Shields, for example, argue social impact bonds are framed as 'an alternative to all out service privatisation because public dollars are used to maintain social service funding, albeit via the engagement of private sector and non-profit actors.'<sup>33</sup> On the other hand though, they suggest that the emphasis on results shifts the focus away from which sector is delivering the service, and this 'muting' of the distinction between sectors could be used to facilitate privatisation.<sup>34</sup> Acevedo similarly suggested that efforts to harness 'new sources of capital' from socially and financially motivated investors, 'combined with constant cuts to public welfare spending', could 'become an excuse to over-privatise government statutory duties.'<sup>35</sup>

These cooperative mechanisms thus appear to align with the marketised approach to philanthropy in reflecting a neoliberal approach. This is particularly the case when considering the particular role of the state they promote. Privatisation is demonstrated through the involvement of private investors in delivering social services.<sup>36</sup> Private investors are sought due to their perceived ability to promote innovative and efficient solutions to complex social issues. This implies a view that the state itself is unable to support such solutions as it is perceived as being too bureaucratic and fundamentally risk adverse.<sup>37</sup> Whitfield suggests that this 'classic neoliberal "governmental failure" model', is used to justify private sector expansion into social policy by creating 'the space for

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"Social Entrepreneurship — False Premises and Dangerous Forebodings," *Australian Journal of Social Issues* 38, no. 1 (2003); Cooper, Graham, and Himick, "Social Impact Bonds: The Securitization of the Homeless."; Warner, "Private Finance for Public Goods: Social Impact Bonds."; Joy and Shields, "Debate: How Do Social Impact Bonds Economize Social Policy?"

<sup>32</sup> Warner, "Private Finance for Public Goods: Social Impact Bonds."; Whitfield, "Alternative to Private Finance of the Welfare State: A Global Analysis of Social Impact Bond, Pay-for-Success & Development Impact Bond Projects."

<sup>33</sup> Joy and Shields, "Social Impact Bonds: The Next Phase of Third Sector Marketization?"

<sup>34</sup> Ibid. A similar observation is made in the context of the marketisation of welfare service provision in Australia by King and Meagher who suggest this has the effect of 'depoliticising' issues by removing them from the remit of the state. King and Meagher, "Introduction: Politics, Profits and Practices in Child and Aged Care."

<sup>35</sup> Acevedo, "Market-Based Solutions for Social Challenges: A Collaborative Policy Making Strategy."; Joy and Shields, "Social Impact Bonds: The Next Phase of Third Sector Marketization?"

<sup>36</sup> "Social Impact Bonds: The Next Phase of Third Sector Marketization?"; Mitropoulos and Bryan, "Social Benefit Bonds: Financial Markets inside the State."

<sup>37</sup> Whitfield, "Alternative to Private Finance of the Welfare State: A Global Analysis of Social Impact Bond, Pay-for-Success & Development Impact Bond Projects." See also, Jenkins, "Who's Afraid of Philanthrocapitalism."; Emma Dowling, "In the Wake of Austerity: Social Impact Bonds and the Financialisation of the Welfare State in Britain," *New Political Economy* 22, no. 3 (2017); Chiapello and Knoll, "The Welfare Conventions Approach: A Comparative Perspective on Social Impact Bonds."

investment in the guise of philanthropy providing social antidotes.<sup>38</sup> This demonstrates a neoliberal belief in the supremacy of the market. Social impact bonds demonstrate an expansion of the neoliberal approach of separating the commissioning and provision of services, creating a situation where the government has 'no direct relationship with the service provider', even outsourcing its coordination role to the intermediary organisation.<sup>39</sup> This separation aligns with the established situation in the United Kingdom where government and philanthropy are viewed as occupying separate spheres, with an inverse relationship developing between them. As well as supporting the notion of market supremacy, social impact bonds also reflect the neoliberal view of government's role as being to facilitate the development of markets, particularly welfare markets in which public, private and not-for-profit entities compete for service contracts.<sup>40</sup> Government's role here is seen as being a 'catalyst' for such a market.<sup>41</sup> Social impact bonds' neoliberal underpinnings are particularly demonstrated through three significant, interrelated features of the model: a focus on outcomes; an emphasis on prevention; and the transfer of risk from government to private sector investors. Each will be discussed further below

### *Outcomes*

Social impact bonds were developed in the context of a broader trend towards outcomes-based contracting and payment-by-results, and extend these approaches by linking outcomes to government savings as well as to payments.<sup>42</sup> Proponents argue this allows the government to adopt

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<sup>38</sup> Whitfield, "Alternative to Private Finance of the Welfare State: A Global Analysis of Social Impact Bond, Pay-for-Success & Development Impact Bond Projects."

<sup>39</sup> Per Læg Reid, "New Public Management," in *International Encyclopedia of Political Science*, ed. B. Badie, D. Berg-Schlosser, and L. Morlino (Thousand Oaks, California: GE Publications, Inc., 2011); Whitfield, "Alternative to Private Finance of the Welfare State: A Global Analysis of Social Impact Bond, Pay-for-Success & Development Impact Bond Projects"; Nicholls and Tomkinson, "The Peterborough Pilot Social Impact Bond."; Acevedo, "Market-Based Solutions for Social Challenges: A Collaborative Policy Making Strategy."; Warner, "Private Finance for Public Goods: Social Impact Bonds."; Nicholls and Tomkinson, "The Peterborough Pilot Social Impact Bond."

<sup>40</sup> Joy and Shields, "Social Impact Bonds: The Next Phase of Third Sector Marketization?"

<sup>41</sup> See Meagher and Goodwin, "Introduction: Capturing Marketisation in Australian Social Policy."; Whitfield, "Alternative to Private Finance of the Welfare State: A Global Analysis of Social Impact Bond, Pay-for-Success & Development Impact Bond Projects"; Joy and Shields, "Social Impact Bonds: The Next Phase of Third Sector Marketization?"; Cooper, Graham, and Himick, "Social Impact Bonds: The Securitization of the Homeless."; Defourny and Nyssens, "Conceptions of Social Enterprise and Social Entrepreneurship in Europe and the United States: Convergences and Divergences."

<sup>42</sup> Whitfield, "Alternative to Private Finance of the Welfare State: A Global Analysis of Social Impact Bond, Pay-for-Success & Development Impact Bond Projects"; Kevin Marsh, Evelina Bertranou, and Kunal Samanta, "Cost-Benefit Analysis and Social Impact Bond Feasibility Analysis for the Birmingham Be Active Scheme," *Maxtrix Evidence*, December 2011,

[https://www.socialfinance.org.uk/sites/default/files/publications/matrix\\_be\\_active\\_final\\_report\\_0.pdf](https://www.socialfinance.org.uk/sites/default/files/publications/matrix_be_active_final_report_0.pdf); Cooper, Graham, and Himick, "Social Impact Bonds: The Securitization of the Homeless."; Dowling, "In the Wake of Austerity: Social Impact Bonds and the Financialisation of the Welfare State in Britain."; Arthur Ha, "Social Impact Bonds: Opportunities and Next Steps," *Barefoot Economic Services*, Prepared for Children's

a 'hands off' approach, focussing on determining desired outcomes without needing to concern itself with the process of their achievement.<sup>43</sup> Such a hands-off approach aligns with the neoliberal view of the state's role as a 'market creator', establishing the 'rules for competition and distributing resources to the winners.'<sup>44</sup> Rather than assuming overall responsibility for social issues, social impact bonds see the state develop a purely 'contractual interest' in them, relying on the outcome metrics and external evaluation procedures built into the bond arrangements to determine payments.<sup>45</sup> This neoliberal view of government's role is further emphasised in the suggestion that social impact bonds need not necessarily be tied directly to savings if government can determine a price it is willing to pay to achieve specific outcomes.<sup>46</sup> This further reduces government's role to be merely a purchaser of outcomes.<sup>47</sup> The outcomes focus also reflects the neoliberal view that the involvement of the private sector is necessary to promote efficacy and innovation. Loder suggests the outcomes focus will support 'reduced government interference.'<sup>48</sup> In the absence of the output requirements that characterise traditional government funding, actors will be free to act in 'an entrepreneurial' and 'self-interested manner' to achieve the desired outcomes.<sup>49</sup> This, it is assumed, will result in more innovative and efficient approaches to addressing social issues.

A neoliberal approach is particularly evident in the determination and measurement of outcomes. In the first instance, outcomes tend to be framed in economic terms, generally favouring

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Ground, December 2013, <http://s7377.pcdn.co/wp-content/uploads/2014/07/cg-social-impact-bonds-final.pdf>; Warner, "Private Finance for Public Goods: Social Impact Bonds."; John Loder, "Social Impact Bonds in Health," *The Young Foundation*, October 2010, <https://www.youngfoundation.org/publications/social-impact-bonds-in-health/>.

<sup>43</sup> Warner, "Private Finance for Public Goods: Social Impact Bonds."; Nicholls and Tomkinson, "The Peterborough Pilot Social Impact Bond."

<sup>44</sup> Gough, "Revolution: Marketisation, the Penal System and the Voluntary Sector."; Cooper, Graham, and Himick, "Social Impact Bonds: The Securitization of the Homeless."; Warner, "Private Finance for Public Goods: Social Impact Bonds."; Joy and Shields, "Social Impact Bonds: The Next Phase of Third Sector Marketization?"

<sup>45</sup> Gough, "Revolution: Marketisation, the Penal System and the Voluntary Sector."; Cooper, Graham, and Himick, "Social Impact Bonds: The Securitization of the Homeless."; Joy and Shields, "Social Impact Bonds: The Next Phase of Third Sector Marketization?"; Warner, "Private Finance for Public Goods: Social Impact Bonds."

<sup>46</sup> See e.g. McKay, "Evaluating Social Impact Bonds as a New Reentry Financing Mechanism: A Case Study on Reentry Programming in Maryland"; Rudd et al., "Financing Promising Evidence-Based Programs: Early Lessons from the New York City Social Impact Bond."

<sup>47</sup> Cox, "Financing Homelessness Prevention Programs with Social Impact Bonds "; Peter G. Jr. Dagher, "Social Impact Bonds and the Private Benefit Doctrine: Will Participation Jeopardize a Nonprofit's Tax-Exempt Status Note," *Fordham Law Review*. 81 (2012).

<sup>48</sup> Loder, "Social Impact Bonds in Health."

<sup>49</sup> Cooper, Graham, and Himick, "Social Impact Bonds: The Securitization of the Homeless." See also, Nicholls and Tomkinson, "The Peterborough Pilot Social Impact Bond."; Marika Arena et al., "Social Impact Bonds: Blockbuster or Flash in a Pan?," *International Journal of Public Administration* 39, no. 12 (2016); Warner, "Private Finance for Public Goods: Social Impact Bonds."; Broccardo, Mazzuca, and Frigotto, "Social Impact Bonds: The Evolution of Research and a Review of the Academic Literature."

financial criteria such as ‘cost effectiveness’ and ‘value for money.’<sup>50</sup> This has the effect of promoting a ‘narrow’ framing of complex issues which does not adequately capture the ‘social justice and redistributive’ capacity of programs, or the ‘high politicised context in which they often operate.’<sup>51</sup> Outcomes also often reflect an individualised approach.<sup>52</sup> For example, bonds focused on homelessness often employ metrics relating to ‘progress towards employment’, which relate to the ‘moral obligation ... to become productive participants in the market economy – successful entrepreneurs who maximise their human capital.’<sup>53</sup> Similarly, bonds focused on health reflect ‘the disciplinary requirement of “care of self” placed on the enterprising individual.’<sup>54</sup> Such outcome metrics develop from ‘particular understandings’ of the causes of issues, and reflect neoliberal assumptions regarding the way individuals are ‘expected to function in society.’<sup>55</sup> As social impact bonds are designed in order to attract private investors, this may also lead to their being established in areas ‘more amenable to success’, or being ‘set up to succeed through the adoption of more easily obtainable outcomes.’<sup>56</sup> This reflects the neoliberal role of the state as supporting the market in

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<sup>50</sup> Joy and Shields, "Social Impact Bonds: The Next Phase of Third Sector Marketization?"; Warner, "Private Finance for Public Goods: Social Impact Bonds."; Schinckus, "Financial Innovation as a Potential Force for a Positive Social Change: The Challenging Future of Social Impact Bonds." See also, Cooper, Graham, and Himick, "Social Impact Bonds: The Securitization of the Homeless."; David Stoesz, "Evidence-Based Policy: Reorganizing Social Services through Accountable Care Organizations and Social Impact Bonds," *Research on Social Work Practice* 24, no. 2 (2014).

<sup>51</sup> Chris and Albertson, "Payment by Results and Social Impact Bonds in the Criminal Justice Sector: New Challenges for the Concept of Evidence-Based Policy?"; Warner, "Private Finance for Public Goods: Social Impact Bonds."; Joy and Shields, "Social Impact Bonds: The Next Phase of Third Sector Marketization?"; Stoesz, "Evidence-Based Policy: Reorganizing Social Services through Accountable Care Organizations and Social Impact Bonds."; Alicia McCoy, David Rose, and Marie Connolly, "Approaches to Evaluation in Australian Child and Family Welfare Organizations," *Evaluation and Program Planning* 44 (2014); Meagher and Goodwin, "Introduction: Capturing Marketisation in Australian Social Policy."

<sup>52</sup> Cook, Dodds, and Mitchell, "Social Entrepreneurship — False Premises and Dangerous Forebodings."; Joy and Shields, "Social Impact Bonds: The Next Phase of Third Sector Marketization?"; Schinckus, "Financial Innovation as a Potential Force for a Positive Social Change: The Challenging Future of Social Impact Bonds."; Cooper, Graham, and Himick, "Social Impact Bonds: The Securitization of the Homeless."

<sup>53</sup> "Social Impact Bonds: The Securitization of the Homeless."; Acevedo, "Market-Based Solutions for Social Challenges: A Collaborative Policy Making Strategy."

<sup>54</sup> Cooper, Graham, and Himick, "Social Impact Bonds: The Securitization of the Homeless."; Loder, "Social Impact Bonds in Health"; Acevedo, "Market-Based Solutions for Social Challenges: A Collaborative Policy Making Strategy."

<sup>55</sup> Cooper, Graham, and Himick, "Social Impact Bonds: The Securitization of the Homeless."; Dowling, "In the Wake of Austerity: Social Impact Bonds and the Financialisation of the Welfare State in Britain."; Mitropoulos and Bryan, "Social Benefit Bonds: Financial Markets inside the State."

<sup>56</sup> Arena et al., "Social Impact Bonds: Blockbuster or Flash in a Pan?"; Joy and Shields, "Social Impact Bonds: The Next Phase of Third Sector Marketization?"; Gough, "Revolution: Marketisation, the Penal System and the Voluntary Sector."; Ha, "Social Impact Bonds: Opportunities and Next Steps"; Broccardo, Mazzuca, and Frigotto, "Social Impact Bonds: The Evolution of Research and a Review of the Academic Literature."; Peter Shergold, Cheryl Kernot, and Les Hems, "Report on the NSW Social Impact Bond Pilot," *Centre for Social Impact*, February 2011, [https://www.csi.edu.au/media/uploads/Report\\_on\\_the\\_NSW\\_Social\\_Impact\\_Bond\\_Pilot\\_-\\_February\\_2011.pdf](https://www.csi.edu.au/media/uploads/Report_on_the_NSW_Social_Impact_Bond_Pilot_-_February_2011.pdf).

creating a situation where government is often supporting the agenda of investors as social policy comes to be considered as business opportunities offering a ‘financial return on investment.’<sup>57</sup>

### *Prevention*

Social impact bonds are also characterised by a support for prevention and early intervention. Government funding tends to concentrate necessarily at the acute end of service provision, for a number of practical reasons relating to resource reliability and risk, and also a perception of the government’s role as being to provide a safety net.<sup>58</sup> This is likely to lead to higher demand for, and therefore cost of, services. Social impact bonds use private capital to facilitate a redistribution of resources towards preventative programs and initiatives, resulting in savings which government can use to repay investors.<sup>59</sup> Proponents argue this redistribution supports greater efficiency by allowing resources to be allocated ‘where they will achieve the most impact’, and this reflects the neoliberal assumption that the involvement of private investors is necessary to support innovation and efficiency.<sup>60</sup>

The preventative focus of social impact bonds is also felt to support a focus on the root causes of issues. This though appears to be undermined by their economic focus. The contractual nature of the mechanism limits the focus of social impact bonds, restricting their ability to address wider issues such as poverty and inequality, which are at the root of several social issues. Such issues

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<sup>57</sup> Cooper, Graham, and Himick, "Social Impact Bonds: The Securitization of the Homeless."; Warner, "Private Finance for Public Goods: Social Impact Bonds."; Chris and Albertson, "Payment by Results and Social Impact Bonds in the Criminal Justice Sector: New Challenges for the Concept of Evidence-Based Policy?"

<sup>58</sup> Judy A. Temple and Arthur J. Reynolds, "Using Social-Impact Borrowing to Expand Preschool-to-Third Grade Programs in Urban Schools," *Journal of Education for Students Placed at Risk (JESPAR)* 20, no. 4 (2015); Warner, "Private Finance for Public Goods: Social Impact Bonds."; Acevedo, "Market-Based Solutions for Social Challenges: A Collaborative Policy Making Strategy."; Joy and Shields, "Social Impact Bonds: The Next Phase of Third Sector Marketization?"; Cox, "Financing Homelessness Prevention Programs with Social Impact Bonds"; Max Liang, Brian Mansberger, and Andrew C. Spieler, "An Overview of Social Impact Bonds," *Journal of International Business and Law* 13, no. 2 (2014); Nicholls and Tomkinson, "The Peterborough Pilot Social Impact Bond."; NSW Government, Department for Communities and Justice. "Social Impact Investment," <https://www.facs.nsw.gov.au/providers/deliver-community-and-sector-assistance/SBB>

<sup>59</sup> See Liang, Mansberger, and Spieler, "An Overview of Social Impact Bonds."; Warner, "Private Finance for Public Goods: Social Impact Bonds."; Nicholls and Tomkinson, "The Peterborough Pilot Social Impact Bond."; Cox, "Financing Homelessness Prevention Programs with Social Impact Bonds"; Ha, "Social Impact Bonds: Opportunities and Next Steps."

<sup>60</sup> Chris and Albertson, "Payment by Results and Social Impact Bonds in the Criminal Justice Sector: New Challenges for the Concept of Evidence-Based Policy?"; Liang, Mansberger, and Spieler, "An Overview of Social Impact Bonds."; Hughes and Scherer, "Foundations for Social Impact Bonds How and Why Philanthropy Is Catalyzing the Development of a New Market"; Whitfield, "Alternative to Private Finance of the Welfare State: A Global Analysis of Social Impact Bond, Pay-for-Success & Development Impact Bond Projects"; Acevedo, "Market-Based Solutions for Social Challenges: A Collaborative Policy Making Strategy."

are difficult to quantify in terms of outcome measurements and government savings.<sup>61</sup> Outcome metrics generally reflect a focus on individual responsibility. For example, Whitfield identifies a shift from 'poverty and social exclusion to "troubled families" or anti-social behaviour.'<sup>62</sup> In seeking to secure a return for investors, social impact bonds also tend to reflect a conservative agenda supporting the status quo.<sup>63</sup> For example, bonds in education are more likely to be developed to support disadvantaged or struggling students than to provide extension programs as this would not produce realisable savings.<sup>64</sup> Those involved with social impact bonds have noted that in practice they have been oriented towards 'preventing more of something that has unfortunately already happened a lot for the individuals being supported', for example preventing new episodes of homelessness or prison sentences.<sup>65</sup> The economic impetus of social impact bonds thus limits their ability to be truly preventative in their approach to complex social issues.

### *Risk transfer*

The social impact bond model also purports to facilitate a transfer of risk from government to private investors. This reflects the neoliberal assumption that it is the private sector which is best placed to address social issues as its willingness to embrace risk allows it to support innovative approaches and solutions. The state by contrast, is assumed to be inherently risk adverse.<sup>66</sup> This is not necessarily the case though, as Whitfield argues, 'the state has played an important role in funding, supporting and developing innovation', including in areas where social impact bonds have

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<sup>61</sup> Elyse Sainty, "Social Impact Bonds: A Letter from the Frontline," *Social Ventures Australia*, April 30 2019, <https://www.socialventures.com.au/sva-quarterly/social-impact-bonds-a-letter-from-the-frontline-part1/>.

<sup>62</sup> Whitfield, "Alternative to Private Finance of the Welfare State: A Global Analysis of Social Impact Bond, Pay-for-Success & Development Impact Bond Projects"; Joy and Shields, "Social Impact Bonds: The Next Phase of Third Sector Marketization?"

<sup>63</sup> Mitropoulos and Bryan, "Social Benefit Bonds: Financial Markets inside the State." See further, Joy and Shields, "Social Impact Bonds: The Next Phase of Third Sector Marketization?"; Whitfield, "Alternative to Private Finance of the Welfare State: A Global Analysis of Social Impact Bond, Pay-for-Success & Development Impact Bond Projects"; Chris and Albertson, "Payment by Results and Social Impact Bonds in the Criminal Justice Sector: New Challenges for the Concept of Evidence-Based Policy?"; Nicholls and Tomkinson, "The Peterborough Pilot Social Impact Bond."; Cooper, Graham, and Himick, "Social Impact Bonds: The Securitization of the Homeless."; Acevedo, "Market-Based Solutions for Social Challenges: A Collaborative Policy Making Strategy."

<sup>64</sup> Mitropoulos and Bryan, "Social Benefit Bonds: Financial Markets inside the State."

<sup>65</sup> Sainty, "Social Impact Bonds: A Letter from the Frontline."

<sup>66</sup> Whitfield, "Alternative to Private Finance of the Welfare State: A Global Analysis of Social Impact Bond, Pay-for-Success & Development Impact Bond Projects"; Deborah Burand, "Globalizing Social Finance: How Social Impact Bonds and Social Impact Performance Guarantees Can Scale Development," *University of Michigan Law School*, 2013, <https://repository.law.umich.edu/cgi/viewcontent.cgi?article=2086&context=articles.>; Murtagh and Goggin, "Finance, Social Economics and Community Development."; Emma Tomkinson, "An Australian Snapshot: Social Impact Bonds," Perspectives from the Social Finance Forum 2012, *the Centre for Social Impact*, November 2012, [https://www.csi.edu.au/media/uploads/Social\\_Impact\\_Bonds\\_-\\_An\\_Australian\\_Snapshot\\_-\\_November\\_2012.pdf](https://www.csi.edu.au/media/uploads/Social_Impact_Bonds_-_An_Australian_Snapshot_-_November_2012.pdf); Dowling, "In the Wake of Austerity: Social Impact Bonds and the Financialisation of the Welfare State in Britain."

been adopted.<sup>67</sup> In addition, private investors are considered to be actually quite risk adverse and will generally seek to minimise risk and maximise returns.<sup>68</sup> This suggests social impact bonds are counterintuitive from an economic perspective as they look to transfer risk completely to the investor while limiting returns because they represent public funds.<sup>69</sup> Although social impact bonds seek to appeal to 'philanthropically minded investors', there is still a need for social impact bonds to be economically attractive. This can be achieved by adopting a narrow definition of risk.<sup>70</sup>

The social impact bond model seeks to minimise investor risk through the contract mechanism, particularly in its focus on 'demonstrable results.'<sup>71</sup> This sees social impact bonds transferring responsibility for the 'defining, providing, financing and controlling of social services,' as well as risk.<sup>72</sup> The contractual focus necessitates translating complex social issues into a series of defined outcomes and evaluation measures. Risk assessments are calculated in economic terms, and individuals are viewed in terms of their 'aggregated risk.'<sup>73</sup> This narrow, economic approach makes it difficult to attribute outcomes specifically to the bond initiative, meaning government does retain a

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<sup>67</sup> Whitfield, "Alternative to Private Finance of the Welfare State: A Global Analysis of Social Impact Bond, Pay-for-Success & Development Impact Bond Projects."

<sup>68</sup> Joy and Shields, "Social Impact Bonds: The Next Phase of Third Sector Marketization?"; Whitfield, "Alternative to Private Finance of the Welfare State: A Global Analysis of Social Impact Bond, Pay-for-Success & Development Impact Bond Projects."

<sup>69</sup> Chris and Albertson, "Payment by Results and Social Impact Bonds in the Criminal Justice Sector: New Challenges for the Concept of Evidence-Based Policy?"; Burand, "Globalizing Social Finance: How Social Impact Bonds and Social Impact Performance Guarantees Can Scale Development."

<sup>70</sup> Warner, "Private Finance for Public Goods: Social Impact Bonds."; Whitfield, "Alternative to Private Finance of the Welfare State: A Global Analysis of Social Impact Bond, Pay-for-Success & Development Impact Bond Projects"; Dowling, "In the Wake of Austerity: Social Impact Bonds and the Financialisation of the Welfare State in Britain." See also, Mitropoulos and Bryan, "Social Benefit Bonds: Financial Markets inside the State."; Liang, Mansberger, and Spieler, "An Overview of Social Impact Bonds."; Ha, "Social Impact Bonds: Opportunities and Next Steps"; Tomkinson, "An Australian Snapshot: Social Impact Bonds"; Nicholls and Tomkinson, "The Peterborough Pilot Social Impact Bond."

<sup>71</sup> Schinckus, "Financial Innovation as a Potential Force for a Positive Social Change: The Challenging Future of Social Impact Bonds."; Burand, "Globalizing Social Finance: How Social Impact Bonds and Social Impact Performance Guarantees Can Scale Development."; Dagher, "Social Impact Bonds and the Private Benefit Doctrine: Will Participation Jeopardize a Nonprofit's Tax-Exempt Status Note."; Ha, "Social Impact Bonds: Opportunities and Next Steps"; Tomkinson, "An Australian Snapshot: Social Impact Bonds"; Mitropoulos and Bryan, "Social Benefit Bonds: Financial Markets inside the State."; Arena et al., "Social Impact Bonds: Blockbuster or Flash in a Pan?"; Shergold, Kernot, and Hems, "Report on the NSW Social Impact Bond Pilot"; Chris and Albertson, "Payment by Results and Social Impact Bonds in the Criminal Justice Sector: New Challenges for the Concept of Evidence-Based Policy?"; Cooper, Graham, and Himick, "Social Impact Bonds: The Securitization of the Homeless."; Whitfield, "Alternative to Private Finance of the Welfare State: A Global Analysis of Social Impact Bond, Pay-for-Success & Development Impact Bond Projects."

<sup>72</sup> Meagher and Goodwin, "Introduction: Capturing Marketisation in Australian Social Policy."; Liang, Mansberger, and Spieler, "An Overview of Social Impact Bonds."; Maguire, "Third Tier in the Supply Chain? Voluntary Agencies and the Commissioning of Offender Rehabilitation Services."; Gough, "Revolution: Marketisation, the Penal System and the Voluntary Sector."

<sup>73</sup> Mitropoulos and Bryan, "Social Benefit Bonds: Financial Markets inside the State."; Cooper, Graham, and Himick, "Social Impact Bonds: The Securitization of the Homeless."; Joy and Shields, "Social Impact Bonds: The Next Phase of Third Sector Marketization?"



significant financial risk as it remains ultimately responsible for payments.<sup>74</sup> The bond model also does not consider other forms of risk such as execution or reputational risk, which also remain with government and the not-for-profit service providers. The risk for government is also evident in the fact that it retains significant political accountability for initiatives as well as a 'moral obligation' towards the target population.<sup>75</sup>

This characteristic of the social impact bonds model particularly illustrates its alignment with the established relationship between government and the voluntary sector in the United Kingdom. As *chapter three* outlines, this relationship sees the roles of government and philanthropy clearly defined in opposition to one another, and an inverse relationship exists between them where an expansion or contraction in the role of one has seen a corresponding change in the other. This aligns with the assumption underpinning social impact bonds where private investment— associated with innovation and efficiency—is considered in opposition to the state, which is viewed as overly bureaucratic and risk adverse.<sup>76</sup> Social impact bonds have also been associated with the competitive aspect of this relationship, which most recently has seen government seek to redefine its own role by promoting an expansion of the voluntary sector. Whitfield views social impact bonds in similar terms, suggesting their primary aim is to facilitate 'a withdrawal of government from traditional responsibilities in procuring and managing contracts.'<sup>77</sup> Rather than support a complete transfer of risk as per the original model, the United States and Australia have both developed additional risk mitigation strategies in their adoption of impact bonds. These variations on the original model reflect the involvement of philanthropic entities and see the development of social impact bonds in both countries aligning with the particular relationship between government and philanthropy. This supports the view of social impact bonds as part of an extended family of philanthropy, and suggests

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<sup>74</sup> Arena et al., "Social Impact Bonds: Blockbuster or Flash in a Pan?"; Gough, "Revolution: Marketisation, the Penal System and the Voluntary Sector."; Ha, "Social Impact Bonds: Opportunities and Next Steps." See also, Broccardo, Mazzuca, and Frigotto, "Social Impact Bonds: The Evolution of Research and a Review of the Academic Literature."

<sup>75</sup> Cooper, Graham, and Himick, "Social Impact Bonds: The Securitization of the Homeless."; Warner, "Private Finance for Public Goods: Social Impact Bonds."; Cook, Dodds, and Mitchell, "Social Entrepreneurship — False Premises and Dangerous Forebodings."; Simone Walker, "Developing Social Benefit Bonds in Australia: The NSW Family and Community Services Experience," in *Managing Under Austerity, Delivering Under Pressure: Performance and Productivity in Public Service*, ed. John Wanna, Hsu-Ann Lee, and Sophie Yate (Acton, ACT: Australian National University Press, 2015).

<sup>76</sup> See Chris and Albertson, "Payment by Results and Social Impact Bonds in the Criminal Justice Sector: New Challenges for the Concept of Evidence-Based Policy?"

<sup>77</sup> Whitfield, "Alternative to Private Finance of the Welfare State: A Global Analysis of Social Impact Bond, Pay-for-Success & Development Impact Bond Projects." See also, Acevedo, "Market-Based Solutions for Social Challenges: A Collaborative Policy Making Strategy."

that, like philanthropy more generally, the role they perform can provide insights regarding perceptions of the role of the state and potential changes.

### United States

Acevedo observes that the development of social impact bonds has differed between countries due to the influence of different economic, political and institutional arrangements, in effect as a result of established path dependencies.<sup>78</sup> He suggests the concept is particularly suited to the United States, which is 'characterised by its market based and free enterprise culture.'<sup>79</sup> This culture lends itself to 'more business-like government practices', as well as to 'the outsourcing of government responsibilities', including 'core governmental and statutory functions', such as policy making.<sup>80</sup> Philanthropic foundations occupy a central position in the United States, and their 'catalytic' role in the development of social impact bonds is demonstrated through the actions of two prominent entities: the Rockefeller Foundation in looking to 'prime' the market, and Bloomberg Philanthropies in providing 'credit enhancements' in the form of guarantees that seek to mitigate risk for investors.<sup>81</sup> Both forms of engagement reflect the particular competitive nature of the relationship between government and philanthropy in the United States, a relationship which also supports a neoliberal view of the role of the state.

The Rockefeller Foundation has played a significant role in developing the 'ecosystem' surrounding social impact bonds in the United States. The foundation became a 'cornerstone investor' in the United Kingdom's Peterborough social impact bond pilot with a view to gaining insights that could be applied in translating the concept to the United States.<sup>82</sup> It provided a number of grants to entities within the United States to support the development of 'enabling infrastructure.' For example, it provided seed funding to establish the Social Impact Bond Technical Assistance Lab at Harvard University's Kennedy Business School to assist jurisdictions in developing social impact bonds, particularly in addressing 'resources and technical barriers.'<sup>83</sup> It also funded an

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<sup>78</sup> Acevedo, "Market-Based Solutions for Social Challenges: A Collaborative Policy Making Strategy."

<sup>79</sup> Ibid.

<sup>80</sup> Ibid.

<sup>81</sup> Hughes and Scherer, "Foundations for Social Impact Bonds How and Why Philanthropy Is Catalyzing the Development of a New Market."

<sup>82</sup> The Rockefeller Foundation, "Annual Report 2011," <https://www.rockefellerfoundation.org/wp-content/uploads/Annual-Report-2011-2.pdf>; "Annual Report 2012,"

<http://annualreport2012.rockefellerfoundation.org/>; "Annual Report 2013,"

<http://annualreport2013.rockefellerfoundation.org/>.

<sup>83</sup> Harvard Kennedy School: Government Performance Lab, "About Us: Our Mission,"

<https://govlab.hks.harvard.edu/about-us>; The Rockefeller Foundation, "Annual Report 2011"; "Annual Report 2012"; "Annual Report 2013"; Temple and Reynolds, "Using Social-Impact Borrowing to Expand Preschool-to-

‘online information-sharing platform’, which it claimed inspired governments to ‘explore’ the concept of social impact bonds further.<sup>84</sup> Other grants aimed at influencing governments more directly. For example, funding was provided to the Centre of American Progress in 2011 to ‘facilitate a bipartisan dialogue with federal policymakers to advance the concept of social impact bonds.’ This was to be achieved through ‘issue briefs, articles, opinion pieces and continued leadership.’<sup>85</sup> A grant was also provided in 2012 to ‘create a strategy for engagement with policymakers and other stakeholders to advance social impact bond innovation.’<sup>86</sup>

These efforts in supporting social impact bonds reflect the competitive nature of the relationship between philanthropy and government in the United States, where philanthropy seeks to use its resources to leverage government support for particular initiatives and policies. Other foundations have followed a similar approach to Rockefeller, for example, the Robert Wood Johnson Foundation provided funding for a series of ‘issue briefs’, launched in October 2020, to ‘provide practical guidance and examples for government officials interested in pursuing PFS [pay-for-success] within their agency or jurisdiction.’<sup>87</sup> Although some foundations have viewed their engagement with social impact bonds in a cooperative manner, many are interested in the mechanism’s potential to alter or ‘reorient’ the way government operates.<sup>88</sup> Bloomberg Philanthropies for example, viewed its interest in social impact bonds in terms of a ‘focus on government innovation.’<sup>89</sup> In this way, philanthropic engagement with social impact bonds reflects the view of foundations as public institutions engaging in public policy at the national level, a view which often exists in tension with the perspective of philanthropy representing the traditions of localism and volunteerism.

Bloomberg Philanthropies’ involvement with the country’s first social impact bond in New York City also demonstrates an additional way in which philanthropy has engaged with the concept. The foundation’s ‘government innovation’ team had researched the concept of social impact bonds and had been involved with New York City mayor Michael Bloomberg’s ‘Young Men’s Initiative’,

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Third Grade Programs in Urban Schools.”; Acevedo, “Market-Based Solutions for Social Challenges: A Collaborative Policy Making Strategy.”

<sup>84</sup> The Rockefeller Foundation, “Annual Report 2010,” <https://www.rockefellerfoundation.org/wp-content/uploads/Annual-Report-2010-1.pdf>.

<sup>85</sup> “Annual Report 2011.”

<sup>86</sup> “Annual Report 2012.”

<sup>87</sup> Rachel Levy and Emily McKelvey, “New Issue Briefs on Pay for Success,” *Social Finance*, 23 October 2020, <https://socialfinance.org/blog/new-issue-briefs-on-pay-for-success/>; Robert Wood Johnson Foundation, “About RWJF,” <https://www.rwjf.org/en/about-rwjf.html>.

<sup>88</sup> Hughes and Scherer, “Foundations for Social Impact Bonds How and Why Philanthropy Is Catalyzing the Development of a New Market.”

<sup>89</sup> Rudd et al., “Financing Promising Evidence-Based Programs: Early Lessons from the New York City Social Impact Bond,” p. 4.

which gave rise to the bond's focus on youth recidivism at Rikers Island prison.<sup>90</sup> The foundation worked with the mayor's office in structuring the bond and provided grants to the intermediary organisation for the purposes of administration and evaluation.<sup>91</sup> It also assumed responsibility for the 'implementation costs' of the bond.<sup>92</sup> Bloomberg Philanthropies also provided a grant of \$7.2 million to guarantee 75 per cent of the required private investment in order to offset the risk for the investor, Goldman Sachs. The company had previously come to the view that the potential profit 'was not high enough to justify the level of risk it perceived.'<sup>93</sup> The evaluation of the bond's development considered this support from Bloomberg Philanthropies to have been crucial in terms of providing the parties with the necessary confidence in structuring the arrangement.<sup>94</sup>

This philanthropic guarantee represents a particular method of risk mitigation, and a deviation from the original social impact bond model. Foundations in the United States have also performed similar risk mitigation functions in other bonds, for example, the Rockefeller Foundation provided a 'first loss guarantee' for a bond focused on 'employment and public safety' established in New York State in 2013.<sup>95</sup> Foundations also mitigate risk by 'funding pilot projects' to support the focus on demonstrable results, as occurred in Fresno California, an example which is discussed further below.<sup>96</sup> Acevedo noted that the greater involvement of 'financially motivated investors' in the United States implies an expectation of 'higher profits for successful outcomes.'<sup>97</sup> However, this necessitates the involvement of philanthropic foundations performing this role in providing risk mitigation.<sup>98</sup> Brown notes that in practice governments are unwilling or unable offer the returns venture capitalists generally seek, so 'philanthropy intervenes to fill that gap.'<sup>99</sup> He suggests 'nearly every SIB has a strong philanthropic component to mitigate investor losses if the investment fails.'<sup>100</sup>

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<sup>90</sup> Ibid.

<sup>91</sup> Ibid.

<sup>92</sup> V. Kasturi Rangan and Lisa A. Chase, "The Payoff of Pay-for-Success," *Stanford Social Innovation Review*, Fall 2015, [https://ssir.org/up\\_for\\_debate/article/the\\_payoff\\_of\\_pay\\_for\\_success](https://ssir.org/up_for_debate/article/the_payoff_of_pay_for_success); Melissa Sanchez, "For the Record: Paying for Preschool with Social Impact Bonds," *Catalyst Chicago*, 3 November 2014, <https://www.chicagoreporter.com/record-paying-preschool-social-impact-bonds/>; Maoz Brown, "The Hidden Costs of Social Impact Bonds," *Nonprofit Quarterly*, October 18, 2019, <https://nonprofitquarterly.org/the-hidden-costs-of-social-impact-bonds/>.

<sup>93</sup> Rudd et al., "Financing Promising Evidence-Based Programs: Early Lessons from the New York City Social Impact Bond," p. 24; Rangan and Chase, "The Payoff of Pay-for-Success."

<sup>94</sup> Rudd et al., "Financing Promising Evidence-Based Programs: Early Lessons from the New York City Social Impact Bond."

<sup>95</sup> Brown, "The Hidden Costs of Social Impact Bonds"; Rangan and Chase, "The Payoff of Pay-for-Success."; Sanchez, "For the Record: Paying for Preschool with Social Impact Bonds."

<sup>96</sup> Brown, "The Hidden Costs of Social Impact Bonds"; Rangan and Chase, "The Payoff of Pay-for-Success."; Sanchez, "For the Record: Paying for Preschool with Social Impact Bonds."

<sup>97</sup> Acevedo, "Market-Based Solutions for Social Challenges: A Collaborative Policy Making Strategy."

<sup>98</sup> See e.g. Rangan and Chase, "The Payoff of Pay-for-Success."

<sup>99</sup> Brown, "The Hidden Costs of Social Impact Bonds."

<sup>100</sup> Ibid.

Rangan and Chase suggested that the main contribution of social impact bonds may be to ‘unlock philanthropic and foundation assets in buffering the risk for return-seeking capital.’<sup>101</sup>

Brown suggests that within the ‘broader impact investing field’, philanthropy is ‘frequently viewed as an indispensable source of so-called catalytic capital.’<sup>102</sup> He suggests this is viewed in cooperative terms, ‘as an unambiguously positive example of cross-sector collaboration and as a logical extension of philanthropy’s classic mandate to be society’s risk capital.’<sup>103</sup> Brown recognises that philanthropy performing this role does mean that the transfer of risk, which is identified as a particular feature of social impact bonds, is not complete. For Brown, this is particularly so as philanthropy’s receipt of tax concessions means it is effectively public funds in the form of forgone tax revenue being risked.<sup>104</sup> As well as reflecting the central role played by foundations, this risk mitigation strategy also sees some bond arrangements in the United States further minimise the already narrow view of government’s role envisioned by the original social impact bond model. This is illustrated in cases where foundations have funded feasibility studies or ‘demonstration projects’ with a view to developing social impact bonds around them. The California Foundation for example provided funds for the development of a social impact bond focused on asthma prevention in the city of Fresno with the aim to appeal to private health insurers to commission the bond.<sup>105</sup> This would remove government from the process entirely. Such actions minimise government’s role in terms of agenda-setting and identifying need. It has also been suggested that foundations

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<sup>101</sup> Rangan and Chase, "The Payoff of Pay-for-Success."

<sup>102</sup> Brown, "The Hidden Costs of Social Impact Bonds." Catalytic capital is defined as ‘investments that are more patient, risk tolerant, concessionary and flexible.’ MacArthur Foundation. "Catalytic Consortium Frequently Asked Questions," 12 March 2019, <https://www.macfound.org/press/article/catalytic-capital-consortium-faqs#Q1>.

<sup>103</sup> Ibid.

<sup>104</sup> Ibid.

<sup>105</sup> See Hughes and Scherer, "Foundations for Social Impact Bonds How and Why Philanthropy Is Catalyzing the Development of a New Market"; Manuela Badawy, "California City Seeks to Cut Asthma Rate Via Bond Issue," *Reuters*, 20 October 2012, <https://www.reuters.com/article/investing-impactbonds-health/california-city-seeks-to-cut-asthma-rate-via-bond-issue-idUSL1E8KK8RA20121019>; Linda Childers, "Driven by High Asthma Rates, Central Valley Tries to Improve Indoor Air Quality," *California Health Report*, 23 March 2017, <https://www.calhealthreport.org/2017/03/23/driven-by-high-asthma-rates-central-valley-tries-to-improve-indoor-air-quality/>; Social Finance, "The California Endowment Awards Grant to Social Finance and Collective Health: Asthma Management Demonstration Project in Fresno, CA Paves Way for Social Impact Bond," *Media Release*, 25 March 2013, [https://nchh.org/resource-library/pdfs/fresno\\_asthma\\_demonstration\\_project\\_press\\_release.pdf](https://nchh.org/resource-library/pdfs/fresno_asthma_demonstration_project_press_release.pdf); Maria Hernandez, "Health Equity Is a Patient Safety Issue," *Impact 4Health*, [Blog Post] 18 January 2016, <http://www.impact4health.com/blog/>; Maria Hernandez, S. Len Syme, and Rick Brush, "Impact Investing in Sources of Health," *Briefing*, Collective Health, February 2012, [https://collectivehealth.files.wordpress.com/2012/04/impact-investing-in-health\\_tce-paper\\_feb-2012.pdf](https://collectivehealth.files.wordpress.com/2012/04/impact-investing-in-health_tce-paper_feb-2012.pdf); Kristina Strain, "Why Is the California Endowment Funding an Asthma Project Led by New England Companies?," *Inside Philanthropy*, 3 March 2014, <https://www.insidephilanthropy.com/health-policy/2014/3/3/why-is-the-california-endowment-funding-an-asthma-project-le.html>; Rebecca Fairfax Clay, "Health Impact Bonds: Will Investors Pay for Intervention?," *Environmental Health Perspectives* 121, no. 2 (2013).

themselves could take on the role of commissioner, as they would be able to ‘purchase specific changes in outcomes’ just as easily as government, as long as there was some consensus regarding the price.<sup>106</sup>

As well as highlighting the narrow view of government’s role within social impact bonds as simply a ‘purchaser’ of outcomes, this demonstrates how the relationship between government and philanthropy in the United States is conducive to the neoliberal approach promoted by the social impact bond model. Foundations particularly sought for social impact bonds to promote increased efficiency and accountability by forcing government to consider policy and funding decisions from a cost-benefit perspective, assigning economic values to societal issues.<sup>107</sup> This aligns with the neoliberal approach of social impact bonds extending market concepts into areas of social policy.<sup>108</sup> This approach is also reflected in government actions in support of social impact bonds. For example, in discussing the Social Innovation Fund, which was intended to support innovative approaches including social impact bonds, Michelle Obama stated that ‘by focusing on high-impact, results-oriented non-profits we will ensure that government dollars are spent in a way that is effective, accountable and worthy of the public trust.’<sup>109</sup> The fund was referred to as a ‘dramatically different way for the government to do business ... finding and scaling the best social innovations; partnering with those who are leading change in communities; and creating a policy environment for all these innovations to thrive.’<sup>110</sup> This approach is also reflected through enabling legislation such as the *Social Impact Partnerships to Pay for Results Act (SIPPR)*, implemented in 2018 and ‘intended to improve the effectiveness of certain social services.’<sup>111</sup> The act supports a focus on ‘demonstrable,

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<sup>106</sup> Rudd et al., "Financing Promising Evidence-Based Programs: Early Lessons from the New York City Social Impact Bond." See also e.g. Burand, "Globalizing Social Finance: How Social Impact Bonds and Social Impact Performance Guarantees Can Scale Development."; Whitfield, "Alternative to Private Finance of the Welfare State: A Global Analysis of Social Impact Bond, Pay-for-Success & Development Impact Bond Projects."

<sup>107</sup> Rudd et al., "Financing Promising Evidence-Based Programs: Early Lessons from the New York City Social Impact Bond." p .5; Tracy Palandjian and Paul Brest, "After the Pandemic: Addressing the Permanent Crisis with Pay for Success Programs," *Stanford Social Innovation Review*, 31 March 2020, [https://ssir.org/articles/entry/after\\_the\\_pandemic\\_addressing\\_the\\_permanent\\_crisis\\_with\\_pay\\_for\\_success\\_programs#](https://ssir.org/articles/entry/after_the_pandemic_addressing_the_permanent_crisis_with_pay_for_success_programs#); Rangan and Chase, "The Payoff of Pay-for-Success."

<sup>108</sup> See Joy and Shields, "Social Impact Bonds: The Next Phase of Third Sector Marketization?"; Whitfield, "Alternative to Private Finance of the Welfare State: A Global Analysis of Social Impact Bond, Pay-for-Success & Development Impact Bond Projects."

<sup>109</sup> Michelle Obama, "Flotus Remarks at Time 100 Most Influential People Awards," 5 May 2009, <https://obamawhitehouse.archives.gov/the-press-office/flotus-remarks-time-100-most-influential-people-awards>; Office of Social Innovation and Civic Participation, "Pay for Success: An Opportunity to Find and Scale What Works," <https://obamawhitehouse.archives.gov/administration/eop/sicp/initiatives/pay-for-success>.

<sup>110</sup> Jesse Lee, "What Is the Social Innovation Fund?," *Blog*, 6 May 2009, <https://obamawhitehouse.archives.gov/blog/2009/05/06/what-social-innovation-fund>.

<sup>111</sup> U.S. Department of the Treasury, "SIPPR - Pay for Results," <https://home.treasury.gov/services/social-impact-partnerships/sippra-pay-for-results>; Martin Carnoy and Roxana Marachi, "Investing for 'Impact' or Investing for Profit? Social Impact Bonds, Pay for Success, and the Next Wave of Privatization of Social Services

measurable results and ensures the most effective use of government funds.<sup>112</sup> Support for social impact bonds is also embedded within legislation in particular areas, such as the 2015 *Every Student Succeeds Act*.<sup>113</sup>

Government actions to support social impact bonds also reflect a neoliberal view of the role of the state as being to support the market. Enabling legislation has been passed at both the state and federal level in the United States.<sup>114</sup> The *Social Impact Partnerships to Pay for Results Act* mentioned above, for example, set aside \$100 million to support demonstration projects and feasibility studies, and includes an emphasis on scaling up, a concept which *as chapter four* discusses, is associated with leverage.<sup>115</sup> The Obama administration also provided funding through its federal budgets—including to the Social Impact Bond Technical Assistance Lab—and established the Office of Social Innovation and Civic Partnership, which worked with the White House in ‘encouraging dialogue between different stakeholders to discuss SIB projects.’<sup>116</sup> Morey viewed such government efforts to position itself as a ‘partner’ or ‘catalyst’ in the context of a wider shift in the competitive relationship between government and philanthropy where, unlike in the twentieth century, it is government ‘doing the admiring and pursuing’ and ‘utilising the language and modus

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and Education," *National Education Policy Center*, February 2020,

[https://nepc.colorado.edu/sites/default/files/publications/PB%20Carnoy-Marachi\\_1.pdf](https://nepc.colorado.edu/sites/default/files/publications/PB%20Carnoy-Marachi_1.pdf).

<sup>112</sup> U.S. Department of the Treasury, "SIPPRAs Legislation, Social Security Act (42 U.S.C. § 1397n—1397n-13 — Social Impact Partnerships to Pay for Results Act (SIPPRAs)," <https://home.treasury.gov/services/social-impact-partnerships/sippra-pay-for-results/sippra-legislation>; Carnoy and Marachi, "Investing for 'Impact' or Investing for Profit? Social Impact Bonds, Pay for Success, and the Next Wave of Privatization of Social Services and Education."

<sup>113</sup> "Investing for 'Impact' or Investing for Profit? Social Impact Bonds, Pay for Success, and the Next Wave of Privatization of Social Services and Education"; 114th United States Congress, "Every Student Succeeds Act. An Act: To Reauthorize the Elementary and Secondary Education Act of 1965 to Ensure That Every Child Achieves," Public Law 114-95 (p. 296), December 10 2015, <https://congress.gov/114/plaws/publ95/PLAW-114publ95.pdf>.

<sup>114</sup> See e.g. National Conference of State Legislatures, "Social Impact Bonds," 22 September 2016, <https://www.ncsl.org/research/labor-and-employment/social-impact-bonds.aspx>.

<sup>115</sup> U.S. Department of the Treasury, "SIPPRAs - Pay for Results"; Carnoy and Marachi, "Investing for 'Impact' or Investing for Profit? Social Impact Bonds, Pay for Success, and the Next Wave of Privatization of Social Services and Education"; U.S. Department of the Treasury, "SIPPRAs Legislation, Social Security Act (42 U.S.C. § 1397n—1397n-13 — Social Impact Partnerships to Pay for Results Act (SIPPRAs))."

<sup>116</sup> Adriana Barajas et al., "Social Impact Bonds: A New Tool for Social Financing," *Princeton University, Public Policy and International Affairs Program*, 2014, <https://spia.princeton.edu/sites/default/files/content/Social%20Impact%20Bonds%202014%20Final%20Report.pdf>; Burand, "Globalizing Social Finance: How Social Impact Bonds and Social Impact Performance Guarantees Can Scale Development."; Stoesz, "Evidence-Based Policy: Reorganizing Social Services through Accountable Care Organizations and Social Impact Bonds."; Sonal Shah and Kristina Costa, "White House Budget Drives Pay for Success and Social Impact Bonds Forward," *Centre for American Progress*, April 23 2013, <https://www.americanprogress.org/issues/economy/news/2013/04/23/61163/white-house-budget-drives-pay-for-success-and-social-impact-bonds-forward/>.

operandi of its subject of admiration: the private sector's top echelon.<sup>117</sup> This reflects a neoliberal view regarding the supremacy of the market, and the state's role as being to support it. While philanthropy's involvement with social impact bonds in the United States has seen a variation of the original model reflecting the particular relationship between philanthropy and government, the competitive nature of the relationship continues to align with the neoliberal approach and view of the role of the state that is inherent within social impact bonds.

## Australia

The development of social impact bonds in Australia also reflects the established relationship between government and philanthropy. Unlike the United Kingdom and United States though, Australian philanthropy's ancillary role does not easily align with the neoliberal view of the state's role promoted by social impact bonds. Rather, the particular relationship between government and philanthropy produced by this role indicates a social liberal view of the role of the state that sees it as occupying a central position in supporting society through promoting equality of opportunity. Australian engagement with social impact bonds and impact investing thus raises questions regarding the success of the identified neoliberal challenge to the social liberal path dependency. The neoliberal approach, and view of the state's role promoted by social impact bonds is evident in the context surrounding the development of the concept in Australia. This development reflects the influence of the United Kingdom, with the Big Society's 'intellectual architect', Phillip Blond, visiting Australia and meeting with 'senior liberals and local government officials.'<sup>118</sup> While there was no formal adoption of the Big Society in Australia, several entities in New South Wales incorporated elements of the policy approach into their agendas, including the Centre for Social Impact, which was commissioned to conduct the initial feasibility study into social impact bonds in Australia.<sup>119</sup> The first Australian social benefit bond (as it was termed) was launched in March 2013, raising \$7 million from investors. Its focus was on expanding the Newpin program designed to support families through the 'restoration of children in out-of-home care to their parents,' an issue that had been identified as a significant risk to the government's budget.<sup>120</sup>

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<sup>117</sup> Maribel Morey, "Philanthropists and the White House: Who's the Boss?," *The Atlantic*, May 14 2014, <https://www.theatlantic.com/business/archive/2014/05/philanthropists-and-the-white-house/370805/>.

<sup>118</sup> Cooper, Graham, and Himick, "Social Impact Bonds: The Securitization of the Homeless."

<sup>119</sup> Meagher and Goodwin, "Introduction: Capturing Marketisation in Australian Social Policy." See also, A. P. O'Brien, "Charity and Philanthropy."

<sup>120</sup> NSW Government, Office of Social Impact Investment, "Newpin," *Fact Sheet*, August 2017, <https://www.osii.nsw.gov.au/assets/office-of-social-impact-investment/Newpin-Factsheet-August-2017.pdf>; Walker, "Developing Social Benefit Bonds in Australia: The NSW Family and Community Services Experience."; Shergold, Kernot, and Hems, "Report on the NSW Social Impact Bond Pilot"; Uniting, "The Newpin Difference," <https://www.uniting.org/services/family-services/newpin-child-restoration/the-newpin-difference>.



As in the United Kingdom, the initial development and promotion of social impact bonds in Australia reflected a neoliberal view of the role of the state as a creator and facilitator of markets. A desire to 'catalyse' the development of the social finance sector was identified as a motivating factor in developing the initial bond, with this being incorporated into the evaluation process.<sup>121</sup> The New South Wales government has been 'recognised as demonstrating early leadership in the impact investing space,' and viewed the initiative as part of a strategy to support the social investment market.<sup>122</sup> In its call for expressions of interest for the initial social benefit bond, the government claimed the mechanism represented an opportunity for 'growing the financial centre of Sydney to be a leader in providing new financial investment to harness private investment for the benefit of the community.'<sup>123</sup> Social impact bonds were also highlighted as an important aspect of the government's 'Social Impact Investment Policy', published in 2015. This, along with subsequent statements of opportunities, progress and outcomes, reflected an enabling role for government in supporting the social impact investment market.<sup>124</sup> One non-philanthropic investor in the Newpin bond indicated that their objectives included to 'contribute to building the market of impact investing products', suggesting that their involvement would provide 'signals to the market.'<sup>125</sup>

Impact Investing Australia, a not-for-profit organisation which seeks to 'grow' the impact investing market within Australia and internationally,<sup>126</sup> also supports a neoliberal view of the state's

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<sup>121</sup> Shergold, Kernot, and Hems, "Report on the NSW Social Impact Bond Pilot"; NSW Government, Office of Social Impact Investment, "Evaluation of the Social Impact Investments," <https://www.osii.nsw.gov.au/tools-and-resources/evaluation-of-the-social-impact-investment/>.

<sup>122</sup> NSW Government, "Social Impact Investment Policy: Leading the Way in Delivering Better Outcomes for the People of NSW," *Office of Social Impact Investment*, February 2015, <https://www.osii.nsw.gov.au/assets/office-of-social-impact-investment/files/Social-Impact-Investment-Policy.pdf>. Regina Hill and Rosemary Addis, "Views from the Impact Investing Playing Field in Australia on What's Happening and What's Needed Next," *Australian Advisory Board on Impact Investing, Impact Investing Australia*, December 2017, <https://impactinvestingaustralia.com/wp-content/uploads/Views-from-the-Field-2017.pdf>.

<sup>123</sup> The Hon Mike Baird MP, "NSW Engages Private Sector to Tackle Social Challenges with Innovative Bond," *Media Release*, 6 September 2011, <http://nswtreasury.prod.acquia-sites.com/sites/default/files/mediarelease/20110906--media---NSW-Engages-Private-Sector-to-Tackle-Social-Challenges-with-Innovative-Bond.pdf>.

<sup>124</sup> NSW Government, Office of Social Impact Investment, "NSW Policy and Guidance," <https://www.osii.nsw.gov.au/policy-and-guidance/>. The new policy, *Social Impact Investment Policy 2.0: Growing Our Impact*, is anticipated to continue this. See, "OSII Releases Its Statement of Outcomes," <https://www.osii.nsw.gov.au/news/2019/12/19/osii-releases-its-statement-of-outcomes/>.

<sup>125</sup> Wendy Williams, "Australia's First Social Impact Bond Delivers for Families and Investors," *Pro Bono News*, 7 October 2020, <https://probonoaustralia.com.au/news/2020/10/australias-first-social-impact-bond-delivers-for-families-and-investors/>.

<sup>126</sup> Impact Investing Australia represents Australia on the Global Steering Group for Impact Investment. The Steering Group was established in 2015 'as the successor to and incorporating the work of the Social Investment Taskforce established under the UK's presidency of the G8.' Australia had been included in this Taskforce alongside the other G7 countries. Impact Investing Australia, "Our Purpose," <https://impactinvestingaustralia.com/about/>; Global Steering Group for Impact Investment [GSG].

role as being to support the market. A 2014 report outlined a call for the government to ‘take a more active role to support market building activity.’<sup>127</sup> This role was viewed in terms of building ‘interest and confidence and to incentivise direct activity.’<sup>128</sup> This would be primarily through addressing ‘regulatory barriers and constraints, particularly in areas that inhibit institutional and philanthropic investor participation.’<sup>129</sup> This report also considered government actions ‘should provide incentives for the engagement, not the replacement, of the private sector and should be conducted in a manner conducive of the market.’<sup>130</sup> A 2017 report took a similar approach, noting ‘Governments are playing an important role commissioning and funding activity and setting up a regulatory and policy environment to foster impact investment.’<sup>131</sup> This report noted ‘governments are putting resources towards exploring the field’, and moving to increase the scale of the impact investing market through ‘trying new commissioning approaches and financing models.’ Social impact bonds commissioned in South Australia, Queensland, Victoria and New South Wales were cited as examples.<sup>132</sup> It referred as well to a role for government in creating ‘signals for the market.’<sup>133</sup> More recently, in the context of COVID-19, Impact Investing Australia’s 2020 pre-budget submission argued, ‘impact investing will grow faster with the right market building infrastructure and the Government has an important role to support this.’<sup>134</sup> This role was discussed in terms of ‘enabling the infrastructure that can catalyse and accelerate private capital and investment around structural reform and towards a more inclusive economic recovery.’<sup>135</sup>

This view of the state’s role as being to support the market is also demonstrated in the Australian Government’s consideration of its role in relation to social impact bonds and social impact investing. One of the recommendations of its Welfare Review published in 2015 was to ‘expand

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“About,” <https://gsgii.org/about-us/>; Impact Strategist, “The Social Impact Investment Taskforce,” <https://www.impactstrategist.com/case-studies/social-impact-investment-task-force/>.

<sup>127</sup> Hill and Addis, “Views from the Impact Investing Playing Field in Australia on What’s Happening and What’s Needed Next.”

<sup>128</sup> Ibid.

<sup>129</sup> Ibid.

<sup>130</sup> Rosemary Addis, Anna Bowden, and Donald Simpson, “Delivering on Impact: The Australian Advisory Board Breakthrough Strategy to Catalyse Impact Investment,” *Australian Advisory Board on Impact Investing, Impact Investing Australia*, September 2014, [https://www.impactstrategist.com/wp-content/uploads/2015/12/0109Delivering\\_on\\_impact-FInal-1.pdf](https://www.impactstrategist.com/wp-content/uploads/2015/12/0109Delivering_on_impact-FInal-1.pdf); Financial System Inquiry Australia, “Financial System Inquiry: Final Report,” *Australian Government, The Treasury*, Canberra, November 2014, <https://treasury.gov.au/sites/default/files/2019-03/p2014-FSI-01Final-Report.pdf>.

<sup>131</sup> Hill and Addis, “Views from the Impact Investing Playing Field in Australia on What’s Happening and What’s Needed Next.”

<sup>132</sup> Ibid.

<sup>133</sup> Ibid.

<sup>134</sup> Sally McCutchan and Sabina Curatolo, “Impact Investing Australia, Pre-Budget Submission - Supplementary Information,” 24 August 2020, <https://impactinvestingaustralia.com/wp-content/uploads/2020/08/Additional-information-prebudget-submission.pdf>.

<sup>135</sup> Ibid.

outcomes based social purpose investment models, including Social Impact Bonds, to target financial investments towards addressing social problems.<sup>136</sup> The report suggested this would ‘complement’ its recommended investment approach to welfare, discussed further below.<sup>137</sup> The Commonwealth *Financial Systems Inquiry* in 2014 found ‘merit’ in the idea of government undertaking an active role in ‘facilitating the impact investment market’, and considered this role could include ‘coordinating interested private sector parties, providing expertise on social service delivery and performance management, and offering explicit public endorsement for the significant private sector interest in this emerging market.’<sup>138</sup> Following this Inquiry, the Treasury released a discussion paper in January 2017, which proposed a ‘stewardship role’ for government in ‘ensuring an appropriate regulatory environment’, and otherwise enabling the development and growth of the social impact investment market.<sup>139</sup> This discussion paper supported the Australian Government’s development of a series of principles for social impact investing to guide its activity in the field. These principles ‘reflect the role of the Australian Government as an enabler and developer of this nascent market’, particularly through addressing ‘regulatory barriers.’<sup>140</sup> In 2019, Prime Minister Scott Morrison established the Social Impact Investing Taskforce to again ‘explore the Commonwealth’s role’ in supporting the growth of the impact investing market.<sup>141</sup> The Taskforce’s interim report refers to government’s role as a market regulator and participant in purchasing social outcomes.<sup>142</sup> In July 2020, the States and Territories signed a deal that included funding from the federal government to support impact investing, ‘pledging to work with the Morrison Government on new initiatives.’<sup>143</sup> This suggests a similar view of government’s role is held at the State and Territory level as well.

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<sup>136</sup> Reference Group on Welfare Reform, "A New System for Better Employment and Social Outcomes: Report of the Reference Group on Welfare Reform to the Minister for Social Services," *Australian Government, Department of Social Services*, Canberra, February 2015, [https://www.dss.gov.au/sites/default/files/documents/02\\_2015/dss001\\_14\\_final\\_report\\_access\\_2.pdf](https://www.dss.gov.au/sites/default/files/documents/02_2015/dss001_14_final_report_access_2.pdf).

<sup>137</sup> *Ibid.*

<sup>138</sup> Financial System Inquiry Australia, "Financial System Inquiry: Final Report."

<sup>139</sup> Australian Government, The Treasury, "Social Impact Investing Discussion Paper," Commonwealth of Australia, January 2017, [https://treasury.gov.au/sites/default/files/2019-03/C2017-002\\_Social\\_Impact\\_Investing\\_DP.pdf](https://treasury.gov.au/sites/default/files/2019-03/C2017-002_Social_Impact_Investing_DP.pdf).

<sup>140</sup> Australian Government, The Treasury, "Australian Government Principles for Social Impact Investing." See also, Hill and Addis, "Views from the Impact Investing Playing Field in Australia on What’s Happening and What’s Needed Next."

<sup>141</sup> Australian Government, Department of the Prime Minister and Cabinet, "Social Impact Investing Taskforce," <https://www.pmc.gov.au/domestic-policy/social-impact-investing-taskforce>; Wendy Williams, "Look How Far We’ve Come: Impact Investing," *Pro Bono News*, 2 July 2020, <https://probonoaustralia.com.au/news/2020/07/look-how-far-weve-come-impact-investing/>.

<sup>142</sup> Social Impact Investing Taskforce, "Social Impact Investing Taskforce - Interim Report," *Australian Government, Department of the Prime Minister and Cabinet*, Canberra, December 2019, <https://www.pmc.gov.au/sites/default/files/publications/social-impact-investing-taskforce-interim-report.pdf>.

<sup>143</sup> Anne Ruston, "States and Territories Sign onto Social Impact Investing Agreement," *Media Release*, 14 July 2020, [https://www.anneruston.com.au/media\\_release\\_states\\_and\\_territories\\_sign\\_onto\\_social\\_impact\\_investing\\_a](https://www.anneruston.com.au/media_release_states_and_territories_sign_onto_social_impact_investing_a)

Government's role is considered in terms of supporting the market because neoliberalism views the market as best placed to support society and address issues given its ability to promote innovation. It is for this reason as well that neoliberalism seeks the extension of the language, tools, and general precepts of the market into other areas within society. Social impact bonds facilitate this belief in allowing for market-based principles and approaches to be integrated into areas of social policy.<sup>144</sup> The initial development of social impact bonds in Australia occurred in the context of the increasing marketisation of service delivery in these areas of social or welfare policy.<sup>145</sup> The marketised approach was also particularly evident in the government's welfare review, which recommended an 'investment approach' to welfare that sought to determine the costs to government of welfare provision, and then looked to gain a 'return' on this investment through individual recipients achieving 'self-reliance.'<sup>146</sup> It was considered that such an approach would support innovation to 'drive improvement in the delivery of support services.'<sup>147</sup> Whitfield observes a tendency to connect such investment approaches in welfare to outsourcing measures, including social impact bonds, and argues that this reflects the assumption that 'innovation is only possible in the private sector.'<sup>148</sup> As mentioned above, the Welfare Review suggested social impact bonds would 'complement' the investment approach, referring to the mechanism in these terms as, 'an investment approach whereby government pays for agreed social outcomes that result in better outcomes for individuals and families and a longer term saving to Government.'<sup>149</sup> It suggested social impact bonds would 'inspire innovation' and offer 'the potential to focus service delivery agencies in partnership with investors on driving shared social outcomes.'<sup>150</sup>

This neoliberal approach is also demonstrated in New South Wales' Social Impact Investment Policy, which claimed 'a strong impact investment market will provide better value for

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greement; Maggie Coggan, "Federal Impact Investing Deal Crosses State Borders," *Pro Bono News*, 15 July 2020, <https://probonoaustralia.com.au/news/2020/07/federal-impact-investing-deal-crosses-state-borders/>.

<sup>144</sup> See e.g. Whitfield, "Alternative to Private Finance of the Welfare State: A Global Analysis of Social Impact Bond, Pay-for-Success & Development Impact Bond Projects"; Joy and Shields, "Social Impact Bonds: The Next Phase of Third Sector Marketization?"

<sup>145</sup> See e.g. King and Meagher, "Introduction: Politics, Profits and Practices in Child and Aged Care."; Meagher and Goodwin (eds.), *Markets, Rights and Power in Australian Social Policy*; Meagher, "The Challenge of the Care Workforce: Recent Trends and Emerging Problems."

<sup>146</sup> Reference Group on Welfare Reform, "A New System for Better Employment and Social Outcomes: Report of the Reference Group on Welfare Reform to the Minister for Social Services."

<sup>147</sup> *Ibid*, p. 128.

<sup>148</sup> Whitfield, "Alternative to Private Finance of the Welfare State: A Global Analysis of Social Impact Bond, Pay-for-Success & Development Impact Bond Projects."

<sup>149</sup> Reference Group on Welfare Reform, "A New System for Better Employment and Social Outcomes: Report of the Reference Group on Welfare Reform to the Minister for Social Services," p. 33.

<sup>150</sup> *Ibid*, pp. 171-172.

money for the people of NSW by driving greater contestability and innovation in service delivery.<sup>151</sup> The New South Wales Government saw the development of their initial social impact bond as a way to 'harness the innovation capacity of both investors and service providers.'<sup>152</sup> Social impact bonds were viewed as 'an opportunity for government to play an enabling role by creating the conditions for the non-government sector to do what it does best.'<sup>153</sup> This reflects the assumption that private sector involvement is necessary to promote innovation and to effectively address complex social issues. This assumption that the private sector is best placed to support innovation also implies a view of the state as being unable to support innovation as a result of its overly bureaucratic nature. In announcing the Federal government's new deal with the States and Territories, Senator Anne Ruston stated, 'social impact investing brings together some of the sharpest minds in investment with the best and brightest in social services to find new ways of tackling social problems where existing policy interventions and service delivery are not getting the desired outcomes.'<sup>154</sup> She further commented, 'this is an exciting sector because it keeps everyone accountable to the ultimate goal which is changing the lives of the most vulnerable in our community in a very real way.'<sup>155</sup> This reflects the neoliberal view of the role of the state in suggesting existing government-led approaches are inadequate, necessitating the involvement of the private sector, as well as demonstrating the desirability of this sector's approach. Whitfield suggests the assumption that 'innovation is only possible in the private sector supports a neoliberal view of the role of the state by way of facilitating its withdrawal from service provision and direct funding.'<sup>156</sup>

The association of innovation with the private sector is also demonstrated by the government actively seeking to encourage private sector involvement in addressing social issues. In discussing government's role supporting social impact investment, the 2017 Treasury Discussion Paper refers to 'leveraging private capital and applying market-based principles.'<sup>157</sup> The Social Impact Investing Taskforce also reflected this view of government's role in its reports, stating that 'where possible, interventions should leverage private sector capital towards desired outcomes and lead to an ultimately sustainable market.'<sup>158</sup> Impact Investing Australia also suggested 'a need to continue to work with and within governments to build a better understanding of what impact investing is, how

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<sup>151</sup> NSW Government, "Social Impact Investment Policy: Leading the Way in Delivering Better Outcomes for the People of NSW," p. 2.

<sup>152</sup> Ibid.

<sup>153</sup> Ibid, p. 2.

<sup>154</sup> Ruston, "States and Territories Sign onto Social Impact Investing Agreement."

<sup>155</sup> Ibid.

<sup>156</sup> Whitfield, "Alternative to Private Finance of the Welfare State: A Global Analysis of Social Impact Bond, Pay-for-Success & Development Impact Bond Projects."

<sup>157</sup> Australian Government, The Treasury, "Social Impact Investing Discussion Paper."

<sup>158</sup> Australian Government, Department of the Prime Minister and Cabinet, "Social Impact Investing Taskforce."

it can support government policy objectives and what is required from government to support and leverage that potential.<sup>159</sup> The aim for governments to attempt to leverage private funds reflects the view that private sector involvement is both desirable and necessary in order to adequately address social issues, suggesting that the market, and associated private sector entities, occupy a central position in supporting society. Impact Investing was seen as being able to provide an opportunity for the private sector 'to take a more active role in delivering social infrastructure and services.'<sup>160</sup>

It is apparent then, that the neoliberal approach and view of the state's role inherent within the social impact bond model, and the context in which they have been developed, are also present in Australia. This would appear to reflect the success of the neoliberal challenge to the established social liberal path dependency. However, variations on the original social impact bond model have developed which, like in the United States, reflect philanthropy's particular role and established relationship with government. In Australia, these variations see philanthropy occupying an ancillary role; a role which developed in connection with the social liberal path dependency, and which reflects a social liberal view of the role of the state. As the development and implementation of social impact bonds in Australia also seem to reflect philanthropy's ancillary role, it may then be too simplistic to argue that neoliberalism has simply displaced the social liberal path dependency. This path dependency, along with the social liberal view of the role of the state it promotes, may in fact retain a significant influence.

Similarly to the United States, the engagement of philanthropic foundations with social impact bonds has contributed to variations on the original social impact bond model, with these reflecting the particular relationship between philanthropy and government in Australia. Philanthropic entities have demonstrated an interest in engaging with social impact bonds and have also been recognised as a significant source of support for the mechanism.<sup>161</sup> The *Giving Australia*

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<sup>159</sup> Hill and Addis, "Views from the Impact Investing Playing Field in Australia on What's Happening and What's Needed Next."

<sup>160</sup> Addis, Bowden, and Simpson, "Delivering on Impact: The Australian Advisory Board Breakthrough Strategy to Catalyse Impact Investment."

<sup>161</sup> See e.g. *Ibid*; Australian Government, Productivity Commission, "Contribution of the Not-for-Profit Sector"; Australian Parliament, Senate Economics Reference Committee, "Investing for Good: The Development of a Capital Market for the Not-for-Profit Sector in Australia," *Economics References Committee*, Canberra, November 2011, [https://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate/Economics/Completed\\_inquiries/2010-13/capitalmarket2011/report/index](https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/Completed_inquiries/2010-13/capitalmarket2011/report/index); Australian Government, The Treasury, "Australian Government Principles for Social Impact Investing"; "Social Impact Investing Discussion Paper"; Shergold, "The Road to Genuine Partnerships with the Third Sector: Are We There Yet?"; Shergold, Kernot, and Hems, "Report on the NSW Social Impact Bond Pilot."

research identified philanthropic interest in social impact bonds and impact investing.<sup>162</sup> Peak body Philanthropy Australia noted a ‘marked shift’ within the sector, with its members using impact investing to ‘augment’ their current activities and recognising that they could potentially play an ‘important leadership role’ in ‘catalysing the impact investing market.’<sup>163</sup> One particular example of this philanthropic engagement can be seen in the involvement of a number of foundations, including the Wyatt Trust, with the *Social Impact Network South Australia*, which supported the development of the state’s first social impact bond implemented in February 2017.<sup>164</sup> Philanthropic entities are also represented within the Commonwealth government’s *Social Impact Investment Taskforce*, with its membership including the CEO of the Lord Mayor’s Charitable Foundation, a community foundation.<sup>165</sup> Philanthropists are also represented in Impact Investing Australia’s Advisory Board.<sup>166</sup> Thus, philanthropic entities have played a significant role in shaping the development of social impact bonds and social impact investing in Australia.

The initial feasibility study into social impact bonds in New South Wales recommended a model that shared risk more evenly across all parties. In the first instance, this was to moderate the risk for investors, with one non-philanthropic investor noting the Newpin bond was attractive due to the ‘limited chances of loss given the protection from NSW government.’<sup>167</sup> A risk-sharing model was also recommended though to satisfy a desire expressed by potential investors for government to retain some ‘skin in the game’ and take a more active role in addressing the issues that had been identified.<sup>168</sup> This stemmed from a recognition that ‘a successful outcome cannot be fully divorced from government policy or regulation.’<sup>169</sup> Many of the potential investors canvassed were philanthropic entities, and the desire to ensure social impact bonds not be viewed as a way to ‘reduce government expenditure’ reflects philanthropy’s ancillary position supporting the state, which is felt to occupy a central role in addressing issues and supporting society.<sup>170</sup> The desire for

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<sup>162</sup> Baker et al., "Giving Australia 2016: Philanthropy and Philanthropists."

<sup>163</sup> Louise Walsh quoted in Addis, Bowden, and Simpson, "Delivering on Impact: The Australian Advisory Board Breakthrough Strategy to Catalyse Impact Investment."

<sup>164</sup> Social Impact Investment Network SA, "Our Corporate Memebbers," <http://www.socialimpact.org.au/our-members/.fair>.

<sup>165</sup> Wendy Williams, "Meet the Taskforce Experts Leading the Way on Social Impact Investing," *Pro Bono Australia*, 5 September 2019, <https://probonoaustralia.com.au/news/2019/09/meet-the-taskforce-experts-leading-the-way-on-social-impact-investing/>.

<sup>166</sup> Impact Investing Australia, "IIA Advisory Board," <https://impactinvestingaustralia.com/iaa-advisory-board/>

<sup>167</sup> Williams, "Australia's First Social Impact Bond Delivers for Families and Investors."

<sup>168</sup> Shergold, Kernot, and Hems, "Report on the NSW Social Impact Bond Pilot"; Shergold, "The Road to Genuine Partnerships with the Third Sector: Are We There Yet?"

<sup>169</sup> Tomkinson, "An Australian Snapshot: Social Impact Bonds"; Shergold, Kernot, and Hems, "Report on the NSW Social Impact Bond Pilot."

<sup>170</sup> Tomkinson, "An Australian Snapshot: Social Impact Bonds"; Shergold, Kernot, and Hems, "Report on the NSW Social Impact Bond Pilot."

government to retain a more active role was echoed by not-for-profit service providers involved in this study, suggesting the continued presence of this social liberal influenced view of government's role.<sup>171</sup> This risk sharing approach is also evident in approaches to social impact investing more broadly in Australia. The Australian Government's principles for social impact investing include the 'fair sharing of risk and return', which considers that 'opportunities to invest in social impact investments, and the risk and returns of those investments, should be fairly shared between parties to the investment (including the Australia Government, investors and service providers).'<sup>172</sup> The Social Impact Investing Taskforce also considered in its interim report that, 'when working with external parties, government should seek to ensure a fair share of risk and return between all parties to the investment.'<sup>173</sup>

The New South Wales feasibility study also recommended that the intermediary organisation be omitted from the social impact bond model in for the Australian context. This was in the interest of promoting structural simplicity as well as facilitating 'direct contact' between parties.<sup>174</sup> Under the original model, intermediary organisations support the neoliberal approach by facilitating a significant outsourcing of government's responsibilities and reinforcing the separation between purchaser and provider. The state's role is reduced to being simply a 'purchaser' of services or outcomes, reflecting a neoliberal position.<sup>175</sup> Omitting the intermediary entity, particularly considering the desire for greater direct government involvement, suggests a wider view of the role of the state being envisioned by potential investors. An evaluation of the joint development phase of the first social impact bond in New South Wales did recommend the inclusion of an intermediary for subsequent bonds, and this has occurred.<sup>176</sup> However, the role of this intermediary organisation does differ from that indicated by the original model, and continues to support a wider view of government's role.<sup>177</sup>

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<sup>171</sup> Shergold, Kernot, and Hems, "Report on the NSW Social Impact Bond Pilot"; KPMG, "Evaluation of the Joint Development Phase of the NSW Social Benefit Bonds Trial," *NSW Government, Office of Social Impact Investment*, January 2014, <https://www.osii.nsw.gov.au/assets/office-of-social-impact-investment/files/Evaluation-of-the-Joint-Development-Phase.pdf>; Shergold, "The Road to Genuine Partnerships with the Third Sector: Are We There Yet?"

<sup>172</sup> Australian Government, The Treasury, "Australian Government Principles for Social Impact Investing."

<sup>173</sup> Australian Government, Department of the Prime Minister and Cabinet, "Social Impact Investing Taskforce."

<sup>174</sup> Shergold, Kernot, and Hems, "Report on the NSW Social Impact Bond Pilot."

<sup>175</sup> See e.g. Whitfield, "Alternative to Private Finance of the Welfare State: A Global Analysis of Social Impact Bond, Pay-for-Success & Development Impact Bond Projects"; Acevedo, "Market-Based Solutions for Social Challenges: A Collaborative Policy Making Strategy."; Warner, "Private Finance for Public Goods: Social Impact Bonds."

<sup>176</sup> KPMG, "Evaluation of the Joint Development Phase of the NSW Social Benefit Bonds Trial."

<sup>177</sup> For example, bonds in SA and NSW both involved intermediary organisations. The Hon Jack Snelling MP and The Hon Zoe Bettison MP, "Bonds to Break the Homelessness Cycle," *Media Release*, 8 February 2016, <http://assets.yoursay.sa.gov.au.s3.amazonaws.com/production/2017/02/10/00/35/50/93645637-ab39-4adc->



The evaluation specifically recommended the inclusion of a 'financial intermediary'.<sup>178</sup> Tomkinson notes these entities have 'only been involved in raising and managing investment'.<sup>179</sup> Although in some cases they have been involved in 'program design and contract negotiation', they have not adopted roles in 'performance management or conducting "feasibilities studies"' as has been the case internationally.<sup>180</sup> The terminology of financial intermediaries has been used for bonds in Queensland and South Australia.<sup>181</sup> The South Australian government's initial discussion paper on social impact bonds saw intermediaries in financial terms, stating that they help 'bridge the gap between the supply of investment capital and demand for capital by brokering connections, attracting and managing capital, structuring deals and facilitating interest across the investment market'.<sup>182</sup> The 2014 *Financial Systems Inquiry* also referred to intermediary organisations in these terms, seeing their role as 'channelling impact investment funds as well as building capacity in not-for-profit and social enterprises to attract investment funds'.<sup>183</sup> The intermediary's role here is similar to that envisioned for government in the original bond model, supporting the development of the market through capacity building. More recent calls for the development of intermediaries to support the impact investing market more broadly also reflect this position.<sup>184</sup> This narrow view of the role of intermediaries within social impact bonds and impact investing exists alongside a wider view of government's role demonstrated in calls by potential investors for it to adopt a more direct involvement.

This wider view of government's role can also be seen in the cooperative rhetoric surrounding the development of social impact bonds in Australia. The New South Wales government described social impact bonds as a way of 'building innovative partnerships with both the non-government sector and investors', and the initial call for expressions of interest cited the need for

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85be-7203a8590294/Aspire%20news%20release%202017-02-08.pdf; Queensland Government, "Queensland's First and a World First SBB with a Focus on Indigenous Disadvantage," *Program Update*, March 2017, <https://s3.treasury.qld.gov.au/files/sbb-update-march-2017.pdf>.

<sup>178</sup> KPMG, "Evaluation of the Joint Development Phase of the NSW Social Benefit Bonds Trial."

<sup>179</sup> Emma Tomkinson, "Social Impact Bonds (SIBs) in Australia," 18 July 2017, <https://emmatomkinson.com/2017/07/18/aussie-sibs/>.

<sup>180</sup> Ibid.

<sup>181</sup> Queensland Treasury, "Social Benefit Bonds Pilot Program," <https://www.treasury.qld.gov.au/programs-and-policies/social-benefit-bonds-pilot-program/>; Government of South Australia, "Building a Stronger Society: A Discussion Paper on Social Impact Investment."

<sup>182</sup> "Building a Stronger Society: A Discussion Paper on Social Impact Investment." See also, Cassie Edwards, "Social Impact Bonds: The Opportunities and Challenges for the Homelessness Sector in South Australia," *Shelter SA*, Adelaide, 2014, <http://shelter.org.au/site/wp-content/uploads/C-Edwards-SIB-REPORT-POSTER-COMBINED.pdf>.

<sup>183</sup> Financial System Inquiry Australia, "Financial System Inquiry: Final Report."

<sup>184</sup> McCutchan and Curatolo, "Impact Investing Australia, Pre-Budget Submission - Supplementary Information"; Financial System Inquiry Australia, "Financial System Inquiry: Final Report."

‘significant collaborative work between the private sector and the government.’<sup>185</sup> The cooperative aspects were cited as ‘one of the most significant intangible benefits’ at the conclusion of the Newpin bond.<sup>186</sup> Peter Shergold, who was prominently involved in the development of the Australian social impact bond model, views the mechanism as a means of promoting true cooperation between sectors.<sup>187</sup> He considers, that by allowing greater flexibility and freedom within contracts, social impact bonds overcome the tendency for these relationships to be viewed as ‘merely transactional’ and promote the formation of genuine partnerships.<sup>188</sup> For Shergold, these partnerships will form the basis of a new ‘public economy’, which he argues, ‘can reinvigorate the participatory nature of Australian democracy.’<sup>189</sup> Government’s function within this new economy as ‘stewards of public value and accountability, bringing together diverse actors that collectively give effect to the will of the state.’<sup>190</sup> While this view still considers government’s role in terms of coordination rather than direct service provision, it does envision a wider view of its role and affords it a more central position than under the original social impact bond model. For example, it recognises government’s role in terms of ensuring accountability, something which under the original model is outsourced to the intermediary organisation and the contract mechanism.

A wider view of government’s role is also demonstrated in discussions around partnership within the broader field of social impact investing. Impact Investing Australia suggested in its 2014 report that involving government as a partner can create ‘a chemistry that can lead to social capital’, particularly in areas of social policy where the state is perceived to hold responsibility.<sup>191</sup> The Commonwealth Government’s welfare review saw government’s role as including ‘funding support services and providing community investment on the one hand and regulation and coordination on the other hand.’<sup>192</sup> In referring to community engagement, the review also suggested ‘through co-

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<sup>185</sup> NSW Government, Department for Communities and Justice. "Social Impact Investment,"; The Hon Mike Baird MP, "NSW Government Calls for Expressions of Interest on Social Benefit Bonds," *Media Release*, 30 September 2011, <https://www.budget.nsw.gov.au/sites/default/files/mediarelease/20110930--media---NSW-Government-Calls-for-Expressions-of-Interest-on-Social-Benefit-Bonds.pdf>; The Hon Mike Baird MP, "NSW Government Announces Joint Development Phase for Social Benefit Bonds," *Media Release*, 20 March 2012, <http://nswtreasury.prod.acquia-sites.com/sites/default/files/mediarelease/20120320--Media---NSW-Government-Announces-Joint-Development-Phase-for-Social-Benefit-Bonds.pdf>.

<sup>186</sup> Williams, "Australia's First Social Impact Bond Delivers for Families and Investors."

<sup>187</sup> Shergold, "The Road to Genuine Partnerships with the Third Sector: Are We There Yet?" See also, Shergold, Kernot, and Hems, "Report on the NSW Social Impact Bond Pilot"; Cooper, Graham, and Himick, "Social Impact Bonds: The Securitization of the Homeless."

<sup>188</sup> Shergold, "The Road to Genuine Partnerships with the Third Sector: Are We There Yet?"

<sup>189</sup> *Ibid.*

<sup>190</sup> *Ibid.*

<sup>191</sup> Addis, Bowden, and Simpson, "Delivering on Impact: The Australian Advisory Board Breakthrough Strategy to Catalyse Impact Investment."

<sup>192</sup> Reference Group on Welfare Reform, "A New System for Better Employment and Social Outcomes: Report of the Reference Group on Welfare Reform to the Minister for Social Services."

design government can actively engage with local communities to develop policy settings tailored to them', and that 'when performed effectively, co-design can lead to better and more responsive services, engage individuals socially and build social capital through enhancing community cohesion.'<sup>193</sup> The government's principles for social impact investing also include this concept of co-design, stating 'social impact investments made by the Australian Government should be designed in collaboration with a broad range of stakeholders, including subject matter experts, and the communities and stakeholders who will implement them.'<sup>194</sup> This emphasis on collaboration within these principles reflected the recommendation of Philanthropy Australia.<sup>195</sup> The *Social Impact Investing Taskforce's* interim report also noted that the process of impact investing 'brings together the expertise of different sectors in the community... to collaborate on new and innovative responses to existing and emerging social challenges.'<sup>196</sup> It stated further that 'impact investing is integral in enabling the nation to work together to build a thriving and more inclusive society.'<sup>197</sup>

The emphasis on collaboration and creating a cohesive society suggests a view of the state more closely aligned with social liberalism. The desire for government to play a supporting role in impact investment could also be seen as reflecting a particular aspect of the social liberal path dependency that 'legitimizes' looking to the state to support inclusion on the basis of supporting equality of opportunity.<sup>198</sup> The *Financial Systems Inquiry* noted 'many stakeholders argue that Government should play a more active role to facilitate the social impact investment market in Australia', although views differed in how this might occur.<sup>199</sup> The Social Impact Investing Taskforce suggested that 'the outcomes that are being pursued – addressing entrenched social challenges – are a focus of government. As such there is a strong rationale for government to ensure its policy settings facilitate an efficient and effective impact investing market.'<sup>200</sup> This suggests a more central view of government's role that aligns with the social liberal position, suggesting that this continues to be influential and indicating that the social liberal path dependency itself may retain influential.

This more central view of government's role can also be seen in discussion regarding areas where social impact bonds should be employed. One of the investors in the Newpin bond expressed

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<sup>193</sup> Ibid, p. 36.

<sup>194</sup> Australian Government, The Treasury, "Australian Government Principles for Social Impact Investing."

<sup>195</sup> Philanthropy Australia, "Submission Re Social Impact Investing Discussion Paper," 27 February 2017, <https://treasury.gov.au/sites/default/files/2019-03/c2017-183167-Philanthropy-Australia.pdf>; Lina Caneva, "Govt Releases Social Impact Investment Principles," *Pro Bono Australia*, 9 August 2017, <https://probonoaustralia.com.au/news/2017/08/govt-releases-social-impact-investment-principles/>.

<sup>196</sup> Australian Government, Department of the Prime Minister and Cabinet, "Social Impact Investing Taskforce."

<sup>197</sup> Ibid.

<sup>198</sup> Sawyer, *The Ethical State?: Social Liberalism in Australia*, p. 122.

<sup>199</sup> Financial System Inquiry Australia, "Financial System Inquiry: Final Report."

<sup>200</sup> Australian Government, Department of the Prime Minister and Cabinet, "Social Impact Investing Taskforce."

a view that social impact bonds are not suitable in all cases.<sup>201</sup> The evaluation of this initial Australian social impact bond stated that the format would not be appropriate in situations where it might create 'divisions' within communities or otherwise negatively impact upon 'social cohesion strategies.'<sup>202</sup> The New South Wales government stated that it viewed social impact bonds as an additional funding mechanism intended to complement traditional measures.<sup>203</sup> The Treasury discussion paper also noted bonds would not be 'effective' in all situations, and stated 'social impact investing will not replace the core role of the Australian Government in service delivery and the commissioning and funding of services.'<sup>204</sup> In relation to government's role supporting the social impact investing market more generally, the discussion paper notes this 'has the potential to complement the Australian Government's existing role and responsibilities across many portfolios.'<sup>205</sup> The Social Impact Investing Taskforce emphasised the need for government in particular to 'focus on desired social outcomes when considering the suitability of impact investment models.'<sup>206</sup> It stated, 'social impact bonds are not silver bullets and will not – and should not – be used to fund the delivery of all social services', and referred to social impact investing as 'another tool in the toolkit' that 'complements the numerous other ways of addressing entrenched disadvantage.' It also noted 'non-returnable government grants and philanthropy will continue to have a fundamentally important role in supporting social impact initiatives.'<sup>207</sup> This view of social impact bonds as complementary to government funding aligns with the established relationship between government and philanthropy that sees philanthropy performing an ancillary role supporting the state, which occupies a central position promoting equality of opportunity within society.

The view that social impact bonds are not applicable in all situations is cited within the international literature on social impact bonds, where it is often noted that some areas are unsuitable as they cannot be quantified or expressed in terms of measurable outcomes.<sup>208</sup> As with other payment-by-results approaches and social investment models, this still reflects a neoliberal

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<sup>201</sup> Williams, "Australia's First Social Impact Bond Delivers for Families and Investors."

<sup>202</sup> KPMG, "Evaluation of the Joint Development Phase of the NSW Social Benefit Bonds Trial."

<sup>203</sup> Tomkinson, "An Australian Snapshot: Social Impact Bonds"; Shergold, Kernot, and Hems, "Report on the NSW Social Impact Bond Pilot."

<sup>204</sup> Australian Government, The Treasury, "Social Impact Investing Discussion Paper."

<sup>205</sup> Ibid.

<sup>206</sup> Australian Government, Department of the Prime Minister and Cabinet, "Social Impact Investing Taskforce."

<sup>207</sup> Ibid.

<sup>208</sup> See e.g. Cox, "Financing Homelessness Prevention Programs with Social Impact Bonds."; Irene Bengo and Mario Calderini, "New Development: Are Social Impact Bonds (SIBs) Viable in Italy? A New Roadmap," *Public Money & Management* 36, no. 4 (2016); Burand, "Globalizing Social Finance: How Social Impact Bonds and Social Impact Performance Guarantees Can Scale Development."; Marsh, Bertranou, and Samanta, "Cost-Benefit Analysis and Social Impact Bond Feasibility Analysis for the Birmingham Be Active Scheme."

view of government's role, viewing it effectively as a purchaser of outcomes and services. When considered in the Australian context though, this view more so suggests social impact bonds and impact investment have come to occupy an ancillary, supporting role similar to that of philanthropy more generally. This ancillary role implies a particular view of the role of the state as occupying a central position in promoting equality of opportunity within society. This role, and the particular relationship with philanthropy are connected to or embedded within Australia's social liberal path dependency. That social impact bonds and impact investing, as part of the 'extended family' of philanthropy, continue to demonstrate philanthropy's ancillary position suggests that the social liberal path dependency, and the view of the role of the state it supports, continue to have a significant influence within Australia alongside the evident influence of neoliberalism.

## Conclusion

The initial social impact bond programs have seen mixed success. The Peterborough bond in the United Kingdom was terminated early following a wider policy change by the Ministry of Justice, and at that stage the program had failed to achieve the necessary target for an interim payment to be awarded to investors.<sup>209</sup> The Rikers Island bond in the United States failed to reduce recidivism and the investor, Goldman Sachs, 'exercised a contract option to terminate the program a year early.'<sup>210</sup> Goldman Sachs along with Bloomberg Philanthropies, which had provided a guarantee for the bond, suggested that this still constituted a success as it would contribute to an overall evidence base, and because the government had not had to pay for the failed program.<sup>211</sup> In Australia, the Newpin social impact bond has recently reached maturity and was considered a 'resounding success', with its proponents claiming it to be a demonstration of 'how private capital can be used to support and share risk with service providers entering into outcomes-based contracts with government, and can help to alleviate disadvantage in Australia.'<sup>212</sup> Earlier in the process though, the bond's target metrics had been amended at the request of investors to avoid 'uncertainty' regarding outcome

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<sup>209</sup> Emma Disley et al., "The Payment by Results Social Impact Bond Pilot at HMP Peterborough: Final Process Evaluation Report," *RAND Europe, Ministry of Justice Analytical Series*, 2015, [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/486512/social-impact-bond-pilot-peterborough-report.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/486512/social-impact-bond-pilot-peterborough-report.pdf); Whitfield, "Alternative to Private Finance of the Welfare State: A Global Analysis of Social Impact Bond, Pay-for-Success & Development Impact Bond Projects."

<sup>210</sup> James Anderson and Andrea Phillips, "What We Learned from the Nation's First Social Impact Bond," *Huffington Post*, 2 July 2015, [https://www.huffpost.com/entry/what-we-learned-from-the-\\_b\\_7710272](https://www.huffpost.com/entry/what-we-learned-from-the-_b_7710272).

<sup>211</sup> Ibid.

<sup>212</sup> Williams, "Australia's First Social Impact Bond Delivers for Families and Investors"; Urbis. "Newpin Final Evaluation Report." *NSW Treasury*, October 2020, <https://www.osii.nsw.gov.au/assets/office-of-social-impact-investment/Newpin-Evaluation-Final-Report.pdf>.

reversals.<sup>213</sup> This suggests that the definition of success more closely reflected the motive to attract private investors rather than effectively addressing complex social issues.<sup>214</sup>

The social impact bond model was developed in the context of fiscal austerity with government savings being sought in the United Kingdom, and critics have viewed it as facilitating a withdrawal of government support for social services through the substitution of private investment. The model reflects the established inverse relationship between government and philanthropy in the United Kingdom in clearly defining the roles of the entities involved in opposition to one another. It aligns particularly with the competitive aspect of this relationship, which in recent years has seen government seeking to aid its pursuit of a neoliberal agenda by expanding the role of the voluntary sector, particularly through courting increased private funding. Key aspects of social impact bonds: a focus on outcomes; support for preventative initiatives; and the transfer of risk from government to the private sector, demonstrate a neoliberal approach and view of the role of the state inherent within the bond model. The transfer of risk in particular, demonstrates the assumption that private sector involvement is necessary to enable effective, efficient, and innovative solutions to complex social issues. The private sector is able to do this because of its willingness to take risks, whereas the state is considered to be ineffective as it is too bureaucratic and fundamentally risk adverse. Social impact bonds promote a 'hands off' role for government, limited to commissioning bonds and paying returns according to agreed outcome metrics, as well as creating and maintaining the conditions necessary to support the social investment market more broadly. This reflects a neoliberal view of the role of the state as being to support the market as the central entity best placed support society generally.

Despite the assumption to the contrary, private investors are noted to be generally quite risk adverse, meaning that measures are required to mitigate the transfer of risk within social impact bonds. The original model does this through the contract mechanism, and the definition of outcomes. However, different approaches to risk mitigation internationally have seen variations on this original model develop. In the United States and Australia, these variations reflect the involvement of philanthropic entities and, as the original model aligns with this relationship in the United Kingdom, the development of social impact bonds in these countries also reflects the established relationship between government and philanthropy. Philanthropic foundations have

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<sup>213</sup> Emma Tomkinson, "Changing a Social Impact Bond (SIB) Metric Mid-Flight," [blog], 2 July 2016, <https://emmatomkinson.com/2015/07/02/changing-a-sib-metric/>.

<sup>214</sup> See Edwards, "Social Impact Bonds: The Opportunities and Challenges for the Homelessness Sector in South Australia."

played a central role in the development of social impact bonds in the United States, supporting the surrounding 'ecosystem' and providing risk mitigation measures such as guarantees for investors. This reflects the established relationship between philanthropy and government, where foundations are viewed as national level institutions playing an important role in public policy. Though it differs from that of the United Kingdom, the competitive relationship between philanthropy and government this creates aligns with the neoliberal approach and view of the role of the state promoted by social impact bonds. This is demonstrated in foundation efforts to leverage support from government for social impact bonds, and the market-based manner of funding responses to social issues they represent. It is also demonstrated in the actions of government to support bonds, as well as other pay-for-success approaches, that reflect a neoliberal view of government's role as being to support the private sector, with the market occupying a central role in supporting society through its ability to promote efficiency and innovation.

The development of social impact bonds in Australia had also seen variations of the initial model produced that reflect the established relationship between philanthropy and government. Unlike in the United Kingdom and United States though, this relationship is not competitive in nature. Rather, Australian philanthropy performs an ancillary role, operating alongside the state which is viewed as occupying a central position in supporting society. Discussions with potential investors, many of them philanthropic entities, contributed to the development of risk sharing models that would see government taking a more active role in the development of the bond, as well as the delivery of the program. This suggests a more central role for government was still being envisioned. Given the connection of philanthropy's ancillary role to the social liberal path dependency and that of social impact bonds to a neoliberal approach and view of the role of the state, the position of social impact bonds and social impact investing in Australia presents a way to clearly demonstrate how the relationship between philanthropy and government can be used to provide insights regarding potential changes in views of the role of the state. Specifically in the Australian context, it enables an assessment of the influence and impact of the neoliberal challenge to the established social liberal path dependency.

The neoliberal view of the role of the state is evident in discussions surrounding social impact bonds Australia. The development of the initial social impact bond in New South Wales was motivated by a desire to develop a social investment market, reflecting a neoliberal view of government's role as a creator and facilitator of markets. Discussions regarding the government's role in social impact investing reflect a similar view of the role of the state, and the assumption that private sector involvement is necessary to effectively address complex social issues. The continuing

interest in social impact bonds in Australia,<sup>215</sup> and a predicted increase in impact investing,<sup>216</sup> suggests that the neoliberal approach is prevalent, and this is consistent with neoliberalism's influence within social policy more broadly.<sup>217</sup> However, the social impact bond model developed in Australia did seek an expanded role for government in promoting a risk-sharing model, and discussions of social impact investing do also support a wider view of government's role. Rather than simply viewing it as a commissioner of bonds and facilitator of the market, the state is considered to have an important role in promoting community cohesion. Social impact bonds and social impact investing are viewed as representing additional mechanisms to complement existing arrangements utilised by government. This aspect particularly suggests that Australian philanthropy's 'extended family' continues to demonstrate its established ancillary role. With this ancillary role being connected to the social liberal path dependency, this indicates that the situation in Australia is not as straightforward as suggesting that the social liberal view of the role of the state has been displaced by neoliberalism's influence. Rather, views surrounding social impact bonds and impact investing suggest that the social liberal path dependency, and the view of the role of the state embedded within it, continues to have a significant influence within Australian society. The implications for policy this presents will be considered in the thesis' conclusion.

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<sup>215</sup> This is indicated by new bonds being commissioned and implemented e.g. Victoria in October 2020 launched a bond focused on assisting disengaged students and those 'living with mental health conditions.' Luke Michael, "New Social Impact Bond Focuses on Disengaged Students," *Pro Bono News*, 26 October 2020, <https://probonoaustralia.com.au/news/2020/10/new-social-impact-bond-focuses-on-disengaged-students/>.

<sup>216</sup> Jack Heath, "Predictions for 2021: Philanthropy," *Pro Bono News*, 17 February 2021, <https://probonoaustralia.com.au/news/2021/02/predictions-for-2021-philanthropy/>.

<sup>217</sup> See e.g. Mendes, *Australia's Welfare Wars: The Players, the Politics and the Ideologies; Australia's Welfare Wars Revisited: The Players, the Politics and the Ideologies*; Castles, "A Farewell to Australia's Welfare State."; Spies-Butcher, "Welfare Reform."; Watts, "Running on Empty": Australia's Neoliberal Social Security System, 1988–2015."; Davis, "Neoliberalism, the Culture Wars and Public Policy."; Walter, *What Were They Thinking? The Politics of Ideas in Australia*; Meagher and Susan Goodwin (eds.), *Markets, Rights and Power in Australian Social Policy*; Connell, Fawcett, and Meagher, "Neoliberalism, New Public Management and the Human Service Professions: Introduction to the Special Issue."



## Conclusion

This thesis aimed to demonstrate how philanthropy's position within society can be used to provide insights into views regarding the role of the state. In the Australian context specifically, it has sought to establish philanthropy's particular role and relationship with government as being connected to the social liberal path dependency established at federation. It has then sought to use this relationship to assess the extent of neoliberalism's influence in Australia. Previous studies of philanthropy have acknowledged that the position it occupies within society reflects the historical, social, and political context within a country, and recognised that changes within this context are likely to be reflected in philanthropy's role.<sup>1</sup> This thesis adopts what is effectively a reverse approach in arguing that philanthropy's role within society can be used to identify and examine changes in views regarding the state. This contributes to a deeper understanding of such views within society and builds on the existing international literature surrounding philanthropy. Australia represents a well-situated location for such a study given the continued perception that it is a distinctly 'unphilanthropic country', which is commonly attributed to expectations that 'government will provide.' As the *Introduction* notes, Australian studies of philanthropy have generally adopted a pragmatic focus seeking to both map philanthropy and encourage the development of a culture of giving, which makes sense given this prevalent socialised perception. This approach has contributed important insights to understanding philanthropic activity in Australia. Now in demonstrating how the analysis of philanthropy's role and position within society can further provide insights regarding the broader study of politics and policy, this thesis represents a substantial contribution to the scholarship on Australian philanthropy.

The thesis has adopted a definition of philanthropy focussing on formal philanthropic structures by way of trusts and foundations. These entities are recognised as institutions that both reflect and influence the priorities and values of the society in which they operate.<sup>2</sup> It is for this reason that focusing on such formal structures best indicates the relationship between government and philanthropy as demonstrated through the latter's connection to the social liberal path dependency. Philanthropic foundations occupy a unique position as both part of the not-for-profit sector and as a source of funding for it, and governments tend to focus on the latter role in efforts to restrict, encourage or otherwise influence philanthropy. The activities of the not-for-profit sector

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<sup>1</sup> See e.g. Moody and Breeze, "Editor's Introduction."; Daly, "Philanthropy as an Essentially Contested Concept."; Prewitt, "Foundations."; Heydemann and Toepler, "Foundations and the Challenge of Legitimacy in Comparative Perspective," p. 13; Anheier and Salamon, "The Nonprofit Sector in Comparative Perspective."

<sup>2</sup> See e.g. Anheier and Hammack, "American Foundations: Their Roles and Contributions to Society." Prewitt, "Foundations."

more broadly do reflect a complex relationship with government, which in recent decades has also come to reflect the influence of neoliberalism. However, the thesis' aim to provide insights into views regarding the role of the state and assess the influence of the neoliberalism's influence on such views in Australia is better served by this focus on formal philanthropic structures.

This is particularly evident in more recent regulatory changes—as discussed particularly in *chapter three*—and efforts to encourage philanthropy. It is these activities by governments, along with the responses and actions of philanthropic foundations, that highlight views regarding the state inherent within the relationship between the two entities. They thus allow the thesis to use philanthropy's position within society to assess potentially changing views regarding what should be the proper role of the state. For example, a neoliberal view of the state is present in rhetoric surrounding the social coalition, as well as the promotion of new initiatives in the form of social impact bonds and social impact investing in Australia. At the same time though, the continued influence of the social liberal path dependency, and the view of the state it supports, is both reflected and reinforced in regulations relating to philanthropic foundations. It is also reflected in the actions of philanthropic entities, particularly as they engage with these new initiatives, which continue to reflect philanthropy's established ancillary role supporting the state as occupying a central position within society. Because foundations both reflect and influence values and priorities within society, it can be argued that in performing this ancillary role, which is linked to a particular interpretation of the role of the state influenced by social liberalism, such a view is then likely to have some resonance within society. This is particularly so given the tax concessions offered to these entities indicating that their contributions in performing this role are valued. Were this not to be the case it could be expected that discussions regarding philanthropy in Australia would be more likely to reflect hostility than the ambivalence that is currently the case.

The Australian scholarly literature on philanthropy demonstrates an ambivalence regarding philanthropy's position and importance within society. This is identified particularly in discussions regarding accountability, as well as regulatory arrangements and the seemingly 'ad hoc' manner in which they have developed in Australia, as outlined particularly in *chapter three*.<sup>3</sup> Rather than

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<sup>3</sup> See Leat, "What Do Australian Foundations Do - Who Knows and Who Cares?"; Lyons, *Third Sector: The Contribution of Nonprofit and Cooperative Enterprise in Australia*; Williamson et al., "Founders, Families, and Futures: Perspectives on the Accountability of Australian Private Ancillary Funds."; Martin, "The Sociopolitical and Legal History of the Tax Deduction for Donations to Charities in Australia and How the 'Public Benevolent Institution' Developed."; Berman, "A Charitable Concern."; O'Connell, "Charitable Treatment? – a Short History of Taxation of Charities in Australia."; Cham, "The Rise and Fall of Australia's First Independent Regulator for the Not-for-Profit Sector: A Missed Opportunity for Philanthropy."; McDonald and Scaife, "Print Media Portrayals of Giving: Exploring National 'Cultures of Philanthropy'."; McGregor-Lowndes and Williamson, "Foundations in Australia: Dimensions for International Comparison."

signalling a lack of philanthropic culture though, this ambivalence reflects the nature of philanthropy in Australia and the particular ancillary role it has developed. While historically philanthropy was influential within the Australian colonies, the economic and social context of the late nineteenth century saw philanthropic provision come to be viewed as inadequate.<sup>4</sup> At the same time, social liberal views, which considered government should adopt a more central role in welfare provision, were becoming prominent. The prevalence of these views during Australia's nation-building period saw the social liberal ethical state—the aim of which was to promote equality of opportunity to ensure citizens developed to their full potential—come to form the basis of a path dependency.<sup>5</sup> Philanthropy developed an ancillary or supporting role alongside the ethical state, particularly representing an expression of active citizenship. Active citizenship was felt to be the 'corollary of what the state did for its citizens', considering that in return for the state's provision of the conditions necessary for securing equality of opportunity, citizens have an obligation to be 'engaging in the life of the community to promote the common interest.'<sup>6</sup> Philanthropy's ancillary role operating alongside the ethical state also became connected to the social liberal path dependency.

This particular nature of philanthropy's ancillary role and relationship with government in Australia, along with its connection to the social liberal path dependency, is further highlighted throughout the thesis by comparisons with the United States and United Kingdom. Both of these countries claim to have invented modern philanthropy,<sup>7</sup> and the thesis observes across each of its chapters that the nature of philanthropy in both countries differs from that of Australia, and from each other, resulting in the development of specific relationships philanthropy between and government. The United States represents the model of a highly developed philanthropic culture, with large-scale philanthropic foundations playing a central role in policy making at the national level. This national level focus has seen a tension develop within philanthropy given the equally prominent view of foundations as inheritors of the American traditions of localism and volunteerism, as extolled by Alexis de Tocqueville. It also supports a competitive relationship with government, where one entity seeks to control the other, as explored particularly in *chapters three and four*. In the United Kingdom, an inverse relationship between government and philanthropy has developed where an alteration in the role of one entity has seen a corresponding change in the other.<sup>8</sup> The

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<sup>4</sup> Swain, "Philanthropy and Nation Building."; O'Brien, *Philanthropy and Settler Colonialism*, pp. 5, 61-62, 86.

<sup>5</sup> Sawyer, *The Ethical State?: Social Liberalism in Australia*, p. 23.

<sup>6</sup> *Ibid*, pp. 11, 45.

<sup>7</sup> Moody and Breeze, "Editor's Introduction," p. 90; Todd and Martin, "The Income Tax Exemption of Charities and the Tax Deductibility of Charitable Donations: The United States and Australia Compared."

<sup>8</sup> See Hodgson, "Trusted and Independent: Giving Charity Back to Charities."; O'Halloran, "Government-Charity Boundaries."; Innes, "The "Mixed Economy of Welfare" in Early Modern England: Assessments of the Options from Hale to Malthus (C. 1683-1803)."; Daunton, *Trusting Leviathan: The Politics of Taxation in Britain, 1799-1914*; Roberts, "Head Versus Heart? Voluntary Associations and Charity Organisation in England C. 1700-

'mixed economy of welfare' created by this inverse relationship has been considered as promoting a cooperative relationship between philanthropy and government.<sup>9</sup> However, in the context of recent sector reform, this inverse relationship more clearly reflects a competitive relationship as the government has been viewed as seeking to influence philanthropic activity as it sought to redefine its own role.

The influence of 'new' marketised forms of philanthropy, associated with a neoliberal approach and view of the state's role is also evident in both the United States and United Kingdom. In considering this influence, the comparison also supports the thesis to achieve its aim in demonstrating how philanthropy's role within society can be used to both identify and assess potential changes in views regarding the role of the state. In the United States, marketised philanthropy is particularly connected to philanthropists' efforts to leverage their private resources to influence public policy from outside the existing system. In the area of school education for example, as explored in *chapter four*, philanthropists have established sophisticated leveraging arrangements which successfully exploit social mechanisms as well as their own resources. Philanthropists are considered qualified to develop education policy on the basis of their market success, and they seek to promote a particular view of education as being to produce workers and entrepreneurs. This demonstrates a neoliberal approach in promoting the supremacy of the market, and a view of the role of the state as being to support the market. Marketised philanthropy is particularly demonstrated in the United Kingdom through the promotion of social impact bonds, which, as discussed in *chapter six*, apply the language and precepts of the market to addressing questions of social policy. Though promoted as facilitating cooperation between sectors, in seeking private investment in these policy areas this mechanism reflects an assumption that the public sector is not capable of efficiency or innovation, and supports a narrowly focused, neoliberal view of the role of the state as a market creator and facilitator of services.<sup>10</sup>

This neoliberal view of the role of the state presents a significant contrast to that promoted by social liberalism, which sees the state as occupying a central position supporting citizens by promoting equality of opportunity. As noted above and throughout the thesis, Australian philanthropy has developed in an ancillary position supporting the social liberal ethical state,

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1850."; Fishman, "Encouraging Charity in a Time of Crisis: The Poor Laws and the Statute of Charitable Uses of 1601"; Owen, *English Philanthropy, 1660-1960*; Harris, *Private Lives, Public Spirit: A Social History of Britain 1870-1914*; Thane, *The Foundations of the Welfare State*; Finlayson, *Citizen, State, and Social Welfare in Britain 1830-1990*.

<sup>9</sup> Szreter, "Britain's Social Welfare Provision in the Long Run: The Importance of Accountable, Well-Financed Local Government."

<sup>10</sup> Joy and Shields, "Social Impact Bonds: The Next Phase of Third Sector Marketization?"

particularly as an expression of active citizenship. Neoliberalism, by contrast supports an ‘enabling state’, which sees government’s role as being to support the market, and philanthropy occupying a more central position within society.<sup>11</sup> This is demonstrated clearly in marketised forms of philanthropy, including as this manifests through initiatives promoted as supporting a cooperative relationship between government and philanthropy.<sup>12</sup> Established path dependencies can be displaced or ‘eroded’ by new ideas, and Sawyer identified a particular neoliberal challenge to the established social liberal path dependency in Australia.<sup>13</sup> Given both marketised philanthropy’s connection to the neoliberal view of the role of the state and Australian philanthropy’s connection to the social liberal path dependency established in this thesis, philanthropy’s position within society represents an effective means of examining potential changes in views regarding the role of the state.

The terminology and concepts associated with marketised philanthropy, as highlighted in the context of the United Kingdom and the United States mentioned above, are identified within the philanthropic landscape in Australia, demonstrated particularly through government interest in social impact bonds and social impact investing as discussed in *chapter six*. Efforts to see philanthropy occupy a more prominent position have also been made, with a neoliberal view of government’s role being reflected in this policy context, for example, through the social coalition as highlighted in *chapter five*. Neoliberalism has significantly impacted the Australian state, particularly in relation to welfare policy as is identified by several authors and acknowledged throughout the thesis. However, the fact that there has not been a substantial change to philanthropy’s ancillary role, suggests the situation is not as simple as suggesting that neoliberalism’s influence has completely displaced the social liberal path dependency, given the connection of this ancillary role to a social liberal view of the role of the state. This is particularly evident when considering the engagement of philanthropic foundations with social impact bonds in Australia. The continued influence of the social liberal path dependency, as demonstrated through philanthropy in its ancillary role, is borne out across the thesis’ chapters as it develops its argument by considering the relationship between philanthropy and government through the three paradigms identified by Villadsen as representing the three ‘dominant approaches’ to considering the role of philanthropic organisations in social policy—the critical, competitive and cooperative paradigms. These also

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<sup>11</sup> See Jung and Harrow, "New Development: Philanthropy in Networked Governance—Treading with Care."; Eikenberry and Kluver, "The Marketization of the Nonprofit Sector: Civil Society at Risk?"; Rathgeb Smith, "Foundations and Public Policy."

<sup>12</sup> See Anheier and Daly, "Combining Roles and Visions: Patterns and Implications."; Jenkins, "Who's Afraid of Philanthrocapitalism."; Whitfield, "Alternative to Private Finance of the Welfare State: A Global Analysis of Social Impact Bond, Pay-for-Success & Development Impact Bond Projects."

<sup>13</sup> Sawyer, *The Ethical State?: Social Liberalism in Australia*.

represent different ways of viewing the relationship between philanthropy and government.<sup>14</sup> Employing these three paradigms alongside the comparison with the United Kingdom and United States has allowed the thesis to demonstrate philanthropy's connection to the social liberal path dependency as well as the continued influence of this path dependency alongside that of neoliberalism

The critical paradigm has enabled the thesis to establish Australian philanthropy's connection to the social liberal path dependency and the particular view of the role of the state it promotes. Its view of philanthropy as unnecessary and scepticism regarding its ability to benefit society aligns with the ambivalence with which philanthropy's role and position is viewed within Australia, as identified in the literature. *Chapter one* connects this ambivalence to the ancillary role philanthropy has developed alongside a particular social liberal view of the role of the state and traces the development of this view historically. Social liberalism viewed philanthropy as unnecessary in terms of promoting equality of opportunity, with this being properly considered the role of state to be achieved primarily through redistribution. Philanthropy came to adopt an ancillary position, supporting the state primarily as an expression of active citizenship. The prevalence of these social liberal views during Australia's nation-building period saw this particular relationship between philanthropy and government become embedded within a path dependency that has continued to exert a significant influence on Australian institutions and society, with the position of philanthropy within society providing a means of demonstrating this influence.

The connection between views regarding philanthropy's role and those relating to what should be that of the state is also demonstrated through directly critical assessments of philanthropy. *Chapter two* uses criticism of philanthropy to explore these links between philanthropy's role and that of the state more broadly through a consideration of several prominent roles philanthropy may fulfil within society. Considering the resonance of these roles in the Australian context also further elucidates the particular nature of the ancillary role performed by philanthropy in Australia. Criticism of philanthropy often refers to its inability to address economic inequality, viewing philanthropy as a mechanism of redistribution. However, in Australia social liberalism saw the state's role in promoting equality of opportunity as being achieved primarily through redistribution in the form of taxation. Because philanthropy's role was not viewed in terms of redistribution, criticisms based on it performing this function are less significant. This supports *chapter one's* finding that the ambivalence regarding philanthropy's position that characterises discussions of Australian philanthropy is linked to philanthropy's ancillary role. As social liberalism

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<sup>14</sup> Villadsen, "Modern Welfare and 'Good Old' Philanthropy."

also created a tradition of 'looking to the state to promote social justice' and inclusion, philanthropy's role in promoting pluralism, and in turn democracy through its support for civil society is also likely to hold less resonance in Australia.<sup>15</sup> However, considering philanthropy as an expression of reciprocity, and also to some extent as a means of providing support for civil society, does align more closely with a social liberal view of the state. This allows for a further exploration of Australian philanthropy's ancillary role as an expression of active citizenship. A neoliberal view of the role of the state is also noted in criticisms regarding philanthropy when viewed as a mechanism of redistribution. In noting this connection, the chapter also suggests that the connection between philanthropy's role and that of government can be used to assess potential changes in perceptions of government's role by outlining how the success of the neoliberal challenge is likely to be reflected in philanthropy adopting a more central role in terms of promoting equality.

The comparative paradigm employed in *chapters three* and *four* demonstrates how the continued influence of the social liberal path dependency can be seen through Australian philanthropy's performance of its ancillary role, and in its particular relationship with government. A competitive relationship between government and philanthropy develops where one entity seeks to control or influence the other. Government seeks to direct or control philanthropy through regulation, which is recognised as an area likely to be influenced by path dependencies, and as such forms the focus of *chapter three*.<sup>16</sup> The chapter finds that regulatory arrangements in both the United States and United Kingdom reflect and support the competitive nature of the relationship between government and philanthropy. In the United Kingdom, the competitive aspects of the inverse relationship between government and philanthropy are demonstrated in the recent regulatory reform process, and particularly in the response to this reform from within the voluntary sector. This sees it as an attempt by government to support the redefinition of its own role through regulatory reform intended to provide for an expanded voluntary sector role. In the United States, regulation reflects a more directly competitive relationship between philanthropy and government as government seeks to preserve an 'arbitrary divide' between philanthropic foundations and the state. It also reflects the tension inherent in philanthropy's nature between foundations' role as institutions looking to influence public policy at the national level, and philanthropy as embodying the traditions of localism and volunteerism. Australia's regulatory arrangements also reflect the nature of the relationship between philanthropy and government more broadly. However, rather than a competitive relationship, Australia's regulatory framework, which is referred to as 'confused'

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<sup>15</sup> Sawyer, *The Ethical State?: Social Liberalism in Australia*, pp. 157, 179.

<sup>16</sup> See Phillips and Smith, "A Dawn of Convergence?: Third Sector Policy Regimes in the 'Anglo-Saxon' Cluster."; Rawlings, "Contesting Fairness and Fragmenting Groups: Cultural Narratives of Taxation and Citizenship in Globalising Australia."

and 'disjointed', is linked to the ambivalence regarding philanthropy's position within society and reflects philanthropy's ancillary role. This is particularly demonstrated through the most recent significant regulatory change in Australia, the introduction of Private Ancillary Funds. This new vehicle for tax deductible giving reflects philanthropy's ancillary position by requiring distributions to be directed to areas that support the state in promoting equality of opportunity. It also reinforces it by prohibiting philanthropic entities from engaging in direct service provision. Private Ancillary Funds thus demonstrate the influence of the social liberal path dependency within Australia's philanthropic landscape, promoting a social liberal view of the role of the state.

Philanthropy can also instigate a competitive relationship by looking to leverage its private resources to influence government. Utilising the field of school education as a case study, *chapter four* considers the sophisticated leveraging arrangements which have developed in the United States as philanthropists seek to influence policy and create change from outside of the existing system. The concept of leverage has become particularly associated with marketised philanthropy and promotes a neoliberal view of the role of the state. This is particularly evident as philanthropists seek government resources to scale up their initiatives. There is an expectation that the state should commit resources to these initiatives based on indicators of success derived from the market, along with in most cases the philanthropists' own previous market successes, reflecting the neoliberal view that the state should support the market as the central entity in promoting equality. The success of these leveraging arrangements in the United States argues the prominence of this neoliberal view of government's role. The approach in Australia differs however, with philanthropists generally appearing to be more willing to work within the existing system alongside government. In doing so, their actions reflect Australian philanthropy's ancillary role. While philanthropists talk about scaling, this concept is viewed in terms of promoting consistency and equality across schools. This aligns with the social liberal view of looking to the state as occupying a central position to promote and secure equality of opportunity within society. Philanthropists' concern for addressing disadvantage and promoting community engagement in education also reflect philanthropy's ancillary role as an expression of active citizenship. This suggests that in their actions in this area of school education, philanthropic entities in Australia continue to see philanthropy as occupying an ancillary role, implying a view of the role of the state that sees it occupying a central position within society, and reflecting the continued influence of the social liberal path dependency.

The neoliberal view of the role of the state is also particularly evident in cooperative approaches to the relationship between government and philanthropy, which have become more prominent in recent years. Considering these approaches has allowed the thesis to assess the extent



and influence of the neoliberal challenge to the established social liberal path dependency in Australia. The neoliberal 'enabling' view of the state's role is evident in government efforts to promote increased cooperation between itself and philanthropy, with government's role seen as being to support the market, and philanthropy being viewed as occupying a more central position within society. *Chapter five* identified this view of government's role in its examination of the Big Society in the United Kingdom and the social coalition in Australia. The Big Society sought to increase philanthropic activity alongside significant public sector and budget cuts, and was criticised from within the voluntary sector in particular as an attempt to disguise the government's neoliberal agenda by effectively forcing philanthropy to substitute government funding and service provision.

In Australia, John Howard sought to encourage philanthropy as part of his social coalition, which he described as a partnership between government, business, the not-for-profit sector, and the community. The social coalition was linked to the concept of mutual obligation, which reflected a neoliberal approach in adopting a narrow, market-based view of reciprocity and in seeking a 'return on investment' from welfare support. When discussing the social coalition directly however, Howard evoked a wider view of reciprocity, asking those who had been successful to give back to the community. This aligns with philanthropy's ancillary role as an expression of active citizenship, suggesting that social liberal views remained influential despite the significant impact of neoliberalism evident within the government's approach to welfare. Criticism of the social coalition, both from within parliament and in the wider community, saw it as an attempt by government to reduce its role. This criticism implied a social liberal influenced view of the state's role as occupying a central position in providing welfare as a means of promoting equality of opportunity. The social coalition's most significant outcome with respect to philanthropy was the introduction of Private Ancillary Funds, which the thesis has argued both reflect and reinforce Australian philanthropy's ancillary role. As well as demonstrating a neoliberal view of government's role, the social coalition thus also indicates that the social liberal path dependency established at federation remains influential, and that the social liberal view of government's role appears to have retained a significant influence within Australian society. This argues that the situation is more complicated than simply suggesting the social liberal path dependency has been displaced by neoliberalism. It suggests that the continued influence of the social liberal path dependency, as indicated through philanthropy's continued occupation of its established ancillary role, has lessened the extent of neoliberalism's impact in Australia.

The neoliberal view of the role of the state as a creator and facilitator of markets is also evident within new innovations constituting philanthropy's 'extended family.'<sup>17</sup> *Chapter six* considers the example of social impact bonds and social impact investing, which claim to facilitate cooperation between the public, private and not-for-profit sectors. The social impact bond model is underpinned by an assumption that private investment is necessary to support innovation and produce effective and efficient solutions to complex social issues. In their economic framing, the bonds also promote a 'hands off' approach for government which is particularly evident in their emphasis on outcomes measurement. The neoliberal view of the state's role is evident in government discussions regarding social impact bonds within Australia, and the embrace of the mechanism appears to indicate the weakening of the social liberal path dependency. However, the way social impact bonds have been constructed in Australia, which to a significant degree reflects the involvement of philanthropic entities, sees them aligning with the ancillary role occupied by philanthropy more broadly, with this role being connected to the social liberal view of the role of the state. Risk sharing models are promoted that reflect a desire among philanthropic investors to work alongside government, demonstrating a recognition that the state occupies a central position in society. This suggests that the neoliberal influence demonstrated in government discussions exists alongside the social liberal view of the state, and is lessened by the continued influence of this established path dependency.

In utilising the critical, competitive, and cooperative paradigms, the thesis has thus been able to demonstrate Australian philanthropy's ancillary role, and the particular relationship with government that demonstrates its connection to the established social liberal path dependency. It also demonstrates that there has not been a substantial change in this role despite the influence of marketised philanthropy. There has not been the unequivocal embrace and adoption of marketised philanthropy in Australia, which, given the association of marketised philanthropy with a neoliberal view of the state's role, would indicate that neoliberalism has substantially displaced the social liberal view of the role of the state. Where marketised philanthropy has been successfully adopted in the United States and the United Kingdom, as outlined particularly in *chapters four* and *six*, it has been compatible with the established relationship between philanthropy and government more broadly. The competitive nature of the relationship between government and philanthropy in these countries is conducive to a neoliberal view of the state's role. Villadsen notes that the competitive approach considers philanthropy's 'flexible' and 'informal' nature to be fundamentally different to government, which is characterised by 'rigid regulation' and 'excessive bureaucracy.'<sup>18</sup> This aligns

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<sup>17</sup> Scaife et al., "Giving Australia 2016: Literature Review."; Villadsen, "Modern Welfare and 'Good Old' Philanthropy."

<sup>18</sup> Ibid.

with the neoliberal view of the state supported by marketised philanthropy that considers it as unable to promote effective solutions to complex issues within society. The market, given its ability to support innovation, is considered best placed to do this.

This view of government's role is demonstrated in the approach to leverage employed in the United States, outlined in *chapter four*. The competitive nature of the relationship evokes the 'weak state tradition' in the United States,<sup>19</sup> and is compatible with the neoliberal view of the state performing a limited role in support of the market. In the United Kingdom, as *chapter six* notes, the contractual nature of social impact bonds is consistent with a competitive relationship where the roles of both philanthropy and government are clearly delineated. Government's role within the original model is defined predominately as a creator and facilitator of markets, reflecting as well an assumption that private sector involvement is necessary to effectively address complex social issues. In Australia however, the successful adoption of such concepts associated with marketised philanthropy would not be compatible with the existing relationship between philanthropy and government, and would indicate the substantial weakening of the established social liberal path dependency. Philanthropists have adopted some of the language associated with leverage, and the neoliberal view of the role of the state is prominent in government rhetoric surrounding social impact bonds and social impact investing, which does suggest an erosion of the existing path dependency and the partial success of the neoliberal challenge. This is consistent with the neoliberal influence identified in welfare policy in Australia, particularly through the marketisation of service provision.<sup>20</sup>

However, the thesis' examination of the relationship between philanthropy and government demonstrates that the social liberal path dependency, and the particular view of the role of the state embedded within it, remains influential within Australian society. This is reflected in philanthropy's engagement with social impact bonds, for example in promoting risk sharing models. This suggests that these new initiatives will continue to reflect Australian philanthropy's ancillary role, with this role in turn reflecting a view that the state should occupy a more central role in promoting equality of opportunity, particularly through assuming responsibility for welfare provision. The way philanthropists view the scaling of their initiatives in education also reflects the social liberal view of the role of the state. Sawyer argues that the social liberal path dependency in Australia established 'a tradition of looking to the state to promote social justice', creating a framework that was able to be

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<sup>19</sup> Prewitt, "Foundations," p. 362.

<sup>20</sup> See e.g. Meagher and Goodwin, "Introduction: Capturing Marketisation in Australian Social Policy."; Wanna, Lee, and Yates, *Managing Under Austerity, Delivering Under Pressure: Performance and Productivity in Public Service*; King and Meagher, "Introduction: Politics, Profits and Practices in Child and Aged Care."

used by feminists and others seeking inclusion in the latter part of the twentieth century.<sup>21</sup> This tradition is reflected in the desire that initiatives be scaled to promote wider access and equality. The continued influence of the social liberal path dependency is also reflected in Australia's regulatory arrangements surrounding philanthropy, particularly in Private Ancillary funds which have become arguably the most popular philanthropic vehicle in Australia, and both reflect and reinforce Australian philanthropy's ancillary role. The popularity of private ancillary funds suggests the acceptance and continued resonance of this role, and by implication, a social liberal view of the role of the state within Australia. Philanthropy's position, and the role it performs, supports the argument that the social liberal path dependency remains influential and has served to lessen the extent of neoliberalism's impact in Australia.

The thesis' findings—that the particular relationship between philanthropy and government, which sees the former occupying an ancillary role, demonstrates the continued influence of the social liberal view of the role of the state alongside neoliberalism—are significant in a number of areas. In this first instance, this is significant in the context of discussions regarding the relative positions of the public, private and not-for-profit sectors. Authors internationally have suggested that increased interest in philanthropy reflects the reconfiguration of the roles and relationships between these three sectors, and that this has seen the 'blurring' of boundaries as entities move towards more 'strategic' and cooperative engagement with each other.<sup>22</sup> This has often been argued in respect to the influence of neoliberalism which has seen the market become the dominant paradigm. As the thesis has highlighted, cooperative arrangements are often underpinned by a neoliberal view regarding the role of the state that considers it as being primarily to support the market as the entity best placed to provide welfare and promote equality within society. This view is also identified within marketised forms of philanthropy. In identifying Australian philanthropy's particular ancillary role as being connected to a social liberal view of the role of the state, and in demonstrating the continued influence of the social liberal path dependency alongside neoliberalism's influence, the thesis has contributed to a deeper understanding of the way these three sectors interact in the Australian context and the role they perform. For example, in identifying that philanthropic entities in Australia are likely to want to work within established systems, rather than seeking to directly influence policy by leveraging their resources, as is demonstrated in the United States. This debate surrounding the potential reconfiguration of roles and relationships

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<sup>21</sup> Sawyer, *The Ethical State?: Social Liberalism in Australia*, pp. 157, 179.

<sup>22</sup> See e.g. Harrow and Jung, "Philanthropy Is Dead; Long Live Philanthropy?"; Gramberg and Bassett, "Neoliberalism and the Third Sector in Australia"; Johnson, Johnson, and Kingman, "Promoting Philanthropy: Global Challenges and Approaches."; Daly, "Philanthropy, the Big Society and Emerging Philanthropic Relationships in the UK."; Moody and Breeze, "Editor's Introduction."

between the public, private and not-for-profit sectors may become more important in the context of current global and local crises which necessitate a response from each of the three sectors. While this thesis has focused on philanthropy in institutional terms, further research may consider newer initiatives associated with 'mass philanthropy'—particularly related to collective giving—in the context of this debate regarding the potential realignment of sector responsibilities.<sup>23</sup>

The thesis' findings regarding the relationship between philanthropy and government are also significant for not-for-profit organisations engaged in service provision as they highlight the particular policy context within which they must operate. For example, social impact bonds, represent an example of an innovative, cooperative approach engaging government, private sector investors and not-for-profit service providers. They have been seen as an extension of the marketisation of services as the funding for programs to address complex social issues is sought from the private sector. In practice though, the primary investors in social impact bonds have been philanthropic entities, and foundation involvement in their initial development in Australia has contributed to variations on the original social impact bond model that reflect the relationship between philanthropy and government more broadly. That is, government is viewed as occupying a more central position and philanthropy, representing a source of funding, performs a supporting or ancillary role. As well as reflecting a neoliberal approach, for example in the focus on outcomes and the contractual nature of the approach, social impact bonds in Australia then also reflect philanthropy's ancillary role and the social liberal view of the role of the state that sees it occupying a more central position in addressing issues and promoting equality of opportunity. This is likely to affect the development of policy development and program delivery, for example in terms of how individual bonds are designed and services are provided. It will also affect the relationship between government, and indeed philanthropic organisations, with this section of the not-for-profit sector engaged in program or service delivery with the aim of addressing social welfare issues in Australia.

There are also policy implications relating to philanthropy directly in relation to the thesis' exploration of Australian philanthropy's ancillary role and its connection to a particular social liberal influenced view of the role of the state. The thesis has shown that policy aimed at supporting and encouraging increased philanthropy is more likely to be successful if it aligns with philanthropy's established ancillary role and displays an understanding of its particular relationship with government. The success of Private Ancillary Funds in generating a significant increase in

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<sup>23</sup> See e.g. Seibert's article in relation to Celeste Barber's fundraising efforts in response to the 2020 Bushfire Crisis. Seibert, "Opinion: Some Thoughts on the Bushfire Crisis, Charity and Giving."

philanthropic funding, becoming the most prominent philanthropic vehicle in Australia,<sup>24</sup> reflects their alignment with philanthropy's ancillary role. They were developed in the context of the social coalition, which despite also reflecting the influence of a neoliberal view of the state in other areas, as *chapter five* notes, aligned in its rhetoric regarding philanthropy with philanthropy's established ancillary role as an expression of active citizenship, viewing it in terms of giving back to the community. Regulatory arrangements and policy settings are more likely to be successful if they reflect a deeper understanding of the particular position philanthropy occupies, and the role it performs within society. In presenting a detailed discussion of the relationship between philanthropy and government, the thesis thus also adds an additional dimension to the major theme within the study of philanthropy in Australia of looking to encourage the development of a more prominent philanthropic culture. Wiepking and Hardy's international comparative study of philanthropy argues social origins theory, which considers philanthropy to be influenced by contextual factors and path dependencies, was of 'limited' use in predicting philanthropic activity generally.<sup>25</sup> However, this thesis suggests that establishing philanthropy's connection to existing path dependencies can provide an indication of how efforts to increase philanthropy or alter its role are likely to be received.

As indicated above, this thesis' findings are also significant for the study of philanthropy internationally. International comparative literature acknowledges that philanthropy's position within society may be influenced by contextual factors, including existing path dependencies. However, the existing literature is more concerned with using these factors to explain or optimise philanthropy's position, identifying patterns and creating typologies.<sup>26</sup> While it recognises that philanthropy's position is impacted by changes in government's role, such as the decline of the welfare state, this is discussed in a general sense and the existing literature does not look to identify and explore particular path dependencies within a country. In its in-depth study of the relationship between philanthropy and government in Australia, the thesis demonstrates how philanthropy's role and relationship with government can be embedded within existing path dependencies. It further demonstrates how this connection can be used to identify and examine existing institutional arrangements and the political context within a country, as well as any potential changes, especially

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<sup>24</sup> See Williamson et al., "Founders, Families, and Futures: Perspectives on the Accountability of Australian Private Ancillary Funds."; Australian Institute of Public Directors, "Growth in Private Ancillary Funds Offers Charities New Opportunities"; Wilson and Knowles, "The 2015 Koda Capital Australian Giving Review"; Wendy Williams, "Look How Far We've Come: Philanthropy," *Pro Bono News*. 4 June 2020, <https://probonoaustralia.com.au/news/2020/06/look-how-far-weve-come-philanthropy/>.

<sup>25</sup> Einolf, "The Social Origins of the Nonprofit Sector and Charitable Giving."

<sup>26</sup> See e.g. Anheier and Daly, "Philanthropic Foundations in Modern Society."; Toepler, "Toward a Comparative Understanding of Foundations."

regarding the role of the state. The thesis thereby considers that philanthropy can be viewed in a way that is more central to politics and that allows for analysing the role of the state.

This has also allowed the thesis to directly address a key consideration for public policy in examining the influence of prominent views regarding the role of the state. Understanding dominant perceptions regarding what the role of the state should be, or in this case as the thesis demonstrates, identifying the influence of alternative perceptions, is important in determining a policy agenda as it this will affect the way a government operates. The continued influence of the social liberal path dependency in Australia means that policy will be required to align with existing structures, and to accommodate the social liberal view of the role of the state, which views it as occupying a central role in supporting citizens through the promotion of equality of opportunity. This is demonstrated again through the adoption of social impact bonds, which represent a new policy approach to addressing complex social issues as well as an innovation within philanthropy itself. Variations on the original social impact bond model were produced in Australia which reflected the social liberal view of the role of the state in seeing them as consistent with philanthropy's established ancillary role. Though a neoliberal view of the role of the state that sees it performing a narrower role as a creator and facilitator of market is evident in the government rhetoric surrounding social impact bonds, the final policy outcome also reflects the influence of social liberalism. Similar results are likely to occur in other policy areas as well. Authors and texts regarding public policy, have noted the potential influence of institutions and established path dependencies as a factor in policy making.<sup>27</sup> In using philanthropy's connection to the social liberal path dependency to provide insights into potentially changing views regarding the role of the state and assess the influence of the neoliberal challenge in Australia, the thesis may also hold some significance from a perspective of policy analysis. The thesis' main focus has been on considering the influence of both the social liberal and neoliberal views of the state within Australia, though future research could explore further the potential alignment of the thesis' approach in the study of policy making generally.

Finally, in identifying the continued influence of the social liberal path dependency via its exploration of philanthropy's ancillary role, this thesis also contributes to the study of Australian politics more broadly. The prevailing pragmatic focus within Australian philanthropic literature

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<sup>27</sup> See e.g. Alan Fenna, *Australian Public Policy*, second ed. (Frenchs Forest, N.S.W.: Pearson Longman, 2004), pp. 136, 353-354; Maddison and Richard Denniss, *An Introduction to Australian Public Policy: Theory and Practice*, second ed. (Cambridge: Cambridge University Press, 2013), p. 9. 82-83; Michael Howlett, M Ramesh, and Anthony Perl, *Studying Public Policy: Policy Cycles & Policy Subsystems*, third ed. (Don Mills, Ontario; Oxford: Oxford University Press, 2009), pp. 198-201.

mirrors the perception within Australian politics that sees it 'in terms of utilitarian and pragmatic attitudes towards the role of the state.'<sup>28</sup> The thesis has looked to move beyond this pragmatic focus in politics as well as in philanthropy, and in connecting philanthropy's ancillary role to a social liberal view of the role of the state it contributes to the literature considering the influence of liberalism, particularly social liberal ideology, in Australia. In particular, it builds on Sawyer's exploration of the social liberal path dependency in Australia by demonstrating an additional way of viewing it, through identifying the particular relationship between government and philanthropy it inculcated. The thesis further builds on this approach in using philanthropy's connection with the social liberal path dependency to examine the neoliberal challenge to the social liberal path dependency identified by Sawyer. Significantly, in finding that the social liberal path dependency has remained influential alongside neoliberalism's influence, as evidenced by the continuity in philanthropy's ancillary role, the thesis also considers the interaction between the two strands of liberalism within areas of social policy in Australia. In arguing that the success of the neoliberal challenge to the social liberal path dependency is not complete it also contributes to the study of neoliberalism in Australia.

Stefan Toepler considered the relationship between philanthropy and government to be demonstrated primarily through 'regulation, conceptual questions about the role of foundations in democracy and government's expectations for foundation contribution.'<sup>29</sup> This thesis has considered each of these elements in its analysis of philanthropy's particular relationship with government in Australia. This relationship is unique given its connection to the social liberal path dependency which has seen philanthropy occupy an ancillary role supporting a social liberal view of the role of the state. The thesis was able to use this connection to assess the neoliberal challenge to the social liberal path dependency that had been identified. It has found that despite the influence of neoliberalism and its particular view of the role of the state in Australia, the social liberal path dependency has also remained influential, and this has lessened the extent of neoliberalism's impact. Sawyer argued that the social liberal path dependency created a framework which allowed citizens and groups to look to the state for inclusion as it had inculcated a view of the state as occupying a central role in promoting equality of opportunity. As the thesis demonstrates, such a view of the state is also evident in Australian philanthropy, as can be identified in regulatory arrangements and in the actions of philanthropic entities, as well as to some extent in government rhetoric surrounding policy approaches intended to encourage increased philanthropy. Should the neoliberal, or any other potential challenge to the social liberal path dependency prove successful to a significant extent, it could be expected that this would be reflected in a significant alteration of

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<sup>28</sup> Sawyer, *The Ethical State?: Social Liberalism in Australia*, p. 2.

<sup>29</sup> Toepler, "Toward a Comparative Understanding of Foundations."



philanthropy's role given its connection to the social liberal path dependency. However, at this moment the actions of philanthropic entities remain largely consistent with the ancillary role developed during Australia's nation-building period. This role saw it operating in support of the social liberal ethical state, particularly as an expression of active citizenship, and recognising that it was the state which occupied a central role in promoting equality of opportunity within Australian society. The thesis' study of philanthropy's role and relationship with government has demonstrated that this social liberal view of the role of the state has remained influential, and that the path dependency associated with it has served to lessen the extent and impact of neoliberalism in Australia.

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