

A BETTER WORLD IS POSSIBLE

**THE GATSBY CHARITABLE
FOUNDATION AND SOCIAL PROGRESS**

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‘tomorrow we will run faster, stretch out our arms
farther ... And then one fine morning – ’

Nick Carraway in *The Great Gatsby* by F. Scott Fitzgerald (1925)



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FOREWORD

In 1967, at the age of 26, I received a large number of shares in the family business. This enabled me to set up the Gatsby Charitable Foundation, and this year, almost exactly fifty years later, the amount of money given to charity by the Foundation reached £1 billion.

I thought this was a good moment to review the performance of the Foundation, and to see what lessons we could learn about how charitable giving can contribute to social progress. I also wanted to record the achievements of the clever and dedicated people who have helped me run the Foundation and the projects we have supported.

I commissioned a history of the Foundation to be written, and I am delighted at the brilliant job that Georgina Ferry has done, recording both the Foundation's successes and those areas where we have been less successful.

Managing the Trust has been for me and my wife an immensely enriching experience, and I hope that this account of what we have done will encourage other people to use their charitable giving to try to make the world a better place.

David Sainsbury
Lord Sainsbury of Turville Hon FRS
May 2017

PREFACE

On 17 March 1967, David Sainsbury, then aged 26, walked into the office of Ethel Wix, the formidable family solicitor, and handed over a cheque for £5. This represented the founding settlement of his personal charitable trust, which he named the Gatsby Charitable Foundation – F. Scott Fitzgerald’s *The Great Gatsby* was his favourite book at the time.

The same day he transferred to Gatsby 110,000 ordinary shares in J. Sainsbury Ltd, the family supermarket chain that had come under the control of himself and his three cousins. It was the beginning of a personal quest to capitalise on the fortune of birth by taking on just a few of the social, economic and scientific challenges that face humanity in the modern age. By 2009, David Sainsbury had transferred more than £1 billion in cash and Sainsbury shares to Gatsby, making him the first Briton to join the super-league of billionaire donors. In recent years, Gatsby has spent of the order of £50 million annually on its charitable activities. In 2017, the fiftieth anniversary of its foundation, Gatsby will itself have passed the £1 billion spending mark.

No two charitable foundations are exactly alike: there are more than 10,000 in the UK, over 100,000 in the USA, and stories to be told about all of them. But, as Gatsby reaches its half-century, there are good reasons to choose it as a case history in modern philanthropy. It comes from a strong tradition of family foundations that have passed a commitment to social action down the generations along with the family business. It has grown

from relatively modest beginnings to become one of the top ten UK foundations by assets and spending.¹ And it epitomises the principle that the effectiveness of a charitable body depends critically on the level of engagement of the person putting up the money.

Learning from its past successes and failures, Gatsby now almost exclusively funds projects that it has either initiated or continues to run directly. They have highly ambitious goals: reducing poverty in Africa; increasing government effectiveness; raising the standard and standing of technical education; answering fundamental questions about how plants grow and fight disease; and finding out how the brain works. Many have been running in one form or another for decades.

As Gatsby reaches its half-century in a world facing many problems, David Sainsbury's example provides many ideas and case studies for philanthropists who want to make the world a better place.

Georgina Ferry
May 2017

A TIME OF GIFTS

David Sainsbury and the rise of modern philanthropy

Wealth is not new. Neither is charity. But the idea of using private wealth imaginatively, constructively, and systematically to attack the fundamental problems of mankind is new.

John W. Gardner, 1912–2002, President of the Carnegie Corporation
1955–65

Philanthropic donation has a very long history. There has probably never been a time when the more fortunate did not offer help to the less fortunate. Every religion offers some variation on the theme that ‘it is more blessed to give than to receive’.¹ From alms to the poor to multimillion-dollar research laboratories, donations have always formed part of the way people identify themselves as among the better-off.

Our age – the age in which Gatsby has come to maturity – is distinguished, however, by the sheer number of what are now commonly called ‘high net worth individuals’. ‘Millionaire’ no longer quite captures the exclusivity of this concept. Between 2008 and 2015 the number of American households worth more than \$1 million, not including their homes, rose by 54 per cent (to over 10 million), while those worth more than \$25 million

rose by 73 per cent – to 145,000.² The numbers of the ultra-wealthy are also rising elsewhere, not only in the older industrialised countries and the oil-rich Middle East, but also in the new economies of China, India and Brazil. While, for some, ostentatious displays of spending on yachts, jets and diamonds are part of what it means to be rich, for many others great wealth brings an obligation, and an opportunity, to give something back.

The number of people in the world living below the international poverty line (redefined by the World Bank in 2011 as \$1.90 per person per day) has been falling consistently in recent decades, and in 2012 it reached 897 million people – 12.7 per cent of the global population.³ Yet many more than this are still in great need, and the disparity between the poorest and the wealthiest is more startling than ever: in 2017, Oxfam estimated that just eight people commanded as much wealth as the bottom half of the world's population.⁴ At the same time, taxpayers are unwilling to contribute more to public services, and economic turbulence has left government coffers depleted. The pressure to cut government budget deficits has seen austerity programmes rein in spending on areas such as welfare, housing and the arts. The demands of ageing populations mean that providers of state health care, though still absorbing high levels of government funding, are often under-resourced. There is therefore an ever-strengthening 'pull factor' of causes, from wildlife trusts to shelters for people with mental illness, seeking alternatives to government funding. While politicians debate the merits of higher taxation and renewed investment versus further tightening of the purse strings as the route to economic prosperity, the privately wealthy step into the gap.

Giving has become a major industry. Charitable foundations have proliferated. There are bodies that collect and publish data on the wealthiest individuals and foundations, networks of charitable organisations that lobby for giving to be made easier, and a worldwide cohort of highly paid philanthropy

consultants both advising charities on how to persuade the wealthy to part with their money and advising the wealthy on how to spend it.

In 2015, giving by American individuals, foundations and corporations reached \$373.25 billion,⁵ up from the previous record of \$358.38 billion in 2014, and equal to almost 10 per cent of the Federal budget of \$3.8 trillion. Because of differences in methods of data collection, it is difficult to come up with an exactly comparable figure for the UK, where the tradition of philanthropy is less pervasive and there has been a greater expectation that the state will fund everything from health care to culture. Different bodies provide different snapshots of the sector. The Charities Aid Foundation's 2014 survey gives a figure of over £10 billion for giving by UK adults, but this mainly covers donations by the general public to fundraising charities such as the British Heart Foundation or Children in Need, and excludes most major giving by individuals, corporations or foundations. The Coutts *Million Dollar Donors Report* for the same year suggests that charitable causes in the UK received close to 300 gifts of more than £1 million, adding up to £1.6 billion.⁶ UK foundations spent £3.4 billion in total. The spending of the top 300 British foundations has risen steadily in real terms since 2003, with only a brief plateau following the stock market crash of 2007/08.⁷

In the USA, almost a third of all charitable giving goes to religious organisations, while 8 per cent goes to health.⁸ Again, the figures for the UK are not strictly comparable, but 14 per cent of funds raised from the general public goes to religious institutions, while 33 per cent of donors give to medical care and research.⁹ Education also receives a large proportion of donations in both countries: British universities are doing their best to inculcate the tradition of giving annually to your alma mater that has long been established in the USA, and run professionally staffed development offices in pursuit of donations from individuals, corporations and foundations.

Not surprisingly, the likelihood of giving is positively correlated with wealth on both sides of the Atlantic. In 2010, Microsoft founder Bill Gates and investor Warren Buffett launched The Giving Pledge, with forty American billionaires publicly pledging to donate at least half their wealth. Many more have since signed up.¹⁰ However, researchers consistently find that, of those who give, those on lower incomes give more than twice as much as a percentage of their income than those at the top end of the wealth scale.¹¹ There is clearly scope for greater generosity among the wealthy.

The biggest names in the field of philanthropy are well known. Many contemporary donors have been inspired by the example of Andrew Carnegie, the nineteenth-century steel magnate who emigrated from Scotland to the United States, built up a huge fortune and spent the last two decades of his life giving most of it away. His donations at the time of his death in 1919 totalled \$350 million, worth close to \$80 billion in 2015 dollars. He not only founded 3,000 public libraries in the USA and elsewhere, but gave generously to universities, the arts and the sciences. Significantly, he was an outspoken evangelist for philanthropy, holding that ‘the amassing of wealth is one of the worst species of idolatry’. The Carnegie Corporation of New York continues his legacy, as it supports the causes of education and international peace.¹²

In the UK, the pharmacist Sir Henry Wellcome died in 1936, leaving a will that vested the share capital in his successful pharmaceutical company in a charity, the Wellcome Trust, for the purpose of advancing medical research. Today Wellcome is by far the largest foundation in the UK: it expects to spend £4 billion between 2014 and 2019, overtaking the state-funded UK Medical Research Council as the leading source of funds in the field of biomedical science. No other British foundation comes close to Wellcome’s spending power, but alongside Gatsby other well-known top ten UK foundations include the Nuffield Foundation,

the Wolfson Foundation, the Leverhulme Trust and the Garfield Weston Foundation.

As in the nineteenth century, the business opportunities of the late twentieth and early twenty-first century have created great wealth very rapidly, and the dotcom billionaires and financial speculators have also entered the philanthropic arena. The Bill and Melinda Gates Foundation, founded in 2000, is now the largest foundation in the world, with assets of over \$40 billion (and counting). It aims to tackle some of the most intractable problems in international development, from eliminating malaria to raising the status and education of girls. Warren Buffett, described by *Forbes* magazine as the world's richest person in 2008, has pledged to give away 99 per cent of his fortune, mostly through the Gates Foundation. Since 2010, Facebook founder Mark Zuckerberg and his wife Priscilla Chan have made a similar pledge, their Chan Zuckerberg Initiative aiming to spend billions to improve education, health and inequality.¹³

These are only the highly visible tip of a very large iceberg. There are over 100,000 private grant-making foundations in the USA, not counting those with incomes of less than \$25,000.¹⁴ The top 100 of these each gave more than \$70 million in 2013/14.¹⁵ There are more than 10,000 foundations in the UK, with the top 300 accounting for 90 per cent of the spending. The top 100 of these each gave more than £5 million in 2013/14.¹⁶ New entrants are joining almost every day.

For those with substantial sums to give, there are many advantages to setting up a foundation. Charity and tax laws are explicitly designed to encourage giving by this means. If you transfer a substantial portion of your assets to endow a foundation, those assets cease to form part of your personal tax liabilities, and within a charitable foundation they are not subject to tax. Unless you are very unscrupulous (and the Charity Commissioners are vigilant on this point), this is not in any sense a 'tax dodge', because you have given away more money than you

will gain through any tax reliefs. However, your foundation has more money to spend on your chosen causes than you would have had if you had made donations directly from your pocket.

As it is likely that you will have oversight of the causes your foundation supports, you retain control over how the money is spent (within the constraints of charity law), which would not be the case had you given it to the Treasury in tax. Some argue that this gives the wealthy too much control in matters that should be determined by the state, but at 0.4 per cent of government spending (in the UK), the overall financial clout of charitable foundations is modest.¹⁷

From alms to ‘venture philanthropy’

Giving money away is on the face of it altruistic, but the enthusiasm of donors depends on their feeling that they also get something out of the deal. Many, like Carnegie, recognise that they have much more than they need, and that wealth is corrupting. They feel thankful for their good fortune: they recognise a responsibility to help others, and it makes them feel good to do so. Some might have a specific reason to give: grateful patients give to hospitals that have saved their lives, or charities that conduct research into diseases they or their relatives have survived. Undoubtedly some like the recognition that comes from doing good: having a concert hall or a university department named after you is an even more public statement of your success than buying a yacht. In wealthy circles in the USA, stinginess carries the risk of social ostracism.

Yet more and more people, particularly those who have made their fortunes from innovation in business, seek the satisfaction of using their power as donors, combined with their commercial acumen, not just to give handouts but to effect transformational change. They see donation as an investment that can bring a measurable social return. The terms ‘venture philanthropy’ or ‘the new philanthropy’ have recently come into use to describe

such activities, though there are many examples that long pre-date these coinings.¹⁸

Doing it the Gatsby way

Gatsby's fiftieth anniversary provides an opportunity to study in detail how one donor has developed such an approach to giving, based on years of experience. 'One of the luckiest things that happened to me', says David Sainsbury, 'was that I was able to set up my charitable trust early in my life, and this enabled me to learn how I could best run it long before it had a lot of money to give away.' He has formulated a set of questions that illustrate the lessons he has learned.

What can you do with charities that you can't do in other ways?

Gatsby is committed to doing things that most governments find difficult. 'The idea that you can use charitable spending as a substitute for social welfare is wrong,' says Sainsbury. 'The amounts are too small, and there's no evidence it's done better.' What charities can do, he argues, is to take risks and innovate in ways that are very difficult for governments, effectively becoming the R&D arm of government. 'The Treasury always says, "Can you prove that this will work?", which is inimical to innovation,' he says. 'It's not so much about supplying needy children with education, but finding new ways to educate.'

Charities can also take a long-term approach. The time horizon of government projects is bounded by the career of a minister, which leads to 'the curse of the three-year project'. Sainsbury is happy to fund projects for the long term: 'I think if you are going to change something significant, you probably need ten years of concerted effort,' he says. The following chapters describe a number of initiatives that have been running for twenty years or more, or that have been launched with a time horizon exceeding that figure.