

How & Why Bill Gates & Warren Buffett Are Working Together

by Gary Tobin

The philanthropic alliance of Bill Gates and Warren Buffett has received scads of attention for some obvious reasons — 31 billion of them.

No doubt, Buffett's promise of \$31 billion to the Bill and Melinda Gates Foundation is big news. It would represent far more than the total size of philanthropic grants made by John D. Rockefeller, Andrew Carnegie, and Henry Ford, in today's dollars, combined.

The size of Buffett's bequest, while extraordinary, is hardly what makes it important. What is striking about the Buffett/Gates announcement is what they can teach the field of philanthropy — and the rest of us, for that matter — about the nature of charity.

First: People with money may have great strengths, but making charitable grants is not necessarily one of them. In fact, American philanthropy today is littered with examples of rich people giving away money that at best, merely polishes their egos, and at worst, does real harm. Buffett seemed to understand this from the outset, telling *Fortune* magazine that he would rather invest in Bill and Melinda Gates's vision for charitable giving than coming up with his own. "What can be more logical, in whatever you want done, than finding someone better equipped than you are to do it? Who wouldn't select Tiger Woods to take his place in a highstakes golf game? That's how I feel about this decision about my money."

Instead of plowing his money into the equivalent of a start-up philanthropic foundation (Buffett and his late wife set one up in the 1960s, but it has remained relatively small), he is giving most of it to one that already has more than a decade of work under its belt and a well-established reputation for focusing on a few core issues, namely health, education, and libraries.

Second: Entrepreneurship works in all sectors of our economy, especially philanthropy. Gates and Buffett spent their business careers building multibillion companies from scratch. Does that experience count in charity? Absolutely. If more people like Bill Gates spent more of their time, energy, and smarts on philanthropic challenges, the world of philanthropy would suddenly perform more like a start-up business: Hungrier for success, eager for accomplishment, and focused on results.

True, the philanthropic world attracts its share of dedicated and entrepreneurial professionals. Unfortunately, it has more than its share of bureaucrats who happily give away dollars earned decades ago by long-dead benefactors — but demand too little of themselves or the charities who take those dollars.

By comparison, when Bill Gates decided to leave day-to-day control of Microsoft to the next generation of leadership, he gave that control to Steve Ballmer, who may be more driven to succeed than Gates himself, if that's possible. When a dollar leaves the Gates Foundation, it has Bill Gates's personal stamp of approval. He does not want a single penny wasted.

That spirit is exactly what Buffett wanted to capture — which is why he has placed two critical demands on his annual gifts to the Gates Foundation. First, it must be spent every year; why let it accumulate so some future bureaucrat can spend it? And second, the gifts will stop once the Foundation is no longer headed by its relatively young founders, Bill and Melinda Gates. In other words, Buffett for once isn't interested in being patient with his money. He wants a highly focused, highly motivated foundation spending his money and getting results now. That's the mind of an entrepreneur at work.

Third: The accumulation of private wealth — yes, even huge amounts of it — is essential in any civil, caring society. Notwithstanding Buffett's own views on taxation (where he favors high estate taxes in particular), his own ability to generate a massive fortune, and then give it away to a cause of his own choosing, is a direct by-product of his living and working in a free-market economy with a relatively low tax rate.

We don't often get such clear-cut examples of why it's good to have a system which creates megawealthy individuals; last week, we did. Let's savor this moment. If you want billions of dollars used for the social good in a spirited manner, you need a spirited economy where very bright people have every incentive to work hard and do well. You can't have Warren Buffett and Bill Gates the philanthropists without Warren Buffett and Bill Gates the megawealthy.

— *Gary Tobin is the president of the Institute for Jewish & Community Research in San Francisco, a think tank focusing on philanthropy, education, and other social issues.*