Philanthropy and the Social Economy:

BLUEPRINT 2014

The Annual Industry Forecast

by **Lucy Bernholz**

grantcraft

#blueprint14

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STANFORD PACS
CENTER ON PHILANTHROPY AND CIVIL SOCIETY

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Philanthropy and the Social Economy: Blueprint 2014

WHAT IS THIS MONOGRAPH?

Philanthropy and the Social Economy: Blueprint 2014 is an annual industry forecast about the social economy – private resources used for public benefit. Each year the ***Blueprint*** provides an overview of the current landscape, points to major trends, and directs your attention to horizons where you can expect some important breakthroughs in the coming year. This year, I'm including some perspectives on European philanthropy as well as the American landscape.

I'm thrilled to be again partnering with GrantCraft to make the ***Blueprint*** available for free. Please check this and related GrantCraft materials at **www.grantcraft.org/blueprint2014**.

Why is it called a blueprint?

A blueprint is a guide for things to come as well as a storage device for decisions already made. Good blueprints fit their environment, reflect a thoughtful regard for resources, and lead to structures that are well engineered and aesthetically pleasing. Blueprints guide the work of masters and are informed by craftsmen. They can be adjusted as work proceeds and they offer a starting point for future improvements. Good blueprints require a commitment to listen to those for whom they are drawn and to use a common grammar to communicate the results of countless sketches and discarded first drafts. This blueprint is intended for everyone involved in using private resources for public benefit – philanthropists, social business leaders, nonprofit and association executives, individual activists, and policymakers. It can be used as a starting point for debate and as input for your own planning. It is one of an annual series of observations that collectively capture change over time. Please join the discussion on Twitter at **#blueprint14**.

Who wrote this document?

I'm Lucy Bernholz and I am a philanthropy wonk. I've been working in, consulting to, and writing about philanthropy and the social economy since 1990. *The Huffington Post* calls me a "philanthropy game changer," *Fast Company* magazine named my blog **Philanthropy2173** "Best in Class," and I've been named to *The Nonprofit Times'* annual list of 50 most influential people. I'm a visiting scholar at Stanford University's Center on Philanthropy and Civil Society (PACS) and at the David and Lucile Packard Foundation. I earned a B.A. from Yale University and a M.A. and Ph.D. from Stanford University. On Twitter I'm known as **@p2173**, and I post most of my articles, speeches, and presentations online at **www.lucybernholz.com**, where you can also find my blog, Twitter feed, articles, and books.

Where can I get more information?

The best way to keep up with my thinking on these issues is on my blog, **Philanthropy2173**. Subscriptions are free. Information on Stanford's Digital Civil Society Lab is available on the websites of the **Lab** and **PACS**. We document our activities on the **Stanford Social Innovation Review Blog**. Please send media inquiries, speaking requests, and other inquiries to **bernholz@stanford.edu**. Previous years' *Blueprints* can be downloaded at **www.lucybernholz.com**.

The full suite of GrantCraft resources is online at **www.grantcraft.org**. GrantCraft is a service of the Foundation Center in New York and the European Foundation Centre in Brussels that taps the practical wisdom of funders to develop resources for the philanthropy sector.

Introduction

This is the fifth annual industry forecast. Since publishing the first one, I've expanded my lens to focus on philanthropy and the social economy. This year, I introduce another framework, that of digital civil society. In addition, because the trends I'm following tend to be global and don't stop at national borders, I'm also expanding my geographic purview beyond the United States. With this volume, I am including some lessons learned by thinking about Europe and its models of social economy.

In the **Expanding My Horizons** section, I present some observations about the European social economy. These are tentative first steps, taken at the encouragement of many but with some hesitancy. I am a far-off observer of European society, and my vision is limited by physical, linguistic, and cultural distance. While what I've observed helps me to better understand the American context, I hope you will let me know whether or not it is useful and what else is important in the European context. What did I miss or get wrong? This section is supported by an **Appendix** and a **Glossary**. It's designed to let readers skip to the information that they find most useful.

Now, more than ever, we need new frameworks to understand and shape philanthropy for the 21st century.

In the **Big Shifts that Matter** section of this *Blueprint 2014*, I share my conviction that now, more than ever, we need new frameworks to understand and shape philanthropy for the 21st century. The one that I offer here – digital civil society – builds on the social economy framework discussed in the past by exploring what it means in our digital age.

Since the 2010 volume, the *Blueprint* has highlighted meaningful changes in the ways we use private resources for public benefit. The future can be seen in the dynamics between the old and the new. Five years of these annual chronicles is enough time to realize that everything that matters is not necessarily new (and not everything that is new, matters).

As always, in thinking about the future, we need to acknowledge that both the unthinkable and the unpredictable are quite possible. I make specific observations about next year in the section **Predictions for 2014**. This year, for the first time, I've been able to include predictions from others – this is a feature I'd like to expand and hope you will help with in the year ahead. I then call out some **wildcards** that may come into play in 2014, mitigating or accelerating the timing of the big shifts. In particular, in the U.S., I think 2014 will see state legislatures and courts play key roles on nonprofit disclosure, social businesses, and taxes. As I do every year, I revisit last year's predictions in the section **Previous Forecasts**, where I note what I got wrong about last year, not to keep score but to learn from the past. And, of course, don't miss the **Buzzwords** list!

Finally, I present **Glimpses of the Future** in which I consider the reach of civic technology. This phrase captures two related types of activities. First, technological practices by governments – often municipalities but also provinces, states, and nations – to reach and engage their citizens. The other type includes groups of technologists creating tools and communities to improve their experiences in their cities. We are seeing an explosion of interest in using mobile, location-enabled applications to facilitate interactions between people and places, citizens and governments. This "civic tech" movement represents new forms of public citizen engagement and offers new opportunities for philanthropy and other private actors.

I also examine emerging ethical challenges facing philanthropy and social economy enterprises as data become more and more a part of our everyday lives. While each enterprise in the social economy has established rules about managing financial and human resources, valuing, managing, protecting, and using data is a new challenge for many endeavors. The technology and opportunities move far faster than do either the organizational norms or the formal regulations. I provide a few sample scenarios to illustrate the range of questions we're facing as we come to rely on digital information, social networks, and the public/private infrastructure of the Internet and mobile communications. We'll have plenty of opportunities and a responsibility to examine our ethical assumptions about data and digital communications in the near future.

Throughout 2014, I will be investigating these ideas at the new **Digital Civil Society Lab** at Stanford University's **Center on Philanthropy and Civil Society** and in my new role as a visiting scholar with the **David and Lucile Packard Foundation**. My goal for the *Blueprint* series has changed over time. With the support of the Foundation Center and my partners at Stanford, I am looking to engage interested parties in Europe (and beyond) in conversation, in hopes of perhaps helping readers from other countries produce their own annual *Blueprint*, one that reflects their interests and perspectives. Future explorations could include China or Brazil or elsewhere. I am interested in finding country or regional partners who want to produce annual *Blueprints* of their own, in whatever form they might take. Please contact me at **bernholz@stanford.edu** with questions or examples of how you used this *Blueprint* and any recommendations or suggestions you have for future editions or conversations about this one.

The "civic tech" movement represents new forms of public citizen engagement and offers new opportunities for philanthropy and other private actors.

EXPANDING MY HORIZONS

I first introduced the social economy frame in *Blueprint 2012* and explored it in depth last year. As I've been documenting the social economy in an American context, I've been drawing from European and Canadian language and concepts. It makes sense that I now examine the social economy of Europe in its own right as a means of expanding my own understanding. As I do so,

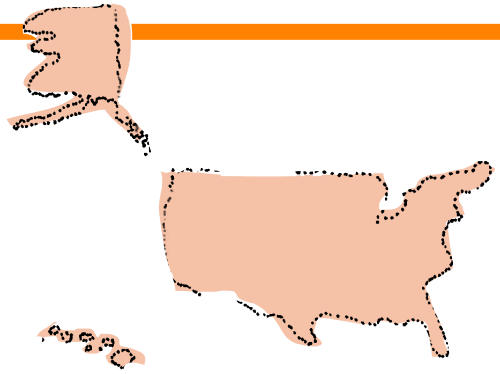
Recognizing that readers will have very different levels of familiarity with this material, I've broken this section into this text, an **appendix**, and a **glossary**. They provide richer detail on the social economies in Europe and the United States. **Expanding my horizons** assumes some understanding about the social economy and focuses on its implications for philanthropy.

I want to focus on the dynamics between some of these independent forces and on the changing nature of the social economy itself. I will also focus on why the framework provided by the social economy matters to donors, entrepreneurs, and organization executives.

What distinguishes the European social economy from its American counterpart is its emphasis on values and governance practices, not on sectors. Mondragon Corporation, for example, is a cooperative that employs more than 80,000 people and runs more than 250 enterprises in four industries throughout Europe with a reach extending into the United States. Measured by revenues, it is one of the largest entities of any kind in Spain. All of Mondragon's companies are run according to the governance principles of the International Co-Operative Alliance, which define cooperatives as voluntary associations owned by their members and aimed at addressing the shared social and economic goals of the members.[1] Some of the same principles of democratic governance, social inclusion, and shared responsibility and ownership define the other enterprises – associations and mutual societies – that constitute the European social economy.

What distinguishes the European social economy from its American counterpart is its emphasis on values and governance practices.

The U.S. version of the social economy is similar in concept, although its component pieces differ. I've defined it to include all the ways we use private resources for public benefit, and thus it includes nonprofit organizations, social businesses, and social welfare organizations along with their



sources of revenue. Common practice in the United States is to use "nonprofit" to mean 501(c) organizations, which refers to the applicable part of the tax code. This is more complicated than it appears, as there are more than 20 subsections of that tax code section, and the rules vary in meaningful ways between subsections. Within the frame of social businesses, we find both benefit corporations[2] and low-profit, limited liability companies (L3Cs). Like the cooperatives or mutual societies of Europe, these businesses may be found in any focus of work from consumer products to health care, educational services to energy provision. They are not defined by the content of their work but by their corporate structure.

The category of social welfare organizations (what might be thought of as "political nonprofits") most clearly differentiates the American context from the European. These organizations are actively engaged in political work, but they are referred to in the same vernacular as charitable nonprofits, since they fall into the same 501(c) tax code. Recent changes in American campaign finance law allow these "political nonprofits" to collect and use hundreds of millions of dollars in ways that are not easily tracked. This flood of revenue and its relatively secret nature (compared to charitable donations) is an increasingly powerful dynamic in the American social economy. This category of politically active social welfare organizations also accounts for a growing clash of norms within the American social economy. Private funding of political activity in the United States must meet a set of disclosure requirements that is quite different from those of charities and philanthropists. There is a critical set of policy debates underway resulting from the different norms of disclosure and anonymity for political and philanthropic activity,

now that social welfare organizations are so much a part of both worlds.

There are many similarities between the American and European social economies. First, both are defined by an intermingling of revenue-generating and subsidized enterprises. An oversimplification might be to argue that European social economy boundaries are drawn around governance and ownership mechanisms, whereas American attention has traditionally focused on tax status. Second, the revenue sources in both places include a mix of earned income, grant dollars and charitable gifts, investment funds, and government funding via grants or contracts. (Only the American economy includes political giving.) Third, the different enterprises within the economy operate under distinct but overlapping layers of regulation and scrutiny from the public. Recent years have seen a rise in discussions about the transparency of social economy organizations in both Europe and the United States. Fourth, efforts to create new enterprise forms have been active in both places in recent years. In Europe, there are ongoing efforts to define and codify a Europe-wide form for associations and foundations. In the U.S., the benefit corporation movement has made progress in defining a new corporate form.

The social economies in both places are dynamic. New associations and foundations, and new types of enterprises altogether, are being created as a result of shifting national policies and changing economic fortunes.

In both Europe and the United States, we have seen and expect to continue to see the creation of philanthropic endowments as a result of privatization. In European countries, this has occurred in banking, in telecommunications, and among automobile manufacturers. During the 1990s in the U.S., more than 200 health insurance companies and hospitals changed enterprise status from public to private ownership and spun off charitable endowments. In the early 2000s, a similar trend swept through state-level student loan guarantee firms in the U.S.[3]

The efforts over more than ten years to create a new European Foundation form, separate from the existing national options, is an example of innovation in corporate structure. The specifics of the European Foundation, and the context behind it, are different from the move to create benefit corporations in the United States, but both represent the creation of new institutional forms structured to take advantage of today's economic and social situations. Coupled with the shifting sands of privatization, this leads me to think that we will continue to see new types of legal enterprises within the social economy.

New foundations and associations, and new types of enterprises altogether, are being created as a result of shifting national policies and changing economic fortunes.

Another force acting on both the European and American social economies is the continued growth of venture philanthropy and impact investing. The revenue mix that supports the social economies is becoming as diverse as the mix of enterprises.

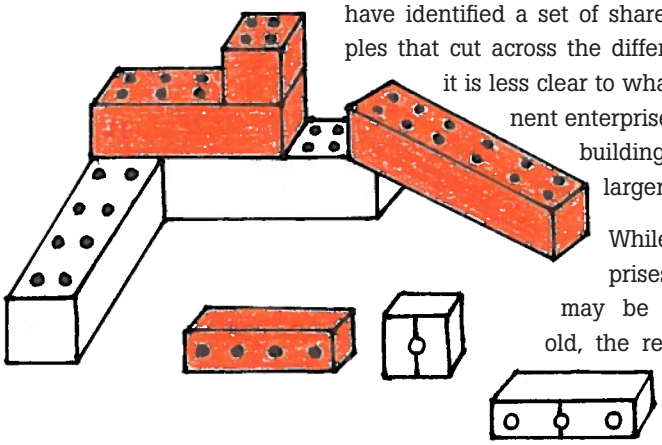
Sources of money

- Grants from individuals, institutions, and government agencies
- Contracts for service
- Fees for service or product sales (earned income)
- Membership dues
- In-kind donations
- Shared services/shared cost arrangements
- Revenue derived from intellectual property
- Investment income
- Equity investments
- Debt financing (loans or loan guarantees)
- Tax credits and exemptions

SOURCE: "**Social Economy Policy Forecast 2013**," Lucy Bernholz and Rob Reich

The infrastructure to support impact investing has grown dramatically in the last decade. While many of the support efforts are still geographically defined, such as the European Venture Philanthropy Association and Impact Investment Exchange Asia, these organizations share practices, policies, and members across geographies. There is a great deal of fluidity throughout these networks.

The diversity of enterprises within the social economies is both a strength and a weakness. In the United States in particular, nonprofits have a strong identity, often defined in opposition to social businesses or other enterprises. Social enterprise in the U.S. is most often used to describe purpose-driven enterprises sustained through earned revenue. In the U.S., nonprofits and social businesses seldom see themselves as part of the same whole. Although barely present in the U.S. context, the idea of social inclusion – ownership of and membership in the enterprises by their beneficiaries – is a defining feature of the European social economy. The proponents of the social economy in Europe have identified a set of shared governing principles that cut across the different enterprises, but it is less clear to what extent the component enterprises see themselves as building blocks within the larger LEGO™ game.



While individual enterprises in both contexts may be hundreds of years old, the regulatory and policy frames that surround them are in flux in both Europe and the United States. They are subject to political winds and the changing nature of election finance.

WHY THE SOCIAL ECONOMY FRAME MATTERS

Why does it matter if we expand our lens from nonprofits and philanthropy to the social economy? Simply put, only the social economy frame captures the full set of options for both donors (those with the financial resources) and doers (entrepreneurs and organization executives). Each of us, with a dollar (or a euro) or an idea, chooses between these different options when deciding how to pursue our social purpose. With ever more limited resources, we are making choices from among an expanding set of options. Each activity requiring funding has to "make its case" in the face not only of other associations but also of other types of enterprises. Each type of enterprise or use of funding has to "make its case" in contrast to (or in potential partnership with) not just other associations, but also other types of enterprises. Our efforts to measure impact, value, return, and effectiveness – complicated as they are within just the bounds of philanthropy and nonprofits – are actually falsely framed unless we also factor in these other choices. This frame also helps us better understand the flow of diaspora remittances, the way philanthropy is perceived in emerging economies, and the types of public benefit institutions being funded by the global flows of philanthropic money.[4]

Another reason for using the social economy frame is that it presents us with analogs and lessons we might otherwise overlook. Impact investors, for example, are hard at work developing sharable, comparable measures to inform management and other investors. The cooperative sector already has these. In the U.S., CoopMetrics offers enterprise-level performance management measures and tools.[5] They help individual cooperatives better manage themselves while simultaneously providing credible, independent, comparative data.[6] Efforts to develop accounting standards for public companies, such as the Sustainability Accounting Standards Board, are focused on entirely different targets than something like CoopMetrics, but the intention is similar – to provide a uniform system by which the true costs of running an enterprise can be measured.[7] It is these types of efforts that ultimately facilitate public confidence and meaningful comparisons. This in turn lays the groundwork for late adopters to join in, bringing their resources and changing mainstream practice.

Insight:Big Shifts that Matter

DIGITAL CIVIL SOCIETY

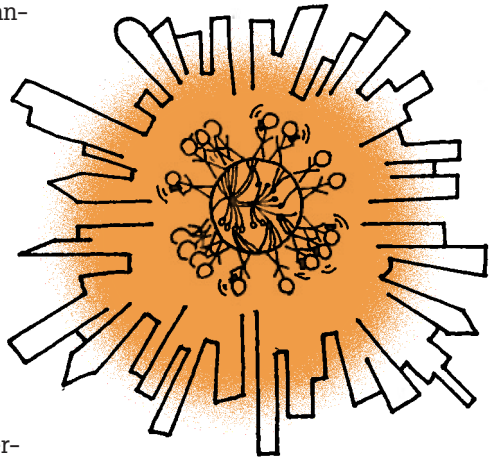
Building from a basic understanding of the social economy, the big shift that matters going forward is positioning that world of enterprises and revenue in a digital frame. As I've followed the relentless pace of "the new" in digital innovation over the past five years of these *Blueprints*, I've come to the conclusion that the adoption of digital practices has the potential to change the root structures of work in the social economy, both associational and philanthropic.

I've come to this conclusion by digging deep, below the level of digital devices and the easy-to-find examples of Twitter-giving. You'll have to bear with me as I retrace my line of thought, because the potential seems to fly in the face of the most obvious observations, especially about philanthropy and digital technology.

Last year, I argued that we had arrived at a new starting point for data in the social economy. I listed a dozen or so developments in data availability, access, and use that marked a point where "new data-driven insights will become a first step, an input, into the practical work of decision-making. This will stand in contrast to data's past role when they've been expensive outputs of proprietary consulting contracts."[8]

At first glance, one year later, it seems we have not moved very far from that starting point. The Internal Revenue Service has not taken action to open up data from the annual United States nonprofit tax forms (known as 990s). Meanwhile, some independent efforts are moving forward: the actions of the Foundation Center with its new ***Foundation Directory Online Free*** search tool, **partnerships** between organizations such as the Foundation Center and Guidestar, and the continuing "lone ranger" efforts of **public.resource.org**. In 2013, the **Bill and Melinda Gates Foundation** funded a **Data Interoperability Grand Challenge**, winners of which were not announced in time for this publication.[9] Some of the results of these investments may well bear fruit in 2014. (See **Predictions** section.)

Outside the United States, the WINGS network has launched a **Philanthropy Data Network** that is just beginning to tackle global data collection on foundations.[10] The poor state of data on European foundations and associations is typical of the global state of data on philanthropy, although progress is being made on specific funding areas such as human rights, the environment, and research.



Seen in terms of broad sector datasets or even the more specific use of the use of mobile payment or information exchanges, the most striking observation about philanthropy's relationship with technology is not the pace of change but the persistence of stasis. Mobile technologies that have changed how we work, travel, plan, stay informed, bank, read, and entertain ourselves have influenced interventions in global health, clean water access, and disaster response, but little else. At a superficial level, associations use social

The adoption of digital practices has the potential to change the root structures of work in the social economy, both associational and philanthropic.

media and digital video to enhance their work, every new social network tool promises some form of "do good-ness," and "social responsibility" is almost as *de rigueur* at new tech companies as foosball tables and free cafeterias. But most of what we see are "add-ons" to old ways of doing work. We try to use e-mail or Twitter solicitations to replace or amplify our direct mail efforts (and find it doesn't yet work very well). Mobile credit card readers supplant online "donate now" buttons, and nonprofits add PayPal or Google Checkout options to their online donation options, but that's about it. Foundations accept proposals electronically, but each one still requires its own format and its own reports on its own timeline.

So what really matters about digital tools and experiences when it comes to philanthropy and the social economy? This question is perplexing. Global interconnectedness, access to data, and social activism have accelerated national protest movements and reshaped how citizens interact with their cities. (See **civic tech** section). The ways that individuals use technology for civic action are becoming a more visible part of civil society, but their influence on the institutions of philanthropy and the social economy are a bit more obscure.

There are three areas where the adoption of digital practices, not just digital devices, is changing the root structure of work in the social economy. The first has to do with the nature of voluntary association which requires a degree of privacy and freedom that may be in jeopardy online. The second has to do with the nature of ownership and governance, two ideas experiencing a cycle of reconsideration in our digital era. And the third takes us back to data and the way they *might* become a backbone resource for the social economy.

Before I highlight these three areas, let me confess to the newness of this thinking. It is because the presence of digital tools seems to have changed so much else, *but not philanthropy and associations*, that I started to dig deeper. Rather than align myself with the two easily identified camps – one of digital utopians and the other of digital cynics – my current thinking is more along the line of skeptical searcher. The easy-to-find examples of digital philanthropy are somewhat underwhelming in their impact. On the other hand, it seems unlikely that philanthropy is so exceptional as to be immune to the changes that digital technology makes possible. Finally, it occurred to me that perhaps I've been thinking about this in the wrong way and looking for change in all the wrong places. To see if the economics of digital production and exchange really matter to philanthropy, I've decided to look to the definitional attributes of the digital world rather than to its surface-level practices.[11]

Associations and privacy

In an era of associations of associations and billion-euro (or dollar) foundations, it is easy to lose sight of the most basic level of assembly – two or more private individuals coming together to do something that benefits others (and possibly themselves as well). Doing this – whether to feed the hungry, clean a neighborhood park, perform a play, advocate for better bicycle infrastructure, or protest major government initiatives – requires a certain degree of confidence that we control our choices, that we are not being watched, and that we are, in fact, making private choices to act publicly.[12] We are most likely to take these actions if we are certain that we can do them voluntarily, without retribution or fear. The American constitution grants the right to "peaceable assembly" in its First Amendment. European countries, for the most part, put the full force of their laws behind the right to individual privacy and enforce these protections

on the Internet and in corporate behavior. In times or places where these rights are impinged upon, when private gatherings attract government attention, require bribery or secrecy, or are unsafe, civil society suffers. Voluntary, private associations cease to freely function.

Our current digital infrastructure shares certain elements with some governmental regimes, both present and past, which made associations and private voluntary action unsafe. The trails of evidence created through the use of digital tools are long-lasting, remotely stored, and not controlled by the users but instead by the owners of the digital infrastructure or network interface. The collection and storage of digital communications metadata is the equivalent of a tap on every phone or an intercept of every piece of mail. This can compromise users' privacy and make digital tools unsafe. There is not yet global agreement on what digital information can be held by what companies, requested by which governments, and used for what purposes. European standards of information privacy exceed American expectations, whereas American standards of free speech and association lack European counterparts.

The nature of tools that allow for instant, global connectivity makes their use subject to multiple conflicting jurisdictions. Edward Snowden's communications with the press clearly demonstrated that digital communications are not the place for private conversations or associations. Yet, we use them for these purposes all the time. One of the supposed success stories of digital philanthropy is the way that nonprofits and foundations use social media and digital video to tell their stories, build movements, and raise awareness. But what if, in doing so, they are jeopardizing their existence as private alternatives outside the public sphere? There is a strange irony in all of this and evidence that our associational assumptions of privacy are out of sync with our digital behaviors. And while privacy advocates and diverse groups of civil rights organizations seek legal redress, nothing may change until a scandal (or series of scandals) shatters the sense of freedom that comes when we feel protected by a sense of privacy and anonymity.

What we need to ask here, across the various enterprises of the social economy, is how do the private materials, decisions, networks, and associations that make up these independent organizations remain protected and private in an age of perpetual data retention and cyber-surveillance? Are we really entering an age when new definitions of personal and associational privacy will become the norm, or are we in a moment of transition in which our laws, our norms, and our capabilities are all out of sync?[13] What degree of information and associational privacy is critical for civil society to thrive, and how will we protect it? These are the first questions a digital civil society must address.

For the organizations that constitute digital civil society, these issues matter on two levels. First, they must consider their own practices regarding digital privacy. Second, their very existence – as independent enterprises constituted from the free association of private individuals – depends on the right of people to gather outside the bounds of the market or the state. As such, they also have an obligation to participate in shaping the rules and norms regarding digital privacy.

Ownership and governance

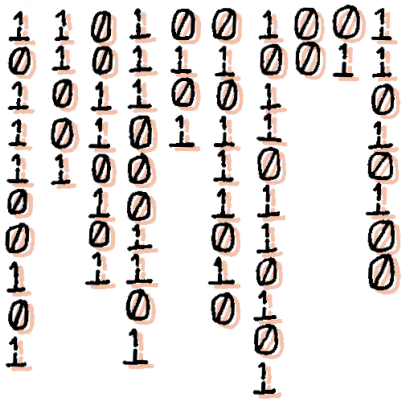
The second area of digital civil society that warrants consideration involves questions of ownership and governance. This is particularly important in the social economy, where the defining principles include how the enterprises are governed and owned. Most of our practices of ownership and governance come from an age when goods and money could not be endlessly and easily reproduced. Digital goods don't work this way; they can be infinitely copied, with no degradation to the original, and thus we've had to invent all sorts of new rules and software to control how digital copies are made, shared, sold, and stored. Questions about the ownership of digital goods have already led to global upheaval in copyright and patent law and have changed the nature of creative industries across the board. Global alternatives for owning and sharing digital goods are now expanding to apply to digital datasets.

There is a small set of organizations that have been operating on the frontier of this digital ownership and governance shift for more than a decade. These include the Mozilla Foundation, Creative Commons, the Open Knowledge Foundation, and Wikimedia Foundation. These organizations are digital by default; the assets they manage and the public good they do revolve around the creation, distribution, and financing of solely digital goods. They are also inherently global: Wikimedia has more than 35 million volunteers in more than 90 countries, Creative Commons has 70 affiliations globally, and Mozilla's Firefox web browser is used around the planet.

These organizations tend to spend a lot of time seeking redress or exemption from the tax or oversight authorities wherever they are based, as their operations simply don't fit neatly into the box of U.K. charity, German foundation, or American nonprofit. They also have vast communications and engagement tools, and tend to be structured more for consensus and input than for top-down, board-driven decision-making – a necessary choice if you are working with 35 million volunteers as the Wikimedia Foundation does. I think these organizations are pointing to the future for many associations, and the challenges they face and rule-exceptions they seek now will become norms for many organizations going forward. In a world where enterprise forms have typically been defined nationally (if not at the provincial or state level), we will see more and more organizations that are inherently global in membership and ownership. The creation of a regional foundation or association structure, such as that which is being discussed in the EU, may be a first step toward a global form.

Data as a starting resource

Finally, what are the roles of data in digital civil society? When something is digitized, it is translated into binary code – literally, strings of ones and zeros. It doesn't matter what the original was made out of – music, text, images, human tissue, or even solid steel; in digital form, everything becomes ones and zeros. This is why everything digital is so interchangeable. Think of all of those ones and zeros as data, and recognize those (interchangeable) data as the core resource of the digital age. When I talk about data, I mean not only numerical data on grants but also images, stories, movies, music, almost anything that can be digitized. The nature of data is already changing the norms of transparency, ownership, and governance – these are first generation changes. Second generation innovation comes in the form of enterprises and interventions designed from a starting point that assumes readily available, digital data as a core resource.



That said, let's start with the data most familiar to the social economy – actual numerical data on the enterprises and resources within it. While there are major efforts underway to collect better information about nonprofits and foundations and the revenue that supports them (as shown in ***Blueprint 2013***), we still have a long way to go before this information becomes a valuable resource of and for the work of the social economy. We do see some glimmers of what's possible. Progress can be seen in a few instances: shared maps of commonly-coded grants data are being used by funders interested in **black male achievement**; philanthropic education funders use a **shared platform** to stay abreast of innovative U.S. Department of Education proposals in need of matching funds; and many of the largest foundations in the U.S. have agreed to share a coding taxonomy and **report their data** in an open, machine-readable, and standardized form.

A few other examples offer evidence that the ability to gather, store, and share digital information can change the fundamental practice of social economy actors. The rise of impact investing in

the last five years has depended on the development of shared metrics for social and environmental return. Secure, accessible digital databases and the software to analyze and compare the data they store finally became affordable, making the expensive human side of collaboration and coordination worth the effort. The process of developing these measures has been both coordinated and entrepreneurial. It includes deliberate collaborations such as the creation of IRIS, GIIRS, and PULSE – digital measures, reports, and a reporting platform, respectively. It also includes efforts such as ImpactBASE, a database of investors and investments, and MissionMarkets, a database for private equity placements in mission-driven businesses. Don't misunderstand me; data did not *create* impact investing. But the movement would not have grown with the momentum it has if digital solutions hadn't been available to meet the demand for both common language and metrics. Shared, comparable data are a prerequisite for the impact investing movement. Their use here demonstrates how data can catalyze new enterprises, behaviors, and investments.

We've seen less of these behavior changes than I thought we'd see. The human and organizational resistance to new practices and behaviors is significant, and the pressures to change philanthropic behavior are weak. That said, we do see glimpses of new practice. The newly launched **Feedback Labs**, a joint venture of several organizations focused on global development, recognizes that direct input (data) from beneficiaries is readily available and should be used for program and organizational improvement.[14] Similarly, the last year saw an unprecedented partnership between a nonprofit charity review organization, **GiveWell**, and a philanthropic funder, **GoodVentures**. This might be the first such partnership where data-driven analysis is being used as the basis for both individual and shared philanthropic funding decisions, and where all of the data and analysis being used by the partners is being shared publicly.[15] In a slightly different vein, the **DetroitLedger** is a – volunteer-led effort to open funding information on all grant funding to Detroit, America's largest city ever to declare bankruptcy. It demonstrates digital expectations about transparency that have roots in the United Kingdom's project, **TheyWorkForYou**.[16]

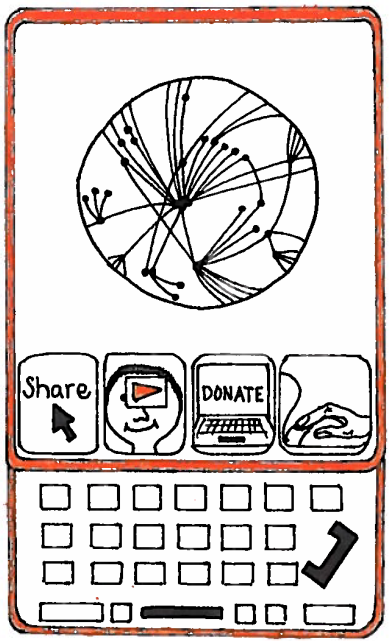
The role of data in the social economy raises several new issues, especially if we circle back to fundamental questions of privacy and of ownership and governance. Not all enterprises in the social economy are governed by the same data practices or expectations. The first place this distinction has reared its head is with regard to the disclosure of data about donors to social welfare organizations and charitable nonprofits in the United States. The culture of data disclosure regarding political donations is quite strong in the U.S. Most of the campaign finance system revolves around making information on campaign funders readily available to the public. On the other hand, people making charitable donations to nonprofit organizations do not need to be identified; anonymity is a treasured norm within American philanthropy. As some nonprofit oranizations (social welfare organizations) have become increasingly politically active, these two contrasting norms – disclosure and anonymity – have come into direct conflict.

There is the opportunity to establish a new standard of trust regarding how private data are used for public benefit within digital civil society.

Similarly, there are no common practices guiding the sharing of data funded by, used by, and resulting from grants given by philanthropic organizations. Every funder has individual requirements. This can easily put a nonprofit with two funders in the impossible position of presenting the same information under two different standards. Many organizations rely on revenue earned from data in either raw or analyzed form and, though they may

see a benefit to sharing the data freely, they also need to keep the lights on.

WHY THE DIGITAL CIVIL SOCIETY FRAME MATTERS



Digital civil society is an emergent frame that helps us consider the ways that shifting our civil society actions and behaviors into digital environments will matter in the long term. Each time individuals take civil action with digital tools – texting donations, sharing videos, mapping information on open source platforms for others to use, snapping and sharing photos of protests or movements – we invent digital civil society. The challenge for all of us over the next several years will be to also invent "the rules by which we use these new tools."

Here are some insights on what this future holds:

- The boundaries separating organizational forms within the social economy continue to shift, but the economics of digital tools and practices apply across all forms.
- The digital environment will drive continuing innovation in enterprise forms.
- We might see foundations start to share metrics and analysis the way impact investors and others in the social economy already do.
- Digital economics contribute to the blurring of public and private sector actions, particularly when philanthropy is seen as an escape valve for privatization.
- The norms and the laws for gathering, sharing, and retaining information vary across the enterprise forms within civil society. There is the opportunity to establish a new standard of trust regarding how private data are used for public benefit within digital civil society.
- We will have more discussions about businesses masquerading as "social good," as with Internet.org and its claim that interconnectedness is a human right.

Digital civil society gives us the opportunity to question the way lines between sectors and organizational forms are being blurred and to articulate what values each type of enterprise represents. When do we need organizations that are truly separate from a business bottom line or from political control of democratic systems? What's needed to maintain the operation of organizations that freely and anonymously represent or protect the rights of minority views or populations? What are the roles of endowed philanthropy in the digital age?

Buzzword Watch

The list of top ten 2013 buzzwords is intended to capture the gist of the jargon in the year gone by and serve as a guide to terms you're likely to hear in the next 12 months. Some are meaningful; some are satirical. Some may have lasting implications and be a catchphrase that summarizes an important idea; others will pass by as quickly as they came. Regardless of how you feel about these buzzwords, don't confuse my inclusion of a particular term as an endorsement or rejection of the idea. I'm the eavesdropper and rapporteur.

European readers: Do you have others to add? A buzzword list of your own? Funny translation-created malapropism? I'd love to track buzzwords globally and make the list more inclusive – I welcome your ideas and help about how to do this.

Privacy

Privacy gets my vote for the buzzword of the year – and it's one with real sticking power. Edward Snowden put it on the front pages. Our pervasive reliance on digital communications makes us all vulnerable, and the delicate balance between private and public that defines associational life makes us all stakeholders.

Performance management

This is the "everything old is new again," next generation measurement buzzword whose roots date back (at least) to the 1960s. We're still working on measuring outcomes, but in the meantime, organizations of all sizes and shapes are working to improve their own operations. Hence, performance management tools and buzz. Don't be surprised to find a management-consulting firm (or two) with just the solution you need.

Peer-to-peer services

Peer-to-peer is another name for the sharing economy. There is a deepening divide among enterprises that help people share cars, bikes, and couches. Some of them are still rooted in a resource-saving, sharing mentality while others, particularly those funded by venture capital, have taken on the growth expectations and business practices of big ticket commercial enterprises.

Constituent feedback

Now that almost everyone on the planet has a mobile phone, the cost of speaking directly to constituents is within reach for almost any organization. Getting feedback from beneficiaries has never been less expensive, though it's still not simple. Using the information one gathers is also hard. Expect more and more efforts such as the **GlobalGiving Storytelling** project, the **YouthTruth** project started by the Bill & Melinda Gates Foundation, and **Keystone's Constituency Voice** work.

Makers

One of the odd outcomes of the digital age is newfound interest in old-fashioned handmade goods, such as wooden birdhouses, knit sweaters, and other crafts. Libraries, museums, and independent workshops provide space and equipment for these makers. There are frequent Maker Faires, a **magazine**, and an explosion in urban workshops to serve the crafting needs of DIY-ers (do-it-yourselfers) everywhere. Makers especially like to mix and match the digital with the analog: think remote control robot inside crocheted baby toy or hand-carved wooden drones.[19]

Bitcoin

Bitcoin is a digital, nationless currency with a value that fluctuates at rates previously only seen during tulip-buying frenzies and dot-com booms. It's popular with financial speculators and some nonprofits, including the Internet Archive and **Sean's Outpost**, a homeless shelter and food bank in Florida that uses it to raise donations.[20] Because it can be "harvested" by anyone with time on their hands and an Internet connection, it recently drew attention as a new **form of panhandling**.[21] Bitcoin is one of many virtual currencies all over the globe.

Commons

Nothing has put the old-fashioned concept of resources held "in common" back on the front burner as powerfully as the metaphor of the Internet coupled with our collective fear of a warming planet. Thankfully, there's **Nobel-prize winning research behind these ideas** and some efforts, such as a new approach to development being **pioneered in Ecuador**, could put some meat on the rhetorical bones.[22]

Metadata

This is the data about data. Once the purview of coders and librarians, metadata came to public attention when the American National Security Agency claimed it wasn't storing all of the content of our emails and phone calls, just the metadata about them (in other words, who we emailed or called, when, and where they were). Metadata has also brought down many a philandering politician, scam-conducting executive, and lying schoolboy. Human rights activists are particularly careful about the metadata tracks they leave behind.

Randomista

The tongue-in-cheek derogatory term for an evaluator or social scientist who believes that the only meaningful evidence is that which comes from random control trials.

Solutionism

Evgeny Morozov coined this term to describe the digital innovators who think they can solve every community problem with an app. Solutions, as compared to progress or adaptation, run counter to the lessons from one of our 2013 buzzwords – resilience.

Bonus: Hackers

Those who break into, remix, repurpose, and create software code. Some do it for good – think of all the hackathons, codejams, and data mining events where software coders and social activists create new digital tools for organizing. The term, however, still retains it allure of the outlaw, malicious "black hat" even as the mindset and skills of hacking are recognized for the potential positive outcomes.

In hindsight: MOOC

The buzzword that didn't catch on as widely as I thought. I thought Massive Open Online Courses would be all the buzz this past year, especially with expanded offerings and enrollment growth in sites like Coursera. 2013 did see the first MOOC specifically about philanthropy from the Learning by Giving Foundation. But, in a recent survey of philanthropy communications professionals, less than half were familiar with MOOCs.[23] Perhaps they'll take off in 2014…

Foresight: Predictions for 2014

The trends discussed in the Insight section are powerful and long-term. What can we count on happening in the next 12 months? Given the state of America's Congress, you will notice very few U.S. national policy changes in the list for 2014. Here's a list of predictions to watch over the next year.

REGULATIONS, INDUSTRY NORMS, AND INFRASTRUCTURE

- At least one major nonprofit/foundation infrastructure organization will close up shop.
- Nonprofits and associations will experience new regulatory challenges from unexpected sources such as the sharing economy (for instance, from peers.org).[17]
- Digital tools for humanitarian aid will be common in disaster response and will become part of disaster infrastructure.
- Donor disclosure rules will return to the media spotlight with the U.S.'s 2014 midterm elections.
- We will experience a major scandal in the crowdfunding marketplace.
- Beneficiaries of other services will begin to organize and be heard in the way that the "e-patient" movement is beginning to change medical care and research.

DATA AND TECHNOLOGY

- One winner (at least) of the Gates Foundation's Data Interoperability Grand Challenge will launch a widely-used new product or service for social sector data by December 2014.
- New ecosystems of service providers, consulting firms, and constituent management companies will evolve to help associations and foundations manage crowdfunding campaigns.
- More nonprofits and other associations will use MOOCs (Massive Open Online Courses) as professional development opportunities for their staffs.
- New mobile money tools that make phone-to-phone, peer-to-peer payments easier will make informal networks of people even more visible, viable, and important.
- Mandatory e-filing for all American nonprofit tax returns will cause new backlogs at the IRS, ironically slowing the timely sharing of nonprofit data.
- **Github** will become a widely used, meaningful sharing platform for nonprofits. (And, you will learn what Github is.)
- **Feedback Labs** will gain real traction, and similar efforts to provide beneficiaries a voice will launch beyond development aid.
- Video will be the next infographic.

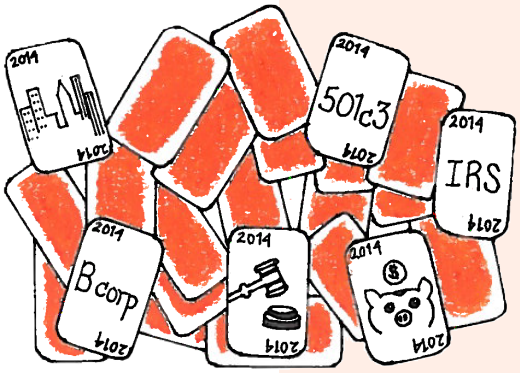
PRIVACY

- Humanitarian groups will develop codes of ethics and new standards for digital privacy.
- Americans and Europeans will make greater use of "personal privacy" protection services on the Internet; that is, they will use services that allow them to own and control their own data.
- A nonprofit standard for data privacy will develop.

OTHER

- American foundations will launch several new programmatic initiatives rooted in concerns about the polarized and paralyzed state of American democracy.

2014 Wildcards



In addition to the big shifts that matter and my 2014 predictions, there are several "predictable unpredictables." Several of the wildcards I included in this list last year did come to pass, including:

- State-level action to counterbalance the Supreme Court's decision in *Citizens United* will succeed.
- The movement to curtail political spending by U.S. social welfare organizations will gain momentum.
- Social businesses and benefit corporations will fight and win tax incentives and credits at the municipal and state level, even as Congress debates the tax deductibility of charitable giving.

For 2014, "predictable unpredictables" include:

- Nonprofit organizations or consortia will **take over city functions** such as managing transportation infrastructure. Nonprofits will become the savior for financially strapped cities.[18]
- The American system will split social welfare organizations out of the nonprofit, 501(c) tax code and make make them solely subject to Federal Elections Commission regulation.
- Proposals for moving oversight of American nonprofit organizations out of the IRS and creating a new charities regulatory authority will come to pass.
- Benefit corporations and nonprofits will be on opposite sides of policy battles about tax privileges.
- The European Foundation form will be enacted into law.
- A major natural disaster somewhere in the world will set new philanthropic fundraising records. A good question to ask ourselves: as disasters (natural and manmade) become more predictable, will philanthropic responses change?

Hindsight: Previous Forecasts

As I do every year, I revisit my 2013 predictions in this section. One of the biggest topics last year and in 2012 was my introduction of the sharing economy as a factor in the social economy. The past 12 months proved to be boom times for the sharing economy.

A new American trade association called **peers.org** launched, with financial and advertising support from peer-to-peer businesses including Uber and AirBnB.[24] It was cheered by some and jeered by others.[25]

Venture capital investments in peer-to-peer companies continued to grow, even as mayors, governors and regulators also expressed mixed feelings about the sharing economy. Several mayors of American cities promised regulatory reform that would spread out the welcome mat for these enterprises, while regulators elsewhere sought greater oversight of the companies.[26]

Earlier this year, I talked with a leading mobile giving service provider. I asked him directly, "What's up with mobile? Every year for the last four I've predicted mobile giving would take off in philanthropy and every year I've been wrong."[27] He pointed to the small size of most text gifts and the need to see mobile giving as part of a broader engagement strategy. He told me to "keep the faith." In another setting all together, I met an entrepreneur who told me, "Web giving is such a pain. Who wants to log into a computer to make a donation?"[28] A 2013 survey of donors in their twenties and thirties confirmed this, noting that they want mobile-enhanced websites that will let them donate directly from their phones.[29] I'm going to stick with this prediction until it comes to pass; mobile phones are going to be the future of small donation processing.

Scorecard for 2013 Predictions

(Note: most were American-focused predictions)

Prediction	Right	Wrong	Notes
U.S. Congress will change the rules on tax deductions		✓	We had hearings. We're still having hearings. Congress did not change the rules.
The Affordable Care Act will lead to new community solutions		✓	Implementation of the Act is being held up by software failures and politics. This prediction was too ambitious in terms of timing.
U.S. state courts will take center stage on issues of nonprofit donor disclosure	✓		
Crowdfunding will go mainstream	✓		There are more than 700 platforms globally such as Kickstarter, StartSomeGood, and IndieGoGo.

Prediction	Right	Wrong	Notes
Civic crowdfunding will grow and may exacerbate inequality	✓	✓	It's growing. Hard to say what influence it's having on inequality.
Technology-enabled civic engagement will grow	✓		See **Digital civil society** and **Civic tech** sections.
Four new Social Impact Bonds will be issued in the United States	✓		In addition to Massachusetts and New York where three bonds have been issued, five states (Colorado, Connecticut, Illinois, Ohio, South Carolina) are working on implementing SIB policies.[30]
"Dead" 501(c)(4) organizations will litter the nonprofit landscape		✓	We don't have the data to answer this.
Charitable organizations will fail in greater numbers, and we might even have accurate data on this		✓	Wrong. We still don't have timely data.
Political advocacy about nonprofits will get more visible and more fragmented	✓		
Rise of Asian philanthropists	✓		There are 114 pledgers of the Giving Pledge, who intend to commit more than $252 billion to philanthropic causes.[31] Pledgers now come from nine countries including India, Malaysia, and Taiwan. Asia also experienced the fastest rate of growth in new millionaires in 2012.[32]
The federal estate tax will go back into effect	✓		The U.S. estate tax was reset in January 2013 as part of what would become the year's first "fiscal cliff" political standoff.

Glimpses of the Future

CIVIC TECH

Most of us correlate volunteering with associations, not with public agencies. But in the past few years a new trend has emerged: in several cities, technology-savvy individuals are volunteering for their local governments.

Through informal meet-ups and organized hackathons, these groups create everything from free and open bike route maps, farmers market apps, art walks, treasure hunt games, tree-tracker programs for park departments, and dog-friendly restaurant guides. Public agencies "feed" this culture, often by providing access to government datasets for the coders to use. One indicator of the rise of this movement is the "internationalization" of CodeForAmerica's (CFA) brigades. CFA started as a way to get skilled coders to intern in the public sector, bringing innovation and energy to bear on tough public problems. Since its inception, it has grown beyond the internship program to include "brigades" of volunteers and hacker communities. Officially recognized CFA brigades are now supported in 31 U.S. cities, plus Ireland, Poland, and Japan.

These "outside in" volunteer-driven efforts are one side of an equation. Public agencies are also reaching out to residents and inviting them in to improve city services. This "civic tech" movement includes action that moves in several directions: cities reaching out to citizens, techies volunteering to improve city functions, and citizens connecting with each other. For example, cities provide data that coders use to build apps that give public transit riders arrival and departure times. Clean air advocates then reuse the data from these apps, along with open mapping software, to propose new bike routes. Citizens are even using software games that let them play with city street grids. They can **redesign their streetscapes**, rally neighbors, and then work with city agencies to build new parks.[33] From superficial efforts to suggest new library logos to substantial engagement through participatory budgeting processes, communications technologies are changing the way we interact with our cities, our elected officials, and our civil servants.

In several cities, technology-savvy individuals are volunteering for their local governments.

This "civic tech" activity is also changing the way we think about civic engagement. People now get involved in a variety of ways that weren't possible before. Ever since the tsunami in Japan, local residents have been using low-cost cell phone apps to monitor and report radiation levels in their neighborhoods. This process of volunteer data collection and analysis, called **Safecasting**, gives a modern day, tech-enabled spin on the idea of neighborhood watches.[34] Not all of the action is limited to software coders. When the Charles and Lynn Schusterman Foundation wanted to try something new to engage young Jews, they provided access to city software built in Israel and actively recruited young people with and without tech backgrounds to participate in what they called a **#FridayNightHack**.[35]

Why do these actions between citizens and public agencies matter to associations and to philanthropy? For one, they offer new opportunities for voluntary action, which is at the core of civic engagement. In some cases, such as with CodeForAmerica, nonprofit associations exist to actively assist

citizen-to-government relationships. Other examples can be found in the work of **MySociety** in the UK, the Open Knowledge Foundation's **CodeForEurope** demos, and the European Union's annual €15 million fund for **Collective Awareness Platforms for Sustainable and Social Innovation**.[36] Some of the longer running examples of these tech-focused, citizen-to-government relationships are affiliates of Creative Commons. These networks, which are both large and small, voluntary and staffed, can be found in 70 countries. They focus on the technicalities of national policies on copyright and patent law, intellectual property, and alternative licensing schemes for content creators.

Civic tech is catalyzing its own set of associations and philanthropic efforts. It is attracting volunteer time and skills and may well be re-energizing certain areas of civic life. As these efforts broaden engagement, we must also ask whether government agencies will adopt and invest in these practices over time or whether we will continue to rely on outsourced, philanthropically funded support for once-public services.[37]

Almost 15 years ago, Lawrence Lessig wrote **Code: And Other Laws of Cyberspace**, explaining to non-techies how the architecture of the Internet shapes the choices we make and the options we include or exclude. As software becomes an ever more powerful part of running any organization, including government, we – citizens and civil society organizations – need to be sure that Lessig's maxim, "code is law" doesn't take on newer meanings. Civic tech efforts are still young enough that most participants and service users are early adopters. How broadly-disbursed or diverse the participants in these efforts are is not yet clear. Some worry that the only beneficiaries of these efforts are those who are already well educated and actively engaged.

THE EMERGING ETHICS OF DATA

Digital communications tools and connectivity have become so common that we should anticipate a digital element to all of our activity in the social economy. This is not to say that digital will replace analog, but that all of our associations, nonprofits, foundations, and other social economy enterprises will use digital tools for some, perhaps all, of their activities. This runs the gamut from financing activities to creating and distributing the goods or services, managing the personal ties that constitute the association, and sharing information internally and externally. As this happens, we need to become increasingly savvy about the ways in which the digital environment is similar to, and distinct from, the analog environment in which we've worked for centuries.

I raised some of these issues earlier in the section on digital civil society. I noted that our governance practices, privacy expectations, and freedom of association are all challenged by the nature and structure of digital exchange. I want to tie these issues together at an even more fundamental level to note that the digital environment – the reliance on digital data – presents us with new ethical challenges for how philanthropy and associations work.

Consider the following four scenarios:

1

Imagine you are running a medical clinic that communicates with expectant and new mothers via text message. You are able to provide tailored, on-time information about clinic appointments, nutritional advice, vaccines, and well-baby care at extremely low cost and in a one-to-one manner. The rate at which pregnant moms keep their appointments increases and healthier babies result. But all of the messages are actually stored on the servers of the telecommunication companies providing the SMS service and are subject to police subpoena. A woman is arrested for drug possession and use and is charged with infanticide. She claims not to have been pregnant. The clinic's messages gathered from the telecommunications company are used as evidence against her. Should your clinic take any action, either in this specific case or in terms of your policies and practices going forward? If so, what?

2

A community foundation uses an electronic sign-in form to keep track of residents participating in its programs. Over time, the foundation becomes much more adept at reaching out to ever-more diverse communities and gets better and better ideas about how to serve the region and its needs. When a new retail giant wants to build a facility in one of the neighborhoods, it starts a widespread public relations campaign to build support for the idea. It asks the community foundation for access to the database so it can identify potential neighborhood leaders (some of whom will support the facility, others will be opposed). Should the foundation share this information?

3

You are interested in research on the causes of Alzheimer's disease. One of the most successful researchers in the field is leaving one university for another and plans to take her massive database of tissue samples with her. The lab she is moving to has access to a similarly robust database of DNA samples that were gathered for other purposes, but there is reason to believe that the database could yield key insights into the progression of Alzheimer's. The researcher wants funding to retroactively seek permission from all of the tissue donors to the second database to allow their samples to be used for Alzheimer's research. Do you sign on?

4

A humanitarian organization funded by your foundation partners with a satellite company to compare satellite images with on-the-ground reports of troop movements in a war zone. After several months of cross-referencing the satellite pictures with the ground-level reports, the agency thinks it can predict where the troops are headed and what villages lay in the path of danger. If they do nothing, villagers will be killed. If they alert the villagers, they are taking an active role in the conflict and will jeopardize the independent role that allows them to be present in the conflict zone. They seek advice from you as their largest funder, what do you say?

These are just a few examples of the ethical questions that arise from gathering, using, analyzing, storing, and sharing data across the social economy. Each scenario above is based on a real event and has since been resolved. However, we lack common frameworks and criteria for making these decisions, even within subsectors such as medical research or humanitarian aid, let alone across the social economy writ large.

How we use private data for public benefit will be a definitional issue for our future social economies in Europe, the United States, and across the globe. Given the growing nature of transnational philanthropy and impact investing, it is imperative to think of trans-Atlantic options and governance structures; data know no natural national boundaries. At the moment, the European and American approaches to regulating digital privacy, free speech, access, and inclusion are quite different. In response to information of the U.S. government's monitoring of Internet and phone traffic, many in Europe are advocating for separate Internet storage systems for business that would **keep European information safe** from American surveillance.[38] Canadian business leaders and government officials are advocating similar strategies and there are calls to boycott U.S technology platforms.[39]

Civil society organizations have a lot to work on if the digital environment is going to be conducive – not restrictive – to private action for public benefit. Nonprofits and civil associations are leading much of the activism within nations for a digital environment that protects civil liberties and encourages freedom of association. They are also leaders of this work globally. They also have the opportunity to define themselves by their respectful and honest treatment of individuals' donated data, as organizations like **CaringBridge**, a nonprofit website that facilitates familial care, aims to do.[40] What they need is the support and voices of their peers throughout the social economy.

Appendix

The social economies in Europe and the United States

The alliances of enterprises that combine to form the European social economy have flourished for more than a century. The current efforts in Europe are geared toward official European Union recognition and revolve around the governance principles and the value placed on social inclusion. These underlying principles and values are shared across mutual societies, cooperatives, associations, and foundations. The European social economy also clearly articulates its own role in influencing broader market forces. Specifically, the European social economy sees its enterprises as contributing to a "more efficient market competition and encouraging solidarity and cohesion."[41]

In the U.S., by comparison, the idea of a social economy – a shared framework for considering politically-oriented social welfare organizations, nonprofits, social businesses, and their funders – is nascent. It is also underpinned not by a shared set of governance principles, but a similar set of stated purposes: the use of private resources for public benefit.

DIVERSITY OF SOCIAL ECONOMY ENTERPRISES IN EUROPE

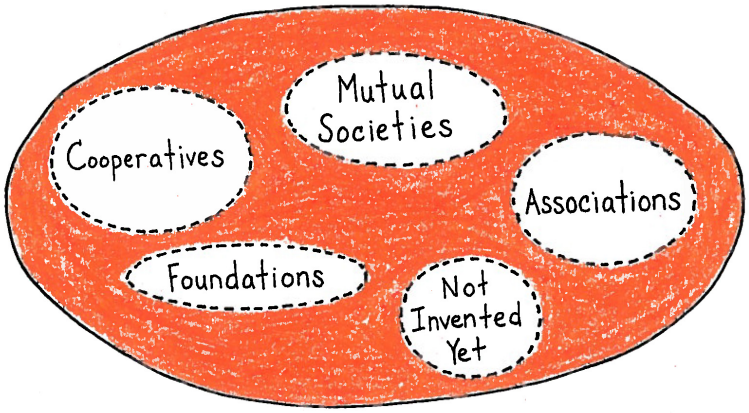
The diversity of enterprises within the European social economy is important to recognize. It includes cooperatives, mutual societies, nonprofit associations, and foundations.[56] It is not easy to determine the size of these different components or to identify the areas in which they work. Cooperatives alone, are found in "… both the non-financial corporations

Relative sizes of the United States and European social economies[42]

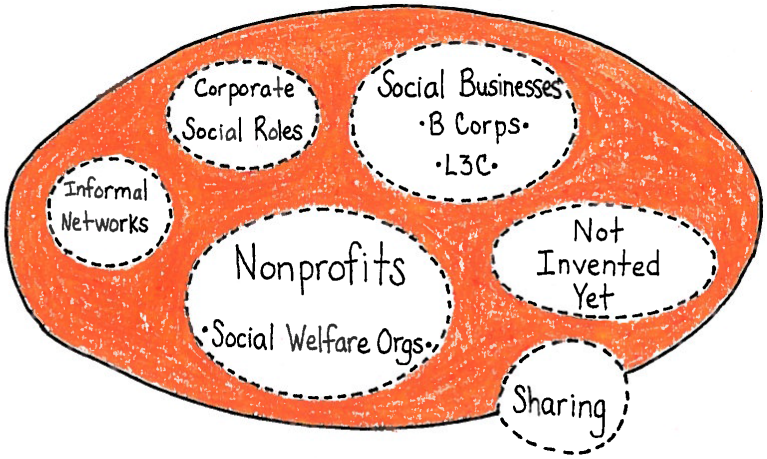
United States		Europe [43]	
Number of public charities	1.1 million [44]	Mutual societies	Data Not Available
Assets of public charities	$2.7 trillion [45]	Associations	Data Not Available
Number private foundations	81,777 [46]	Number foundations	~110,000 [47]
Foundation expenditures	$49 billion [48]	Foundation expenditures	> €50 billion [49]
Benefit corporations	251 [50]	Social businesses	Data Not Available
L3Cs	893 [51]	Not comparable	
Cooperatives	29,285	Cooperatives	240,000
Cooperative members	350,000 [52]	Cooperative members	163 million [53]
Social welfare organizations	97,382 501(c)(4)s [54]	Not comparable	
GIIRS rated impact investments: (global) $2.7 billion [55]			

sector and the financial corporations sector and in practically every kind of activity."[57] For example, there are at least 160,000 cooperatives in 34 countries. These co-ops involve 123 million members and 5.4 million employees.[58] These organizations are tied together not by the area in which they focus their work (arts, education, environment) but by the ways they structure themselves. What they have in common is the way they do their work. Cooperatives govern themselves with democratic decision-making processes and distribute profits in proportion to membership. Some cooperatives are also mutual societies – voluntary groups that provide member benefits such as health care or insurance. The last two elements of European social economy, associations and foundations, are similar in structure to their U.S. counterparts, in that they have social purpose missions and do not distribute profits but instead retain them for pursuit of the organization's mission.

From insurance companies owned by their members to educational and training programs focused on marginalized populations, and from worker-owned cooperatives to public-benefit foundations and corporate funders, the social economy in Europe is robust, diverse, and well established. The official body, Social Economy Europe, was created in 2000 to represent the interests of its ten member associations to the European Commission. The ten members of the group are each representative associations, so the reach of this body is quite extensive.[59] The common frame for the European social economy is defined by enterprises that place value on social objectives over capital goals, that are inclusive and democratically governed, that exist for the benefit of members or the general public, and that are independent from public authority.[60]



European Social Economy



U.S. Social Economy

Glossary

Benefit corporation. A commercial corporation that charters social and/or environmental benefits into its incorporation documents. Developed in 2008, laws allow benefit corporations in about 1/3 of all U.S. states. There is a branded version called a B Corporation.

Cooperatives. Independent organizations of individuals who cooperate for their shared benefit. The services and enterprises are owned and managed by the users, residents, and/or employees.

European Foundation. Foundations in Europe are chartered in their home countries. There is an effort to create a common form, the European Foundation, that would be recognized by the European Commission and that would facilitate transnational giving within the European Union.

Informal networks. Individuals who share a cause but who have no legally recognized governance structure and who may be entirely self-funded.

Mutual societies. An organization that is "owned" and governed by its members for the purposes of providing a shared source of funding and services such as health care or insurance.

Social businesses. Commercial enterprises with a social purpose. Some of them are incorporated as social businesses through the benefit corporation structure or as a low-profit, limited liability company (L3C), though most are not.

Social welfare organizations. Independent associations that include political activity as part of their work. Highly contentious area of U.S. campaign finance and nonprofit law. The organizations are tax exempt, but donations are not tax deductible.

Endnotes

1 Statement on "Co-operative identity, values & principles," **http://ica.coop/en/what-co-op/co-operative-identity-values-principles**

2 Benefit corporations are a type of corporation, chartered at the state level, that protect social and environmental goals in their chartering documents. B Corporations are a branded version of benefit corporations.

3 **http://www.economist.com/news/international/21586602-endowing-charities-can-make-privatisation-more-palatable-spoonful-sugar**

4 Two important resources to point out here are the Hudson Institute's annual Index of Global Philanthropy and Remittances. The 2013 Study includes a special report on emerging economies. Hudson also published a new Pilot Study on Philanthropic Freedom. Available online
http://www.hudson.org/files/documents/2013IndexofGlobalPhilanthropyandRemittances.pdf
and **http://www.hudson.org/files/documents/FinalOnlineVersionPhilanthropicFreedomAPilotStudy4.pdf**

5 **http://www.coopmetrics.coop**

6 **http://www.coopmetrics.coop**

7 **http://www.sasb.org**

8 Lucy Bernholz, *Blueprint 2013: Philanthropy and the Social Economy*, New York: Grantcraft, 2013.

9 **http://www.grandchallenges.org/Explorations/Topics/Pages/SocialDataInteroperability_Round11.aspx**

10 **http://www.wingsweb.org/?page=GlobalDataCollect**

11 This is, in part, why the frame of the social economy is so important. In trying to look more deeply at philanthropy in a digital age, I wanted to look at all the ways we use private resources for public benefit. It became clear several years ago that some of the ways we do this are not defined as philanthropy but are part of the social economy. We donate time, we create private enterprises with public purpose missions, we interact through informal networks, and we invest our money for social return.

12 **http://scriptingecho.wordpress.com/2013/08/12/scripting-news-privacy-is-the-sometimes-wrong-word**

13 **http://www.pewinternet.org/~/media/Files/Reports/2013/PIP_AnonymityOnline_090513.pdf**

14 **http://feedbacklabs.org/about-us/our-consortium**

15 **http://blog.givewell.org/2013/09/17/balancing-support-from-good-ventures-vs-individuals**

16 See **http://data.detroitledger.org** and **http://www.theyworkforyou.com**

17 **http://www.politico.com/story/2013/09/uber-taxi-lobbying-expansion-97028.html**

18 **http://www.nonprofitquarterly.org/governancevoice/22866-can-a-nonprofit-save-a-city.html**

19 **http://makezine.com**

20 **http://seansoutpost.com**

21 **http://www.wired.com/wiredenterprise/2013/09/bitcoin-homeless/all**

22 Elinor Ostrom won the 2009 Nobel Prize in Economics for her research on the commons. In 2013 Ecuador announced a new development planning process to be led by Michael Baumens, founder of the P2P Foundation and a global proponent of commons-based governance.

23 Poll in *Trendsetter, Go-getter: Trends in Philanthropy* session, Communications Network Conference, October 2013.

24 **http://www.peers.org**

25 **http://www.salon.com/2013/07/31/the_sharing_economy_gets_greedy**

26 See **http://peers.org** and **http://allthingsd.com/20130624/u-s-mayors-back-sharing-economy**

27 **http://www.nytimes.com/2013/07/28/technology/im-still-waiting-for-my-phone-to-become-my-wallet.html?emc=eta1**

28 I asked her if she'd ever written a check, addressed an envelope, and licked a stamp. She looked at me as if I was crazy.

29 **http://philanthropy.com/article/Young-Donors-Want-Web-Sites-To/140435**

30 **http://www.hks.harvard.edu/news-events/news/press-releases/social-impact-bond-projects**

31 **http://glasspockets.org/givingpledge**

32 David Oakley, "Asia Growth Drives Up Number of Super Rich, Report Says," Financial Times, May 30, 2013.

33 **http://streetmix.net**

34 **http://www.ethanzuckerman.com/blog//?s=safecast+civic**

35 **http://www.jpost.com/Jewish-World/Jewish-Features/Announcing-Friday-Night-Hack-first-ever-dual-hackathon-for-Israel-and-the-Jewish-world-319347**

36 See **http://www.mysociety.org** and **http://okcon.org/technology-tools-and-business/session-3** and **http://ec.europa.eu/digital-agenda/en/collective-awareness-platforms-sustainability-and-social-innovation**

37 Author exchange with Kathryn Peters of TurboVote.

38 **http://www.europeanvoice.com/article/imported/firms-fear-a-customer-backlash-over-us-spying-revelations/78717.aspx**

39 **http://blogs.hbr.org/2013/07/a-call-to-boycott-us-tech-plat**

40 **http://www.caringbridge.org/what-we-offer/the-privacy-you-choose**

41 **http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/social-economy**

42 We don't have good measures for some of the elements of the social economy. This chart is most useful for its rough representation of the ratios of private resources within each component of the social economy. The nonprofit data comes from the Urban Institute. Total spending on the 2012 elections and independent expenditures in that cycle represents political giving; the data come from the Center for Responsive Politics. Impact investing is the most difficult category as there are no annual figures available. To represent an investable sector, I've used the 2009 total revenue of Community Development Finance institutions. I've counted (as private investments) the $2.7 billion in assets of the 52 GIIRS rated funds as of November 25, 2013. I use these numbers because they are vetted and publicly available. I welcome comments and contributions for better data sources.

43 Data on the enterprises in the European social economy are hard to find as many of the enterprises are regulated at the national level, and definitions are not uniform across countries. The data sources I found most helpful are: **http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/social-economy/mutuals/index_en.htm** and a 2007 publication called *The Social Economy in the European Union*, published by the European Economic and Social Commission. **http://www.eesc.europa.eu/resources/docs/eesc-2007-11-en.pdf**

44 Blackwood, Amy S., Katie l. Roeger, and Sarah L. Pettijohn, *The Nonprofit Sector in Brief: Public Charities, Giving, and Volunteering, 2012*, Urban Institute, 2012: page 2.

45 **http://nccsdataweb.urban.org/NCCS/extracts/nonprofitalmanacflyerpdf.pdf**

46 **http://foundationcenter.org/gainknowledge/research/keyfacts2013/foundation-focus.html**

47 http://www.efc.be/programmes_services/resources/Pages/Foundations-in-Europe.aspx

48 http://foundationcenter.org/gainknowledge/research/keyfacts2013/foundation-focus.html

49 http://www.efc.be/programmes_services/resources/pages/foundations-in-europe.aspx

50 As of July 2013. Registered benefit corporations, not the same as registered B Corporations, which number more than 786. http://socentlaw.com/2013/07/how-many-benefit-corporations-have-been-formed

51 As of September 20, 2013 http://www.intersectorl3c.com/l3c_tally.html

52 http://reic.uwcc.wisc.edu/print/book/export/html/26 University of Wisconsin Research, 2010.

53 http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/social-economy/co-operatives

54 http://www.independentsector.org/scope_of_the_sector

55 http://giirs.org/for-investors/fund-directory Accessed November 26, 2013.

56 http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/social-economy

57 http://www.socialeconomy.eu.org/spip.php?rubrique199

58 http://www.socialeconomy.eu.org/spip.php?rubrique199

59 http://www.socialeconomy.eu.org/

60 http://www.socialeconomy.eu.org/spip.php?rubrique216

ABOUT THE FOUNDATION CENTER

FOUNDATION CENTER

Established in 1956, the Foundation Center is the leading source of information about philanthropy worldwide. Through data, analysis, and training, it connects people who want to change the world to the resources they need to succeed. The Center maintains the most comprehensive database on U.S. and, increasingly, global funders and their grants – a robust, accessible knowledge bank for the sector. It also operates research, education, and training programs designed to advance knowledge of philanthropy at every level.

ABOUT THE EUROPEAN FOUNDATION CENTRE

efc EUROPEAN FOUNDATION CENTRE

The European Foundation Centre, founded in 1989, is an international membership association representing public-benefit foundations and corporate funders active in philanthropy in Europe, and beyond. The Centre develops and pursues activities in line with its four key objectives: creating an enabling legal and fiscal environment; documenting the foundation landscape; building the capacity of foundation professionals; and promoting collaboration, both among foundations and between foundations and other actors.

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