Little Phil

Changing the Relationship between Philanthropy and Democracy?

Joshua Murchie and Jean-Paul Gagnon

Abstract: This Practitioner's Note considers the disruptive function of Little Phil, a mobile app that seeks to democratize philanthropic giving. Although many of the cultural aspects of philanthropy – such as increased control over donation, tracking the impact of one's giving, and building interpersonal relationships with receivers – can be opened to any person with an app-hosting device and internet access, it cannot supplant the role of big philanthropy and solve Rob Reich's problem: how to domesticate private wealth so that it serves democratic purposes? Little Phil's disruption has in concept gotten us halfway to legitimizing philanthropy. Perhaps the uptake of citizens' panels by large philanthropic foundations will cover the remaining distance.

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Big, marketized, organized, institutional philanthropy has played a paradoxical role in democracies for over a century. Foundations such as those started by (or in the name of) Andrew Carnegie, Bill and Melinda Gates, Pierre Omydyar, John Rockefeller, and Russell Sage, for example, provide capital for projects that should in some way benefit humanity. The Omydyar Network, for instance, funds over 150 civil society initiatives from across the world, which it supports via offices in eight cities.[1] Acts of such largesse by billionaires and hundred millionaires, plutocrats in short, "support public benefits of myriad kinds, including poverty relief, education, health care, cultural and artistic expression, international aid, and associational organizations of a thousand different stripes," write Lucy Bernholz, Chiara Cordelli, and Rob Reich (2016: 1) in the opening to their edited book *Philanthropy in Democratic Societies*.

Troubling, however, is the power and therefore influence that big philanthropy has in democratic societies. "When Diane Ravitch," Bernholz, Cordelli, and Reich continue (2016: 1–2), "former assistant secretary

of education [in the United States], describes Bill Gates as the 'unelected superintendent of American schools'" or that "the practice of science in the 21st century is becoming shaped less by national priorities or by peer-review groups and more by the particular preferences of individuals with huge amounts of money," it shows that philanthropy is indeed "an exercise of private, yet politically salient, power." One example of this power comes from Joanne Barkan (2013: 636) who illustrates how plutocrats have historically perpetuated logical fallacies, and false distinctions, through their unilateral funding decisions. One trend in mid-twentieth-century America, Barkan (2013) writes, was for certain plutocrats to view social problems in the same light as medical problems: poverty was, for instance, likened to germ theory. Even without understanding that poverty and germs are not equivalent phenomena, it would be the plutocrats who would find the "cure" for it. Compounding this issue is that "the enormous tax benefits" given "to wealthy philanthropists" magnifies "the impact of their values and choices in public affairs" (Skocpol 2016: 433). Not only do plutocrats have the capacity to enact change by paying for it to happen without the scrutiny that others of similar spending capacity (like large government agencies) must submit to, their power is also amplified by tax concessions.

One problem with this unchecked decision-making by big philanthropy in democracies is that they are not elected to make these calls: the nature of big philanthropy (how it is expected to behave) and what it can or cannot fund is typically not circumscribed by electors, or to some degree controlled by citizens likely to be affected by a foundation's funding decision. Big philanthropy has, in short, a legitimacy deficit, as Bernholz, Cordelli, and Reich (2016: 12) point out.

A second problem with the power of foundations is that compared to the less wealthy the big philanthropists have enormous control over tracking their money and in understanding the impact their donation has had. There is even an industry of specialist consultants who advise foundations on how to spend their money well – how to enhance the impact of their "investment" in humanity (Zunz 2012: 1–2). Less wealthy givers are not normally afforded this level of control, transparency, or advice.

The Rise of Little Philanthropy

There is, however, a group of practitioners who look poised to disrupt the underlying conditions of the second problem. Little Phil (https://littlephil.org/), a social innovation and civic initiative that sprang from Australia's

Griffith University, proposes to offer non-plutocrats – most persons – access to benefits that plutocrats typically enjoy when giving charitable donations of their money. "No longer do you have to throw your money blindly into a tin," say co-founders Joshua Murchie, Greg Ellis, Craig Gillam, Mathew Sayed, and Mathew Shipman (henceforth Murchie et al.). Through Little Phil you can "give on your own terms and in your own time, knowing you have complete transparency and control over where your money is going – just like a philanthropist would."

Little Phil is a mobile app where charitable organizations are presented to anyone who has downloaded the app and completed the required registration. "Givers will be able to buy a small item, like a school bag or lunch for an underprivileged child, or to chip in for something bigger, like the ongoing cost of running an animal shelter," say Murchie et al. Little Phil has developed a utility cryptocurrency known as Little Phil Coins (LPC) using the Ethereum network. This will act as the common currency and incentive system for Little Phil: a giver can, for example, choose to donate the LPC equivalent of five Australian dollars to a receiver in a different country. The receiver can, via the charity serving them, take that LPC and spend it on what he or she or they need. Little Phil takes 6% of the transaction value to fund itself, which is lower than, for example, the Red Cross, which manages to transfer approximately 91% of donations to receivers (Red Cross 2019), amounting to a 9% take. The acts of giving and spending LPC are automatically recorded on the Ethereum blockchain, including the date and location of each act, adding yet another layer of accountability to this promise of little, or small, philanthropy.

Persons who give through Little Phil are granted access to information about the charity's need, a justification for that need, and whether that need was met after the donation was made. This level of transparent communication from the charity to the giver creates the condition for givers to hold charities accountable for their use of funds received. "Little Phil has a rating system for charities to keep power in donor hands – charities are expected to provide image and text updates via our app to demonstrate, directly to the donor, the result of their giving," say Murchie et al. As Reich (2016) points out, this bespoke form of communication between giver and receiver has been the privilege of the rich over the past century as it enabled them to give money well, to spend with impact, and has long been out of reach for the non-wealthy who were destined to give their charitable moneys blindly, to spend them badly.

Little Phil's approach to foreign currency is noteworthy. In countries where inflation can soar and therefore local currency becomes less reliable, if not valuable, over time, LPCs – though not immune to its own

future ebbs and peaks in value – could still give receivers a more stable currency to trade with, due in part to Murchie et al.'s aims at stabilizing LPC value through releasing LPCs in reserve when there is a shortage or buying them back when they are in excess. The stability offered by cryptocurrencies is one of the reasons that their adoption looks to be a trend, for example, among several African countries, especially those that constitute the "Silicon Sahara" (Vigna and Casey 2015: 215–216).

Murchie et al. also state that "gaining access to philanthropy has at least three other benefits that the wealthy typically enjoy." This includes "(1) network building, where givers can get to know receivers through communication initially via the Little Phil app; (2) it reduces the effect of professional managerialism, or middle person, who traditionally stood between the giver and the receiver and tended to profit financially in that role; and it (3) can lead to a mental health boost for donors as they can verify the impact of their donation and *know* that they are *being* philanthropists and spending their money well" (acts of altruism have been shown to spike serotonin levels in the human brain, e.g. Post 2005; Schwarts et al. 2003).

Big *and* Little Philanthropy? A Normative Junction for Democratic Theory

While Little Phil provides access to the culture of big philanthropic giving traditionally enjoyed by plutocrats, its function is at the moment unlikely to supplant the role of big philanthropy in democracies. It would, for example, take a coordinated effort by ten thousand persons (assuming they each donated $5) to provide a charity with a $50,000 donation, whereas *one* foundation can donate this amount regularly if it decides to do that and do so for multiple charities. The power imbalance in this example is exacerbated by the difference in effort that is needed to achieve the same financial impact: it would take a struggle of work or luck (i.e. a cause goes viral) for thousands of non-plutocrats to accomplish what one foundation can do simply because the plutocrat who funds the foundation is *one* person with *more* money versus *thousands* of persons with *less* money.

Little Phil does offer a democratization of big philanthropy by structuring giving and receiving in ways that are normally out of reach for the less wealthy – such as having more transparent information about charities, access to holding charities accountable by being able to monitor the effect of one's donation, network-building opportunities with charities or specific receivers through socials on the Little Phil app, and an increase of boosts to mental wellness which the giver gains when, arguably,

"donating well." We are, however, still left with big philanthropy's legitimacy problem. How can citizens "domesticate private wealth," as Reich put it, and ensure that it meets *their* desired end? One possibility is for the big philanthropic foundations to standardize the use of deliberative citizens' panels to explore what, for instance, Foundation X wants to achieve, or what the plutocrat whose wealth Foundation X is using believes to be a problem, and for the wealthy and non-wealthy (particularly those likely to be affected by the plutocrat's decision) to discuss and decide *together* on what the best approach to addressing the problem is – even if that means the plutocrat's understanding of the problem and how he or she wishes it to be fixed is transformed in the process, as sometimes rhetoric does indeed run ahead of reality, even in the wealthiest of enclaves.

This is not to say that big philanthropy is "bad" or "dangerous" as has happened historically, especially in the United States Congress when foundations like Carnegie or Rockefeller were applying for the legal right to exist. Rather, as Reich (2018) argues in his recently published book *Just Giving: Why Philanthropy Is Failing Democracy and How It Can Do Better,* it would be an undemocratic act to deny foundations the right to operate as this would damage the pluralism of charitable givers in a society. Rather, foundations would do well to increase the impact of their giving by adopting specific democratic practices, like the aforementioned deliberative citizens' panels, to moderate and improve their problem specification, policy strategy, and budgeting.

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▶ **NOTES**

1. See, for example: Publica (https://apublica.org/), a Brazilian non-profit investigative journalism organization that was founded by women in 2011 and pursues the fight for open democracy; India's Association for Democratic Reforms (https://adrindia.org/), founded in 1999 by a group of professors who sought initially to reduce corruption in public office; the Data for Democracy network (https://www.datafordemocracy.org/), a digital community start-up that rose out of Slack and GitHub projects which now seeks to raise the bar on the ethical use of data; the Institute for Liberty and Democracy (http://www.ild.org.pe/), an advocacy group led by economist Hernando de Soto which seeks to improve the legal context for businesses in developing countries; and the Democratic City Institute (Instituto Cidade Democrática,

https://instituto.cidadedemocratica.org.br/), a Brazilian think-tank founded in 2008 which seeks to strengthen and proliferate distinctly Brazilian approaches to direct democratic practices in urban settings.

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