

The Trust Deficit



By *Melissa A. Berman*

As he reviewed the dismal investment results for a charitable fund, David Rockefeller, Sr. observed calmly, “This is certainly the worst market crisis since the Great Depression, which I remember. And it was not a lot of fun.” Apparently perspective and wisdom really do create a calm, philosophical stance. The rest of us are reeling.

The key components of the current crisis—worthless assets, the credit freeze, the fear of counterparty risk, the Madoff losses, the collapse of seemingly stable companies and even entire industries—have multiple causes. But among their terrifying consequences is a loss of trust. Banks don’t trust consumer or corporate borrowers, or other banks. Consumers don’t trust banks, either. The wealthy mistrust investment advisors and managers. Few trust the controls of the government bailout.

The trust deficit is crippling for the philanthropic and charitable sector, too. Nonprofits now have far more cause to worry that a donor’s pledge has no meaning. Donors now have to worry that nonprofits have not invested their money with proper safeguards. These concerns existed before, of course, but they have never been so pervasive—and corrosive. As we know from our personal lives, once

trust weakens, the slightest tremors cause sharper collapse, and the rebuilding process can take forever.

Closing the trust deficit will take more than a resurgence of asset values, which the Council on Foundation estimates to have dropped nearly a third, on average. Americans, and their foundations, are fundamentally generous. Already, The Foundation Center has tracked nearly 50 foundations that have committed \$100 million toward immediate needs of those affected by the recession.

Closing the trust gap will require more than money. It will take increased openness and transparency on the side of both donors and grantees about resources, commitment and risk factors. It will require funders to examine how they really can use their resources, including their capital, to strengthen the sector that creates social change. It will require nonprofits to ask themselves if they should combine forces with similar or complementary organizations to better achieve their missions. It will require funders to ask whether pooling their resources will create significant efficiencies for grantseekers. Closing the trust deficit will take a deep acknowledgement that the donor/grantee relationship is actually a partnership with mutual dependency.

While it may take years to close the trust deficit, there are things we can begin to do right now and so this edition of *Linkages* includes a series of short pieces on what comes

next for philanthropy on a variety of fronts. We hope you find the ideas and observations useful as 2009 unfolds.



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