

Giving in Challenging Economic Times

by Molly Stranahan

This piece is slightly modified from an email sent in early November 2008 to the board and staff of our family foundation, the Needmor Fund. I am a modest donor to Needmor, and a past board member. I knew they planned to discuss the implications of the decrease in the value of the endowment at an upcoming board meeting, and decided to share my thoughts. My opinions (and that is what they are) are colored by my involvement in The Tipping Point Network, and particularly Bernard Lietaer's work, as well as other sources (like my long-ago major in economics) and experiences, including coaching I received from Anne Ellinger of Bolder Giving. My thoughts do not reflect the views of the Needmor Fund, and I am not an investment advisor. I am simply expressing my own opinions.

My predictions

It is my guess that we have bumped into the iceberg of financial collapse and economic restructuring - what we see now is only the beginning of the financial upheaval we will experience in the coming years. Stock market prices are *leading* indicators of the health of an economy, so look for business failures, significant increases in unemployment, and reductions in tax dollars collected by governments. There will be a significant restructuring of our economy and many institutions will close. It is my bet that we are in for this century's mighty depression. In the last several years we abandoned many of the safeguards that were put into place after the Depression of the twentieth century, and there will be a price to pay. The dollar is likely to fall significantly more, perhaps to levels we would currently define as catastrophic. Times will be hard and there will be much suffering. This will be combined with an increasing pushback by nature for our overconsumption of resources - from health issues due to the toxins we put in our air, soil, food and water, to climate instability as a consequence of increasing greenhouse gases that are reaching accelerating feedback loops as permafrost melts, to epidemics that reduce the overpopulation of the earth. As in any crisis, the poor will bear the most severe burden, suffering (and dying) in the largest numbers. Hundreds of thousands of deaths a year are currently being caused by our unsustainable practices, at least tens of thousands in our country alone, whether from weather-related events, no access to regular health care, or environmentally caused cancers.

The coming distress will also provide the opportunity for us to transform into a much healthier world - one in which we each care about the consequences of our choices on other humans, other life forms and the earth itself. We can become better beings in a better world if we respond with compassion, caring and support, sharing our resources, and opening our doors to those who have less (think of those stories of the families that despite their hardship in the Great Depression gave part of their dinner to the hobos at their door, and let them sleep in the barn), rather than hoarding our resources against the day in the future that might be worse, and making sure we still have more than other people as resources dwindle.

This crisis has many possible outcomes, from a new Dark Ages if we respond with fear and a desire to hold on to what we have, to a shift to a kinder, more equal world if we respond with love and

generosity. In a time of a shrinking economy, the only way for those who have little or none to have enough is for those of us with more to gracefully let go of the excess we have.

Advice to our foundation

I believe we are in a 'game-changing' time of crisis/opportunity, and that ten to twenty years from now the world will be dramatically different in ways we cannot even begin to imagine. I believe efforts made now, and over the next few years, will determine the outcome we experience.

Therefore now is the time to bring all of our resources to bear to create the changes we most want to see. I believe this is the time to say "Needmor will stay the course, we are willing to spend down our endowment, although not faster than the rate that exhausts the endowment in ten years." If we continue to live our values - to support the things we know our society needs at the times when we are under the greatest stress - we will do our part to help the world transform into a better place. As our financial capital systems fail, the value of social capital (our relationships and what we *give* to each other) will be recognized. Look for grantees that are developing this abundant resource, as they are the ones most likely to survive and help the shift to a more positive future. If we survive (the foundation, and us as individuals), we can trust that there will be the energy to rebuild the endowment of Needmor at that time, or to join with others whose mission is similar. If we don't survive, we know we did our best to make a difference in the way we knew how to - by supporting community organizing that brings together people affected by a problem to solve the problem and empowering the disenfranchised to have a voice in their future. Now is the time for martyrs - risking our own demise to live our values.

Rather than lose your asset value in the ephemeral markets where they do no good, I recommend choosing to give and invest in organizations you think will make the world you want to live in, and ones that will help us survive through the challenging times we are confronting.

I believe there will be significant financial turmoil in the United States for something like ten years. I think Europe will start recovering more quickly (maybe 5 years), especially those economies that have invested in reducing their impact on the environment, and supporting their people with health care and education. They are also moving toward using the Terra and other alternative currencies more quickly. Despite the bleak outlook, there will also be money made during this time, but it is unlikely to be as a result of traditional investment models. Investing in alignment with our values and using our gut instincts about the future will be important factors supporting success. I recently was on a conference call with an interesting portfolio manager (he focuses on aligning investments with values) who spoke of the value of using his clients' intuitions about the future and the businesses and asset categories that were the best fit for them. It is an intriguing perspective I plan to investigate further.

I would look at increasing your Calvert Community Investment Notes - not only is the principal likely to be preserved, you are putting your money to work supporting the economy in the places where investment is first withdrawn, where people are the poorest. I think you may want to decrease your reliance on dollar-denominated securities - consider foreign currency money market funds, particularly those backed by securities of governments whose policies are congruent with Needmor's values, as well as foreign-currency-based Community Investment Notes. I suggest it is appropriate to move into smaller cap companies - the largest companies in our economy will have a

hard time responding to the changes that are being forced upon them, unless they are extraordinarily innovative and resilient, perhaps like Google. You want companies that have cash reserves, and whose products are somewhat 'recession-proof' (discretionary luxury items may not be good investments, and the travel business is likely to be dramatically changed). Companies that engage in good corporate citizenship, who see themselves as partners with their employees, and as *servicing* their customers are more likely to survive. You should probably look for future opportunities to invest at least indirectly (through a venture fund - I wouldn't hold out for a fund-of-funds) in companies that are designed for the future, like the green collar economy Van Jones describes in his recent book. I would also look at fees and not incur more levels of fees than serve, as they eat into your portfolio whether you are making or losing money.

In terms of your spending rate, rather than our old formula of 'ringing the alarm' when the endowment falls below a set amount, I would ask, "At what level can we give if we want our endowment to last ten years?" Contraction, like fear, is contagious, and the more one (as a person or an organization) can stay open (generous), committed to your mission and values while maintaining reasonable expenditure levels, the more you counteract that contraction and are a positive force.

Final Words

Needmor has intentionally taken leadership around how we handle our portfolio. Now is a time for leadership in taking the risk of 'doing what you love' (and what you know heals the world), in spite of your fears. Keep up your grantmaking levels. The Tipping Point Network is guessing that building resilient communities is one of the keys to survival as we navigate these choppy waves, into what may be a gale. It is also important that the voices of the canaries in the coal mines be heard, and that is another thing Needmor supports. If we do not amplify the voices of those at the edges of our society whether due to poverty, or being from nondominant cultures, we are less likely to survive the coming hard times. If we go into scarcity mode, saying we must survive with our larger-than-average share, that we must come out rich instead of insuring that more people survive, we will have sacrificed the better part of ourselves, and the future is bleak indeed. We will look more like the future of cut-throat survivalists willing to kill each other for the crust of moldy bread. For me, I'd rather die sharing what I have with those who are less fortunate. But the choice is yours.