VALUE, TIME, AND TIME-LIMITED PHILANTHROPY

A Theoretical Approach Applied to Three Real Examples

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**LEADERS OF TIME-LIMITED FOUNDATIONS** often assert that spending all of their resources in a relatively short period gives them the ability to do more good, to produce more social value, than if they were to hold the same resources in a lasting endowment and disburse only the proceeds. That belief has motivated many signatories of the Giving Pledge, including the founder of The Atlantic Philanthropies, Chuck Feeney. The idea has an intuitive appeal, and perhaps as a result, it is rarely questioned. But examined more closely, it may lead one to wonder: How would we know whether, or when, this is true?

At heart, the proposition is essentially financial—a matter of comparing investments. As an Atlantic investment adviser put it, if a foundation’s grants “generate a social return, and that return compounds at a higher rate than your financial assets would,” then making the grants soon is more socially valuable than preserving the capital and making more grants later.

At a gathering at Atlantic in 2016, a group of philanthropic leaders, advisers, and scholars examined the financial and economic logic of this question in some detail. Their deliberations were largely theoretical, but many participants felt the question might be just as well answered by applying the broad logic of investment returns to some real-world foundation programs. The pages that follow offer three such examples.

Examined more closely, it may lead one to wonder:
THE DISCUSSION BEGINS WITH THE PREMISE that the “value” produced by philanthropy consists of four essential elements. The first is the **DIRECT OUTLAY** the foundation injects into a field of work—contributions to operas or soup kitchens, construction grants for hospital or university facilities, scholarships to students or awards for people of great achievement. Second is the **SOCIAL VALUE** of the things those outlays directly produce or purchase: new operas, more soup, better education or health care, greater achievement by young scholars or advanced minds. These may well be greater, or more valuable, than the money that went into them, and thus may already represent some positive social return on the philanthropic investment.

The third form of value, however, may go much farther in compounding that value: the **RIPPLE EFFECTS** that follow from the initial achievements. The new university building may incubate a scientific or medical breakthrough that saves millions of lives; the scholarship may enable a gifted student not only to complete a course of studies, but to go on to train others, to enrich the community, to raise healthier and better-educated children, and thus to extend the social benefit to more people and future generations, who in turn might extend it further. (Conversely, some ripple effects might be negative: a new building might soon become obsolete or be a financial burden on the host institution; the scholarship recipients may acquire skills that fail to improve their income prospects.) The scope of this third form of value, whether positive or negative, is dependent on a fourth variable: the **DURABILITY** of any effects as time goes on. Some achievements may have impressive ripple effects, but these usually do not last forever, and the value they represent may dwindle to zero after some period. A perpetual endowment, by contrast, theoretically goes on and on, with the potential to yield additional value every year, more or less forever.

Factoring in these four elements, it is possible to estimate—or at least to imagine, in broad strokes—how much value a given philanthropic initiative is likely to generate, and how much that value is likely to expand and compound over time, for how long. While few, if any, philanthropists actually make their grantmaking decisions explicitly in these terms, most do survey and compare their options in ways that might resemble this kind of return-on-investment approach. And in any case, it is certainly possible to look at the choices they made retroactively, to determine whether, in fact, their contributions to society “compounded at a higher rate than [their] financial assets would.” For the sake of illustration, and to test the relevance of these ideas, Atlantic examined three of its program initiatives over the past decade to see what kinds of return to society these efforts helped produce, and whether those returns were stronger than could have been achieved by holding the same resources in a permanent endowment.

IN IRELAND, ATLANTIC SOUGHT TO DEMONSTRATE that public programs for children could accomplish more by intervening early and preventing problems, rather than by waiting to alleviate crises later. One of the reforms it sponsored, in partnership with the government, sought to control behavioral problems early in a child’s development, thus raising the odds that the child could behave appropriately in school, learn, and go on to a more successful adulthood. A sophisticated evaluation and cost-benefit analysis showed that the direct return on this investment—just in the form of participants’ reduced rates of school failure, unemployment, and entanglement in the criminal justice system—was around 11 percent. That is arguably above what a typical foundation endowment would be able to earn consistently on its endowment. But with the addition of other predictable benefits—the likelihood that more of the students would go on to higher education, be more productive, earn more money, need less health care, and pay more taxes—the economic return to society, not counting the vast human benefit, would be far greater than 11 percent. This would seem to be a clear win for the idea of spending more sooner, rather than less over a longer timespan.

In the United States, the foundation fueled a movement to restrain the use of extreme forms of discipline for minor infractions in school. An increasing zero-tolerance policy in American schools was causing hundreds of thousands of students to be suspended or expelled for non-violent behavioral offenses that could have been handled more effectively with tested techniques that do not interrupt a student’s education. Plenty of evidence showed that when students are suspended or expelled, their probability of graduating is sharply lower, their danger of developing other problems goes up, and their life prospects diminish. Researchers reported that achieving just a 1 percentage-point reduction in the suspension/expulsion rate (the actual reduction has been closer to 20 percent) would yield economic benefits alone—again, not counting the qualitative improvements in human lives—that were many multiples of Atlantic’s contribution. The present value of this stream of economic benefits over time would be as much as 500 times the amount of Atlantic’s total outlay on this effort. Once again, this is a social return far greater than the financial return the foundation could have earned by holding on to its assets.

Similarly, in South Africa, Atlantic invested heavily in improvements to the nursing profession—a critical component of health care for South Africa’s huge rural population. The calculation was much the same as in the earlier two cases: By improving the health prospects of even a small number of people, the direct benefit would be substantial and the ripple effects (healthier parents able to care for healthier children, who complete education and become more productive adults, and so on) would be enormous. In this case, data are not readily available for the kind of cost-benefit and return-on-investment calculations done in the other initiatives. But the potential value to be achieved and the compounding of that value over time are at least as obvious.
NOT ALL WORTHY PHILANTHROPIC CAUSES and initiatives would fit this model. It's important to note that Atlantic chose these initiatives, and others of similar scope and purpose, partly because they seemed likely to generate the kinds of benefits described here. That is, they lent themselves to a large, intensive, relatively short-term intervention aimed at producing results whose value would compound rapidly over many years. For other purposes—the arts, for example, or disaster relief—a permanent philanthropic resource might make more sense. And even in cases that do seem to argue for larger, more urgent action in the near term, the possibility of failure or of unintended consequences needs to be a factor in any calculation of value. Some forms of risk need to be factored in to the discounting of future value, as a kind of risk premium, thus diminishing the net present value of future accomplishment.

One element that all three examples have in common—and that may be especially fitting for a foundation that wants to invest large amounts on a time-limited initiative—is the focus on improving large public systems that affect many people. Improving public health or education, for example, has the potential to benefit whole populations at once, thus vastly increasing the rate at which social value could spread and compound. In such cases, however, the risk is not only that the intended improvement might not take place, or be smaller than projected, but also that even a successful improvement might erode quickly as political or economic conditions change. In such cases, again, high expectations of future value need to be discounted for the additional risk that those benefits may erode or be reversed.

Like many, probably most, philanthropists, Chuck Feeney and Atlantic set their priorities through a much less economic and quantitative line of reasoning than the one described here. In many cases, the economic benefit of the goals they pursued were important but secondary factors in their choice of causes. Higher on the list, often, were issues of fundamental justice and equity, accompanied by a belief that human lives could be improved soon, and that the call of justice is a present and urgent one. Still, that is a conclusion that can often be reached by economic as well as moral reasoning. When donors conclude that they can accomplish more good for society by acting now rather than later, at least in certain areas of philanthropy, it is possible that they can justify their conclusion with equal force in either human or financial terms.
FOUNDATIONS CHOOSE TO LIMIT THEIR LIFESPANS for any number of reasons: Donors may want to be personally involved in allocating their money while they’re alive, or to witness firsthand the good their giving does. They may fear that a permanent institution would eventually lose track of its mission or sense of urgency. Or they may believe that the causes that interest them (the environment, say, or stopping an epidemic) simply cannot wait for solutions. They may also prefer to make very large grants for big projects, in amounts greater than can be earned year-by-year on a lasting endowment. Donor choices may be the result of research and deliberation, or they may simply reflect personal preferences and beliefs. Either way, these choices are not hard to explain or understand.

Sooner or later, however, many time-limited philanthropies assert another rationale for spending out their assets—one that seems simple on the surface but is actually a good deal more complicated than the others. They argue that putting philanthropic resources to use in the near term produces a greater benefit to society than investing smaller amounts over a longer time. Chuck Feeney, founder of The Atlantic Philanthropies, put the case succinctly in 2011 when he wrote to Bill Gates that “intelligent philanthropic support and spending out their assets — one that seems simple on the surface but is actually a good and positive interventions can have greater value and impact today than if they are delayed.” In effect, this suggests that the amount of social benefit that can be generated from $1 today is greater than what can be generated by the same dollar plus investment returns in a few years. For philanthropists and foundation managers weighing the possibility of setting a time limit on their philanthropy, this may be an important consideration that would benefit from some closer scrutiny.

IS TODAY WORTH MORE THAN TOMORROW?

FOR SOME CAUSES, the argument for a concentrated burst of near-term giving may seem almost self-evident. The epidemic mentioned earlier, for example, may be so virulent that if it is not stopped quickly, the human and societal costs could be catastrophic. The same argument might apply to preserving a natural wilderness that would otherwise be lost forever, along with its wildlife, to approaching development. But for many purposes, the proposition is not so clear-cut. Is an apartment for a homeless person today inherently more valuable than for someone who becomes homeless in the future? Is a work of art produced over a longer time. Chuck Feeney, founder of The Atlantic Philanthropies, put the case succinctly in 2011 when he wrote to Bill Gates that “intelligent philanthropic support and spending out their assets — one that seems simple on the surface but is actually a good and positive interventions can have greater value and impact today than if they are delayed.” In effect, this suggests that the amount of social benefit that can be generated from $1 today is greater than what can be generated by the same dollar plus investment returns in a few years. For philanthropists and foundation managers weighing the possibility of setting a time limit on their philanthropy, this may be an important consideration that would benefit from some closer scrutiny.

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THE ANSWER DEPENDS, of course, on the type of activity to be funded and on the kind and timing of the value it produces. Weighing the value of philanthropy now vs. later amounts, in business terms, to a cost-benefit comparison: an assessment of the value that can be produced today, along with any costs avoided, minus the cost of producing it, compared with the net present value of what could be produced in the future. The “value” in question would presumably include not only the immediate benefits at the moment a result is produced, but the continuing or compounding value of those benefits, if any, as time goes on.

For example, the gift of a scholarship to a student who would otherwise not have been able to afford an education produces more social benefit than just the value of the schooling it purchases. The young scholars who benefit may well go on to live more satisfying lives, produce more, earn more income and pay more taxes, raise more secure and healthy families, and educate their own children better than if they had been deprived of an education. All of these ripple effects are part of the value produced. And they might well compound at a high rate over time—the successful recipients might establish businesses that employ other people, or might produce products or services of high value that in turn enrich the marketplace. Their healthier, better-educated children may go on to raise additional healthy, well-educated, and productive generations. And so on.

A financial adviser to The Atlantic Philanthropies summed up the concept using the language of investment analysis: “If you’re able to put money into projects that generate a social return, and that return compounds at a higher rate than your financial assets would,” then that would be a persuasive argument for putting all one’s resources to rapid use now, rather than investing them and spending only the earnings over an indefinite period.

Admittedly, it’s unlikely that those who hold this view take such an explicitly mathematical, or even analytical, approach to the issue. For many, the belief that present achievements outweigh future ones is more intuitive or aspirational: Surely, a donor might reason, with some wisdom and hard work, one can score at least a few big wins whose enduring value will far exceed the normal earnings on an endowment, or even the future value of social achievements that those earnings might someday buy. And this general impression is appealing enough that audiences rarely question the argument.

In reality, it is an essentially mathematical claim, even if many of the numbers needed to perform a complete calculation are unavailable or difficult to estimate. The proposition that today’s philanthropy can produce more value than tomorrow’s—at least for certain purposes, in certain fields, given certain circumstances—is an argument about social utility, rates of return, and the compounding or erosion of value over time. It implicitly describes a complex interaction of different variables that may be worthwhile to spell out and examine in some detail, with real philanthropic projects as examples.
The Point of Examining This Idea

More closely and analytically is not to transform an appealing intuition into a laborious set of computations—much less to reduce the joys of philanthropy to a mere calculation of material returns. Rather, the exercise shines a light on an important proposition often mentioned and widely applauded but rarely defended with any specificity. This report offers three illustrations, drawn from The Atlantic Philanthropies’ actual grantmaking, of how a limited-life philanthropy might choose its goals and projects with an eye toward generating a greater return from a comparatively short-term investment than it could achieve by preserving its assets indefinitely and spending more slowly. Although Atlantic did not explicitly conduct a formal analysis of this kind, much of its reasoning in these examples was a careful, if implicit, judgment about how and where its expenditures would generate the greatest long-term value for the countries where it operated, and how that value would increase over time.

Value in Fixed Time vs. Value in Perpetuity

Before Considering the Examples, it helps to disassemble the elements of the underlying idea—first, as a way of making the whole argument for time-limited giving explicit, and second, as a means of illustrating how and under what conditions that argument would be the most persuasive. At the most basic level, a foundation’s “value” to society comprises four core elements (we’ll spotlight these in the examples discussed later):

- **The Direct Outlay** that it is able to inject into public-interest activities (a function of its total resources—financial, human, and reputational—plus its earnings on those resources, and the rate at which it pays them out)
- **The Rippled Effects** of those direct purchases—the beneficial after-shocks that arise when something accomplished today provides the key to even greater accomplishments tomorrow, compounding the benefits year over year
- **The Social Value** that those dollars purchase directly (the experiences that students get from an after-school program, the discoveries resulting directly from a scientist’s research, a meal or shelter bed for a homeless person), which might become greater over time if the foundation becomes more skillful, influential, or effective in supporting this work
- **The Durability** of the value and the ripple effects over time: Does the value produced with the foundation’s money continue indefinitely (as, for example, with the purchase and protection of environmentally sensitive land) or will it fade as time passes (as with the construction of a building, which will depreciate)? Do the ripple effects, if any, continue to compound, or might their rate of expansion gradually slow, stop, or even reverse in the future?

To Say That

“Philanthropic support can have greater value and impact today than if delayed” is to make an implicit assessment of all four of these, and to judge that they will be greater—at least in some fields, with some forms of intervention—if the foundation makes an all-out effort in the short term than if it instead were to preserve its assets indefinitely and make a much longer stream of smaller grants.

This test is fairly demanding. Let’s grant, for the moment, that a foundation operating in perpetuity would produce less value year by year than it could have produced by spending more and depleting its capital. And let’s imagine, further, that it may become a less driven, creative or productive organization, as some donors fear, in its later life. Even so, because it has many more years in which to generate a lower annual level of value (in theory, an infinite number of years), it might eventually be able to amass, albeit slowly, a formidable stockpile of good results. If we assume that future beneficiaries are no less important to humanity than those of today, then the perpetual institution, simply by persevering, would eventually be expected to benefit more people directly than its time-limited counterpart. It isn’t hard for the tortoise to beat the hare if the hare quits the race.

At this point, some skeptics might be tempted to invoke the time value of money. Even if future beneficiaries matter just as much as today’s, the skeptics might argue, the value of any benefit to those future lives would have to be discounted before it could be compared with any comparable benefit in the present. The applicable discount rate could be debated, but they would argue it should not be zero. By this line of reasoning, anything achieved in the future would be less valuable than the same achievement today, simply because a given amount of money loses value over time. Benefits in the very distant future would become trivially small after a long discounting.

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* In March 2016, Atlantic hosted a roundtable of foundation managers, advisors, and scholars to dissect this judgment in detail and to assess ways of thinking about it rigorously. The discussion broke these four broad variables down into several component parts and debated the mathematical relations among the components. The result was a lively discussion both about possible interpretations of the mathematical model and about its limitations as a way of thinking about and understanding the interplay of time and money in gauging philanthropic value. The current paper takes a much less theoretical approach, but those interested in a more detailed elaboration of the variables may want to read a brief synopsis of the proceedings which is available at http://cspcs.sanford.duke.edu/sites/default/files/March%202016%20Time-Value%20Meeting%20recap%2013-16.pdf.
THAT IS A MISTAKE, as Michael Klausner of Stanford University pointed out in a 2003 article. The perpetual foundation would be earning returns on its endowment year by year, and those returns would be increasing its ability to do good in the future. At approximately the same rate as its future achievements would be discounted to the present. If a foundation could produce $1 of social benefit today or else hold that dollar in its endowment and earn a 10 percent return, it would have earned enough to produce $4.18 worth of benefits in 15 years’ time. Discount that back to the present at a rate of 10 percent, and you get exactly what you started with: $1. In other words, as Professor Klausner wrote, the simple time-value argument “amounts to inflating and deflating the foundation’s assets at the same rate, which results in a wash.”

But if we do not resort to an artificial discounting of future benefits, the time-limited institution would seem to be at an insuperable disadvantage. A perpetual institution would almost always outperform a time-limited one of the same size eventually—just because perpetuity is a long time, and even small successes would mount up year after year after year. That would be the end of the discussion, were it not for the third element of value described above: the ripple effects. If the limited-life foundation put all or most of its resources into activities whose good results would set additional positive forces in motion, compounding the beneficial effects over the years, then—as the Atlantic financial adviser put it—its “return” would “compound at a higher rate than [its] financial assets would.”

If, for example, a foundation could provide the means to wipe out malaria in a generation, as the Bill and Melinda Gates Foundation intends to do, then surely the benefits of that achievement—more than a million lives saved every year, massive health-care costs averted and the money redirected to other needs in poor societies; and a wave of human productivity set loose from disease—would compound at a rate far beyond what could be earned in the financial markets. The good thus achieved would accumulate faster than virtually any endowment could grow, thus making it far less likely that the foundation could have achieved as much by husbanding its resources and spending them later.

Still, as the malaria example suggests, this is a calculation that rests on probabilities, not certainty. Many unpredictable factors make it necessary to base this reckoning on the likelihood of various outcomes—the pace of research progress, perhaps, or the availability of other organizations to play a role in implementing a solution. It is possible that hundreds of millions of dollars could be spent on research without producing a cure or vaccine. In that case, if the foundation had meanwhile exhausted all its resources (something the Gates Foundation is not, in fact, currently doing), it would have no money left to soldier on and keep trying. The funder would have to hope that the progress it supported had significantly hastened the day when the disease would in fact be conquered, and the ripple benefits of the overall effort would thus be postponed but not forgone. Even so, the argument for an all-out, short-term use of funds would then be at least somewhat weakened.

ALSO, IT IS UNLIKELY that the massive benefits from halting malaria would continue compounding at the same rate forever. This is where we encounter the fourth element of value described earlier: the durability or erosion of benefits, and nature and extent of the ripple effects over time. The ripple effects may not all be positive—for example, the indisputable good achieved through lifesaving vaccines and medicines might nonetheless also lead to greater societal costs later, if a larger surviving population leads to additional demands on health services, food supplies, or other limited resources. Future events (a new disease or other catastrophes in sub-Saharan Africa, for example) could undermine the social progress resulting from the conquest of malaria, and thus halt or reverse improvements in lives and societies. In that case, the tortoise might still win the day by outlasting the hare: By doing less each year, but surviving to battle new problems, the perpetual institution might eventually accumulate greater social value with smaller spending over a longer term in which it can learn, adapt, and become more effective.

MATCHING GOALS TO TIME LIMITS

SO IT WOULD SEEM that the choice to put a whole charitable fortune to use in a limited period would amount to a bet on the efficacy of the work to be supported in the available years, and on the probability that the initial results will compound as the benefits ripple through the lives of the beneficiaries, across their communities, and into future generations. Choose the right intervention in the right field, and this calculation makes eminent sense—the dollars wagered would generate, in Mr. Feeney’s words, “greater value and impact today” than if they were held for later action. But the key to that result is not merely a willingness to act quickly, just as critically, it takes a careful selection of goals, objectives, and methods.

Admittedly, neither Mr. Feeney nor the other Atlantic trustees made the decision to limit the foundation’s life explicitly in these terms, or with such a specific calculation in mind. They did, however, set out in 2002 to focus the foundation’s remaining years of grantmaking (then expected to be about 15 years) on a few areas of effort that seemed ripe to produce significant benefits in the time available. That choice was based partly on the lasting impact they expected to achieve, and the probability that successes would pay mounting dividends long after Atlantic had ceased to exist. At least implicitly, they were looking for points of intervention that would both yield the most net benefit in the near term and then compound that benefit at a high rate over a long period.
THEY CHOSE TO FOCUS ON IMPROVING the lives of children and youth, the health of disadvantaged populations, the quality of life of older people, and the protection and promotion of human rights and reconciliation. Effort in each of these areas was focused not solely on benefits to individuals, but on systemic reform—changing the way large segments of public and private activity worked together to promote (or impede) opportunity, health, and fundamental rights. By dealing with systems rather than discrete services or programs, they reasoned, Atlantic would have the opportunity to help create widespread and permanent—or at least very long-lasting—improvements for large numbers of people. And those improvements would be likely to expand, perhaps exponentially, as children entered adulthood, as older people enjoyed more productive later lives, as healthier people raised healthier families and built healthier communities, and as more just and harmonious societies extended opportunity more broadly to all their members.

Sometimes, as the staff and Board proceeded to define specific points of intervention in all these fields, they did grapple more specifically with expectations about how much social value would be created, and how that value would compound. Again, this reasoning almost never took an explicitly mathematical form. Yet the thought process was very much like that of an investor seeking the highest value and greatest prospects for growth. In the process, these decisions could be translated, without too much distortion, into the language of investment. That translation helps to illustrate the reckoning by which Atlantic sought reasonable assurance that its resources would “have greater value and impact today than if they are delayed.”

The examples that follow show how the variables in this implicit equation interacted in three actual Atlantic initiatives, and how the foundation formed its expectations about the intensity, duration, and compounding of the benefits it hoped to achieve. I
AN EARLY ATLANTIC STRATEGY PAPER, written soon after the decision to operate on a limited life, observed that “Ireland has relatively few early childhood programmes—no equivalent of America’s Head Start program exists—and highly variable standards. Thus, truly early intervention, from birth to five-year-olds, is a priority. … Across ages, there is little understanding of what really works. … Therefore we will support the implementation of pilot projects that showcase proven approaches. …” To improve the lives of disadvantaged children, the state must adopt a prevention policy and support promising prevention programmes.”

At the time, most government programs that served children and families in Ireland were untested, and many seemed unlikely to have much of a lasting effect. Worse, these programs tended to respond to problems only after they had progressed and become difficult to reverse and expensive to treat. For lack of some basic, early improvements to children’s nurturing, health, or learning, the state ended up paying far greater sums later, for adjudication and punishment of crime, remedial education, mental health care, and other post hoc reactions to problems, which too rarely helped young people reach a more successful adulthood.

So as its main thrust in improving the lives of children and youth in Ireland, the foundation undertook a campaign to bring about a thoroughgoing change in the way public services support young people, especially in poor or troubled families. Atlantic believed that the Irish government could be persuaded to focus on preventing children’s behavioral or learning problems, or deal with them at a very early stage, and to rely mainly on methods that had been proven to work in rigorous experiments. The result, foundation staff believed, would be a giant leap in the cost-effectiveness of family services, saving both public money and, far more important, children’s lives. The foundation sought to work with the state to test both the effectiveness and affordability of this approach, combining a suite of newly conceived services with a barrage of sophisticated evaluations to assess the effectiveness of each component part. The total investment was extraordinary—close to €124 million (about $162 million) in all. But it was intended to yield social benefits for the children of Ireland, for their communities and families, for the public sector, and for the children’s later offspring that would grow exponentially over a very long time.

THE EXCEPTIONAL SIZE OF ATLANTIC’S FINANCIAL COMMITMENT to this undertaking was fundamental to the project. Because of the expense involved in substantially reconfiguring services in a variety of underprivileged communities, plus the high cost of conducting sophisticated randomized controlled trials on every new service in each area, it would have been nearly impossible—or at best, of little use—to attempt this effort on a much smaller budget. The point was not to change services only in a few places, or just to introduce one or two new methods. It was to upend the way the government selected, paid for, and evaluated all services for all vulnerable children. For that, a demonstration of considerable size, with all but irrefutable evaluations of their results, was the only choice. In short, it was the kind of very large, time-limited commitment for which a limited-life philanthropy is ideal.

Here, it would seem, is a nearly exact case of the kind of calculation we have been envisioning: If Atlantic and its grantees succeeded, it would achieve a social return far greater than what it could earn in a permanent endowment. With a “big bet” now, it could reap a monumental benefit—one that could actually be calculated, and whose later compounding could be estimated—that would be enriching Irish lives long after the foundation itself had faded from memory. Thanks to cost-benefit research in other countries, it was possible for Atlantic to estimate—or at least to imagine—the possible scale of the social benefits Ireland might expect with this strategy.

DIRECT OUTLAY FOR INCREDIBLE YEARS: $5.3 MILLION

TO EXAMINE THIS CALCULATION UP CLOSE, consider just one of the early intervention models Atlantic supported in Ireland: a program known as Incredible Years, which offers a suite of effective early responses to children’s behavioral problems. Sponsored by Archways, an Irish organization dedicated to evidence-based reform of children’s services, the program provides training and counseling for children, parents, and teachers, all aimed at equipping children with techniques for greater self-control, and supplying parents and teachers with ways to recognize, manage, and solve conduct problems. The program’s various curricula, as described on its website, focus on strengthening children’s social, emotional, and academic skills, “such as understanding and communicating feelings, using effective problem solving strategies, managing anger, practicing friendship and conversational skills, as well as appropriate classroom behaviors.”

The result, (Atlantic) staff believed, would be a giant leap in the cost-effectiveness of family services saving both public money and far more important, children’s lives.
that “Significantly more of the treatment group had obtained ECBI both for children and families and for the state. Atlantic’s VALUE, TIME, AND TIME-LIMITED PHILANTHROPY

To test the idea in Ireland, These are costly outcomes, both for children and families and for the state. Atlantic’s hypothesis was that a substantial expenditure on programs like Incredible Years would reduce these harmful effects—thus saving costs to the educational, health, mental health, and criminal justice systems. Better still, more children would overcome their behavioral problems and go on to more successful education, employment, and adult life, thus contributing to the economy and society and improving their own chances of raising children with fewer problems and greater opportunity.

Although this principle had been tested successfully in other places, that did not, by itself, prove that it would work equally well in Irish communities. Another early-intervention model, the highly regarded (and meticulously evaluated) American program called Nurse Family Partnership, registered almost no success when it was later transplanted to the United Kingdom. Though the reasons for that disappointment aren’t clear, it strongly suggests that cultural context matters, and that results from one place cannot be presumed to apply identically elsewhere. In any case, persuading the Irish government to upend decades of entrenched practice in funding children’s programs would surely require some homegrown results that Irish officials could observe for themselves, in places they know well and regard as high priorities.

To test the idea in Ireland, a team of evaluators focused on two of the program’s core components, one for parents and the other for teachers, focused only on preschool and early grades. They explained that this basic set of activities “targets children between the ages of three and seven years. Parent competences are developed in areas such as communication, limit-setting, problem-solving, and anger management. Parents are also encouraged to develop support networks. Two trained facilitators take parents in groups of approximately 12 for one two-hour session each week over a 12- to 14-week period.” The evaluators selected families whose children scored above a clinical threshold on the Eyberg Child Behavior Inventory (ECBI), a standard screening instrument for conduct problems in children. The families were randomly assigned either to a treatment group that participated in the program immediately (93 parents) or to a six-month waiting list that served as the control group (39 parents).7

These are costly outcomes, both for children and families and for the state. Atlantic’s hypothesis was that a substantial expenditure on programs like Incredible Years would reduce these harmful effects—thus saving costs to the educational, health, mental health, and criminal justice systems. Better still, more children would overcome their behavioral problems and go on to more successful education, employment, and adult life, thus contributing to the economy and society and improving their own chances of raising children with fewer problems and greater opportunity.

Although this principle had been tested successfully in other places, that did not, by itself, prove that it would work equally well in Irish communities. Another early-intervention model, the highly regarded (and meticulously evaluated) American program called Nurse Family Partnership, registered almost no success when it was later transplanted to the United Kingdom. Though the reasons for that disappointment aren’t clear, it strongly suggests that cultural context matters, and that results from one place cannot be presumed to apply identically elsewhere. In any case, persuading the Irish government to upend decades of entrenched practice in funding children’s programs would surely require some homegrown results that Irish officials could observe for themselves, in places they know well and regard as high priorities.

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Social Value

The study found that “Significantly more of the treatment group had obtained ECBI scores below the clinical cut-off following the intervention (60 percent for the treatment group vs. 35 percent for the control group).” Children of parents who received the Incredible Years training were much less likely to need costly treatment from physicians, nurses, speech therapists, and social workers or to require special education. That result, the authors report, “is consistent with improved child behaviour and enhances the overall cost-effectiveness of the programme.”8 The evaluators compared the cost of delivering the Incredible Years training with the savings in reduced use of other services, and found a very high probability that the program would be cost-effective.9

But that was just in the near term. To complete the cost-benefit analysis, the researchers added conservative estimates of the longer-term costs of three likely outcomes from early behavioral trouble: remedial or repeat schooling, entanglement in the criminal justice system, and periods of unemployment. International research provides estimates of the percentage of children with behavioral problems who are likely to incur these costs in later life, and Irish government data supply the actual cost of the necessary responses (for example, in 2007 the average cost of keeping a prisoner in Ireland was just under €98,000, roughly $130,000). Incorporating the cost of various forms of remedial action, both near-term and longer-term, and the probability of a child requiring such action, researchers compared that probable cost for children who had benefited from Incredible Years with those who had not. With that comparison, they estimated a total government savings in these three areas that resulted from beneficial effects of the program. The present value of these savings over a child’s lifetime was at least €2,927 per child, or about $4,000. Measured against the cost of delivering the services (€1,463 per child, just under $2,000), they found that Incredible Years generated an internal rate of return (IRR) of 11 percent.10
**These extended benefits** are important considerations for Atlantic for at least two reasons. First, while an 11 percent IRR is encouraging, it is not beyond what some astutely managed endowments have earned in the past. In other words, this conservative estimate of the social yield of Incredible Years might not, by itself, be enough to “compound at a higher rate than [the foundation’s] financial assets would.” It would be an interesting, but not necessarily convincing, argument for the foundation to mount an all-out effort to change Irish government policy in a limited time and then go out of business. (Then again, in the leaner financial markets of the early 21st century, the prospect of achieving 11 percent returns consistently might indeed seem remote enough to swing the argument toward favoring the near-term commitment to Incredible Years, just on these conservative results alone.)

However, if the real benefit is double or triple the conservative estimate— if it encompasses other areas of social gain plus the ripple effects on the rest of society and future generations — then the argument for a limited-term effort becomes much stronger.

**This is, the evaluators note,** a very conservative estimate. A full calculation of social benefit would likely be as much as three times greater, they suggest. For starters, it is nearly certain that the harmful effects of early behavioral problems extend beyond just the three realms whose costs were estimated in this analysis (education, criminal justice, and employment). “(T)hese outcomes,” the authors acknowledge, were chosen because they “were most easily valued in monetary terms.” However:

Other benefits, such as improvements in second- and third-level educational attainment and associated increases in productivity and earnings capacity, reductions in substance abuse, decreased teenage pregnancy, benefits to victims of reduced crime, and benefits accruing to the parents and/or other siblings as a result of the programme were omitted and are likely to push the estimated returns higher. For example, the OECD report that the net present value to society of completing second-level education in Ireland was approximately €2,000.\(^1\)

**Ripple effects**

**The research does not address** the even more distant social benefits—what we have loosely referred to as ripple effects—that might well flow from Incredible Years. For example, improved education and reduced rates of criminality and imprisonment, of unemployment, ill health, addiction, and teen pregnancy would seem highly likely to result in more successful parenting—and thus a more successful life for the subsequent generation, with even less need for remedial services. Classroom learning might be expected to improve for all students if behavioral disruptions were significantly reduced, so that other students not enrolled in Incredible Years might experience some benefit, as would their teachers and schools. Increased lifetime incomes would presumably have follow-on benefits for the wider economy. And so on.

**Durability**

**This leads us once again** to the fourth variable mentioned earlier, which can easily undermine the more enthusiastic calculations of near-term achievement: How durable are the results, or how likely are they to erode or disappear over time? The evaluation is persuasive that Incredible Years leads to measurable improvements in children’s early behavior, which can raise the odds of a successful adulthood. But many of the children in Atlantic’s demonstration live in disadvantaged and turbulent communities where external difficulties may intervene in young people’s lives even after a comparatively successful start. Some American longitudinal research—notably by James J. Heckman, a Nobel laureate in economics at the University of Chicago—has shown “substantial positive effects” of early childhood interventions “long after the interventions ended,”\(^\text{12}\) which provides reason for optimism about the lasting value of Incredible Years. Still, further study will be necessary to determine how sturdy the gains are in an Irish context, in the face of surrounding social and economic headwinds.
**Political Complications** may also have a profound effect on the durability or erosion of benefits. Although the government was an active partner with Atlantic in all the experiments with prevention and early intervention in children’s services, and although several senior government figures are committed to adopting and broadening the use of this approach, governments change, and policy choices may change with them. It will likely be many years before anyone can say with confidence whether the principles of prevention and early intervention have taken firm root in Irish policy and practice, or whether more traditional, largely unscientific means of funding children’s services remain the norm.

Nonetheless, nearly all the most interesting and important goals in philanthropy amount to a calculation not only about value and impact, but about risk. As Duke University Public Policy Professor Joel Fleishman has written, “The highest and best use of aggregations of philanthropic dollars is the taking of risk to solve society’s toughest problems.” For foundations that do not intend to survive indefinitely, risk becomes an even more critical factor in their calculations about value than it is for perpetual institutions. The perpetual institution, after all, can adjust course later, learn from its failures, and try a different approach. The time-limited institution is, in effect, placing all its chips on a single expected set of outcomes. If some of its efforts pay off especially handsomely—with exceptional compounding of benefits far greater than what could be achieved in financial markets with the same amount of money—those successes may compensate for disappointment in some other lines of work. But then, in calculating the foundation’s overall return on its social investments, losses from less-successful projects must be subtracted from the gains that flow from the best performers.

At this stage, Incredible Years appears to have been a sound bet as part of Atlantic’s efforts on behalf of disadvantaged children and youth in Ireland. It appears to be yielding fairly high near-term returns, with persuasive odds of compounding the value of those returns over time, if the program’s approach is put to wider use across Ireland. Still, the risks of erosion or even reversal remain a concern. Atlantic’s choice to place a big bet on this area therefore responds to Professor Fleishman’s call for seeking the “highest and best use” of philanthropic dollars. Whether it also meets the additional standard set forth by Chuck Feeney—that grants have “greater value and impact today than if they are delayed”—is a judgment that must await several more years of effort and observation.

**Example II:**

Ending the ‘School-to-Prison Pipeline’ in the United States
In that light, Atlantic’s uncertainties about Elev8 might have provided an example of why time limits can undermine a foundation’s ability to create lasting (never mind compounding) value: if troubles emerge during the life of an initiative, there may be little time left to adjust, and large sums already sunk into unpromising work. That risk is, in fact, inherent in the time-limited approach to philanthropy. But it can sometimes be averted, as Atlantic managed to do in rethinking Elev8. Instead of scrapping the program and starting over, the foundation focused more narrowly on an objective whose value might compound briskly over time. This was a push to reduce the use of suspension, expulsion, and arrests as methods of punishing routine misbehavior in schools.

DIRECT OUTLAY FOR DISCIPLINE REFORM: $47 MILLION

IN RECENT DECADES, a “zero tolerance” philosophy in American education had been multiplying the number of suspensions and expulsions, even for minor infractions. By 2006 the rate of suspension was already double that of the 1970s. Worse, the increasing presence of police in schools was sharply raising the odds that a student who breaks rules would wind up enmeshed in the juvenile, or even adult, justice system. To add to the injustice, these practices were significantly more prevalent in minority neighborhoods and far more likely to be applied to children of color, those with disabilities, and LGBT students than to their peers. Ample evidence showed that none of this actually improved students’ behavior or the overall safety of schools. Yet the use of extreme measures was becoming both more widespread and more severe.14

A study by the Council of State Governments’ Justice Center and the Public Policy Research Institute at Texas A&M University found that, in Texas, more than 59 percent of students had experienced some form of suspension or expulsion in middle or high school, and 31 percent had been ejected from school premises at least once. Half of all students who had been disciplined in this way had been through the experience at least four times. This significantly raised the odds that a student would end up in more serious trouble: “Controlling for campus and individual student characteristics,” the researchers wrote, “the data revealed that a student who was suspended or expelled for a discretionary violation was nearly three times as likely to be in contact with the juvenile justice system the following year.”15 African-American students were more than twice as likely as white students to be removed from school on their first violation of a school’s code of conduct.16

SOON AFTER ITS DECISION ON A LIMITED LIFE, Atlantic launched an ambitious effort in the United States, called Elev8, to create and promote a new kind of community school. By 2008, however, foundation leaders had come to doubt that the program would meet its goals or even, in some cases, whether the goals themselves were well chosen. At that point, with less than a decade of grantmaking left in its planned lifetime, the staff and Board were faced with the need to redesign or replace the program with something that could be carried out and make a significant difference in just a few years. This was the kind of situation for which perpetual institutions are well suited: they can diagnose problems, change course, and simply reset the clock, beginning over again with what they hope will be a superior approach. For an institution in its final years, however, that luxury is less available.

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YOUTH AND JUVENILE-JUSTICE EXPERTS, toward the end of the 20th century, were beginning to document a “schoolhouse-to-jailhouse track” (which later became better known as the “school-to-prison pipeline”), which was indiscriminately whisking large numbers of young people directly from school-day infractions—things that in earlier years would have resulted in detention, extra homework, or counseling—straight into the embrace of the police and the courts. That expensive chain of events (factoring in police time, court costs, and punishment, at a minimum) produced little or no benefit. Instead, for the student involved, it sharply raised the likelihood of classroom failure, dropping out of school, and further trouble with the law.16 All of those things, in turn, would eventually impose further costs on society, quite apart from the damage to young lives.

Substantial research, some of it funded by Atlantic, quickly established the extent of the social harm these policies were causing. Among other things, it furnished evidence that:

- **SUSPENSION** was linked with academic disengagement, academic failure, and dropout
- **ALTERNATIVE SCHOOL PLACEMENTS** for purposes of discipline can exacerbate these academic problems
- **AFFECTED STUDENTS** were also more likely than peers to have contact with the juvenile justice system
- **THIS PATTERN** of systemic failure had negative fiscal consequences for schools and communities.17

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Although the data came from just one state, the findings were striking. Texas educates close to 10 percent of the nation's children, and its rates of suspension and expulsion are actually lower than those of some other large states, including California and Florida. If the results of the Texas study were even approximately applicable to the nation as a whole, it would mean that, of the roughly 15 million students enrolled in American public high schools, more than 7 million would have some experience of suspension or expulsion, and 5 million of those would be removed from school at least temporarily. These students would all be at greater risk of compromised learning, failure to graduate, disadvantage in the labor market, and lower earnings in adulthood.

Social Value

In a 2016 analysis funded by Atlantic, two education scholars took the research a step further. Controlling for a wide range of background variables, including family income, parental education, and tenth-grade test scores, they compared students who had been suspended in tenth grade with similar students (similar backgrounds, similar test scores) who had not. Acknowledging that some students who are suspended might have dropped out of school anyway, for other reasons, the researchers sought to separate the effects of suspension from other factors in a young person's life and environment, and determine what difference this one experience would make in a student's likelihood to graduate. Nationwide, they found that experiencing suspension by the tenth grade was associated with a 12 percentage-point decrease in the likelihood of graduation among students with similar backgrounds and academic records. Then, citing economic research published by the Brookings Institution, they reported that for every student who fails to graduate from high school, taxpayers incur an average fiscal loss—that is, a reduction in tax revenues due to a lifetime of reduced earnings, plus increased public expenditure on health, law enforcement, and welfare—of $163,340. Add in the lost future earnings for the student, the ancillary costs of crime, and the loss of productivity in the labor market, and the total societal cost rises to nearly $528,000. In total, they found, just one year's increase in the number of dropouts caused by suspension “cost U.S. taxpayers $11 billion in lost tax revenues over the lifetimes of these additional dropouts, and they cost the larger society more than $35 billion.”

So here, as in the children's program in Ireland, was an opportunity to change a prevailing policy that was both squandering current resources and destroying future social value by impeding young people's chances of success. All of the factors in the discussion of the Irish program also applied here: It was a chance to reduce the costs of ineffectual programs and instead invest in alternatives that would return real economic value to society while correcting injustice. In this case the better alternatives would include mental health care, counseling or mentoring, and restorative justice programs, in which offenders make restitution or otherwise compensate for their errant behavior.

These alternatives might impose some additional cost but would yield benefits in the near term, such as higher rates of graduation, better learning, and greater safety for surrounding communities. In the longer term, young people who were not separated from school or burdened with a criminal record would have better prospects for further education, employment, and earnings as they entered adulthood, and a more productive place in society and the economy. Then there would be the possibilities of far fewer ripple effects, as more stable, fulfilled adults formed stronger families and raised children of their own.

These calculations all echo those in Ireland, with some additional factors. Most obviously, the time horizon was shorter, meaning there was less time to prove the case and to embed it in nationwide policy before Atlantic's grantmaking life had ended. A second factor, however, was considerably more encouraging: Unlike prevention and early intervention in Ireland, the American school-discipline reform movement was already in motion. Admittedly, it consisted largely of unconnected efforts, carried out by thinly funded (sometimes, not funded at all) local groups and national coalitions that were far more skilled in frontline, person-to-person organizing than in the more complicated arts of policy development, case-building, media outreach, legal strategy, and federal advocacy. Some national funders had taken an interest in this movement and funded some key organizations and research projects—for example, the Edward W. Hazen, Surdna, and Charles Stewart Mott foundations supported crucial organizing drives before Atlantic became involved—though these grants were not yet a core part of any foundation's national goals. Most potently, Atlantic sensed that a powerful constellation of forces might be starting to form—a condition that the foundation's Chief Strategy Advisor Kavitha Mediratta, borrowing from a political theory originally articulated by University of Michigan political scientist John Kingdon, called a “policy window.” As she explained in a 2012 essay, “Policy windows open at moments of alignment among the problem stream (issues recognized as significant problems that need to be addressed), the policy stream (what is regarded as a good and actionable idea), and the political stream (dynamics in the larger political environment that facilitate action). Alignment across these streams creates the opportunity for new ideas to enter into the policy-making discourse.”

To be sure, as Mediratta wrote later, “In a nation of 16,000 school districts, each with the authority to determine its own discipline code, no measure of philanthropic resources would be sufficient to reach each and every school district directly.” But because of the growing attention, the widening circle of grassroots effort, and the prospect that a national policy window may be opening and could be pried open further, Atlantic “hoped to use our resources and influence to advance, connect, accelerate, and amplify the collective efforts of others.”
IN SHORT, ATLANTIC REASONED that (a) it would not be starting from zero with the discipline-reform initiative, (b) it had an especially ripe moment of opportunity to fuel a decisive national turning away from ineffective zero-tolerance discipline policies, and (c) if it was not possible to continue backing this movement all the way to complete fruition, it could help build a bandwagon whose ultimate effect, over many years, would deliver lasting benefits for millions of people. In the meantime, the foundation predicted that it could reduce the national rate of suspensions and expulsions by as much as 30 percent within five years. Better still, the cost of making a difference in this area—because of the embryonic activity already underway and the possible interest of other funders—would be lower than in Ireland. In the end, Atlantic’s drive to reform school discipline policies totaled about $47 million. Did it yield more than the foundation could have earned by holding that amount in its portfolio for future use?

Atlantic did not attempt such a calculation—it’s interest in the issue was more rooted in basic justice than in economics—but it is possible to formulate a reasonable conjecture. Russell Rumberger and Daniel Losen, in the 2016 research report cited earlier, estimated that each year, “A one percentage-point reduction in the suspension rate would reduce the number of suspended students by 35,279 and the number of dropouts due to suspensions by 4,233, yielding a fiscal benefit of $691 million and a societal benefit of $2.2 billion.” If just that single percentage-point reduction persisted for 20 years and never improved, the present value of the aggregate societal benefit would be more than $27 billion—more than 500 times the amount of Atlantic’s outlay. Even ignoring the benefits to the students themselves and to the wider society, but considering only the direct fiscal effect of their higher income tax payments and lower involvement with government programs and agencies, the economic benefits from just one year of such a reduction would be 14.7 times the size of Atlantic’s $47 million investment.

RIPPLE EFFECTS

THE POINT, IN SIMPLEST TERMS, is that improving the life prospects of large numbers of disadvantaged young people—particularly if their disadvantage is the result of some identifiable failure of policy that can be reversed or mitigated substantially—can generate economic benefits, multiplied over large numbers of people, that more than exceed the benefits that could have been earned from even the most astutely invested endowment. Finding such opportunities is by no means easy. Also, many forms of injustice may not be economic in nature, or may not result in measurable economic benefits, and yet may be supremely worthy philanthropic targets—just difficult to evaluate in financial terms.

BUT IN THE CASE OF SCHOOL DISCIPLINE, like that of children’s services in Ireland, the economic factors are real, pronounced, and measurable. They are not (this bears repeating, even at the risk of belaboring the point) the only or even necessarily the best reason for a foundation to invest in this line of work. Nonetheless, they provide one measure of why Atlantic could reasonably have concluded that such investments will have “greater value and impact today than if they are delayed.” And they show how the social return flowing from these initiatives “compounds at a higher rate than [its] financial assets would.”

This line of reasoning needs to be balanced against some complicating factors that at least shade the results somewhat. To begin with, Atlantic arrived at the intriguing potential of reforming school discipline as a result of considerable early research, some of which was funded by others. Without that early support, the foundation might not have recognized the opportunity, or might have incurred more costs gathering information. For example, just one seminal piece of research, by the nonprofit Advancement Project and Harvard’s Civil Rights Project, benefited from major funding by the Ford, MacArthur, Mott, and Open Society foundations. Those contributions are not included in the cost of Atlantic’s investment—although it might reasonably be argued that by joining the cause somewhat later, Atlantic was wisely seizing an opportunity that had been identified by others and that was now primed for a full-bore commitment.

DURABILITY

SECOND, THE ATLANTIC DISCIPLINE-REFORM INITIATIVE was chosen in part because it offered the prospect of making a marked difference in a very short period—with the five to six years that the foundation had left in its grantmaking timeline. At the time this is written, thanks to the extraordinary bandwagon effect that Atlantic and other funders helped frontline nonprofits build behind this cause, that short-but-large investment seems to be paying off. According to Atlantic’s Kavitha Mediratta, “Federal Civil Rights data from 2014 show a 20 percent decline in national rates of suspension from school.” But the effort is not over, and the durability of these results remains uncertain. Because U.S. education is highly decentralized, a thoroughgoing reform that reliably upends the bias toward zero-tolerance, extreme and ineffective punishments could take many more years to solidify. Even with a huge assist from the Obama Administration, much of the battle still needs to be waged state by state and even district by district.
Given the longer game still being played, Atlantic’s investment can be seen as hastening success, probably materially, but perhaps not as achieving it. That means that, in calculating a present value of future expected social gains from discipline reforms, it might be necessary to apply a higher discount factor—a risk premium, in effect—to compensate for the chance of future setbacks, shifting political winds, or simple inertia in a complex and atomized education bureaucracy. That would shrink the projected social return from this effort, though surely not enough to make it less than an overwhelmingly attractive opportunity.

As it happens, a 2015 evaluation of the school discipline campaign, commissioned by Atlantic, found that the collective philanthropic effort (including major contributions from several other foundations) had raised public awareness of the problems and successfully reframed the terms of debate about them. It had helped open the door to increases in federal support for discipline reform and to improved cooperation on the issue among several government departments. Most tellingly, 14 states passed legislation or regulations to improve school disciplinary policies between 2010 and 2015, and three enacted comprehensive reforms. At the time of the evaluation, several more states were readying new policies as well.27

A smaller, slower commitment of philanthropic dollars might well have failed to open the “policy window,” or made less productive use of it. It might have left the education and career prospects of more young people unchanged, at least for a time, and thus postponed to some future generation an enormous economic, social, and human benefit that could have been reaped much earlier, yielding a lasting improvement in the lives of both present and future cohorts of young people. By investing big and intensively, even if only for a brief time, Atlantic sought to achieve a significantly greater return for society than it could have delivered with a slower, steadier approach. At this moment, it seems reasonable to believe that its choice is bearing fruit. II

Example III: Increasing the Supply of Nurses in South Africa

Atlantic sought to achieve a significantly greater return for society than it could have delivered with a slower, steadier approach.
IN A 2011 REPORT ON PRIMARY HEALTH CARE IN SOUTH AFRICA, Professor Stephen J. Reid of the University of Cape Town prefaced his analysis with the story of a Zulu grandmother, 68-year-old Thembelihle Ndlovu, from a tiny mountain village in northeastern KwaZulu-Natal. Having lost all five of her children to AIDS, Ms. Ndlovu was providing a home for her grandchildren and other village orphans, roughly a dozen children in all, until she became ill with severe headaches early in 2011.

Unlike most villagers, she did not turn first to the local sangoma, a traditional healer, but made the five-kilometer trek to the nearest clinic. After waiting there all morning, she learned that the clinic’s one professional nurse was on leave. She was seen by a nursing assistant who, without examining her, prescribed an over-the-counter pain reliever. After a week of unrelieved head pain, Ms. Ndlovu returned to the clinic.

This time the registered nurse, back from holidays, examined her and found her blood pressure dangerously high. Unaware of her previous visit, the nurse scolded Ms. Ndlovu for not coming sooner and referred her to a hospital, since it was not known when a doctor would next be in the village. The hospital was almost a day’s journey away, and the trip alone cost 60 rand ($8). Meanwhile the children were on their own.

As soon as she was seen at the hospital, with blood pressure even higher than before, Ms. Ndlovu was immediately admitted. After three full days away from home, she returned with some pills but, because the doctor did not speak her language, with no more understanding of her condition than she’d had before. She took the pills until they ran out, and the headaches returned. Afraid of being scolded again, she did not return to the clinic, and instead took a folk remedy that brought some minor relief. After months of severe hypertension and pain, she suffered a massive stroke that has left her paralyzed and helpless.

“And so,” Professor Reid concluded, “a key resource person in the community with a preventable illness is effectively rejected rather than enrolled by the health system. … Thembelihle’s saga is not extraordinary in South Africa: A multitude of missed opportunities pass through the public health service every day that require minimal resources to redirect and avert costly outcomes.”

As Reid and other health policy experts in South Africa frequently point out, the problem was not official indifference or ill intent. As early as 2005, the South African Parliament had passed what appeared to be a far-reaching Nursing Act, providing both better training and staffing of district health systems; the capacity of organizations that formulate, analyze, and promote reforms in health policy; and the grassroots social movements that advocate for health equity. But among Atlantic’s health goals for South Africa beginning in 2008, “identified nursing as one of the critical areas for the Public Health System in South Africa, where nurses comprise 70 to 80 percent of the health professionals.”

Atlantic had already begun a concerted effort to improve health policy and implementation in South Africa in the early 2000s, but at that point it was focused mostly on HIV/AIDS. The goal was to end a perverse government opposition to distributing antiretroviral drugs in the public health sector, which were making headway against the disease everywhere else. Although Atlantic also funded other projects aimed at health equity more broadly, it was only when the grassroots campaign for access to antiretrovirals finally succeeded that the foundation refocused its attention more squarely toward improving human resources for health, particularly nursing. A new strategy, approved in 2008, “identified nursing as one of the critical areas for the Public Health System in South Africa, where nurses comprise 70 to 80 percent of the health professionals.”

The strategy aimed at strengthening the faculty and curriculum at “10–12 nurse training institutions,” with the goal of increasing the number of qualified nurses in the workforce, improving their skills, and retaining them in the public sector and in South Africa, including a significant increase in nurses for poor and rural areas. It also focused attention on key institutions in the nursing field beyond individual colleges and universities—particularly the South African Nursing Council (a statutory body that both certifies nurses and accredits nurse-training programs), the largest nurses’ union, and professional associations of nursing educators. Other parts of the strategy ranged more broadly, emphasizing management and staffing of district health systems; the capacity of organizations that formulate, analyze, and promote reforms in health policy; and the grassroots social movements that advocate for health equity. But among Atlantic’s health goals for South Africa beginning in 2008, nurses and midwives were at or near the top of the list.
THE CHALLENGE, as in many less-wealthy countries, was not only to boost the quality and quantity of nurses’ education and training programs. Harder still would be persuading the better-trained nurses to remain in South Africa, and to serve its remote, neglected, and desperately poor rural communities, rather than emigrating to wealthier cities and to countries with better pay and working conditions. This was, as a team of researchers later put it, an “area traditionally ignored by other players” working in the health sector.

Here, then, was a pattern that should by now be familiar from the two preceding examples:

- **A GAP IN POLICY** — or in this case, in the implementation of policy—that systematically disadvantages large numbers of people in ways that shorten their lives or reduce their prospects for a healthy and productive future

- **A WASTE OF PUBLIC RESOURCES ON INEFFECTIVE PRACTICES** — or a failure to employ effective practices whose cost would be readily offset by the resulting benefit

- **A ‘POLICY WINDOW’** in which public officials appear disposed to committing large public resources toward a solution, and the voices of scholars and civil society are beginning to press concertedly for action, but where the solutions are not yet well formed, understood, or fit to be implemented

- **THE PROSPECT OF ENORMOUS SOCIAL RETURNS** on investment from bringing about a successful reform—returns illustrated in Professor Reid’s real-world story of Thembelihle Ndlou, who could have been treated successfully at minuscule cost, and who instead was incapacitated, with dependent children left uncared-for, thus further impoverishing her community and imperiling a dozen other lives besides all but ending hers.

The cost in human well-being and the affront to basic justice in South Africa’s broken health-care system were more than sufficient grounds for action, without the added trouble and expense of gathering economic data on the consequences of success or failure.

SOCIAL VALUE

IN THEORY, IT SHOULD NOT BE DIFFICULT to quantify the economic harm being done to South Africa from the failure to care adequately for the health of millions of its residents. At least as much as in the two preceding cases, the evidence of lost income and productivity, of stunted future opportunity, and of the bleak prospects of orphaned or un-cared-for children should be possible to compile. These data would in turn be theoretically useful in estimating the potential national wealth being squandered on a defective and inequitable primary health-care system. In practice, however, these were simply not the kinds of questions South Africans or Atlantic were principally interested in answering. The cost in human well-being and the affront to basic justice in South Africa’s broken health-care system were more than sufficient grounds for action, without the added trouble and expense of gathering economic data on the consequences of success or failure. As a result, data to assess these particular kinds of benefits have not been available.

However, the scarcity of such data was not merely the result of differing values and priorities. Until Atlantic’s involvement in health-care reform, South Africa sorely lacked the ability to communicate, assemble, and use data from its health-care system to improve, or even to fully understand, the quality of care its citizens were receiving. With a stream of grants to organizations dedicated to improving health-care analytics and policy formation—most prominently the quasi-governmental think tank called Health Systems Trust—Atlantic has helped to bridge the analytical gaps as well as those in the frontline delivery of care. Meanwhile, the collection and use of data on the allocation of health resources, both in the Health Ministry and the National Treasury, have grown substantially. It is becoming more feasible in South Africa to ask and answer the kinds of empirical cost-benefit questions about health care that this paper has raised. If those are not normally the highest-priority questions on policy-makers’ minds, that is understandable. But the reality is that, not so long ago, it would not have mattered what the priorities were; the questions would have been nearly unanswerable. That is changing, and the time may yet come when these more-theoretical discussions will have an eager audience.
RIPPLE EFFECTS

ATLANTIC WAS ALSO INSTRUMENTAL in supporting the formation of Nurse Professional Associations by, among other things, purchasing offices for them. Zola Madikizela, Atlantic’s program executive for health in South Africa, explains that these associations “became more visible, influenced nursing policy, and became activist advocates for nurse educators. This could not have been accomplished with less funding over a longer time.” The foundation’s big bets, he argues, had the power to create “momentum at a large scale, which soon becomes a formidable wave that transforms the sector. … Spending that much over a short period (five years or so), in a sector that had never received donor funding before, evidently made a difference that could not be ignored. It also leveraged government funding. This, to me, is an example of the impact of the limited life, big-bet approach.” A longer-term evaluation, still in progress as this is written, will examine all these signs of progress to determine whether they point to a lasting trend, and if so, of what magnitude.

If health and longevity in poor areas improves at anything near the rate at which the supply of nurses appears to be rising, the social benefits — both in human and economic terms — will be enormous.

As in the other cases, some caveats are in order. Here, just as in the case of Irish children’s services and even more than in the case of U.S. school discipline, the march toward a thorough reform will be very long, fraught with risks, and highly susceptible to eroded effectiveness or outright backsliding in the future. Inclusive, democratic government is still very young in South Africa, and the process of political change has often been turbulent. All of this adds considerable uncertainty to any calculation about future achievements, their timing, and the social benefits they might, or might not, produce. If a cost-benefit calculation had been made at the moment when Atlantic entered the field—or, for that matter, even at the moment when it exited—a substantial “risk premium” would have had to be added to the discount rate to reflect the uncertainty about outcomes and the volatility of results over time.
CONCLUSION: Some Lessons and Questions

In short, this is not a story that justifies one model of time and philanthropy over another. Instead, it demonstrates how the two can intersect with beneficial outcomes for both kinds of foundation. Still, it is at least arguable—and might, someday, be demonstrable—that Atlantic’s large and disruptive investment in a field ripe for improvement, where social need was pronounced and potential benefits huge, created “greater value and impact” than if the investment had been delayed, and that the resulting value could be expected to “compound at a higher rate than [its] financial assets would.”

A SECOND CAVEAT HAS TO DO WITH TIMING AND TIME LIMITS. One important reason to be optimistic about future improvements in South Africa’s nursing profession is the continued involvement of the ELMA Philanthropies and other donors in South Africa’s push toward reform—donors that have collaborated with Atlantic and that are not time-limited. The creation of a new position of Chief Nursing Officer in the National Department of Health, whose office is dedicated to leading and promoting nursing issues, will also be critical in sustaining the momentum. These leaders, remaining on the scene, can carry on the effort that Atlantic’s major funding helped to jump-start, and they can persevere along the long and still-unpredictable path to a better health-care system. If Atlantic’s large investment can be thoroughly justified based on its likely social payoff, it must be acknowledged that that payoff is expected at least partly because other funders have taken a different, slower, more sustained approach than Atlantic. Still, the fact that the South African government has substantially increased investment in nursing over the last few years shows the lasting impact that Atlantic’s big bet in this field has yielded.
1. THE CHOICE OF A LIMITED PHILANTHROPIC TIME-HORIZON SHOULD BE, AT LEAST IN PART, A DECISION ABOUT HOW AND WHEN TO ACHIEVE THE GREATEST SOCIAL BENEFIT.

IF THERE IS NOTHING INHERENTLY MORE VALUABLE about solving today's problems than tomorrow's, then one reason to prefer immediate action over long-term action must be that immediate action produces more aggregate value for society — both today and tomorrow — than could be produced by conserving resources and employing them later, perhaps indefinitely. It seems obvious that this is not always true — the examples of relieving homelessness or supporting the arts, mentioned at the beginning of this discussion, involve goals that will be just as valuable 20 years from now as they are today. But if there are conditions and assumptions under which near-term action yields more value, then a philanthropist might well look for ways to identify those conditions and assumptions and recognize the opportunities to which they point.

We have considered three Atlantic initiatives as if they had been the subject of that kind of inquiry — as if they had been examined and selected for their ability to yield a disproportionately large amount of social utility and to trigger follow-on or ripple effects that, over time, would compound much faster than the foundation's assets could have done if left in a lasting endowment. This is a thought experiment only — Atlantic did not, in reality, analyze and choose the programs in that way, nor were its expectations about their success rooted in calculations about social utility measured in dollars, euros, or rand. Nevertheless, it did make general assessments about the kind of work that could be completed within its planned lifetime and, within the various branches of work that might fit the time limit, which ones might have the greatest and most lasting value. The more intentionally analytic approach in this paper may be a useful way of drawing out and specifying the kinds of judgments that Atlantic made. And it may be helpful in guiding decisions about the best size and timing of a philanthropic effort: big vs. small, now vs. later.

WILLIAM BRUCE CAMERON, an American sociologist of the 1950s and '60s, warned that "not everything that counts can be counted,"* and that caution applies with particular force to this paper. The purpose of this discussion is not to attempt a substantive evaluation of what the three programs achieved, much less to pin a precise monetary value on those achievements. To begin with, it is not yet possible to make a definitive pronouncement on the ultimate success or failure of any of these initiatives, all of which face countless hurdles on the way to their ultimate goals. More fundamentally, there are many things about these initiatives that are profoundly important but not readily enumerable — i.e., they count but cannot be counted.

Instead, the point is to elaborate, with some roughly financial reasoning, on why a foundation might share Chuck Feeney's belief that it can produce "greater value and impact" by putting all its resources to use in a limited period of time than by creating a lasting endowment. Some critics have argued, fairly enough, that this belief is rarely spelled out in sufficient detail so that it can be analyzed and debated. In fact, the lack of such detail and analysis puts the whole idea at risk of caricature: Stated only in the simplest and most general terms, it becomes easy prey to the suggestion that advocates are merely privileging the needs of today over the needs of tomorrow, as if the latter were inherently less important. The essential purpose of this paper is to escape that trap, and to provide a somewhat fuller articulation of the logic for large-scale, near-term giving — one that tries to be free of any generational bias — and then to invite a discussion about its merits.

The ideas and examples in this paper are meant to inform that discussion. Among the implications of these experiences, at least five stand out as deserving further inquiry and elaboration:

* The quotation is often attributed to Albert Einstein, but there is no evidence of Einstein's having said anything of the kind. The earliest published use of the phrase appears to have been in Cameron's Informal Sociology: A Casual Introduction to Sociological Thinking, Random House, 1963, eight years after Einstein's death.
2. THE SEARCH FOR VERY HIGH SOCIAL RETURNS ON A LARGE, SHORT-TERM INVESTMENT MIGHT MAKE PARTICULAR SENSE WHEN A FOUNDATION’S GOAL IS TO IMPROVE THE PERFORMANCE OF BIG PUBLIC SYSTEMS.

ONE CHOICE ATLANTIC DID MAKE EXPLICITLY, and which has become something of a trademark in its approach to philanthropy, was to place what it calls “big bets” on major changes in public systems and policy. As a team of observers from the Bridgespan Group, a nonprofit management consultancy, noted in 2016, few opportunities to make lasting, compounding social change are as potent as improving the way government addresses one of its major lines of responsibility. It is no coincidence that all three of the examples described in these pages were, at heart, attempts to change the way governments dealt with vulnerable populations—disadvantaged parents and children in Ireland, children with disciplinary problems in the United States, sick people in poor or rural areas of South Africa. In many of its other large program efforts—for example, attempts to eliminate the death penalty in the United States, to expand advanced research in Irish and Australian universities, or to promote public health in Viet Nam and South Africa—Atlantic ventured large sums on intensive, time-limited efforts to fuel complex movements for change. In each of these cases, the motive was to win widespread, lasting improvements in the life prospects of large populations—the kind of ongoing, rapidly compounding benefits we have considered in this paper.

That kind of compounding social return is something that can, under certain circumstances, be accomplished with a large philanthropic effort over a limited period of time. Those circumstances, as we have seen from the preceding examples, include a major gap in policy, where ineffective or harmful practices could be replaced with far more effective ones at little or no additional cost, and where a “policy window” presents a prime opportunity to win public attention and prompt far-reaching action in the relatively near term.

3. HOWEVER, EVEN THE MOST CAREFULLY CHOSEN ‘BIG BET’ WILL TAKE TIME TO GET RIGHT; ‘LIMITED TIMESPAN’ IS NOT NECESSARILY THE SAME AS ‘SHORT-TERM.’

AS THE BRIDGESPAN REPORT POINTS OUT, finding opportunities to achieve high and compounding returns in a limited period can be difficult, and the risks associated with such opportunities are considerable:

Donors face significant barriers in advancing audacious social-change goals: It can be hard to find and structure such big bets, there may be few “shovel-ready” opportunities, personal relationships between donors and nonprofit leaders can take years of hard work to nurture, and the long time horizons required for change and often-murky results make it difficult to measure success. For all these reasons, big bets on social change can feel risky to donors, both because of the sheer size of the financial commitment and also because the donor is putting his or her name and reputation behind highly ambitious—and often unproven—bets. A foundation may, in other words, determine that a successful initiative could indeed result in escalating value that would far exceed what it could achieve with a slower, more limited expenditure of its resources. Yet even so, it might take a long time to reach a point where that kind of success is likely. Early years must be spent in forging relationships, gathering information and formulating strategy, cultivating (or building) strong frontline organizations, and recovering from missteps along the way. All of the examples in this paper began with years spent preparing the ground, assembling the means of intervention (often at several levels, involving many different kinds of grantee organizations—grassroots, research, legal, media, public relations, and more), and adjusting to lessons learned as the initiative was taking shape. Estimating how much time all this will take, and making allowances for uncertainty about that time estimate, are at least as critical in committing to a limited life as is the selection of the goal, the estimation of its long-term value, or the decision about how much money to allot to it.

There may also be cases when the marginal return on philanthropic investment actually declines as the size of that investment rises above some inflection point, thus delaying the hoped-for achievement of large-scale social value even longer. As a foundation pursues its big bet, the best, most ready objectives may be met first, leaving only harder and harder challenges to be tackled thereafter. Or the amount or quality of talent in a field may decline once the earliest and best-prepared people or institutions have been put to work on a problem, leaving only less expert people or weaker institutions to be enlisted afterward. For example, in setting out to bolster nursing education in South Africa, and to train significantly more nurses, Atlantic needed to support not only the nursing departments of major universities, which were relatively well prepared to manage large grants and undertake major new initiatives. It also needed to support the smaller, less well-funded nursing colleges where poorer, more rural students were more likely to enroll. These less-advantaged schools needed much more time and assistance in building up enrollment, adding courses and faculty, and otherwise meeting the challenges that Atlantic was helping them to tackle. The investment is showing promise, but it has taken longer, and performed less robustly in the early years, than originally projected.

In short, the bigger the bet, the more time may be required to achieve the desired payoff, and the less benefit may be reaped with each additional dollar expended.
4. WHEN ESTIMATING THE LIKELY SOCIAL RETURN ON A PHILANTHROPIC INVESTMENT (EVEN IMPLICITLY), IT IS OFTEN NECESSARY TO DISCOUNT THE EXPECTED FUTURE BENEFITS AT A HIGHER-THAN-NORMAL RATE, GIVEN THAT SOCIAL INITIATIVES FACE MANY KINDS OF RISK—ESPECIALLY WHEN AIMED AT PROMPTING LONG-TERM CHANGES IN LARGE, COMPLEX SYSTEMS.

THE CALCULATIONS WE HAVE BEEN DISCUSSING have tended to focus on the value of what is expected to be achieved, and how that value would grow in the future. We have compared those expected results with what the same amount of money might have accomplished if left in an endowment, with only the annual earnings being put to philanthropic use. We have referred, at several points, to the risks and uncertainties inherent in all these calculations—not only the risk of near-term failure, but the risk that complete success may end up lying farther into the future than expected, or that positive outcomes, once they are achieved, might erode or even reverse over time. As John Ettinger, former president of the Helmsley Charitable Trust, has put it, “A foundation might reasonably discount on grounds of uncertainty and risk the [social return] it anticipates as the bets get larger and the time periods for completion grow smaller. Although there are obvious trade-offs here, … a reasonable foundation may feel that the greatest social utility would be achieved by a slower and more deliberate approach” that might impose lower risks involving the timing and completion of work and the durability of results.27

5. THE DECISION ABOUT HOW AND WHEN TO SET A TIME LIMIT ON A PHILANTHROPIC INITIATIVE IS NOT A CHALLENGE EXCLUSIVE TO LIMITED-LIFE INSTITUTIONS.

WEIGHING THE BALANCE OF TIME AND MONEY, of relatively brief, big bets vs. smaller-and-steadier use of resources, is a decision not just about how to structure a foundation. As we have tried to show in this discussion, it is really a decision about how to maximize social value. As such, it should be at least an implicit part of any decision about the size and duration of a foundation program—even in foundations that are committed to operating in perpetuity. If larger expenditures can reap greater returns in a shorter amount of time, and those returns “compound at a higher rate than your financial assets would,” as the Atlantic financial adviser put it, it would be worthwhile to consider how to enlarge and accelerate the outlays. If not, or if uncertainty about future conditions imposes a severe risk premium on the expected social benefits, then it would make sense to proceed more slowly, at least until the uncertainty can be reduced.

We suggested earlier that social-change initiatives, in which the purpose is to bring about cost-effective reforms in large public systems, are one form of time-limited philanthropy that can generate significant, and rapidly compounding, social returns. While that can be true—as the three examples in this paper suggest—the time periods involved are often longer than reformers initially expect. As the Bridgespan team wrote in its analysis of Atlantic’s big bets, “Many academics and advocates alike view cycles of social change as taking 10-plus years.”28 In an institution with a limited life, that means planning early and committing to a steady stream of investments that may have to continue for most of the foundation’s life.

That is precisely what Atlantic did in the design and execution of its program to reform children’s services in Ireland. But in its later commitment to reforming school discipline, the foundation found itself with much less time to build a durable movement. Fortunately, in the case of discipline reform, circumstances surrounding the initiative made a shorter-term engagement more promising. These included the “policy window” that created very-near-term opportunities, as well as the availability of other funders to continue the campaign after Atlantic’s exit. The case of nursing in South Africa falls somewhere in between: While it benefited from more years of planning, coalition-building, and expanding execution than were available to the U.S. school-discipline effort, it remains a very long-term challenge.

In that case, Atlantic will have to hope for the continued support of other funders with longer time horizons, including the South African government, as well as dedicated educators and practitioners, to carry on the cause. For a perpetual institution, all three initiatives might have been just as appealing as they were for Atlantic. They would still have called for a large commitment of resources over a short time period, to launch something on a significant scale, to capture the attention of leaders and thinkers across the field, and to build a case for far-reaching change. In these cases, a big bet with a 10- or 15-year time horizon (at least for assessing cost-effectiveness and determining how to move forward) would have been worthwhile for the perpetual funder as it was for Atlantic. But the perpetual funder would have the additional advantage of being able to soldier on, beyond the initial time limit, if it saw continuing prospects for large social returns.

In other words, time is a critical factor in any foundation’s calculation of the social benefit it hopes to achieve, and in its expectations of how, when, and how much that value will compound in the future. Thinking about this calculation of social return more explicitly can be a useful way of balancing immediate opportunity against the possibility of slower, more deliberate progress—and of determining whether, as Chuck Feeney put it, “intelligent philanthropic support and positive interventions can have greater value and impact today than if they are delayed.” 29

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