

Folks: This article (from *Fortune* magazine) gives you an idea of what I mean when I say that there is a great difference between capitalists who are human beings and capitalists that are corporations. With a human being redemption is possible, not so with a corporation. Note also that the idea of "trickle-down" capitalism that the rich are so fond of advocating does not really work in practice when you consider the total percentage of income they donate for philanthropic purposes. (The Gates' and the Buffets, of course, are aware of this, hence their philanthropic campaign.)

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The \$600 billion challenge

Bill Gates, Melinda Gates, and Warren Buffett are asking the nation's billionaires to pledge to give at least half their net worth to charity, in their lifetimes or at death. If their campaign succeeds, it could change the face of philanthropy.



Flying cross-country in March, Bill Gates stopped in Omaha to lunch near the airport with Warren Buffett at a Hollywood Diner, giving it a small place in history as one venue where the two made plans for their drive to boost giving. Buffett paid for lunch. Click on the photo for more pictures.

By [Carol J. Loomis](#), senior editor-at-large

FORTUNE -- Just over a year ago, in May 2009, word leaked to the press that the two richest men in America, Bill Gates and Warren Buffett, had organized and presided over a confidential dinner meeting of billionaires in New York City. David Rockefeller was said to have been a host, Mayor Michael Bloomberg and Oprah Winfrey to have been among those attending, and philanthropy to have been the main subject.

Pushed by the press to explain, Buffett and Gates declined. But that certainly didn't dim the media's interest in reaching for descriptions of the meeting: *The Chronicle of Philanthropy* called it "unprecedented"; both *ABC News* and the *Houston Chronicle* went for "clandestine"; a *New York* magazine parody gleefully imagined George Soros to have been starstruck in the presence of Oprah. One radio broadcaster painted a dark picture: "Ladies and gentlemen, there's mischief afoot and it does not bode well for the rest of us." No, no, rebutted the former CEO of the Bill & Melinda Gates Foundation, Patty Stonesifer, who had been at the meeting and had reluctantly emerged to combat the rumors. The event, she told the *Seattle Times*, was simply a group of friends and colleagues "discussing ideas" about philanthropy.

And so it was. But that discussion -- to be fully described for the first time in this article -- has the potential to dramatically change the philanthropic behavior of Americans, inducing them to step up the amounts they give. With that dinner meeting, Gates and Buffett started what can be called the biggest fundraising drive in history. They'd welcome donors of any kind. But their direct target is billionaires, whom the two men wish to see greatly raise the amounts they give to charities, of any and all kinds. That wish was not mathematically framed at the time of the New York meeting. But as two other U.S. dinners were held (though not leaked), Buffett and Gates and his wife, Melinda, set the goal: They are driving to get the super-rich, starting with the *Forbes* list of the 400 wealthiest Americans, to pledge -- literally *pledge* -- at least 50% of their net worth to charity during their lifetimes or at death.

Without a doubt, that plan could create a colossal jump in the dollars going to philanthropy, though of what size is a puzzle we'll get to. To begin with, a word about this article you are reading. It is the first public disclosure of what Buffett and Melinda and Bill Gates are trying to

do. Over the past couple of months *Fortune* has interviewed the three principals as the project has unfolded, as well as a group of billionaires who have signed up to add their names to the Gates/Buffett campaign.

In a sense this article is also an echo of two other *Fortune* stories, both featuring Buffett on the cover. The first, published in 1986, was "[Should you leave it all to the children?](#)" To that query, Buffett emphatically said no. The second article, "[Warren Buffett gives it away,](#)" which appeared in 2006, disclosed Buffett's intention to gradually give away his Berkshire Hathaway ([BRK.A](#)) fortune to five foundations, chief among them the world's largest, the Bill & Melinda Gates Foundation. (For Buffett's thinking on the disposition of his wealth, see "[My philanthropic pledge.](#)")

Since then, in four years of contributions, Buffett has given the foundation \$6.4 billion, not counting the 2010 gift, to be made this summer. The foundation in turn has in that same period combined Buffett's money and its immense gifts from the Gateses to raise its level of giving to about \$3 billion a year, much of it for world health. One small example: the Medicines for Malaria Venture, heavily funded by the Gates Foundation, has worked with pharmaceutical company Novartis ([NVS](#)) to develop good-tasting malaria pills and distribute them to millions of children -- the principal victims of the disease -- in 24 countries.

Another fact about the 2006 Buffett article is that it was written by yours truly, Carol Loomis, a senior editor-at-large of *Fortune*. Besides that, I am a longtime friend of Buffett's and editor of his annual letter to Berkshire's shareholders. Through him, my husband, John Loomis, and I have also come to know Melinda and Bill Gates socially. The Loomis team has even occasionally played bridge against Warren and Bill.



LOOK WHO CAME TO DINNER: The crowd at the inaugural event added up to a list that would make any charity -- or any conspiracy theorist -- swoon. Left to right: Bill Gates, Oprah Winfrey, Warren Buffett, Eli and Edythe Broad, Ted Turner, David

Rockefeller, Chuck Feeney, Michael Bloomberg, George Soros, Julian Robertson, John and Tasha Morgridge, Pete Peterson

All that said, the question of what philanthropy might gain from the Gates/Buffett drive rests, at its outset, on a mystery: what the wealthiest Americans are giving now. Most of them aren't telling, and outsiders can't pierce the veil. For that matter, the *Forbes* 400 list, while a valiant try, is a best-guess estimate both as to the cast of characters and as to their net worth. (Buffett says he knows of two Berkshire shareholders who should be on the list but have been missed.) As Bill Gates sums it up, "The list is imprecise."

Those qualifiers noted, the magazine stated the 2009 net worth of the *Forbes* 400 to be around \$1.2 trillion. So if those 400 were to give 50% of that net worth away during their lifetimes or at death, that would be \$600 billion. You can think of that colossal amount as what the Buffett and Gates team is stalking -- at a minimum.

Leaving aside the *Forbes* 400 and looking simply at Internal Revenue Service data for both annual giving and estate taxes, we can piece together a picture of how far the very rich might be from a figure like that \$600 billion. Start with an admirable fact about Americans as a whole: The U.S. outdoes all other countries in philanthropic generosity, annually giving in the neighborhood of \$300 billion.

Some of that gets reported as charitable deductions on the tax filings made by individuals. But taxpayers at low income levels don't tend to itemize, taking the standard deduction instead. At higher income levels, charitable gift data begin to mean something. To take one example for 2007 (the latest data available), the 18,394 individual taxpayers having adjusted gross income of \$10 million or more reported charitable gifts equal to about \$32.8 billion, or 5.84% of their \$562 billion in income.

And billionaires? Here, the best picture -- though it's flawed -- emerges from statistics that the IRS has for almost two decades been releasing on each year's 400 largest individual taxpayers, a changing universe obviously. The decision of the government to track this particular number of citizens may or may not have been spurred by the annual publication of the *Forbes* list. In any case, the two 400 batches, though surely overlapping, cannot be identical -- for one reason because the IRS data deal with income, not net worth.

The IRS facts for 2007 show that the 400 biggest taxpayers had a total adjusted income of \$138 billion, and just over \$11 billion was taken as a charitable deduction, a proportion of about 8%. The amount deducted, we need quickly to add, must be adjusted upward because it would have been limited for certain gifts, among them very large ones such as Buffett's \$1.8 billion donation that year to the Gates Foundation. Even so, it is hard to imagine the \$11 billion rising, by any means, to more than \$15 billion. If we accept \$15 billion as a reasonable estimate, that would mean that the 400 biggest taxpayers gave 11% of their income to charity -- just a bit more than tithing.



Is it possible that annual giving misses the bigger picture? One could imagine that the very rich build their net worth during their lifetimes and then put large charitable bequests into their wills. Estate tax data, unfortunately, make hash of that scenario, as 2008 statistics show. The number of taxpayers making estate tax filings that year was 38,000, and these filers had gross estates totaling \$229 billion. Four-fifths of those taxpayers made no charitable bequests at death. The 7,214 who did make bequests gave \$28 billion. And that's only 12% of the \$229 billion gross estate value posted by the entire 38,000.

All told, the data suggest that there is a huge gap between what the very rich are giving now and what the Gateses and Buffett would like to suggest is appropriate -- that 50%, or better, of net worth. The question is how many people of wealth will buy their argument.

Buffett, Gates, and Gates -- who have a combined net worth of around \$100 billion -- have already committed most of their money to

charity.

The seminal event in this campaign was that billionaires' gathering in May 2009 -- the First Supper, if you will. The Gateses credit Buffett with the basic idea: that a small group of dedicated philanthropists be somehow assembled to discuss strategies for spreading the gospel to others. The Gateses proceeded to arrange the event. Bill Gates says, with a grin, "If you had to depend on Warren to organize this dinner, it might never have happened." In his office, meanwhile, Buffett scrawled out a name for a new file, "Great Givers."

The first item filed was a copy of a March 4 letter that Buffett and Gates sent to the patriarch of philanthropy, David Rockefeller, to ask that he host the meeting. Rockefeller, now 95, told *Fortune* that the request was "a surprise but a pleasure." As a site for the event, he picked the elegant and very private President's House at Rockefeller University in New York City, whose board he has been on for 70 years. He also tapped his son David Jr., 68, to go with him to the meeting.

The event was scheduled for 3 p.m. on Tuesday, May 5 -- a day urgently desired by Bill Gates, who wanted to fit the meeting into a short U.S. break he'd be taking from a three-month European stay with his family. Because Melinda elected to remain in Europe with their three children, she did not attend the first dinner, but lined herself up for any that followed. (The Gateses have considered this campaign to be a personal matter for them, not in any way a project of the Gates Foundation.)

Melinda also insisted from the start that both husbands and wives be invited to the dinners, sure that both would be important to any discussion. Her reasoning: "Even if he's the one that made the money, she's going to be a real gatekeeper. And she's got to go along with any philanthropic plan, because it affects her and it affects their kids."

Letter to David Rockefeller from Bill Gates

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The letter of invitation, dated March 24, went to more people than could come. But the hosts and guests who arrived on May 5 certainly had enough economic tickets to be there: a combined net worth of maybe \$130 billion and a serious history of having depleted that amount by giving money to charity. Leaving aside the semi-observers, Patty Stonesifer and David Rockefeller Jr., there were 14 people present, starting with the senior Rockefeller, Buffett, and Gates. The local guests included Mayor Bloomberg; three Wall Streeters, "Pete" Peterson, Julian Robertson, and George Soros; and Charles "Chuck" Feeney, who made his money as a major owner of Duty Free Shoppers and has so far given away \$5 billion through his foundations, called Atlantic Philanthropies. When Feeney was dropped from the *Forbes* 400 in 1997, the magazine explained his departure in words not often hauled out for use: "Gave bulk of holdings to charity."

The out-of-towners included Oprah, Ted Turner, and two California couples, Los Angeles philanthropists Eli and Edythe Broad, and Silicon Valley's John and Tashia Morgridge, whose fortune came from Cisco Systems ([CSCO](#)). Both the Broads and the Morgridges had equivocated over whether to accept the invitation, regarding the trip as an inconvenience. But there were the signatures at the bottom of the letter -- from left to right, Rockefeller, Gates, Buffett. "Impressive," Eli Broad thought.

So on the appointed day the Broads found themselves seated with everyone else around a big conference table, wondering what came next. They mainly got that message from Buffett, whose quick sense of humor left him playing, says David Rockefeller Jr., "the enlivener role."

He remembers Buffett as keeping the event from being "too somber" and "too self-congratulatory." Buffett set the ball rolling by talking about philanthropy, describing the meeting as "exploratory," and then asking each person, going around the table, to describe his or her philosophy of giving and how it had evolved.

The result was 12 stories, each taking around 15 minutes, for a total of nearly three hours. But most participants whom *Fortune* has talked to found the stories riveting, even when they were familiar. David Rockefeller Sr. described learning philanthropy at the knees of his father and grandfather. Ted Turner repeated the oft-told tale of how he had made a spur-of-the-moment decision to give \$1 billion to the United Nations. Some people talked about the emotional difficulty of making the leap from small giving to large. Others worried that their robust philanthropy might alienate their children. (Later, recalling the meeting, Buffett laughed that it had made him feel like a psychiatrist.)

The charitable causes discussed in those stories covered the spectrum: education, again and again; culture; hospitals and health; the environment; public policy; the poor generally. Bill Gates, who found the whole event "amazing," regarded the range of causes as admirable: "The diversity of American giving," he says, "is part of its beauty."

At the dinner that followed, the conversation turned specifically to how giving by the rich could be increased. The ideas advanced included national recognition of great philanthropists (presidential medals, for example), or a film, or a philanthropy guidebook, or a conference of the rich. There was no talk of a pledge. Of the dinner, the junior Rockefeller says, "The most important thing my dad and I came away with was that increasing giving would take work by many in that room -- delicate, and probably prolonged, one-on-one work."

The dinner, of course, had its unexpected coda: the leak. The leaker, with little doubt, was Chuck Feeney, and the leakee was his longtime friend Niall O'Dowd, the New York publisher behind the grandly unknown IrishCentral.com. (*Fortune* did not succeed in reaching Feeney; of our account, O'Dowd said, "I can't confirm that.") On May 18, two weeks after the meeting, IrishCentral.com posted an article of 14 short paragraphs headlined "[Secret meeting of world's richest people held in New York](#)." With that, the fame of the website spiked, as the rest of the press picked up the news and ran with it.

The IrishCentral article exhibited some confusion about which Rockefeller starred at the dinner, or was even there, but otherwise provided the names of all the participants -- with the notable exception of Feeney, who apparently didn't realize he looked more conspicuous to the others by being left out. Feeney, however, appears to have been quoted anonymously in the piece, once as an "attendee" who thought Gates the most impressive speaker of the day, Turner the most outspoken (surprise!), and Buffett the most insistent on his agenda for change. In a second instance, Feeney was a good bet to have been the awed "participant" who extolled his fellow guests: "They were all there, the great and the good."

The main effect of the leak was to place a "cone of silence" -- that's a description from the Gates camp -- over everything that transpired in the giving campaign over the next year. But there was certainly action, including a few small dinners abroad. Bill and Melinda Gates hosted a dinner in London, and Bill held a few others in India and China. Raising the philanthropic bar in foreign countries is a special challenge: Dynastic wealth is widely taken for granted; tax laws do not commonly allow deductions for gifts to charity; a paucity of institutions and organizations ready for gifts makes knowing whom to give to just not that obvious. Nonetheless, were the Gateses and Buffett to succeed in their campaign in the U.S., they would probably take it overseas.

But as last summer and fall progressed, Buffett and the Gateses did not even have a plan for how the campaign was to be structured. In this vacuum the idea of a pledge took hold and gained strength. It helped that more dinners were to be held. At them, says Melinda, the three principals would "float the pledge idea to see if it would fly."

Letter from Rockefeller, Gates, and Buffet:

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There then occurred the second and third U.S. dinners, most of whose guests have not been publicly outed because of the cone of silence. Secrecy, a Gates spokesman says, is partly a bow to moguls who have been exposed to the philanthropic sales pitch but would be embarrassed to have been identified in case they chose not to step up to the challenge.

In any event, the names of some of the participants are known. The noted philanthropists at the second dinner, held at the New York Public Library in November last year, included New York investment banker Kenneth Langone and his wife, Elaine, and H.F. "Gerry" Lenfest and his wife, Marguerite, from Philadelphia. Lenfest got rich when he sold his Pennsylvania cable television company to Comcast ([CMCSA](#)) in 2000, netting \$1.2 billion for himself and his family. He promptly vowed that he would give most of it to charity in his lifetime. Now 80, he has so far meted out \$800 million, a good part of it to schools he attended (Columbia Law School, Washington and Lee, Mercersburg Academy).

Lenfest's favorite moment at the November dinner was Buffett's declaration that Marguerite Lenfest had put forward the best idea of the evening when she said that the rich should sit down, decide how much money they and their progeny need, and figure out what to do with the rest of it. Says Lenfest: "The value of Buffett and Gates is that they're going to make people sit down and think these things through."

The Third Supper, held in December in Menlo Park, Calif., at the Rosewood Sand Hill hotel, is known as the Bay Area dinner but drew from all over the state, including its entertainment precincts. In attendance were some veteran philanthropists, including venture capitalist John Doerr of Kleiner Perkins and his wife, Ann, and the Morgridges, who had selected the meeting site. This dinner was somewhat different from the other two, says Melinda Gates, because a few people there were relatively new to huge wealth and were still forming their opinions about giving. Talk went on for hours, so long that the beef being prepared for dinner became somewhat overcooked. This is reported to have dismayed Rosewood's management, which may have noticed that the crowd in the Dogwood room was worth having back.

The dinner also brought out some of the fears that people have about philanthropy. What does going public with big gifts do to the peace in your life? Won't pleas from charities be unending? How do you deal with giving internationally, which too often seems like throwing money down a hole? These are valid concerns, say the Gateses, the kind raised by people who want to feel as smart about giving as they were about making their money. But the questions didn't stop the two from plugging the satisfactions of philanthropy. At those dinners, says Bill, "no one ever said to me, 'We gave more than we should have.'"

Nor did the idea of a pledge get shot down at those dinners. It "floated" nicely, in other words. So as 2010 arrived, a pledge became the strategy. The idea of aiming for a 50% slice of net worth was pragmatically pulled from the sky, being less than the principals would have liked to ask for but perhaps as much, at least initially, as they can get. The pledges, meanwhile, were never envisioned as legal contracts but rather moral obligations to be both memorialized in writing and taken very seriously. They are in fact to be posted on a new website, givingpledge.org, whose construction Melinda Gates oversaw. The 99% pledge that Buffett is making is likely to be the No. 1 document on the website, if he is not beaten out by his Seattle friends.

Enthusiastic about leading the search for Great Givers, the Gateses and Buffett nonetheless have wanted a phalanx of strong supporters. Already committed to at least a 50% pledge are the Broads, the Doerrs, the Lenfests, and the Morgridges. With the online publication of this article, moreover, the three principals will send e-mails and make calls to other billionaires judged likely prospects. A bit later, all of the pledgers may join in sending a letter to a large number of other billionaires, asking them to join the growing crowd. In the fall there may even be a Great Givers conference.

The definition of success in this venture may take years to figure out, but each of the principals has reflections about the matter. Buffett knows that everyone rich has thought about what to do with his or her money: "They may not have reached a decision about that, but they have for sure thought about it. The pledge that we're asking them to make will put them to thinking about the whole issue again." He warns, most of all, against the rich delaying the decision of what to do with their money: "If they wait until they're making a final will in their nineties, the chance of their brainpower and willpower being better than they are today is nil."

Bill Gates regards the 50% as a "low bar" encouraging high participation. People, he thinks, may be drawn in by that proportion and then surprise themselves and find they are giving at higher levels. "This is about moving to a different realm," he thinks, and it will take time for everything to sort out.

Melinda Gates separates the near-term from the far. There are so many reasons that rich people don't give, she says: They don't want to plan for their death; they worry that they'll need to hire someone to help with the work; they just don't want to take the time to think about it all. So the initial goal of the pledge campaign, she thinks, must be simply to cut through that and get them moving in the direction of giving. And eventually? "Three to five years down the road, we need to have a significant number of billionaires signed up. That would be success."

Society cannot help but be a beneficiary here, by virtue of at least some dollars and perhaps many. Nor will it be just the very rich who will perhaps bend their minds to what a pledge of this kind means. It could also be others with less to give but suddenly more reason to think about the rightness of what they do.

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Question: If you were a billionaire how much of your wealth would you give away to charity, IF ANY? (It is always easy to criticize the rich.)