

philanthropy

Want To Buy My Students a \$392 Camcorder?

A nonprofit uses the Web to work marketplace magic.

By Jonathan Alter

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Four years ago, my office phone at *Newsweek*

rang: a cold call from Charles Best, a 26-year-old Yale graduate who was teaching in a public school in the Bronx. He told me he had just launched a tiny Web site in a corner of his parents' apartment, a part-time project aimed at helping some of his fellow teachers. By the end of the call, I knew I had seen the future of American philanthropy.

Why? Because nonprofits need to capture the magic of the marketplace if they want to make a serious dent in big social problems.

Douglas K. Smith has [written for Slate](#)

about one way to do this that's brilliant but still theoretical. The organization that Charles Best founded, DonorsChoose, is already using market principles to change American education and the nonprofit world. Some day, the idea behind it will flatten, democratize, and take the intermediary out of all giving.

Full disclosure: After first writing about Best in 2002, I broke my no-boards policy and joined his, which at that time consisted of a handful of volunteers with no clue of what we were getting into. Today, DonorsChoose has won several awards as the most innovative nonprofit in the United States. Best's brainchild was to create a market in teacher proposals, which are posted on donorschoose.org

in informal, non-grants-proposal language by the teachers themselves. So for example, this week a teacher in Richton, Mo., posted a request for a \$392 camcorder for her kids to act out stories they're reading; a teacher in New York City asked for a rug on which to read stories to kindergarteners (\$474); and a teacher in a 100 percent low-income school in Los Angeles wants a \$414 telescope to teach astronomy to her students. Donors scroll through the hundreds of proposals (searchable by region, subject, level of school poverty, etc.) and fund them in whole or in part with a couple of clicks. If there's no market for the proposal, it doesn't get funded, though most eventually do. DonorsChoose handles all of the discounted purchasing from vendors, so no money goes directly to the teacher.

The transaction is totally transparent: If you fund a proposal and want to see the bill of sale for the materials, you get it. A few weeks after buying something, you receive handwritten thank-you letters from the teacher and students telling you how they are using the gift. Many teachers write that it would have been impossible to obtain the materials from the district office. After years of writing checks to charities and not knowing if the money is going for the receptionist, the foundation executive's fancy lunch, or some meaningless paper-shuffling, donors find this a tremendously gratifying philanthropic experience. The recipients are poor kids—now numbering more than half a million—who are finally getting a little of the enrichment that children of the wealthy take for granted.

The key is preventing anyone from controlling the market, so no administrators, unions, school boards, or other nonprofits are allowed to get between teachers and potential donors. Beyond weeding out some obviously inappropriate proposals ("Send teacher and class to Paris to study cooking!!!"), DonorsChoose doesn't get in the way, either.

Early on, some well-meaning but clueless Harvard Business School graduates instructed us that DonorsChoose had to automatically take 15 percent off the top of every gift for overhead. Otherwise, the HBS team warned, our organization would never sustain itself. In fact, these gents withdrew a large gift because they thought our business plan didn't work without the automatic deduction. We said we wanted to offer DonorsChoose donors the option of whether to give us additional money for overhead at checkout. If the donor wants, 100 percent of his or her donation can go directly into the classroom, but he or she is also invited to contribute to covering the organization's expenses. The HBS experts said we would be lucky if 10 percent of our donors voluntarily ponied up extra. But they were living in a pre-Web world in which people weren't used to being asked what specific uses their money could be put to. How many of the thousands of DonorsChoose donors give us 15 percent extra to fund ongoing operations? Try 93 percent.

This year, DonorsChoose will expand from 12 regions to the entire country, which will allow any public school teacher in the United States to post a proposal. China has already imitated the software, so rich Chinese can fund village schools. There's no reason the DonorsChoose model can't apply across philanthropic sectors. It could work for the developing world (where relief workers on the ground could post requests for filtration equipment, mosquito netting, and other projects, with the compelling human stories behind them); for hospitals (where doctors could post their cancer-research projects in layman's terms), and certainly

for cultural institutions. ("Our museum wants to buy this Vermeer. Will you help?")

This future is scary for foundation executives, development officers, and the whole industry that has grown up around spending other people's charitable donations. They needn't worry. Philanthropy will always be large enough for different approaches, and many donors will still want someone else's guidance. But thanks to the Internet and clever adapters like Charles Best, market philanthropy is not off in the distance. It's here.

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