

Where Are Mark Zuckerberg's Billions Going?

The Chan Zuckerberg Initiative is Not a Charity, but It Can Still Be a Force for Good

By Alec Torres

Summary: Media-savvy Facebook founder Mark Zuckerberg and his wife, Priscilla Chan, are engaged in moral posturing on a colossal scale, having pledged to give away 99 percent of their wealth, currently valued at \$45 billion. But instead of simply establishing a foundation to hand out the money as super-wealthy philanthropists normally do, they have created a limited liability company (LLC) they claim will focus on investing in companies and causes pursuing what they consider to be socially responsible objectives. At some uncertain point the LLC will make grants available, they say, but it's not clear how that will work in practice. Despite plenty of unanswered questions, some observers hail the couple as visionaries who have found a new way to harness markets for positive social change. Others accuse them of cynically forming an investment vehicle for public relations purposes. These critics say the LLC is merely posing as a charity. Whatever this new venture may turn out to be, it is certain to be in the spotlight for years to come.

In 2010, *The Social Network* hit theaters. For the first time, the world at large was introduced to the CEO and founder of Facebook, Mark Zuckerberg. In the not entirely accurate but very compelling movie, we saw the dark underbelly of the Ivy League



Social media entrepreneur Mark Zuckerberg in an undated photo.

pursuit of success at any cost. We saw the vast riches that could be mined from the Internet out west in Silicon Valley. And we saw how a young undergrad could rise from millennial student at a world-class university to become master of the globe's latest and most popular vehicle of human interaction.

When *The Social Network* came out, Zuckerberg's net worth was an estimated \$4 billion—not bad for a 26-year-old whose signature invention was first seen on Harvard

February 2016

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computer screens just six years before. As we go to press—only five years after the movie was released—his fortune has risen to an astonishing \$45 billion.

So what does a 31-year-old father of one spend \$45 billion on? Well, there's the usual billionaire dream of a private island getaway (Zuckerberg paid more than \$100 million for a 750-acre plot on the Hawaiian Island of Kauai on which to build a villa). But for the most part, Zuckerberg hasn't conspicuously consumed his way to the stereotype of a gilded age Robber Baron. He hasn't bought a yacht, a penthouse apartment in New York, a private jet, or adorned his home with golden toilets that have heated seats, take your blood pressure, and wish you a pleasant day as you leave.

But he did recently pledge to give 99 percent of his \$45 billion fortune to charity. Well maybe *give* isn't the right word. Or maybe it is. It's hard to say.

What he actually did was create a limited liability company (LLC) into which he promises to funnel money that can then be

Editor: Matthew Vadum

Publisher: Scott Walter

Foundation Watch

is published by Capital Research Center, a non-partisan education and research organization, classified by the IRS as a 501(c)(3) public charity.

Address:

1513 16th Street, N.W.
Washington, DC 20036-1480

Phone: (202) 483-6900

Long-Distance: (800) 459-3950

E-mail Address:

mvadum@capitalresearch.org

Web Site:

<http://www.capitalresearch.org>

Organization Trends welcomes letters to the editor.

Reprints are available for \$2.50 prepaid to Capital Research Center.

donated to charity, or invested in for- and nonprofit entities, or even taken back, depending on what Zuckerberg and his family decide at a later time. But before we go into all that, let's look a little bit more at who Mark Zuckerberg is.

Who is Mark Zuckerberg?

Mark Zuckerberg was born May 14, 1984 in White Plains, New York, to Edward Zuckerberg and Karen Kemper. He grew up in nearby Dobbs Ferry, was graduated from the tony Philips Exeter Academy in 2002—the alumni of which include famed Senator Daniel Webster, President Franklin Pierce, Gilded Age millionaire Francis S. Peabody, and left-wing author Gore Vidal, among many, many others—and then matriculated at Harvard College.

Since he was young, Zuckerberg was well-versed in computer programming. He was even tutored privately by a software developer named David Newman and at the age of 12 created a messaging program that his family used at home.

While at Harvard, Zuckerberg began developing “The Facebook,” a social-networking website where students could post pictures and personal information and connect with others online. He began working on the project while also developing a dating program for students called HarvardConnection. He later abandoned HarvardConnection and focused on developing The Facebook. The Facebook's popularity quickly grew, jumping to other colleges and eventually spreading across the country. Zuckerberg dropped out of Harvard in 2004 and moved his growing business to Palo Alto, California, renaming the website simply “Facebook.”

Critics have long accused Zuckerberg of having a weak sense of business ethics. The students who had commissioned Zuckerberg to develop HarvardConnection sued him for intellectual property infringement, alleging he used their ideas on HarvardConnection for

The Facebook. The lawsuit only officially ended in 2011, when an appellate court forced plaintiffs Cameron and Tyler Winklevoss to honor a 2008 settlement in which they agreed to accept Facebook stock valued at \$65 million at the time.

In a little over a decade, Facebook has grown to become the world's most popular social networking site with 1.55 billion active users. Zuckerberg quickly became one of the youngest billionaires in America.

On May 19, 2012, Mark Zuckerberg married Priscilla Chan, a former Harvard student he met during his sophomore year. After Harvard, Chan was a medical student at the University of California, San Francisco, and she is now a practicing pediatrician.

On December 1, 2015, the Zuckerbergs' first child, Maxima Chan Zuckerberg, was born, and shortly after the couple announced they would donate 99 percent of their shares in Facebook through the recently created Chan Zuckerberg Initiative, a limited liability company.

The Chan Zuckerberg Initiative, LLC

Naturally, Mark Zuckerberg announced the creation of the Chan Zuckerberg Initiative on Facebook with a public letter written to his daughter. In his letter, he outlined his and Chan's faith in the ability of technological progress to make a better future, and wrote glowingly about how much progress mankind has already made. “While headlines often focus on what's wrong, in many ways the world is getting better,” he said. “Health is improving. Poverty is shrinking. Knowledge is growing. People are connecting. Technological progress in every field means your life should be dramatically better than ours today.”

But to reach that better future, Zuckerberg believes we need to make major investments today. His letter outlined 10 ways to accomplish his two main goals of advancing

human potential and promoting equality. To advance potential, the world must (1) improve education, (2) cure disease, (3) connect people, (4) harness clean energy, and (5) cultivate entrepreneurship. To promote equality, the world must (1) eliminate poverty and hunger, (2) provide everyone with basic health care, (3) build inclusive and welcoming communities, (4) nurture peaceful relationships between nations, and (5) empower everyone, especially women, children, minorities, and immigrants.

To achieve these various broad goals, Zuckerberg promised a mix of donations, investments, and public policy advocacy. Instead of traditional charity work to alleviate suffering or solve a specific problem, Zuckerberg said he wanted to work on large issues from multiple angles. Part of that means engaging “directly with the people we serve.” He also wants to invest in technology because “progress comes from productivity gains through innovation.” But unlike many institutions, he also wants the Chan Zuckerberg Initiative to “participate in public policy and advocacy to shape debates.” That means the Initiative will support “the strongest and most independent leaders in each field,” relying on society’s elites to change the world.

Traditional charities focus on helping people who face problems that—one way or another—always seem to exist. But Zuckerberg thinks that isn’t enough. To really help, his letter implies, we must alter the structure of our society, from the technology we use to the laws that govern our lives and interactions. Real help also requires investments in areas that companies and governments don’t fund, “either because they may not be profitable for companies or because they are too long term for people to want to invest now,” Zuckerberg explained in a December 4 Facebook post.



Priscilla Chan and Mark Zuckerberg

What is most exceptional about Zuckerberg and his wife’s initiative is not the grandiosity of his aims, but the amount he wants to spend reaching those goals. Unlike most philanthropists who donate the majority of their money at the end of their lives to foundations that may have limited goals, Zuckerberg wants to spend 99 percent of his Facebook shares “during our lives” to make progress on multiple ambitious goals.

Now it’s *possible* the Zuckerbergs will give away 99 percent of their Facebook shares over their lifetimes. But the way Priscilla Chan and Mark Zuckerberg created their initiative, the money hasn’t actually been donated. Instead, it will be put in an LLC that can give it to charity, or invest it in for-profit or nonprofit groups, or use it to purchase technologies or even buy stock in companies. In fact, the Zuckerbergs can even take their money back at any time, because they didn’t set up a charitable foundation. Instead, they created a limited liability company, and just as Zuckerberg revolutionized how we use

the Internet, he may now be revolutionizing how the super wealthy give.

It’s a Bird... It’s a Plane... It’s a Limited Liability Company

Traditionally, wealthy people in America have structured charitable organizations in two ways: into a “public charity” or a “private foundation,” as our tax laws put it. Both types of nonprofits fall under the famous section 501(c)(3) of the law, and most of these nonprofits are public charities, which carry out direct charitable activities ranging from feeding the hungry and clothing the naked to granting university degrees at places like Harvard. There are strict limits on who can run a public charity; for example, no more than 50 percent of the board can be related by blood, marriage, or outside business co-ownership, according to the Foundation Group.

The rules for private foundations allow more control by people related to each other and can be funded by a small group of people. This allows large private donors—for ex-

ample Bill and Melinda Gates—to have great discretion over their own philanthropic donations through a single entity. Private foundations are, however, required to spend or give away a minimum of 5 percent of the value of their endowment every year toward charitable purposes.

While there are other types of 501(c)(3) organizations, these are the most popular ways people structure giving. But Zuckerberg took a relatively new approach—following in the footsteps of the likes of Laurene Powell Jobs, widow of Steve Jobs, and Pierre Omidyar, a founder of eBay—by forming his organization as an LLC, not as a 501(c)(3) at all.

Owners of an LLC report business profits or losses on their own personal tax returns and, only the assets of the LLC are ever at risk. The owners of the LLC—known as “members”—have nearly complete control over how the resources of the LLC are used.

LLCs also do not face the same mandatory disclosure of tax documents that public charities and private foundations do, and owners of LLCs can use their profits however they wish. So, as *New York Times* writers Natasha Singer and Mike Isaac said, “the LLC acts more like a private investment vehicle for the couple,” rather than as a strict vehicle for charitable donations.

The key word for LLCs is “flexibility.” With an LLC, Zuckerberg can invest in for-profit companies, support political causes, and give their money to traditional charitable organizations.

To Zuckerberg’s supporters, that means the Chan Zuckerberg Initiative will be able to alleviate the pain of immediate problems, invest in long-term solutions, divert funds to new problems that pop up, and use any returns from investments to replenish funds for future donations. And they can do all this without the legal constraints imposed on traditional charities.

To detractors, forming the initiative as an LLC means it isn’t charitable at all. Zuckerberg isn’t actually donating his money to a public charity that will control the funds, and he can in fact profit from his transfer of money while masking his moves as “charity.” He may even be able to use the LLC to help his bottom line come tax season.

So the question is, is the LLC a charity or not?

Contrast young Zuckerberg’s calculating approach to giving with that employed by 85-year-old Warren Buffett, who was worth \$66.7 billion in 2015, according to *Forbes*. Both men have pledged to give away 99 percent of their wealth over time but Buffett has actually been doing it. Every year Buffett gives away billions of dollars, largely to the Bill and Melinda Gates Foundation. (Buffett’s philanthropy was most recently examined in *Foundation Watch*, November 2011.)

Will Zuckerberg and his wife follow Buffett’s honorable example? Nobody knows.

But when it comes to public relations, the upside for Zuckerberg and Chan is obvious: They get credit now, up front, as benefactors of humanity, before they’ve actually done much in the world of philanthropy. And then they get credit over and over again every time their Initiative cuts a check.

That is clever.

LLC for Charity: Bad or Good?

After his announcement that the Chan Zuckerberg Initiative would be an LLC, Mark Zuckerberg faced some criticism. To clear the air, he explained in a Facebook post that the Initiative “is structured as an LLC rather than a traditional foundation. This enables us to pursue our mission by funding non-profit organizations, making private investments, and participating in policy debates—in each case with the goal of generating a positive

impact in areas of great need.” In essence, Zuckerberg was saying this isn’t a charitable organization in the traditional sense at all, but we will still use this money to help people.

Nate Church of Breitbart.com goes one step further and argues that the Initiative shouldn’t really be considered a charity in any sense of the word. “In summary, the LLC’s stated mission,” Church wrote, “is to engage with people, build new technology, support policy and advocacy, and back chosen leadership. If you think it doesn’t sound much like a charity, that’s because it doesn’t.”

Church may be uncharitably cherry-picking which aspects of the Initiative he wishes to emphasize, but his criticism has a ring of truth to it and goes deeper than his assertion that the LLC isn’t charitable.

He writes:

An LLC has a lot more leeway in how the money is actually distributed. Not only does an LLC require far less disclosure than an actual NPO [non-profit organization], but it can handily avoid the federal requirement that at least 5 percent of its annual endowment actually reach charitable efforts.

The Chan Zuckerberg Initiative is also free to invest its resources in for-profit enterprises and shore up the financial security of political causes with which Zuckerberg and his wife agree. He won’t have to disclose the details of the company’s financial affairs, and can even turn a profit in the process.

Hiding finances, turning a profit, and supporting political causes you agree with doesn’t sound much like charity, so Church’s argument goes, and Zuckerberg’s past actions—such as Facebook’s use of tax shelters like the Cayman Islands—have not made “a very compelling case for trusting in Mr. Zuckerberg’s goodwill.”

Robert Willens, a corporate tax expert, said, Zuckerberg's "donation has been characterized a little too simplistically as an outright charitable donation of 99 percent of his wealth. Certainly it could wind up being that if he directed all of the LLC's funds to charity. But the jury is still out regarding what percentage of his wealth will be directed to charity."

Others were even more critical. Robert W. Wood of *Forbes* wrote that Zuckerberg's "donation" will "whittle down his savings, but also shield billions in income he is yet to earn." Ultimately, the move is very tax-efficient, Wood says. "One can assume that he will make these enormous gifts in shares, not in cash.... Why donate stock? With stock, the donor gets a charitable contribution deduction based on the *fair market value* of the shares. Value [what something is currently worth] and basis [what you originally paid for it] are different things, which can mean enormous tax advantages."

But others look at these same facts and argue that the Chan Zuckerberg Initiative can be an even more useful vehicle for philanthropy than a traditional 501(c)(3) foundation or charity, and that it is much more than an innovative way to shield a billionaire from taxes.

"Some have criticized traditional foundations and other charities for not having 'a bottom line,' a readily available measure of success that would enable donors to determine whether their gifts were doing any good," writes professor Leslie Lenkowsky of Indiana University in the *Wall Street Journal*. "What Mr. Zuckerberg and others are proposing instead is to harness the profit motive on behalf of their philanthropic goals."

The benefit of this is that the companies the Chan Zuckerberg Initiative invests in will have to show "both financial return in order to be sustainable and a social one ... in order to obtain more funding." Then, unsuccessful

companies, unlike traditional charities that may or may not actually work, will eventually go out of business. That means donated money is used more effectively instead of being wasted on charitable organizations that may have a good sales pitch but don't produce returns.

Demanding returns on charitable giving is a risky proposition, especially when you consider that the charity work that most helps people—giving of food, housing, time, and money, or teaching basic life skills like responsibility and decorum—produces largely unmeasurable benefits. Still, if Lenkowsky is right about how Zuckerberg's LLC will use the profit motive to function, it could mitigate the perennial problem of fraudulent foundations using the words of charity to do nothing more than enrich themselves. Just think of the Bill, Hillary, and Chelsea Clinton Foundation, which operates more as a clearinghouse for Clinton operatives who can continue to draw large paychecks and indulge in cushy perks in-between their stints of "public service."

Felix Salmon of *Fusion* wrote the definitive, Zuckerberg-approved defense of the Initiative. Zuckerberg said on Facebook that Salmon's December 3 article was "the most thoughtful writing on the Chan Zuckerberg Initiative that I've read so far, and it explains our philosophy well."

Salmon wrote that "Zuckerberg isn't going to be satisfied with small, visible interventions which don't scale—feeding the hungry, say, or giving money to the poor. Such activities *improve* the world, but they don't *change* the world." Zuckerberg is looking for a "Facebook-sized impact," and the vehicle will be this LLC.

With an LLC, Zuckerberg can use his fortune as "risk capital, which can be invested in projects which have a low chance of succeeding but which if they do succeed could be genuinely transformational." Salmon acknowledged that "Zuckerberg has there-

fore given himself a lot of flexibility here, which means that he could even claw back the money, or end up leaving it to his daughter, if that's what he changes his mind and decides to do." But, argues Salmon, "The important thing isn't how much you give away or how much you control you retain over that money once you have donated it," writes Salmon. "Rather, it's how much your donation managed to change the world for the better." Ultimately, "if Zuckerberg keeps his promise and gives away 99 percent of his Facebook shares in an attempt to improve the lives of future generations, that's a philanthropic act no matter what the tax man says."

So what to make of all this? With the degree of flexibility Zuckerberg and his wife have in their LLC, a judgment on its work will depend on what Zuckerberg does or doesn't do with his money over the course of his life. I make no claim to be a tax specialist, and I have no reason to doubt the sincerity of Zuckerberg's desire to help people. So whether this move is a nefarious attempt to dodge taxes while gaining publicity as a philanthropist, or instead turns out to be an innovative way to change the world for the better, will depend entirely on whether Zuckerberg actually employs his money in a charitable way and what his tax returns end up showing. But if the past is any indication, Zuckerberg does have a heart for people, even if his efforts haven't always been effective or aren't traditional works of charity.

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Newark: Zuckerberg's First Foray into Philanthropy

Before we get into Mark Zuckerberg's donations, a quick note on his wife. Priscilla Chan doesn't have a very large record of public donations. She married Mark in May 2012, the year she was graduated from medical school. Open Secrets reveals no political donations from Chan, and it appears her public philanthropy work began after her marriage to Zuckerberg. She is a woman, it seems, who likes to keep a low profile.

Mark Zuckerberg, on the other hand, has made a few small political donations. From 2011 to 2015, Zuckerberg donated a token \$2,600 to a bipartisan group of national political figures, according to Open Secrets. Democrat candidates who received money include Nancy Pelosi, Sean Eldridge, Charles Schumer, Cory Booker, and Luis Gutierrez. Republican recipients were Orrin Hatch, Marco Rubio, John Boehner, and Paul Ryan. Wealth Engine also lists two donations of \$3,800 to New Jersey Gov. Chris Christie (R).

If you're looking for where Mark Zuckerberg really spends his money, it isn't politics. Instead, he has funded many well-documented philanthropic efforts—just about all of which relate to the goals of the couple's new LLC.

Zuckerberg made his fortune when young, and unlike most young millionaires and billionaires, he's had no fear of putting large sums of money on the line in an effort to help people. The results have been mixed.

In December 2010, Zuckerberg signed the giving pledge, a precursor to his eventual promise to give away 99 percent of his Facebook shares. The giving pledge was less ambitious, but still generous: Zuckerberg vowed to give away at least 50 percent of his wealth.

That same year he announced publicly and with much fanfare a \$100 million donation to fix Newark's broken school system. Working hand-in-hand with New Jersey Gov. Chris Christie and then-mayor of Newark (now senator from New Jersey) Cory Booker, the education reform was supposed to be transformational. Instead, Zuckerberg and his erstwhile political companions hit the brick wall of unions, bureaucracy, and entrenched interests.

On paper, the effort was perfect. Social media billionaire joins forces with a black Democrat mayor and a white Republican governor to help our nation's neediest children. But problems arose right from the beginning, as Dale Russakoff has discussed in his book on the issue, *The Prize: Who's in Charge of America's Schools*.

First, Zuckerberg and Booker announced their intention to reform Newark schools on the TV show "Oprah." So parents, students, teachers, union members, and principals—really the entire interested community—found out about a giant top-down reform effort from television.

After that, the policies the group attempted to pursue weren't half bad. They wanted to expand charter schools, get rid of teachers with bad evaluations, judge teachers largely by their students' test scores, reward well-performing teachers, and streamline school management.

But these rapidly imposed changes caused "a huge upheaval in the way school was experienced by children and families in Newark," said Russakoff. "When a school is closed, children had to walk through very dangerous territory... sometimes through gang territory, through drug dealing neighborhoods."

Then a more intransigent problem arose. The perpetual opponent of education reform and putting students first reared its ugly

head: teachers' unions and vested education interests. To reform the rules governing teacher seniority, which protect teachers without regard to merit, Zuckerberg and Booker needed to change the law. But the New Jersey legislature is firmly in the hands of the teachers' unions, which balked at any attempts to strip privileges away from teachers. Their reforms stalled.

Despite multiple obstacles, the effort was not a complete failure. Within a couple years, double the number children were in charter schools, which dramatically outperform traditional public schools in Newark. And as Mark Zuckerberg noted, graduation rates jumped from 56 percent to 69 percent from 2010 to 2015 in Newark. Still, the basic structure of schooling in Newark remained largely unchanged, meaning Zuckerberg's goals went mostly unrealized.

Zuckerberg may not want to criticize his own efforts, but others were quick to note the failures of his Newark education reform. James Piereson of the Manhattan Institute and Naomi Schaefer Riley of the Independent Women's Forum wrote in the *Wall Street Journal* in October 2015 that the bulk of Zuckerberg's funds "supported consultants and the salaries and pensions of teachers and administrators, so the donation only reinforced the bureaucratic and political ills that have long plagued public education in the Garden State."

Ultimately, Piereson and Riley argue that education reform and unionization just can't be reconciled, and Zuckerberg is merely the latest to learn that hard lesson. Their conclusion is that "philanthropists will not be able to change education and improve student outcomes unless they can circumvent the bureaucracies and interest groups that are responsible for the problems they hope to solve."

It's hard to imagine that anyone would donate \$100 million without having a genuine

desire to help. But the cruel realities of our broken education system easily trumped the moral force of good intentions—even good intentions with a large bankroll.

Acknowledging that most attempts to reform education run into the same problems, Zuckerberg's failure here can most likely be attributed to a certain naïveté of how the rough and tumble world of teachers' unions and Newark education work rather than from any ulterior motives.

But Zuckerberg wasn't going to be deterred by Newark.

Zuckerberg Donations, a History

Following Newark, Zuckerberg still had a heart for education. In 2014, Zuckerberg and his wife pledged—with a lot less fanfare—\$120 million to improve public education in San Francisco through their grant-making organization, Startup:Education.

Zuckerberg announced on Facebook that this education push would focus on personalizing education, enabling local leaders, aiding local district and charter schools, increasing Internet access, and helping more students receive a college education. What was absent was increasing teacher standards or streamlining the education bureaucracy—in essence, no attempts to overthrow the traditional education system power structures.

Zuckerberg gave another \$20 million in 2015 to bring high-speed Internet to public schools. This money will fund a group called EducationSuperHighway, which aims to bring Internet access to “every public school classroom in America so that every student has the opportunity to take advantage of the promise of digital learning.” When students have access to the Internet, then they can have the “personalized and digital learning” that Zuckerberg values so highly.

According to Inside Philanthropy, EducationSuperHighway pays special attention to

policy and advocacy, urging government to do more to connect schools to the Internet.

What is different about these education initiatives (beyond the fact that they were not announced on “Oprah”) is that they try to work largely within the existing structure of education instead of facing off with the teachers' unions and union-controlled governments. The largesse of the gift hasn't changed, nor to a large degree has the purpose. But the style of giving and the means by which Zuckerberg wants to change education have changed.

Lastly on the education front, Zuckerberg pledged \$5 million in 2015 to Dream.us to help illegal immigrants (so-called “Dreamers”) attend college. The donation was made to fund 400 scholarships for Bay area students.

But that was far from the only foray Zuckerberg has made into the immigration issue. Zuckerberg has long been a proponent of increased immigration. He helped found FWD.us, a website in support of, as they say, “comprehensive immigration reform, improving the quality of American education, and encouraging more investment in scientific education.” Zuckerberg launched FWD.us in 2013 along with other tech leaders like Bill Gates and Reid Hoffman, the co-founder of LinkedIn. The group is best known for its immigration advocacy, where it aims to improve border security, favor high skilled immigrants, provide a path to citizenship for those here illegally, and create an internal verification system.

FWD.us has made very public forays into politics, backing senators who support (or at least supported) comprehensive immigration reform like Marco Rubio (R-Fla.), Lindsey Graham (R-S.C.), and Mark Begich (D-Alaska). In 2014, FWD.us launched a large and failed immigration reform push. With over \$50 million and backed by a slew of elites, the effort got nowhere. Media buys

costing millions didn't gain traction, and \$780,000 worth of lobbying didn't produce results. Despite the failure, FWD.us plans to launch a multi-pronged campaign for immigration reform and will spend up to \$10 million in the coming cycle, according to *Politico*.

Zuckerberg has also funded expanded Internet access well outside of the classroom. Facebook, along with six other media companies, formed an initiative called Internet.org in 2013 to bring Internet access to everyone in the world who doesn't have it. When Internet.org was launched, Zuckerberg wrote a 10-page document outlining the organization's vision, saying that “connectivity is a human right”—a manifestly false claim that underscores the grandiosity of his ambitions.

The basic idea of the initiative is simple: Offer certain websites that want to be a part of the initiative for free—for example, websites on jobs postings, news, and health—expand wifi access to town and villages, and develop new technologies to expand Internet access. Since its founding, Internet.org has expanded access in India, Pakistan, Indonesia, and other countries, and more than 9 million people have gone online through the Internet.org mobile app, according to the *Washington Post*.

Zuckerberg's next major philanthropic focus is public health. In 2014, Mark and Priscilla donated \$25 million to the Centers for Disease Control Foundation to combat Ebola. Zuckerberg has supported medical research through the Life Sciences Breakthrough Prize, where he sits on the board. He even sent \$75 million to the San Francisco General Hospital and Trauma Center, the only public hospital that provides trauma and psychiatric emergency services. This focus—and generosity—in regards to public health may have its roots in Dr. Priscilla Chan, who has studied for years to help children as a pediatrician.

In the related field of scientific development, Zuckerberg joined with fellow tech billionaire Bill Gates to launch the Breakthrough Energy Coalition, an initiative to spur private investment in “clean” energy. This initiative was announced late in 2015 before the Paris Climate Conference, at which world leaders agreed to a token, legally nonbinding agreement to reduce carbon emissions.

Finally, Zuckerberg has made multiple large donations to the Silicon Valley Community Foundation (SVCF)—a grant-making organization centered in California’s Bay Area. The foundation calls itself “the largest community foundation in the nation,” and it “helps build and strengthen the community by bringing together people and organizations who want to strengthen the common good.” Jumping through several layers of their websites, one can get past the contentless talk of “strengthening communities” to another mass of catch-all terms labeled as the foundation’s values: collaboration, diversity, inclusiveness, innovation, integrity, public accountability, respect, and responsiveness.

The four primary ways it uses its funds is to “commission research,” “conduct public discussions,” “advocate policy outcomes,” and “create initiatives.” They then add that they work with “individuals, families, businesses, and organizations to create permanent charitable funds that help address our communities challenges.”

Zuckerberg donated an eye popping \$992,200,000 in Facebook stock—18 million shares—in late 2013, making it the biggest charitable contribution in America that year. This was on top of a \$500 million gift to the foundation in 2012. Unfortunately for the public, these donations are shrouded in mystery. SVCF CEO Emmett Carson said of the nearly \$1 billion gift, “We respect

every donor’s privacy and each donor has their own philosophy and interests.”

But while we don’t know exactly what Zuckerberg donated to, we do know a bit about what the SVCF does.

Carson said in 2012 the group directs about 40 percent of its grants towards education, 14 percent toward health causes, and 5 percent to environmental issues.

According to Hans Zeiger at *Philanthropy Daily*, SVCF is “the largest source of funding to San Francisco Bay Area nonprofits, while awarding more grants than any other community foundation in the country to global causes.” With assets valued at \$3.5 billion, the foundation has ample ability to support nonprofits that work on its regional causes of economic security, education, innovation, immigration, and community development.

With hundreds, if not thousands of grantees, it’s difficult to measure the full scope of the SVCF. Undoubtedly, many of the organizations it supports do wonderful work to help people in their communities and around the world. However, there is a dark side to the foundation. As LifeNews.com discovered, there is a link between SVCF and the abortion servicer Planned Parenthood. In 2012 alone, SVCF donated over \$40,000 to Planned Parenthood in multiple cities across the United States. There’s no known link between Zuckerberg’s donation and Planned Parenthood, however, and it cannot be assumed from this that Zuckerberg financially supports the abortion industry.

Capital Research Center’s Matthew Vadum wrote at WND that SVCF is a “left-wing group” that receives money from the federal government as well as private donors. He noted that the foundation has given nearly \$1

million to Media Matters, a major left-wing media group, as well as the following:

“Tides Center and Tides Foundation (\$2,546,888 since 2005), Planned Parenthood and affiliates (\$2,007,950 since 2005), (Jimmy) Carter Center (\$1,346,500 since 2007), Center for American Progress (\$1,696,000 since 2007), Center for Responsible Lending (\$275,000 since 2009), ACLU (\$204,075 since 2005), Center for Constitutional Rights (\$106,500 since 2007), People for the American Way Foundation (\$90,000 since 2010), Clinton Global Initiative (\$59,000 since 2011), New Organizing Institute (\$20,000 in 2012), National Immigration Forum (\$15,000 in 2012) and Brady Center to Prevent Gun Violence (\$6,950 in 2012).”

Carson himself is a well-known leader of the philanthropic Left who is the former head of the Ford Foundation’s worldwide grantmaking program on philanthropy and the nonprofit sector. He has often received praise from the left-wing National Committee for Responsive Philanthropy (NCRP) for his support of “advocacy” by nonprofits and for sending money to projects that stress poverty’s “root causes,” as interpreted by left-of-center ideology.

Conclusion

Zuckerberg entered the world of public philanthropy only five years ago. But in that short time, he has made his presence felt. Though the eager founder of Facebook has had a few failures, he has spread his riches far and wide and never given up on his desire to fundamentally transform whatever cause he is working on. From education to public health to immigration to technology, he doesn’t want to be just another person helping others. He wants to be *the* person changing the world.

The Chan Zuckerberg Initiative is certainly a unique vehicle for philanthropy. Zuckerberg made his pledge to donate 99 percent of his Facebook shares, but whether or not that happens depends entirely on if Zuckerberg stays true to his word. Just because an LLC isn't a traditional charity doesn't mean Zuckerberg still can't do charitable works. But it does mean Zuckerberg can attempt to stretch the definition of charity.

Helping a poor child learn to read is surely charitable, but is funding an education start-up with high risk and high potential? Is it charitable if the "donor" expects a return for his investment?

Likewise, welcoming into your home those with nowhere else to go is surely charitable. But is it charitable to fund political organizations advocating a change in our immigration law? Is it charitable to support leaders who advocate the same politics you do?

As Felix Salmon wrote on *Fusion*, with Zuckerberg's gratitude, he "isn't going to be satisfied with small, visible interventions which don't scale—feeding the hungry, say, or giving money to the poor. Such activities *improve* the world, but they don't *change* the world."

Of course, to change the world in that way, one must focus on structures. One must work through or with governments, navigate interest groups, work with fellow "leaders," and change policy. Whatever way you look at it, that isn't precisely charity.

True charity is interpersonal. It is human. It doesn't care whether there is a return on the investment you make. It doesn't need to scale, though sometimes it does. It doesn't need leaders or consultants. Internet, education, and even money are means, not ends. The true purpose of charity is to

show love. It builds up individual human beings by showing them that someone cares, that they have worth just for being human, and that their potential and value can never be determined by their wealth or power or circumstance.

The benefits of true charity may not be measurable in economic returns, graduation rates, or the number of people with Internet access. Its effects are not so obvious, but they are immeasurably more powerful.

Only with time can we judge the Chan Zuckerberg Initiative. Like any human invention it can be used for good or ill, depending on the will, wisdom, and fortune of those who run it. But by the looks of it, it will probably not operate as a charity.

That is not necessarily a damning indictment. Much good can be done through impersonal, large-scale philanthropic efforts. After all, the education system, the immigration system, the health care system, and public policy in general have profound influences on human life, and all need improvement. But we must not imagine that the desire to do good, coupled with money and power, necessarily creates charity.

So how should we describe Mark Zuckerberg? Generous? Yes. Ambitious? Undoubtedly. Effective? It depends. Charitable? He may be. But that has little to do with his money or with the Chan Zuckerberg Initiative.

Alec Torres is a Capitol Hill aide.

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PhilanthropyNotes

For donors interested in education reform, the **Philanthropy Roundtable** has a new “Wise Giver’s Guide” that focuses on how donors of all religions and none can best support Catholic schools. Those schools, especially in the inner city, often serve mostly poor, non-Catholic students, and they help make the case for school choice: the idea that all students and parents should have the freedom to choose the best schools for their situation, and therefore that all schools should be forced to compete for private and government funds. This guidebook, available at PhilanthropyRoundtable.org, has lots of practical advice for donors who want to join in the innovative progress that has been achieved in recent years by cutting-edge funders like equity-capital pioneer **Russ Carson** of **Partnership for Inner-city Education** and **Rob Birdsell, B.J. Cassin**, and **John Eriksen** of the **Drexel Fund**. As the book’s editor **Karl Zinsmeister** observes, a sector of schooling that not long ago looked in danger of going extinct has been saved by “entrepreneurs who know that competition is the best route to success,” and “donors who are willing to share their wealth with schools that improve lives.”

Sen. **Bernie Sanders**’ (I-Vt.) bid for the Democrats’ presidential nomination has boosted interest in the Marxist group known as **Democratic Socialists of America** (DSA), a 501(c)(3) nonprofit whose full name is Democratic Socialists of America Fund Inc. The *Wall Street Journal* reports that around 10,000 people visited the group’s website the day of the Democratic debate in Las Vegas in October—which is more than six times the normal level of visitors. Since Sanders jumped into the fray in May, new membership applications have jumped by 100 to 200 percent on a monthly basis. “This is a gift from the socialist gods,” said Joseph Schwartz, a DSA vice chairman and Temple University professor. Around 120 people attended DSA’s biennial meeting in Pennsylvania in November, a third more than the previous meeting.

Goldman Sachs WATCH

Goldman Sachs is being sued because it allegedly failed to notice and then covered up a mathematical error that shortchanged investors in Tibco Software Inc. by \$100 million when the company was sold in 2014. “It comes as scrutiny of bankers’ advice, one of the top sources of Wall Street fees and bragging rights in a record year for [mergers and acquisitions] is on the rise,” according to the *Wall Street Journal*. The lawsuit claims Goldman didn’t let Tibco know once it realized a bid for the company was underpriced and that this omission tied the board’s hands at a key moment. Directors are required under the law to seek the best price they can for investors.

In another lawsuit against Goldman Sachs reported by the newspaper, the U.S. Securities and Exchange Commission is alleging that former Goldman employee Yue Han used stolen inside information to trade before client mergers, reaping a \$450,000-plus profit. The SEC obtained an emergency order freezing Han’s assets and accounts he used to conduct the transactions. “If the allegations are true, Han violated our trust and ignored extensive training that he received, so we are pleased that the authorities are pursuing action against him,” a Goldman representative stated.