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**CONVERSATIONS ON PHILANTHROPY**

An Interdisciplinary Series  
of Reflections and Research

*Volume III*  
*Philanthropic Transformations*

Lenore T. Ealy

SERIES EDITOR

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2006

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# Conversations on Philanthropy

Volume III Philanthropic Transformations

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## INTRODUCTION

Volume III of *Conversations on Philanthropy* marks the beginning of our second full year of publication. In this volume, themed *Philanthropic Transformations*, we somewhat modify our previous conversational formula to bring you a single conversation rather than two. The two papers anchoring this volume, “Dancing the Measures of Transformation,” by anthropologist Heather Wood Ion, and “Fostering Sustainable Complexity in the Microfinance Industry: Which Way Forward?” by economist Emily Chamlee-Wright, proved sufficiently complementary that we asked our commentators to engage both essays in their reflections.

The field of microfinance has been one of the most dynamic areas of philanthropic endeavor over the past decade. In the papers here, Ion and Chamlee-Wright each take microfinance as their point of departure in reflecting on the role of philanthropy in advancing prosperity among the world’s poorest people. With the eye and ear of a poet, Ion brings us an anthropologist’s sensitivity to the potential of microenterprise not only to improve the economic conditions of people but fundamentally to transform their personal and cultural narratives. Chamlee-Wright, who has spent time among women microentrepreneurs in Ghana, examines the microfinance industry through the lens of an economist and points out the importance of arrangements that connect microentrepreneurs to extended social and economic networks.

Both of our authors suggest that the field of microfinance can bear a rich harvest for philanthropic investors seeking to ameliorate conditions of poverty. Taking their insights together, we learn that the best philanthropy in the field would be that which utilizes resources to provide seed capital, research, and development to elicit and build upon local knowledge and initiative while also attending to the need to expand the horizons of microentrepreneurs and to foster the building of bridges between microentrepreneurs and commercially sustained markets.

Frederick Turner (whose essay “Creating a Culture of Gift” appeared in *Conversations on Philanthropy*, Volume II) begins our comments on Ion’s and Chamlee-Wright’s essays with the astute observation that a first principle of philanthropy should be to provide aid in ways that assist rather than hinder

the ability of people to construct life stories bearing narrative coherence. Turner appreciates Ion's application of an aesthetic of transformation to the field, and indeed Ion makes an eloquent case that the transformations sought by philanthropists require as much application of the art of discernment as they do the science of measurement.

Ion's recognition of the complexity of transformation is extended by J. D. Von Pischke, who contributes to our conversation the important insight that economic activity in itself can facilitate personal transformations in proportion to the opportunities it provides for forays into the moral realm of the extended order, where respect for property, fidelity to contract, increased spheres of trust, expanded time horizons, creative capacity, and new means of managing risk emerge. "Transformation occurs as microentrepreneurs explore the extended order," writes Von Pischke, and "continues, even with the constant quantitative soundings that are the daily routine of finance."

In her paper, Chamlee-Wright introduces us to the concept of the extended order framed by Nobel Laureate Friedrich Hayek and makes the case that philanthropists should always be seeking to connect recipients of aid to the extended order. The insight shared by Turner and Von Pischke, that the extended order is indeed a moral order, suggests that the sharp lines often drawn between commercial and nonprofit motivations need to be softened.

Alejandro Chafuen concurs with Ion that many of the most important outcomes of philanthropic activity are immeasurable, but he contends that we should not therefore dispense with measurement in areas where it can sharpen our thinking and practice. Chafuen finds in Chamlee-Wright's analysis of the role of market structures in the creation and dissemination of knowledge a welcome framework by which philanthropists might also engage in what he calls *intellectual entrepreneurship*. According to Chafuen, intellectual entrepreneurs seek to identify and foster the development of public policies and legal frameworks that are most conducive to wealth creation and retention even by the poorest of the poor.

Claire Morgan likewise attends to the need to understand the institutions and incentives that can contribute to the success of microfinance initiatives as both economic and philanthropic endeavors. She sees in the WORTH program, as described by Ion, the potential not only for entrepreneurial success but also for philanthropic replication as the successful entrepreneurs share their stories with others and thus become "viral" agents of change in

their communities as others emulate their success. Morgan also points to the importance of savings models of microfinance, as opposed to credit models. It is David Ellerman's comment, however, that most thoroughly introduces us to the shift that is transpiring in the field in this regard.

Ellerman, who brings a decade of experience at the World Bank to our conversation, finds much of value in Ion's advocacy of transformational versus transactional help as well as in Chamlee-Wright's application of Hayek's concept of extended order to the field. What he finds missing is explicit attention to the role of savings-led microfinance models as a superior approach both to sustainability and to the avoidance of "unhelpful help." Ellerman's contribution is particularly welcome for reminding us that at least a few of those who have been involved with large-scale development assistance in recent years are genuinely willing to approach this work as a process of discovery about how best to accelerate wealth creation among the world's poor. We must hope that Ellerman's willingness to challenge the field to learn will help displace failed but entrenched models of practice in the world's most powerful development agencies. Ellerman's attached bibliography provides an excellent starting point for readers interested in delving more deeply into these questions.

We have also appended to this conversation a short note by Jeffrey Ashe, manager of community finance at Oxfam America. Ashe does not engage Ion's or Chamlee-Wright's papers directly, but rather provides the reader a recent update on the spread of savings-led microfinance programs.

I look forward now to having an opportunity to hear from our original authors how these comments and recent developments will advance their own thinking about the ways in which philanthropy can promote transformations of people and communities by helping them enrich themselves on many levels.

Finally, a quick remark about our cover art. It did not require much creativity to choose the butterfly for our graphic element. The mystery of metamorphosis, that transformation from earthbound caterpillar measuring its way inch-by-inch along a branch to the colorful and buoyant butterfly dancing to a different beat, has intrigued the human imagination across time and cultures. The Blackfoot Indians speak of the butterfly as a mysterious gift-bringer:

You know that it is the butterfly who brings us our dreams—who brings the news to us when we are asleep. Have you never heard a

man say, when he sees a butterfly fluttering over the prairie, 'There is a little fellow flying about that is going to bring news to someone tonight'? Or have you not heard a person say after the fire burns low and the people begin to make up their beds about the lodge, 'Well, let us go to bed and see what news the butterfly will bring?'<sup>1</sup>

Modeling the elusiveness of nonlinear transformation, symbolizing the bridges of interconnection that amazingly knit the knowledge of individual persons into the extended social and economic order, bringing hidden beauty to the surface—read on and discover what flights of fancy the butterfly can bring.

—*Lenore T. Ealy*  
*Series Editor*

<sup>1</sup> Ronald A. Gagliardi, "Lepidopteral Symbiology," ed. Dexter Sear ([http://www.insects.org/ced4/symbol\\_list2.html](http://www.insects.org/ced4/symbol_list2.html)).

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## CONVERSATION 5

### *Dancing the Measures of Transformation*

Heather Wood Ion

### *Fostering Sustainable Complexity in the Microfinance Industry: Which Way Forward?*

Emily Chamlee-Wright

#### WITH COMMENTS BY

Frederick Turner

J.D. Von Pischke

Alejandro Chafuen

Claire Morgan

David Ellerman

#### NOTE BY

Jeffrey Ashe

*Conversations on Philanthropy Volume III:  
Philanthropic Transformations*

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## CONTRIBUTORS

**HEATHER WOOD ION** is a chief executive and cultural anthropologist who holds dual degrees from Oxford University and specializes in turning around troubled organizations. Her doctoral research on social and cultural recovery from disasters has been applied to assist communities and corporations in trouble all over the world. She has turned around communities locked in adversarial paralysis, social service agencies, corporations that have lost their mission, and start-ups unable to cope with growth. She taught for over two decades at universities including the University of Heidelberg, Cal-Poly Pomona, and Western University of Health Sciences and is a frequent lecturer in medical schools on the social issues of health care delivery and medical ethics. For the last seven years of his life, Jonas Salk, MD, relied on Heather Ion as his editor, sounding board and collaborator on issues of international health policy, and in establishing the science of hope. Dr. Ion's book, *Third-class Ticket*, has been translated into Italian, Hindi, Japanese, and Chinese, and is currently being made into a feature film. Another book, with Saul Levine MD, *Against Terrible Odds*, applies her knowledge of social and cultural recovery to the profound issues of individual resilience. Dr. Ion has served on numerous boards and national initiatives, including The Valeo Initiative, in collaboration with the Center for Healthcare Improvement and the Veterans' Health Administration to 'create an epidemic of health'. She currently serves as Chief Executive of The Goldie Hawn Institute.

**EMILY CHAMLEE-WRIGHT** is Associate Professor of Economics at Beloit College. She is author of *The Cultural Foundations of Economic Development* (Routledge 1997) and co-author of *Culture and Enterprise: The Development, Representation, and Morality of Business* (Routledge 2000) with Don Lavoie.

**ALEJANDRO ANTONIO CHAFUEN** has twenty-five years experience in the not-for-profit sector, both here and abroad. He has been president and CEO of the Atlas Economic Research Foundation since 1991. Mr. Chafuen is a member of the board of several grant seeking and grant giving foundations including the Chase Foundation of the Commonwealth of Virginia; the Acton Institute for the Study of Religion and Liberty; The Fraser Institute; the Hispanic American Center for Economic Research; and ex-officio, is a member of the

John Templeton Foundation and the Templeton World Charity Foundation. He has authored several works on ethics and economics and, on issues relevant to the philanthropic sector, he has written “Holding Think Tanks to High Standards” (<http://www.thegoodsteward.com/article.php3?articleID=1393>) and *Corporate Social Responsibility: A Traditional Catholic Perspective in Business and Religion: A Clash of Civilization?* Nicholas Capaldi, ed. (Loyola University, New Orleans: 2005)

**DAVID ELLERMAN** works in the fields of economics and political economy, social theory and philosophy, and in mathematics. His undergraduate degree was in philosophy at M.I.T. ('65), and he has Masters degrees in Philosophy of Science ('67) and in Economics ('68), and a doctorate in Mathematics ('71) all from Boston University. He has been in and out of teaching in economics, mathematics, accounting, computer science, and operations research departments in various universities (1970-90), founded and managed a consulting firm in East Europe (1990-2), and worked in the World Bank from 1992 to 2003 where he was an economic advisor to the Chief Economist (Joseph Stiglitz and Nicholas Stern). Now he is a visiting scholar at the University of California in Riverside. He has published numerous articles in various fields (see Curriculum Vitae) and five books.

**CLAIRE MORGAN** is director of the Social Change Project at the Mercatus Center at George Mason University. Her primary concern is to promote innovative, interdisciplinary work that integrates theory and practice to promote greater freedom and prosperity. Before joining Mercatus, Claire was a fellow at the Liberty Fund in Indianapolis, Indiana. She received her Ph.D. in Government and Politics from the University of Maryland, College Park, where she was managing editor of the PEGS Journal, *The Good Society*. She has spent time as a visiting fellow at the Institute of Economic Affairs in London and at the Institute for Humane Studies in Arlington, Virginia. She also holds degrees in Applied Philosophy (Bowling Green State University), Political Theory (London School of Economics), and Politics (London Guildhall University).

**FREDERICK TURNER** is the Founders Professor of Arts and Humanities at the University of Texas at Dallas. He is the author of sixteen books of poetry,

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**J.D. VON PISCHKE** is president of Frontier Finance International, a Washington-based company that is affiliated with IPC and ProCredit Holding. IPC is a consulting firm that is in the forefront of starting microfinance banks that operate on a commercial basis. ProCredit Holding is the owner of nineteen microfinance banks in as many countries in Eastern Europe, Latin America and Africa. Dr. Von Pischke worked in project and policy positions in the World Bank for twenty years and has produced eight books, as editor or author, and many articles on financial sector development, with special emphasis on the small end of the market. He earned his PhD at Glasgow University in Scotland.

**JEFFREY ASHE** is the manager of community finance at Oxfam America. Prior to coming to Oxfam, Mr. Ashe founded and served as executive director of Working Capital, the largest microenterprise program in the United States. Before Working Capital, Mr. Ashe was director of the “PISCES Project,” the first worldwide investigation of programs reaching the smallest economic activities of the poor. He also served as senior associate director at ACCION International where he assisted in the dissemination of peer group lending throughout Latin America. Mr. Ashe designed, assisted, and evaluated microenterprise programs in thirty-five countries in Asia, Africa, Latin America and Eastern Europe for the World Bank, the Agency for International Development, CIDA, ODA, and many NGO clients. In addition, he developed microenterprise projects in Arkansas, North Dakota, and Canada. Before his work in the microenterprise field, Mr. Ashe directed a nation-wide rapid rural appraisal for the Costa Rican government and served as a Peace Corps Volunteer in Ecuador. Mr. Ashe has published extensively in the microenterprise field and is the author of several books and articles on the topic. He also teaches microfinance at Brandeis and Columbia Universities. He holds a BA in Political Science from the University of California, Berkeley, and an MA in Sociology from Boston University.