
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?'¹

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

¹ Ronald A. Gagliardi, "Lepidopteral Symbiology," ed. Dexter Sear (http://www.insects.org/ced4/symbol_list2.html).