

The Fun in Fund-raising

Book Review by Lee A. MacVaugh

A foundation is a large amount of money completely surrounded by people who want some. –Dwight MacDonald

Philanthropy may be a subject too dangerous to touch, precisely because it is so revealing of individual motives and social preferences. –Stephen Graubard, *Daedalus*

The system that makes the foundation possible is probably worth preserving.
–Henry Ford II, Former Chairman, Ford Foundation

People rarely argue with you when you are handing out money. –John Gardner

Investigative reporter Mark Dowie mentions that although philanthropy has been a key component of American history from colonial times, foundations are not an American invention. Accumulated private wealth developed institutional methods to place excess profit to work for society in ancient Persia; in 15th century England; and in pre-revolutionary France, where there were many large foundations.

Large trusts, many with 10- to 20-billion dollar endowments are, however, uniquely American. They originated in the late 19th and early 20th centuries as wealthy American industrialists sought ways to avoid taxes and to “put their wealth to use in new and imaginative ways.”

The central thesis of Mr. Dowie’s book is that “foundations do deserve to exist; but only if they evolve swiftly” from essentially private institutions to ones more open to the public. Foundations need to become less

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elitist, less secretive, and less arrogant. They need to become more democratic, more transparent, more accountable, and more progressive if they are to ward off Congressional scrutiny and threats of federal government intervention.

Taxpayers are realizing “that approximately half of foundation assets,” which would have flowed into state and federal treasuries if they had not been protected by trusts, in effect belong to the public. These massive private, corporate, community, and operating foundations, numbering almost 50,000 in the United States today, have combined assets that approach \$425 billion. “About 40 foundations each boast endowments greater than \$1 billion.”

Dowie asserts that prior to 1910 only 18 American foundations existed. And then, only Russell Sage held an endowment of over \$10 million. Margaret Olivia Slocum Sage, Russell Sage’s widow, was, in the early 20th century, the wealthiest woman in America. Her giving favored the social sciences.

Many impulses created American philanthropy, according to Dowie. Some of them: religious fervor/conviction, guilt, narcissism, paternalism, greed, a sense of justice, tax avoidance, family preservation, indoctrination of children, noblesse oblige, a quest for immortality, generosity, and, of course, a genuine love of humanity (the definition of

philanthropy). The fact is that no two philanthropists have the same motives, drives, or intentions or the same imaginations or hopes. Yet, according to Dowie’s research, at some level all of the aforementioned forces are at work in most of these altruists: John D. Rockefeller, Andrew Carnegie, Howard Hughes, Julius Rosenwald, Olivia Sage, Doris Duke, Irene Diamond, Ted Turner, George Soros, Bill Gates, the Astors, the Fords, the Mellons, and the Packards.

Most of the secrets of the rich and famous, as Dowie notes in a particularly interesting chapter, went to their graves with them. Thus, it is difficult to discern what their deepest philanthropic motives were. The actions of

American Foundations: An Investigative History
by Mark Dowie
Cambridge MA: MIT Press



early donors funding scientific and medical research, for instance, range from a true love of humanity to base imperialistic self-interest.

Dowie and other biographers have pored over the Rockefeller archives in search of his motives. Dowie concludes that there is a factor even more critical than motive to the outcome of philanthropy – the imagination that drives it. “What do philanthropists imagine will be the end result of their giving, whatever their motive? What improvement will their money purchase? What impact will it have?”

It is not really important that Howard Hughes was a narcissistic hypochondriac, a recluse, a germ paranoiac. It *is* important that at some point near the end of his wretched life, Hughes imagined a society made healthier by virtue of biomedical research. The outcome is a \$19.2-billion endowment and a lengthy list of medical innovations that might never have occurred without grants from the Howard Hughes Medical Institute. Perhaps his hypochondria sparked his interest in medical research.

In the end, is it important that Rockefeller money may have been used to cleanse the family of the workers’ blood at the 1913 Ludlow Massacre in Colorado (11 women and two children were burned to death in an anti-strike action by a Rockefeller holding company)? Or is the salient factor that his money created, in 1891, one of the world’s most prestigious universities, the University of Chicago?

John D. Rockefeller and his trusted associate, Frederick Gates, agreed with Andrew Carnegie’s ideas (as expressed in his book, *The Social Gospel*) that tactically applied philanthropy could influence curricula, government, and, perhaps most significant of all, make science the handmaiden of industry. Dowie shows how Rockefeller, Carnegie, and Sage were the first to realize the potential of science philanthropy for public policy. They viewed knowledge as vital to the advancement of the country and the world and considered it just as essential to an industrial nation as the production of steel and oil. “Science was the most important university discipline... the well-educated engineer was its most essential product.” Rockefeller and Carnegie feared that if the “captains of industry” did not set the agenda for science, then socialists would. If that were to happen, they were convinced that their investments, their legacies, their worlds would perish.

Dowie is disturbed by the billions that foundations (and alumni) have squandered on the obscenely over-endowed Ivy League schools. He argues persuasively that there are *so* many more worthwhile, needy, vital causes crying out for help. Nonetheless, foundations have freed large segments of the world from the curse of diseases such as hookworm, malaria, and yellow fever. They have provided enjoyment of the arts to millions of people, have shown how population can be controlled,

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and fed millions in the developing countries – the Green Revolution. Foundations have vastly contributed to our knowledge of physical and living nature and to civil rights (The Ford Foundation).

His study of Irene Diamond is especially instructive. Her husband, Aaron Diamond, was a successful, tight-fisted, litigious New York real estate developer. After his sudden death from a heart attack in 1984, Mrs. Diamond finally wrested control of his vast estate. She was a fascinating woman – imaginative, active, and committed to medical research, civil rights, and minority education. She decided in 1987 that the entire endowment of the Aaron Diamond Foundation would “spend itself out of existence in 10 years.” And, indeed, in 1997, it closed its doors.

This is a rare event in the philanthropic world, according to the author, because fiduciaries, boards, and families usually vigorously defend their God-given right to perpetuity. They want their jobs, the prestige, and the influence in directing grant money to their favorite

causes. Indeed, spending out is not the correct strategy for every foundation, since it calls for a very different approach than granting five percent of assets every year, which the Internal Revenue Service Code requires.

Diamond said that knowing we had a limited time in which to get our work done was key to our benevolence and to our *modus operandi*. "We devoted our resources to making as large an impact as possible in a short length of time. We had the ability to look closely at a problem and not be distracted by worries over long term job security or a budding bureaucracy."

This book is a rattling good story. It is specific, livened with personal anecdotes, office politics, and is muscular in its logic. It contains a wealth of practical information for grant seekers. I recommend it for anyone in the nonprofit orbit, especially fund-raisers, board members, and executive directors who wish to achieve better results in their dealings with foundations.

Dowie's approach is clear, insightful, and balanced with quotes and case studies from liberal foundations (Ford, Rockefeller, Pew) and from conservative ones (John Olin, Lynde and Harry Bradley, Scaife, Smith Richardson).

He notes that conservative foundations have borrowed the practice of collaboration from the liberals and used it far more effectively. They have a clearly articulated vision. They invest wisely and as one. And they have helped to found and to fund such institutions on the right as the Heritage Foundation, the Cato Institute, the American Enterprise Institute, the Federalist Society, Free Congress Research and Education, the Hoover Institution, Citizens for a Sound Economy, and the Manhattan and Hudson Institutes.

Dowie narrates an interesting story about the Sierra Club. The Sierra Club had historically received very little of its revenue from foundations. Yet, in 1990 it accepted a \$275,000 grant from the William Weeden Foundation to work on population issues. Soon, population research and advocacy became the highest-funded activity of the Sierra Club, which was drawn into a national controversy regarding immigration control. The controversy culminated in a contentious ballot initiative brought before the full membership in April 1998. "To Weeden's dismay, the club's members voted to remain neutral on...immigration."

The author's insight and information on education grants is quite revealing. In 1993, Walter Annenberg

donated \$500 million in the form of a challenge grant to the educational establishment. The challenge (for local school districts and for huge regional reform projects like the Los Angeles Metropolitan Project) created a magnet for an additional \$550 million in corporate and foundation funding for K through 12 reform. Dowie uses this to illustrate both the value and the folly of major proactive giving (see pages 33-43). National attention was focused on education. Accountability became a watchword. More teachers were hired. But huge bureaucracies were created, money was wasted, and test scores showed only slight increases.

In the 19th century, many felt that public schools existed mainly to Americanize immigrants, not to educate and enlighten voters, as Thomas Jefferson earlier had envisioned. Roger Benjamin of the Rand Corporation thinks (2001) that "we are in deep trouble" because large schools are not educating new immigrants and the urban poor, that 25 to 30 percent of American students are being left behind. We are going to need a Marshall Plan for education, according to Benjamin. The Annenberg Initiative is a start, but it is another pebble in the Mississippi.

Philanthropy should contribute to the betterment of mankind. And, much of it does. However, as Dowie makes clear in his recounting of the funding for the agricultural Green Revolution, many times gifts are well-meaning but misguided. They cause social dislocation because local, field input is lacking. Small farmers and the landless were not consulted in the effort to grow more food. New York ran the show. In much of the undeveloped world, "The Green Revolution was seen, not as a program to end world hunger but as a Western imperial response to peasant insurrections like the Chinese revolution." Critics saw it as a way to preserve the power of the landlord class, to arm them against communist insurrection, wrapped in the noble cause of ending world hunger. It was a version of Cold War corporatism transferred to philanthropy.

Foundations perform essential functions in our democracy. They finance institutions, inventions, movements, science, and art that might not exist without their support. However, Dowie says that if they are to achieve their full potential, they must show more imagination and more leadership. The infrastructure and the money are already in place.

Dowie's writing is clear and insightful. He has solid

evidence to back his assertions. His product is scholarly
and visionary. •