



Whatever Happened to the General Purpose Foundation? Who is Thinking About the Big Problems?

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October 19, 2001

Waldemar A. Nielsen Issues in Philanthropy Seminar Series
Georgetown University

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I should point out, by the way, as a sign of the times Virginia said that I was a member of the board of the National Faculty, which is a wonderful organization which is committed to bringing university, college and university, faculty together with K-12 teachers to improve the content of teaching in the schools, and as of about a month ago the National Faculty is in chapter seven so this is also a datum about what is happening to our field at the moment.

I am sorry in a way we are not just seated around a table. I do not feel as though I am giving a speech here but its set up so that its going to sound like a speech I am afraid. What I have is a set of notes that is not a text and I also want to say that this really reflects a week's thinking about this problem. I have not been doing research in this area, and indeed my focus of interest generally is not really on foundations. It is just that about half of my life seems to be involved with philanthropic foundations and I keep watching.

I want to begin by saying something about Wally Nielsen since he is the occasion for the organization and the event. I am sure there are several people in the room who knew Wally. I did, although not at all well. There is nobody in the field of philanthropy who put the fear of God into me quite as thoroughly as Wally Nielsen. If you had known him, or even met him, at all you'll completely understand why. Wally was not a lot of fun. He was all business. He was extremely direct and he said just what he thought when he wanted to think it and say it. He managed to rile up quite a few people although as far as I could tell, that is to say I did not know him well, that was never his intention. He was not a muckraker in the sense that he was trying to stir things up, but he was consistently stirring things up. But I think he made it possible for people like me and Barry Karl and others here to get into this field because he legitimized it.

That is to say he really was a practitioner. He had a career in philanthropy before he became a scholar of philanthropy, and I would, by the way, call him a scholar of philanthropy. Although as far as I know he had none of the accoutrements of that profession. But he was serious and systematic and responsible and he was the responsible or loyal opposition, and that is why he was taken seriously, because he

knew enough to be credible to people in the field. I guess to the extent that I owe something to Wally, it's partly an interest in philanthropic foundations as an object of study but also because it was, I think, inspired by Wally, probably not very consciously, that I have set out my career as being one that is not, I would say, nearly scholarly. That is to say I am actually concerned about what is going on in philanthropy. I have been very active in various aspects of philanthropy and it seems to me that this is what I would like to say to the young people in the Nielsen Seminar here: it is a possibility for an engaged life as a scholar. I consider myself, and I have for some years now, participant-observer of charitable organizations of a great many kinds. I served for 12 years recently as a trustee for Southern Methodist University, and I felt as though they ought to be paying me. I learned more about universities than I have in a very long career, in some ways. So that, from my point of view, is Wally's legacy and I am really delighted that this Center has an association with him.

Now insofar as I am a scholar of this field at all, it really is sort of old stuff. Virginia mentioned these articles Barry Karl and I did sometime ago. We began working on this in 1975 and we had hoped in a reasonable number of years to produce a two-volume history of American philanthropic foundations up to the New Deal. We produced a great many articles and no book. Barry is currently working on a book, which, I hope, will pull all this together. But one of the reasons was that we found that you could not do the research when we started to do it, with the exception of the Rockefeller Philanthropies, with the Rockefeller Archive Center, which was founded just before we got working. (I think it may have been in '73 but I do not recall for the moment.) It was impossible to get into the requisite foundations and so we had to sort of knock them off one at a time. We had the Rockefeller Archive and wonderful people, namely Joe Ernst, who originally ran that archive who introduced us to other foundations. We found we had to cultivate foundation presidents and secretaries. Our next one was Carnegie, where a wonderful woman, named Florence Anderson, was the secretary and got us into the Carnegie records, a fantastic set of records, and so forth and then we spent a lot of time, we actually spent three or four years, primarily doing public speaking

trying to convince foundations that they should save their records and treat them in an archival fashion. That sounds obvious now but there are at least a couple of people here who remember that and we worked with quite a few people doing that. So that is just to say that it was not easy and the same thing is true now for other kinds of charitable organizations. We are just now getting the awareness that this is a category and class of organizations that needs to be dealt with in a systematic way.

The problematic Barry and I started out with was the term philanthropy. We made and make a distinction, which is an unusual one and will not work for everybody, but is important to me and informs what I have to say here. We made a distinction, which is too simple but was, I think, crucial for us. It is simply the distinction between charity and philanthropy. Charity we considered the giving of alms in all of its possible forms and what it really means is the use of funds, and I am going to talk about funds rather than volunteering – gifts of time, that is another issue and I do not want to deal with that today. But, the gifts of money, to alleviate individual cases of distress whether they were ones of illness, ignorance or poverty, three great categories of charity historically. Of course there is in the western and other traditions a long, long millennia of thought and practice about that. It seemed to us what was new in American history at the end of the 19th Century was that something new was coming into place, and is something we call philanthropy. It was something that was developed primarily, initially by people like Andrew Carnegie and John D. Rockefeller, who have never, I think, gotten enough credit for what they did and of course when we say that it was Carnegie and Rockefeller and their associates, particularly in the case of Rockefeller, Frederick Gates and others who worked with him, and John D. Rockefeller, Jr.

They made a distinction between charity. They were charitable. They continue to be charitable and they understood the difference between what they did in replacing the ruins of churches that had burned, or giving organs to churches, or giving libraries to communities with the search for the underlying – causes social, economic, and physical

problems. That, to them, was philanthropy. So that it was very different, they would have said and occasionally one of them did, that charity was in effect symptomology. You were addressing the symptoms of distress, social, and other kinds of distress. Whereas what they were interested in was pathology. Understanding the underlying structure in the nature of these problems and that to me remains, this is going to be the point of the talk, the highest aspiration of philanthropy. But what I study, as I said before if not all of philanthropy, this is not true of social-serving organizations, of service-delivery organizations. I recognize whole worlds of what we now call philanthropy out there. But I am talking about large philanthropic entities, primarily philanthropic foundations and they started off as philanthropic in the sense in which both Carnegie and Rockefeller used the term.

Before I came yesterday, I spent a few minutes looking through the presidential messages of the largest contemporary philanthropic foundations and I only found one of the new foundation presidents who still uses that language and it is Gordon Connelly, appropriately at the Rockefeller Foundation. The last sentence of his March 26th message is, “We do not treat symptoms, rather we go into things for the long haul for the effective, sustainable way as to alter the root causes of the world’s complex ills.” Well, I was delighted to find that because he was using Rockefeller, John D. Rockefeller’s language and this really was, Carnegie would have recognized immediately, what was being said there. I think it is important to focus on that because that is what informed the investment strategies, as we call them today, of these foundations in a very important way. But there was something more than that because, of course, people like Carnegie and Rockefeller were political animals and indeed politics was very much at the front of their minds as they thought about philanthropy. When they looked around the United States, in let’s say the 1890s, when all of this really got going, what they saw was a nation, the United States, which uniquely among the Western nations had isolated itself from what they thought of as Socialism. By Socialism they simply meant the intervention of the state into social planning and the process of social change. They thought this was uniquely the virtue of the United States. What concerned them and their fellow American elites of the time was to keep it that

way in the United States. They looked particularly to England, to the United Kingdom, which they saw as the closest sister-state. Of course what they saw was a very rapid move in the direction of Socialism, which after all had begun 30 years earlier in Germany under Bismarck, a long history of this sort of thing.

So the question was, they recognized, as entrepreneurs who had made huge fortunes, through effectively two things – the application of modern business organization and planning methods and modern scientific knowledge to the solution of the extraction of mineral resources in the United States, and that is quite simply what they did, right? They did not see why that was not a model for the solution of other kinds of problems, social problems and political problems. But they thought the last institution in the world to do that appropriately was the government. America has a weak state tradition. It does today. They wanted to keep it that way and they saw that one of the ways they could employ their great wealth was as a surrogate for state planning, the kind of planning that they recognized was absolutely essential if the United States was to move into the 20th Century in a satisfactory way. I am not going to go into that further at the moment. They were not the only ones who saw this. There were other approaches to it at the time. But it was the dominant thinking of elites in America at that time. But they absolutely saw that this was not just a question of searching scientifically, by the way largely through research, for these underlying cause of illness, ignorance, poverty. But that knowledge had to be made practically useful by developing strategies to address the problems, policy. So these were policy foundations. Sometimes at one remove and that is what the early “Big Foundations,” and of course that is a term that Wally coined, were about and there is not time to go into it.

I think most of you will know quite a lot about that but particularly the Rockefeller Foundation and the Carnegie Corporation were the two most distinguished and the two largest examples of that. But there were others although they tended to be somewhat more narrowly focused. The most important was probably the Russell Sage Foundation but I would also point to the Rosenwald Fund as an

example of the same sort of thing and you will remember that almost all of them had almost, had practically the identical statement of purpose for the trust. They were for the betterment of they said mankind, now Rockefeller would say humankind, and if you think about that for a moment, that is a blank check, right? You could do anything under that rubric. On the other hand it was the improvement of the world they had in mind and then they had to develop strategies within that. But there were several things that went along with that that I want to point to, that I think were characteristic. One was a highly proactive stance. They and their trustees decided what to do and they employed very bright people to help them do it but they employed non-specialists, by the way. The early philanthropoids were people, who, young graduates of Harvard and Amherst and Princeton – colleges like that – and they were sort of socially responsible people looking for a way to be active. The kinds of people, by the way, who probably would have gone into the CIA in the late fifties. The world changes.

They were very consciously elitist foundations. The working motto of the Rockefeller Foundation was “To make the peaks higher.” That is their investment strategy was to go to the best institutions whether they were medical or universities or whatever and to enhance what they were doing. This was not a ground-up, bottoms-up and it was a very strategic and intelligent, I think strategic decision. They had long-term strategies. They did not expect to solve the problems they were addressing, poverty or whatever in a decade. They knew these were big problems. They were prepared to stick it out. They were prepared to develop long-term relationships with their grantees and it was absolutely crucial to the most important kinds of things that they did. They were persistent. They had self-confidence and they were highly tolerant of failure. Indeed as the Century wore on the only institutions more tolerant of failure, research institutions, were those supported by the military. There has always been quite, and I think intelligently, tolerance of research failure. In other words, if you only fund researchers who can guarantee you results, you are not funding interesting research and that was what they understood. So therefore they made, they defined their grants broadly. They enabled mid-course

corrections for grantees sometimes even very basic changes in purpose and it made for a very, sort of, fluid system, in which, by the way, the foundations were quite cooperative across themselves.

I do not want to talk too long so now I am going to launch into a history of the rest of the 20th Century in about five minutes. But it is important to me this starting point because I want to come back to that starting point. The 1920s were the heyday of this kind of “Big Foundation.” Philanthropy was very exciting. Lots of interesting things got done, the origins of urban planning, the origins of the social survey come during that period, the origins of natural resources planning in the United States, the reform of medical education and of course the great Rockefeller programs in public health which led to the eradication of palagra and yellow fever and a number of other diseases. Public health was of course the biggest single sector that they went into and it is worth noting, by the way, that one of the reasons that they did, as with many of the other things they did, was they were wary of politics because they were aware that there was a democratic deficit in big foundation philanthropy and they were very worried and correctly worried about a reaction on the part of government and of other elements in the society. The most, sort of, famous, the first expression of that came in 1916 with the Walsh Committee Hearings on industrial relations in the Senate where among other things Henry Ford got up and said that the best philanthropy was paying your workers a living wage and was roundly applauded in the past for that and my wife’s grandfather who was a radical socialist pacifist minister in New York named John Haynes Holmes who got up and said, “Who are Andrew Carnegie and John Rockefeller to tell us what the appropriate objects of philanthropy are? That is something that the people want to do.” So the socialists had a view on this too and that as you know does not go away. More or less every ten years we go through one of these things. They take different forms. It is a little more sophisticated now.

But these organizations ran into tough times in the 1930s because the Depression was bigger than they were conceptually. Did not know what to do about it and they were hung up, it is a very contemporary note, I think, trying to figure out whether their traditional role, what

they thought their traditional role was, of doing research and conceptualizing approaches to large problems was as important as actually trying to alleviate the immediate crisis. Should we give to relief or should we make long-term grants? Does that sound familiar today? It does and I want to come back to that at the end of the talk. But in any case they and we in this country did not know enough to understand what to do about the Depression nor did we understand what to do about the coming of the then European War and it was a really tough time for these organizations and not clear in the absence of the war where they would have gone. But the war, as it always does in this country, transformed everything for a lot of reasons but let me give a couple of the most obvious ones. The most obvious one of course is that it marked the entrance of the government – well this begins in the thirties before the war into planning itself. The New Deal was a planning exercise. The New Deal was the first federal planning exercise. It was the first large-scale social engineering the federal government had involved in, and it is an enormous watershed in American political history and the history of the American government.

But then, of course, as we moved into the war, of course we got The Manhattan Project. We got tremendous government involvement in scientific and technological research and that produced this combination of the government as a planner and a social changer and the government as an investor in research produced first the National Science Foundation following the war. Following on this wonderful document, Veneever Bush’s, “Science, the Endless Frontier,” which suggested how knowledge, this is very Rockefeller, how knowledge could be brought to bear on particular problems and strategies could be developed. It was pure Rockefeller although I am sure Bush never knew that at all. That led to NIH, NIMH, ultimately to even NEH and NEA by 1965 so government investment in research of a kind, which for the most part did not exist at all. The military were investing earlier, the Bureau of Standards, but not much really so that happens in the 1940s and fifties.

Then in the 1950s the other big thing that I would point to would be the emergence or the beginning of corporate philanthropy in this

country. It was not until the Igby Smith case in 1948 that it really was possible for corporations to make philanthropic investments. As you all know, that became bigger and bigger although it has ebbed and flowed over a period of time. But both of those had the impact on the private philanthropic sector of completely transforming the environment. The “Big Foundations” had in effect been the only game in town when it came to the funding of research and the development of long-term strategies. Now the government and increasingly government at all levels was involved in it and the corporate sector was involved in it and one of the things this did of course was to save foundation boards and presidents was to make their resources look quite small. It was one thing to have an endowment the size of the Rockefeller Foundation in 1930 or 1920. It was very different in 1950 when even with what now look like very modest levels of spending at let’s say NSF dwarfed everything that all of the philanthropic foundations could do. Then as the corporate sector came in that was also true.

This was the fundamental next watershed as the philanthropic foundation community had to reposition itself, had to rethink what it’s function was in a newer sort of congested, competitive investment market for research. I am only talking about that end of foundation activity. But it made for interesting, much more focused strategies. You could think of the famous examples such as the Rockefeller Foundation and the Green Revolution. You could think of Carnegie and children’s television. You will think of many examples of exactly that kind of thing and it led to new kinds of partnerships, partnerships with government in particular. Some partnerships with the corporate sector, although I think that was much less common and it led also to new kinds of partnerships with universities, which themselves had been transformed as a result of the Second World War. So the research university does not come of age in this country until after the Second World War and, you will know, after Sputnik in 1957 and the tremendous expansion of higher education and the tremendous investment of the federal government in all aspects, but particularly research. So that here again the foundations are, they are not big players but they are niche players and so I would say what came into

existence at that point is in effect the awareness of even large foundations, most of them not all of them, that they were niche players.

So that was important and then of course there are new entrants into the foundation scene, the foundation picture. Some of them had been planted as anti-tax germs in the 1930s – and that would be the Ford Foundation and the Lilly Endowment. There are other less important ones but they came of their own, they got funded themselves, and Ford of course in particular became an enormous player on the scene, and rather hubristic player on the scene. But there were not too many foundations that behaved in exactly that sort of way. Now all of this by the way, I think was this tremendous transformation that provoked Wally Nielsen, who had been a player in all of this, to begin to rethink what was happening from, what I would call, a democratic point of view. I mean the question he was putting in one sense is: “is there democratic deficit in foundations?” Today we would say, “Where is accountability in foundations?” It is seldom defined very accurately. Wally knew at least what question he was asking and of course something else happens and I want this period to go all the way up into the seventies and that is the emergence of new large foundations that are politically on the other side of the road and is conservative foundations, which turn out to be among those foundations, then and now, most committed to the earliest model. That is these are foundations, who know just what they want, who know just what kind of planning they want and who have specific goals in mind in a way that many of the existing general purpose foundations no longer did.

So, I mean that, these in some sense, to the situation today, and I’ll give you five minutes on that and we will all have our own opinions on, mine is no better than any of yours and of course the main fact today and let’s say over the last 20 years is the tremendous proliferation of numbers and kinds of foundations. It boggles the mind and you could not even starting thinking about it as I did more than 25 years ago. It was a relatively simple world that I was looking at in 1975 and it is anything but a simple world at this point and it is I think really very hard to understand. We have got a wild range of foundations and I

find it impossible to, most of them quite small, of course but I find it impossible to generalize about them.

But if I focus only on the big foundations, which is my main interest here, that is interesting, I think because you can look at them and just look at a few. Look at the Robert Wood Johnson Foundation or look at Kellogg. Look at a number of the large ones, some of them have been re-imagined; I would say that Lilly has been re-imagined. But I would particularly point you to, let's say, what we can now call the Atlantic Philanthropies, the Packard Foundation, obviously the Gates Foundation or my favorite of them because its one of my best funders is PHI. You have never heard of PHI. PHI is something like the eighth largest foundation in the United States. It is the Packard Humanities Institute and it is a two-person foundation, David Woodley Packard and his wife, Pamela, and like Atlantic it does not accept applications but it spun off, God knows what it is worth today. But about 18 months ago it was worth \$1.56 billion split off from the large Packard Foundation. Now that is new, huge amounts of money usually controlled by very few people. Look at the Gates Foundation, struggling quickly to develop an agenda, again the Gates Foundation is a good example of that, and I am not going to say more about that.

But we have also seen in addition to that, what interests me more in a way, is the, what I would call, reorientation of those big old foundations that I originally studied and think for a moment, I have got a long way to finally mention one of the new ones or one of the newer ones which is the MacArthur Foundation. But think of what has happened most immediately that is just in the last couple of years to the Rockefeller Foundation under Gordon Connelly now it is about a year and the MacArthur Foundation under Jonathan Fanton, the Ford Foundation under Susan Beresford. It is a much longer period of time because she had a tremendous impact even before she was president. There were lots of changes in those foundations, I think they operate in a very different sort of way, and they are more focused and they have very different notions of what kind of results they want.

It is different across those foundations and it no longer, it can not map it very adequately anymore, and it does not map very well insofar as you can to existing areas of planning and let me give you one example, education. I do not mean higher education. I mean K-12 education. If you look to even ten years ago, where the money was coming from for research and programming and policy activity in K-12 education you probably would have said it was coming from Ford. It was coming from Carnegie. It was coming from MacArthur and a handful of other folks, it was coming from Rockefeller, and a handful of other foundations and Pew. Pew I have not mentioned yet, that is another one of their relatively new foundations at least in its reorganized form. That probably cannot be said as I speak about any of those foundations. They are all making grants in that area. I would argue that none of them is a player in education policy in 2001. That is a very dramatic change. There are a lot of reasons for it and I am, some of them I certainly do not know but that has happened. It is not the only area where that is the case.

And one of the things that is happening but it happens in very different ways across these foundations is what I would call is a task reorientation of the foundations. They have more narrowly specified agendas and they in some sense and to one degree or another, I think, are moving toward what is commonly called the venture-philanthropy model. They are not venture philanthropists, they are too big for that and some of them are too old for that but what I have in mind is their use of partnerships, their use of benchmarks, their specification of deliverables from grantees up front, a general narrowing of focus and the creation of explicitly dependent relationships with grantees. That was not characteristic.

None of these things were characteristics of the big foundations and anybody who knows the thinking of Michael Porter will recognize that I'm thinking what I have been describing and just to give you an example of what I am talking about, I'll try not to take too long on this, but I did yesterday pull down Rebecca Rimel's most recent presidential message and I really, I recommend it to you – it is on the Pew website and it is a striking document. The credo of the Pew Charitable Trust

she says is investing in ideas, returning results and I want you to think about that for a while. She says it is a particular way of looking at our role as a foundation. “We intend not simply to provide money for charitable work but also to be judged for our ability to contribute to positive and measurable impact on society. We are interested in actual outcomes achieved with our resources.” And then she goes on really the rest of the time to gloss it: “If we were interested in the means rather than the ends, we could support many worthwhile projects but we would risk accomplishing little towards reducing the scope of severity of the problems which we are addressing through our investments.” And I just circled words later. I’m going to just go through this very quickly and she says, “The term grants is not a helpful one. For centuries the term has commonly referred to a gift or assignment of money or property for which there was no implied expectation of return.” John Rockefeller would be very surprised to hear that. “And as a result most people think of grants either as rewards for past work or gifts in support of work to be done in the future but without the same kind of explicit conditions associated with investments from which a measurable return is expected.”

This is venture philanthropy in other words. She talks later about concrete and verifiable outcomes. She says, “Some critics of results oriented performance in the nonprofit sector equate measurability with bean counting and short time horizons. But all projects, short or long term, can have measurable benchmarks,” that is another buzzword in this business, “that determine whether the work is proceeding at an acceptable pace and whether mid-course corrections are needed...” and so forth. She speaks about the mind-set of investor and her examples, her analogies are the mutual fund manager, the investment banker, and the venture capitalist. Those are the references she makes at that point. To a certain extent this is a fair analogy to the Trust credo, we view our grants as strategic investments intended to achieve measurable, charitable results and she talks, speaks about people who receive their money as partners and so forth. I think that certainly gives you enough. Just one more quotation: “We manage our grant-making in ways that parallel the behaviors exhibited by the successful entrepreneurs who founded the Trust. Our founders were highly

focused. They identified niche markets, developed the skills and vehicles needed to perform well and took steps to maintain their competitive edge and ensure high level performance and pursued the most effective strategies to grow their company.”

Now I probably said more about that than I should already. But this is a kind of statement that would have been simply not unimaginable but not possible to understand by people in philanthropy until very recently. Nobody talked this way and while I think Pew has frankly gone further in that direction than most foundations, I think it is the ethos of the time and I think people who care about foundations and about philanthropy ought to think about it.

I do not think it is a good situation. You may not agree with me and I would be interested in hearing about that and I do not for the reasons I just said. I believe that the original ambitions, however modified they have been over a period of time, were excellent ones and now the question I have is whether we do not have to rethink the functions, particularly of leadership, the roles of staff, the formulation of program and in general the milieu is very much more complicated and crowded milieu we have for grant-making now and there is at least in public not a lot of discussion of these kinds of issues. I guess the final, well, the bottom line, for me is whether it is not reasonable to ask whether we do not need to know the underlying causes of terrorism just as much as we need to know the underlying causes of HIV/AIDS or earlier say of yellow fever and I would put the question which I did already really, is spending for relief really as important as this? And if the foundations do not do it, who will? So that is what I have to say. This is, as I said, not a speech. It is intended to provoke you a little bit but also to ask you to think about the history of philanthropic foundations and to ask whether this might not be a good time for those of us who care deeply about the field to engage in some rather more systematic reexamination of what it is we are doing at the macro level, at the meta level and to ask ourselves whether what we are doing is the maximum that this particular area could do. Thank you very much.