



## Philanthropy and Civil Society

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It is a great honor - and a great pleasure - to be here, particularly since both Wally Nielsen and Virginia Hodgkinson have had a profound influence on my career. I feel I owe both of them a great debt of gratitude.

I first met Wally Nielsen several years ago when I was a newly-minted Ph.D. fresh out of graduate school. I was a Visiting Research Fellow at the Rockefeller Foundation, and since my own work was on philanthropy, Wally was kind enough to see me in his office at the Aspen Institute's offices in New York. It was an incredibly impressive meeting for me, not only because his office had a view that ran clear up to Central Park, but far more importantly, because of the man and his ideas. What impressed me most, was the fact that Wally didn't talk about his monumental work in The Big Foundations. Instead, he spoke about his meetings with leaders in Europe and Asia, and the work that was being done to build foundation sectors in those regions.

In a way, he opened my eyes to the world. I was trained as an American historian. But Wally made me realize that important things were beginning to happen outside the US as well, things that were well worth studying. It was a lesson I never forgot. When I started the Center for the Study of Philanthropy at the City University of New York in 1986, international issues were a central part of the program, and they have been ever since.

Virginia was an equally important influence. We met in 1983, when she was planning the first Independent Sector Spring Research Forum. Back then, writing on philanthropy and the nonprofit sector was a pretty lonely endeavor. Virginia helped to build a community, first by bringing scholars together through the research forums. Then by encouraging the development of centers like the one I created at CUNY. And then by helping to foster the growth of scholarly associations like ARNOVA and ISTR. Moreover, both Wally and Virginia were researchers. While Wally wrote some of the first major critical work on the field, Virginia was a key architect of the field of nonprofit studies, as well as one of its most influential scholars.

Both of them left an imprint on the book that forms the basis of my talk today, American Creed: Philanthropy and the Rise of Civil Society, 1700-1865. In it, I look at how philanthropy and the nonprofit sector took root in the United States, the sector's political and economic roles beyond the delivery of services, why it developed, and how it grew. I wrote it for two reasons, both of which bore the imprint of Virginia and Wally on my thinking. The first was the question of why nonprofit activities and philanthropy are important and what they actually do in a given society. Wally inspired me to look beyond the borders of the US to try to discern emerging patterns around the world. And what an exciting task that has been. The past two to three decades have witnessed what one scholar has termed a "global associational revolution." Beginning in the 1960s and 1970s, social activist and development non-governmental organizations [NGOs] developed at accelerating rates in tandem with traditional charities. Many countries now have tens of thousands of nonprofit organizations. We are also beginning to see the worldwide growth of foundations, including community foundations in places as diverse as South Africa and India, Mexico, Russia and Australia. Several trends helped to spark this growth, from government downsizing and privatization that started in the US and Britain in the 1980s under Reagan and Thatcher, quickly developing global dimensions; to the push for democratization in many countries in the 'eighties and 'nineties with the decline of Communism in Eastern Europe and the demise of several right wing dictatorships in Latin America.

The upshot of all of this has been that my center has regularly been visited by legislators from many countries - places such as Russia, Slovakia and China who were drafting legislation to govern nonprofits in their nations. They usually declared that they hoped to build on American precedents. But they often based their notions on the idea that the nonprofit sector would be pristinely separate from government and the for-profit sphere. In other words, there would be no government grants; no market-related activities; and *no* social advocacy.

Social advocacy can be a volatile issue, even in the United States. In the

1990s, for example, efforts were made in Congress to limit the amount of social advocacy, broadly defined to include any nonprofit contact with government agencies, even school boards, that nonprofits with public funding could do using their *private* funds. Fortunately, the Istook Amendment failed to pass. But questions concerning the historic roles of the nonprofit sector in securing public funding, participating in profit-making activities, and engaging in social advocacy became particularly interesting, since vaguely understood historical precedents were being used as the basis of public policymaking in the United States and overseas.

These questions were also important for scholarly reasons. There has been a great deal of research on the nonprofit sector since Wally's book on the big foundations was published and the first Spring Research Forum was held. For example, there has been a remarkable amount of "mapping." We now know the number of different types of nonprofits. We have a sense of the public/private funding mix in the US and many other countries, as well as nonprofits' share of national employment and full time employees; the value of volunteer work; and some of the reasons organizations choose the nonprofit over the for-profit form. We also know that Americans at all economic levels regularly give and volunteer, including some of the most important work on this topic that was done by Virginia at the Independent Sector.

But what we haven't done as well has been to penetrate the mainstream disciplines to the extent to which we should. We haven't really answered the "*so what*" question: *why* it is not possible to understand this or a good many other societies without understanding the role of philanthropy and the nonprofit sphere? This issue is important for both nonprofit studies and for universities. Over the past thirty years many universities have become deeply embroiled in "culture wars": struggles over the content of what should be taught. Would it be elite culture and history, or society from the bottom up, a more multicultural approach that figures women and African Americans and Latinos and Asian Americans and the working classes more fully into the national narrative? This has been an extremely contentious process, bringing some scholars such as my colleague, Arthur Schlesinger, Jr., to label it

"the disuniting of America."

Nonprofit studies potentially has an invaluable role to play in helping to refashion a single narrative. As Virginia's work on contemporary trends has shown, Americans at all economic levels: men and women, Catholics, Protestants, Moslems and Jews, African Americans and Irish Americans -- give and volunteer. So when you look at these activities, especially their political and economic roles, suddenly you have a level playing field where you can discuss statesmen, and former slaves, and middle class housewives within the same framework. In effect, nonprofit studies can not only inform contemporary policymaking, it can also provide a vitally important new perspective within academe.

### **The Historical Record**

So, what can we discover by looking at the birth of philanthropy and the nonprofit sector in the United States? First, we have to broaden our definitions of what constitutes philanthropy. Some important work has already been done on this for the contemporary scene. Nonetheless, when the term is used most people generally think of the great gifts from men of great wealth - the John D. Rockefellers, Bill Gateses and George Soros. That is certainly an important part of it - but it's only part. Quite frankly, this definition would have confused many of the people I wrote about. For them, philanthropy meant giving *and* voluntarism; charity *and* efforts to change the world through social advocacy. African American abolitionists, working class female labor reformers, fundraising clergymen all used the term philanthropy to describe their work.

Moreover, before the 1840s, most gifts were small. There was very little surplus cash. The really big gifts did not begin to be given with any regularity until after the Civil War, which is when the idea that philanthropy equals big gifts by the very rich first emerged.

Does this have contemporary implications? Absolutely! Policymakers in many countries feel that the only way to develop philanthropy is to change the tax codes: i.e., to provide tax incentives. But in countries

where the very rich habitually manage to evade taxes, this becomes a moot point. The real question is how to create a culture of giving and voluntarism at every level of society – that’s the challenge.

A second question, beyond definitions, is how and why a culture of philanthropy emerged in the US. Four factors were particularly important during the country’s infancy: the legacy of the Revolution, the role of religion, the ethos of limited government, and the issue of accountability.

The legislation and the egalitarian rhetoric that came out of the Revolution played a major role, especially First Amendment guarantees of freedom of religion, speech, the press, and the right of citizens “peaceably to assemble and to petition the government for a redress of grievances,” which were central to the American creed. The beliefs embodied in the Declaration of Independence were also key. Thomas Jefferson’s words, “we hold these truths to be self-evident, that all men are created equal...” became, as Jefferson’s biographer, Richard Ellis put it, a “mantra for reform” in the nation’s youth. The black convention movement, the abolitionist movement, even the women’s rights movement justified their activities with this credo, although in the case of the first women’s rights convention in Seneca Falls in 1848, it was slightly modified to read “we hold these truths to be self-evident, that all men *and women* are created equal.”

A second important factor was religion - or, to be more precise, religious disestablishment. At the time of the revolution most states had state churches. The movement to sever churches from state support - to bring about the separation of church and state - began in Jefferson’s Virginia in the 1780s, and culminated with the disestablishment of Congregationalism in Massachusetts in 1833. What this meant was that every church, every denomination, was placed on a level playing field. All had to compete for parishioners, building schools to educate them, and charities to care for them, and mobilizing reform movements to protect and promote their beliefs. By the 1810s and 1820s, Catholic, Protestant and Jewish philanthropy became the driving force in building the nonprofit sector and civil society, training Americans to regularly give and volunteer.

This might seem like an obvious point. But there have been some very lively debates within nonprofit studies about whether religious institutions should be included in our accounts of the sector. This has extremely important implications for our understanding of the role of philanthropy in supporting nonprofit organizations in the United States, since 40-50% of all giving traditionally goes to religious institutions. If you remove that from the equation, you run the risk of presenting a distorted picture, one that depicts the sector as a whole as being far more heavily dependent on government funding and commercial revenues than it actually is, with philanthropy accorded only a minor role.

Moreover, because disestablishment pushed all churches into the nonprofit sphere, it is not possible to discuss nonprofits or philanthropy in the U.S. without including religious institutions. This is true overseas as well. The Center recently commissioned papers on women’s philanthropy from researchers in over 20 countries worldwide, and in every one, religious institutions played a central role in enabling at least some women’s to claim a stake in building civil society.

A third factor in the growth of philanthropy and the nonprofit sector in the U.S. is the ethos of limited government, but in ways far more complex than what might be termed the “barn raising ethos” of the Reagan years. This was the notion that because governments were small neighbors historically got together and provided services themselves through mutual aid, and the corollary idea that when government funding moves in, philanthropy is “crowded out.” This is a substantial myth, one that helped to obscure the historic role of the nonprofit sector, and that was used to justify federal cutbacks in this country.

The historical record provides an important corrective. As I mentioned before, the colonial era and the early national years were marked by a cash scarce economy. Taxes were low, and government revenues were too limited to develop the kind of bureaucracies that were emerging in many European states. One way of dealing with the problem of how to

deliver public services without a lot of public funding was provided by the English common law “commonwealth ideal” which provided the rationale for the granting of charters. Many of the first charters in the United States were given to charities rather than businesses, and they were given specifically for purposes that the state needed, but could not achieve on its own. In effect, the people whose organizations received state charters were formally viewed as partners of the state. These practices dated from the colonial era, when they were brilliantly seized upon by philanthropic entrepreneurs such as Benjamin Franklin, and were extended in the new nation, bringing some white women and even a few African Americans into formal partnerships with state and city governments for the first time.

The point here is that philanthropy is not just a product of limited government. Philanthropy *subsidized* the practice of limited government by sharing the costs of service delivery in tandem with the state.

The fourth reason for the growth of philanthropy and the nonprofit sector during the country’s early history is transparency. Even the first women’s charities in the 1790s published detailed annual reports, outlining their services, the numbers served, their annual budgets, and accounts of every gift they received. From the outset, accountability, transparency, and the trust that this engenders were built into the system in indispensable ways.

What did all of this mean in terms of political roles? In the period that I am writing about - 1700 to 1865 - *most* Americans were denied the vote. This included all women [who accounted for approximately 50% of the population], most African Americans, most recent immigrants, and before the 1820s, property-less white males. When scholars simply looked at voting, elected office, and the expansion of the franchise for white men, they were able to celebrate the concept of “Jacksonian democracy” in the 1830s. But what does democracy mean when the majority of citizens fall outside the partisan arena, particularly when the yardstick for measuring democratic participation is the vote?

With the refocusing of scholarly research to include marginalized

groups over the past 30 years, we’ve broadened the line of vision from politics to political culture - the ways in which men and women built institutions and influenced public policymaking from outside elected office. And by looking at philanthropy and nonprofits, we can begin to see the ways in which women’s charities obtained public funding for the needs of women and children; and African-Americans used social advocacy through their participation in the abolitionist movement to spark public debates about the viability and the morality of slavery. In effect, they played political roles. Simply stated, philanthropy and the nonprofit sector played a vitally important role in broadening the array of political actors in this society, both through public/private partnerships, which helped even vote-less citizens establish priorities for public funding, and through social advocacy.

What about economic issues? This question is important for several reasons. We now know that nonprofits derive a significant amount of their revenues from earned income, and that that share grew in the face of federal cutbacks in the 1980s, causing some critics to complain that the sector was losing its soul, that it was moving too far and too fast into the commercial sphere. What can the historical record reveal here?

First, nonprofits engaged in profit-making ventures from the outset, including the first women’s groups. Simply put, they could not have survived without these activities, especially in a cash-scarce economy - which is an important lesson for countries that are just developing their nonprofit sectors today.

Second, philanthropy and the nonprofit sector democratized access to investment capital. Nonprofit organizations large and small, secular and religious, invested in business and housing development, in large-scale capital improvements such as the Erie Canal, and in small loans. What this meant was that the white women and African Americans who volunteered for nonprofit organizations often had an opportunity to become economic agents in their own communities for the first time. This also provides a new slant on issues of empowerment. Moreover, these investments helped to spur economic diversification, the transportation revolution and the first stages of the country’s nascent

industrial revolution - in effect, its economic takeoff - at least in the North. Nonprofits played this role by serving as magnets for capital formation when cash was hard to come by. Ironically, this role has rarely been examined, despite its potential importance for foundations and governments that are currently trying to build civil society and spark economic development around the world.

Finally, what can the historical record tell us about social advocacy? The birth of social advocacy, even in this country, was not an easy one. George Washington publicly condemned what he termed the “self created societies” that sought to monitor and criticize government performance during his presidency in the 1790s. The first congresses balked at receiving antislavery petitions from Quakers, blacks, and even the venerable Franklin, despite the passage of first amendment guarantees of the right to petition. And there have been periods of repression, as when that much-vaunted champion of democracy, Andrew Jackson, called for public censorship and tacitly condoned the burning of abolitionist mailings and the tabling of abolitionist petitions, seeking to override First Amendment guarantees in the name of political expediency.

Abolitionists initially responded by increasing their efforts to mobilize, with substantial success. Not that every Northerner was an abolitionist, far from it. Many joined because they feared for their *own* liberties.

After decades of repression, some people in the movement embraced insurrection in lieu of peaceful protests. The great African-American abolitionist, Frederick Douglass, captured their sense of disillusionment with the federal government when he admitted, “I have no love for America. I have no patriotism. I have no country....I desire to see it overthrown as speedily as possible, and it’s constitution shivered fragments.”

The message here? Social advocacy has historically served as a safety valve in a highly heterogeneous society by allowing groups that may be politically underrepresented, or not represented at all, to have a voice in public policymaking. The government that stills that voice - or consistently ignores it - does so at its peril.

## Conclusions

So, what can we conclude from all of this? Far from the idea that philanthropy, government and the nonprofit sector are pristinely separate, they have historically been linked, the lines between them blurred. Research over the past twenty years has underscored this for the contemporary scene. What the historical record clearly shows is that the places where the sectors intersect provide an important vantage point for understanding not only its role in service delivery, but also in pulling marginalized groups in the political and economic arenas that ostensibly excluded them.

Second, efforts to build a nonprofit sector by insulating it from the political system and the market are short sighted at best, and probably naive.

Finally - and perhaps most importantly - I would argue on the basis of the historical record that you cannot understand American democracy without understanding civil society, and you cannot understand civil society without understanding the nonprofit sector and the philanthropy that supports it. And that most certainly merits scholarly consideration.