

By looking at a full century of philanthropic experience in the United States, we can more clearly see the forces that have influenced and, in all likelihood, will continue to shape the future of foundations.

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Foundations in time: Where are we now?

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HISTORIANS SHOULD KNOW better than others how perilous it is to try to predict anything. And if serious study and wide historical reading have not taught us how foolish many predictions ultimately turn out to be, then we need only recall Yogi Berra, who famously opined, “It’s tough to make predictions, especially about the future.” More profoundly, he cautioned us that “the future ain’t what it used to be,” a provocative insight worthy of spirited methodological debate in graduate history seminars. Predictions fail when we blithely assume that current trends will continue in straight linear fashion for years or decades to come. Predictions also mislead when they are based too firmly on past experiences that tempt us to draw false analogies and erroneous guidance from historical events. Predictions hinder our thinking when they emerge only from the issues served up during professional debates, constrained as these discussions usually are by the conventional wisdom of a community engaged in dialogue only within itself.

And as all of us who inhabit the post-9/11 world now know, predictions are undone by sudden unforeseeable shocks, accidents of every sort, natural or human-made catastrophes, and unimaginable actions by individuals and groups. Trends are disrupted, connections with the past severed, comfortable assumptions shattered, equilibrium punctured.

However wary we ought to be about predictions, we should try nevertheless to situate American philanthropy in the flow of time. Our philanthropic language often invokes time, yet we seldom really think about its implications. The vast majority of foundations, for example, have presumed their existence to be in “perpetuity” but without much reflection at all on what that might mean for a foundation’s work. (How long, after all, is forever?) We also talk about “immediate needs” or “urgent priorities,” implying that time is of the essence in our philanthropic responses. Funding then proceeds through grant cycles, and the grants themselves have fixed temporal terms, perhaps a year or two or three, with little regard for the duration of problems and the time needed to overcome them. On occasion, a scant few donors have set finite time limits for their foundations, believing that their work can be done within a decade or two and that the future’s problems are best left to another generation of donors. More recently, some critics of philanthropy have even begun to challenge foundations to take account of the “discounted present value” of their grants, thus linking time and money and, ultimately, trying to measure more precisely the social value of their philanthropic investments.

Time is implicit in what foundations do, but we rarely pose the explicit question: Where are we now? It is a tricky question. There are many possible answers as we try to situate ourselves in the flow of time. And only time will reveal which answers are correct. The true purpose of asking such a question is to seek out a better vantage point on philanthropy so that we can see what forces have shaped it, what may influence it in the future, and what possibly lies ahead of us. Without a sense of where we are, we cannot begin to see where we are headed.

Time frames

Time creates a frame, giving shape to what we see, to where we focus our attention. When we draw a temporal frame around philanthropic experiences, limiting our focus to the past year or two, those of us working in foundations are compelled to see in starkest terms the fundamental issues of board governance, accountability, and our responsibility to serve the public interest. The press has exposed serious and, regrettably, all too numerous abuses in the foundation world; state attorneys general and the Internal Revenue Service are now more alert than ever before to misdeeds in the nonprofit sector; and Congress is keener on legislative and regulatory reform than it has been at any other time since the late 1960s. To place so narrow a frame around philanthropy is appropriate if it serves to remind us of our continuing obligations to the public and of how easy it sometimes is for foundations as hybrid creatures—privately governed institutions pursuing purposes that benefit the public—to stray from their public duties. But it is too limited a temporal perspective.

A wider frame, one that spans the past four years or so, compels us to see philanthropy operating at the nadir of a business and financial market cycle. In this view, the fiscal constraints of a hard-pressed nonprofit and public sector dominate; foundations and donors confront hard choices as they acknowledge the real limitations and uncertainties surrounding their own resources. This too is a realistic, although limited, perspective.

With philanthropy framed even more expansively, within a wider historical perspective encompassing the past two decades, the predominant image is one of growth, vastly more foundations entering the picture, holding greater aggregate wealth, with much larger sums apparently on the way over the next generation. The so-called new economy of these prosperous years also presaged a new philanthropy, which would be recast in the image of a robust, dynamic economy. It promised to be an entrepreneurial philanthropy, drawing its style and methods from venture capitalists who

sought rigorous performance measures for their investments and exit strategies so that they might move on to new opportunities.

Yet another picture emerges as the temporal frame widens further, taking in the past four or five decades. On this much larger canvas, it is foundations and their changing relationship to government that draw our attention. We see foundations engaged in various forms of policy research and advocacy. We see them funding organizations that provide technical expertise, working with groups that shape public opinion on diverse policy issues, supporting legal advocacy of all sorts, building new civil society organizations, and, in the end, fighting as canny ideological combatants in contemporary battles over the roles of government and market. We also see them subject to a changing regulatory regime first implemented with the 1969 Tax Reform Act, a regime currently being reshaped for a world that is both post-9/11 and post-Enron. But are any of these frames wide enough to tell us where we are now? Do they help us to think about the enduring role of foundations?

The United States has had more than a century of experience with large-scale foundation philanthropy. It began with the often-overlooked post-Civil War philanthropy of George Peabody and John Slater, continued in the early charitable endeavors of John D. Rockefeller Sr. and Andrew Carnegie, and led to the establishment (perhaps it is better to say, the invention) of some of the best-known American foundations during the first decades of the twentieth century. That era should be viewed as a period of remarkable philanthropic ferment and innovation, marked by a self-conscious turn from old-fashioned charitable activity to so-called scientific philanthropy. New philanthropic institutions were created: operating foundations devoted to medical and social research, general-purpose grant-making foundations, and community foundations. New relationships were established—with universities, especially graduate and professional schools, government agencies, and the emerging professional groups that could deal most knowledgeably with the challenges America faced at that time. A much more expansive geographical vision also propelled some foundations to

look beyond their immediate locales to confront problems that could only be seen as national and even international in scope. It was, after all, in these years that the United States began to assert itself as a global power and that new transportation and communications technologies drastically shrank the North American continent and the rest of the world.

What drove that turn-of-the-century transformation of philanthropy? The scale of industrial era fortunes supplied the material preconditions. Personal fortunes came to be measured in the tens and hundreds of millions of dollars and were held in the form of relatively liquid financial assets. Significant too was the new corporate legal form in which this vast wealth was being held and controlled; it was the era of large-scale trusts. New attitudes toward science and technology were also at work as donors marveled at the impact of advances in medical research, transportation, communications, and diverse industrial processing innovations. At the same time that these huge new fortunes were being made, economic and social conditions were worsening for many American workers. The relentless depression of the 1890s, violent labor disputes, the very real threats of class warfare, and manifest political corruption in many cities all served to define the economic and political landscape as the first large philanthropic foundations emerged.

Philanthropic motives also mattered, although it is never easy to generalize about the individual portraits of this generation of donors or, indeed, of any other generation. Attitudes and perceptions, the motives that drove the early philanthropists, can be understood only by examining their diverse life stories in detail. We can look for meaning in the hardscrabble immigrant experience of young Andrew Carnegie and his Swedenborgian religious roots, the simple Baptist piety of John D. Rockefeller and his lifelong obsession with monetary accumulation, and the formal educational opportunities forgone by a smart young woman, Margaret Olivia Sage, and her experience of Civil War charity work. Motivations are mixed and changing, multilayered in one's life experiences. And

in the end, it is hard to know whether even the donors themselves had true and penetrating insights into their deepest motivations.

Serving our times

In stepping back and placing a frame around a full century of experience, we can more clearly see the forces that have shaped and, in all likelihood, will continue to shape philanthropic practices. We can begin to formulate a few relevant questions to help situate ourselves in time, perhaps even to serve our own times in better ways. Some questions inevitably are internal and structural: How will the size and scale of private fortunes and foundation assets shape philanthropic aspirations in the twenty-first century? In the late nineteenth century, the growing size of individual fortunes and their scale relative to government resources and to the wider economy generated both new, very large-scale institutional structures and much loftier philanthropic ambitions. There were few foundations in the early twentieth century, but they held assets far larger than those of other endowed institutions such as universities; their expenditures were also much larger relative to the scale of government budgets for health, education, and other social expenditures.

During the past two decades, aggregate foundation assets, though now smaller than at the stock market peak, have grown impressively. But substantial as they are, they must still be viewed in relative terms—relative to the overall size of the economy, government expenditures in areas of philanthropic concern, and the sheer magnitude of the problems we face. This need not mean a narrowing of aspirations and goals, but it does require keen attention to the ways and means philanthropic resources should be used. While much attention is now being devoted to discussions of results and outcomes (and often within the constricted perspective of a single foundation's program or project), perhaps we should recall that foundations once focused on the attempt to get at root causes. Admittedly, the first foundations were naive in their much too sim-

plistic understanding of social and economic cause and effect, but their basic emphasis on trying to understand causation was correct.

With a long view, we should also ask another fundamental question: In what form will philanthropic assets be held? Will they be held in grant-making, operating, or community foundations; in commercial financial institutions with donor-advised funds; or in some new legal form? The operating form was actually preferred initially; the preference for grant making won out only in the 1910s. What does it mean that the number of foundations is rapidly proliferating, now approaching seventy thousand? What is the significance of having a few foundations with more than \$10 billion in assets, another fifty or so with assets in excess of \$1 billion, and tens of thousands with endowments of less than \$1 million? What are the consequences of the rapid growth in the number of donor-advised funds now held within commercial financial institutions?

As we think about the future, we should look not to the aggregate wealth of foundations and the impending transfer of even more resources into a still larger foundation sector but rather to the changing structures for holding philanthropic wealth. At several times during the twentieth century, some policymakers and foundation critics asked whether foundations were too large to be effective or too powerful to be tolerated in a democratic society. A regulatory regime was crafted to secure their legitimate place in our democracy. But perhaps we should now ask whether some foundations are simply too small to be effective and whether there are resulting inefficiencies, excessive transaction costs, larger risks of fiscal impropriety and abuse, and impediments to effective public oversight as the number of foundations has grown, all of which put the legitimacy of foundations in jeopardy.

And this leads us to ask: Who will be making the decisions about the allocation of philanthropic dollars? While there have been efforts under way for some twenty years to improve and to professionalize the management of nonprofit organizations in general, there has also been a consistent stream of criticism of trends toward the professionalization of foundations. If foundations have indeed

grown more professional (and this is a proposition worthy of further debate), the nature and consequences of that professionalism are not at all clear. In fact, only about 5 percent of all foundations have any staff (all of whom are not necessarily full-time professionals), and of those that do have employees, the median staff size is slightly more than two (the average is about five staff members). Roughly half of all foundation dollars are allocated by foundations with no staff at all. In a society that has become increasingly reliant on professional expertise and the generation of new knowledge, the vast majority of foundations look increasingly anachronistic. At its best, foundation decision making can be seen as an effort to balance the knowledge of the expert against the passions, bold thinking, and creative insight of engaged laypersons, whether donors or trustees. At worst, foundation decision making is haphazard, wasteful, and self-serving.

Conceived more broadly, the most historically relevant question—Where are we now?—must focus on the world outside the philanthropic sector. How will foundations deal with knowledge building in the twenty-first century? How will they join with other institutions to foster the application and transmission of knowledge? How will they confront the ethical issues arising from scientific and technological innovation? How will they adapt to the changing functions of government, international organizations, and transnational corporations?

The long epic story of American philanthropy in the twentieth century is a saga of knowledge and expertise. It began with signal successes in biomedical research and the fundamental transformation of medical education in the early 1900s. The basic themes of expanding knowledge, improving training, enhancing professionalization, and searching for ways to apply new knowledge have continued. These were the driving themes of philanthropic intervention in many fields, including the social sciences in the 1920s; foreign languages and area studies in the 1940s and 1950s; in studies of gender, race, and ethnicity in recent decades; and in many areas of public policy concern, including the environment and

national security. American foundations have worked not only to build the intellectual capacity of domestic institutions but also to foster new educational and research enterprises around the world. These global ventures, which reached their apex in the era of post-World War II reconstruction and decolonization, are certainly worth recalling as we face a new century's civilizational and cultural struggles.

Whether we see our current historical era through the pessimistic lens of a clash of civilizations or gaze more optimistically at a world in which civil society and liberal democracy are capable of constant reinvention and renewal, our own place in time will be established only if we ask still larger questions: What are the global responsibilities of a nation blessed with both exceptional wealth and a long tradition of philanthropic innovation? What are philanthropy's obligations not only to civil society, which is to say to non-governmental organizations worldwide, but also to the renewal of democratic life and healthy civic engagement? These, it seems, are the questions prompted by a century-long reflection on American philanthropy.

At the beginning of the twentieth century, some donors were willing to confront the troubling issues of class conflict, wealth inequality, and social divisiveness. Admittedly, their answers were constricted by a social Darwinian worldview, and sometimes their responses were patently self-serving. But that generation of donors was optimistic, perhaps naively so, that philanthropy could provide the new knowledge (they sometimes called it the "social intelligence") to understand and respond to the challenges of their time. They were looking outward. Some foundations in the late 1940s were also peering beyond themselves as they asked how the United States should respond to the issues raised by the demise of totalitarian regimes in Western Europe, to postwar reconstruction, and to the challenges arising from the end of colonialism. They too looked to epoch-defining needs: restoring democratic institutions in Western Europe, building educational capacity in all parts of the world, confronting hunger and population in developing countries.

When historians look back on our philanthropic efforts from the vantage point of the early twenty-second century, they will probably not appraise our work by its efficiency; they will probably not even try to judge the individual successes and failures of our grant making. Rather, they will measure it by the incisiveness of the questions we were asking about our own historical moment. They will ask how realistic and trenchant our observations were as we viewed our own times. In the end, the judgment of the next century will focus not on our abilities to have predicted the future but rather on our willingness to have posed the right questions. However tough it is to predict the future, it is arguably much tougher to situate ourselves with penetrating perception into the present moment and then to act on those insights.

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