

PART I  
*Introduction*



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## *American Foundations: Their Roles and Contributions to Society*

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What have independent grant-making foundations contributed to the United States? What roles have foundations played over time, and what distinctive roles—if any—do they fill today? Are new roles for foundations currently emerging? This volume presents the product of a three-year effort to answer these questions.

America's grant-making foundations are significant by many measures. They numbered more than 112,000 in 2008, held more than \$627 billion in assets, and had grown substantially over more than two decades. They command substantial resources even in the midst of the 2008–09 financial crisis.<sup>1</sup> Entitled to considerable tax benefits and exemptions, and free from direct responsibility to shareholders and voters, foundations enjoy exceptional independence. They can invest the assets they hold, subject to modest restrictions and to an annual tax, generally 2 percent of investment income. So long as they give a minimum amount each year for “charitable purposes” defined in very broad terms, avoid enriching their donors or staffs, and do not directly support candidates for political office or lobby directly for specific legislation, American foundations can largely do as they please.

1. Number and total assets of foundations from the National Center for Charitable Statistics ([nccsdataweb.urban.org/PubApps/profileDrillDown.php?state=US&rpt=PF](http://nccsdataweb.urban.org/PubApps/profileDrillDown.php?state=US&rpt=PF) [July 28, 2007]). The global financial crisis of 2008–09 is a reminder that as holders and investors of charitable funds, foundations are not exempt from external market forces.

American law and practice define *charity* in wide terms. As the Internal Revenue Service puts it, “The term charitable is used in its generally accepted legal sense,” which “includes relief of the poor, the distressed, or the underprivileged; advancement of religion; advancement of education or science; erecting or maintaining public buildings, monuments, or works; lessening the burdens of government; lessening neighborhood tensions; eliminating prejudice and discrimination; defending human and civil rights secured by law; and combating community deterioration and juvenile delinquency.”<sup>2</sup> Unlike an operating charity such as a school, hospital, research institute, social service agency, or museum, a foundation’s board may, in almost all U.S. states, shift funds from one activity to another at any time.<sup>3</sup> And foundation grants add up to a considerable total: the Foundation Center has estimated that in 2007, American foundations gave away more than \$42 billion.<sup>4</sup>

Among all industrial societies, the United States has long granted the most scope to philanthropy. While foundations exist in many countries—most prominently in Germany, the United Kingdom, Italy, the Netherlands, and Japan—the United States stands out: in no modern society are foundations more numerous, and nowhere have they become so prominent and visible. Compared with

2. See “Exempt Purposes: Internal Revenue Code 501(c)(3),” January 2009 ([www.irs.gov/charities/charitable/article/0,,id=175418,00.html](http://www.irs.gov/charities/charitable/article/0,,id=175418,00.html)).

3. Many organizations call themselves foundations, including hospitals and other operating charities (such as the Cleveland Clinic Foundation); supporting organizations controlled by state universities, public schools, and operating charities; and annual fund-raising entities (such as the March of Dimes Birth Defects Foundation). This book focuses on the three thousand larger independent grant-making foundations that have paid staffs and take the legal form of a nonprofit corporation (or, rarely, a legal trust) established to give money for purposes deemed “charitable” under U.S. law, either indefinitely or over a specified period; compare the Foundation Center’s definition at “What Is a Foundation?” (<http://foundationcenter.org/getstarted/faqs/html/foundfun.html> [November 12, 2009]). We include foundations created by force of law, including conversion foundations created when profit-seeking firms purchase nonprofit health insurers or hospitals or, more rarely, under other circumstances. Under U.S. law independent foundations are self-governing and institutionally separate from government. These foundations are also independent of business firms and are distinct from “company foundations” in holding their own substantial assets, in the autonomy of their governing boards, and in their complete separation from the obligation to help a sponsoring firm make a profit. Under federal law, a foundation may not be used for the “private inurement” of a donor, trustee, or staff member or of members of their families. Thus we are not considering the special foundations that are allowed to hold family assets in some European nations. Most foundations receive all of their donated assets at their creation, but all may grow by investing their “corpus,” and many receive additional gifts over time. The Tax Reform Act of 1969 gives community foundations the status of “public charities,” exempt from certain regulations and fees, if they receive each year in new gifts from multiple donors at least 5 percent of the three-year running average of the value of their assets.

4. Estimated grant total from the Foundation Center, “Foundation Growth and Giving Estimates,” 2007 (<http://foundationcenter.org/gainknowledge/research/pdf/fgge07.pdf>).

their counterparts in Europe and Asia, the philanthropic foundations of the United States look back to a longer and more continuous history.

In this book, however, our concern is not to explain why so many foundations have appeared in the United States or why they are more numerous and more influential here than in other countries. Instead, we ask, What difference have they made over time, and what difference are they making today? What have they contributed to American society over time, and what are they contributing today? How did foundations achieve impact in the past, and how are they attempting to make a difference today?

## The Approach Taken in This Volume

In seeking answers to these questions, we asked each of our collaborators in this book to evaluate several hypotheses advanced by previous research, presented more fully below, paying particular attention to the resources available to foundations, the fields they engage, and the contributions of other institutions, whether government agencies, nonprofits, professionals, or business firms, to those fields. Research on the roles, performance, and contributions of businesses and public agencies fills libraries and is the focus of distinct academic disciplines. A more limited but rapidly growing literature considers nonprofit organizations.<sup>5</sup> By contrast, the foundation, as a distinct organizational form, has received much less scholarly attention. Whereas foundations have from time to time been praised or damned in sweeping terms from one perspective or another, we contend that precisely because foundations have sought to do many different things over several distinct periods of American history, broad generalizations are neither illuminating nor useful.<sup>6</sup> In this book, we are taking a more nuanced approach, being mindful also of heightened policy interest in foundations—in the causes they choose to support, in their potential to advance fields ranging from culture, education, and health to religion, the arts, social services, and effective government, and in their potential abuse.

When we began to explore foundations' roles and gauge their contributions, we quickly concluded that foundation impact, whatever it might be, could best

5. See Powell and Steinberg (2007); Salamon (2002b); Anheier (2005); Heydemann (2002).

6. The diversity of fields in which foundations work, the limited resources of foundations in relation to the sizes of their fields, the complexity of defining and measuring impact, all pose severe challenges of method. Challenges also derive from the wide range of criteria proposed for evaluating foundations: social and economic welfare in general, for example, the standard of living and the life chances of the largest possible number of people; social equality; the preservation of religious traditions and cultural diversity; excellence in research, writing, and the arts; the overall amount of total philanthropic giving for charitable causes; and the level of social engagement. See also the comments on method in Margo (1992, pp. 207–34).

be assessed in the context of particular fields at particular times. Ideally, we see “impact” in causal terms, as a measure of the effectiveness of specific activities intended to bring about sustained and observable change. But given the wide range of foundation purposes, the complexity of the changes they seek, the small size of foundation funds in relation to their fields of action, the limitations of the available data, and also the limited resources available for this project, we decided to combine qualitative and quantitative approaches by focusing on large grant-making foundations, while also noting other types such as community foundations; considering several quite diverse fields over extended periods of time; and using consistent approaches that take account of the best current analyses of work in the fields that foundations address.<sup>7</sup>

The larger independent and community grant-making foundations are at the core of discussions about the contribution of foundations to American society. More than half of all independent grant-making foundations have less than a million dollars in assets. We focus not on these small foundations, which are numerous but whose total assets amount to just 3 percent of all foundation holdings, but on the largest 5 percent, which hold the bulk of philanthropic assets.

## Foundations as Institutions

Large grant-making foundations are important not just for their wealth but also because they are notable institutions. Institutions make ideas and practices regular, routine, almost solid. They can provide a measure of predictability and a sense of consequence. Institutions define realities, concert resources, enhance or frustrate the power of those who work through them and with them, and generally help shape their environments.

Foundations are important institutions because they enable donors to reserve and invest charitable funds, to set terms for their distribution, to provide funds to one or many grantees over time, and to shift funds from one charitable activity to another. Foundations are also important because they focus grant-seekers’

7. A wealth of reliable data is now available, especially from the Foundation Center and the National Center for Charitable Statistics. We are all too well aware of the limitations to the available data and the costs associated with gathering more. Contrary to conventional laments, many serious studies of foundation impact have been published by historians and social scientists, as the reference list demonstrates. Much of what we would ideally want to know is not measurable, and even though some data are available, data that would allow direct evaluation of cause and effect are not. Multiple purposes make it difficult to identify the true intentions of many foundation programs. Those who seek to promote change often, quite appropriately, must take indirect approaches. So far as possible, we have sought to unpack foundation staff and trustee intentions and to learn how they themselves have tried to evaluate their success. In current language, we have sought to understand the underlying theory of change brought to bear by foundation leaders in particular cases.

attention. In their financial capacity, foundations contribute in a minor way, together with individual and corporate donors and certain government agencies, to what some describe as a grants economy that provides about a fifth of the income of America's nonprofit organizations.<sup>8</sup> In their civic capacity, foundations (like associations and nonprofit organizations) constitute sources of wealth, influence, and initiative independent of government and business. Foundations can help individuals discharge religious obligations and moral commitments, provide a secure basis for minority religious and cultural and scientific interests, and enable ambitious people to exchange economic wealth for social recognition and prestige.

Clearly, foundations do much more than give away money: when society permits, they can confer legitimacy and worthiness on, as well as enhance the recognition and status of, a donor. In conjunction with policymakers, tax authorities, judges, accountants, religious leaders, pundits, and many others, foundations can make real Americans' divergent and changing ideas as to what is really charitable or valuable. Foundations can shape the actions of others by granting money and defining particular activities, purposes, achievements, and people as worthy of gifts, grants, awards, and prizes.

Ancient and medieval foundations in Europe and the Ottoman Empire supported the saying of prayers; the preservation, copying, and study of sacred texts; the education of religious leaders; the symbolic feeding of the poor (especially widows and orphans); and the religious care of the sick and dying.<sup>9</sup> Modern foundations continue to do all that, and they also reward heroism, good citizenship, writing on many topics, artistic endeavor, and scientific and applied research. When conditions have been favorable, modern foundations have successfully introduced public awareness campaigns, encouraged new social behavior, launched self-sustaining organizations, and even reorganized entire fields of activity.

U.S. foundations once helped define limits and indirectly served to maintain social barriers within American society by confining their gifts largely to white men. Since the civil rights and women's movements, many American foundations have instead sought to eliminate such limits and reduce barriers by emphasizing their willingness to include African Americans, Hispanics, Native

8. In 2005 foundations themselves provided about 1 percent of the income of the charitable nonprofits; other private donors contributed about 12 percent; government agencies added another 9 percent in the form of grants. Government also paid for services provided by nonprofits through processes that are quite distinct from grant making. In 2005 foundations gave a total of \$36.5 billion to all recipients; a substantial portion of this went to religious entities, state universities and other government agencies, and individuals rather than to charitable nonprofits. Blackwood, Wing, and Pollak (2008).

9. On ancient foundations, see Veyne, Murray, and Pearce (1990).

Americans, members of other minority communities, and women among their grantees and among their trustees, as well—as a matter of course.

The existence of the foundation as an institution gives a donor an alternative. A donor who wishes to give outside his or her family and friends can give directly to a religious institution or other operating organization (or its endowment) or to an individual. A donor can also place funds in a foundation to be given over time to a developing field, a complicated project, or a cherished purpose, or to be given in a field—such as the production of works of art or literature; the mounting of theatrical, musical, or dance performances; or the celebration of religious rites and duties—in situations where stable organizations are lacking. Any person can also, of course, decide to make no gifts at all. To focus on foundations is to focus on just one of the legal and institutional instruments that the United States makes available to its donors.

U.S. foundations act chiefly through nonprofit organizations; in an important sense, giving money to a foundation is an alternative to giving to an operating charitable nonprofit organization, religious or secular. U.S. foundations also often give to state universities, public schools, county hospitals, national museums, and other government entities. Hence it is important to consider the implications of the fact that donors can give through foundations as well as directly to nonprofit organizations or agencies of government. Foundations can reinforce the autonomy of a nonprofit by providing distinctive sources of income; they can enable a nonprofit to launch a new initiative, to expand, even to pursue some difficult-to-fund course. Foundations can enhance the ability of a government entity to do its work. But foundation demands can also limit nonprofit autonomy and exert controversial influence on public agencies. Because foundations have the power to expand or contract their funding in accordance with their own purposes, they can help their grantees expand—and they can also lead grantees to distort their missions.

One of our key findings, not sufficiently appreciated in general discussion, is that as nonprofit organizations and government agencies have grown in recent decades, foundations have grown much more slowly and have, as a result, become less important. Over the past forty years, private colleges, not-for-profit hospitals, state universities, county hospitals, nonprofit job training centers, and similar entities have dramatically increased their earned income. They have also benefited since 1966 from increased federal funding through Medicaid, Medicare, federal grants and loans to college students, and massive federal investment in job training. Huge increases in other federal programs, ranging from the National Science Foundation and the National Institutes of Health to subsidies for housing and support for the disabled, have produced a steady increase in government funding for nonprofits as well as for state and local schools, hospitals, clinics, and other agencies.

Meanwhile, private giving of all kinds, including giving to and through foundations, has not increased in relative terms but has remained quite steady at a little less than 2 percent of disposable income.<sup>10</sup> Thus in recent decades American foundations have been operating in a new and rapidly changing environment in which their resources have been declining relative to the resources devoted to the fields with which they engage. For nonprofit organizations, earned income now amounts to three or four times as much as all private donated income.<sup>11</sup> And, if we count medical insurance payments as “earned,” even though they are heavily subsidized and regulated by the federal government, earned income also exceeds government funding of nonprofits by about 50 percent. “Charitable” American nonprofits gain that designation through the character of the services they provide and through the spirit of their operations, more than through reliance on private donations. This has always been true to a considerable degree; it is now more true than ever.

So we began this project knowing that impressive though they are, foundation assets are small and declining in relation to the fields and the needs they seek to address. Previous work had also made it clear in a general way that, precisely because their assets are limited, the most effective foundations have always demonstrated notable creativity and strategic thinking.<sup>12</sup> Foundations that achieve real impact must have a shrewd understanding of the dynamics of the fields in which they operate and a thoughtful mastery of ways to use limited funds with maximum leverage. Even as foundation assets have seen relative decline, federal and state regulation of activity in most fields relevant to foundation interest has greatly increased. With increased wealth, Americans can and do pay for more and more of the kinds of services that foundations support. Today’s foundations must adapt their strategies and tools, perhaps even downsize their ambitions, and in any case carefully reconsider the fields and issues they choose to address. In so doing, autonomy in the use of assets gives foundations their great potential. Our ambition here is to begin to develop a more precise empirical assessment of how foundations use their exceptional position, and with what impact.

## Roles and Contributions

As they seek to make an impact, foundations above all distribute money. Foundations have also been able to offer resources that are less tangible than money but that under the right circumstances can be even more valuable. Through

10. Burke (2001).

11. Salamon (1999).

12. See Hammack (2006); Fleishman (2007); Frumkin (2006); Anheier and Leat (2006); Andrews (1973); Cuninggim (1972); Nielsen (1972); Wheatley (1988); Lagemann (1999).

longevity, consistency, and good judgment—and, more generally, through the basic terms of their programs—foundations can confer honor, prestige, or authority, and in this way they can encourage desired behaviors and actions. Sometimes foundations have done this by offering prizes for notable achievement; sometimes by supporting research, creative work, or collegial activity; sometimes through scholarships designed to attract newcomers into a field. Some foundations have sought to make a mark even more programmatically, by devoting resources to operating institutions that seek their own distinctive reputations for excellence.<sup>13</sup>

It is important to consider not just what foundations provide in the way of money and other resources but also intent and method. As has been noted, in legal terms, all foundation grants must be “charitable”; in practice, foundation approaches can be seen as attempting to contribute to society in three main ways: through relief of immediate needs, through philanthropy, or through control.<sup>14</sup>

Relief of immediate need occurs when foundations pay for services or goods that benefit others—for example, characteristically, the poor or the disabled—within an existing framework. Counterproductive efforts of this sort encourage dependency—or are insufficient. We identify two chief forms: complementarity, whereby foundation gifts supplement tax funds and individual gifts in paying for services or goods for otherwise undersupplied groups; and substitution, whereby foundation grants replace tax funds and individual gifts in providing services or goods.

*Philanthropy* describes foundation efforts to create something new in one of three ways: innovation in social perceptions, values, relationships and ways of doing things, which has long been a role ascribed to foundations, although any effort to innovate can fail and can yield negative as well as positive results; original achievement in the arts, in science, and in the study of society; and social and policy change, whereby foundations foster recognition of new needs, seek to bring a wide range of perspectives to the table, and encourage discussion of structural change in the interests of such general social goals as efficiency,

13. As in the current cases of the Getty Foundation with its art museums and related programs, the Duke Endowment's support for Duke and three other universities and colleges, and the Howard Hughes Medical Endowment (whose federal charter specifies that it is not legally a foundation) with its own laboratories and related grant programs, as well as the classic case of the Russell Sage Foundation's support of various research and publication programs in the fields of social work and social policy and of the regional plan of New York and New Jersey, from World War I through World War II, the Carnegie Endowment for International Peace, and the Carnegie Foundation for the Advancement of Teaching.

14. Role classification is informed by Weaver and others (1967); Nielsen (1972); Karl and Katz (1981); Hammack (1999); Prewitt (1999a); Kramer (1987); Salamon (1995); Anheier and Daly (2005); Frumkin (2006).

equity, peace, social and moral virtues of all kinds, law and order, or economic growth. Control can also take three forms: preservation of traditions and cultures, whereby foundations hold and distribute funds intended to preserve and encourage valued beliefs and commitments; redistribution, whereby foundations voluntarily redistribute wealth from the rich to the poor; and asset protection, whereby a foundation holds, invests, and distributes funds for use by other charitable institutions or for particular charitable purposes.

Foundations do not only give money away; they also invest. Regulations have changed over the years, but some foundations have always sought to contribute to society through what are now called program-related investments as well as through grants. Some of the earliest program-related investments were intended to help young craftsmen and farmers establish themselves, to demonstrate the practicality of higher standards in housing design and construction, or to subsidize office and meeting space for charitable organizations. Foundations have also sought to promote local economic growth through their investments as well as their gifts.

A number of authors have suggested that foundations have significant comparative advantages over other institutions.<sup>15</sup> Independence from both market considerations and election politics might well enable foundations to contribute to society in four distinct ways. They can be social entrepreneurs, identifying and responding to needs or problems that for whatever reason are beyond the reach or interest of market firms, government agencies, and existing non-profit organizations. They can act as institution builders, identifying coalitions of individuals and organizations capable of action across existing sectors, communities, regions, and borders; mediating conflicts, convening, and assuming the role of honest broker; and offering financial resources as well as knowledge and insights to help new entities (and sometimes entire groups of new institutions) become self-sustaining. Foundations can also serve as risk takers, investing where there is great uncertainty and a return is doubtful; foundations can be especially well placed to support new departures in research, scholarship, writing, and the arts and in vital questions that are not yet in the mainstream. Finally, foundations can be value conservers, supporting practices, virtues, and cultural patterns treasured by donors but unsupported by markets or legislative majorities.

We set ourselves to identify the general significance of each sort of contribution. Is it true that relief of immediate need is especially significant for many smaller foundations, though even large, change- or control-oriented foundations often make donations intended to relieve need created by disasters, economic

15. For example, Douglas and Wildavsky (1978); Prewitt (2001); Anheier and Leat (2006); Fleishman (2007).

depressions, and war? Are we correct to think that foundations hold such small amounts of wealth relative to government expenditures that we can find few if any cases of outright substitution? Foundations often do supplement government and private provision of goods and services for the poor: to what extent is this the case? Even in meeting immediate need, foundations can act as social entrepreneurs when they devise more effective arrangements for relief or when they challenge outdated notions that define one population as more worthy than another. How often does this occur?

Those who have written about American foundations have neglected the foundation role in controlling charitable and philanthropic resources, but this role is an important one, not only for the classic foundation purpose of preserving traditions and cultures and for protecting assets. Are we right about this? Is it correct to conclude that given the small sum of assets foundations hold relative to national wealth, their capacity for redistribution from the rich to the poor is very limited?

Many writers celebrate foundations' philanthropic roles, especially the encouragement of innovation and social change. We would also call attention to foundations' roles in supporting original achievement and in encouraging careful thought about policy in the broader sense of frameworks and approaches to help the formulation of legislative action. Are we right about this? Perhaps it should go without saying that it is exceptionally difficult for any institution to bring about real innovation, social or policy change, or truly notable achievement.

We hypothesize that foundations can achieve the greatest impact when they act as social entrepreneurs, institution builders, risk takers, and value conservers—or, in slightly different terms, that foundations are most effective when they act as neutral intermediaries (with no direct market or electoral interests) that possess independent financial and other assets, mobilizing resources for needs that will not otherwise be met or purposes that would not otherwise win support.

But the evidence also makes it clear that these are difficult tasks to accomplish, and that their impacts are difficult to measure. Donors, regulators, courts, and American society at large recognize a wide range of activities as appropriate for foundations. Some American cultural traditions emphasize the stewardship of resources for the future; others take the view that available funds should largely be devoted to immediate need. Which of these is best or most effective or most valuable or most appropriate is widely debated, not least among different religious communities. Because people place varying values on different foundation activities—as is appropriate in a free society—we do not think it is possible to identify any one best foundation practice. But we do believe that some foundation efforts have made especially effective use of the institution.

In addition to comparative advantages, we also ask about the disadvantages associated with foundations. Among those that have been suggested in the literature,<sup>16</sup> we see the following as most critical:

—Insufficiency, when foundations lack resources adequate to their proclaimed goals. This disadvantage becomes acute when the foundation fails to recognize its own limitations.

—Particularism, an inappropriate favoring of one group of beneficiaries based on value preferences. U.S. law forbids discrimination on the basis of race or gender but allows foundations to require that beneficiaries meet religious, geographical, or appropriate ability tests. Criticism arises when such tests are imposed in arbitrary fashion or for an ulterior discriminatory purpose.

—Paternalism, the substitution of a foundation's judgment for that of its beneficiaries—in particular, the attitude that the foundation knows what is good for those it seeks to support. This charge is often linked to the alleged aloofness and elitism of foundations.

—Amateurism, the making of decisions by (often well-meaning) dilettantes who possess only a cursory understanding of the fields and issues they address.

Once we had defined terms and developed these hypotheses, we invited colleagues to write authoritative analyses of the contributions of American foundations in eight distinct fields. For each field we commissioned a study of the changing contexts in which American foundations have worked; for seven fields, we also commissioned contemporary studies based in part on data from the Foundation Center.<sup>17</sup> We were able to include most of the fields in which foundations have been most active over the years, including K–12 education, university-based research, medical research and medical care, social welfare, international relations, arts and culture, religion, and social movements relating especially to class, gender, and race. Limited resources and a lack of previous studies prevented the inclusion of other important fields, including the environment, population studies, energy, the press and public information, and many specific social welfare fields, ranging from the needs of children to aging and housing. While we paid extensive attention to questions of race and gender, we treated those matters in the context of foundation work in the various applied fields.<sup>18</sup>

16. Nielsen (1972, 1985); Salamon (1987, 1995); Anderson (1988); Fleishman (2001); Hammack (2006); Frumkin (2006). We leave aside here the abuse of the foundation for legally proscribed self-enrichment and dynastic wealth preservation purposes.

17. For information on our data sources, see appendix A.

18. In several cases, we have been able to draw on excellent work by others; see the lists of references for this volume and for our companion book (Hammack and Anheier, forthcoming).

The contributors include sociologists, historians, political scientists, and economists. All are excellent independent researchers in their own disciplines. Several write on the basis of practical experience, having played senior leadership or advisory roles at a wide range of foundations, from the venerable Milbank Memorial Fund and the Russell Sage Foundation to the Century Foundation and Chicago's Joyce Foundation, from the J. Paul Getty Trust and the Ford Foundation to the Robert Wood Johnson Foundation and the newly formed New York State Health Foundation. But all write as independent, if unusually well-informed, researchers, not as advocates for the foundations.

## The Importance of Context

Several influential recent accounts have emphasized the remarkable continuities in the history of American foundations.<sup>19</sup> The studies in this book persuade us, however, that America's foundations themselves have changed less over the past hundred years than the contexts in which they operate—contexts of two sorts, to be precise. Foundations operate in specific fields, so the character of each field that a foundation addresses provides one key context. Theological education, for example, offers possibilities and challenges quite different from those entailed by public health, by elementary and secondary education, or by a concern for the arts or the elimination of poverty.

Foundations also operate in real time, and each period imposes its own critical political and economic context. Foundations have a long history—we date the earliest recognizable American foundations to the 1790s—and we observe four sharply distinct periods: the sectarian, particular-purpose era of the nineteenth century; the classic institution-building era of the first half of the twentieth century; a postwar period of struggle for strategy and relevance that lasted into the 1990s; and, if we are correct, the present time, with its acceptance of foundation variety and its focus on measurable and sustainable results. For each field, for each period, external realities—not least, the general climate of public culture and opinion, expressed through state laws and court decisions even more than through federal policy—have shaped the sorts of things foundations could do and the sorts of contributions they could make. The record of foundation work, and in fact the record of serious analysis of foundations, is longer, fuller, and richer than is often suggested. We believe that today's foundations, and today's foundation watchers, can—and, if they are responsible, understand that they should—learn from the past.<sup>20</sup> But to do so, they must consider the

19. See, for example, Fleishman (2001, 2007); Prewitt (2001); Dowie (2001).

20. F. Emerson Andrews directed the Russell Sage Foundation's early studies of foundations before launching the Foundation Center; he titled his 1973 memoir *Foundation Watcher* (Andrews 1973).

context of time and field, and they must consider present realities as they think about what might be relevant from past experience.

### *The Sectarian, Particular-Purpose Foundations of the Nineteenth Century*

Because a foundation is a legal device for holding, investing, and over time paying out money for the support of charitable purposes, it is wealth and sustained focus that make foundations impressive. The lists of the largest and otherwise most notable foundations of the particular-purpose era of the nineteenth century include religious, educational, local economic development, and arts endowments that are sometimes omitted from discussions of the field but that actually meet most if not all the elements of the definition of a foundation.<sup>21</sup>

What did nineteenth-century foundations contribute? In organized religion, literature, the arts, the sciences, and popular and collegiate education, endowed funds and early foundations played strongly innovative philanthropic roles as social entrepreneurs and institution builders. They also worked to advance cherished values and to create opportunities for individual achievement. Through their funds in support of education and the clergy, they helped create America's Protestant denominations. Funding from foundations and endowments allowed colleges to increase their usefulness by moving into new areas of teaching, public service, and research, including science. Foundations expanded opportunities for popular self-education. Some foundations sought to invest strategically in local economic development. In the notable cases of the Peabody Education Fund (for the South) and the Carnegie libraries, they worked effectively for policy change. In most of these areas foundations did not substitute for, or complement, nineteenth-century governments, because those governments did not take the provision of opportunities for religion, scientific research, the arts, or, in most cases, higher education to be among their responsibilities.

Nineteenth-century endowments and funds certainly did not escape criticism. Every religious movement, every denomination, indeed organized religion itself, had critics and detractors. Every cultural and educational initiative evoked

21. For fuller detail on nineteenth-century foundations, see Hammack and Anheier (forthcoming). The Massachusetts Hospital Life Insurance Company (active after 1825) combined the functions of a trust company, an insurance company, and a charitable endowment. It donated a full third of its often considerable profits to the Massachusetts General Hospital. Related arrangements continue: according to its website, the United Methodist Development Fund "provides first-mortgage loans to United Methodist churches, districts, city societies, district unions, mission institutions, or conference church-extension agencies for the purchase of sites and for the purchase, construction, expansion, or major improvement of churches, parsonages, or mission buildings. . . . The UMDF accepts investments from United Methodists, sends them an interest check twice a year, then lends that money to United Methodist churches for new construction and/or renovation" ([http://gbgm-umc.org/who\\_we\\_are/ecg/umdf/](http://gbgm-umc.org/who_we_are/ecg/umdf/) [September 2008]). Of course, under twentieth-century tax law, the United Methodist Development Fund is not technically a foundation.

criticism. Lowell Institute lectures and Carnegie libraries greatly increased opportunities for many Americans to help themselves. Yet few nineteenth-century charities challenged contemporary treatment of African Americans or women. Much nineteenth-century philanthropy by foundations and proto-foundations was indeed particularistic, amateur, paternalist, elitist.

### *Classic Institution Building in the Early Twentieth Century*

Most accounts of the history and character of American foundations derive from the classic institution-building period, the first half of the twentieth century, and most of the essays on context in this volume pay a good deal of attention to this period. General-purpose grant-making foundations became legal (on a state-by-state basis) only with the rise of nonsectarianism and science and the formation of exceptionally large fortunes at the end of the nineteenth century. The best-known foundations of this era—the several created by Andrew Carnegie and by John D. Rockefeller and his associates, together with the Rosenwald Fund, the Milbank Memorial Fund, the Russell Sage Foundation, the Twentieth Century Fund, the several Guggenheim foundations, and the Alfred P. Sloan Foundation—did much to shape the basic institutions of American public and higher education, medical research and education, and scientific research. They succeeded by backing national cadres of institution builders and by funding and conferring legitimacy and prestige on new and reformed academic, professional, and research institutions. In their core fields, they found strong partners in certain regional foundations, in the rising professions, in industry, in the state legislatures, sometimes in the White House.

Over the first half of the twentieth century these foundations, as well as many others, also made substantial efforts in the fields of social welfare, the delivery of health care, the improvement of elementary and secondary education for children from disadvantaged families, housing and regional planning, the promotion of particular virtues and the suppression of particular vices, the arts, and international relations. But in those fields foundations often worked at cross-purposes with one another and also encountered powerful countervailing forces. Finding few effective partners, some foundations did help, in several cases, to create notable communities of would-be change agents who struggled to make a difference.

Most accounts of foundations strongly emphasize the Carnegie, Rockefeller, and allied national foundations, and for good reason: during this dramatic period, these foundations held a large share of all foundation assets and pursued the most striking set of agendas. But another group of large foundations played different roles. Several of these, especially around the Great Lakes and in the West—including the Cleveland Foundation, the Chicago Community Trust, the Kresge Foundation, the Charles Stewart Mott Foundation, the

Buhl Foundation, the Children's Fund of Michigan, the Field Foundation, the Amherst Wilder Foundation, the Lewis W. and Maud Hill Foundation, and the Charles Hayden Foundation, as well as quite a number of smaller regional funds, such as the Maurice and Laura Falk Foundation in Pittsburgh, the Louis D. Beaumont Foundation in Cleveland, the El Pomar Foundation in Colorado, the Katie and Thomas Haynes Memorial Educational Fund in California, and the Harold K. L. Castle Foundation in Hawaii—intervened within their own spheres to advance the national foundations' efforts to institutionalize modern medicine and scientific research.

But many other regional foundations in these years sought less to advance modernization than to build selected regional institutions. Most notable, perhaps, were efforts in Cleveland and elsewhere to develop the community foundation and the community chest (the predecessor of the United Way movement) into substantial regional fundraising organizations, and the efforts of the W. K. Kellogg, Mott, and some other foundations to expand public health, local hospitals, public libraries, and public education in rural areas and small towns. Also worth particular notice were the successful uses of foundations to build arts organizations ranging from the National Gallery, the Juilliard School, and the Metropolitan Opera to the Cranbrook School, Longwood Gardens, and the Kimbell, Nelson-Atkins, and Huntington museums. Meanwhile, most of the nineteenth-century denominational foundations continued to grow and were joined, during the 1920s, 1930s, and 1940s, by new Baptist and Methodist foundations in the South. The Duke, Danforth, Lilly, and many other regional foundations, especially but by no means only in the South and the West, also emphasized their religious commitments.

As our colleagues Pamela Barnhouse Walters and Emily A. Bowman (chapter 2), Steven C. Wheatley (chapter 4), and Daniel M. Fox (chapter 6) make clear, the most notable foundations did much to build America's modern institutions in education, scientific research, and the professions. Many regional foundations built local institutions in these fields and helped connect them to national networks. National as well as regional foundations also continued to support the main Protestant denominations and to make other contributions to organized religion—a neglected field that Robert Wuthnow and Michael Lindsay (chapter 14) begin to explore. Donors used foundations to advance other cherished cultural values, especially, as James Allen Smith (chapter 12) shows, by creating new organizations for the arts and, as Steven Heydemann and Rebecca T. Kinsey (chapter 10) demonstrate, in the field of international relations.

Efforts during these years to encourage systematic reforms in the delivery of health care, secondary education, social welfare, race relations, and family and recreational life produced decidedly more mixed results, as our colleagues Fox, Walters and Bowman, and Wolfgang Bielefeld and Jane Chu (chapter 8), as well

as others, argue.<sup>22</sup> Opposition from general practitioners drove foundations from the health policy field. The New Deal overwhelmed strong foundation support for private social work agencies and for control over the social work profession. Having done much to create public school systems supported by local tax revenues and to integrate public schools with private and public colleges, foundations found themselves unable to persuade the school systems to adopt new policies. Foundation resources were insufficient to diagnose in a timely way the factors that brought the Great Depression, to maintain peace after World War I, to spread Christianity around the globe, to equalize access to education for African Americans or anyone who lived in a rural area, or to raise moral standards. And in the absence of any systematic regulation, not a few donors used foundations largely to enrich themselves and to preserve wealth for their families.<sup>23</sup>

### *Struggle for Strategy and Relevance in the Postwar Period*

By the early 1950s, American foundations were operating in a new context. A great expansion in the role of government, sustained prosperity, and the very success of earlier foundation efforts to build new, sustainable systems of key institutions all worked together to reduce foundation influence. New issues demanded attention: the reconstruction of Western Europe, the cold war, and the collapse of the European colonial empires; the African American civil rights movement; the persistence of poverty; the new women's movement. Large new nonsectarian foundations had been a dramatic new presence on the American scene in the first two decades of the twentieth century, but fewer new foundations appeared in the 1930s and 1940s, and when their numbers rose again in the 1950s and 1960s, congressional hearings and new legislation sharply slowed the creation of new foundations. Whatever their field of action, for several decades foundations struggled to redefine their place in America's civil society.

It is easy to forget how extensively Americans transformed their governments in the 1930s and 1940s. State and even municipal governments had traditionally taken the lead in most areas of domestic policy. Before the New Deal, the federal government had almost nothing at all to do with questions relating to scientific research, higher education, health and medicine, elementary and secondary education, or social welfare and family relations. These were exactly the fields in which American foundations were then making their most notable contributions.<sup>24</sup>

22. Harlan (1958); Hammack and Wheeler (1994); Sealander (1997); Anderson and Moss (1999).

23. Goulden (1971); Nielsen (1972, 1985); Troyer (2000).

24. Joel Fleishman notes the foundation support in this period of work to eliminate hookworm and to develop insulin and the Pap smear test; historians of American science credit the Rockefeller and several other foundations with building research capabilities that during the early years of World War II made possible the Manhattan Project, the effort to develop radar and sonar, and the rapid advance of American aeronautics (Kohler 1991).

By the early 1950s, federal agencies were providing overwhelmingly more money than foundations in most of these fields. The federal government did not crowd out the foundations: rather, its enormous resources and the nation's new policy commitments transformed every field, so that research, higher and professional education, hospital care, and funds for the relief of the unemployed, the elderly, and the very poor could do far more than ever in the past. Meanwhile, across the nation, state and local governments, including school and other special districts, had during the Depression added sales and income taxes to their traditional property-tax revenue bases and now raised more money than ever for education, welfare assistance, and recreation.

The transformation of America's health, education, and welfare systems slowed during World War II and the early years of the cold war, but the success of the civil rights movement and the passage of Great Society legislation in the mid-1960s revived the process. In just two years, 1965 and 1966, Congress passed the historic Civil Rights and Voting Rights acts, created Medicare and Medicaid and a new national system of grants and loans for college students, greatly expanded federal support for job training and other antipoverty initiatives, expanded the National Science Foundation, and established the National Endowments for the Arts and the Humanities.

Meanwhile, although American incomes continued to be unequal, average per capita income, measured in dollars of constant purchasing power, was growing steadily, from about \$9,000 in 1960 to more than \$23,000 in 2000.<sup>25</sup> Increased family incomes, which allowed for disproportionately increased spending on health care, school tuition, the arts, and other nonprofit services, combined with steadily increasing government spending to make possible rapid growth in nonprofit employment.

The remarkable increases in private spending and government funding allowed foundation-funded fields to grow rapidly, at a time when foundation assets were growing slowly or stagnating and private giving was failing to move above its post–World War II peak of more than 2 percent of disposable income.<sup>26</sup> Private giving, including foundation giving and giving influenced by foundation example, had accounted for a considerable share of nonprofit employment between 1900 and 1950. It accounted for a much smaller, and rapidly decreasing, share thereafter.<sup>27</sup>

Market forces and federal funding requirements also imposed new constraints, limiting the possibilities for foundation influence on nonprofit organizations and

25. Statistical tables can be found at “Economic Report of the President: 2008 Report Spreadsheet Tables” ([www.gpoaccess.gov/eop/tables08.html](http://www.gpoaccess.gov/eop/tables08.html) [July 9, 2008]).

26. Foundation Center data suggest that foundation assets grew little in relation to U.S. gross domestic product between the mid-1960s and the late 1980s. See also Burke (2001).

27. Hammack (2001).

government agencies. Because federal priorities could and did change from year to year, from Congress to Congress and from president to president, foundations and other private donors could not be sure how their initiatives would fit into a changing scene, as our colleague Steven R. Smith has shown.<sup>28</sup> In the 1940s, 1950s, and 1960s, large portions of the funds appropriated under the G.I. Bill, the Hill-Burton hospital construction act, the National Defense Education Act, and the legislation of the Great Society went directly to existing—and to some extent foundation-shaped—nonprofit organizations and government agencies. Sometimes, as with the Head Start program, housing for the elderly, and the community development field, federal funds went to nonprofit organizations newly created to provide new services to previously underserved populations.

Then in the 1970s and 1980s, Congress dramatically shifted the bulk of this funding to voucher and voucherlike and loan programs. This change enabled patients, the disabled, the elderly, students, and others to act more like consumers in a marketplace and significantly increased public support for federally funded programs. From the start, Medicaid and Medicare left it to patients (and those who advised them) to select hospitals, clinics, doctors, and treatments, then paid for the services rendered.<sup>29</sup> Over the next two decades, Congress shifted other federal programs to this model, including student aid (increasingly involving loans), job training, and help in overcoming substance abuse. Food stamps and rent supplements, Medicaid, and disability payments supplemented or replaced existing welfare programs.

Federal funds came with strings. New rules imposed standards on the design of buildings and facilities; provisions for employee and public health and safety; program design; staff training, licensing, and certification; and institutional accreditation. They also enforced the newly established civil rights of women and minorities in hiring and promotion and in receipt of services. The U.S. Supreme Court affirmed that Congress had the power to set such rules. In every field, funding arrangements—fee structures, insurance arrangements, local taxes, streams of state and federal funds—as well as the standards and interests of professionals and other workers, shaped the provision of services in ways that, once established, were not easy to change.

All this forced the reconstruction of the fields in which foundations had long been active. And it forced foundations to reconsider their strategies.

Criticism of foundations inevitably increased as foundation efforts to change health care, education, family services, and other arrangements challenged the rapidly growing ranks of people whose interests as consumers, providers,

28. Smith and Lipsky (1993); see also Gronbjerg (1993).

29. Medicare and Medicaid only reimburse for approved services rendered by accredited hospitals and licensed providers. Medicare and Medicaid greatly expanded the health care market but increased that market's regulation.

employees, and taxpayers were vested in these fields. Some criticism was the political product of cold war–era fears such as those exploited by Senator Joseph McCarthy. Efforts to use foundations to shield family wealth from taxes and to maintain dynastic control over business firms—efforts that, as we have noted, grew rapidly in some quarters during the 1950s<sup>30</sup>—also provoked criticism. These critiques, together with complaints about the political activism of a few foundations, culminated in the Tax Reform Act of 1969, which increased public reporting requirements and formalized restrictions on the political activities of foundations.<sup>31</sup>

Together, changes in the fields foundations addressed as well as in their own positions led to a great deal of rethinking about appropriate roles. Greatly reduced relative wealth and other postwar conditions simply did not allow foundations to play the dramatic institution-building roles that had been available to them in the century's early decades.

As the chapters in this book demonstrate, foundations made many contributions during recent decades, but their contributions went in many different directions. Their contributions cannot be summed up in a phrase like “supported the creation of American denominationalism and the public library system” or “built major institutions in public education, higher education, medicine, international relations, and research.” Nor did foundations in the postwar decades play decisive roles in most of the fields examined in the previous section.

#### *Acceptance of Foundation Variety and a Focus on Sustainable Results in the Present Period*

By the 1990s American foundations were experiencing renewed growth in numbers and resources, yet they found themselves in ever more complex and challenging fields, fields now heavily populated by institutions that had grown even larger in size and capacity. And while foundations grew, other sources of funding—notably, consumer and government spending—continued to grow faster. No longer able to play the sometimes dominant institution-shaping roles for which they had long been most celebrated and criticized, foundations entered a new era marked by increased transparency, an emphasis on achievable results, creative efforts to address the failures of government as well as of the market by enhancing civil society's capacity for self-organization, and an acceptance of the extraordinary diversity of foundation size, approach, and purpose.

30. Troyer (2000).

31. Although the Carnegie and Rockefeller foundations and their leaders, the Russell Sage Foundation, and the Twentieth Century Fund provided notable counter-examples, most foundations had traditionally insisted on privacy, even secrecy. The law did not require more. For this reason, there are hardly any reliable measures of the numbers or assets of foundations before the late 1970s.

Several of the studies in this volume, together with other evidence, persuade us that foundations are indeed entering a new period. Both foundations and their publics are coming to accept that foundations are widely diverse and varied, in size, focus, purpose, approach, and operations. Both foundations and their publics increasingly understand that foundation resources—even, as Bill Gates insists, those of the very largest—are and will always be quite limited in relation to the fields they address. Moreover, both foundations and their publics are interested in realistic claims and measurable results. Given their limited resources, many foundations are putting a renewed emphasis on creative efforts to mobilize collaborators and exert leverage.

At the beginning of the new millennium, American foundations find themselves in a situation that is dramatically different from that of the classic foundation period of the early twentieth century. In relation to the fields they address, foundations now have significantly less money. Other nonprofit and government institutions, often with far greater resources, occupy those fields. Early in the twentieth century, few families had been able to afford to send their children to high school, let alone college or professional school—or to pay for the limited medical care then available, or to provide private assisted-living services for infirm elderly parents. By 2000 greatly increased prosperity changed those circumstances for as much as half of the American population. And while federal government funding had been almost entirely absent from health care, education, and social services before the New Deal and the Great Society, the federal government now directs at least 5 percent of the entire U.S. economy toward work in those fields. Before the 1960s few federal regulations affected those fields: by the 1990s federal rulebooks and court decisions imposed extensive controls on the operations of every entity engaged in the fields of health, education, and welfare.

Responding to these new realities, foundations have come to redefine their ambitions and their practices. While foundations continue to use the legal forms that allow them to define their missions broadly as embracing “social welfare” in general, increasingly they address specific, specialized needs in well-defined niches. Collectively, foundations have taken on an ever-widening array of purposes; individually, increasing numbers of foundations are undertaking more precisely defined activities toward goals that can be specified and monitored.

Most postwar foundations had their origins in earlier decades, and many postwar foundation leaders had continued to think in terms of earlier eras. They understood their work in ways derived from nineteenth-century religious and community charity or from foundations’ remarkable prewar institution-building achievements. Almost half of today’s thirty largest foundations, by contrast, received their funds not in the first thirty years of the twentieth century but in the last twenty. Most new donors did not make their fortunes by accepting the status quo. They have come onto the scene after most of the changes detailed in

the preceding pages and long after the notable achievements of the institution builders of the twentieth century's early decades.

Foundations have increased their commitment to transparency in many ways. Some of these are collective. The Foundation Center has continued to expand and enhance the information it provides not only about grant making but about foundations in general. The National Center for Charitable Statistics has created easily available data sets and summary sources of statistics. Foundations provided large start-up funds for the GuideStar website, which makes available to anyone the forms that foundations—and indeed nonprofits of all kinds—must file annually with the U.S. Internal Revenue Service. As access to this information increased, the Internal Revenue Service, working closely with Independent Sector (an umbrella organization for American nonprofits), the National Center for Charitable Statistics, and others, has substantially revised, clarified, and expanded its data collection activities. The Indiana University Center on Philanthropy has developed a continuing survey of American's charitable beliefs and actions,<sup>32</sup> and other research centers around the country monitor patterns and trends of the U.S. nonprofit sector.

Many individual foundations have taken moves toward increased transparency that fit with their own missions. The Robert Wood Johnson Foundation, the Wallace Foundation, and others have taken to publishing, or posting on the web, extensive evaluations of their programs. Like an increasing number of foundations, the Jessie Ball duPont Fund undertakes and publishes extensive studies of the fields it addresses.

Foundations increasingly link their emphasis on transparency to their growing commitment to evaluating impact and achieving measurable results. For the Annie E. Casey Foundation, to take one example, this has meant developing the notable Kids Count measures of child welfare, as well as identifying and encouraging wide attention to the plight of children in foster care who age out of government-funded support on their eighteenth birthdays and must immediately become self-supporting. For the Pew Charitable Trusts, it has meant significant investment in gathering and making available information about the press. We could multiply examples in many directions. Key actors at the Ford, Annenberg, Thomas Fordham, Walton Family, and other foundations engaged in the renewal and reform of elementary and secondary education have created an extensive literature on the challenges and possibilities of foundation work in that set of fields.<sup>33</sup> They are far from achieving consensus on what works, but they have done much to inform discussions of policy and practice.

32. Center on Philanthropy Panel Study, "Center on Philanthropy Study Panel" ([www.philanthropy.iupui.edu/Research/COPPS/](http://philanthropy.iupui.edu/Research/COPPS/) [November 13, 2009]).

33. See, for example, the contributions to F. M. Hess (2005b); Bacchetti and Ehrlich (2006); Domanico and others (2000); Glennan and others (2004).

The creative efforts of many foundations to address what they see as the failures of government attracted a great deal of favorable attention during a period in which the market often seemed to enhance civil society's capacity for self-organization. Several foundations have expressed a renewed emphasis on social entrepreneurship and have worked to define new philanthropic instruments, even to promote for-profit approaches to the solution of social problems. The desire to move beyond regulation was of course very much in tune with mainstream thinking in business and policy analysis during the 1980s, the 1990s, and the early years of the twenty-first century. The 2008 collapse of so many American and international financial institutions has raised many questions about deregulation and has made governmental solutions seem more attractive. But as we see it, foundations have been responding not just to current fashion but to serious analysis of social change and to very real changes in their own position.

Not surprisingly, California's Silicon Valley has strongly fostered new philanthropic approaches, although other urban centers, including New York, Los Angeles, Chicago, Houston, and Seattle, have seen similar developments. The creation of the microchip and software industries, the dot-com boom of the mid-1990s, and the rise of the Internet as a business tool drew attention to new business models even as they created extraordinary new private wealth. The rapid success of start-up companies ranging from Intel, Microsoft, Hewlett-Packard, eBay, and Google—like the earlier successes of Benjamin Franklin, the Lowells, George Peabody, Andrew Carnegie, John D. Rockefeller, Julius Rosenwald, and Henry Ford—derived in large part from entrepreneurship. Like their philanthropic predecessors, several of the recent donors have channeled their entrepreneurial spirit into new forms of philanthropy.

Pierre Omidyar, the founder of eBay, and the Google.org foundation seek to break down what they view as outmoded distinctions between philanthropy and business.<sup>34</sup> They and others insist that general solutions to social problems require "going to scale" in ways best mastered by some of the largest, most rapidly growing corporations. Several Google initiatives, not unlike a number of the initiatives of the Bill and Melinda Gates Foundation and the projects of Bill Clinton's foundation, have emphasized the strategic application of technology, science, and medicine to global problems of health, climate change, and education. Other initiatives promoted by Omidyar and eBay cofounder Jeffrey Skoll, as well as by the much older Surdna Foundation and many others, hope to identify individual young "social entrepreneurs," mentor them, and encourage them to pursue distinctive careers.

34. Douglas McGray, "Network Philanthropy," *Los Angeles Times Magazine*, January 21, 2007; see also Omidyar Network ([www.omidyar.net](http://www.omidyar.net)).

Current leaders of several other recently established foundations (the Gates, Ewing Marion Kauffman, and United Nations foundations, for example) as well as leaders of several older foundations—Cleveland, Hewlett, and many others—have added their own calls for imaginative, entrepreneurial approaches to foundation philanthropy.<sup>35</sup> Some of these call for new initiatives directed toward the creation of new organizations, new practices, even new orientations for the economies of entire regions. Others insist that foundations can make perhaps their greatest impact by acting to increase the capabilities of existing organizations. Foundations have funded several important initiatives in this last direction, including those of Grantmakers for Effective Organizations, the Center for Effective Philanthropy, and the Stanford Social Innovation Review.<sup>36</sup>

It is not yet clear whether available resources will suffice to achieve the more expansive ambitions of the new foundations. These ambitions reflect a belief that civil society has a greater capacity for self-renewal and less need for government than most foundation leaders had believed during earlier eras.<sup>37</sup> Some advocates of new initiatives also (and controversially) call for a reconsideration of the long-settled distinction between philanthropic and profit-seeking activities. Many argue that foundations can achieve the greatest impact by acting as social entrepreneurs and risk takers as well as institution builders and value conservers.

Yet while many foundations celebrate the capacity of civil society for self-organization, others continue to emphasize that there can be no alternative to using the regulatory and funding capabilities of government if society is to make progress toward improving health, the environment, or opportunity for all. Our colleagues document a number of creative and effective foundation efforts to find ways to make government more effective. They cite important cases in

35. See, for example, Brest and Harvey (2008), and Brest's blog, "Strategic Philanthropy," November 13, 2008 ([www.huffingtonpost.com/paul-brest/strategic-philanthropy\\_b\\_143675.html](http://www.huffingtonpost.com/paul-brest/strategic-philanthropy_b_143675.html)).

36. The search for effectiveness is a strong, continuing thrust in the foundation field, although it will take changing form from time to time. The leaders of one interesting initiative wrote in November 2008 that "unfortunately, in the past few years the funding environment for GivingNet's category of nonprofit work, philanthropy infrastructure, has been dramatically reduced. This type of funding goes in cycles, and we rode a great wave of 'operational effectiveness' funding from [a number of foundations]. . . . The board and management of GivingNet have decided that it is best to complete the organization's original program on a high note, declare a limited victory, and thus allow all involved to re-focus resources and energy on future opportunities." Community Foundations of America, "The Impact of Giving" (<http://communityfoundationsonline.net> [December 2008]).

37. The most recent example is the 2008 launch of the World Wide Web Foundation. Seeded with a \$5 million grant from the John S. and James L. Knight Foundation, the WWW Foundation hopes to raise enough to become an important catalyst for the future development of the web in ways that will allow access by and benefit underserved, economically deprived communities throughout the world.

elementary and secondary education (involving the Annenberg, Walton, and many other foundations), in arts education (notably by the Wallace Foundation), in health (involving the R. W. Johnson and the Henry J. Kaiser Family foundations and the Milbank Memorial and other funds), in the reform of welfare, and in the effort to reduce poverty (involving the Ford, Annie E. Casey, Rockefeller, and many other foundations).

It would be wrong to conclude on a note that suggests that all foundations subscribe to any single set of approaches. Instead, we step back for a moment to emphasize the extraordinary diversity of foundation size, approach, and purpose and to suggest that acceptance of that diversity is increasing. Recent decades have seen a remarkable and still little-studied flowering of religious foundations devoted not only to the oldest-established mainline Protestant denominations but also to evangelical Protestantism in many of its varieties, to the many dimensions of Judaism, and even to Catholic causes that had long made minimal use of foundations.<sup>38</sup> The liberal National Committee for Responsive Philanthropy critiques the field from a progressive standpoint; the Philanthropy Roundtable and the Capital Research Center comment from the right. In its efforts to provide an umbrella for the entire field, the Council on Foundations has set up a number of specialized committees. Foundation program officers have organized a large and increasing number of grant makers in particular fields ranging from aging and the arts to the environment and health to the U.S. International Grantmaking project.

Hence it is no surprise that those who call for new foundation approaches do not speak with a single voice. Some emphasize transparency and accountability to the widest public; others emphasize results (in fields they deem of preeminent importance) above all. Whereas some of the proponents of entrepreneurialism tout their projects with impressive enthusiasm, others urge modesty.<sup>39</sup> Several notable foundation leaders have called, quietly as well as eloquently, for renewed emphasis on fidelity to valued religious or cultural traditions.<sup>40</sup> Government-sponsored hospital conversion funds often emphasize their commitment to equality. While many of the most vocal contributors to the debate are based on the West Coast or in New York, the W. K. Kellogg, Charles Stewart Mott, Kresge, Lilly, MacArthur, Cleveland, and other midwestern foundations

38. Many religious foundations are small, as our colleagues Wuthnow and Lindsay note; but even among the thirty largest, the Lilly Endowment and the Tulsa Community Foundation pay special attention to Protestantism (among other religious and secular causes), while the Harry and Jeanette Weinberg Foundation pays special attention to certain Jewish institutions. A notable recent development is the creation of foundations to support Catholic Charities in Cleveland and several other dioceses.

39. See Karoff (2004); also Cuninggim (1972).

40. The Lilly Endowment is notable in its efforts to maintain religious and cultural traditions.

continue to redefine their efforts to expand opportunity for self-improvement. The most rapid foundation growth is occurring in the South.

What does seem different from the past are the acceptance of limitation, the search for leverage, the emphasis on such intangible foundation resources as reputation and the ability to convene, enhanced transparency, openness to new approaches, and the embracing of foundation diversity. We see all this both in the new foundations and in many of those that are larger and established. Could it be, as the chapters in this volume suggest, that at the beginning of the twenty-first century, the institution of the philanthropic foundation is finding a new role?

