

International Fellows Program Center
for the Study of Philanthropy
The Graduate Center, CUNY
April 2, 2003

The American Philanthropic Tradition
By Daniel Rose

The term "American exceptionalism" refers to the controversial theory that unusual factors in its history, demography and geography, make the American mindset differ significantly from that of other nations and cultures.

During the American Revolution, the great British statesman Edmund Burke told the House of Commons that Americans were different culturally, that they were not simply transplanted Englishmen. In that same period, the Frenchman, Hector St. John Crevecoeur, asked, "What is an American?" His answer was that Americans behaved differently.

Marx and Engels, Lenin and Trotsky, all pondered the question of why there never was a revolutionary socialist movement or even a real labor party in the United States. In a lighter vein, in 1832 British visitor Mrs. Trollope wondered why Americans were such uncouth vulgarians.

The two most perceptive observers to note our difference were the

brilliant French visitor Alexis de Tocqueville and the 19th century British historian Lord Bryce, who, in his classic study, *The American Commonwealth*, with great prescience entitled a chapter, *Why Great Men Are Not Chosen President*.

But of all the ways in which Americans think of themselves as being different, our approach to charitable giving and volunteering is most notable.

A serious discussion of American philanthropy and communal self-help should begin with a vision of a virgin continent being settled by Europeans, a country with no strong central government, with no hereditary monarchy or aristocracy and with no legally-constituted state religion.

If the pioneers wanted a church, they would have to build it; a school, they would have to build it; hospitals or roads or courthouses, they would have to build them.

Since the raising of the rafters of a new barn could not be managed by the farmer himself, he called on his neighbors to help, with the unspoken understanding that he in turn would help them.

This pattern of voluntary association of private individuals for mutual help continued; and by 1831, de Tocqueville could write, "Whenever at the head of some new undertaking you see the government in France, or a man of rank in England, in the

United States you will be sure to find an association."

Respect and social prestige flowed to the founders, leaders and financial supporters of those associations of private individuals.

Nearly two centuries later, Americans are perplexed to learn that the French government employs some five million civil servants, proportionally five times as many as the USA, that industries run by the state comprise more than a third of the French economy, and that private charities are barely visible.

The French, on the other hand, are bemused to learn that American private charitable contributions this year will exceed \$200 billion, equal to about 10% of the total federal budget; that some 70% of U.S. households make charitable cash contributions, and that over half of all U.S. adults will volunteer an estimated twenty billion hours in charitable activities.

The French are not alone, of course. A recent German study reports that on a per capita basis, American citizens contribute to charity nearly seven times as much as their German counterparts and that about six times as many Americans as Germans do volunteer work.

A widespread foreign misconception is that Americans contribute because gifts are tax-deductible; in fact, the reverse is true; gifts are deductible because Americans contribute and because our government, which regards the charitable world as its partner, wants

to encourage private charitable giving.

U.S. federal income taxes only became legal with the Constitution's Sixteenth Amendment in 1913; they only became substantial with the Federal Tax Act of 1935, since until 1932 customs duties were the chief source of federal revenue.

Almost all of our nation's major universities, art museums and hospitals were created before taxes were a factor in giving.

Foreigners admire these American institutions but tend to forget that the best of them are funded and managed by private individuals (de Tocqueville's "associations") to an extent unheard of elsewhere. Last year, for example, to celebrate a major anniversary of our graduation, an astounding 75% of my living college classmates contributed to our alumni fund.

Some case studies put this national propensity in perspective.

The first three are individuals who in their respective lifetimes were widely regarded as skinflints and tightwads; their names are Russell Sage, John MacArthur and Howard Hughes. Today those names are identified with charitable foundations created from their estates; each is among the world's largest and most respected philanthropic institutions. In his will, John MacArthur could have been speaking for all when he wrote to his trustees, "I figured out how to make the money. You fellows will have to figure out how to spend it."

An interesting non-American contrast is with the 20th century's best known young woman, widely celebrated for her friendship with Mother Teresa, her visits to children's hospitals, etc. At her death, Princess Diana's estate was valued at several tens of millions of dollars, but her testamentary gifts to charity were zero.

Outside of the United States, the use and disposition of a rich person's wealth is considered a personal matter, of no legitimate interest to anyone

else. In America, a person of great wealth who gives nothing to any charity is considered odd, perhaps even a moral defective.

Conversely, the quickest way by which a person of means in America can gain renown and social acceptance is through charitable donations.

Public Relations man Ivy Lee's famous photographs of John D. Rockefeller, Sr. giving shiny new dimes to poor children probably did more to repair his reputation after journalist Ida M. Tarbell's attacks than did his immense gifts to the University of Chicago, the Rockefeller Institute, etc. The interesting thing to note is that, in America, such a tactic worked!

In the course of the 19th century, "communal self-help" evolved first to "charity" and then to "philanthropy," the distinction between the last two being that the goal of charity is the alleviation of suffering and deprivation, while the goal of philanthropy is understanding and preventing their "root causes."

We have also witnessed the professionalization of the philanthropic enterprise, with John D. Rockefeller, Sr.'s hiring of Frederick T. Gates to bring businesslike coherence and discipline to his donations; with the creation of the full service staff at the Russell Sage Foundation; and with Andrew Carnegie's creation of a broad array of high-powered philanthropic entities.

Professionals in the philanthropic field hail the creation of endowed organizations functioning in perpetuity, as opposed to the donor wish to see his benefactions put to work in his lifetime.

America's philanthropic giants did do wonderful things in their early years; between 1900 and 1930, for example, the "scientific giving" of the Rockefeller, Carnegie, Rosenwald and Kellogg Foundations achieved significant results in three areas—education, medicine and the promotion of the social sciences.

The Carnegie Foundation's Flexner Report of 1904 on medical education revolutionized medicine in America. Thanks to Rockefeller help, the University of Chicago changed the face of American university education.

And it is impossible to judge the impact of the 3,200 schools for black children created by the Rosenwald Foundation in the U.S. south.

Eradication of the devastating scourge of hookworm, stimulation of the academic fields of sociology, psychology, anthropology and economics, sponsorship of blockbuster studies such as

Gunnar Myrdal's *An American Dilemma*— these non-governmental, privately-sponsored efforts alone justify the importance of the not-for-profit sector.

During the Great Depression, however, and during World War II and after, the achievements of the huge, permanently endowed philanthropic giants have been more problematic, with the Green Revolution in agriculture being their great post World War II accomplishment. The encouragement of public radio and public television, the development of efforts such as *Sesame Street*, and significant work in the fields of early childhood services and low income housing were also notable. But by and large, many of the bigger foundations could be called "underachievers."

In contrast, the creativity, dynamism and flexibility of a George Soros or an Irene Diamond or a Brooke Astor have been an inspiration for all Americans; and the impact of Bill Gates' gifts of school computers and Ted Turner's help for the U.N. more closely reflect the traditional philosophy of America's patron saints of philanthropy, Benjamin Franklin and Andrew Carnegie.

Andrew Carnegie's 1899 essay, *The Gospel of Wealth*, pleads with the rich to think of themselves as the trustees of society's wealth, and he sounds more like George Soros than like our current foundation spokesmen.

Carnegie argued that a rich person had three choices; he could

give his money to his family, bequeath it in his will to good causes, or use it during his lifetime to improve society. Carnegie felt that the third choice was by far the most sensible; by his death in 1919 he had given away over \$350 million dollars, leaving only \$30 million in final bequests.

Warren Buffet, on the other hand, has so far given away virtually none of his many billions of dollars, but intends to leave it all to "charity." History will judge which was the wiser of the two.

Carnegie's suggested hierarchy of giving, incidentally, (which shocked the religious leaders of his day) put university giving first, and then in descending order libraries, hospitals, parks, concert halls, swimming pools and baths and, last of all, churches (non-denominational ones at that).

Carnegie identified with the poor and encouraged the rich to provide "the ladders upon which the aspiring can rise." We can only guess what his reaction would have been to today's focus of so many large foundations on endless studies, conferences and reports on the so-called "root causes" of poverty and ignorance—or of their frequent lack of understanding of the relationship between the two.

Fortunately, some foundations like the Starr or the Tiger, and/or generous corporate donors like New York Life and Johnson and Johnson still support imaginative and effective "hands on" activities and thereby help to change lives, help to demonstrate that lives can be changed and help to show that society itself can

be changed.

What are the lessons to be learned from the American philanthropic experience that can be applicable to other nations?

First is to echo the French statesman Clemenceau who, when he observed that "War is too important to be left to the generals," could just as easily have noted that social welfare and the public good are too important to be left to government.

All religions, all nations, all societies wish to feed their hungry, clothe their naked, house their homeless. All wish to help their sick, see their elderly age with dignity, and so forth; and Americans have no unique patent on compassion.

Just as Americans believe that free market economies better harness the energies and creative juices of the public than do planned or government controlled economies, so do they believe that a vibrant independent sector in philanthropy can accomplish things that government cannot. England's Edmund Burke sang the praises of "the little platoons," and American society agrees.

Private charitable endeavors can and should be at the cutting edge of social welfare efforts, similar to the role of venture capitalists in the business world. The not-for-profit world can be more experimental, more creative, more flexible than government usually is; it can provide an immensely important "research and development" function whose successful results can later be

replicated and expanded on by government, which should recognize the independent sector as colleagues and partners, not as competitors or as irritants.

Second, the broadest range of not-for-profit vehicles will help assure a society that its needs will be addressed properly. Large foundations and small; permanently endowed and spend-it-in-your-lifetime; single purpose and multi-purpose; local, national and international; business sponsored or privately financed; grass roots or ultra-sophisticated; religiously sponsored or secular; run by the donor or run by professionals—all have their place in the philanthropic world and can make important contributions. And all should have the benefit not only of tax exemption but of governmental encouragement as well.

Last, but by no means least, we should reflect on the universal experience of charitable donors: one receives—in satisfaction and in a profound sense of accomplishment—ininitely more than one gives in time or in money.

The final word appropriately belongs to Andrew Carnegie, that great and good man who, for a century, has been the quintessential role model for us all.

Why, he asked, should we not spend the same thought, energy and imagination in disposing of our wealth as we expended in acquiring it?

We should.

Daniel Rose talks can be found on: www.danielrose.org