

Proposal for a Panel:

***The Contributions of Foundations: U.S. Perspectives***

Under the largest grant ever made by the Aspen Institute's Nonprofit Sector Research Fund, the UCLA Center for Civil Society and Case Western Reserve University's Mandel Center for Nonprofit Organizations are engaged in what we believe to be the most comprehensive collaborative effort ever to study grant-making foundations in the U.S. Our "Contributions of Foundations to American Society" project seeks to determine:

- *How is American society different because of the existence of foundations? What is the impact of foundations relative to other institutions?*
- *How do the roles and contributions of foundations vary across fields and regions?*
- *How are current debates over the government regulation of foundations likely to be resolved? What will be the consequences?*
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While much research has been devoted in recent years to the role of nonprofit organizations more generally, foundations, as a distinct organizational form, have been neglected. As a result, we know comparatively less about foundations than about operating nonprofit organizations, and this at a time of heightened policy interest in their purpose and performance.

The project has asked its twenty-odd contributors to consider a common set of key questions: How is American society different because of the existence of foundations? What roles do foundations play, and to what extent do they fill distinctive niches? What is the impact of foundations on society relative to other institutions? These are important questions that are also difficult to answer with certainty. Difficulties arise from many sources: the great variety in foundation size and purpose; the wide diversity of fields in which foundations work; the fact that foundation resources have always held resources that are very limited in relation to the fields they address; the complexity of defining and measuring impact; the widely varied forms foundations assume; and the superficiality of our knowledge about the growth and development of foundations over time.

Difficulties arise as well from uncertainties regarding the appropriate criteria for evaluating foundation impact: should we measure foundation impact in terms of contributions to social and economic welfare in general, e.g., the standard of living and the life chances of the largest possible number of people? In relation to social equality and equity? In reference to their capacity for preserving excellence, diversity, and religious and cultural comity in American society? Or should their impact be judged by the degree to which the availability of the foundation form – and the activities of particular foundations – encourage increases in the overall amount of total philanthropic giving for charitable causes? Or in the level of social engagement at community levels?

Against these challenges, our unified approach has three consistent qualities:

- **Contextualizing the roles and the impact of** foundations as a whole relative to the resources available to them, the areas in which they work and the forms they assume, and the role of other institutional actors, in particular those of governments and other nonprofit organizations;
- Focusing chiefly on **grant-making foundations** with substantial assets and at least small staffs, primarily (while not ignoring operating foundations, corporate foundations, family foundations, donor-advised funds etc);
- Using explicit, theoretically informed **conceptual and methodological frameworks** to evaluate roles and impact, and for each field, using a longer-term historical perspective as well as current cases stressing contemporary lessons and current policy implications.

The panel we propose would offer four presentations, designed to present a clear overall account of the project and to include detailed discussion of foundation contributions to two fields likely to be of particular interest at ISTR: American foundations' engagement with international affairs, and with the arts.

**Helmut Anheier**, Director of the Center for Civil Society at UCLA's School of Public Affairs.

*Charity, Philanthropy, and Pluralism: Debating and Measuring the Roles of American Foundations*

**David C. Hammack**, Haydn Professor of History, and Faculty Council, Mandel Center for Nonprofit Organizations, Case Western Reserve University.

*Big Changes: The Classic Period and the Current Re-Evaluation of Possibilities for American Foundations*

**Lehn Benjamin**, Assistant Professor of Public & International Affairs, George Mason University, and **Kevin Quigley**, President, The National Peace Corps Association.

*For The World's Sake: U.S. Foundations and International Grantmaking, 1990-2002*

**Stefan Toepler**, Associate Professor of Nonprofit Studies, George Mason University.

*Foundation Roles and Impact in the Arts*

This is a large topic; among the numerous leading publications we would note:

Helmut K. Anheier and Diana Leat, *Creative Philanthropy: Toward a New Philanthropy for the Twenty-First Century*, by (Routledge, 2006).

Arnove, Robert F. (1980). *Philanthropy and Cultural Imperialism: The Foundations at Home and Abroad*. (Bloomington: Indiana University Press, 1980).

Dowie, Mark. *American Foundations: An Investigative History*. (Cambridge, Mass.: MIT Press, 2001).

Karl, Barry D., and Stanley N. Katz. "The American Private Philanthropic Foundation and the Public Sphere, 1890-1930," *Minerva* (1981, published 1983), pp. 236-270.

*Philanthropic Foundations: New Scholarship, New Possibilities.* Ed. Ellen Condliffe Lagemann. (Bloomington: Indiana University Press, 1999)

Prewitt, Kenneth, Mattei Dogan, Steven Heydemann, and Stefan Toepler, editors. *The Legitimacy of Philanthropic Foundations: United States and European Perspectives.* (New York: Russell Sage Foundation, 2006).

## *The Contributions of Foundations: U.S. Perspectives*

### **Proposed Order, Participants, and Paper Abstracts**

**Helmut Anheier**, *Charity, Philanthropy, and Pluralism: Debating and Measuring the Roles of American Foundations*

In recent years, analysts have specified the various roles associated with foundations, and while some overlap exists among them, they are distinct enough for study, and raise distinct implications for thinking about foundation impact – and about the policies that might be appropriate for regulating foundation activity. We can group these roles in four categories: **charity (complementarity or substitution in relation to government), philanthropy (innovation in practices or social or policy change), and pluralism (preservation of traditions and cultures, asset protection, advancing civil liberties and managing conflict), and redistribution.**

The signature characteristic of the modern foundation is its extraordinary degree of autonomy, its relative independence both from market considerations and from election politics. Given the possible foundation roles noted above, this paper will offer conclusions from the large Contributions of Foundations study about the potential **comparative advantages and disadvantages** of the foundation form, suggesting what the evidence shows about the abilities of American foundations to act as **social entrepreneurs, institution builders, honest brokers, or risk-absorbers** – and also about the degree to which American foundations suffer from such disadvantages as **insufficiency, particularism, paternalism, and amateurism**

**David C. Hammack**, *Big Changes: The Classic Period and the Current Re-Evaluation of Possibilities for American Foundations*

Previous accounts have emphasized the remarkable continuities in the history of American foundations (see, for example, the essays by Joel Fleischman and Kenneth Prewitt in Schluter, Then, and Walkenhorst, eds., *Foundations in Europe* [Bertelsman, 2001]; Fleischman's *The Foundation: A Great American Secret: How Private Wealth Is Changing the World* [PublicAffairs, 2007]; and Mark Dowie, *American Foundations: An Investigative History* [Cambridge, Mass.: MIT, 2001]. What strikes us, however, is that while America's foundations themselves have not changed a great deal over the past hundred years, they have operated in changing *contexts* – contexts that have changed so sharply that we must discuss foundations in terms of four distinct periods. We see these as 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, a new period characterized by acceptance of variety and focus on results. In each period, external realities have shaped the sorts of things foundations could do, and the sorts of contributions they could make. Today's foundations, and today's foundation watchers, can learn from the past, but they must consider past experience in the context of present realities.

**Lehn Benjamin and Kevin Quigley, *For The World's Sake: U.S. Foundations and International Grantmaking, 1990-2002***

Very recent changes have created new opportunities for international grantmaking by U.S. foundations but have also brought new challenges. The move to more open societies, marked symbolically by the fall of the Berlin Wall and animated by widespread democratization movements, presented foundations with new grantmaking prospects. These openings coupled with governance models that shifted greater responsibility for development to the private sector spurred foundations to support a variety of institution building efforts, including supporting burgeoning of civil society in countries around the world. Rapid technological advances made international giving easier, while at the same time, this more open and connected world drew foundation attention to new global problems including environmental degradation and health pandemics.

Yet, geo-political changes resulting from the events of September 11<sup>th</sup> 2001 have presented new challenges for international grantmakers. The global war on terror shifted national priorities and changed perceptions about the United States' role in the world. Logistically, foundations faced more stringent documentation requirements to ensure their grants were not supporting what could be considered terrorist activities. Importantly, these events spurred foundations give greater attention to issues in the Middle East, including efforts to foster peace and understand Islam.

This paper discusses recent trends in international philanthropy, and then examines the role played by U.S. foundations in civil society/democracy assistance, which has been a substantive focus of many large private foundations engaged in international grantmaking between 1990 and the present. This analysis relies on a specialized dataset obtained from the Foundation Center ([www.fdncenter.org](http://www.fdncenter.org)), information provided by the foundations themselves, primarily through their individual websites, as well as one of the author's experiences directing the international grantmaking of one of the largest U.S. foundations and independent research on foundation support for democratization in Eastern Europe.

**Stefan Toepler, *Foundation Roles and Impact in the Arts***

In 1957, the Ford Foundation, soon to be followed by a few other private foundations, launched a new arts program that aimed at leveraging new forms of support for the arts and helped establish the arts as a legitimate recipient of public funds as well as a relevant policy issue (DiMaggio 1986). In a way the Ford program was a reaction to the rapid growth of the arts sector with new organizations emerging and established institutions expanding their services (Cummings 1991), as well as a growing recognition that the arts could not be sustained by private sector income alone due to the economic characteristics of the services they produce (Baumol and Bowen 1966). The effects of Ford's efforts were significant and constitute an example of significant policy innovation: Not only did the program validate the arts as a legitimate field for government involvement and jumpstart a post-war expansion, but it also fostered the movement away from the arts' market roots toward the nonprofit auspice. While the nonprofit form in the arts had already developed in the late 19<sup>th</sup> Century, it became essentially the norm. For example, formerly commercial dance companies converted to nonprofit status to become eligible for Ford Foundation grants (Chujoy 1969).

Four decades after the Ford Foundation took the first steps towards a new national program that would dramatically alter the cultural ecosystem and three decades after the federal government's re-entry into the field with the creation of the National Foundation for the Arts and Humanities, the tacit policy consensus that had propelled the post-World War II growth of the arts came to an end. Following several years of heated debate about the appropriateness of government support for "blasphemous," "indecent," or "obscene art," Congress reduced the National Endowment for the Arts (NEA) appropriations by 40% from \$162 million in fiscal year 1995 to \$99.5 million in fiscal year 1996, leading to the similarly-sized cut in agency staff and a fundamental restructuring of NEA programs. The loss of some \$60 million in federal subsidies for the arts from one year to the next was rather trivial in a nonprofit arts and cultural economy that had reached \$7.7 billion in current operating expenditures in 1992 and would continue to grow to \$12 billion in 1997 (Independent Sector and Urban Institute 2002). More significant was that heretofore the NEA had centered an implicit policy paradigm that kept most policy actors focused on the funding and support needs of the nonprofit cultural infrastructure. Underlying this paradigm was the policy blueprint provided by Bowen and Baumol's cost disease argument that had dominated and structured the thinking about arts support since the 1960s.

However, in the post-NEA era since the mid-1990s, a new policy paradigm has yet to emerge (Cherbo and Wyszomirski 2000). The past decade has seen a welcome broadening of the cultural policy discourse beyond the past's narrow obsession with funding. Overall, the range of policy issues has become considerably more diffuse now ranging from intellectual property protection and cultural heritage preservation to media concentration and regulation, the role of creativity within workforce and economic development, cultural diplomacy and addressing cultural diversity in an increasingly interconnected world, to name but a few. In addition, questions begin to emerge whether the carefully nurtured nonprofit arts infrastructure is beginning to show signs of crumbling and may, at least in part, have become overextended. In this cacophony of issues, sorting and prioritizing areas of intervention has become more complex. Unlike most other policy fields, agreement on what the overarching policy objectives are remains elusive, and with it an easy benchmark of foundation impact. Against this background, this chapter will trace foundation funding streams over the past two decades and assess what kinds of impacts foundations are seeking to attain.