

Book Review

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***A Versatile American Institution: The Changing Ideals and Realities of Philanthropic Foundations*, David C. Hammack and Helmut K. Anheier. Washington, DC: Brookings Institution Press, 2013, 273 p, \$26.95. ISBN: 0815721943**

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The growth of foundations over the last few decades reflects several aspects of American history: opportunity to amass great fortunes; the persistence of many religious, social, and national traditions and distinctive secular perspectives; the rise of the West and the South; continuing commitment to communities defined by locality and culture; and the American struggle to balance commerce with lasting values and with expanded rights to individual autonomy and freedom of expression.

(Hammack and Anheier 2013, 119)

A Versatile Institution belongs on the bookshelf of policymakers, researchers, and foundation staff who seek a concise history of American philanthropy, an understanding of the nonprofit sector's contribution to policy making, and the historical context of contemporary foundation initiatives. International readers will also find relevant the lessons learned from the American experience to establishing philanthropy in emerging democracies. The interdisciplinary team behind the book is David Hammack, a leading historian of the American nonprofit and philanthropic sector, and Helmut Anheier, an internationally recognized sociologist who has done considerable research on European and American civil society institutions. Their new book follows a 2010 collaboration also commissioned by the Aspen Institute's Program on the Nonprofit Sector and Philanthropy, the co-edited

American Foundations: Roles and Contributions, which brings together over two dozen experts to assess specific philanthropic accomplishments in the fields of education, health, arts and culture, social welfare, and international grantmaking (Anheier and Hammack 2010). The authors' 2013 study takes a structural rather than thematic approach to the institution and enlists knowledge about the past to ask what foundations might achieve in the present context.

Because *A Versatile Institution* draws explicitly on the authors' previous volume, it would be useful, even for a reader familiar with the field, to first peruse *American Foundations*, the thematically-arranged companion piece. The present study teases out the underlying structural specificity and functioning of the American foundation as an institution, namely its "incompleteness," and its minority but integral role in the plethora of American institutions working for the public. As a result, the timeframe may seem compressed and the themes recurring yet disconnected. The challenge for the reader is to keep track of the tension between linear and nonlinear narrative, leading to our second suggestion that the book be read from beginning to end. No doubt this tension is intentional and the result of the authors' contemporary, practice-minded approach. They focus on the continuities of legal structure and political culture underlying changing historical contexts and foundation response, rather than a timeline of events or a lengthy exploration of specific fields of activity.

Before delving into the history, which comprises the body of the book, the first chapter is an overview of American philanthropy today. Here, Hammack and Anheier paint a picture of American foundations as cultural symbols, as actors of many purposes and roles, but also as institutions with constraints and shortcomings. The distinction between "charity" and "philanthropy" – definitions laid out here – forms the basis for a discussion about the evolving foundation emphasis from immediate needs to the changing of social behavior. With a statistical overview of the sector and pointed questions to pose about American foundations, this chapter is an engaging introduction to the book's approach, but could also stand alone, prompting discussion among practitioners and scholars who may enter into the debates the authors explore throughout *A Versatile Institution*.

Literature on private American foundations tends to trace historical origins to the late-nineteenth century. Kenneth Prewitt, for one, acknowledges wealthy donor institutions dating to Plato, but distinguishes the late nineteenth-century industrial economy as the beginning of philanthropy's aim "to do something about the deeper causes" (Prewitt 2001, 343). Hammack and Anheier here argue that the story of American foundations must begin in the colonial period in order to consider "the full range of foundations" (Hammack and Anheier 2013, viii). Accordingly, the present study is organized around chronological divisions first

laid out in the 2010 edited work: the scattered and diverse foundation landscape of the nineteenth century, the institution-building period of 1900–1950, the postwar decades characterized by a reassessment of foundation roles and reach, and the current period, dating from the 1990s. Furthermore, in a departure from most historical accounts of American foundations – and as a reflection of the interdisciplinary approach the authors champion – Hammack and Anheier have given themselves the task of laying out “what American foundations have actually accomplished” while also considering “what they might be able to do in the coming decades” (Hammack and Anheier 2013, vii). The book’s short length (171 pages, including the appendices) could appear incongruent with such a scope, but the focus on practices makes it workable. This approach places *A Versatile Institution* in the tradition of Merle Curti, Robert Bremner, and other pioneering postwar historians of American philanthropy and private foundations, who sought to make the institutional and programmatic history relevant to present decision-making. This book is both a condensed history and a demonstration of how important the long view is to understand contemporary issues.

The US Internal Revenue Service’s definition of “foundation” provides the category of analysis for the study, but the authors note that the colonial and nineteenth-century foundations naturally operated outside the bounds of that definition. Nevertheless, by taking this definition to look at the foundation “as an institution – rather than as an instrument to serve ends that we approve,” Hammack and Anheier remove foundation history from the realm of founders and value judgment to study, instead, institutional practices and the role a wide array of foundations play in the changing American context (Hammack and Anheier 2013, ix). In many places they have highlighted topics that are considered fresh and distinctive today but which, in fact, have important historical origins. We focus on two that we consider most compelling for readers in the nonprofit sector: the relationship with government and the search for leverage through new partnerships, including with the for-profit sector.

Foundation – government relations

An increasingly prominent concern in the nonprofit sector of the post-Great Recession era is engagement with government, especially as public agencies seek savings by foisting off on the nonprofit sector some of their service-related activities. While on the positive side of the ledger this trend both creates partnerships and saves money, as pointed out by other authors as well as Hammack and Anheier, the involvement of government has also brought

unwanted side effects such as a heavy dose of metrics, the ceding of choice of the group to be served, and losing control of designing service delivery approaches. Michael Lipsky and Steven Rathgeb Smith, nearly 15 years ago, highlighted the persistent abiding concern that “the substantial growth of government support of nonprofit agencies [...] would have a harmful effect on the independence and overall missions of nonprofits on their viability as autonomous, community-based agencies” (Lipsky and Smith 1989–1990, 629).

Hammack and Anheier show that when it comes to designing public policy, the partnership between philanthropic institutions and government can be equally productive and equally fraught. The focus on grants designed to collect and analyze data to inform policymaking, discussed in the fourth chapter, has been in the realm of foundation activity since the 1920s and saw considerable expansion from the 1960s and 1970s to the present. American philanthropic institutions have sought to guide policymakers in education, healthcare, and foreign policy by creating networks bringing them together with scholars. Hammack and Anheier posit that the fields of health, science, medicine, religion, and the arts remained relatively untouched by the New Deal; it was not until the Great Society legislation of the 1960s that government “directly changed the context for foundation work” (Hammack and Anheier 2013, 78). Since then, service providers have often turned to foundations to fill gaps in government funding, and the use of vouchers to distribute federal support meant the fields of foundation activity have begun to resemble a marketplace, but with stringent regulations. Service providers lose autonomy as do grantmaking foundations, who may feel their agenda to be dictated by the ebb and flow of governmental support for nonprofits (Hammack and Anheier 2013, 79). The \$10 million loan John and Laura Arnold made to Head Start in 2013, to fill the gap from government cuts, is a prime example of this trend (Donovan 2014). On the other hand, foundation support for higher education is a success story throughout the twentieth century, with foundations having contributed to endowments early on, and today they continue with considerable support for research centers and special programs (Hammack and Anheier 2013, 86; Katz 2012).

In contrast to the general nonprofit service delivery sector, foundations have endured extensive congressional investigations, resulting in periodic internal reevaluation. Scholars and practitioners alike have addressed this concern about private philanthropy. James Allen Smith has pointed out that the Cox and Reece congressional hearings of the early 1950s resulted in foundation leaders’ making a more concerted effort to tackle public misunderstanding of foundations, to improve transparency and accountability, and to develop a stronger governance process for the sector, culminating in the creation of the Foundation Library

Center in 1956 (Smith 2006, 6–9). As Hammack and Anheier discuss in the fourth chapter, foundations nonetheless continued to confront criticism and regulation, notably in the 1968 House Ways and Means Committee hearings and the resulting Tax Reform Act of 1969. Congress set out to regulate perceived and actual abuses in the sector by establishing limitations on foundation behavior. Thomas Troyer, a leading lawyer serving the nonprofit sector, points out, however, that “the 1969 legislation was not a congressional bolt from the blue. The concerns of Congress at which the law struck had roots reaching back for more than two decades, and its core restrictions on the personal use and financial practices of foundations had solid policy justification” (Troyer 2000, 52). Hammack and Anheier see the 1969 Tax Reform Act as the catalyst for a change in foundation operation, away from the “familiar ways” and toward “innovation and positive action” (Hammack and Anheier 2013, 102). While we would argue that innovation is a characteristic of the modern private foundation dating from the late-nineteenth century (and the authors’ present study supports this assertion), the post-1969 domestic context has indeed forced institutions to rethink and adjust their way of operating, especially to meet the programmatic restrictions of the 1969 Act concerning individual grants, pay out, and the excise tax.

Despite the responsiveness of the foundation sector to the new regulatory requirements, Congress and the American public remain skeptical about private foundations. As Smith writes,

[f]orces similar to those at work a half century ago – rapid growth in the number of foundations, a quantum jump in philanthropic assets (Gates [...] now dwarfing older foundations just as Ford did in the 1950s), lingering concerns about congressional inquiries, worries about public misperceptions of philanthropy, distress about scandalous uses of foundation resources, and persistent hopes for improved self-regulation and standard-setting – still shape our contemporary discussions.

(Smith 2006, 8)

In the present era, Senators Charles Grassley and Max Baucus, for example, have been indefatigable in shining a light on the actual or alleged misuse within the charitable sector. “It’s obvious from the abuses we see” proclaimed Grassley to the Senate Finance Committee in June 2004, “that there’s been no check on charities. [...] Big money, tax-free and no oversight have created a cesspool in too many cases.” Senator Grassley encouraged the advocacy group Independent Sector to undertake “a thorough examination of the sector’s governance, transparency, and ethical standards” (Grassley 2004, 1).

In 2004, following consultation with Grassley, Independent Sector convened a panel to survey thousands of people involved in foundation activity at all levels. The final report, “Strengthening Transparency Governance Accountability

of Charitable Organizations,” signed by the panel of twenty-five foundation and nonprofit institution leaders, was submitted to Congress in June 2005. But as recently as 2011, in a statement to the Senate Finance Committee, Grassley wrote that he and his colleagues continued “to curb abuses of tax-exempt status and charitable deductions.” He ended this statement by requesting the chairman of the committee “to examine the standards for tax-exemption and the increasingly blurred line between public charities and private foundations” (Grassley 2011).

The cyclical nature of these pertinacious concerns about American foundations, following the broad definition used by Hammack and Anheier, underline the challenge of the sector to learn from its history and not to repeat the mistakes of the past: “Foundations and their regulators alike should, in our view, be careful to look below the surface of popular portraits and accounts of their achievements, keep in mind the intrinsic value of large numbers and diverse purposes of foundations, and take thoughtful account of current realities” (Hammack and Anheier 2013, 118–19). Their discussion of this challenge justifies reading *A Versatile Institution*.

Seeking leverage and forming new partnerships

The fifth and final chapter, “Variety and Relevance: American Foundations at the Start of the Twenty-First Century,” is of particular interest to nonprofit and foundation practitioners, alike, as well as those working to establish philanthropies abroad. The authors discuss the strategy of foundations to “leverage” their resources and increase the likelihood of effectiveness and sustainability of their grants by working in partnership with both the government and the private, for-profit sector. Leverage today cannot come from the comparatively vast fortunes a Carnegie or a Rockefeller committed to philanthropic fields before the New Deal and Great Society initiatives made the federal government the major player in health, science, and education. With the US government budget now over \$3 trillion, and with over 76,000 foundations providing \$46.9 billion of the total private giving estimated in 2011 at \$300 billion, the American philanthropic sector is a modest, albeit important, part of the overall giving and spending picture (Hammack and Anheier 2013, 2; Lawrence 2012). As the authors conclude,

[f]oundations increasingly face the competition of well-endowed nonprofit hospitals, private colleges and universities, and arts and religious organizations; of community foundations, donor-advised funds, supporting organization, and commercial

gift funds; and of corporate social responsibility programs, social investment models, and related efforts – as well as the competition of business organizations aiming purely for profit.

(Hammack and Anheier 2013, 156)

Consequently, foundations must recognize their limitations and “seek leverage within current systems” (Hammack and Anheier 2013, 118). With comparatively limited resources and an awareness of legal boundaries, “American foundations have never put more emphasis than they do today on the proactive and imaginative search for resources and effectiveness” (Hammack and Anheier 2013, 153). The authors cite the current experiment in social impact investing, for one, to exemplify this search for innovation. Social impact bonds link the business sector, the nonprofit service delivery sector, and the private foundation sector, with these partnerships absorbing the risks and rewards which had previously been the domain of government. To these cross-sector partnerships we might add the Swedish international development assistance sector as a model for new ways of bridging the divide between business, nonprofits, and foundations (Rosenfield 2013, 104–05).

Seeking leverage, however, has introduced the side effect of market influences on philanthropy, a development that some practitioners and scholars find troubling. The concern is framed as an increasing commodification of philanthropy with the introduction of business perspectives and metrics into the grantmaking process. In 2004, Angela M. Eikenberry and Jodie Drapal Kluver raised the specter of the outcome of such influences: will civil society be at risk, with a concomitant negative impact on democracy and citizen participation? (Eikenberry and Kluver 2004) In 1997, one of the leading public sector economists, Burton A. Weisbrod, had examined nonprofit partnerships with business and the government, arriving at a comparable concern about the independence of the sector and the impact on pluralistic democratic institutions (Weisbrod 1997).

While some positive social change is likely to result, vigorously applied pressures on public sector and business partners may, over time, hinder the capacity of foundations to maintain a significant role in American society. Unless they can sustain their risk-taking behavior, their commitment to long-term initiatives and their partnership skills, processes, and principles may be compromised. When partnering with other sectors, American foundations will need to make the case for using philanthropic metrics based on societal value, not business metrics based on financial value.

Hammack and Anheier write about the new partnerships with philanthropy as a promising development. Yet one of the book’s significant contributions is

that its authors ask tough questions about the critical issues confronting foundations and the field. “We might ask whether current debates about ‘strategic,’ ‘venture,’ ‘high impact’ foundations and philanthropy might be viewed as the first indications of a profound reorganization of the foundation world – one that could lead to greater diversity in form” (Hammack and Anheier 2013, 154). The historical record can help provide the answer, as the authors conclude with a focus on the *longue durée*, the continuity of a political culture that favors the use of private wealth and self-organization for public benefit. The relationship between private grantmaking foundations and government has changed over time, and foundation influence in terms of capital has decreased in many fields. But the overarching history of the American foundation as “generalized and deeply embedded in the American social landscape” is unchanging, making the institution’s history ever relevant (Hammack and Anheier 2013, 156).

The changing landscape of philanthropy

Hammack and Anheier’s astute comment about the evolution of new forms of philanthropy prompts mention of two issues not prominent in this volume but which will surely be flagged in a future history of early twenty-first-century philanthropy: the rise of mega-foundations and the expansion of global philanthropy.

While the Foundation Center’s 2014 list of one hundred largest foundations in the United States includes many long-standing institutions (the Ford Foundation with assets of nearly \$11 billion and the Getty trust with slightly over \$10 billion are ranked number two and three, followed by many other familiar names), it is the Gates Foundation (\$35 billion in assets in 2011), occupying the number one spot, that has generated new debates by practitioners in the sector and scholars of philanthropy and American civil society (Foundation Center 2014). Stanley Katz, the senior historian of American public policy and philanthropy, has aptly described the change in the philanthropic landscape as resulting in “the era of the mega-foundations” (Katz 2012). Those founded by contemporary high net-worth individuals behave differently from the earlier foundations, which as “learned” public trust institutions focused on understanding the root causes of societal problems and making their findings available to the public. With notable exceptions in some sectors (health, for one) and various issues (civil rights), these foundations usually draw the line at active advocacy, no doubt more prevalent in those institutions with memories of the hearings associated with the Tax Reform Act of 1969. The Gates

Foundation and other recently established mega-foundations, on the other hand, do not hesitate to take on advocacy at the highest level. Their relatively small number of highly-financed grants put their money where their public policy advocacy commitments are. The K-12 school reform agenda, for example, has been shaped in large measure by the partnership of government and these grantees and grantors. It is much too soon to compare the results of this new effort of philanthropy with the arm's length approach to policy of the traditional foundations of the twentieth century. But tracking this contemporary trend will prove a promising field of inquiry for scholars of philanthropy and public policy.

A second area of American philanthropy that the authors only address briefly is foundation support of overseas activities – or “international grantmaking” – and the rise of global philanthropy. Hammack and Anheier mention the success of the past efforts such as the Rockefeller and Ford Foundations’ partnership in initiating the Green Revolution, bringing new seed varieties to farmers in developing countries to avoid food shortages and famine. The more recent achievements the authors highlight include “social innovations of many kinds in the transition economies of Eastern Europe and Asia by helping to build civil society institutions,” along with a wide range of “nongovernmental and technical assistance organizations in Eastern Europe, Central Asia, South Asia, Africa, and Latin America.” It is a growing trend, as “grants made directly to overseas recipients almost tripled between 1990 and 2002” (Hammack and Anheier 2013, 107). Joan Spero, former president of the Doris Duke Charitable Foundation, provides a detailed assessment of the nearly \$6.3 billion granted internationally by US private foundations in 2008. This activity supports a wide range of public health and agricultural initiatives including HIV/AIDS prevention in Africa, poverty alleviation through improvements in African agriculture, environmental protection and climate change, and strengthening democratic institutions, including institutions of civil society (Spero 2010, ix).

Another trend is poised to surpass American foundations’ international philanthropic efforts: in the second decade of the twenty-first century, the fastest-growing area in the sector is global philanthropy, with grantmaking foundations and local philanthropic activity with funding sources outside of the United States. The China Foundation Center, established in 2010, comprises a membership of two thousand legally registered foundations (China Foundation Center 2014). Perhaps more unexpectedly, the African continent is experiencing considerable growth in local philanthropy as well (Aina and Moyo 2013; African Grantmaker Network 2014; Global Fund for Community Philanthropy 2013). Not only is it likely that philanthropy will change as a result of partnerships with business, government, and other nonprofits in the United States, but partnerships with local grantmaking institutions in other countries will also shape

institutional governance, public accountability, and grantmaking effectiveness. To be sure, American philanthropy faces competition from the domestic actors discussed above, but it also must grapple with its place on the global scale.

Concluding comment

As Hammack wrote a decade ago, and 43 years after the publication of Robert Bremner's classic *American Philanthropy*,

we must tell a larger, more complex story, a story based on adequate social and economic data, a story conveyed in words of ambiguous and contested meaning, a story characterized by conflict over religion as well as over race, class, and gender, an interrupted, discontinuous story. Yet, we must also emulate Bremner's ability to define a significant and manageable research field, engage the intelligent general reader, suggest useful lessons, and reinforce positive action.

(Hammack 2003, 449)

In their narrative of the complex history of philanthropy, and in their willingness to tackle the controversial issues of the contemporary era using the historical lens, Hammack and Anheier meet this challenge and prompt readers to do the same. Coupled with the authors' earlier volume, *A Versatile Institution* contributes to a comprehensive history that also shapes the research and informs the practice of American philanthropy in the twenty-first century.

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