A DEFINING MOMENT IN AMERICAN PHILANTHROPY

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This is the twentieth anniversary year of the report of The Commission on Private Philanthropy and Public Needs, better known as "The Filer Commission" after its chair, business leader John H. Filer. The Commission for two years, from 1973 to 1975, produced the most far-reaching and detailed report of American philanthropy ever undertaken. Five volumes of specialized studies by scholars and other experts supplemented the discussions of the twenty-eight commissioners, whose report and recommendations were published under the title Giving in America.

The commission was the brainchild of John D. Rockefeller III and several of his closest advisers. It was funded by Mr. Rockefeller and a group of his peers. Mr. Rockefeller is also credited with being the source of a new conceptual framework of American society, a framework which added a "third sector" of voluntary giving and voluntary service alongside the first sector of government and the second sector of the private economic marketplace.

A number of important consequences can be traced to the work of the Filer Commission, most important of which, in my opinion, is the third sector concept. In addition, the commission provided the initiative to found Independent Sector, a national umbrella organization bringing together for the first time nonprofit organizations with philanthropic foundations and business corporations. The scholarship produced by the Filer commission also generated the intellectual interest that led to the establishment of the Program on Non-Profit Organizations at Yale University, the first of the so-called academic centers which now number more than forty. The dissenting "Donee Report" called attention to neglected voices of minorities and others, as well as the need for greater openness and accountability.

Some of us are engaged in a three-part effort (a) to review the history of the Filer Commission and its work; (b) to assess the development of American philanthropy "since Filer;" and (c) (my role) to speculate about the agenda of another Commission on Private Philanthropy and Public Needs, a "Filer II.11 This is a first effort to draft a scope of work for a second Filer commission.

Two related hypotheses:

(1) This is, as a number of people have commented, a "defining moment" in American history, ranked in importance with the turbulent 1960s of the "Great Society" programs of

President Lyndon Johnson, and perhaps with the "New Deal" of President Franklin D. Roosevelt in the 1930s.

(2) The impact of changes already undertaken and proposed on American philanthropy will be profound and far-reaching.

The political debates underway since the dramatic Republican victories in the Congressional elections of 1994 reflect assumptions that appear to be widely shared. (These remarks will be littered with customary language like "appears to be; 11 1 am not yet persuaded that we know clearly the mind and mood of the people.) Here are four among many assumptions--positions usually asserted without accompanying documentation:

(1) Government, especially at the Federal or national level, is considered to be wasteful in its use of resources, arrogant in its ambition, and ineffective in producing results.

(2) Liberals (that is, the Democratic Party dominant in Congress for decades) have promised more from government programs than they have been able to deliver. "The Great Society" of President Lyndon Johnson was more rhetoric than accomplishment.

(3) Social welfare programs, especially, have been harmful to the very people they were ostensibly designed to help. The poor are worse off despite vast expenditures to reduce poverty; the poor have become helplessly dependent on government support; the poor have become "pauperized" (a nineteenth century term) and have lost initiative and a sense of responsibility for their problems; family values have deteriorated--indeed, families have broken up or are not formed at all, and teenage mothers unable to care for their children are a new social plight--all because of ill-conceived Federal programs. The middle class, meanwhile, has seen its own standard of living decline -- some argue as a result of carrying the added tax burden to pay for social welfare programs. The wasteland known as "welfare" is a broken system urgently in need of drastic reform. Both parties support a requirement that mothers work rather than be supported to stay home with their children, a dramatic reversal of the policy in force since the 1930s.

(4) Public morality has deteriorated. "The media" are often singled out for special attention, but there seems to be a consensus that concurrent failure in welfare, education, culture, and religion are linked together. On the intellectual side, a moral relativism; on the political side, a corrupt welfare state; on the cultural side, an increase in promiscuity and violence; on the religious side, an anti-religious hostility aimed at churches and their influence.

And so on. That is, an underlying Slough of Despond in which the public has become confused about the future, fearful of enemies and conspiracies against traditional values and practices, and convinced only that the Federal Government is more a source of problems than solutions.

These assumptions heighten the rhetoric, as my own language here tries to suggest. That is because the new political leadership in Congress has been remarkably effective in identifying "liberals" and Democrats and their intrusive Federal programs as the menace. The new Republican leadership announced itself with a "Contract with America," a platform published as a book, promising "revolutionary change." President Clinton and other Democratic leaders, in office less than two years, were rudely shoved aside; what little they had to say in response was ignored (and often substantively confused and inconsistent).

At the heart of the Contract with America is a promise to deliver on promises made: "If we don't deliver, throw us out."

(1) Steep reductions in Federal spending toward a balanced budget and a reduced national debt.

(2) Savings of hundreds of billions of dollars by reduction in the size and shape of the Federal bureaucracy.

(3) Devolution of political power and fiscal authority to the states and local government.

(4) Drastic reform and reduction of governmental welfare programs.

(5) Reduction, revision, or outright elimination of Federal regulations across the board but especially in environmental affairs.

(6) Tax policy and "privatization" to encourage investment, improve efficiency, and strengthen business.

(7) Reduction or elimination of Federal support for the arts and humanities, reduction of support for research in all fields.

(8) However, maintenance and even increased funding for defense.

There are two other social factors worth mentioning:

The first is the continuing decline in public trust and confidence in American institutions. If the Federal government inspires anger, contempt, even hatred and fear, similar emotions are aroused by the perceived power and greed of large business corporations. Universities have fallen in public esteem because they are thought to neglect teaching in favor of self-serving but irrelevant research. Similar disdain is expressed about large hospitals and medical centers. The professions of medicine and law are suspected of putting client interest second. "Investigative" and over-dramatized journalism is a corrosive influence even when its findings are well-grounded. It is difficult to assess the social damage of the loss of trust and confidence but intuitively many of us are persuaded that the decline of trust is a matter of grave concern.

A second social factor to be added to the profile is the recently-reported extent of self-centeredness. Self-centeredness is a better term than selfishness, but the emphasis is on an inward-turning toward the self that may redirect attention from the claims of community.

(Perhaps this is the Thatcher phenomenon in America. The Filer Commission report appeared in 1975, the year Margaret Thatcher succeeded Edward Heath as prime minister.)

These debates take place in a context that changes constantly but in a societal framework that presents the American people with a recurrent set of questions. One of the questions is the role of philanthropy (defined here as voluntary service and voluntary giving to voluntary, nonprofit associations formed to advance charitable and philanthropic purposes). The United States has always done more of the public business through these public but nongovernmental means than other societies. The scale and scope of voluntary action for the public good is a first question. There are three other related questions:

(1) To what extent is each individual citizen responsible for his or her own well-being? In considering health-care reform, for example, one issue is the weight we should put on individual responsibility. How much of the cost of services, which specific medical or other health services, what part of the insurance provision should be borne by individuals? There is a deeply- ingrained individualism in American life and culture that makes personal responsibility for self-help a matter of morality as well as economics.

(2) Individualistic though Americans may be, they also live in a web of reciprocity--family, association, neighborhood, labor union, church--an array of memberships based on the premise of mutual aid. Family has been the most important unit of mutual aid, but as the extended family has reduced to the nuclear family and as the phenomenon of isolated individualism has grown, mutual aid has become problematic. What should be its share?

(3) For these and many other macroeconomic and geopolitical reasons, there are many important goods that we conclude cannot be provided by philanthropy or will not be provided by the self- interest logic of self-help and mutual aid. The assumption has been that there are always public goods that only government can or should provide -- defense and police, a road system, foreign policy, and less widely appreciated, help in meeting the basic needs of the poor, especially in times of economic stress and realignment. Government assistance is then one of the four questions, weighted in the balance with self-help, mutual aid, and philanthropy. These questions are at the heart of political debate today. The weightings are being shifted, responsibility reallocated.

The first demand of the new conservative political leadership is that government at all levels, but especially at the Federal level, should be reduced in size, scope, cost and impact. The only exceptions are tax incentives for business and expenditures for the military establishment.

The most visible target of reduced spending is "welfare," especially when it appears to be offering support to the unemployed, able-bodied--that is, undeserving--poor. Because attacks on the undeserving poor also seem to threaten children, the elderly, and other of the pitiful and vulnerable, philanthropy's role should increase to take up the slack. Increased philanthropic giving for welfare to protect the vulnerable who might otherwise be inadvertent victims of the new legislation is a high priority of the new leadership. There is some talk of tax credits to spur giving for welfare purposes; the assumption is that the priorities of American voluntary giving will change to respond to the new political realities.

The future of American philanthropy is therefore problematic. It will be asked to do more in absolute terms, to carry a larger share of the financial responsibility, first of all. It will also be asked to change its priorities from the current profile:

Religion 58.87 billion/45.3%

Education 16.71 billion/12.9%

Human Services 11.71 billion/9.0%

Health 11.53 billion/8.9%

Arts 9.68 billion/7.5%

Unclassified 9.59 billion/7.4%

Public/Society Benefit 6.05 billion/4.7%

Environment/Wildlife 3.53 billion/2.7%

International Affairs 2.21 billion/1.7%

The social agenda of churches will be expected to expand, presumably at the expense of the liturgical and theological. As the above chart indicates, religious giving is already crucial, much larger than any other field of philanthropy. Research indicates that about $20 billion now passes through churches into community programs and welfare services.

Religious giving is also individual; few foundations and even fewer business corporations engage in giving for religious purposes. Important changes in church membership and giving patterns in Catholic and Protestant denominations have been underway for several decades. The impact of new pressures is unpredictable.

A third imponderable in the philanthropic formula is whether giving and volunteering are still on the increase. The best answer researchers can offer is that "it is too soon to tell," trends are too short-term to be reliable.

The fourth unknown is the rise in self-centeredness mentioned earlier. Will expenditures for, say, memberships in health clubs, and the accompanying commitment of time to personal health and fitness displace voluntary giving and service? No one knows.

On the other hand, American philanthropy is more extensive in scale than it has ever been. There has been an explosive increase in the number of voluntary associations that are tax-exempt under the rubric of Section 501 (c) (3) of the tax code. It is this section we must keep in mind; it embraces the world of traditional charity and philanthropy--giving and service to the poor and vulnerable, education, support of the arts, religion and so on. Recent journalistic reports of the tax-exempt distort the situation by equating tax-exempt organizations whose concerns are limited to their members or other special essentially private interests with traditional charity and philanthropy. Explaining the history of such special interests in the tax law is a topic for a different sort of Filer Commission.

The most rapid increase in American philanthropic organizations is not among those providing services but in those whose work is usually labeled "advocacy. 11 Such organizations flourish in a society that has been reshaped in recent decades by "social movements. 11 Most prominent among these advocacy organizations have been those concerned with group rights: the rights of women, of minorities, of the physically and mentally disabled--but also the rights of animals, trees and rivers, and the rights of exploited peoples to their cultural heritage and property. Many if not most of these claims cut across political boundaries. They seek to influence public policy by bringing pressure on various governmental bodies to guarantee rights and basic needs in the law.

These claims from philanthropy on public policy explain the way government's role has expanded. The spirit of the civil rights movement has become embedded in legislation and public administration. Tax revenues have been used to finance transfer payments -- philanthropic initiatives have been the leverage behind major redistributions of wealth. The poor have benefited; the middle class seems to have benefited most of all.

Two further comments about advocacy:

(1) It seems to be true that advocacy was the weapon of liberalism in expanding the role of the state.

(2) It now appears to be true that advocacy is the weapon of those who would reverse that expansion and who would instead reduce the role of the Federal government and expand the role of state and local government.

The present reform movement has its roots in the third sector of voluntary action for the public good. The new, revisionist, conservative views of government, politics, religion, and modernity take root in the same voluntary soil as the once-established liberal doctrine of Federal intervention.

An important caution that is usually ignored in the one-sided debates about devolution of power to the states. American racism had its political center in the states; resistance to

civil rights was concentrated in the states in the South; Federal intervention was required -- ironically by a Republican conservative president, Dwight Eisenhower -- to break the Southern resistance to school integration.

The civil rights movement arose among the liberal churches of the South and their allies in the North. The Federal Government and Federal courts overrode state opposition. A national policy of racial justice was imposed through such policies as affirmative action in education and employment. These policies are now being reversed, led largely by a new political leadership that is dominated by Southern politicians.

The Southern politicians are not the original authors of these changes, however. The most important and influential new political force in the United States now describes itself as the "Christian Coalition." It is a highly-sophisticated application of the tactics and strategies of the Left that proved so successful in changing American society in the 1950s and 1960s. The Christian Coalition seeks to control the Republican party (rather than to form a third party, although the third party threat is expressed if the Republicans drift from the Coalition's agenda). Among other things, the Coalition focuses on local school board elections, using ideological and organizational discipline more skillfully than the Marxist-Leninists of old. The Coalition has far greater financial resources than its liberal and leftist counterparts of the past, however; it raises hundreds of millions of dollars directly and indirectly through "televangelism," best symbolized by the persuasive electronic savvy of Pat Robertson who seems even better skilled at using the media than Ross Perot, the third party candidate who commanded broad support in the 1992 election.

The prominence of religion in American philanthropy and the aggressive tactics of the Christian Coalition bring an often Puritanical tone to current debates. Abortion is used as a galvanizing issue; "family values" rhetoric joins with occasional pronouncements that the United States is a "Christian nation" and the more recent inflammatory claims that it is also English-speaking. It is perhaps unavoidable that religion of the Right in the 1990s adds strong ethnocentric tension as the religion of the Left brought to civil rights thirty years earlier. The problematic role of religion in both politics and philanthropy may be the most volatile factor facing any future Filer commission.

Philanthropy is not all about ominous signals and trends, tensions, dogmation of Left and Right. The broad sweep of American philanthropy and most of its energy is devoted to its traditional agenda.

What has happened over the past two decades is that awareness of the scope and importance of philanthropy has led to systematic efforts to improve it. First, by bringing to it the disciplines and practices of modern organization and management. Second, by making it a "subject" in the world of knowledge, research, and education. Third, by making the work of philanthropy more open and accountable.

One pressure, as old as the work of charity organizations that began more than a century ago, is to increase efficiency--in raising money, in allocating funds, in delivering services. Because voluntary associations are usually governed by volunteers, and because

many of those volunteers are drawn from the world of business, business practices have been increasingly brought to bear on nonprofit management.

The American public is largely unaware of the business dimension of philanthropy. The largest source of income for philanthropy is neither voluntary giving nor government grants but earned income from fees for services. Fully half of nonprofit income is from for-profit-like activity; the important consideration is not where the money comes from but what is done with it. Nonprofit organizations cannot distribute their surplus income to "owners" or "shareholders" (the so-called "nondistribution constraint").

Whenever government support diminishes or giving declines or fails to rise rapidly enough to meet increasing need, voluntary associations become increasingly entrepreneurial. Some become so entrepreneurial, in fact, that business values creep in along with business practices. The threat then becomes that the focus of mission will shift from those saved outside the organization to those who work within it. Despite these lapses--and they are on the rise--American philanthropy is better managed, more accountable, and more trustworthy than it was twenty years ago.

The second advance has been the surprisingly successful effort to bring the study of philanthropy, both its values and its practices, into the world of the university as a "real" subject. The Center on Philanthropy at Indiana University with which I have been associated for eight years is the largest and most comprehensive of about forty academic centers on American campuses. our work enlists scholars and students across the university, linking the study of philanthropy to the study of history, literature, medicine, philosophy, economics, law, social work, education, nursing, and other fields. Our Center has more than forty faculty members, each of whom shares a commitment to the study of philanthropy and to an established discipline or profession. Students are enrolled in a dozen new degree and joint-degree programs. In addition, more than a thousand "practitioners" take intensive training each year in the courses of The Fund Raising School. We publish books and journals, conduct research, sponsor research by others at other institutions. our work reaches as far as Thailand, South Africa, and the former Yugoslavia. Such an ambitious program would have been beyond the imagination of the Filer Commission of 1975.

More important than education and training, however, are the new connections philanthropy brings to re-engage the university in the life of the larger community. That relationship is bound to result in conceptual development as well as new knowledge; it is also certain to encourage more rigorous critique and evaluation; openness and accountability continue to grow and develop.

There is a fourth factor that enhances the importance of philanthropy for any future Filer Commission. Philanthropic institutions continue to command higher levels of trust and confidence than other institutions. It is clear that philanthropic purposes encourage trust; people want to believe that philanthropy is not only trustworthy but effective.

The future role or roles of philanthropy, then, confronting a new Commission on Private Philanthropy and Public Needs, will include some of the following:

(1) A continuing commitment to the ancient and honored practice of bringing compassionate assistance to those who are suffering. However, I would not predict more than marginal increases in giving and service for the poor and vulnerable.

(2) Maintenance and strengthening of existing social and cultural institutions. Much of American philanthropy is already committed to past philanthropic innovations and establishments. The claims of maintenance greatly reduce the disposable resources for new initiatives or changed priorities.

(3) Advocacy and reform will generate most of the heat, provide little of the light, and absorb less of the money. If anything, there will be a crowding-out phenomenon that will shorten the reform agenda. Moral and cultural issues, however, will dominate the media.

(4) There will be a turbulent decade followed by a settling toward the middle, redefining again, but gradually the balance among self-help, mutual aid, government assistance, and philanthropy.

(5) The two most ominous signs, both arising within voluntary action for the (perceived) public good, are the unraveling of shared understandings of what "civil society" might mean; and the rise of faction, especially fueled by ethnic fear and hostility. As James Madison defined it two hundred years ago: "By a faction I understand a number of citizens, whether amounting to a majority or minority of the whole, who are united and actuated by some common impulse of passion, or of interest, adverse to the rights of other citizens, or to the permanent and aggregate interests of the community."

(6) The big financial news, reported first several years ago, is that the United States faces an extraordinary inter-generational transfer of wealth over the next two decades. Estimates range as high as $10 trillion (about as meaningful a number to most of us as those tossed about by astrophysicist). The transfer is seen as an opportunity for philanthropy on a scale rivaling the ambitious of the generation of John D. Rockefeller and Andrew Carnegie a century ago. New fortunes based on new technologies and new industries mean that first-generation billionaires must think as hard and creatively about distributing their fortunes as they did in amassing their wealth in the first place.

The very size of these fortunes may boomerang, of course; it is conceivable that political initiatives through tax policy may again more widely redistribute wealth, seen as more concentrated than it has been for decades. Philanthropic unresponsiveness or insensitivity may encourage a shift toward increased taxes on the wealthy (especially estate taxes, following Andrew Carnegie's candid opinion in "The Gospel of Wealth").

Philanthropy, despite some critics, has been a seedbed of innovation as well as a culture of reform. Foundations, corporations, and nonprofit organizations are far more open and accessible than a decade ago. Minorities of great variety now have a voice almost denied

them by the Filer Commission. Some of the most interesting and promising innovations are in problem-solving and exploitation of the many possibilities of the "mixed economy"--philanthropy working with government and the marketplace.

The long, slow, and epoch-making progress of the values of philanthropy in education is now underway. Service to others will be taught to small children, bringing them an indispensable opportunity for self-esteem development as well as a closer involvement in community. children who develop self-esteem through service to others also learn better. From a global, long-range perspective, the education of children in voluntary service may be the next generation's greatest contribution to making the world better.

Finally, philanthropy is about hope. Hope is as important to us as air and water. Hope gives us the possibility of converting our values into action. Hope is often the only effective corrective of cynicism and despair in difficult times. The act of giving service to others is an act of hope for them, for ourselves, and for unknown others whom we will never know.