

MONEY AND IDEAS:

FOUNDATIONS AND HIGHER EDUCATION IN THE 1990s

I

On three successive days during a memorable week last year I was asked for philanthropic advice by the representatives of three new and still largely unknown fortunes ranging from \$700 million to more than \$1 billion. The fortunes were entirely unconnected with one another.

In each of the three cases steps had already been taken to establish a foundation or group of foundations to receive the money. The questions to me had to do with goals and strategies. In one case the donor had already committed about a third of his fortune to a single organization; in the other two cases the advisors were in the early stages of planning.

I was merely one among many people whose ideas and opinions were sought. The representatives showed the pressure they were under, however; they were expected to come up with ideas and projects and programs that were consistent with what the donors had in mind. "What the donors had in mind" was not always clear to their advisors, of course, and perhaps not to the donors themselves. It was also not obvious which of the vast array of philanthropic possibilities should take priority.

Other conversations with the agents of great fortunes have persuaded me:

- that there are numerous new fortunes of great magnitude in the United States and elsewhere in the world;
- and that many of the new fortunes do not appear on the lists of wealthy people; they are not only new fortunes, many are unknown.
- giving large sums of money away intelligently continues to be very difficult.

Reading and talking with people who are not burdened with great fortunes persuades me of two other things:

- people who have never served as stewards of large philanthropic fortunes have no appreciation of the difficulty of what responsible and intelligent stewardship entails;
- most people have little or no respect for other people's money, especially rich people's money.

One of the best sources for thinking about enlightened philanthropy is the century-old essay by Andrew Carnegie on "The Gospel of Wealth." Dated and biased as it is, it is also more relevant and less biased than much of what currently passes for scholarly wisdom

on the subject. Carnegie was clear about his political and economic values and about the moral obligation of people of great wealth to "administer" their wealth during their own lifetimes, rather than passing the responsibility on to heirs, anonymous trust officers, or bureaucrats. He believed that fortunes converted into taxes would be so dissipated and trivialized that the money would simply be wasted. He thought that people who are intelligent enough to amass great fortunes are intelligent to invest it for the public good; the former implied the latter.

Most usefully, Carnegie put forward a short list of philanthropic opportunities: If you happened to be a person of great wealth a hundred years ago, Carnegie provided you with a list of seven philanthropic objectives you might consider.

Carnegie had reasons for what he did; he stated his reasons publicly; he sought to persuade others of great wealth to take their public responsibilities seriously; he put the responsibility directly on the wealthy themselves. He believed that fortunes that were not responsibly administered should be depleted by death taxes. Carnegie was scornful of voluntary almsgiving, sharing the view of most leaders of the newly-emerging "scientific philanthropy" of the time. We may safely assume, I think, that he would have been equally scornful of government bureaucracies as agents of philanthropy.

Carnegie, John D. Rockefeller, Mrs. Russell Sage, and others also realized the need to provide organization and structure to their giving. They invented the general purpose endowed foundation that has come to dominate American thought about large scale philanthropy (public as well as private). They used advisors of various sorts: clergy, scientists, academics. out of the efforts of the largest and most "professional" of the new foundations emerged the foundation philosophy that Barry Karl and Stanley N. Katz have written about: the role of some leading foundations has been to seek out the root causes of social problems and to design strategies for their solution. No nation in history has ever had such substantial private resources organized to advance good works.

The mechanism and the strategy has worked. Government agencies and legislatures as well as millions of individual donors have been able to invest in causes validated by the research and practice of a relatively small handful of foundations (often to the great displeasure of those populists who would seize all such large fortunes in taxes and allocate them through more "democratic" processes).

II

No field has benefited more diversely and generously from foundation philanthropy than has higher education. The great philanthropists of a century ago built universities and research facilities on models that have become internationally accepted. The partnership between the large foundations and the research universities would be considered collusion were it to have happened in the marketplace. The careers of many people have ranged back and forth between the two worlds of philanthropy and scholarship. The values of each have influenced the other. There is, however, a fascinating record of

criticism of the relationship of philanthropy and higher education. It is worth bearing in mind when thinking about the relationship that seems to exist today.

The first critique is not of the foundation-university partnership but of the intrusion of business values into the university. The best source on that subject I know is Thorstein Veblen's The Higher Learning in America, written before World War I, a diatribe that has been widely imitated but not improved upon since. For Veblen, the problem lay in the academic entrepreneurs who managed universities and expanded their reputations by enlisting gifts and grants from wealthy businessmen in exchange for influence in university affairs. I assume that Veblen would see the foundation as merely a Trojan horse tactic in the war between those whose subject matter is money and those whose subject matter is ideas. For Veblen, who seemed never to worry much about how the bills were to be paid -- his or anyone else's -- money and ideas, businessmen and scholars, are simply incompatible. Veblen is an eloquent spokesman for the view that resources are necessary but that it is demeaning to be concerned about them.

Harold Laski, the British political scientist and socialist, published a collection of essays on his extended visit to the United States (The Dangers of Obedience, 1930). Laski was similarly contemptuous of academic kowtowing to wealth, but it was the foundations that caught his attention. Laski satirized the vanity of foundation executives gulled by the flattery of university presidents who were more interested in fund raising than in scholarship. Like Laski, Jacques Barzun, scholar and erstwhile dean, saw foundations in The House of Intellect (1959), as one of the enemies undermining the values of the university. Foundations distorted scholarship by preferring "projects to persons" (p. 180) and thus denigrated the role of the independent scholar.

None of these criticisms, however often repeated, has slowed the process of cooperation between foundations and universities. They have been allies rather than enemies; the consequences of the partnership have been both good and bad, for the immediate actors as well as for the society as a whole. As social practices go, this one seems to have worked out rather well.

III

Given what some scholars have said about philanthropy and higher education, what advice should one give to wealthy people who take their philanthropic responsibilities seriously? If one were to follow Andrew Carnegie and make a list of philanthropic opportunities in higher education, what would they be? We can then ask ourselves what our own priorities are. Carnegie also provides guidance in how to implement the priorities once arrived at by giving us the model of the foundation in different forms (grant making and operating). We can then ask ourselves whether we think the foundation model is the best available or possible.

Foundations have always been proactive. There is not much historic encouragement for believing that foundations will wait passively for universities to tell them where it would be most suitable to invest their money. Foundations will limit themselves to gifts from

income; they will seldom make massive reductions in their assets in order to support the things they are interested in. Foundations are often set up to continue indefinitely. (When told that his new foundations were to be established "in perpetuity," John D. Rockefeller is said to have remarked that "Perpetuity is a very long time.") Foundations show the same characteristics as other organizations that persist over time; they become "infused with value." They have the same problem of fidelity to mission as do universities and religious bodies.

For one thing, times change. What began in 1880, say, as a philanthropic attack on the lack of college opportunities for the children of the poor was looked upon differently in 1950 when systems of public higher education were expanding in all directions, and seen differently again in 1990 when even colleges and universities seem unable to serve the children of the poor as well as they serve the children of those who are financially better off. Meanwhile, foundations and their corporate counterparts have recently changed their strategies. Instead of concentrating on scholarships for economically disadvantaged college students they have redirected their resources in significant amounts to reform of the public schools.

Foundations are, on the average, more interested in solving problems than they are in sustaining institutions. Many if not most foundation executives believe that the sustaining funds of higher education are to be sought from individuals, whether in the form of endowments or in the form of annual giving by alumni and parents.

Foundations are therefore not reliable sources of support for continuing programs in established fields like history or philosophy or even law or medicine. Foundations are still more interested in change than they are in continuity. Foundation executives put a high value on innovation and leverage and dissemination and other devices to make their money have as much influence -- "to go as far" -- as possible.

Foundations thus seek ways to engage the resources of universities more efficiently in doing things that may not have the same priority for the universities themselves. Improving the public schools is but one example. Foundations often discover (or have pressed upon them) needs that have yet not risen in the academic consciousness. One foundation I know has an interest in "immigrant education," a cause for which many academics will have ready sympathy but are ill-prepared to address. Legions of voluntary associations bring both pressure and inspiration to foundations to use foundation influence to get universities to address important issues that are not on the agenda.

At times the universities themselves are the sources of new ideas. A scholar at the University of Iowa (whose field is literature and physics) likens the emergence of new fields of inquiry within the university to the phenomenon of voluntary associations in the society at large. I am myself engaged in an effort to establish a new field of teaching and research, a venture made possible by foundation funds. Foundations thus become allies not with universities as institutional entities but with individual faculty members and groups of scholars. Development officers who have tried to centralize these flows of

communication have always failed to do so and have also achieved more animosity than efficiency in the process.

Entrepreneurship in large complex universities has never been limited to presidents and other self-serving, money-grubbing administrators. Faculty entrepreneurship has built observatories, laboratories, library collections, specialized fellowships and assistantships, and a host of other of the amenities of academic life. The direct link between funding, research, and professional achievement inspires much if not most of the widespread character of academic searches for funds from foundations. Universities are much less centralized today than in the past; administrators have much less power than in the past; there is a vastly greater array of potential sources of support to appeal to. I see no reason to believe that anyone will be able to put the genie back in the bottle (or the evils back in Pandora's box).