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I. ESSAY

The Role Of Foundations In American Society
by David E. Rogers and Terrance Keenan

For most in our society, foundations remain mysterious, secretive creatures working just outside most of our established institutions. They are perceived as exerting considerable influence on American affairs without corresponding accountability for their actions. They are not of academe, they are not of the corporate world, nor are they voluntary, community-based organizations.

Until recently, the mystery shrouding the foundation field has been accentuated by the virtual absence of any scholarly observers or historians willing to commit their careers to foundation watching. Now, historians Barry Karl of the University of Chicago, Stanley Katz of Princeton University, and a group of scholars at Yale and Indiana universities are beginning to examine foundations as quite peculiarly American institutions. Health Affairs has devoted a section to them for several years now, and other objective reports on them are beginning to see the light of day. But, for most Americans, foundation work has been regarded as a leisurely, cushy job for intellectually oriented people who avoid controversy or hard work. Foundation officers are believed to live well, have long expensive lunches with their supplicants (who treat them with deference), and have an overinflated sense of their self-worth. Thus, foundation life is generally regarded as free of the stresses, strains, or demands faced by most ordinary mortals in their work-a-day worlds.

Just how one becomes a foundation officer has remained equally mysterious. Foundation openings are almost never advertised, and no organized training programs focus on how to become an effective philanthropoid. Although there is a trade union (the Council on Foundations) with a bimonthly publication (Foundation News) and although senior foundation officers of some, but not all, large foundations are rumored to

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meet on a fairly regular basis, there is no well-organized network that grooms young people for or moves them into foundation life, and the ground rules for conduct as a foundation official are nowhere to be found.

During 1990, three books on private foundations were published that add to the growing body of information about these institutions, which have played an interesting and sometimes quite important role in our American society. The first book, *The Politics of Knowledge*, tells of the development of one of our most prestigious private foundations—the Carnegie Corporation of New York—its people, its programs, and its decision making. The second book, *An Agile Servant*, gives a refreshingly open and searching view of community foundations—a group of institutions even less well known than the large, private foundations, but now rapidly emerging as important community forces. The third book, *Charity Begins at Home*, is a field study of the charitable giving of the people in our society whose personal wealth accounts for the emergence of foundation philanthropy as a special phenomenon of American culture.

Taken together, these three books help illuminate the two major forms of stewardship that govern the objectives of private foundations. One model is exemplified by the Carnegie Corporation, which is regarded by its trustees as a national institution responsible for examining and, where possible, confronting issues that affect our whole society. The other model is community foundations, which are generally regarded by their boards as special local and regional institutions responsible for addressing the problems and needs of their particular community.

**Analysis Of A Large National Foundation**

Ellen Condliffe Lagemann’s study of the Carnegie Corporation is a careful, historical analysis from a social policy perspective. The Carnegie Corporation was established in 1911 by steel magnate Andrew Carnegie under a broad mandate “to promote the advancement and diffusion of knowledge and understanding among the people of the United States.” Lagemann traces the response to this mandate throughout Carnegie’s history. Initially, despite this lofty charge, its program was simply an extension of Andrew Carnegie’s long-standing commitment to individual self-improvement. This he did through the establishment of free community libraries, from which venture more than 2,000 communities across the country have benefited. In contrast to much of philanthropic giving, Carnegie built his libraries to stay. He established local pride in ownership as a feature of those projects, and applicant communities had to raise funds to stock the libraries and finance their ongoing operations.

Following World War I, the corporation’s board and staff broadened
their interests to develop the Carnegie Corporation as a center of initiative to address certain specific national needs. It had trustees of national standing, and its presidents were men of talent and energy. Over these years, the corporation’s programs fell increasingly into two major categories. The broad goal of the first category is to develop new centers of expertise in areas important to the public welfare. Programs under the second category promote both public and scholarly appreciation and understanding of Western and non-western civilizations. Under the first type of initiative came such institutions as the Carnegie Foundation for the Advancement of Teaching, the National Research Council, the National Bureau of Economic Research, and the American Law Institute. The second type of initiative initially emphasized education. As the country emerged from World War II, the corporation began to foster programs under this initiative by investing in the development of new fields of knowledge such as foreign area studies, cross-culture studies, human and social relations, early childhood development, and educational testing—the latter resulting in the formation of the Educational Testing Service in Princeton, New Jersey.

During the corporation’s lifetime, its concentration on such scholarly frontiers led to more searching and targeted inquiries into a number of specific problems confronting American society. From this focus, a series of reports and books of lasting impact emerged. Perhaps the most famous was Gunner Myrdal’s *An American Dilemma*, published in 1944, which proved to be a landmark document on race relationships. A number of studies on American education have had an important and long-lasting impact on the American educational system. To our surprise, however, Lagemann’s work only alludes briefly to one of the Carnegie Corporation’s most important works: the 1911 Abraham Flexner report on medical education. Although this study was funded by the Carnegie Foundation for the Advancement of Teaching rather than by the corporation, the close ties and interlocking interest of these two institutions and the impact of the report, which totally changed U.S. medical education, are a vital part of the corporation’s early history.

The corporation’s bias for expertise is evident throughout the book. Despite its professed intentions to advance public enlightenment, the corporation did not focus its funds on popular “mass culture” but rather on the training of sophisticated professionals to manage cultural institutions—librarians, museum curators, physicians, and so on. Perhaps the corporation’s greatest contribution to popular culture occurred in the mid-1960s, with the establishment of the Carnegie Commission on Educational Television, which led to the founding of the Public Broadcasting Corporation and, in time, to the building of a national network.
of regional public television stations.

Context of philanthropy. One cannot read Lagemann’s book without recognizing that despite its mystery or its preference for remaining in a background position, the Carnegie Corporation has had a significant impact on American life and culture. The institutions it has developed and the studies it has spawned vividly illustrate how much America has been shaped by the funds of this single private foundation.

Missing in the book, however, is any placement of the Carnegie Corporation’s efforts in the broader context of the emerging world of private foundations. During the same time span as this study (1911-1982) many other foundations were also working on different facets of American life. One wishes that the Carnegie story had been set in this background, because the Carnegie Corporation could have pursued entirely different directions that would have been consistent with the times. By their very nature, American foundations possess certain options and capacities for serving the public good that are singular to them and that set them apart from philanthropic giving as a whole. How well they exercise these capacities is a measure of how well they exercise their stewardship of the funds in their care. A number of other foundations have also helped shape our society; had Lagemann described the setting, she would have given the reader a broader understanding of the significance of this one foundation’s history. So, let us fill in this lacuna with our view of the options and some of the choices made by other foundations during this period.

(1) National foundations have the ability to develop new institutional systems to address major unmet needs in our society. Here several foundations have made their mark. The W.K. Kellogg Foundation, for example, was an early investor in the local community college concept, which has made postsecondary education a reality for millions of Americans. The Robert Wood Johnson Foundation has provided major support for systemwide innovations in front-line primary care, emergency care, and care for such groups as adolescents, the elderly, the homeless, and people with acquired immunodeficiency syndrome (AIDS).

(2) National foundations have the capacity to make long-term investments in the development of centers of excellence in their fields. This is a principal feature of the giving of many large foundations. The Rockefeller Foundation, for example, devotes significant funds to the building of regional universities overseas. For many years, a handful of private medical schools (Yale, Harvard, and Columbia) commanded much of the giving of The Commonwealth Fund. Also, in the 1950s) the Ford Foundation pumped several hundred million dollars into such institutions as The Johns Hopkins University, Brown University, and New York Univer-
sity. The Andrew W. Mellon Foundation has made grants of this kind the pillar of its philanthropy.

(3) National foundations have the ability to develop new areas of learning and practice in their fields. As noted, this has been a strength of the Carnegie Corporation in such fields as early childhood education, educational testing and measurement, and foreign area studies. The Robert Wood Johnson Foundation has used this strategy in developing the Clinical Scholars Program, which established health services research and such other areas as organizational design and management as part of the mainstream of medical scholarship and service operation. It also used this approach in establishing the Minority Medical Faculty Program, now an important resource nationwide for qualifying blacks and Hispanics for careers as investigators in the biomedical and clinical sciences.

(4) National foundations are free to invest in high-risk programs that, if successful, offer special promise for making progress in their fields. Despite this potential, foundation philanthropy is uncommonly risk-averse and manifests limited tolerance for failure. These attitudes derive less from caution and fear of controversy than they do from what we might call “the doctrine of uniform success.” By this we mean the choice of programs and staff that have a high probability of reaching their aims and that will produce results that will resound to the credit of the foundation concerned. Alas, some of this pervades the history of all foundations, and the Carnegie Corporation was not immune from this sin.

(5) National foundations have the ability to persevere. They can stay with the problems for the time it takes to bring them to resolution. A good example is The Rockefeller Foundation’s thirty-year perseverance in supporting efforts to develop new strains of wheat and corn at its field laboratories in Chapingo, Mexico, and, more recently, rice at its Rice Research Institute in the Philippines. The social and economic returns in crop yields of basic staples have been immense.

(6) National foundations have the ability to be selective, flexible, and timely. These qualities are the opposite side of the perseverance coin. Foundations can stay with a problem too long—well beyond the need for their involvement—and hence miss new problems arising in their fields. At the same time, if they are to have any impact, foundations need to be selective, maintaining a wide scan on their funding areas but concentrating their resources at any one time on a few selected problems that are of first importance and that are amenable to action by private philanthropy.

(7) National foundations can try to anticipate the future and to pioneer solutions to emerging problems before they become severe. Foundations are not much better at this than most institutions, but the opportunity exists. The reports on public schooling supported by the Carnegie Cor-
poration were the first to alert the nation to the immense demographic shift in the population of inner-city schools. The Robert Wood Johnson Foundation supported the development of AIDS health services in high-incidence cities before the epidemic reached its present dimensions.

(8) National foundations can help mobilize action in areas in which publicly supported initiatives would not be acceptable or feasible. In 1983, The Robert Wood Johnson Foundation began a three-year national program to support interfaith coalitions in recruiting and training volunteers from religious groups to provide support services to frail elderly and disabled persons. This initiative is an example of a thriving program, which continues through local funding. The use of tax dollars would diminish the incentives for volunteer service that underlie such programs and would almost certainly raise the issue of church/state separation.

(9) National foundations have the resources as well as a particular obligation to evaluate their major programs and to report the findings to the public. Here most foundations have not distinguished themselves. Evaluations conducted by external research groups selected for their expertise in the type of program concerned and publishing the results in the appropriate scientific literature are too rare but would do much to increase the credibility of serious foundation work.

(10) Finally, national foundations have the ability to build local and regional coalitions of funders, public and private, targeted on key human service needs. While matching grants have been in existence since the emergence of organized philanthropy at the turn of the century, the formation of funding partnerships as community and regional enterprises is new to many contemporary foundations. Obstacles abound. Most foundation boards protect their independence to the point of isolation, and, to most of them, cooperative thinking and action are alien. But, we believe national/local funding partnerships will become an increasingly valuable asset to the future of large private foundations, as solutions to social needs become increasingly dependent on local leadership and broad-scale community funding.

Lagemann’s book is an elegant story of the imagination, social purpose, and productivity of one foundation. It is an important story, and we have gone beyond simply reviewing it to try to set it in the context of what was happening generally in the sphere of private foundations at the time.

Community Philanthropy

The second book, *An Agile Servant*, is much more broadly oriented. It seems a healthy sign that the field of community philanthropy is willing to take a careful look at itself in public. Community foundations represent
a different and increasingly important kind of philanthropic stewardship, and of the more than 25,000 American foundations, most are institutions that have this community orientation.

This multi-authored volume, commissioned by the Council on Foundations and published by the Foundation Center, is really an official effort by organized philanthropy to clarify what community foundations are, how they function, and what their role is in our society. Since the first such institution was founded in Cleveland by a local banker, the number of community foundations has grown to approximately 310, with combined holdings of $4.5 billion. As a class of institutions, they are the fastest-growing segment in the foundation field.

An Agile Servant is helpfully divided into two parts. The first ten essays recount the history of community foundations, spotlight their leaders, profile their potential, analyze their unique stewardship, dissect their function, and refreshingly state their shortfalls. The second part of the volume presents sixteen case studies of significant projects led and funded by community foundations in all parts of the United States. Although written from multiple perspectives, the two sections of the book are stylistically consistent, a tribute to the editor, Richard Magat, an old foundation pro. The book helps to define the major attributes of community foundations, which might be briefly recounted as follows.

First, they serve as a means for building endowments dedicated to community welfare. These funds are administered by a common board broadly representative of the community at large. Second, they offer donors assurance that their funds will be managed in perpetuity by a publicly accountable body. Third, if constructed well, they have the capacity to study and analyze salient community problems and issues. Fourth, they have the capacity of taking the lead in generating communitywide coalitions to seek and finance long-term solutions to pressing problems. Fifth, they can alert their communities to the changing nature of problems confronting them and thus help them effectively respond to new and different conditions.

Obviously, the above attributes denote the ideal-and many community foundations fall far short of the mark. But their future looks encouraging. First of all, in a changing, pluralistic society, the concepts of community identity and belonging are changing but becoming more powerful. Community foundations can do much to serve as the critical glue that can help preserve the values of mutual concern and deal with some of the problems that are dividing and destroying community life. They can give expression to the collective sense of place, caring, and pride that are community life ideals. It is encouraging to find that national foundations are now showing interest in the welfare of community
foundations and helping to nurture them. Communities have taken on some of society's toughest problems: quality of schools and breadth of exposure to the arts and humanities; intercultural isolation; early interventions to improve the welfare of children; teenage pregnancy; and grass-roots impoverishment, especially among black and Hispanic groups. This willingness to deal directly with contemporary problems augurs well for the future of these institutions.

The Philanthropists

Charity Begins at Home is not a book about foundations but rather a provocative study of the people in our society with the wealth to establish and endow private foundations. The basic assumption of the author, Teresa Odendahl, is that personal giving by the rich is not motivated by altruism but by the authority, prestige, and influence that the donor role confers. This would include membership on the boards of civic and cultural institutions and of hospitals, colleges, and universities. Wealth alone is not enough to achieve this level of social standing and control; what is required is significant and consistent dependability as a donor. In short, the wealthy exercise philanthropy as an instrument to maintain the authority of upper-class America.

The author deplores this situation. She would prefer that government underwrite the human service enterprise—not only welfare, but also education, the arts, and medical care. Her models are such policies pursued by western European democracies, where private giving for public purposes is exceedingly rare.

The major flaw in Odendahl's argument is her failure to recognize that foundation giving is governed by principles and practices that differ from individual philanthropy. First, foundations do not consider themselves to be part of general charity. Rather, most believe that they serve as sources of private investment capital for the development and testing of innovative concepts and approaches that will advance solutions to the problems on which they are working. This applies not only to national foundations but to local and regional foundations as well. Second, unlike individual philanthropy, foundations function under a tight set of federal regulations; for example, they must file and issue annual reports that are open to the public, and their grantees must meet a means test ensuring substantial public participation and support. Finally, any activity that may influence legislation is strictly prohibited.

Notwithstanding the failure of the study to distinguish foundation giving from individual giving, Charity Begins at Home is a book that warrants serious attention. It challenges persuasively many cherished
beliefs about the role of private giving in maintaining the pluralism and excellence of our human service institutions. As such, it is a critique of philanthropy as a whole. Foundations need to do much better at defining their unique potential in this field.

**The Future Agenda Of Foundations**

These three books add to our information about foundations and the potentially precious role they can play in our society. One wishes that all foundations would become more open, that they would develop more and better standards for the conduct of their work, that they would be somewhat more accountable to a broader public, and that they could cast off their reputation as being elitist institutions governed by largely white male members of the upper classes. However, it is clear from these three works that foundations are open to change, and in ways that should convince most Americans that these institutions can play an increasingly important role in the future of our culture.

We may, as a society, have come to a point in our social and political history at which the center of gravity for dealing with human service needs is shifting back to our communities and away from central authorities. Foundations of all sizes as well as government at all levels could do much to foster and empower community initiatives by recognizing and encouraging this trend. These three books will help stimulate thought about that process.

Except for our observations about the special programmatic potential open to national foundations, we are hesitant to speculate about the current and future outlook for organized philanthropy. It is evident that the problems confronting our society and its institutions are more complex and intractable than at any time in the past. These include the emergence of a large and seemingly permanent urban and rural underclass, the rise in teenage pregnancy and single-parent households, and the epidemic scale of substance abuse and human immunodeficiency virus (HIV) infection. These are massive and compelling problems for which we have few, if any, tested solutions. Foundation initiatives are clearly needed in the quest for answers.

In the end, however, we think it would be poor policy to be too prescriptive about the agendas for U.S. foundations. The most valuable asset they have is their independence of choice. Although they have a fundamental obligation to define their programs and their reasons for undertaking them, their freedom to decide is inherently what makes them unique and precious institutions in our cultural and social order.