

# The Center on Philanthropy & Public Policy

## **FOUNDATIONS AND PUBLIC POLICYMAKING**

### **A Historical Perspective**

**James Allen Smith**

**Research Paper - 11  
May 2002**

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In order to make the research a catalyst for understanding and action, the Center encourages communication among the philanthropic, nonprofit, and policy communities. This is accomplished through a series of convenings and conversations around research findings and policy issues to help key decision makers work together more effectively to solve public problems and to identify strategies for action.

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## ABOUT THE AUTHOR

**James Allen Smith** is a historian who has written on public policy, philanthropy, civil society and American cultural policy. He is now serving as advisor to the president of the J. Paul Getty Trust. In 1993, he helped establish the Center for Arts and Culture, a Washington-based cultural policy research center. He was President of the Center's board of directors from 1993 to 2001. He was also the first executive director of the Howard Gilman Foundation, a post he held from 1991 to 1999, while shaping its programs in the arts, environmental conservation, and medical research. Smith began his foundation career in 1979 when he became a program officer at the Twentieth Century Fund. He was responsible for the Fund's policy research program in the fields of freedom of expression, the nonprofit sector, and social policy. He was also staff director for Twentieth Century Task Forces on federal education policy, campaign finance and the presidential debates. While at the Twentieth Century Fund, Smith began work on a history of American think tanks. He is currently at work on a book about American Foundations. Smith has taught medieval history at Brown University, Smith College and the University of Nebraska. Since 1987, he has been on the adjunct faculty of the New School University where he teaches in the nonprofit management program of the Milano School; he is a senior fellow and visiting professor at the UCLA School of Public Policy and Social Research and has also been a visiting scholar at the Remarque Institute of New York University. Smith is a graduate of Colgate University. He earned his A.M. and Ph.D. from Brown University where he was a Woodrow Wilson Fellow. Mr. Smith was also a Fulbright Fellow at the University of Ghent.

## Executive Summary

From their earliest inception in the late nineteenth and early twentieth centuries, American foundations have been engaged in the public policymaking process. They have worked to shape policies by using the influence of their boards, by molding elite public opinion, by pursuing campaigns of public information and education, by creating demonstration projects, by using their financial resources strategically to leverage public funds, and by pursuing direct legislative lobbying, judicial strategies, and executive branch persuasion. They have worked at every level of government.

Clearly, many external circumstances have changed since the late nineteenth century: technologies for communicating with and engaging the public are different; the relative roles and responsibilities of the various levels of government in our federal system have shifted; the scale and diversity of nonprofit institutions operating in and around the political process have expanded; laws and regulations restricting nonprofit and foundation lobbying have come into force; among many other changes.

This paper looks back over nearly 150 years of foundation history to explore three questions about the role of foundations in public policymaking:

- How and by what means have foundations sought to influence public policy?
- What specific policy outcomes have they tried -- and been able -- to bring about?
- What are and what ought to be the limits of their role in a democratic society?

But these questions should be formulated precisely and in the context of particular policy problems. The answers reside in the details. This essay, beginning with Peabody's work in the South after the Civil War, recounts the work of about a dozen foundations: the Russell Sage Foundation, Rockefeller Foundation, Carnegie Corporation, Robert Wood Johnson Foundation, and a cluster of conservative foundations. The tools and tactics they employ are often similar, whatever the era. The differences most often reside in the external environment, the specifics of the policy domain, the opportunities presented by differing political circumstances, and the changing expectations Americans have of the public sector.

Edwin Embree, long-time president of the Rosenwald Fund, spoke of the "enlightened opportunism" pursued by the Fund during its thirty years of operation. It is a sage and useful phrase. Successful engagement in the policymaking process is a consequence of patience, serendipity and opportunities shrewdly seized, all of which make sweeping theoretical generalizations about the foundation role in policymaking difficult.

# Private Foundations and Public Policymaking

## Peabody as Prologue

George Peabody (1795-1869) has been strangely neglected in the history of American philanthropy. His name remains attached to Baltimore's famous conservatory, to museums in New England, and to housing projects in London. Yet it is the names of industrial magnates and financiers, Rockefeller, Carnegie, Sage, Rosenwald, and Harkness, all born a generation or two later, that resonate far more prominently when the beginnings of modern American foundations are discussed. Widely celebrated in his day for pioneering philanthropic initiatives, Peabody died in London in 1869 and was mourned in a memorial service that flowed into the streets surrounding Westminster Abbey. "The gaunt, famished London poor were gathered in thousands to testify their respect for the foreigner who had done more than any Englishman for their class," wrote the New York *Times* correspondent.<sup>1</sup>

The Peabody Donation Fund, established in 1862, had already begun to build model dwellings for London's impoverished workers. Peabody flats would house nearly 15,000 Londoners by the 1880s. Recognizing Peabody's contributions to London's working classes and to his nurturing of Anglo-American relations, which had been so severely strained during the Civil War, Queen Victoria, the Dean of Westminster, and many others wanted to honor him with permanent burial in Westminster Abbey. But Peabody's last will and testament was clear. He insisted on interment in Salem, Massachusetts, near a walnut grove where he had played as a boy. His casket was transported across the Atlantic by Britain's largest and newest warship, H.M.S. *Monarch*, joined en route by an American naval vessel, U.S.S. *Plymouth*, dispatched hastily from the Mediterranean by order of President Ulysses S. Grant. From the beginning of the voyage to his final burial in Salem, the financier and philanthropist received solemn honors and dignities befitting a head of state.

Peabody's lifetime giving and final bequests totaled only about \$10 million, an insignificant sum when measured by the standards of later donors. Many of the institutions he created in the 1850s and 1860s, including a Lyceum in his native Danvers, Massachusetts, a half dozen libraries, an institute for promoting the mechanical arts in Baltimore, a museum of ethnology and archaeology at Harvard and a museum of natural science at Yale, seem quaintly traditional today. Nevertheless, Peabody's philanthropy is a useful point of departure for understanding how foundations have devoted their resources to public policy matters. His \$2 million donation to endow the Peabody Education Fund in 1867 created the first foundation in the United States fully engaged in addressing major national policy issues.

When announcing his gift establishing the Fund just three years before his death, Peabody claimed that this was the endowment "nearest my heart, and the one for which I shall do the most, now and hereafter."<sup>2</sup> The foundation reflected both his hope for national reconciliation

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<sup>1</sup> Franklin Parker, *George Peabody: A Biography* (Nashville and London: Vanderbilt University Press, 1971 and 1995, revised edition), p. 183. On the Peabody Education Fund more generally see, George A. Dillingham, *The Foundation of the Peabody Tradition* (Lanham: University Press of America, 1989).

<sup>2</sup> Parker, p. 157.

after the Civil War and his life-long ardor for education, a passion no doubt reinforced by the fact that his own schooling had been abruptly truncated at the age of eleven when he was apprenticed to a general store. Peabody, optimistic enough to think that the foundation's work could be completed in about thirty years, never intended his foundation to live in perpetuity. Ultimately, the foundation endured for forty-seven years, closing its doors in 1914 and transferring a part of its resources to the Slater Fund and using most of its remaining assets to establish the teachers college in Nashville that bears his name.

How did the Fund define its policy role? From the beginning, the Fund was able to attract prominent Americans to its board. The Fund's trustees included Presidents Ulysses S. Grant, Rutherford B. Hayes, Theodore Roosevelt and Grover Cleveland; Justices of the Supreme Court; a handful of governors, including New York's Governor Hamilton Fish as vice-chairman and two southern governors; some of the nation's wealthiest businessmen and financiers, including J. Pierpont Morgan; and prominent educators and clergymen. The chairman for more than a quarter century was Robert Winthrop, scion of the famous Massachusetts family and one-time leader of the "Cotton Whigs" in Congress.

Peabody and Winthrop sought to assemble a national board, a politically well-connected board, and many of its northern members, like Peabody himself, had enjoyed cordial relations with southerners in the years before the Civil War. Indeed, Peabody had kept a considerable distance from the Abolitionist cause, leading some Americans to mutter that his behavior in London during the war was treasonous. Although ultimately declaring his whole-hearted commitment to preserving the Union, he felt that the war was fomented needlessly by extremists on both sides. In creating the Fund, Peabody was making a grand gesture toward binding up the wounds of war. He and his trustees, northerners and southerners alike, were committed to improving education in the South and to remedying, through education, what they saw as a dangerous level of economic underdevelopment in the defeated Confederate states. And they were wary, some overtly hostile, to the more far-reaching Reconstruction policies of the federal government.

Within the context of Reconstruction, the Fund's principal policy aim was to launch a movement for public education in the South. Although in its first years the movement envisioned by Peabody's associates was concerned almost exclusively with expanding public education for whites, its successes inspired other new foundations including the John F. Slater Fund for the Education of Freedmen (established in 1882) and the Anna T. Jeanes Fund (founded in 1907) which worked to establish programs of industrial education and training for blacks. In time, the Peabody Fund also began to work with black schools, although funding them at only a fraction of the level allocated to white schools. These three funds pursued strategies that pointed the way for even more substantial work in the South in the early twentieth century, most notably the Rockefeller and Commonwealth philanthropies' work in public health and education and the Rosenwald Fund's expansive initiatives in support of black education and libraries.

How did the Peabody Education Fund pursue its goals? Some historians have seen the politically powerful boards of trustees of these early foundations as their principal source of policy influence. According to one scholar, "The foundation subsector concerned most with Southern work was informally integrated into the central state by the active participation of prominent public officials on foundation governing boards, and by way of occasional foundation

financing of governmental programs and offices.”<sup>3</sup> Tactically, the Fund pursued astute publicity campaigns by reaching out to religious and educational leaders, journalists, and state legislators, always seeking to popularize a single animating idea: universal education for whites.

It also sought to influence policy through its funding decisions, using financial leverage to alter local educational practices and policies. It directed its grants, approximately \$100,000 per year, toward public schools, always with a view toward selecting schools in towns and cities “where large numbers can be gathered, and where a model system can be organized,” as Barnas Sears, the Fund’s first “general agent,” put it. His aim was “the widest possible influence upon the surrounding country” so that local school district successes would ultimately transform state educational systems, inspire the establishment of state normal schools, and improve teacher training.<sup>4</sup> Matching grants were also a familiar tool. Each district was required to commit twice as much money as the Fund contributed and to agree to adopt certain educational standards, among them recruiting one teacher for every fifty pupils and assigning students to specific grade levels. Direct lobbying was also a tactic. At the national level, trustees and staff pushed hard but ultimately unsuccessfully for the passage of a bill that would provide federal financial support for state education systems, arguing especially for a land grant program to aid the education of the black population. Reviewing the role of the Peabody Education Fund in the 1880s, Jabez L. M. Curry, Sears’ successor as general agent, concluded that the Fund by “showing the people what a good graded school was, did more to enlighten the people, disarm opposition, and create a sound public educational sentiment, than all the verbal argument that could have been used. The chief benefit did not arise from what the fund gave, but from what it induced others to give and to do.”<sup>5</sup>

The Peabody Education Fund was the first among a handful of prototypically modern American foundations. These foundations made their tentative appearance in the decades after the Civil War, the very moment when a newly united nation was emerging from the crucible of war. Political reconciliation and reconstruction posed one immediate set of challenges for the government in Washington. At the same time, governmental responsibilities at all levels were being transformed by more fundamental forces: technological, demographic, and economic. Small isolated communities were being woven together by rail and telegraph, national markets for goods and services were being created, large scale business enterprises and trusts were being established, new industries were transforming the old agricultural economy, cities were burgeoning with migrants from the countryside and immigrants from abroad. And as the burdens and responsibilities of government at all levels were beginning to change, private charitable organizations were also compelled to change, seeking ways to be more efficient, more professional, and, in the end, more scientific in their approaches to social and economic problems. This is the environment in which American foundations were born and within which

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<sup>3</sup> John H. Stanfield, “Philanthropic Consciousness and Institution-Building in the American South: The Formative Years, 1867-1920,” in Jack Salzman, editor, *Philanthropy and American Society: Selected Papers* (New York: Columbia University Center for American Culture Studies, 1987), p. 122.

<sup>4</sup> Robert H. Bremner, *The Public Good: Philanthropy and Welfare in the Civil War Era* (New York, Alfred A. Knopf, 1980), p. 188.

<sup>5</sup> Bremner, p. 189.



they began their work. The large foundations established in the first two decades of the twentieth century -- Russell Sage (1907), Carnegie (1911), Rockefeller (1913), Rosenwald (1917) and Commonwealth (1918) -- shared a vision of making philanthropy more efficient and scientific. All of them understood that they had to engage government. Indeed, the emergence and evolution of private foundations is closely linked to the history of the public sector in the United States. In large measure the story of foundations and their policymaking role is about the changing expectations Americans have of government at various levels. And those expectations have been shaped by the reciprocal interaction of government and foundations as well as external crises and long-term trends.

### Framing the Questions

This historical prologue suggests that there is nothing especially novel in the subject of foundations and public policymaking, especially when we ask what tactics foundations have had at their disposal in the pursuit of new or changed public policies. They have worked to shape policies by using the influence of their boards, by molding elite public opinion, by pursuing campaigns of public information and education, by creating demonstration projects, by using their financial resources strategically to leverage public funds, and by pursuing direct legislative lobbying, judicial strategies, and executive branch persuasion. They have worked at every level of government. Clearly, though, many external circumstances have changed since the late nineteenth century: technologies for communicating with and engaging the public are different; the relative roles and responsibilities of the different levels of government in our federal system have shifted; the scale and diversity of institutions operating in the nonprofit sector have expanded; laws and regulations restricting nonprofit and foundation lobbying have come into force, among many other changes.

Yet, the fundamental question that foundations must ask themselves about their policy role remains much the same as the problem framed by Barnas Sears: how do foundations induce others, at all levels of government and in the private sector, to give and to do? That deceptively simple question requires refinement and unpacking. Four questions are embedded in any discussion of foundations and public policymaking:

- How and by what means do foundations influence public policymaking?
- What specific policy outcomes have they brought about?
- How do foundations effect broader social, economic, and political change?
- What are and what ought to be the limits of their role in a democratic society?

Each of these questions allows us to construct a distinctive intellectual frame around the subject, permitting us to view the problem from a slightly different angle.

If the focus is merely on the “how,” the question has primarily instrumental answers. It concerns the tools, tactics and strategies that foundations have at their disposal to influence public policy decisions. It is easy enough to compile a historical inventory of those tools and to explore which

have been the most effective, and, finally, to determine which tactics hold out the most promise today. It is easy enough to map out a schematic policymaking “process,” as many political scientists have done, and to point to the most likely moments and best venues for foundations to intervene.

But the question also invites us to ask to what end: to induce others to do precisely what? The focus then must turn toward policy outcomes and results and to a consideration of what is possible at various historical moments. The answers require a careful look at the changing policy context, at the policy actors and interests that come into play whenever particular legislative and executive decisions are made. The answers demand that we consider the historical context and the opportunities presented by the particular political moment. Foundations are merely one player in the policy game, funding and collaborating with other nonprofit organizations and interacting with many other entities in and out of government who are often more powerful and consequential when policy decisions are finally made. In sorting out the lines of influence, it is also useful to recall the sage, cautionary comments of Kermit Gordon, president of the Brookings Institution in the late 1960s and early 1970s, when he tried to trace the relationships between policy research and policy decisions. “In the end,” Gordon observed, “the [research] initiative may be decisive in inspiring an important policy decision, but it will have been strained through so many filters and combined with so many other ingredients that the causal chain may be untraceable.”<sup>6</sup>

But there are also ways of framing the question so that it becomes more significant, more relevant to the role that foundations have played over the long term as they seek to bring about social and political change. We must look beyond foundations involvement in formal policymaking processes where legislation or executive decisions result. The terrain should be wider, moving our exploration beyond legislative arenas, executive decision making, and judicial processes. We must look not at discrete policy decisions but rather at a broader “politics of knowledge.” In her study of the Carnegie Corporation, Ellen Lagemann has described how this politics of knowledge emerged in conjunction with the large-scale national state at the end of the nineteenth century. This politics “crystallized as knowledge of various kinds became more and more essential to economic activity and to the formulation, implementation, and evaluation of public policy.”<sup>7</sup> Foundations have been the key participants in this politics, building institutions and shaping the fields of knowledge that have a bearing on policy decisions, giving prominence to individual experts and to groups working in particular policy domains, structuring the lines of communication between experts and the public and, through training and education, fostering access to those knowledge-producing elites.

More broadly still, we should also ask about the political role of foundations in a democratic society. The answers, if indeed there are any final answers, force us to confront more enduring problems of political theory. These issues concern wealth and inequality, political power and influence and, indeed, the political legitimacy of foundation involvement in democratic

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<sup>6</sup> Kermit A. Gordon, “The President’s Review,” *Biennial Report, 1968-69* (Washington: Brookings Institution, 1970), pp. 1-2.

<sup>7</sup> Ellen Condliffe Lagemann, *The Politics of Knowledge: The Carnegie Corporation, Philanthropy, and Public Policy* (Middletown: Wesleyan University Press, 1989), p. 4.

policymaking. Whose voices should be heard in a democracy? What role should trusts and endowments play?

Foundations have been regarded with suspicion, from the first warnings sounded by the Founding Fathers about privately endowed associations to the various congressional investigations in the twentieth century that have examined foundation power and influence. A web of myth and misunderstanding has surrounded foundations, starting in the 1910s with the investigations of Rockefeller philanthropy by the Walsh Commission on Industrial Relations and continuing with congressional inquiries of Cox and Reece in the 1950s and Patman in the 1960s. Gradually a regulatory regime for foundations has taken shape, culminating in the Tax Reform Act of 1969. That act defined the playing field and the rules for foundations engaged in the game of policymaking. While it is not the aim of this paper to recount the history of congressional inquiry and regulatory reform, we should not forget how and why certain boundaries and rules were established.

All of this is to underscore the fact that we must formulate our questions about foundations and policymaking with precision, frame particular policy problems and policy outcomes with care, and understand that answers will inevitably reside in the details. This essay, beginning with Peabody's work in the late nineteenth century, recounts the work of a half dozen foundations. The tools and tactics are often similar; the differences most often reside in the external environment, the opportunities presented by differing political circumstances, and the changing expectations Americans have had of the state. Edwin Embree, long-time president of the Rosenwald Fund, spoke of the "enlightened opportunism" pursued by the Fund during its thirty years of operation. It is a sage and useful phrase. Policymaking is a consequence of patience, serendipity and opportunities shrewdly seized, all of which make theoretical generalizations about the foundation role in policymaking difficult.

### Policy Making as Enlightened Opportunism

Certainly the first generation of foundations marked a break with older conceptions of charity, which is to say that the new general purpose foundations did not see their role as providing assistance merely to ameliorate the plight of needy individuals. In looking for the root causes of social and economic distress and in conceiving of their philanthropy as "scientific," they adopted new methods, especially in their interactions with government. How some foundations operated in the first three decades of the twentieth century, when the locus of public policymaking was at the level of town, county and state government, can be seen in the story of the Julius Rosenwald Fund.

In 1917, three years after the Peabody Education Fund made its final grants, Julius Rosenwald incorporated his Fund, which over the course of its thirty-year life would transform education for blacks residing in the south. Rosenwald, whose organizational skills had turned Sears Roebuck into a national retailing enterprise, built a personal fortune that approached \$80 million. He gave roughly one-third of it to the cause of black education, beginning in 1913 with a simple small gift. That year he donated \$300 for the construction of a one-room school near Tuskegee,

Alabama, whose total cost of precisely \$942.50, was met by private funds from the local community, white and black, and the labor of the children's parents and friends. Not a dollar of public money went into that first project. Continuing to work with the Tuskegee Institute and Booker T. Washington, Rosenwald provided funds for another eighty schools and developed some of the fundamental principles that would shape the Fund's school-building program. When Washington died in 1915, Rosenwald pledged to build another 300 schools and he soon understood that his task was not merely to construct more buildings but to change the course of public policy in local school districts and southern states.

The appalling educational conditions that persisted when Rosenwald began its work more than a half century after the end of slavery were described by Embree: "In all of the South there was not a Negro public high school approved for even two years of high-school work. The schools, such as they were, were open for an average of four months a year, often presided over by teachers whose average training was that of an eighth grade student and whose annual salary in many states was less than \$150.00."<sup>8</sup> In 1917 the Rosenwald Fund began to formalize the school-building program that had begun with Rosenwald's personal donations four years earlier. It turned construction projects into community initiatives seeking to engage blacks and whites in a cooperative local enterprise. There was obviously something of the efficient mail-order businessman's spirit pervading the work as well. Simple, cost-efficient architectural plans were developed in Chicago for all sorts of school buildings, ranging from simple one-teacher elementary schools at a cost of \$200 and six-teacher schools costing \$2,600 all the way to twelve-teacher high schools priced at \$6,000. Plans for teacher housing and classroom additions were also drawn up and priced accordingly.

Rosenwald and the foundation staff clearly understood the limits of private funding. They insisted that certain conditions be met before putting money into school building projects: the state and county had to contribute half the cost of construction and to agree that the building would be maintained as part of the local public school system; white citizens had to contribute some of the money since Rosenwald and his advisers knew that white leadership was essential to maintaining the local commitment to educating blacks; blacks also had to show their commitment by contributing money or labor; the school term had to be at least five months long and, as an incentive to extend the term to eight months, additional funds were offered to build housing for teachers.

By the time the school-building program ended in 1932, the Fund had supported the construction of 4,977 public schools and several hundred other buildings, principally teacher homes, in 883 counties in fifteen southern states. While the Rosenwald contributions of over \$4.4 million were substantial, members of local black communities managed to raise \$4.7 million and white supporters gave another \$1.2 million. Even more significant was the transformation in public policy. Over the course of fifteen years, more than \$18 million in tax revenues had gone to the construction projects; maintenance and other costs would continue to be met long into the future from public funds. And there were unintended policy consequences as well. Seeing the well-conceived architectural plans for black schools, state education departments in several southern

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<sup>8</sup> Edwin R. Embree and Julia Waxman, *Investment in People: The Story of the Julius Rosenwald Fund* (New York: Harper and Brothers, 1949), p. 12.

states turned their attention to improving the school facilities for white students and, on occasion, borrowed the Rosenwald school blueprints.

If rural schools and housing for teachers in black communities are the Rosenwald Fund's most noteworthy legacy, the Fund also showed a remarkable capacity to evolve. The Fund staff members saw that many southern communities lacked libraries (most had not been wealthy enough to benefit from the Carnegie program) and they devised demonstration projects in selected southern counties, propelling them over a five-year period toward county-funded, professionally-staffed, and racially integrated library systems. The Fund's early health programs supported salaries in health departments so that counties and towns would be willing to hire black public health officers and nurses. Realizing that statistical data could be persuasive to policymakers and the public, the Fund soon began to support studies of the health conditions of blacks and, in the final years of the Fund's existence, began a program in medical economics.

Whether in higher education or health, the Fund staff knew that its resources were far smaller than those of local and state governments. Its method was to point the way with successful demonstration projects, with concerted efforts to build community interest, and with funds that they often described as "pump priming." Money was pledged for a fixed period and governments were expected to take over payments for the schools, libraries, or public health programs within a few years. As Embree put it, "In the main the Fund followed the policy of stimulus rather than subsidy because of the strong belief of its officers that enterprises which were self-supporting through payment by beneficiaries or through absorption into the permanent social structure of government were preferable to those which would require continual charitable support."<sup>9</sup>

Progress had been substantial since 1917 and the Fund prepared scores of books and reports to measure and account for its work. In 1917 only about half of the South's two million black children of school age were in school and those who were spent scarcely four months in the classroom each year. Only three thousand black Americans were in institutions of higher learning anywhere in the United States. Some thirty years later, 80 percent of the children between five and seventeen years of age were in school. And in a single year, 1947, over 6,000 degrees (500 of them Master's and higher) were awarded to students in black colleges and universities in the South alone. The Rosenwald Fund had helped to bring about an institutional transformation in both education and public health. Measurable progress had been made in terms of schools built, students enrolled, fellowships offered, teachers trained, library books circulated, health conditions improved, public and private dollars committed to new programs.

However, as the Fund approached the end of its fixed life span, it became increasingly apparent to staff and board that the over-riding problem in the United States was segregation. Educational opportunities, health care and economic livelihoods could be improved but the chasm between blacks and whites would never be closed as long as segregation, whether by law in the South or by habit and circumstance in the North, continued to exist. With the Fund wrapping up its programs, Embree concluded that America had to face a new reality. The nation had to move toward the "recognition that the integration and full participation of Negroes and all others in our

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<sup>9</sup> Embree and Waxman, p. 126.

society is not only possible but that it is imperative if we are to realize our democratic ideals.”<sup>10</sup>

Changing deeply ingrained habits of thought about race – the predicate for more profound policy change – was a far less certain matter. Yet the Fund risked some \$3 million in programs designed to overcome prejudice and to begin to build understanding between blacks and whites. In the North, the Fund supported the American Council on Race Relations and the Bureau of Intercultural Education, whose agendas reflected the growing racial tensions outside the South. And in this field, the Fund produced dozens of books and many more articles and pamphlets. Many were written by Fund staff members: Edwin Embree wrote popular books such as *Brown Americans* and *13 Against the Odds*; Charles S. Johnson produced volume after volume: *The Negro in American Civilization*, *Shadow of the Plantation*, and *Statistical Atlas of Southern Counties* and, at the request of President Roosevelt in 1943, began *A Monthly Summary of Events and Trends in Race Relations*. Howard W. Odum of the University of North Carolina received Fund support for his work on racial tensions and Joseph Lohman, a Fund staff member, examined police and their relationships with minority groups, drafting a training manual for police departments.

In appraising the Fund’s work as it brought its activities to a conclusion, Embree was proud of the foundation’s accomplishments, chastened by mistakes and failures, and concerned about the road ahead. “Probably in no other area [race relations] was there so much thinking and careful planning nor such lack of full satisfaction with the given steps of the total results. While the Fund did play a part in the progress that has come, America is still so far from the democratic ideal that none of the agencies at work in the field has cause for self-congratulation. There is a long struggle ahead toward the goal of a society in which all of the diverse peoples who make up this nation will share equally in a common democracy.”<sup>11</sup>

During its three decades the Rosenwald Fund worked intensely with local communities and state governments. It set educational standards and provided incentives for school systems to meet them. It created model programs and demonstration projects. It invested in physical capital, building schools and libraries with the expectation that public expenditures would in time sustain their operations. It built human capital through teacher and library training programs and a vast national fellowship program. And it deployed some of that human capital in local and state government agencies, paying salaries for a fixed period until governments were ready to pick up the costs. It sought to measure its accomplishments, publish and disseminate the results, convene and organize groups to advocate on behalf of its causes. Inevitably, its work was constrained by contemporary attitudes toward race.

While Rosenwald’s accomplishments were exemplary, all its methods were familiar to other foundations. The famous Rockefeller public health campaigns pursued similar strategies at the county and state level in attempting to eradicate hookworm and other diseases prevalent in the South.<sup>12</sup> In the 1920s the Commonwealth Fund’s mental health programs, which early on

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<sup>10</sup> Embree and Waxman, p. 162.

<sup>11</sup> Embree and Waxman, p. 195.

<sup>12</sup> On Rockefeller public health see, John Ettling, *The Germ of Laziness: Rockefeller Philanthropy and Public Health in the New South* (Cambridge: Harvard University Press, 1981).

emphasized the prevention of juvenile delinquency, and their rural health demonstration projects, which led to a program for building rural hospitals, also invented creative strategies for working at the local level.<sup>13</sup>

While many foundations have continued to employ similar tactics of direct engagement with local and state governments, other foundations have chosen to work at a somewhat greater remove from formal policymaking processes. They have grounded their approach in research, analysis and expertise. While the Rosenwald Fund, especially under Embree's guidance, came to understand the value of research and publication, others employed those means for influencing policy from the moment of their origin. The Russell Sage Foundation, for one, exemplifies this approach.

### Institution Builders: From a Science of Prevention to the Policy Sciences

When Russell Sage died in 1906 he left his widow, Margaret Olivia Slocum Sage, then approaching seventy-eight years of age, well over \$60 million. Besieged in the half year after his death with some 20,000 letters requesting money, she turned for advice to lawyers experienced in charitable work, most notably Robert W. de Forest, longtime president of New York's Charity Organization Society and a national leader among social reformers. He conferred, in turn, with others who were knowledgeable about the conditions of the poor and the charitable agencies that served them. He asked his informants explicitly how \$10 or \$15 million might usefully be expended by a new foundation. The consensus was striking. De Forest's correspondents wrote about the need "for encouraging inquiry and publication," for "investigation," for "education, chiefly by publication," and "for paying, amply, persons of marked experience and ability for making studies (with time for real study, here and abroad) in the field of curative and preventive philanthropy, with the aim of adding to that body of knowledge which shall help to lessen human wants and ills."<sup>14</sup>

Established in 1907 and thus older than the Rosenwald Fund by a decade, the Russell Sage Foundation represents yet another foundation approach to influencing public policy. The Foundation was profoundly of its era in its conviction that research would reveal the root causes of social distress and lead to preventive measures and cures. It echoed the perennial message of John D. Rockefeller and Frederick T. Gates that philanthropy was a search for root causes, an effort to eradicate evils at their source. But in many other respects the Russell Sage Foundation signaled something new. It was the prototype for the American policy think tank, for institutions engaged in applied social and economic research, for institutions with an increasingly national perspective on public policies.

The Russell Sage Foundation's avowed mission was "the improvement of social and living

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<sup>13</sup> On the Commonwealth Fund see, *The Commonwealth Fund: A Historical Sketch, 1918-1962* (New York: Commonwealth Fund, 1963) and on its work and others, Judith Sealander, *Private Wealth and Public Life: Foundation Philanthropy and the Reshaping of American Social Policy from the Progressive Era to the New Deal* (Baltimore: Johns Hopkins University Press, 1997).

<sup>14</sup> John M. Glenn, Lilian Brandt and F. Emerson Andrews, *Russell Sage Foundation, 1907-46* (New York: Russell Sage Foundation, 1947), volume I, p. 5.

conditions in the United States of America.” Sometimes de Forest and others even spoke optimistically about the “permanent” improvement of those conditions. Its methods were to be “research, study, teaching, publication, initiation of concerted effort, establishment of necessary agencies and institutions, aiding such effort already existing and such agencies or institutions already established.”<sup>15</sup> The foundation’s broad charge and its close ties to charity organizations initially propelled its research program in familiar directions: local fact-finding and institutional studies aimed at improving the efficiency of social services.

The staff was clearly building upon the data-collecting and analytic methods of late nineteenth century charity organization societies and the emerging profession of social work, whose case work method provided the rudiments of a social science. The foundation’s early departmental structure with their quaint sounding names -- Child-Helping, Charity Organization, and Child Hygiene (later divided into separate departments of Recreation and Education), Remedial Loans, Women’s Work (later Industrial Studies), and Southern Highlands – reflect the agenda of problems addressed by the foundation in the 1910s and 1920s. Each of these departments and divisions has its own history of studies conducted, alarms sounded, education and training initiatives pursued, national organizations formed, government officials consulted and advised, model legislation drafted, and legal briefs researched. However, the Department of Surveys and Exhibits cut across many policy domains and its work is worth more detailed examination. It typifies some of the policy-oriented foundation activities not only of Sage, but also of Commonwealth, Carnegie and others in the first three decades of the twentieth century.

One of the earliest Sage Foundation grants went to a project that would lead to the massive Pittsburgh Survey, a five-year investigation that produced six volumes on the city’s housing, health, and working conditions. The survey’s aim was to describe and to measure precisely the social and economic conditions of a complete urban environment. This survey method would become the most important research tool for the Sage Foundation’s national work; many others would emulate its approach.

Between roughly 1900 and 1928 some 2700 surveys were undertaken in American cities and regions, according to the survey movement’s survey of itself.<sup>16</sup> While the surveys in Pittsburgh and a handful of other cities were of a general nature, other surveys began to focus more narrowly on specific problems such as education, juvenile crime, public health and sanitation. The Sage Foundation, its resources not nearly large enough to fund all the hundreds of survey requests it received, provided technical assistance to projects in cities across the United States. It sought to improve the rigor of the data-collecting and to help with the public education campaigns and exhibits that were so crucial to shaping popular opinion. Survey organizers saw their efforts as a collaboration between expert investigators who would furnish accurate measures of social conditions and leading members of the community who would then mobilize public opinion to change the conditions exposed by the survey. In principle, public opinion, enlightened by the facts, would bring about the appropriate reforms.

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<sup>15</sup>Glenn, Brandt, Andrews, volume I, p. 8.

<sup>16</sup>On the social survey movement see: Allen R. Eaton and Shelby M. Harrison, *A Bibliography of Social Surveys* (New York: Russell Sage Foundation, 1930) and Richard B. Dusenbury, *Truth and Technique: A Study of Sociology and the Social Survey Movement, 1895-1930* (Madison: University of Wisconsin Dissertation, 1969).



This American obsession with data collection and measurement went well beyond foundations and charitable organizations. Indeed, it seems fundamental to American approaches to both public and private decision making and to our continuing use of expert commissions, councils, and task forces. The language of surveys and measurement – and the conviction that a policy consensus will follow from the fact-collecting – owes much to the influence of engineers and efficiency experts in late nineteenth century business and government. As the scale and complexity of enterprises involved in transportation, mining, banking and insurance grew, so did the need for data. Better data was also important to the network of federal regulatory agencies that sought to monitor business practices in the new economic environment. The survey, thus, became an instrument of central administration, allowing large organizations to keep abreast of routine operations or to track sudden changes in far-flung locales. It was a technique for improving efficiency, enforcing uniform standards, and assessing institutional change, whether organizations were public or private, business or philanthropic.

Surveys were widely used not only by Sage but also by Rockefeller's General Education Board in its famous report on medical education and by the Commonwealth Fund in its health and hospital work. Government commissions, usually with private foundation financial support, also pursued their work through fact-finding investigations and surveys. They were a hallmark of what some historians have described as the "associative state." In that conception of the state, governance involves a high degree of engagement between the private sector and government. The exchange of information between private organizations and government agencies is essential and policy is grounded in voluntary decision making, informed by the facts, rather than coercive governmental fiat. Herbert Hoover's Committee on Recent Economic Changes (1929) and his far larger Research Committee on Social Trends (1932), sanctioned by government but privately funded and organized, were characteristic policy instruments of the associative state. These projects assumed that shared knowledge would lead to voluntary action by the appropriate private sector entities and that government's role would remain limited.

Whether or not they saw a sharply limited role for government, many American foundations at work in the years between the two World Wars were equally committed to building knowledge as a means of advancing public policy. Unlike Sage with its roots in social work and the charity organization movement, Rockefeller, Carnegie, Commonwealth, and the Twentieth Century Fund drew more often on the academically based social sciences, especially economics, sociology, and social psychology. These disciplines had played an important role during World War I. Indeed, many economists and businessmen realized that the federal government, having relied heavily during the war on statistical and economic analysis in such agencies as the War Industries Board, had dismantled these war-time analytic units much too hastily at war's end. Foundations began to build new independent research institutions and university social science programs. Work within those institutions would begin to change the conception of what government at the federal level could and should do.

In 1920 the Carnegie Corporation provided funding to enable Wesley Mitchell to establish the National Bureau of Economic Research and to begin its work on business cycles and national income accounting. NBER's research led to the development of important analytic tools for policymakers, keeping the spirit of government's war-time analytic work alive and pointing the

way for its resumption in Herbert Hoover's Commerce Department and in Franklin D. Roosevelt's New Deal agencies. The Carnegie Corporation made a ten-year financial commitment to develop applied economic work when it established another organization, the Institute for Economics (1921), which merged in 1927 with the Rockefeller-funded Institute for Government Research (1916) and the Robert Brookings Graduate School of Economics and Government (1924), to become the now familiar Brookings Institution. For decades Brookings stood virtually alone in Washington as a center of applied policy research and analysis. A magnet for foundation funds in the 1920s, it produced painstaking studies of federal administrative agencies, the budget process, tariff reform, Germany's war debts, and agricultural policy.

During the 1920s the Rockefeller Foundation and especially the Laura Spelman Rockefeller Memorial, which was folded into the larger foundation in 1928, also played major roles in advancing university-based social science and, on occasion, building links between the research community and the practical realms inhabited by policymakers. Founded in 1918, the Memorial was originally intended to serve as a conduit for channeling money to the women's and children's causes that interested the late Mrs. Rockefeller, Sr. However, under the imaginative leadership of a young Chicago-trained social psychologist, Beardsley Ruml, the Memorial expended some \$41 million on the social sciences between 1922 and 1929. For the most part, it pursued the Holy Grail of improved scientific method and objectivity rather than grittier realities of direct engagement with the policy process. In fact, the Memorial operated under strictures laid down by a distinguished committee of Rockefeller advisers, all of them still worried about the controversy sparked a decade earlier when the Rockefeller Foundation had begun to study industrial and labor relations thereby provoking the wrath of congressional investigators. The Memorial was expressly prohibited from contributing to organizations whose purposes were "the procurement of legislation" or "to secure any social, economic, or political reform."<sup>17</sup>

Despite these self-imposed limitations, the Memorial and the Rockefeller Foundation social science program that succeeded it had a huge impact on academic institutions in the United States and Europe and in diverse policy areas. Grants allowed researchers at the University of Chicago to study that urban community, while scholars at Harvard and Radcliffe pursued legal and economic research on international relations, researchers at Wisconsin explored rural tenancy and land ownership, and social scientists at the University of North Carolina examined state and local government in the South. Research organizations such as Yale's Institute for Human Relations were established and dozens of other universities in the United States and Europe saw their social science departments strengthened. The Memorial also founded the Social Science Research Council in 1923. While SSRC's primary aims were to foster interdisciplinary research, to explore methodological questions, and to serve as a conduit for fellowship funds, it also organized advisory bodies to address public problems and, with foundation funding, played a key organizational role in President Hoover's Research Committee on Social Trends.

As the academic training and research infrastructure grew, as statistical techniques and analytic

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<sup>17</sup> Quoted in Raymond B. Fosdick, *The Story of the Rockefeller Foundation* (New York: Harper and Brothers, 1952), p. 201.

methods improved, as broad claims to objectivity (or merely to basic technical competence) were strengthened, the long term prospects for social scientists in both policymaking and administrative roles were substantially improved. Growing numbers of experts and technocrats possessing increasingly specialized knowledge would find their way into government in the New Deal and after. As the role of the federal government expanded between the Great Depression and the Cold War, new knowledge and new competencies were demanded of it. Foundations were also compelled to consider how their relationship to an expanding public sector and to the policymaking process in Washington would have to change.

### Policy Technicians, Policy Engineers

Foundations often think of their activities in metaphorical terms. In the early 1900s they often likened their endeavors to those of resolute medical researchers seeking out the root causes of diseases or bold doctors and public health workers taking preventive measures to avoid infectious disease. They saw themselves engaged in curing the social ills of the day while simultaneously laboring to build a solid research infrastructure and to establish training programs in the social sciences, much as medical research laboratories had been founded and the education of doctors reformed at the turn of the century. However, when economic, social and political systems began to fail in the 1930s, a language of “balance” and “adjustment” began to permeate foundation conversations. Physics and psychology were the principal disciplines from which foundations began to draw their metaphors of social and political engagement. Retreating from large-scale institution building as their assets dwindled during the depression, foundations looked for places where they might intervene to correct imbalances and maladjustments in social and economic processes.

Edmund E. Day, stalwart head of the Rockefeller Foundation’s social science division through most of the 1930s, contended that swings in the business cycle were “the underlying forces in which much of our physical suffering, illness, mental disorder, family disintegration, crime, political upheaval, and social instability have their origins.”<sup>18</sup> Consequently, foundations had to be flexible and adaptable in their approaches. Raymond Fosdick, the president of Rockefeller, went so far as to argue that the advance of knowledge was too limiting a mission; instead the foundation had to be opportunistic, asking where human needs were greatest. Even though foundations were pressured to consider old-fashioned ways of alleviating human suffering in the 1930s and 1940s, they were also asking themselves how the rapidly changing role of government would alter their modes of operation. Sometimes staff members were seconded to new federal agencies, yet kept on the foundation payroll. Foundations and the experts they had funded were often called upon to advise in the design of new administrative structures for government programs or to pursue data-gathering efforts during the economic emergency. And some foundations began to turn their attention to international relations as the historically isolationist United States confronted turmoil in Europe and Asia.

With the Depression persisting through the 1930s, the Rockefeller Foundation and others continued to spend millions of dollars on projects that sought a better understanding of economic

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<sup>18</sup> E.E. Day, “Proposed Social Science Program of the Rockefeller Foundation, March 13, 1933,” Rockefeller Archive Center, Record Group 3, Series910, Box 2, folder 13.

cycles and of the policy tools that might ameliorate the effects of economic instability. NBER, Brookings, and SSRC were recipients of Rockefeller funding, so were the Economic Intelligence Section of the League of Nations, the Dutch Economic Institute, the Austrian Institute for Trade Cycle Research, and the London School of Economics. Brookings (having failed to meet a Rockefeller matching grant and then seen its Carnegie funding come to an end in 1931) received substantial funds from Pittsburgh's Maurice and Laura Falk Foundation to explore the causes of the Depression. Economists at Brookings examined national income levels, patterns of consumption and investment, and the productive capacities of the American economy, ultimately producing four data-rich volumes, the last of which had a distribution of over 100,000 copies. The Twentieth Century Fund devoted its attention in the early 1930s to studies in two key areas, the internal debt structure of the United States and the conditions of its financial markets. According to Adolf A. Berle, prominent member of the Roosevelt "brains trust" and long-time Fund chairman, the data it gathered on the stock market was essential when the Securities Exchange Act of 1934 was drafted.<sup>19</sup>

The Russell Sage Foundation, after considering whether it should divert its resources into a program for the direct relief of New York's unemployed, decided instead to use the talents of its staff to advise government agencies on new programs. The various foundation departments prepared studies and reports for the President's Emergency Committee for Employment, the Works Progress Administration, the New York Emergency Relief Bureau, and other federal and state agencies. The staff also vetted plans for cash and work relief programs and developed statistical refinements for better measuring unemployment, costs of relief expenditures, and the cost of living.<sup>20</sup> When the staff was not advising on administrative matters or analytic methods, it served as a goad toward new programs and a critic of inadequate ones. A member of the Department of Charity Organization captured the anxious spirit of the time: "The Department's program became a breathless rush to keep abreast of the changes and their implications. Constant field work, and much public speaking, all with promotional as well as research emphasis, became necessary. The output of periodical articles by members of the staff doubled and trebled; there was no time for the preparation of books and pamphlets which would have been out of date before they saw print."<sup>21</sup>

Edmund Day and his Rockefeller colleagues administered the largest social science program of any foundation in the 1930s. Like others, they assumed that one of their most urgent tasks was to help government administer its new and expanding programs. Characteristically, Rockefeller looked to the university as the primary locus for strengthening public administration. A grant to Harvard created a graduate level public service training program, the forerunner of the Graduate School of Public Administration that would later be funded by Lucius Littauer. University programs at Chicago, Minnesota, Virginia, and Cincinnati also benefited from Rockefeller funding. In Washington a special program was set up – a collaboration between American University and the Civil Service Commission – to provide for the recruitment and training of federal workers. The SSRC's Public Administration Committee was given funds to compile and

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<sup>19</sup> Adolf A. Berle, *Leaning Against the Dawn* (New York: Twentieth Century Fund, 1969).

<sup>20</sup> Glenn, Brandt, Andrews, volume II, p. 490.

<sup>21</sup> Glenn, Brandt, Andrews, volume II, pp. 515-16.

reflect on some of the lessons learned as the federal government assumed its new burdens.

The Spelman Fund, endowed with \$10 million when the Laura Spelman Rockefeller Memorial was dissolved, received another \$3 million to support its work with state and municipal governments during the Depression. Its work led to one of the most enduring foundation contributions to the field of public administration. The Public Administration Clearing House, located at 1313 East Sixtieth Street in Chicago and thus known simply as “1313,” worked with nearly two dozen organizations to improve the competence of public officials. From the American Public Works Association and the Municipal Finance Officers Association to the Civil Service Assembly and the International City Managers’ Association, “1313” aimed to improve standards of administration, develop uniform accounting and budgetary concepts, and create professional and ethical codes of conduct.

While some foundations had worked in international health and education before the 1930s, relatively few were concerned with broader issues of policy. The Carnegie Endowment for International Peace, founded with a \$10 million gift from Andrew Carnegie in 1910, had pursued its quixotic mission “to hasten the renunciation of war as an instrument of national policy.” It expended over \$18 million prior to 1940. Much of its funding went to support research institutions and publications concerned with international law. The Endowment also produced a massive economic and social history of World War I and devoted considerable resources to international scholarly exchanges, foreign visits of teachers and journalists, and international conferences, congresses, and symposia. Beginning in the early 1930s, the Rockefeller Foundation also saw the need to develop a set of institutions concerned both with research and discussion about international issues. Its roster of grantees included the Council on Foreign Relations, the Foreign Policy Association, the Institute of Pacific Relations, the Royal Institute of International Affairs, Geneva’s Institute of International Studies, Paris’s Centre d’Études Politique Étrangères, Berlin’s Notgemeinschaft der Deutschen Wissenschaft, and the Fiscal Committee of the League of Nations.

One of Rockefeller’s most far-reaching projects was to support the Council on Foreign Relations’ work on “war and peace studies.” As early as 1939 the Council had volunteered to gather experts to advise the government on the problems that it might face during and after the war. The State Department agreed to accept their help but had no financial assistance of its own to offer. With Rockefeller funding, the Council mobilized experts, prepared studies, and found that not only State but also the War, Navy and Treasury Departments relied on their analyses. Anticipating the intellectual needs of the Cold War world, Rockefeller established the Russian Institute at Columbia in 1946 whose purpose according to Raymond Fosdick was to train students “as broadly based specialists who understand Russia and the Russians and who thus prepare themselves for careers of authority and influence.”<sup>22</sup>

It often seemed that the demand for competent personnel whatever the field was impossible to meet. In 1950 Joseph Willits, who had taken over as head of the Foundation’s social sciences program in 1939, wrote: “The Social Science Research Council and the officers of the Social Sciences Division of the Foundation are deluged with calls from government, the United Nations

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<sup>22</sup> Fosdick, p. 219.

and other agencies which need men trained in the social sciences. The demand far outstrips the supply. The danger is that the large sums being spent on surveys and other investigations will be partly wasted because competent and objective workers are far too few.”<sup>23</sup> Training in policy relevant disciplines remained central to the work of Rockefeller in the post-war period. And as the foundation took stock of the individuals who had received fellowships for training or grants for research projects over the years, it singled out people who had moved from the academic world into prominent public posts during the war and after.

More widely influential, however, were the various analytic tools that had been developed over more than thirty years, a credit not to any single foundation but rather to the sum total foundation grantmaking in the social sciences. That sustained commitment produced many useful insights: NBER’s work on the size and distribution of national income had informed war production planning as well as budget and tax policy decisions and its work was replicated in other countries as the Marshall Plan took shape; NBER’s work on business cycles also supplied methods of data collecting and analysis that undergirded postwar fiscal policymaking; demographic analysis undertaken by several academic research centers helped the Census Bureau and government planning agencies; advances in opinion research and sampling techniques were used by the Agriculture Department, Treasury Department and Federal Reserve System as they assessed the public’s economic attitudes; and diverse social science disciplines were employed during World War II by the Office of War Information, the War and State Departments.

As World War II came to an end, the major foundations began to reassess their programs. Some, most prominently the Twentieth Century Fund, were concerned with the state of the economy as the nation stood down from its war footing. The Fund devoted its resources to schemes for economic planning and to questions of tax and fiscal policy. Others concerned themselves with the devastation of war and the challenges of reconstruction, often adopting the familiar war-time language of strategy and tactics. The Rockefeller program review of 1945-46 reflected a somber tone at war’s end: “The really significant destruction has been in the social and intellectual organization and in the faiths and codes of men. The countless points of self-adjusting equilibrium which existed in all fields prior to the war are now largely blocked off; and the formal and informal codes which regulated the relations of men over wide areas have lost their power as sanctions for conduct.”<sup>24</sup> The foundation’s public policy work focused in the post-war years on questions of human behavior, the nature of democratic institutions, and international understanding.

A major new player entered upon the national philanthropic scene in the late 1940s. The Ford Foundation, which had operated as a regional philanthropy since the mid-1930s embarked on a serious planning process under the guidance of Rowan Gaither, who had spent the war years directing MIT’s Radiation Laboratory. Ford’s financial resources would soon dwarf those of the older foundations. By 1954 its grant budget of \$68 million would be four times Rockefeller’s and ten times Carnegie’s and, after selling 20 percent of its Ford Motor Company holdings in 1956,

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<sup>23</sup> Fosdick, p. 225.

<sup>24</sup> Documents on the 1945-46 policy and program review are in Rockefeller Archive Center, Record Group 3, Series 900.

the foundation announced that it intended to give away \$500 million over the course of eighteen months. Its ambitions and international reach would be unsurpassed in the post-war world. The program areas set out in Gaither's report were vast – establishing peace, strengthening democracy, strengthening the economy, educating democratic citizens, studying individual behavior and human relations – but the plans for action remained vague.

Wealthy as it was, the Foundation acknowledged that it would have to operate selectively and with tactical agility: “The success of any program will not depend solely on the urgency of the problem it seeks to solve, or on the wisdom of the program's general approach, but upon finding the right projects headed by the right men at the times that offer the most strategic opportunities.” It would be a job of “strategic selection and tactical execution.”<sup>25</sup> The Ford planning team maintained that it should build on the lessons learned from other foundations, mixing tried and true strategies of research with practical experiences in applying and disseminating knowledge. But Ford's planning group also seemed to believe that the scope for private philanthropic activity was narrowing.

Dwight Macdonald looked at Ford and others in the mid-1950's and concluded, “In this silver age, therefore, most [foundations] have developed a policy of either going in for retail trade – small grants for marginal projects – or, when they do spend large amounts, giving money to established institutions. Their millions, in short, merely lubricate the gears of the status quo.”<sup>26</sup> Putting it more sympathetically at one point, Macdonald said, “In recent years, although the great foundations have not decreased their rate of spending, they have found it increasingly difficult to make the same splash with their money. The philanthropic frontier has been steadily closing as the government has taken over more and more of the fields that were pioneered by private enterprise.”<sup>27</sup> Even a foundation insider like Edwin Embree complained that foundations in the post-war world were handling their resources as “timid billions.” The primary policy challenge for foundations in the 1950s and 1960s was to pursue meaningful work when the federal government had come to see few limits to its social, economic, and international role. With the greatest financial and staff resources and the shortest record of accomplishment, Ford tackled the challenge head on.

### Experiment and Activism

The Ford Foundation's urban program in the late 1950s and 1960s is a useful lens for seeing how a major foundation conceived of its relationship to government in a time of expansive federal policy innovation. Its urban program in those early years seemed to be yet another attempt by a foundation to study a problem, experiment with solutions, and ultimately persuade government to intervene. But Ford's work differed from earlier foundation programs in several key respects. Most notable was the external governmental reality: the liberal welfare state had evolved. By the

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<sup>25</sup> *Report of the Study for the Ford Foundation on Policy and Program* (Detroit: The Ford Foundation, 1949), p. 100.

<sup>26</sup> Dwight Macdonald, *The Ford Foundation: The Men and the Millions* (New York: Reynal, 1956, reprinted by Transaction Publishers, 1989), p. 48.

<sup>27</sup> Macdonald, p. 47.

mid-1960s the federal government needed little in the way of persuasion and prodding or of convincing research and analysis to embark on new programs. Thus, Ford's urban initiatives often seemed more oriented toward social activism than toward advancing social science research. Ford used research, not to gather data and build consensus but rather to seek out the most promising points of intervention to foster social change. In the final analysis, Ford and other foundations were beginning to think more systemically about social problems, about the nature of communities, and about the diverse levers for bringing about social change.

The Foundation's approach to urban issues in the 1960s evolved out of an earlier concern with juvenile delinquency, and particularly from ideas about delinquency advanced by Columbia University researchers Richard Cloward and Lloyd Ohlin. They focused not on the individual pathology of troublesome youth but on the communities where they lived, arguing that delinquent behavior occurred when other opportunities to succeed were foreclosed. In *Delinquency and Opportunity* they contended that gangs and gang behavior were a rational response whenever more legitimate avenues to success were blocked. Structural problems, largely economic and racial barriers, were the cause of juvenile delinquency not psychological problems. Their argument overturned many of the behavioral assumptions – and the resulting programmatic responses – that focused in individual children. Community-based interventions, systemic thought about reforming schools, welfare agencies and political structures together promised to hold the key to new opportunities for young people to succeed.

Paul Ylvisaker, the Minnesotan who headed Ford's Public Affairs Department, pushed the boundaries at Ford, where the trustees had generally tended to shy away from controversy, especially in social matters. After working with Philadelphia mayor Joe Clark in the 1940s and early 1950s, honing his skills as a coalition builder and pragmatic reformer, Ylvisaker moved to Ford in 1955 and began to reshape its lethargic urban program, focusing on urban redevelopment, metropolitan governance, and an abortive effort to create "urban extension" services at state universities. Ylvisaker's "Gray Areas" program allowed him to confront issues of race, albeit obliquely at first. He explained that in urban areas, slum neighborhoods were not functioning as the "staging grounds" for assimilation and upward mobility as they had for earlier generations of Americans. He focused on those he termed the "new immigrants," rural southerners, both black and white, and Puerto Ricans. Under Ylvisaker, Ford found a new focus for its urban strategy. But in seeking to change the culture of poverty, Ford would have to confront the fragmentation of education and welfare services in the inner city, the complicated relationships with diverse federal agencies and their funding arrangements, and ultimately a severe backlash against foundation activism.

Ylvisaker looked across Ford's programmatic divisions to the Education Department and, after fighting and winning internal battles with that department, crafted a joint Great Cities School Improvement Program in 1960. It would try to make schools the point of entry for services such as housing, employment and health -- for "culturally disadvantaged" families. Admitting that his search was akin to a quest for the Holy Grail, he soon aimed for "broader-than-school approaches to human problems of our urban Gray Areas."<sup>28</sup>

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<sup>28</sup> Alice O'Connor, "The Ford Foundation and Philanthropic Activism in the 1960s," in Ellen Lagemann, editor, *Philanthropic Foundations: New Scholarship, New Possibilities* (Bloomington and Indianapolis: Indiana University Press, 1999), p. 175.



His quest was for both catalytic ideas, which he found in Cloward and Ohlin's opportunity theory, and for new institutional structures. These new organizations took the form of a cluster of quasi-public agencies – Community Progress, Incorporated in New Haven; Action for Boston; the United Planning Organization in Washington and the Philadelphia Council for Community Advancement – whose boards included both elected officials and community members. They served as planning and coordinating mechanisms and, above all, as fund-raising entities, aiming to tap into federal grant programs. They became intermediaries between the federal and local levels and Ylvisaker saw them as models adaptable to other cities. The Ford Foundation staff also took on an important intermediary role, helping to raise government grant money for the various demonstration sites while making the broader case for community action and reform.

By late 1962 some \$30 million in federal and foundation funding had been allocated for the Gray Areas demonstration projects. But problems were also glaringly obvious. Planning was a contentious political process, rife with inter-agency rivalries. Community participation could also lead to sharply politicized processes with ethnic and class divisions intensifying in different locales. Aggressive organizing tactics, whether boycotts, rent strikes or rallies, often made it difficult to sustain collaborative efforts among government agencies, nonprofit organizations, and foundations. New York's Mobilization for Youth group adopted some of the most radical organizing tactics and alienated many of its initial supporters. Racial politics also tore through New Haven's CPI and Philadelphia's PCCA. Charles Silberman's critique (a Ford-funded study) accused the Gray Area's program of being a "grandiose fusion of paternalism and bureaucracy" and of avoiding the fundamental racial and class realities that underlay urban problems.<sup>29</sup>

If the politics of major policy innovation proved overwhelmingly difficult to master, so too did the social science and research questions. Testing new theories and measuring results would have been hard in any case but there was also resistance from program administrators whenever social scientists tried to examine programs and to insist on consistency in practice. The testing of theory was hardly compatible with the needs for flexibility and adaptation as programs evolved. As Alice O'Connor concludes in her study of the program, "Visions of cooperative, rational planning ran up against the realities of political in-fighting and bureaucratic resistance. Resident participation was racially charged, difficult to achieve within the limited framework of orderly bureaucratic reform, and highly unpredictable."<sup>30</sup>

Ford's engagement with the central policy problems of the day reminds us in what ways foundations are subsidiary agents in the policy process, more often buffeted by external political and economic events than shaping and controlling them. In the 1960s the budding national focus on poverty was spurred by Michael Harrington's *Other America*, a searing series of New York *Times* articles on Appalachia, and the extensive academic work by Robert Lampman, Gunnar Myrdal and others, all of which intersected with Ford's experiments in community action. In June 1963, John F. Kennedy created an inter-agency task force under Walter Heller, the

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<sup>29</sup> O'Connor, *ibid.*, p. 180.

<sup>30</sup> O'Connor, *ibid.*, p. 182.

chairman of the Council of Economic Advisers, to begin to explore policy responses to poverty. At the Ford Foundation Ylvisaker also announced that “poverty” would be the generic label under which the Public Affairs Department could address a host of linked issues.

The window of policy opportunity was suddenly thrust wide open when Lyndon Johnson summoned Walter Heller to a meeting in the Oval Office only a few days after President Kennedy’s assassination. Concluding his general briefing on the economy, Heller told the president that he had been thinking about new ways of combating poverty. Johnson was intrigued and ordered him to move ahead full-tilt with ideas for a new program. Heller clutched at some of the themes being tested in Ford’s program, lifting the concept of community action wholesale from the Ford experiments. The community action idea had appeal in Washington for a number of reasons, not the least of which was that it promised to cut through the rigid bureaucratic structures of existing federal agencies and in doing so to move the focal point of activism from federal departments to local organizations. What also emerged was a strong conviction that minority and impoverished communities should have a way of expressing their views in the making of policy. The phrase “maximum feasible participation” entered the vocabulary as the programs sought to engage local communities in policymaking and planning activities.

On the basis of only a small Ford Foundation experiment in a half dozen cities (research and evaluation on them still incomplete), the federal government moved to implement programs in 600 cities. Ford’s local experiments, though few in number, suddenly had to bear the weight of a nation-wide model program. Whatever the ultimate failings of the legislation (and the debate has raged for more than thirty years), many at Ford immediately saw the passage of the Economic Opportunity Act of 1964 as one of the foundation’s greatest successes. And the lure of working even more closely with government was difficult to resist. Henry Heald, Ford’s exceedingly cautious president and someone who had always been wary of Ylvisaker’s moves toward greater social and political activism, nevertheless sought to solidify the foundation’s relationship with government officials. He created a foundation Office of Policy and Planning, one of whose functions was to maintain liaison with government officials and to coordinate staff contacts with government agencies.

Ford was not alone in moving closer to government in the 1960s. Other foundations also enjoyed close ties to the Johnson administration and had important roles to play as Great Society legislation churned out of Congress in the mid-1960s. John Gardner, the Carnegie Corporation president who was chosen by Johnson to serve as Secretary of Health, Education, and Welfare, had encouraged considerable research on early childhood education during his years at the foundation. He had also worked closely with the Rockefeller Brothers Fund as it prepared a series of reports on education. Focusing on educational “disadvantages,” researchers provided a rationale for expanding the federal role in education. The Head Start program owes much to Carnegie-funded research as well as to Ford-funded educational experiments. While still at Carnegie, Gardner had also headed a presidential task force on education, which was one of the mechanisms ultimately responsible for triggering passage of the Elementary and Secondary Education Act of 1964. Other educational ideas – Basic Educational Opportunity Grants, the National Assessment of Educational Progress, and the Fund for the Improvement of Postsecondary Education – emerged from Carnegie commission and council reports. Carnegie,

at the explicit request of the Johnson Administration, also organized a Commission on Educational Television in 1965. Not surprisingly, its recommendations were quickly endorsed by the President and embodied in the Public Broadcasting Act of 1967.<sup>31</sup>

Yet as Ford and Carnegie enjoyed their policy successes in Washington, legitimate questions were being asked about foundations. Beginning in 1961, Congressman Wright Patman of Texas had compiled volume after volume of research on possible financial abuses. In 1968 and 1969 congressional hearings on tax reform raised further questions about the political role of foundations. While the most shocking financial abuses were clearly limited to a handful of renegade foundations, the political activities and the accusations of partisanship led directly to Ford's doorstep. The Foundation had trod on dangerous and overtly political terrain with a grant in 1967 to Cleveland's Congress on Racial Equality for a voter registration drive. Democrats and Republicans both agreed that the drive had given Carl Stokes, the city's first black mayor, the margin of victory. Under McGeorge Bundy the foundation had also used its resources for the Southern Regional Council's voter registration drives in the South, provoking white political leaders to complain about a tax-exempt foundation intruding upon the electoral process. And if that were not enough, John Rooney, a Democratic congressman from Brooklyn, accused his opponent, Henry Richmond, of using the Richmond Foundation to gain political advantages in his campaign to unseat Rooney.

Other, far more disturbing inequities came to light in the spring of 1969. A foundation established by Louis Wolfson, notorious for stock manipulations and high-handed corporate raids and consequently under indictment by federal authorities, had been making payments to Supreme Court Justice Abe Fortas since shortly after his appointment to the court. The \$20,000 annual fee provided yet more evidence that foundations were being used to manipulate the American political system, to corrupt the nation's highest court. Not long after, another alarming story came to light. Justice William O. Douglas was receiving fees from the Parvin Foundation, whose founder, Albert Parvin, had been named as one of Wolfson's co-conspirators. And, to complete the circle, Fortas's wife was retained by the Parvin Foundation as legal counsel. Fortas, who had returned the money after Wolfson's indictment in 1966, promptly resigned from the bench when *Life Magazine* revealed the story in May 1969. Thus, just as the Ways and Means Committee hearings on tax reform were drawing to a close, another grave and well-publicized charge against foundations was added to the indictment.

It is not the purpose of this paper to describe the Tax Reform Act of 1969 and the regulatory changes that have followed from it. Nor is it particularly important for the purposes of this paper to try to assess the overall impact of the legislation. Others have explained the current rules of the policy game and the boundaries within which it is played. But it is safe to say that it has had a chastening effect on foundations as they consider their policy-oriented activities. As early as 1972, Waldemar Nielsen ventured a warning about the politically chilling impact of the legislation: "The paralyzing effect of the new provision on innovativeness by even the most courageous of the large foundations has already been considerable. Their typically conservative boards have developed a new preoccupation with the possible reaction of Congress and the

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<sup>31</sup> For a detailed account of the role of Carnegie in this period see, Lagemann, *The Politics of Knowledge*, pp. 180-252.

Internal Revenue Service to their grant decisions. This in turn has led to two common results: a greatly increased reliance on lawyers and legal advice in all program matters; and a tendency to restrict the latitude of discretion of typically more liberal staff members in dealing with grant proposals.”<sup>32</sup> While Nielsen is certainly correct in his contention that lawyers are consulted more routinely, the legislation did not necessarily temper the policy battles in which foundations were engaged in the 1970s and 1980s. Indeed, policy battles in those years took on a far more ideological tone.

### Ideological Wars

Countless new right-wing organizations emerged in the decade or so after Barry Goldwater’s shattering 1964 presidential defeat. They represented American conservatism in all its many guises: Old Right, New Right, Paleo-conservative, Neo-con, Southern Agrarian, Libertarian, Old World Right, Catholic Conservative, Protestant Fundamentalist, and all their hybrid forms. Conservatives were seeking to regroup, having attributed their devastating electoral defeat in 1964 to the workings of a powerful liberal establishment, one that was certainly bolstered by the major foundations. In the early 1970s many conservatives felt an even greater sense of loss in the face of what they considered the many policy betrayals of Richard Nixon, especially his embrace of wage-price controls, Keynesian economics, environmental and occupational safety and health regulation, and plans for welfare expansion, among his other apostasies. They redoubled their organizational energies.

Indeed it seemed to a core group of conservatives that their major failure had always been one of organization. Energies that had been diffuse, fragmented and counter-productive needed to be consolidated. New institutions needed to be built. A handful of conservative foundations turned to that task in the late 1960s and early 1970s. They put their money into existing conservative think tanks such as the American Enterprise Institute, the Hoover Institution and the Center for Strategic and International Studies, and they began to build new organizations such as the Heritage Foundation, the Institute for Educational Affairs, the Manhattan Institute, and the Cato Institute. In the 1970s Richard Larry of Pittsburgh’s Sarah Scaife Foundation began to talk about a conservative “resource bank,” an organizational task that fell to the leaders of the Heritage Foundation in 1977-78. It is one measure of how far and how quickly the conservative movement emerged as an institutional force. From a meeting of some 20 academics and a few think tank organizers, which was an adjunct session to the Philadelphia Society annual meeting in 1978, the resource bank has grown and flourished. At its twentieth meeting in 1997, 170 conservative organizations were represented by about 270 people; the full roster of members now includes 400 free-standing policy groups and about 1900 individuals, most of them academics and policy researchers.

This proliferation of organizations is a testimony to the concerted philanthropic effort on the part of conservative foundations. As a group, these foundations are large neither in numbers nor assets. A cluster of six stands out: the Lynde and Harry Bradley Foundation, the Koch Family foundations, the John M. Olin Foundation, the Scaife family foundations, the Smith Richardson Foundation, and the Adolph Coors Foundation. Among these, only Bradley, with some \$700

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<sup>32</sup> Nielsen, *The Big Foundations*, pp. 19-20.

million, ranks among the top 100 American foundations in assets. Yet working together, they have constructed what one critic has termed a conservative “counter-establishment.”<sup>33</sup> Their efforts represent yet another way in which foundations have been able to assume a prominent policy role. These foundations have worked purposefully, from funding national think tanks and advocacy organizations to building regional and state-based counterparts, from funding those who can generate new ideas in universities and research organizations to supporting the journals and media outlets that can propagate them. Above all, they have provided general operating support over the long term to these institutions and their policy experts.

The John M. Olin Foundation, to take one example, concentrates its resources in a handful of leading think tanks and universities, often endowing chairs and fellowships there. Its commitment to the field of law and economics has endured for some thirty years, starting with an endowed chair at the University of Chicago. Other prestigious universities have also accepted money to establish chairs and various centers bearing Olin’s name and committed to the research interests of conservative scholars and writers, prominent among them Robert Bork, William Bennett, Irving Kristol, and the late Allan Bloom. Olin has also supported a roster of conservative publications such as *The New Criterion*, *The Public Interest*, and *The American Spectator*. And it has backed a group of institutions whose goals are to investigate and criticize liberal organizations.

While the overarching strategy has been to build solid institutions and to advance the careers of conservative scholars and writers, the foundations have also proceeded on the basis of several assumptions about the nature of the policy process. The first is that large ideas and values matter. The second is that politics is a relentless intellectual contest, to be waged as an aggressive war of ideas. The third is that ideas can be propagated, marketed and sold. All of these assumptions are reinforced by the changing framework of contemporary policy discourse, which is no longer mediated by political parties, interest groups, and elite opinion makers but is instead contested on cable news channels, op-ed pages, talk radio, web-sites and list serves, direct mail campaigns, faxed broadsides and push polling techniques. These new realities of the policy process have posed continuing, bewildering challenges to mainstream foundations whose work has been grounded in problem-oriented, field-specific and, above all, pragmatic work.

When a National Committee for Responsive Philanthropy study of the conservative foundations’ funding practices appeared in 1997, the response from mainstream and liberal foundations reflected the perplexity. A Ford Foundation spokesman simply had no comment on the report. A Rockefeller official maintained that while conservative foundations “have deliberately gone out and created institutions and trained scholars and worked with editorial boards to push an ideological agenda...that’s not what we’re really about.” We focus, she said, on infectious disease, school reform, global food shortages, and interracial understanding. Another foundation leader conceded that he would continue to adhere to old-fashioned foundation values, saying “It would be a disservice to a real debate in the country if it’s just ideological mudslinging. From the broad range of philanthropy in the middle, which is where most of us are, there ought to be much more of a push for serious, honest research on social issues that takes a longer range view

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<sup>33</sup> Sidney Blumenthal, *The Rise of the Counter-Establishment: From Conservative Ideology to Political Power* (New York: Times Books, 1986).

than today's pocketbook and bank account."<sup>34</sup>

It is as if two distinct philanthropic cultures had emerged, each operating in a separate universe. They were separated not so much by political ideology, but by differing ways of valuing research, by distinct styles of persuasion, and by fundamentally different convictions about how the political process ought to operate. Nevertheless, some large foundations have tried to learn from the conservative foundations' willingness to use the media.

The Robert Wood Johnson Foundation is one foundation that has tried to engage the public in ways that are novel for an organization that is also deeply committed to basic medical research. Ever since receiving some \$1.2 billion in Johnson & Johnson stock from the founder's estate in 1972, the foundation has been the largest American foundation exclusively confronting issues of health. By the 1990s its program had evolved into a concentration on three fundamental problems: expanding access to health care, organizing health services for the chronically ill, and reducing the many and diverse harms of substance abuse. Occasionally it had added its public voice to medical and health policy questions over the years, but never more visibly than in 1994 when it contracted with NBC to produce and broadcast a two-hour program on national health care reform. The Foundation spent \$2.5 million on air time for a program based on a simple town meeting format, while agreeing to leave editorial control securely in the hands of the NBC news division; it spent another \$1 million to promote and advertise the program.

With the Clinton administration laboring to promote its legislative proposals and the health insurance industry and other interest groups weighing in with tens of millions of dollars on television and print advertising campaigns, the Johnson Foundation knew that most Americans were deeply confused about the issues. Indeed, the advertising campaigns were analyzed by the Annenberg School of Communications, which received a grant from the Johnson Foundation for that purpose. By mid-1994, the Annenberg researchers estimated that 49 different groups had spend some \$50 million on advertising. The study found that more than half of the broadcast advertisements and a quarter of the print advertisements contained false, misleading, or unfair statements.<sup>35</sup>

The Johnson-initiated NBC documentary "To Your Health" aired in June. Television critics generally awarded the foundation an "A" for effort, though they deemed it to be typical of television journalism: long on anecdote, short on deeper analysis. New York *Times* critic Walter Goodman characterized it as "a jumpy series of debates that touched many issues but explored few."<sup>36</sup> But partisans in the fray howled in protest, no doubt because Hillary Clinton was so prominent a part of the program and so persuasive. Haley Barbour, national chairman of the Republican Party, accused the networks of favoring the Democrats, giving and selling air time for a program featuring the First Lady and other proponents of reform, while refusing to sell blocks of time to the Republicans or to Ross Perot who opposed the Democratic plan.

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<sup>34</sup> Sally Covington, *Moving a Public Policy Agenda: The Strategic Philanthropy of Conservative Foundations* (Washington: National Committee for Responsive Philanthropy, 1997). The responses from foundations are in "Shaking the Foundations," *City Limits* (October, 1997), pp. 15-17.

<sup>35</sup> "The Health Care Debate," New York *Times*, July 26, 1994.

<sup>36</sup> "On TV: Horror Stories on the Health Care Front" New York *Times*, June 23, 1994.

These criticisms of the Johnson Foundation's efforts to inform and engage the public – and the critics were not limited to ideological opponents of health care reform – reveal the most significant challenge that foundations face as they attempt to participate in contemporary policy processes. How do they now define their role? Do they jump into the fray as ideological combatants? Do they insist upon maintaining their neutrality and claim that their role is purely to educate and to inform? Do they try to amplify as diverse an array of voices as possible? Do they work for fundamental reform of the public policy arena so that voices can be heard that are a counter-weight to corporate economic interests? These are the unresolved questions that foundation trustees and staff must contemplate. They point the way toward even more profound questions about the legitimate role of foundations in policymaking processes.

### The Uses of Money, the Claims of Legitimacy

This account, describing how a handful of major foundations has sought to influence public policy, has not been ambitious in its theoretical aims. The narrative has been grounded in a series of stories out of the simple conviction that an understanding of particular policy strategies and ultimate foundation influence resides in the narrative detail and, especially, in an appreciation of the given historical moment. If any over-arching generalization can be offered it is this: a foundation's policy opportunities are largely shaped by external circumstances and sometimes battered by unforeseen contingencies. There are no formulas to assure success. Indeed, Edwin Embree's observation about the need for foundations to pursue a policy of "enlightened opportunism" still rings true.

It is also worth underscoring the fact that the particular issue area matters when we examine what foundations can and cannot expect to accomplish and what strategies they can successfully employ. Some domains, such as education, are primarily local and state responsibilities with only a limited role for the federal government. In contrast, some policy areas have cohered around long-established federal programs such as Social Security and Medicare. Other policy domains, such as arts and cultural policy, are more inchoate and involve small federal agencies, scattered programs, and complex relationships among federal, state, and local bureaucracies. Some issue areas, communications policy for one, are contested primarily in federal regulatory agencies; other policy problems are more susceptible to judicial remedies. We must always be mindful of how foundations are constrained by the particular policy domains in which they operate.

The ways in which policy problems are defined - and our criteria for judging policy success or failure - also determine how we view the policy role of foundations. For example, in the 1970s and early 1980s the movement to deregulate air travel, interstate trucking, telephone service, and banking brought greater market competition to industries that had been subject to regulatory regimes that had been set in place, in some cases, since the 1930s. From one perspective this dramatic policy transformation can be viewed as the ideological triumph of conservative foundations and the various think tanks into which they poured their resources. These proponents of free market ideas had used diverse tactics to win over popular and elite opinion. From another perspective, however, this policy transformation was the consequence of long-term efforts, beginning in the mid-1950s at the Ford Foundation and continuing as a handful of other

foundations committed themselves to funding basic micro-economic research. They had long sought to bolster the field of microeconomics by encouraging graduate students and young faculty. Their studies of particular industries, their applied research, their career paths from university economics departments to think tanks to government agencies created a policy community around which the ideas of deregulation could coalesce into concrete legislative and executive branch decisions. Our view of the role of foundations in this significant policy transformation will inevitably be shaped by our view of the success of deregulation. Moreover, this example compels us to ask how long-term policy strategies grounded in building intellectual and human capital are to be assessed against more direct activist and advocacy strategies.

However, there is a final lingering question about the role of foundations in democratic political processes. How do we justify or, more bluntly, why do we tolerate the involvement of private foundations in our public decision making? Whose interests do foundations represent? What value do they add to public policymaking?

The historical justification for the existence of trusts, endowments, and foundations is strong: they have sought to provide some sort of public benefit despite being organized privately. The public benefits are perhaps easiest to see and accept when foundations provide a direct service rather than aim to influence public policies. But the historical rationale has been bolstered by economic theory which contends that foundations and other nonprofit organizations are a response to “market failures.” When markets fail to provide sufficient public goods, nonprofit organizations step in to do what the market cannot. Foundations play a clear and beneficial role, even if it is not the largest financial role, in sustaining the nonprofit sector as that sector provides public goods.

But arguments grounded in theories of market failure still do not seem fully persuasive or to provide an adequate justification for the direct engagement of foundations in the policy process. Certainly, they can prod government to provide public goods when markets fail. But it is a concept of “government failure” that pushes us closer to a rationale for the role of foundations. When government policies fail to meet public needs or prove to be inefficient, rigid, wrong-headed, or out-moded, foundations and other civil society organizations are the institutional means by which we seek to remedy those failures of the public sector. James Douglas and Aaron Wildavsky offered one of the fullest explanations of this view in the mid-1970s. They asked specifically how foundation roles had changed as government’s role had expanded over the course of the twentieth century. During the course of the twentieth century the role of foundations, they suggested, had evolved from direct social action to building a policy research infrastructure and, finally, to assisting with public administration and managerial matters. From their vantage point in the last quarter of the twentieth century, they argued that the primary role of foundations had evolved into one of evaluating the effectiveness of government activities and, thus, of serving as a kind of intellectual check and balance on government.<sup>37</sup>

Their argument points toward an even deeper analysis, expanding on classical ideas of mixed government and pluralism and suggesting how we might best understand the relationship between foundations and government. We must ask what values private foundations embody as

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<sup>37</sup> James Douglas and Aaron Wildavsky, “The Knowledgeable Foundations,” in *The Future of Foundations: Some Reconsiderations* (New Rochelle, NY: Change Magazine Press, 1978), pp. 10-43.



they pursue their policy role and how those values serve to counter-balance the weaknesses inherent in the values of the public sector and the marketplace. How can foundations enhance innovation in the face of government's programmatic rigidity? How can foundations move issues on to the policy agenda when political processes refuse to engage fundamental problems? How can foundations give voice to groups that are little heard or marginalized? How can they remedy distortions in public political discourse? How can foundations advance pluralism in the face of the homogenizing tendencies of commercial markets? How can they address the issues of inequality that arise within market economies? The test of foundations' role in democratic policymaking resides in questions at this level of analysis and it is only in providing explicit answers to these questions - and demonstrable work in these directions - that foundations will continue to derive their democratic legitimacy.