Giving Better  Giving Smarter

Renewing Philanthropy in America

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Charity is our nation's secret weapon
The National Commission on Philanthropy and Civic Renewal was established by The Lynde and Harry Bradley Foundation of Milwaukee, Wisconsin, in September, 1996, to consider how private giving in America can help revive our poorest communities and promote self-sufficiency and independence among all our citizens. This report is both a critique of American giving and a road map to what we believe will be better, smarter, and more effective ways of using the money and time we give to help the poor. In the pages that follow, the Commission sets forth what we learned in nine months of discussion, research, meeting with program administrators, knowledgeable members of the philanthropy world, and site visits to an array of charitable organizations. No one can help but be impressed by the size, scope, and diversity of private efforts to help communities and individuals in need. Yet our investigations have led us to conclude that American charity is sorely in need of reform and renewal if it is going to lead the way to a new era of rebuilding broken neighborhoods and aiding the people who live in them. Our hope is that private giving, if pursued in the right way, will play a greater role in reviving troubled neighborhoods and assisting individuals who cannot make it on their own. Yet it would be an error to assume that today’s philanthropy establishment is ready—or even willing—to shoulder that important role. Charity is our nation’s secret weapon. We cannot afford to waste it.
Our criticisms apply to individuals, corporations, foundations, and the recipient organizations themselves. We have determined that philanthropy in this country has seven principal weaknesses.

1. Individual giving is haphazard, misdirected, and misspent.
2. Private foundations and philanthropies are engaged in too much study, too little direct service, and too little hard-nosed evaluation of what they get for their money.
3. Many large philanthropies and charities compete with deserving local organizations, creating more distance between the donor and the ultimate recipient.
4. Some charities have themselves become dependent on government.
5. Large foundations have started to act like government.
6. Many foundations spend a lot of energy talking to one another, rather than addressing problems directly.
7. Established philanthropy prefers the grand theory—and abstract cause—over the simple solution to a tangible problem.

Together, this cluster of problems saps the vitality and potential of American giving and hinders the renewal of American communities.

Our Conclusions

This report focuses on a manageable set of key issues that are at the core of the debate about the private sector’s role in the years ahead. Our Commission has reached five conclusions that establish the framework that is necessary for American philanthropy to renew itself:

1. Effectiveness—not merely generosity—must become the principal criterion for donors of time and money intended to help people in need. The United States is the wealthiest and most generous nation on Earth. Yet a significant gap exists between the generosity and good intentions of Americans and the actual impact of their giving on those in need. That gap must be closed by reorienting our giving toward organizations that get, and can demonstrate, real results.

2. What philanthropy and volunteerism do most effectively, by way of improving the condition of the poor and strengthening our communities, is profoundly different from what government does. Charity can create incentives, accountability, and moral leadership that government programs have consistently failed to do. If we mistakenly believe that the purpose of private charity is to “fill gaps” left by shifts in government spending, then we will have blocked private giving from fulfilling its distinct and incomparable mission.
3. To remain effective, philanthropy and volunteerism must avoid and resist government's embrace. For many years, federal spending has tended to turn private charitable efforts into heavily regulated organizations that are ever more dependent on government appropriations. More recently, government has begun trying to impose similar strictures on vital volunteer activities.

4. The most effective giving on behalf of the poor focuses on tangible problems with real solutions in one's own community. The most impressive organizations that we have learned about focus on discrete, tangible problems and set achievable and measurable goals rather than try to solve broad, intractable social problems.

5. Effective giving today calls for "civic entrepreneurs"—and enlightened recipients. America needs a new kind of giver, a civic entrepreneur, who is prepared to be as exacting in his or her giving as in other domains of life. Civic entrepreneurs seek out the organizations that are most effective in revitalizing their communities, focusing laser-like on actual results, not simply money raised, intentions voiced, or services offered. Recipients must be as tough-minded and independent as their donors, insisting on results, focusing on innovation, and rebuilding civic institutions that will have a long-term effect.

These five conclusions present clear challenges to charity and organized philanthropy:

1. Charity and philanthropy must focus on effectiveness, not just goodwill.
2. Charity and philanthropy must keep their mission and methods distinct from those of government.
3. Charity and philanthropy must tenaciously resist government encroachment.
4. Charity and philanthropy should tackle well-defined, concrete problems, not broad social theories.
5. Charity and philanthropy should be driven by an entrepreneurial spirit, rebuilding communities and opening paths of self-reliance for the poor and economic opportunity in impoverished neighborhoods.

If the era of big government is indeed over, then this vision for American giving is not merely a proposal. It is a necessity. We must accept these challenges if we intend to make sure that more of our money is spent in more of the right places, to reorient American philanthropy toward the independent, locally based, results-oriented organizations and to magnify the impact that such organizations have on individuals and communities.
Guideposts for Better Individual Giving

1. Be entrepreneurial.
2. Give locally.
3. Learn the basics.
4. Establish a goal.
5. Evaluate what works.
6. Watch where the money comes from.
7. Watch where the money goes.
8. Know the board members.
9. Visit the site.

Guideposts for Better Institutional Giving

1. Give locally instead of nationally.
2. Evaluate the programs you fund—and government’s too.
3. Fund program operating expenses.
4. Support the work of faith-based charities.
5. Create economic opportunities.
6. Create opportunities for volunteerism.
7. Stop drowning them in paperwork.

Traits of Effective Programs:

1. They are locally based and operated.
2. They are entrepreneurial.
3. They place strict demands on the people they help.
4. They provide a refuge of tranquility, order, and permanence in otherwise chaotic communities.
5. The donors are deeply involved with the program.
6. They stay focused.
7. They depend on little or no government support.
8. Their goal is not simply to sustain people but to help them change so they can sustain themselves.
9. They measure their success in terms of improving individuals.
10. Their purpose and achievements are readily perceived by anyone who visits them.
The recent Presidents' Summit on Volunteering issued a call for "Big Citizenship." This report calls for something quite different, the creation of a new army of individual donors and volunteers, "civic entrepreneurs," who invest their own time and money in rebuilding their own families, neighborhoods, places of worship, and schools.

Here is the difference. • Big Citizenship—for example, government workers paid to help the poor—is not volunteering. It is more government, which is not what is most needed. Government can explore space, defend our country, keep the dollar sound, protect the environment, help pay for health care, and protect individual rights. But the era of big government is now proclaimed to be over mostly because we have come to realize that government can't solve the moral problems that worry us the most today. Government may replace income by offering Food Stamps, but government is not so good at helping someone get on his or her feet and stay there, to find and keep a job, to reject drugs, to develop willpower, or to love a child. • To rebuild our deteriorating families and neighborhoods, we need more of ourselves instead of more government. No country is more capable of doing this or more inclined to do it. We Americans are already the most generous (we give two percent of our money each year to charity) and our propensity to volunteer is unmatched (93 million of us give several hours a week). For the job of restoring broken community institutions, this giving of ourselves should be our secret weapon. Our private actions can be personal, flexible, local, inexpensive, controversial, and work hand in hand with religion—all of which are uncharacteristic of government. • Unfortunately, as government has become a large blunt instrument, private giving
has too often become a small blunt instrument—usually for the same reasons. Too many precious charitable dollars are
spent in too much study, too much talking, too little service, and far too little hard-nosed evaluation of what they get for
our money. There is too much distance between donors and donees. Some charities have become too dependent on
government. Some have even started to act like government, creating a “philanthropy establishment.” Too much
philanthropy wants to change the world, instead of help someone or fix a problem. • Americans are at our best when
we innovate, remember our values, and build strong communities. Our greatness has come from pilgrims, pioneers,
 inventors, entrepreneurs, and astronauts—not from government. In that spirit, instead of spawning a new government-
sponsored “Big Citizenship,” we should enlist and nourish a new type of donor and volunteer—millions of “civic
extrepreneurs” who invest their time and money in strengthening their own families, neighborhoods, places of
worship, and schools. • The Bradley Awards for Effective Giving are intended to put a spotlight on those civic
trepreneurs already at work in our midst. Our Commission report is designed to be a snapshot of giving in America
today and a road map for the new army of those individuals who see their giving, their volunteering, and their
citizenship as our country’s secret weapon for rebuilding community institutions. Our Commission’s goal is to reorient
American giving toward independent, community-based, results-oriented organizations that have a genuine impact on
people and neighborhoods. • On behalf of the Commission, I want to thank the members of the staff and the many
individuals who contributed in so many ways to making this report possible. • And special thanks to The Lynde and
Harry Bradley Foundation of Milwaukee, Wisconsin, its Board, and its President, Michael S. Joyce, for their rapport
and vision throughout this project. •
Chapter One

The Dilemma of Giving in America

Giving Better, Giving Smarter

Renewing Philanthropy in America
A vision for giving
merica is the richest, most generous nation on Earth. In no other
country do individuals, communities, foundations, corporations,
and other private philanthropies give so many billions to such a
wide variety of worthy causes and organizations. Yet among all
these commendable activities and missions, helping the poor and
people in need has always played a special role. For many Americans, it
defines the essence of charity.

Today, however, far too much of the private largesse intended by its donors
to improve the condition of the poor is misspent or misdirected. This gap
between the generosity and good intentions of Americans and the actual
impact of their giving on those in need is the central concern of the National-
Commission on Philanthropy and Civic Renewal.

Our focus throughout has been on private efforts to help the poor, by which
we mean organized, nongovernmental attempts to aid the hungry, the
homeless, the chronically unemployed, those impaired by addiction, the
seriously disabled, and anyone whose life has been made miserable by the
effects of long-term poverty. We deliberately chose this focus, knowing that
there is also an immense world of private philanthropy directed at, to name
just a few examples, hospitals, education, cultural institutions, and the
environment. These we value, too. But they are not our concern here. There
is good reason to believe that philanthropy for the poor and people in need
demands more urgent attention today. For many years, a vigorous public
debate has been underway in the United States about the reformation of
welfare policies. It is in this area where government’s role is now
undergoing the greatest (and, we think, long-overdue) upheaval and where
private giving and private institutions will be dramatically affected. Hence,
we have made it the heart of our report.

At the core of our concern is the Commission’s conclusion that much of the
private philanthropy designed to help our poorest citizens and most
distressed communities is gravely flawed: well-intended, to be sure, but often
ineffective, inefficient, even misguided. Our hope is that private charitable
activity, if pursued in the right way, will play a greater role in reviving
troubled neighborhoods and assisting individuals who cannot make it on
their own. It is our secret weapon. Yet it would be an error to assume that
today’s philanthropy establishment is ready—or even willing—to shoulder
that important role. Far too much charitable giving is wasted on efforts that
make scant difference in people’s lives or the well-being of communities.
True, the same criticism could be—and has been—made of countless
government social programs. But we believe private giving should be held to
an even higher standard. We have therefore come together not to assess
what government has done or should do, but instead to recommend how
private giving might renew itself.

We believe there is an urgent and singularly valuable role for such giving,
separate and distinct from government efforts to aid the poor and from the
appeals of large, national charities. This is the philanthropy of individuals
who want to use their time and money to make a difference by helping
people in need and rebuilding their communities. These donors—both today’s
effective donors and, we hope, tomorrow’s typical donors—should be as
exact in their charitable activities as in other domains of their lives. They need not be the wealthiest givers or richest foundations. These are ordinary people, many of whom already give to charity and volunteer their time.

To what should they give? Examples abound of worthy recipients in communities from coast to coast. These organizations share many traits, including the fact that they are often overlooked by large philanthropic organizations, in part because of their local focus, in part because they practice an entrepreneurial approach to helping the poor that is radically different from the government-sponsored social-service model that has also become the model of many large charities.

Our goal, simply stated, is to make sure that more of our money is spent in more of the right places, to reorient American philanthropy toward the independent, locally based, results-oriented organizations and to magnify the impact that such organizations have on individuals and communities.

At a time in American history when private giving is to take on a greater role in every community, it is critical that this money be well spent. We cannot afford to waste it.

By comparison, Americans gave an estimated $144 billion to philanthropic causes in 1995. That’s a very big number, too, but it dwindles rapidly when we focus only on the portions most apt to aid the poor and people in need.

About 44 percent of American philanthropy—$63 billion—went to religious institutions, in most cases to churches. About $18 billion went to educational institutions—mostly colleges and universities—and $13 billion went to health organizations—mostly hospitals.

Just $12 billion of private giving went to “human service organizations,” a category that includes most of the organizations aimed specifically at helping the poor. How significant is that amount of money? Compare it with the sums that Americans spend on more self-indulgent pursuits: In 1993, for example, we spent $6.4 billion at the movies, $6.9 billion on videotape rentals, $3.4 billion on health-club memberships, and about $3 billion on bowling.
There is good reason to believe that the amount Americans donate to help the poor will grow considerably in the years ahead. We are entering a watershed period in U.S. philanthropy, as members of the World War II generation leave substantial sums to charity and even larger portions of their accumulated wealth to their sons and daughters—people now in their forties and fifties. During this period, the largest intergenerational transfer of wealth in our history will occur. Today’s “baby boom” generation of givers has the potential to change dramatically the pattern of philanthropy. Joining them will be new givers who have little inherited wealth but who have earned enough in recent years to make them consider more active giving for the first time.

Tax laws have encouraged them to set up their own foundations at a rapid pace. A growing body of literature advises people on estate planning and novel forms of sharing their wealth and time. New financial organizations and instruments offer many more options for structuring one’s giving. All these developments provide unprecedented opportunities for new private philanthropy, including giving to help the poor. We believe this diverse generation of donors can establish new strategies and patterns of charity and can find new routes for giving time and wealth back to their communities. This is a good thing because, we believe, a new, even path-breaking, approach is needed. At a time in American history when private giving is to take a greater role in every community, it is critical that this money be well spent. We cannot afford to waste it.

The Role of Government Versus the Role of Private Charity

Government spends far more money on the poor than philanthropy does—and we assume it always will. Despite the furor over “welfare reform,” most government entitlements for the poor (and the not-so-poor) continue growing. This is a mixed blessing. All the members of the Commission believe that federal and state welfare programs of the last three decades have contributed to a destructive culture of dependence on government. (To be sure, many of these programs have also ameliorated distress and eased pain.) Some of us who devote our days to working in poor communities know firsthand that the rigid bureaucracy of government welfare programs has also eroded the independence and authority of many service organizations that have themselves become dependent on government support and subservient to its rules and procedures. We have observed the malign effects on communities when decisions are made by people who, in Robert Woodson’s formulation, do not “live in the same zip code” as those they serve. We have also observed the slackening of civil society in reaction to the spreading belief that the well-being of one’s neighbors is the government’s responsibility, rather than one’s own. For these reasons, we welcome recent welfare reforms that have begun to end entitlements and permit more flexibility at state and local levels to enhance responsibility and self-sufficiency among welfare recipients.

This Commission was not established by government, however, and what government does is not our primary concern. Though some of our
recommendations involve public policies that bear on philanthropy, when it comes to finding solutions to the problems of frayed communities and people in need, the Commission puts greater faith in private efforts. We welcome President Clinton’s conclusion that “the era of big government has ended.” We hope it is true. We have no doubt that private and local efforts can do the job better. Yet we are as critical of the state of private philanthropy as we are of government policy.

The biggest policy mistake we could make is to confuse government programs with private charity, or the work of charitable organizations with the responsibilities of government, to see them as interchangeable activities or as elements of a “zero-sum” calculation in which every dollar lost in government spending must be replaced by a dollar of private spending. This equation is deeply misleading. Properly understood, government and charity are two distinct enterprises, sometimes complementary, but with different forms, different purposes, different strengths, and different effects. Just as it would be disastrous for government to try to usurp the role of private philanthropy or voluntarism, so too it would be foolish for charity to take on the role of government.

Not surprisingly, virtually all Americans recognize this distinction. In a survey conducted on behalf of the Commission, 96 percent of respondents reported that no matter how much government does, there remains important work for private charities to do. Equally impressive is that 76 percent of respondents disagreed with the notion that charities only do work that government should really be doing.

This distinction between government policy and private initiative is well-grounded. After decades of reforms and experimentation in federal and social-welfare spending, it is clear that the essential purpose of government programs is largely related to “income maintenance.” In essence, welfare, Food Stamps, Medicaid, and similar programs are forms of cash assistance, raising the purchasing power of the poor to a basic level. To be sure, such programs have been fraught with bad incentives and open to misuse. But their problems do not alter their essential nature: They transfer funds from mainly middle-class taxpayers to the poor.

Along with the basic civic functions that benefit the poor as well as everyone else (e.g., police protection, paving roads, trash collection, school construction, public hospitals), these cash payments have been the defining feature of government efforts to help poor families and individuals. From the point of view of pure efficiency, transferring money to the poor is something government sometimes does fairly well. The sums of money involved are larger than can reasonably be supplied in any other way. While we as a country will surely continue to seek better ways of managing those responsibilities—more efficiently, with fewer perverse incentives, and less apt to induce dependency—nobody on this Commission doubts that income maintenance has been, and will remain, the government’s job.
Private philanthropy, on the other hand, can reasonably aspire to quite a lot more. Income maintenance is not an adequate way of reviving neighborhoods, promoting self-sufficiency, and rebuilding the civic institutions that safe, well-functioning communities depend on. That is where the private sector comes in. Philanthropy and voluntarism cannot match the raw buying power of annual government appropriations. Yet they have the potential to be far more influential in changing the character of impoverished neighborhoods, reshaping individual lives, and reconnecting citizens to their communities.

Unburdened by federal or state rules, local private organizations can address the problems of poverty in ways that government programs never have and almost certainly cannot. Only private philanthropy can truly focus on accountability, responsiveness, flexibility, adaptation to local circumstances, and constant innovation. Only private philanthropy can insist on individual results, rather than enforcing uniform eligibility requirements. Only private philanthropy can isolate the special characteristics of a tiny neighborhood within a large metropolitan area. Only private philanthropy can link the interests of churches, schools, businesses, and families in a single community. Only private philanthropy can set modest but achievable goals, and be content to solve one problem at a time.

Above all, private charity is able to recognize, as the political scientist Mark Blitz puts it in an essay written for the Commission, that the chief difficulty in aiding the poor is as much moral as material, and in the long run is more moral than material. Government is ill-suited to provide or even supervise that type of support. Indeed, in a free society we don’t really want government interfering with morals, values, individual responsibility, and behavior, let alone with the religious basis of much of morality.

This is where the private sector has a unique and irreplaceable role to play: It can help people learn to behave properly and live virtuously. It is this capacity for moral leadership that confers on private philanthropy its greatest comparative advantage vis-à-vis government. Individual donors and members of private and corporate philanthropies ought never lose sight of this. For the characteristic that distinguishes private aid to the poor from government programs is precisely what also distinguishes effective giving from wasted philanthropy.

The present transformation of 60-year-old government welfare policies presents a tremendous opportunity, and an historic challenge, to what Peter Drucker has called “the social sector”—that array of social entrepreneurs and
private organizations that engage in philanthropic activity. As government programs to aid the indigent are altered, there will invariably be a greater role for American charitable and philanthropic organizations that aspire to do more and to do it better. As states and localities look to revive their poorest communities, there will also be a demand for a more engaged “civic sector.”

That is why we are dismayed when the reform of federal and state welfare policies is perceived by private organizations themselves as a threat rather than an opportunity. The head of one prominent national charity recently asked, “Where will the money come from to save those people from starvation, illness, or death?”

These sentiments, expressed in various ways, have constituted the core criticism facing those who believe, as we do, that “less from government and more from ourselves” is the best formula to aid the poor and bring civic renewal to our cities. The criticism implies that, because private charities cannot reasonably be expected to fill the gap left by shrinking government programs, welfare reform is doomed to fail and efforts to promote a greater role for philanthropy are (at best) naive and (at worst) cold-hearted.

This argument displays a deep misunderstanding of the true issues at stake in the debate over the future of American giving. Our Commission does not believe that, in purely fiscal terms, private philanthropies can make up the difference in so-called “shortfalls” in government spending. But neither should they be expected to. It is a fundamental error to think of the private sector as simply “filling gaps” created by shrinking or changing government programs.

Those who ask, “How will the private sector ever provide the dollars once spent by government on helping the poor?” are asking the wrong question. What the country should focus on—and what is the chief focus of this Commission—is, How can private philanthropy, in the wake of welfare reform, better fulfill its own distinct mission?

In trying to answer that question, our Commission has deliberately passed by a number of high-profile questions of national policy. Some readers may be disappointed that we have not staked out positions on, say, estate tax reform or charity tax credits, or the future shape of the Internal Revenue Code. These are all important issues, to be sure, and, to the extent that policies can be shaped that encourage individuals to give more time and money to the poor, we welcome them. But our chief concern is how citizens and private organizations can use their time and money to have a substantial and beneficial impact on poor communities. Regardless of what changes government policymakers may pursue in the years ahead, the private sector must reform itself if it is going to play a substantial and effective role in aiding individuals and reviving communities. To the extent that government policy makes this reform easier, so much the better. Yet the need for reform in American philanthropy was not caused by changes in government policy nor is it limited to domains that it has long shared with government.
In the body of this report, we examine many of the weaknesses of American philanthropy intended to help the poor. We conclude that much of it is ineffective, sometimes wrongheaded, and occasionally counterproductive. Our criticisms apply to individuals, foundations, corporations, and the recipient organizations themselves. Here we sketch, in summary form, some of our key observations:

1. **Individual giving is haphazard, misdirected, and misspent.** Few Americans make plans or set goals for giving to charity—or for volunteering. Rather than ascertaining where their money or time could have the most impact, most Americans wait until they are asked to contribute. Then they give to whatever “cause” did the asking.

2. **Private foundations and philanthropies are engaged in too much study, too little direct service, and too little hard-nosed evaluation of what they get for their money.** After decades of public and private experiments in ways to help the poor, wealthy donors and large foundations continue to expend sizable sums to “study” or “pilot-test” various programs aimed at systemic change rather than using that money to provide help directly. Yet those innumerable studies yield surprisingly little of the rigorous analysis that would enable the country to determine what effect, if any, these no-doubt well-intentioned programs have on those who are intended to benefit from them.

3. **Many large philanthropies and charities compete with deserving local organizations, creating more distance between the donor and the ultimate recipient.** Large national charities have been very effective at fundraising, as have local United Ways, but they have also created conditions in which donors are far removed from the work that their dollars ostensibly support. Without intending it, these large, umbrella charities make it harder for donors to form a bond with recipients. Charities that are national in scope have the added effect of discouraging local giving specifically aimed at strengthening civic organizations and caring for one’s neighbors. The donor is given no incentive to seek out the best organizations in his or her own city.

4. **Some charities have themselves become dependent on government.** Rather than seeking independent, entrepreneurial, and locally based efforts to help the poor, some philanthropies have used their resources to build what are now widely termed “public-private partnerships.” The all-too-frequent result is that the nonprofit sector becomes dependent on government, bureaucratic, and incapable of imagining solutions that do not involve government spending. Many of these organizations—typically the large, national ones—spend considerable time and effort lobbying government or addressing issues of federal social policy. They are perpetually distracted by the annual budget cycle in Washington, D.C., rather than by the immediate needs of their communities.

5. **Large foundations have started to act like government.** Many large philanthropies, and the programs they fund, see their missions as extensions of government policy. They consciously fund projects that try to replicate (or pave the way for) government programs. Rather than acting as
pioneers to create new, entrepreneurial, and unorthodox private efforts, these large philanthropic programs develop a fully symbiotic relationship with government and, in the process, surrender much of what makes the private sector different—and valuable.

6. Many foundations expend lot of energy talking to one another, rather than addressing problems directly. As the philanthropic world has grown by leaps and bounds, so has the professional world of philanthropy expanded and become more self-absorbed and self-referential. The landscape of contemporary philanthropy is now cluttered with seminars, forums, cooperatives, working groups, task forces, coalitions, partnerships, and studies on how to help the poor. “Collaboration” has become not merely part of the professional philanthropic jargon but a full-time activity itself.

7. Established philanthropy prefers the grand theory—and abstract cause—over the simple solution to a tangible problem. Many philanthropies and foundations suffer from hubris. By targeting deep-seated and intractable (and sometimes irrelevant) sources of problems, and turning up their noses at immediate actions that would both ameliorate today’s problems and address yesterday’s causes, they often overlook local organizations whose immediate goals are to provide for the direct needs of real people in specific communities. Like government policymakers, many of these organizations try to address broad social conditions, often referred to as “root causes”—poverty, crime, inequality—rather than treat the manifestations, or “symptoms,” of these conditions—such as welfare dependency, teen pregnancy, abuse, hunger, or addiction—with direct action in pursuit of rapidly observable results.

Redirecting American Giving

Together, this cluster of problems saps the vitality and potential of American giving and hinders the renewal of American communities. In an era in which we are rethinking the scope and mission of government social policy, private initiatives to help the poor risk becoming a diminished and less-influential part of American life because they have taken on many of the least desirable characteristics of government programs.

Yet this need not be so. Philanthropy in the United States was once energized by the conviction that government should do as little as possible precisely because the needs of individuals and communities are better met through well-handled private efforts. It was taken for granted that such private efforts are more efficient, yet also more humane, than anything government can do; that they contain essential elements of morality, faith, responsibility, and discipline that governmental efforts can seldom muster; and that they are inextricably entangled with the well-being of real communities in which people live, not some imaginary national community.

It’s the erosion of that conviction—and the slackening of the private-sector virtues and philanthropic assumptions that accompanied it—that give urgency to our call for reform.

The fact is that American philanthropy today, taken as a whole, is doing a good job at just one thing: moving money from donors to recipients. (In this one respect, it imitates government far too well.) Philanthropy is not doing
nearly enough to ensure that this money is used effectively or that the huge amount of non-monetary contributions by many citizens—volunteer time above all—is productively employed in assisting people in need and in reviving their communities. Philanthropy, in other words, is not fulfilling its own vital responsibilities. It is surrendering its own singular strength and most distinctive asset.

We believe that Americans themselves can help restore a greater sense of purpose to philanthropy and thereby make a tremendous difference to those who need it most. Quite consciously, the message of this report is directed at individuals and organizations that want to use their time and money to make a difference by helping to change the lives of their fellow citizens and renew the most afflicted communities. We believe there is a need for a new type of American donor—a “civic entrepreneur”—who wants to help the poor and rebuild community institutions and who is prepared to be as exacting in his charitable activities as in the other domains of his life. One might visualize donors who are as careful in selecting recipients as in selecting their children’s school or physician or in choosing their home or automobile. *Private charity should be a strategic activity.* It demands the seriousness of a long-term investment.

This will, in many cases, require a donor who is willing to buck trends, reject fashions, and ignore the conventions of established giving. True civic entrepreneurs will resist the temptation to donate their money to large (and even successful) national charities and will instead seek out the organizations that are proving most effective in renewing their own communities. Through a conception of “what works” based on common sense and a bit of research and leg-work, they will identify organizations in their communities that set discrete, attainable goals and are worthy of support because of the exemplary job they do in meeting the goals they set.

These new American donors need not be the wealthiest givers or best-endowed foundations. Millions of ordinary people already give to charity. Millions volunteer their time. We want all of them to be able to direct their money and energy into efforts that actually improve the conditions of the poor and the quality of life in communities. We want them to be more directly involved in making informed choices about how their money is used and which charitable organizations truly deserve their support. That requires providing more than a list of worthy recipients. It requires donors to rethink the aims of their generosity and the channels through which it flows. It requires that they, too, discover the independent but purposeful organizations in or near their own communities that have a vision of charity that is more than a supplement to a welfare check.
The True Value of Volunteering

What is true for financial donations is also true for voluntarism. The recent attention given to volunteer activities, including the highly publicized “Volunteer Summit” in Philadelphia, will no doubt spur many to make new efforts to spend time in poor communities. This we can only applaud. But there are worrisome strains of thinking—some heard in commentary during the Philadelphia summit—that threaten to corrupt or distort the character of traditional American volunteering. The first is that voluntarism is made necessary only by a lack of government initiative to help the poor; “If the government weren’t cutting back, we wouldn’t have such a need for volunteers.” This argument fails to see the importance of individual leadership and involvement in poor communities, things that government dollars can never provide. It conflates what salaried professionals do with what unpaid amateurs do—and why they do it. It also overlooks the moral and religious nature of much voluntary activity, spheres of life that are generally left blessedly free of government interference.

Another worrisome mode of thinking that we have detected is the increasing appeal of government-sponsored and -sanctioned volunteer programs. These kinds of programs, often discussed under the rubric of Big Citizenship, encompass mandated community service in schools and colleges (the state of Maryland has such a program for all public high-schoolers and many individual schools elsewhere do as well) and the spread of government-funded, -organized, and -regulated “volunteer” programs (like AmeriCorps). We think these types of programs are both unnecessary and unwise.

Ninety-three million Americans volunteered in 1995, and nearly all of them did so without the exhortations of public officials or government bodies. They do not wish that a government program was doing the work instead. They do not need or want the government to structure their volunteer efforts. The purpose of voluntarism, in part, is to connect an individual with a part of his or her community. It is as important to the person doing the volunteering as it is to those who benefit from his or her efforts. Government welfare programs have done just the opposite, replacing individual and personal initiatives with bureaucratic and impersonal processes. We worry that Big Citizenship, for all its sentimental appeal, will fall prey to the same problems as it looks to government for initiative, direction, financing, and legitimacy.

Volunteering, like virtue, must remain its own reward. Americans need not view volunteering as a formal civic obligation akin to paying taxes or driving on the right side of the road or sending their children to school. People should volunteer because they believe that their skills and talents will benefit communities in which they live.

If the era of big government is indeed over, then this vision for American giving and volunteering is not merely a proposal. It is a necessity. If there is a limit to what government can achieve in aiding the poor and fostering independence, then we must accept a greater role for the civic sector and the generous individual. No one else will solve the manifold problems that come with poverty. It is a responsibility that Americans must now grapple with.

This is the challenge and the opportunity presented by our Commission.
The Dimensions of Giving
Reliable data tells us something about ourselves.
In this chapter, we explore what is known about volunteering and giving. We begin with volunteering—the giving of time by individuals—and then move on to the giving of money by individuals and institutions. Finally, we look at the recipients of all that giving, a diverse array of organizations and causes that are often collectively referred to as the "nonprofit" sector.

**Giving of Time**

Volunteering is an activity that an enormous number of Americans take part in. And it is an important way in which we demonstrate our commitment and fidelity to each other. Our own survey, conducted by the Institute for Social Inquiry at the University of Connecticut, found that 6 in 10 adult Americans (18 years or older) volunteered within the past 12 months.

Other data also reveal an almost-hyperactive country. In 1995, according to Independent Sector, 93 million adult Americans were involved in volunteer service of some kind, performing an estimated 20.3 billion hours of volunteering. (This huge number includes 15.7 billion hours of organized or structured commitments, and 4.6 billion hours of informal volunteering activities such as helping one's neighbor.) These people each volunteered an average of 4.2 hours per week. (See Figure 1.)

While volunteering certainly bestows benefits directly on the individuals and organizations involved, it is also worth something to society as a whole. Is there a way to measure its value (in monetary terms)? Obtaining a reliable dollar figure is difficult because most volunteers are (obviously) not paid for their service—with exceptions such as AmeriCorps participants—and it is difficult to gauge the market value of their work. The economist Eleanor Brown, in work conducted for this Commission, has tried to establish a reliable estimate. Using data from Independent Sector, she estimated what it is that volunteers actually do, and then placed a dollar value on their work by comparing it to similar paid work. This results in an estimate that volunteering collectively may be worth as much as $188 billion annually.

Thus, volunteering is an immensely valuable resource for many organizations in this country every year.
While volunteers are a tremendous asset to private charitable organizations (as well as many public organizations that rely on volunteers), money is their lifeblood. Without it, the lights go out and the water stops running. It is fortunate indeed that Americans are a very generous people. In 1995, for example, charitable organizations received $144 billion in contributions from private sources. Four-fifths of that came from living individuals, the remainder from foundations, corporations, and charitable bequests (gifts from individuals at death). (See Figure 2.)

While those donations are spread among many different kinds of recipient organizations and causes, almost half of the total—44 percent—goes to religious organizations. The distribution is shown in Figure 3.

In 1995, 69 percent of U.S. households reported making charitable contributions. These contributions amounted to $116 billion, or about 2 percent of American personal income (both donors and non-donors), and averaged $1,017 per household (just donors). Another $9.8 billion was given in the form of bequests.

The propensity to give tends to be related to age and income level. Both the size of contributions and the percentage of households making any contributions rise through middle age, when people tend to be wealthiest,
and then taper off among the elderly. The 45-54 age group features the highest percentage of givers while those in the 55-64 age group give the largest average amounts.1

Americans who report that they belong to a religious congregation give more than those who do not. The former gave 2.3 percent of their household income to charity, while the latter gave 1.1 percent of their household income.

Giving also tends to be higher among the better educated, people who are married, people with children, homeowners, people who live in small cities (with less than 1 million people), and people whose parents gave regularly when they were young.2

Americans give to a wide variety of causes, though almost two out of three say they give to organizations that serve the needy and one out of two gives to religious organizations. (See Figure 4.)

Donations from individuals are also divided among a wide variety of organizations, though the lion's share—57 percent of dollars given—goes to religious organizations. In contrast, only 9 percent goes to human-service organizations. (See Figure 5.)

The difference between Figures 4 and 5 is interesting. How is it that 61 percent of individuals claim they give to the "needy" and yet only 9 percent of individual gifts go to human-service organizations (which accounts for many anti-poverty efforts)? One explanation is that many people appear to

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**Individual Giving / Figure 4. Recipients, According to Givers**

![Bar chart showing distribution of giving by cause](chart1.jpg)

Note: Because many people give to more than one kind of organization, these numbers add to more than 100 percent.

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**Individual Giving / Figure 5. Recipients, By Amount Received**

![Pie chart showing distribution of giving by cause](chart2.jpg)

Source: Giving USA 1996
identify the gift with its use, not with the type of organization that receives it. Thus, a gift to a religious program that serves the poor may show up in one category (religion, in Figure 5) when looked at from the perspective of the organization and another category (needy, in Figure 4) when looked at from the perspective of the giver. A second, and not incompatibility, explanation is the problem of differentiating breadth of activity (how many people say they give, and how often, as shown in Figure 4) from depth of activity (how much they actually give, as shown in Figure 5).

Thus, for example, givers to religious organizations—mainly churchgoers, who believe that a portion of their giving reaches people in need—are asked to give week-in and week-out, and they do, whereas givers to other types of charities are responding to less-frequent appeals or they give when it occurs to them. (The breadth/depth problem receives further elaboration in Chapter 3, under the subheading “Patterns of Involvement”.)

Volunteering is an immensely valuable resource for many organizations in this country every year.

Surveys indicate that volunteering and giving are intertwined. According to Independent Sector, volunteers give more money than non-volunteers and also give larger fractions of their income. In 1995, 43 percent of U.S. households had at least one volunteer and also gave to charity. Those households gave 2.6 percent of their income to charity. Of the 25 percent of households that gave money but included no volunteers, charitable contributions averaged 1.4 percent of income. Households with volunteers made average contributions of $1,135, while those with no volunteers gave an average of $275.

Although individuals account for most charitable giving, institutions give significant sums as well. Moreover, their concentrated wealth and the recognition they receive—with their ability to grab the attention of media and political elites—has a disproportionate impact. The biggest institutional givers are foundations, which account for $10 billion, or 7 percent of all giving. Corporations account for about $7 billion, or 5 percent of all giving.

There were 38,807 grant-making foundations in the United States in 1994, up from 27,661 in 1988. Altogether, they hold almost $200 billion in assets and distribute about $10 billion in grants each year. Most foundations are small institutional vehicles established to allow donors to transfer money to designated recipients. However, most foundation wealth is concentrated among a small number of immense institutions. The top half of one percent of foundations—about 200
in all—accounts for more than half of all foundation assets, while the 300 largest foundations made roughly half of all foundation grants in 1994 (in dollar terms).

There are four types of foundations. Most foundations—88 percent—are independent foundations, which are founded by individuals and families and funded by an endowment. The larger ones often have professional staff, though most are run by family members or trustees. Most independent foundations make grants from investment income, though some smaller ones make grants with funds solicited from living donors when needed. Independent foundations account for 78 percent of all foundation grants and hold 85 percent of all foundation assets.

About 5 percent of foundations are corporate foundations, which are established and funded by corporations. About 1 percent are community foundations, which are generically funded by members of a community and make grants within that community. They usually have various funds with different charitable purposes. And 6 percent of foundations are called “operating foundations,” organizations that conduct their own research or directly provide a service of some kind. Operating foundations make very few grants. (An example of an operating foundation is the Russell Sage Foundation, which conducts and publishes social-policy research.) To see how foundation assets and grants are distributed, refer to Table 1.

Foundations distributed more than 72,000 grants larger than $10,000 in 1994. For the distribution of grants (in dollar terms) by area, see Figure 6.

**Table 1. Foundation assets and grants, by type (1994)**

<table>
<thead>
<tr>
<th>Type</th>
<th>Number</th>
<th>% of total</th>
<th>% assets (in $)</th>
<th>% grants (in $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent</td>
<td>34,319</td>
<td>88%</td>
<td>85%</td>
<td>78%</td>
</tr>
<tr>
<td>Corporate</td>
<td>1,951</td>
<td>5%</td>
<td>4%</td>
<td>14%</td>
</tr>
<tr>
<td>Community</td>
<td>403</td>
<td>1%</td>
<td>3%</td>
<td>6%</td>
</tr>
<tr>
<td>Operating</td>
<td>7,134</td>
<td>6%</td>
<td>6%</td>
<td>2%</td>
</tr>
</tbody>
</table>

*Source: The Foundation Center.*
Most foundation grant dollars are given to organizations for a particular project or limited purpose. Only about 18 percent is given as "general support," funds that an organization can use "to pay the bills." About 48 percent of foundation grant dollars went to organizations for the support of specific programs or projects. About 29 percent was for capital projects (e.g., for new construction and renovation, buying equipment, capital campaigns, and the like). Grants for research purposes received about 8 percent of grant dollars. Very few grant dollars—0.6 percent—went for the evaluation of specific programs.

Giving by Corporations

 Corporations gave an estimated $7.4 billion to charity in 1995, or about 5 percent of all contributions. While only about 30 percent of all corporations make charitable contributions, more than 90 percent of the largest corporations do so.

Viewed as a percentage of pre-tax income, corporate giving has been somewhat erratic. From 1978 to 1986, it rose from 0.71 percent to 2.26 percent before declining to 1.24 percent in 1995. But because corporate earnings have been rising swiftly, the total volume of corporate philanthropy has actually risen slightly (in inflation-adjusted dollars), from $7.32 billion in 1986 to $7.40 billion in 1995.6

According to a survey by the Conference Board, the largest corporate givers are pharmaceutical companies, followed closely by petroleum/gas/mining companies and transportation companies. Twenty-two percent of corporate contributions are non-cash contributions, usually company products (with computer and office-equipment manufacturers accounting for nearly half of all product donations), up from 16 percent in 1994.

Corporate gifts tend to be concentrated on a few select areas. Educational institutions received about a third of all corporate gifts (with almost half going to higher education). The other primary categories are health and human-service organizations, and "other," which is a grab-bag that includes the sponsorship of special events as well as funding for public television and public-policy organizations. (See Figure 7.)

Figure 7. Recipients of Corporate Giving

- education (5%)
- other (20%)
- arts/culture (4%)
- civic/community (1%)
- health/human services (6%)

Source: The Conference Board
The Recipients

While we know that Americans give enormous sums to charity each year, trying to figure out where it all goes is no simple task. It is commonly assumed that most of this money is given to a large group of organizations referred to as the “nonprofit sector”—approximately 1.2 million tax-exempt organizations—and that these organizations are all “charitable.” However, approximately half of the organizations in this sector are not properly classified as charities. Among these “nonprofit, non-charitable” organizations are chambers of commerce, the AFL-CIO, fraternities, teacher retirement funds, mutual insurance companies, social clubs, and cemetery companies. They are exempt from taxation but not (necessarily) charitable.

The other half of nonprofits are more narrowly charitable, and are often referred to as the “charitable, nonprofit sector.” What sets these organizations apart from other nonprofits is that they may receive tax-deductible contributions.

There were 600,000 of these organizations in 1994, with $568 billion in revenues. They employ 15.1 million people (this figure includes an estimate for volunteers), and absorb about 6 percent of Gross Domestic Product (GDP). About half of these organizations are religious organizations, mainly church congregations. The other half are “philanthropic,” in the legal sense of being defined by the Internal Revenue Service as 501(c)(3) charitable organizations. While many organizations—like soup kitchens and homeless shelters—that provide direct services to the poor are included here, also included are many organizations, like hospitals, universities, museums, magazines, and think tanks, that presumably contribute to the well-being of society but don’t primarily serve the poor.

About 95 percent of the revenue of churches comes from giving by individuals. The revenue of the other “charitable nonprofits” tends to be spread among several different sources, with a relatively small amount coming from private givers.

In 1992, the largest portion of their revenues—almost 40 percent—came in the form of private payments (fees, dues, tuition, etc.). Grants and other payments from government accounted for 31 percent, while contributions from private sources (gifts from individuals, foundations, and corporations) accounted for 18 percent. Almost 5 percent is income from endowments and investments.
Nonprofits / Figure 8. Revenue Sources

- Private payments (fees, tuition, etc.) 49%
- Endowments/investment income 3%
- Private gifts 18%
- Government 31%

Nonprofits / Figure 9. Distribution of Revenue

- Health 57%
- Arts 2%
- Civic 3%
- Foundations 5%
- Human services 12%
- Religious 12%
- Education 19%

Source: Independent Sector

(The category “other”—which accounts for 6 percent—includes income from product sales, of things like literature and t-shirts.) (See Figure 8.)

The heavy financial reliance of the charitable nonprofit sector as a whole on fees and on government is striking. Is it possible that charities receive less than 20 cents of every operating dollar from private individuals? Can they be properly thought of as “charities” if this is so? In fact, this is in part an artifact of the inclusion in this sector of health-care organizations—mostly hospitals—and educational institutions—mostly colleges and universities. In 1992, health organizations accounted for 51.4 percent of total, charitable nonprofit sector revenues (or $261 billion) and educational organizations accounted for 18.6 percent of revenues (or $95 billion). Together, they absorb about 70 percent of all revenues of the entire charitable sector. The other 30 percent of revenues are distributed over several categories. (See Figure 9.)

While hospitals and universities provide solid benefits to society at large—in the form of healthy and educated citizens—and they undoubtedly also provide some services to the needy, they are not primarily charitable institutions in the way that a soup kitchen is. Most of the services they provide—be they instruction or health care—are in exchange for fees (either directly from individuals or, in the case of Medicare, Medicaid, and Pell Grants, from government).
The category “human services” includes most social and family service, job-training, day-care and other organizations that deliver services to the people in need. However, it also includes organizations like drug-rehabilitation programs, and AIDS, mental-illness, and advocacy groups whose focus is on a particular problem, not a particular population.

Human-service organizations accounted for 10.9 percent of charitable nonprofit revenues in 1992 (or $56 billion). Like hospitals and universities, they rely on government for about half of their financial support, though they also receive a significant amount in cash gifts from individuals. They received 50 percent of their revenue from government, 18 percent in the form of fees, and 20 percent as private gifts. Three percent comes in the form of income from investments and endowments and about half a percent comes as revenue from churches. (About 8 percent is categorized as “other,” which includes income from the sale of products.) (See Figure 10.)

The importance of private giving to help the poor may, however, be seriously understated by numbers such as these. First, giving to federated charities, such as United Way, is not counted as giving to human services, even though many of the charities that are supported by federated charities are involved in caring for the poor. Further, in many communities, churches themselves are substantially involved in the provision of human services. They operate day-care centers, provide counseling and support groups, and conduct fund-raising drives, bake sales, car-washes, and the like for charitable purposes. According to a survey by Independent Sector, 91.7 percent of congregations had programs focused on people in need, which accounted for 8.3 percent of their operating expenses. Finally, many charities—Goodwill Industries prominent among them—receive a substantial amount of in-kind donations, and many others—the Salvation Army and Alcoholics Anonymous, for example—rely heavily on volunteer labor.

Figure 10. Human-Service Nonprofits Revenue Sources
We believe that having reliable data is important, for it tells us something about ourselves and what we do with our lives. That Americans give a lot is of no surprise to us, particularly to those among us who run organizations that depend on these demonstrations of generosity. We suspect, however, that most Americans are probably not aware of how active and involved as a country we really are. But it is important that we know—important that we understand the impact that our efforts and activities have on the world around us. They do matter. They are, as we noted earlier, our secret weapon in dealing with our most urgent problems.

Because we believe that knowing and understanding what we do matters, we commissioned two surveys of the American people from the prestigious Institute for Social Inquiry at the University of Connecticut. Chapter 3 presents an analysis of the results of the first of the surveys, a survey of the American people. The second survey, of very wealthy Americans, will be released later this year.
National Survey Findings

Renewing Philanthropy in America
a summary of key findings
Summary of the Results of a National Survey of the American People
by G. Donald Ferree, Jr., Institute for Social Inquiry, University of Connecticut, Storrs, Connecticut

In support of the Commission's efforts, the University of Connecticut's Institute for Social Inquiry conducted a comprehensive survey of the general public, the results of which have been alluded to at several points earlier in the report. (See sidebar.)

Fundamentally, the survey sought to root philanthropic activity—both contributing money and volunteering time—in a broader context of society and citizenship. We did not seek solely to replicate much of the detailed work that has been done on patterns of giving, and "market research" on what may make an individual more or less likely to contribute to a particular cause. Instead, the goal was to examine the role of giving and volunteering in society and in particular to relate it to concepts Americans have of themselves and others as citizens and members of the civic community. We also sought to establish a reliable baseline which could be replicated in the future, and which could also provide the raw materials for indices of philanthropic and civic involvement. What follows is a summary of some of the key findings from the survey.

General Role of Philanthropy

The American public regards philanthropy (used here, unless specifically noted, to include both monetary contributions and volunteered time) as going well beyond the simple meeting of needs. These could be addressed in a variety of ways, treating philanthropic activity as just one means among many. But the public sees value in itself for voluntary charitable activity. Specifically, in response to the question, "How important do you feel it is for community life for people to volunteer money and time to charitable organizations," six in ten (59 percent) declared it to be "very important." If one includes the nearly four in ten (37 percent) who called it "somewhat important," well over nine in ten Americans are accounted for. This finding, which is entirely consistent with other results to be discussed below, suggests that "philanthropy" is seen as playing an important role in our common life, and thus is worthy of the attention and participation of responsible citizens even beyond considerations of what unmet needs there may be in society.
A series of questions (in the format of "agree/disagree" items) expanded on this general note. Results are shown in Figure 1. On balance, each shows a positive disposition toward philanthropy; taken together they reflect a public that sees an important role for this endeavor.

This should not be confused with a Pollyanna attitude. Thus, while the public agrees by a two-to-one (64 percent-30 percent) margin that "most charitable organizations are honest and ethical in their use of funds," this does reflect some recognition that there may be some rotten apples in the barrel and that identification with a worthy goal or simple labeling as a charity is not necessarily a guarantee of virtue.

At the same time, almost nine in ten (88 percent) agree that "I feel that my donation is put to appropriate use when I give to charitable organizations."

Why the apparent greater optimism about how one's own contribution may be used than in the overall honesty of organizations across the board? Especially in the light of the relatively low level of information about organizations that this survey bears out and that is consistent with other findings of the Commission, it may reflect a "presumption" of efficacy growing out of a positive appreciation of philanthropy. It also suggests that the earlier question means that one or two publicized bad examples may raise questions about organizations in the abstract, but that this does not necessarily touch a citizen's perceptions of charities they themselves are involved with.

Earlier we noted that philanthropy in the abstract is seen as having an important place in community life. Consistent with this, but also tapping into the "effect" of charity, almost nine in ten (87 percent) agree that "charitable organizations play a major role in making our communities a better place to live." This, of course, likely includes both meeting needs and building civic community as such.

One very important question is the relationship between private philanthropy and government action. The public does not see these as simply two "competing" ways of accomplishing the same thing. By more than three
to one (73 percent-33 percent), those surveyed disagreed with the notion that "most charities only do work the government should really be doing." Flipping the perspective, there is virtually unanimous (96 percent) agreement that "no matter how much the government does, there is important work for private charities to do." This presumption of the value of private philanthropy is an important finding of the study.

The importance of philanthropic activity for community life is further underscored by the seven to one (84 percent-12 percent) margin by which the public agrees "if a cause really matters to you, it is important to get involved directly and not just give money." Time (and the heart) should be involved in the view of most, and not just the wallet. Again, this is consistent with the idea that one is not simply meeting the needs of recipients, but that other benefits (and obligations) play a major role as well.

**Patterns of Involvement**

Overall, six in ten (59 percent) said that they had "volunteered any of your time" within the last year. Especially since many people might engage in voluntary philanthropic activity without so labeling it, this is probably a conservative measure. (Indeed, when respondents were later given a list of more specific areas and asked if they had given money and/or time, the proportion went up some.) A significant number (23 percent) said that they had done fundraising or asked someone to volunteer within that same time frame. Following up, respondents were presented with eleven more specific types of endeavor and asked, for each, whether they had volunteered time or contributed money (or both) in the last year. One should sound something of a cautionary note about labels here: what one person considers, for example, "victims of crime, abuse, or natural disaster" may not match figures derived from aggregating figures of organizations that experts would classify in these areas.

Still the results, which are presented in graphic form in Figure 2, show a public with a high and varied pattern of involvement.

**Figure 2. Charitable Activity**

Source: National Commission on Philanthropy and Civic Renewal
At the top of the list was “help people in need, such as the poor, hungry, or homeless.” Six in ten had contributed and one in four had volunteered. (Each figure includes the 16 percent who said they gave both time and money.) One in three had done neither. For this area, as for most, money is a more common way of involvement than time (only one of the twelve areas was a clear exception). If they specialize, respondents (except for that one area) are markedly less likely to give only time than to give only money. Moreover, if one volunteers, one is relatively more likely to give money as well: for most areas the group which gave time alone is smaller than that which gave money and time.

Religious organizations are a clear focus of activity, coming in overall in second place. This area is also noteworthy for the high proportion (25 percent) who gave both money and time; indeed, this was the only instance where “double contributors” outnumbered both those who gave money but not time and those who gave time but not money.

Using the percent with any involvement (that is adding up those who gave solely, those who volunteered solely, and those who did both), the next area was one which broke a number of patterns which tended to apply to the other areas: “help the elderly.” More than one in four (37 percent) had volunteered but not given money. This is the only area where this was the single most common response. Adding in those who had done both found four in ten (40 percent) giving time and one in four (24 percent) giving money. In part, this may reflect greater personal involvement with the elderly on an individual basis. It could also reflect the fact that this is an area where many people play a care-giving role for elderly relatives. (It is less clear why one might question this as “philanthropic,” however. Does charity not count if one knows the recipient?)

As Figure 2 shows, two other areas are on the same level of involvement, using the global measure. They were “schools, college, or other educational institutions,” and the area next in the list as heard by respondents, “youth organizations, like the Boy or Girl Scouts.” Lagging somewhat lower, but still finding 43 percent with some involvement, was “help handicapped people.”

Involvement trailed off (from just over one in three to only about one in five) for “victims of crime, abuse, or natural disaster,” “protecting the environment,” “to deal with drug or alcohol problems,” and “help people in other countries.” This latter was in second place on the list, and so may have included more specialized giving—e.g., schools overseas—than might have been the case if it had followed those areas. Thus, the low level of involvement (which moreover specialized strongly in giving alone) is even more striking and suggests that if “charity begins at home,” for many it
ends there as well. This may also reinforce the relationship between philanthropy and the community, since the hungry overseas are no less hungry than those next door, but one has less to do with them as fellow citizens.

It should be noted that these questions tap the frequency of involvement by giving or volunteering, and are useful for assessing the “breadth,” rather than the “depth,” of philanthropic activity. This goes beyond the consideration, noted above, that individual survey respondents might not classify a given charity in quite the same way as the experts might. The reader should also bear in mind that those interviewed were asked what amounted to a dichotomous “yes/no” question of whether or not they contributed (in a broad sense) to an area of activity. This does not necessarily yield the same picture as would emerge from a classification of “how much” is given (as opposed to “how widespread” is giving). If, for example, a smaller number of people each give large amounts, this may well generate more dollars than a much more widely supported activity to which the typical individual does not give very much. And, of course, granted the importance of the “threshold” of giving or volunteering anything, it may be far easier to convince those who give a little to give more than it is to convince those who do not give that they should start. Religious giving, in particular, may be an area where the decision to give at all implies a relatively high level of contribution.

One central focus of this study was to place philanthropy in the context of citizenship and membership in the community. To this end, respondents were asked their own sense of various types of involvement and how they rated the country in terms of how their fellow citizens’ efforts stack up. This is one area, especially, where this study is intended as a baseline to trace changes across time, as the society, its needs, and, indeed, philanthropic activity undergo change and development.

The basic strategy was to present respondents with each of seven duties, and then ask whether each was an “absolutely essential obligation for us as Americans,” a “somewhat important obligation,” or “entirely a matter of personal preference.” After the list had been gone through, it was repeated, but this time, “in terms of how most Americans act,” respondents were asked to rate the society on a scale of “excellent, good, fair or poor.” Figure 3 puts both of these together so one can easily compare how important an obligation each is, and how many see the society as doing either an excellent or good job.
It will be recalled that philanthropy was seen as important to society in the abstract, and that individuals felt it was important for them personally to get involved beyond mere financial obligation. When it comes to one's obligation as a citizen, however, the picture is a little less clear. Overall, just under half believe "volunteering time to community service" is either "absolutely essential" (20 percent) or "a somewhat important" (25 percent) obligation as an American. By contrast, just over half (54 percent) feel it is "entirely a matter of personal preference."

On the one hand, this suggests that there is a lack of consensus that a good American volunteers. And if one believes that this is an obligation, there is clearly room here for improvement. On the other, it suggests that taking part in voluntary philanthropy is something where many emphasize the importance of individual choice and that it be truly voluntary. Granted the fact that other questions show the importance of philanthropy in general and volunteering specifically, and that many Americans do volunteer, this interpretation may be bolstered. It should also be noted that the particular phrase "community service" may have conjured up, not so much "activity in service to the community," but more structured programs. In any event, respondents clearly see room for improvement in what they and their fellow citizens do in this regard. Only one in four say "we as a society" are now doing an excellent (3 percent) or good (23 percent) job in this regard.

The chart shows that responsibility to one's fellows is clearly felt in a variety of areas. More than nine in ten view three areas as at least somewhat important obligations, including at least three in four who deem them essential.

These areas are "reporting a crime that one has witnessed" (77 percent essential), "taking action to help if we hear someone screaming or see them being attacked" (80 percent essential), and "treating all people equally regardless of race or ethnic background" (85 percent essential). All speak to the importance of being a responsible member of the community, even where it might not match personal preference or come at the risk of safety. They also reflect a clear sense that the individual ought to get involved, and
cannot take refuge in the argument that misfortune (or misbehavior) of others is of no concern to anyone not directly and personally involved. The typical American clearly believes that no man (or woman) is an island.

Two more overtly "political" activities lag a bit. Voting is seen as important by seven in eight (and as essential by 73 percent). "Keeping fully informed about news and public issues" is labeled as at least somewhat important by just under eight in ten and essential by 48 percent.

"Donating blood or organs to help with medical needs" falls a bit lower. Six in ten see that as an important obligation as a citizen, including just under four in ten (39 percent) who deem it as essential. This means, it should be noted, that "volunteering" in general is not quite so highly rated as this more specific act, which may reinforce the point made above about the meaning of "community service." There may well be considerations that hold even individuals favorably disposed to community involvement in general from these specific actions (e.g., matters of religion, tradition, or health). Thus, the discrepancy may reflect a somewhat narrow interpretation of what the general questions meant.

One striking finding evident in Figure 3 is that, for all areas, respondents see plenty of room for potential improvement. On only one (donating blood) does the proportion rating our societal performance as either excellent or good exceed three in ten. On two, "voting" and "treating all people equally," it falls below two in ten. "Volunteering" thus seems reasonably typical in this regard; where performance in community life falls well below what respondents might like. This will be an important area to trace in the future, as outlined below, as this baseline study is used as a benchmark to study changes across time, or for comparisons between specific localities and the nation as a whole.

These questions, however, make it clear that "philanthropy" by no means exhausts the public sphere, which extends well beyond it. Table 1 shows a number of activities that respondents reported taking part in during the last year. It is noteworthy that for each, the proportion saying they had taken part is lower than that saying (earlier on the survey) that they had volunteered time within the same period.

Still, Table 1 makes it clear that there are a variety of areas with relevance both to needs in the community and the need for community. That is, respondents may concern themselves both with individual needs in their

<table>
<thead>
<tr>
<th>Civic Activities</th>
<th>Percent doing this in past year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attended a public meeting on town or school affairs</td>
<td>45 percent</td>
</tr>
<tr>
<td>Attended a meeting of a club or civic organization</td>
<td>42 percent</td>
</tr>
<tr>
<td>Worked informally on projects in the community</td>
<td>40 percent</td>
</tr>
<tr>
<td>Served as an officer or some club or organization</td>
<td>21 percent</td>
</tr>
<tr>
<td>Joined a local club or organization</td>
<td>16 percent</td>
</tr>
<tr>
<td>Took part in a protest</td>
<td>8 percent</td>
</tr>
<tr>
<td>Became a member of a political organization</td>
<td>7 percent</td>
</tr>
<tr>
<td>Served on a town or school board</td>
<td>4 percent</td>
</tr>
</tbody>
</table>
community, and their own (and others') willingness to engage in activities that build up a sense of community. Moreover, the picture is broader than suggested by any one individual type of activity. Seven in ten (71 percent) participated in at least one of the endeavors shown in Table 1. Only one in five (20 percent) took part in only a single area, and about the same number (18 percent) engaged in two, leaving 33 percent who reported three or more. Thus, activity is varied and quite widespread.

Proclamations of the end of Tocquevillian America, and the exhaustion of "social capital" would seem to be premature.

To be sure, except for attendance at a public meeting, overtly political involvement is limited. Much is less structured, with working informally in the community and attending a meeting of a club or civic organization on a rough par with a more formal meeting, and such activities as protesting, or serving on a board, lagging badly.

Of course, there is overlap. Indeed, on a related item (not in this list), when individuals were reminded of the variety of other groups that "sometimes" do charitable work, one in six (17 percent) claimed to be a member. And there was widespread (82 percent) endorsement of the idea that such involvement was appropriate as opposed to saying unions or fraternal organizations should "stick strictly to their primary purpose." Indeed, when asked about the current level of non-overtly philanthropic organizations they themselves belonged to, while over half (54 percent) would like to see them "about as involved" in charity as they now are, almost all the sentiment in favor of change would like to see them more involved (22 percent) as opposed to less so (1 percent).

Parallel questions were asked about the involvement of religious bodies in activities beyond providing religious services to their members. Here, nine in ten (88 percent) saw broader involvement as appropriate, and of course, for many Americans, religious affiliation is a significant activity in itself. These patterns should serve as another reminder both of the "social" and "community" aspect of philanthropy and of the fact that it is not seen as an island unto itself in community life. Philanthropic activity may well have a "social" component to it; social activity may have a philanthropic aspect. One may participate in meeting the needs of others both because of an obligation to them as individuals and as an expression of one's desire to be involved with others in common activity. Civic renewal, that is, cannot be fully separated from philanthropy, and public opinion is supportive of this linkage.
Intentionality and Planning

If philanthropic involvement is widespread, part of a web of community activity, and widely seen as important both personally and in the society, this does not mean that the typical American approaches it with comprehensive plans or attention to detail. Only about one in three (35 percent) say they “try to have an overall plan for your giving,” two thirds (63 percent) “mostly make decisions every time someone asks you to make a donation.” On the one hand, this is fully consistent with the observation often made that a significant barrier to philanthropic participation is “no one asked,” and incidentally helps reinforce the “social” aspect. Often it is not abstract, perceived “need” that sparks involvement but the fact that some other individual(s) call the need to one’s attention and ask for participation. On the other, it suggests the lack of any comprehensive scheme of giving and volunteering, however important these may be in principle.

Going along with the ad hoc nature of much decision-making, fewer than one in three target either an amount of money (as only 12 percent do) or a percentage of income (as do 19 percent) for giving away. Measured by the median, the typical lump-sum target is $300, the typical percentage is 10 percent. (These are not comparable, since those who gave a target figure did not have a target percentage, and vice versa).

Everyone was asked what they had given in both dollar and percentage terms, and—among those giving anything—the median was 5 percent and the median dollars reported were just under $500. But what is most striking is that more than four in ten would hazard no estimate at all about what percent of their income they had given away in the aggregate, and almost two thirds would not or could not make an estimate of the dollar total.

Americans think they are roughly typical on balance. Compared to “most people with your income,” those who thought they gave either a lot more or somewhat more (33 percent) were roughly balanced by those who thought they gave a lot or somewhat less (31 percent). This symmetry could indicate a carefully considered comparison, but coupled with the uncertainty of actual amounts, it really serves to underscore the lack of detailed knowledge. When it comes to volunteering, there is a bit more of a sense that others may do more: the just shy of four in ten (38 percent) who think they volunteer a lot more or somewhat more than others is slightly outnumbered by those (46 percent) who feel they do somewhat or a lot less. Even granted the stated lack of explicit comparison to others, though, this suggests one avenue to increased volunteer activity, since many feel that at least a modest increase would only serve to bring them up to what many others are already doing.
If they are uncertain of what they themselves do, and if they seem to lack a coherent plan, the typical American is not trying to either keep up with or otherwise compare with “the Joneses” when it comes to contributing or volunteering. Almost nine in ten (88 percent) said they did not “really think about what other people do when you decide whether to give time or money.” This point is reinforced by the fact that the overwhelming majority (79 percent) would prefer to remain anonymous when they contribute money or volunteer time, while fewer than one in ten (8 percent) would prefer that “people know about it.” The Biblical admonition to give alms in secret would seem to strike a responsive chord among today’s Americans.

Reflecting lack of knowledge and/or a lack of disposition to find out about new opportunities, two thirds (66 percent) try to give to the same organizations year after year, while only one in six (15 percent) invest the effort to “try to find new places to make donations of time or money.” Coincidentally, by the same margin, most prefer to give to a smaller number of organizations “even if that means giving less to any one.”

**Effectiveness and Goals**

A primary factor in the decision to give is the (stated) goal of the effort. To be sure, seven in ten claim that, beyond just considering the intent of a charity, they pay either a lot (38 percent) or some attention (32 percent) to “how effective charities are in actually meeting (emphasis in original) the goal”. when they give. But the low level of information our survey found suggests that this is more a potential problem where charities’ effectiveness is called into question than something the typical donor goes out of his or her way to research. Indeed, fewer than one in five (18 percent) consider themselves “very well informed” about how effectively the money they give away is actually used.

**Figure 4. Importance in Charitable Decision-Making**

[Bar chart showing importance of different factors in charitable decision-making]

Source: National Commission on Philanthropy and Civic Renewal
Going along with this are results when respondents were asked how important various factors were when they made up their own minds about what to give or where to volunteer. These results are summarized in Figure 4, showing the proportion ascribing "a lot" or "some" importance to each of seven factors. Heading the list is "how worthy the goal of the organization is": over nine in ten give this at least some importance (the relative picture would not be materially changed if one considered only the proportion saying each factor had "a lot" of importance).

Next, and close to one another, were financial efficiency ("how much of the money given actually goes for charity as opposed to fund-raising or running the organization") and "how many people are actually helped," to each of which about seven in ten give at least some importance. Just about half (50 percent) paid at least a modicum of attention to recommendations by organizations such as churches or unions (remember the "indirect philanthropic role" alluded to above). "Knowing your own contribution is big enough to actually make a difference by itself" and "whether or not your contribution is tax deductible" stand at just over and just under four in ten giving them at least some importance. But it is clear that, while a number of factors play a role in the abstract, the goal is not only the easiest known but also the most important aspect of a potential charitable contribution.

One other aspect of "efficacy" has to do with the perceived comparative efficiency of governmental and private attempts to address human need. The public seems quite deeply split. Specifically, when respondents were asked what would happen if the government "tried to do less and we relied more on private charities," four in ten thought the "real needs" of people in America would be met either a lot or somewhat better; four in ten felt things would be somewhat or a lot worse. This fits with the earlier sense that there is a role for both, and that one cannot be seen simply as making up for shortfalls in the other. The contrast between consensus on the importance of philanthropy and sharp dissensus over whether government or the private sphere meets needs better emphasizes that the two are not exchangeable alternatives but have complementary, if somewhat different, responsibilities.

Finally, there is a clear sense that one important aspect of giving is what it gives to the giver. Asked to imagine a hypothetical situation where a goal was achieved ("like a disease being cured or some other problem solved"), three respondents in four (76 percent) would "find some other way to give the same amount of time or money" while only one in eight (13 percent) would "just be glad your help was no longer needed and not increase other donations." Whether or not this prediction would be literally borne out is beside the point. The fact remains that this response is one more piece of evidence that giving of one's time and treasure has value in itself, and not just in what it accomplishes for others directly.

Earlier it was noted that Americans tend to recognize the importance of being directly involved in causes they consider important. Going along with this, they ascribe personal importance to their own volunteering. To be sure, six in ten (63 percent) say that what they give away and the time they
volunteer are equally important. But those who say the time is more important (27 percent) clearly outnumber the relative handful (7 percent) who say the money is. Considering that money giving is more common than volunteering, and that it is hard to volunteer for causes at a distance, this underscores the satisfaction received from volunteering, which is related to its personal rewards and importance for the community.

This importance of volunteering to the volunteer is further emphasized by the fact that there is only a very inexact match between job skills and skills in volunteering. The largest group (42 percent) say that the two spheres call for "really quite different" skills. Next come those who say they use talents in volunteering which are only "somewhat similar" to those on the job. One in five (20 percent) say they are the "same skills."

By five to three (51 percent-29 percent), indeed, Americans prefer to use different skills when it comes to volunteering. This is not simply an outlet for skills insufficiently utilized in the workplace. For almost two in three (64 percent) say that "most of the volunteer work" they do is "something that anyone could do," while only one in four (26 percent) think it "requires special skills and experiences that not everyone" has (but presumably the volunteer possesses). If the work is important, however, but does not in general tap into ones' specialized skills, this must imply that volunteering is important both for human contact—as opposed to the meeting of abstract need—and that the personal involvement in itself must provide a significant reward.

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**Future Uses of the Data: Replications and Indices**

This study is intended to inform and supplement the work of the Commission in the short run. But it also is intended to be a "baseline" effort that can form the basis of future efforts.

One important dimension of that is time. It is important, to be sure, to know what proportion of the population thinks philanthropy is important to civic life. But another vital question is whether the sense that it is important is going up or down. Replicating individual questions from this survey as well as batteries of items can place public views (and behavior) in a temporal context.

Beyond this, the present survey does not make it possible to go into too much detail as to whether there is a common public opinion climate across regions, age groups, or (especially) localities. Using this instrument in a variety of cities, for example, makes it possible to compare one city with another and examine the extent to which each mirrors a coherent national picture.

More specifically, in collaboration with the Commission and other interested parties, University of Connecticut researchers are developing a number of special "indices" in which series of questions can be combined into a single summary measure, which could be measured in the future for the nation as a whole or for various localities or subgroups within it. There are several
such potential indices that might measure just where the nation stands (or parts of it stand) on a parallel with the various indices of stock market performance which condense large numbers of individual trends into a more readily understood summary measure.

At present, we envision at least five such indices. One will be based on the number of areas to which individuals contribute/give (and will have two sub-indices which will measure the extent to which giving goes along with volunteering as opposed to substituting for it). Another will look at the relative position of philanthropy on the civic-obligation scale compared to other items (and will say whether it is relatively increasing or decreasing in importance).

These obligation/individual-choice items, in conjunction with the rating of the country on its performance, will generate an index which measures the “gap” between what people consider important and how well they feel the country is doing. Again, this might take the form of sub-indices measuring the importance of “duties,” performance, and the fit between what is expected and what is perceived to be achieved.

A fourth index will trace the involvement in giving, contributing, and the other measures of civic involvement to tap both the number taking part in the particular activity and the extent to which citizens are specialists. Thus, it would be possible to consider, for example, if the typical citizen is more or less active, as well as whether he or she is more likely to “specialize” in certain forms of activity.

How much people know about the activities to which they contribute, how well they assess the importance and performance of various efficacy measures (comparative efficiency of the private sector), honesty of charities in general and efficient use of resources by charities to which one contributes, will play a part in this index. This is the most problematic in some sense since it is less obviously based on items that are parallel in form and content (for instance, in the case of obligation of various duties compared to performance).

Future work may well suggest other indices. The key point, however, is that the construction of these summary measures will enable “shorthand” comparisons which will allow examination of cross-time trends or across-group analysis without requiring a long, detailed discussion of a wide variety of individual items. Each index necessarily involves simplification, but the individual items making them up will still be
available, and the widespread use of summaries ranging from stock indices, to unemployment rates, to television ratings, to the Consumer Price Index, testifies to the importance and utility of such summary measures.

**Conclusion**

Overall, these selected results, which do not exhaust the survey in its full richness as a once-in-time measure, let alone as a baseline for future comparisons, paint a coherent picture. And there is nothing in the picture of the population that emerges from this survey that is inconsistent with the aspirations and recommendations of the Commission. The Commission’s title appropriately links “philanthropy” to “civic renewal” and the health of the society. For philanthropic activity cannot be divorced from other aspects of participation in a democratic society. Moreover, many of the functions it serves (for donors and recipients) go beyond the meeting of material needs, however important these may be.

At the same time, there is a long way to go before we reach the goals of the Commission, or indeed the aspirations of the citizenry. But the basic supporting attitude structure is there, and energized volunteering (in the fullest sense) could play a major role in the civic renewal of the American society.
chapter four

The Economics of Giving
Understanding 4 why we give
wo out of every 3 households gave money to charity in 1995, in amounts totaling more than $116 billion—or almost 2 percent of total personal income. Another $10 billion was passed along in the form of bequests. By any stretch of the imagination, that is a lot of people giving away a great deal of money. The amount given voluntarily that year by individual donors would have, for example, funded the entire Medicaid program, with AFDC, Veterans’ Pensions, and federal child nutrition programs thrown in on top.

The Economic Behavior of Donors

That a lot of Americans give a great deal of money to charity is well understood. Why we give so much is poorly understood, perhaps because many economists approach this topic with at least one arm tied behind their backs: They assume that man is always a calculating maximizer of his own selfish interests. They simply take this as a given, leaving other possible explanations of behavior to poets, psychologists, and prosecutors. Thus, charitable giving—which looks awfully much like money or time given away without clear benefit in return—simply appears out of character when examined through conventional economic lenses. It is, so to speak, irrational behavior.

A few economic theorists have attempted to explain this behavior; in part by borrowing from psychology, sociology, and history. They now typically suggest four possible explanations for giving. The first is narrow economist-style self-interest, meaning that “I give so that I will receive the benefits of recognition and gratitude.” The second is referred to as the “warm glow,” which means that “I feel a sense of personal satisfaction from the act of giving even though I get few tangible benefits from doing so.” The third is altruism, meaning “I give to improve the well-being of the recipient or of society.” Fourth is “commitment,” meaning that “I give because I feel an obligation to do so,” an obligation often rooted in religious or moral beliefs. Many givers, if honest with themselves, would recognize a bit of each of these motivations—and probably others that researchers have yet to identify—in the processes they go through when they make decisions about philanthropy and volunteering.

Because three out of four of these explanations depart significantly from the classic conception of “economic man” as a maximizer of his own interest, and instead rely heavily on the less-pure social sciences and humanities, they tend not to come up in discussions of public policies that influence giving.

Income and Giving

While we may have to wait a while longer for solid explanations about why people give money to charity, we do know something about who gives and how much they give.

Though no one income group has a monopoly on generosity, the very wealthy—not surprisingly—tend to give more overall. Households with incomes above $100,000—3.9 percent of all taxpayers—were responsible for 22.9 percent of all giving in 1992.
Within each income group, a relatively small number of households accounts for most of that group’s giving. Typically, those who contribute 5 percent or more of their income to charity account for half the total contributions of their income category. These very generous households comprise 10 percent of all households but account for 54 percent of all individual giving.\(^9\)

The types of organizations that one gives to tend to change as income levels rise. The poor make most of their contributions to religious organizations, while the wealthy give more to institutions of higher education, arts and cultural organizations, and hospitals.\(^4\)

**Tax Policy and Giving**

People who itemize charitable gifts on their federal income-tax returns are allowed to deduct those gifts from taxable income, thereby reducing the net cost—or “price”—of a gift to the donor/taxpayer. (For a description of what price means in this context, please see the sidebar.) As the wealthy are far more likely to itemize than others, economists speak of them as being more sensitive to the “price” of giving.\(^5\) (To see how many itemizers there are in each income group, refer to Figure 1.)

While few economists believe that the amount of someone’s disposable income and the “net price” of giving alone determine whether one chooses to give, economists believe they are important considerations, not only in determining the size of a gift, but also in determining its form\(^6\) and timing.\(^7\)

**Figure 1. Percent of Itemizers Per Income Group**


**The Cost of Giving:** If you go to the store and purchase an item that is priced at one dollar, the cost to you (in terms of what economists term “foregone consumption”) is a full dollar. Likewise, if you give a dollar to charity and do not take any deductions when you pay your taxes, then the cost to you in foregone consumption is also a full dollar. But for those who deduct their charitable gifts—which one must “itemize” on one’s 1040 in order to claim such a deduction—a dollar given to an eligible recipient costs the donor something less than a full dollar’s worth of foregone consumption. This is referred to as the “price effect,” the price of the gift minus the discount (the size of which depends on one’s marginal tax rate).
As the wealthy are much more apt to itemize deductions on their federal 1040's, they are also more likely to experience the effect of a change in the price. This means that, if the price-of-giving is an important determinant in the decision to give, since that price is determined by marginal tax rates, it would stand to reason that, when tax rates are changed, giving would change as well. If marginal tax rates fall, for example, then the price of a gift rises, making giving more "expensive." This analysis suggests that giving would be expected to be less after the change than it would have been without the change. A higher tax rate might similarly be expected to boost giving. Or so goes the theory.

**Testing Theory Against Reality**

To what extent does actual charitable giving resemble bargain-hunting? We might try comparing the theory with real experience. The 1980s offer a pretty good test, because federal income tax rates were reduced twice during that decade, first in 1981 and then again in 1986. If the assumptions set forth in the previous paragraphs are correct, then giving, at least among those income groups affected by the rate changes, would have been expected to fall.

Yet actual giving rose after both rounds of changes to the tax code! From 1982 to 1989, individual giving rose by 27.8 percent. Measured in constant dollars, it rose 2.3 percent in 1987, 5.3 percent in 1988, and 4.1 percent in 1989. If the theory says that lower marginal tax rates should cause giving to decline, how do we explain the fact that the opposite actually occurred?

One plausible explanation is that "net price" doesn't matter as much as the theory suggests. Put simply, people don't have a precise idea of how much they benefit economically by giving. As long as they know they are getting some benefit, they may give anyway. The National Study of Philanthropy, conducted in 1973 but still the most comprehensive survey of philanthropy, is instructive in this regard. When respondents were asked if they could specify how much they would save in taxes if they gave $100 to charity, 72 percent of respondents said they did not know the answer and about 6 percent gave an impossible answer (savings resulting from a nonexistent tax rate). Only 21 percent of the sample gave plausibly correct answers. Even among the wealthy—people most likely to itemize—only half of those surveyed gave plausible answers.

**Economic Growth and Giving**

That explanation would be consistent with another theory that has been suggested for charitable behavior, which is that economic growth and individual prosperity overwhelm the effects of tax policy. Total giving has been a nearly constant fraction of national income for a long time, hovering around 2 percent since the early 1970s, while individual giving has remained steady at about 1.9 percent of personal income over the same period. (See Figure 2.) This has remained so under very different tax regimes, with the highest tax rates ranging from 70 percent (in 1971-81) to 28 percent (in 1988-90).
Another respected economist, Charles Clotfelter, demurs from this view: “Since taxes are just one of the possible influences on giving, it is of course possible for them to be important even when giving increases with income. Moreover, the sharp decreases in marginal tax rates in the top income classes were not enjoyed by taxpayers in general” during the late 1980’s.

Each of these views has some merit. We have little doubt that tax policies exert some influence on people’s decisions about giving. However, if, in the long run, a rise in charitable giving is desirable—and we think it is—we believe that it will depend in larger measure on the overall health of our economy, the prosperity of our country, and the earnings of our people. Let us remember, too, that tax policy also affects the amount one earns in the first place—and helps determine whether, after paying the mortgage and feeding and clothing one’s family, one has enough left to give to charity. We favor tax (and other) policies that promote economic health and prosperity. They are most apt to foster the circumstances in which our already-generous population can afford to give even more.

The economist Alan Reynolds explains: “To the extent that giving is a constant fraction of income, regardless of tax rates or rules, tax policy cannot possibly be of much importance—except to the extent that tax policy affects the growth of real output and income. Real growth of giving depends on real growth of the economy.”

Figure 2. Individual Giving as a Percent of Personal Income
A Brief History of American Charity
Tracing the traditions of giving
he words “philanthropy” and “charity” are often used as synonyms, but our Commission doesn’t view them that way. When people think of charity, they—and we—typically think of organizations like the Salvation Army, which provide assistance to the poor. When one thinks of philanthropy, we include such undertakings as the Ford Foundation, the Metropolitan Museum of Art, and Princeton University, efforts presumably intended for the betterment of mankind in general but not targeted to the poor, nor, typically, toward the strengthening of particular communities.

The distinction, we think, is important. But it didn’t always exist. In this country, philanthropy and charity were once understood to be complementary if not identical. In an attempt to trace these concepts back in time, we have relied heavily on the work of two distinguished historians of philanthropy, Robert Bremner and Robert Gross.

The Origins

The roots of American philanthropy go deep. The seventeenth century saw the launching of heroic missionary enterprises to foreign lands. The missionaries themselves were motivated by what they thought were benevolent ends (even if the means by which they pursued them were sometimes less honorable). They saw themselves as philanthropists of a sort: new lands to be civilized, natives to be converted, and the like. As Bremner has observed, “[M]any Europeans regarded the American continent mainly as a vastly expanded field for the exercise of benevolence.”

From the time of the English settlement until about 1750, according to Gross, “society was localistic, corporate, and inclusive (more or less) in its expression of charity... Provision for the poor... was the primary mechanism for the expression of charity.” Most towns had a very simple structure. A few institutions were formed out of necessity: church, school, courts, town, and militia. They were established through the law and sustained with taxes. “In the course of everyday life,” Gross writes, “neighbors could informally cooperate in corn-husking and barn-raising, quilting and apple bees; they could trade goods and ‘change works’ with one another, without any money passing between them; they could watch over the sick and help bury the dead. As the ministers said, they simply needed each other to get by.”

Among the early American settlers, a conception of philanthropy took root whose lineage went back to the Protestant Reformation: True charity meant helping others, not oneself. And the effect of the gift on the recipient should be the most important consideration. Perhaps the first major figure to preach about charity on these shores was the Puritan leader John Winthrop. In 1630, he delivered his sermon, “A Model of Christian Charity,” in which he proposed a code of conduct by which man pledged strict obeisance to God. The Puritans, mindful of that code, adopted a set of practices regarding the poor and destitute (as summarized by Gross):

1. “Every community was obligated to take care of its own legal inhabitants.”

In some communities, this was the town. In others, the parish.
2. "Aid was direct, personal, concrete."

3. "There was no separation between the needy and the rest of the community.... Normally, people were cared for in families, either their own or the households of others."

4. "Most communities made no effort to distinguish between the worthy and unworthy poor."

5. "Towns ... were quick to discriminate between neighbors and strangers."  

Cotton Mather, "the most prolific and conspicuously learned writer of the colonial period," must, according to Bremner, be considered "the chief exponent of do-goodism in colonial America." In one of his most important and popular essays, *Bonifacius, or Essays To Do Good*, Mather urged his followers to engage in "a perpetual endeavor to do good in the world." Charity, for Mather, began at home. He counseled people to know who the needy were in their communities and to keep their eyes peeled for new persons who might require assistance. Because of his great desire to do better by the poor, he cautioned people to be wise in their giving: "Instead of exhorting you to augment your charity, I will rather utter an exhortation ... that you may not abuse your charity by misapplying it." His motto, in this regard, was: "Let us try to do good with as much application of mind as wicked men employ in doing evil."  

**Associations and Organizations**

Benjamin Franklin, though influenced by Mather, possessed a different cast of mind. He shifted the emphasis from personal charity to the poor to furthering the community's general welfare. He envisioned a society in which there would be no poor, and, therefore, no need for charity. He believed that traditional alms-style charity was doomed to fail. The money would be wasted and the poor would remain impoverished. Proper philanthropy, however, would give the poor the hope and the means to be self-sufficient, eliminating the need for charity.

This would be accomplished through the application of one of Franklin's greatest insights, the value of associations of people in furthering the common good. Associations, founded because of mutual interests among people, would be far more than the sum of their parts. Franklin himself amply demonstrated the power of this insight. Among the organizations that he personally founded were a mutual improvement society (called the Junto), a hospital, a free school for the poor (which would become the University of Pennsylvania), a subscription library, a volunteer fire department, and the American Philosophical Society.

According to Gross, "If Franklin promoted a philanthropic goal, he could infuse it with the spirit of charity. Teaching a man how to employ and repair a razor, Franklin could enjoy an immediate relation to the object of his aid.
and derive direct satisfaction from the results. The practice of philanthropy was not yet an impersonal act. For Franklin’s generation, charity and philanthropy could still work together in common cause."

By 1820, within 30 years of Franklin’s death, there were 2,000 of these voluntary organizations in New England alone. In 1829, a Philadelphian named Matthew Carey tried to talk his neighbors into giving to a subscription campaign for the 33 benevolent societies in that city. He failed. However, his effort was a sign of things to come: The modern “community chest”—the precursor of United Way—would be born 80-odd years later in Cleveland.

A revealing episode in nineteenth-century charity involves a small group of businessmen known as the Boston Associates. They had grown wealthy in the textile industry and decided to use their leisure and money to help the needy. Their two most ambitious projects were the construction in 1818 of the Massachusetts General Hospital and the McLean Asylum (at first actually a branch of the hospital).

Historian Robert Dalzell describes the Associates as having decided early on that they were not interested in trying to influence the world or even their state. Rather, they wanted to concentrate their philanthropic activities in their own community. They were “reluctant to cast their nets farther than they could see from their own doorways....” Of course, the discoveries made in the world-famous hospital and the celebrated mental-health center had positive implications for society at large, but “that was a by-product of the system, never its reason for being.”

An interesting factor in the success of both hospital and asylum was the involvement of the trustees themselves. According to Dalzell, they took an active role in the governing of the institutions, “settling major questions of policy and, through weekly visits to the wards, satisfied themselves that everything was running smoothly.” The trustees recognized their limits, though, ceding to staff most day-to-day decisions. Dalzell explains: “Once the trustees had established policy, qualified professionals were to exercise effective control... To be sure, there had to be standards on which to base these judgments, ... and even then trustees and professional personnel might disagree, but at least they would be talking the same language, giving weight to the same factors.”

It was not too long thereafter—1831 to be exact—that the Frenchman Alexis de Tocqueville arrived in America and observed this new world of associations in full flower. Tocqueville is, of course, justly famous for his insightful observations about the vigor and extent of America’s civic associations, contained in his best-known book, Democracy in America. That work, according to Gross, “Captures that moment when an older tradition of charity began to give way to a new mode of philanthropy, with enduring consequences for how we carry out our lives today.”
The older tradition, as commonly understood, involved direct, compassionate acts of service to others, acts in which the giver is a direct participant, not a distant donor. The newer tradition, which we now term philanthropy, is more distant, impersonal, and professionalized, and is oriented toward solving social problems.

One reason for this evolution may be that America was becoming more distant and impersonal in certain aspects. By the early 1720s, several urban centers of commerce—notably Boston and New York as well as Franklin’s Philadelphia—were growing so rapidly and their inhabitants becoming so much more mobile, that institutions were created to provide for the needs of these strangers. By the time Tocqueville arrived, such institutions had become an immutable part of the American landscape.

Yet, most were small at the time, dealing primarily with individuals in a particular community. Others were broader in scope. The American Sunday School Union, the American Home Mission Society, and the American Society for Promoting Temperance are examples. According to Dalzell, “Each of these was national in scope and organized hierarchically, with paid ‘agents’ doing much of the work, a central office, usually in New York, and a network of regional and local branches. Functions were carefully delineated both within and among individual organizations... The great benevolent societies were designed to achieve their purposes with impressive efficiency.”

While Tocqueville pictured these associations as having formed through the spontaneous cooperation of citizens—as at first they had—they were already being noticed and influenced by what we would call public policymakers. State legislatures began to issue charters to these organizations, permitting them, as legal entities—like corporations and banks—to make contracts, assume obligations, own property, and conduct business. And they could live on indefinitely, even as individual members came and went.”

Un till the 1840s, this process of incorporation required the blessing of the state legislatures. However, after the 1844 Supreme Court ruling in Vidal v. Girard’s Executors, anyone with a lawyer and the proper paperwork could incorporate a voluntary association.

The proliferation of these institutions—as early as the mid-nineteenth century—threatened to weaken the older charitable impulse. Whatever their benefits in terms of efficiency, they created distance between donors and recipients, mediating the individual act of charity. The ensuing evolution in the treatment of the poor is instructive. The poor—including many recent immigrants—would wander about, seeking work. Instead of being viewed as neighbors down on their luck or resembling members of established communities, they began to look like a distinct class, one that was vaguely sinister. Gross says, “They had become ‘the other’—and it became essential to remove them from everyday life, segregate them in separate institutions—poor houses, asylums, penitentiaries—and set about reforming them to middle-class norms.”
These efficient institutions of social welfare looked different than the kind that Ben Franklin would recognize, and the philanthropy they practiced was different as well. According to the historian Roy Lubove: “Believing that social problems were subject to rational analysis and control, but also that their scope and complexity were too vast to be handled by the impulse of benevolent individuals, reformers in the late nineteenth and early twentieth centuries created an immense network of welfare organizations to care for the deprived and maladjusted.” The key to tackling these problems was the professional social-service organization, and its object was efficiency.30

To achieve this efficiency, social welfare agencies sought to discipline, channel, and filter the individual’s charitable impulse. The channeling was done by trained professionals who specialized in casework. Agencies would still utilize volunteers, but, according to Lubove, these amateurs would be deployed only after careful “screening, training, indoctrination, and supervision,” and then only for specific tasks that did not conflict with the duties of professionals.31 Lubove, an authority on the rise of professionalization, argues that practitioners of social work felt compelled to justify themselves, so they tried to draw a hard-and-fast line between casework—something done efficiently by professionals—and charity, which is done haphazardly by volunteers.

needed supplies and services to the troops, but in building up civilian morale and the will to win.”32 Before the war’s end, 15,000 soldiers’ aid societies were formed. Massive amounts of relief—for both sides of the massive struggle—went to the widows and orphans of men killed in the war. Public relief—from local, county, and state governments—was even more plentiful, bringing with it public debt and higher taxes.

In June, 1861, the United States Sanitary Commission—a private association despite its official-sounding name—was formed. The purpose of the new umbrella group was to unite the local relief organizations under one national entity. It could then exert its incredible influence to improve conditions in the military camps, hospitals, and prisons, to prevent needless suffering and death. “In short,” Bremner writes, “the tasks of the Sanitary Commission were to organize and direct the activities of thousands of women’s societies and to bring the force of informed opinion to bear on the [Lincoln] administration and military leaders.”33 During the war, the commission inspected and cleaned up camps and hospitals, and improved the design of hospitals and the methods for transporting the wounded. Its many branches collected supplies and distributed them through hospitals and on the battlefields. Bremner notes that their most important service was to save lives.

The 1860s brought the Civil War, in which, according to Bremner, “Charitable enterprises were of great importance, not only in providing

During the war, other associations were formed to help fugitive slaves. These grew and became the freedmen’s aid societies, which sought to provide the freed slaves with relief and equip them with the tools of citizenship. However, by 1863, the freedmen’s societies determined that the job was
really too big for them and appealed to President Lincoln to establish a
government bureau to look after the affairs of the freedmen. In March, 1865,
Congress authorized establishment within the War Department of a Bureau
of Refugees, Freedmen, and Abandoned Land. The bureau operated
nationally, helping whites as well as blacks. It leased land and found jobs for
people, had a court to hear civil and criminal cases
involving freed slaves, and founded orphanages,
hospitals, schools, and colleges. Between 1865 and
1870, the bureau built and repaired hundreds of
schools, and provided transportation and housing
for the teachers. The bureau also assembled a plan
for private-philanthropy to build teachers colleges
for blacks (which were in very short supply), leading
to the founding of Howard, Fisk, and Atlanta
Universities and other historically black colleges.

From the end of the Civil War to the dawn of the
twentieth century was an era of great accomplish-
ment for philanthropy, due in part to the emergence of
“scientific philanthropy.” The scientific philanthropists, according to
Bremner, “took the ‘do’s’ and ‘don’ts’—especially the latter—handed down
from generations of charity reformers, organized them into a comprehensive
system of rules, and applied them more rigorously than ever before in
American history.” Though the roots of scientific philanthropy ran deep, its
immediate catalyst was the success of the Sanitary Commission and similar
wartime institutions, entities widely understood to have made wartime life
measurably better. One of the signal developments of this period was the
creation of state boards of charities, volunteer panels of distinguished citizens,
who were to investigate the conditions of public welfare institutions (and
private ones that received public assistance) and make recommendations for
making them more efficient and humane. In 1883, Massachusetts
would be the first to have one, and within a decade 10
other states would also found charity boards.

The scientific philanthropists believed that private
giving could provide for all the needs of the poor
provided it became properly organized and efficient.
This meant that it had, in Bremner’s phrase, “to be
purged of its sentimentality and organized into an
effective force.” When one philanthropist made a
$30,000 gift to a soup kitchen, he was attacked by
charity reformers. A local newspaper responded; in
his defense, that, while the philanthropist’s scheme
gave “all soup and no salary,” the professional philanthropists
would have preferred “all salary, no soup.” The ideal of the era’s
reformers was the Charity Organization Society, founded in 1869 and modeled
after the London Charity Organization. Such societies would act as depositories
of information on the poor and as dispensers of good advice. A few got involved
in the actual provision of relief and social services, such as day-care for working
mothers, savings banks, and job training for unskilled women.
In 1889, the industrialist Andrew Carnegie published his essay, "Wealth," in the North American Review in which he suggested that philanthropy, rather than being palliative, ought to seek to prevent social problems. (Bremner has called "Wealth" probably the "most famous document in the history of American philanthropy.""") Carnegie believed that the rich man, the result of natural selection, was an agent of public good. It was his duty to act as a trustee of mankind, and use his wealth as he saw appropriate. Carnegie believed he could do good by building institutions that would improve society. He was personally content to give most of his money away himself. To this day, libraries and many other institutions that he funded (and that bare his name) are ubiquitous. However, Carnegie's ideas provided the intellectual groundwork for a new philanthropic institution, the foundation.

Though entities called "foundations" had existed since soon after the American Revolution, Carnegie and his fellow industrialists—John D. Rockefeller, Julius Rosenwald, and others—created an essentially new institution that would dispense money for any people or purposes deemed worthy. It would be overseen by a board of trustees and worthy aims would be identified and analyzed by a staff of professionals."" As enormous sums of money were poured into these institutions with the intent of trying to improve the human condition, these efforts would, in Bremner's phrase, "make earlier philanthropic ventures seem somewhat amateurish.""

Perhaps the first great foundation benefactor was John D. Rockefeller. He had made frequent gifts for most of his adult life, and as he became older and wealthier, he felt burdened by his wealth. Even very large gifts, such as the $600,000 he donated to found the University of Chicago in 1889, would hardly make a dent in the vast wealth he had accumulated. And though he was perfectly willing to give, he felt obliged to inquire into the worthiness of a cause before he would do so. As his philanthropic interests grew, his time began to be consumed by the effort that was required. In 1891, he hired a man named Frederick T. Gates to assist him in his beneficence. The historian Peter Dobkin Hall describes Gates' influence: "Gates systematized Rockefeller's giving, introducing 'into all his charities the principle of scientific philanthropy' and permitting him to lay aside 'retail giving' for 'wholesale philanthropy.'""" In 1913, Rockefeller would charter the Rockefeller Foundation in the state of New York, endowing it to the tune of $100 million.

Though both Carnegie and Rockefeller would individually give away enormous sums over their lifetimes (Carnegie gave $350 million, Rockefeller, $530 million), their more lasting contribution would be the foundations they created (or that were created in their names). These were, in Bremner's words, "institutions capable of distributing private wealth with greater intelligence and vision than the donors themselves could hope to possess.""

At first, the foundations focused on specific functions or issues, usually those identified by the donor. However, as Hall describes their evolution, foundations became "progressively more open-ended in intention and in the
discretion granted trustees.” A new foundation, the Russell Sage Foundation, was founded with the very idea of being “elastic in form and method to work in different ways at different times” for “the permanent improvement of social conditions.” It intended to fund research about social problems in order to influence public opinion concerning them.

In 1913, the second most prominent philanthropic institution—the modern “community chest”—was born. The Committee on Benevolent Associations of the Cleveland Chamber of Commerce had set about assembling a list of agencies that were approved to solicit contributions from Chamber members. In 1913, they established the Federation of Charities and Philanthropy, which would raise money annually and distribute it to the charities on an approved list. The federation was governed by a board made up of representatives of many community groups. After the success in Cleveland, community chests started popping up all over the country. By 1929, there were community chests in 129 cities, receiving $300 million from 35,000 corporations. However, the success of the community chest created an apparently inescapable dilemma. It not only created more distance between donor and service-recipient, but also between donor and service-providing agency: “This was the ultimate in bureaucratization... An anonymous public supported an anonymous machinery to serve anonymous clients.”

Indeed, 1913 was a busy year. It also saw the inauguration of the federal income tax. (In 1917, personal contributions to charitable organizations became deductible.) A year later, war would break out in Europe. The United States would enter the war in 1917, and neither the country nor philanthropy would ever be the same. The Red Cross—which had been founded in 1881 by Clara Barton, whose heroics during the Civil War had saved countless lives—is the most prominent case in point. President Woodrow Wilson, recognizing the potentially important role the Red Cross could play in minimizing deaths and improving war conditions, insisted they appoint a War Council. The Red Cross did so, and the new council moved to appoint a banker named Henry Davison as its chairman. One of his first decisions was to set the fund-raising goal for 1917 as $100 million, 50 times as much as the Red Cross had spent in the first three years of the war. Davison hired a team of experienced fund-raisers, who would exceed that very ambitious goal in 1917 and would raise $175 million in 1918. The Red Cross took in $400 million during this period, and its membership grew from a quarter of a million people in 1917 to 21 million in 1919.

The Great Depression

If the role of government had always expanded during war, many have argued that it would have been expected to retract to some semblance of its old self when normalcy returned. The events of the 1920s and 1930s would permanently alter that paradigm. In the 1920s, many states began to adopt public relief programs for dependent children, the blind, and the elderly. In 1931, New York would be the first state to offer assistance to local governments for unemployment relief, under the leadership of Governor Franklin D. Roosevelt. Brenner argues that this is a watershed moment. “A
break had been made with the outdated assumption that relief was a purely local responsibility. After that not even the Chamber of Commerce of the United States . . . could block the drift toward federal participation in relief."

When Roosevelt entered the White House in 1933, according to the historian Michael Katz, "he confronted a deepening depression, massive suffering and unrest around the country, a banking system tottering on the brink of collapse, bankrupt mayors and governors demanding help, worsening unemployment, farmers unable to sell their crops or pay their debts." He had to act fast." His early legislation, much of it unveiled in the famous first hundred days, depended upon a massive expansion of federal power. The Federal Emergency Relief Administration (FERA) was begun in May of 1933. By March of 1934, it was distributing relief to 3.7 million families. By one month later, it had grown to 4.5 million! Between May 1933 and June 1936, when it was disbanded, FERA would spend more than $3 billion, and it would fundamentally and lasting alter the conception of philanthropy and charity in America.

Most FERA funds, which were funneled through the states, were given in the form of grants-in-aid—as opposed to direct cash—that required matching funds from the states. According to Katz, "grants-in-aid . . . forced states to improve their standards and practices by providing more adequate assistance, hiring more professional personnel, and increasing their administrative equity and efficiency." This would lead to the increasing identification of relief with public agencies. "The FERA thereby reshaped the practice of social work by heightening the role of public agencies and sharpening the division of responsibilities between them and the private sector." By the arrival of World War II, the United States had the foundations of a government-based social-insurance system. In 1932, all levels of government had spent $208 million on public aid (up from $21 million in 1913). Nearly a decade later, in 1939, government public aid amounted to $4.9 billion. No one now expected private philanthropy to have much impact in terms of providing relief. Bremner (who approves of this development) writes, "Philanthropy was almost free to return to more congenial occupations: "pioneering," development of experimental programs, promotion of research, enrichment of cultural life, and improvement of techniques of helpfulness applicable to individuals and families at any income level."

Between 1939 and 1945, American charities sent more than $500 million overseas, and would send more than $2 billion in the 6 years after the war. Yet those sums, too, were dwarfed by government outlays. Through the Marshall Plan, the United States would spend $12.5 billion from 1948 to 1951.

Beginning in 1940, the foundation field started booming. Between 1940 and 1960, 5,400 new foundations were established, up from a total of 591 in the years up to 1940. In the 1950s, they would come under sustained attack. Several congressional committees began looking into foundation activities, because of the perception—strengthened in part by the McCarthy/Hiss imbroglio—that foundations were supporting anti-American causes. In the
end, however, the over-zealousness of the investigations undermined their own credibility, and the foundations survived for the moment without any major federal regulations.

The social-insurance system that began in the New Deal would expand through the 1950s. “Never again,” Bremner writes, “would voluntary benevolence be expected to play the dominant role in relieving sheer economic need. For this very reason, philanthropy’s role became more complex, and its responsibility for devising and demonstrating helpful services was heavier than ever before.” This change was most evident in the boom in new national organizations devoted to a single cause or disease or ailment. Their primary methods of fund-raising were door-to-door solicitations or, gradually, mass-mail solicitations.

The Sixties

From Kennedy’s New Frontier to Lyndon Johnson’s Great Society, the federal role in providing relief would proceed throughout the 1960s as before. According to Katz, “Between 1962 and 1974, federal legislation transformed the nature of service delivery across the nation. New programs expanded the federal government’s role as a provider of social services, and a variety of forces accelerated federal spending along its existing parallel tracks: social security and aid to families with dependent children.” Federal spending would increase from $194 million in 1963 to $1.7 billion in 1972. Meanwhile, as eligibility requirements for federal aid were gradually loosened, the roles began to grow. In 1960, 7.1 million people received public assistance. By 1974, 14.4 million were on the welfare roles. Most of this growth was in the Aid to Families with Dependent Children (AFDC) program, which increased from 3.1 million people in 1960 to 10.8 million in 1974.

The nature of the services changed, as well. Katz writes: “Services no longer emphasized primarily the reduction of dependency; instead they aimed increasingly at ‘enhancing human development and the general quality of life.’ And after 1967, the federal government increased its reliance on ‘purchase of service’ agreements, by which it would pay private agencies to deliver services. This, combined with the easing of rules by which states calculated their portion of matching funds, resulted in an enormous expansion in the funding by the federal government of private organizations for the delivery of social services.

Meanwhile, foundations were busy trying to fight off further attacks. In 1961, a Texas congressman named Wright Patman began an eight-year assault on foundations that would have a different outcome than the Congressional investigations of the 1950s. Patman felt that foundations in general should be more accountable to the public, though his primary targets were the big, national foundations—the Ford Foundation prominent among them—which had gotten involved in a number of projects of an “activist” and quasi-political nature during the Sixties.

The sociologist Peter Frumkin writes, “The ultimate product was a portrait of large foundations as political meddlers and small foundations as tax
dodges for the wealthy." Congress eventually put together a package of new regulations, enacted as part of the Tax Reform Act of 1969. That law instituted a 4 percent annual excise tax on foundations' net investment income (later reduced to 2 percent, and 1 percent in certain situations), prohibitions against self-dealing by foundation officials, an annual payout of 6 percent of assets (later reduced to 5 percent), a 25 percent limit on the ownership of a corporation, and various public disclosure requirements. As a result, foundations would become increasingly professionalized as they sought to protect themselves from further such invasions.

In the early 1970s, a number of prominent individuals in the world of philanthropy felt that something was askew. According to Bremner, they felt that "philanthropy was not keeping pace with the economy and that its significance in American life was not sufficiently recognized by either government or business..." So, in 1973, the privately funded Commission on Private Philanthropy and Public Needs was convened. Commonly known as the Filer Commission, it released its report and six enormous volumes of scholarly research in 1975. That report argued for changes in the tax code to encourage more giving, greater corporate giving, and the loosening of regulations on the lobbying activities of charities. It also argued for the creation, by the federal government, of a permanent commission to oversee philanthropy. According to Hall, the research, produced by a vast array of scholars from many disciplines, "gave substance to what, up to then, had been only an idea: that charitable tax-exempt organizations composed a coherent and cohesive 'sector' of American political, economic, and social life." In 1976, Senator Edmund Muskie of Maine and Congressman Barber Conable of New York, followed through on one of the Filer Commission's recommendations, spurring the passage of the Public Charities Lobbying Act, which permitted charitable organizations (other than foundations and religious organizations) to spend a portion of their budgets—up to $1 million a year—on lobbying at the different levels of government.

The "independent sector"

In 1980, Independent Sector was founded, an organization, according to Hall, "that would represent the interests of all charitable tax-exempt organizations." It would be located in Washington, D.C.

That same year, Ronald Reagan would also move to Washington, to take up occupancy of the White House. Believing that government programs that dispensed relief had become counter-productive because of the "moral hazard" that was created—encouraging behavior that keeps people mired in poverty—Reagan wanted to turn part of this responsibility back to voluntary organizations, which, he felt, could do a better job for less money. He also wanted to reduce tax rates, which would increase the amount of disposable income that people would have, thus boosting the amounts of money they would have to give to charity, among other things.

Despite Reagan's effort, government funding would comprise an ever-greater portion of the income of voluntary organizations by the end of the Eighties. And this exacted a painful toll. As Bremner notes, "growing reliance on
government funds raised questions about the agencies’ integrity and the relative importance of service and advocacy in philanthropy. It was also noted by more than one observer that the organizations with the most government support were most often involved in advocacy. By the end of the 1980s, welfare—relief—remained in Washington.

In August 1996, Congress passed a welfare reform bill that abolished AFDC and replaced it with a federal block grant called Temporary Assistance for Needy Families (TANF). After some public debate, President Clinton signed that bill, thereby terminating the federal guarantee. TANF essentially gave states and localities the freedom, and the funding, to administer welfare as they see fit.

Then, in late April of 1997, as this report was being prepared, the Ford Foundation—the richest foundation in the world—announced $50 million worth of new grants. Included among them were $20 million for poverty-fighting initiatives through community-based institutions like churches, banks, and credit unions. One set of these initiatives would set up savings accounts for low-income people, with their deposits to be matched by foundation money.

What is striking about these two very recent events is that they are examples of two major American institutions—the federal government and our largest private foundation—starting to look afresh at strategies fundamentally different from the top-down, bureaucratic approach they had long employed. These are approaches that look directly to the locality—to each community—to assist its own most vulnerable members. And while these two cases are but preliminary evidence, their scale and visibility are apt to encourage others to similar (or perhaps greater) boldness and originality.

That philanthropy—charity—has changed quite a bit since Ben Franklin walked the streets of Philadelphia cannot be in doubt. Surely some of that evolution has been healthy and more than a little may be judged inevitable. Yet in our zeal for efficiency, we seem to have lost something, too. Charity was once more personal, less distant, than it is now. Those who knew best were those who knew the names and foibles and virtues of those they were helping and could see the results.

By the time Tocqueville arrived in America, a tension had been created between the desire to feed and clothe the poor (charity) and the desire to improve the general condition of man (philanthropy). In the twentieth century, government became the major provider of “charity,” with charities, very often, as partners or collaborators. Today, the act of giving to charity by individuals more often than not involves writing a check and inserting it into a direct-mail return envelope or giving one’s credit card number over the phone to an operator at a fund-raising shop.

The most effective charities are those that emulate the older tradition of charity that we have sketched here. They are the ones who are doing the most and best to save our communities. They are doing the back-breaking work of saving their communities. And there really is no mystery to how they do it. They do it day by day, one by one, from the inside out. Slowly, tentatively, arduously—but it works.
chapter six

The Need for Wiser Giving

Giving Better Giving Smarter

Renewing Philanthropy in America
A strategy for effective giving
American philanthropy is driven largely by millions of individual decisions to give time or money to what the givers believe are worthy causes. Although many of the largest gifts and some of the highest-profile, best-publicized charitable activities are undertaken by corporations and foundations, the individual donor actually dominates American giving. Hence, if American philanthropy is to improve, to change, or to become more effective—as we believe must happen—this will depend largely on the actions of individual citizens.

Yet our Commission has found that, as generous and well-intentioned as Americans are, there is a haphazard quality to individual philanthropy. While the level of total giving measured as a percentage of national income has remained fairly constant over time, there is no indication of a pattern, a trend, a plan, or a strategy for individuals who want to donate time or dollars to nonprofit organizations. Mostly, it seems, we give when asked and to organizations that seek us out. We are reactive givers.

The Dilemma of the Individual Giver

It's well and good to give when asked, but this pattern favors large, traditional charities—often charities located half a continent away from the prospective donor—with big fund-raising staffs and elaborate direct-mail operations. By contrast, we are less apt to give to highly successful, small-scale organizations in our own community because they are so busy providing services, so thinly staffed, and, in a sense, so shy, that they don't come knocking on our doors nearly so loudly or so often.

Our lack of "strategic giving" is particularly important when it comes to giving to help the poor and needy, which is the focus of this Commission. After all, the decision to give money to one's alma mater or to a well-known national organization is a relatively easy decision. They are likely to ask. (Indeed, some seem to ask every night at dinnertime!) We've heard of them. They seem to have decent reputations. We have no reason to be suspicious. Their causes are worthy. And so forth. The same pattern frequently applies to the large, well-established charitable organizations in one's own community. Many donors know these institutions from their own experience. We would expect them to have a pre-existing relationship with the organization. Hospitals, schools, and churches are often fixtures in the communities that they directly serve and interact with the people who give them money.

That is far less true of small, local organizations that help people in need. Homeless shelters, soup kitchens, neighborhood safety groups, drug-rehabilitation and pregnancy-prevention programs, tutoring projects, mentoring groups, or job-training centers have little direct contact with people who are not in need of their services. Direct contact with wealthy philanthropists is even rarer. Moreover, these organizations for the needy are, quite sensibly, located in the neighborhoods where needy people live. The individual city or suburban resident who can afford to donate time or money to these organizations might never come across them in his or her daily life. For many of these organizations, out of sight has indeed meant out of mind.
This physical isolation from many organizations that help the poor reminds
us of how American charity has been transformed over the last two
centuries. As we have seen, “alms giving” was once a far more personal
affair. It involved direct contact between well-meaning donors and people in
need of help. While many people today venture into soup kitchens to lend a
hand, at least at the holiday season, the process of giving money to
organizations that provide services is generally a
far more formal, abstract, and distant one.
Americans who give money to an organization
rarely have first-hand experience with the
organization itself. Few will have visited the
program they support or discussed its operation
with the program founders or leaders. Often, we
find ourselves simply casting checks into the
mail in response to appeals that arrived in the
mail—or the telephone version of those appeals.
We seldom go near the organizations we
support. If a person is not contacted directly by
the charitable institution first, she is unlikely to
write a check. But neither is she very likely to go see for herself what
that institution does or how effective it is.

The result is that every year Americans give a great deal of money to
organizations they know very little about. Although they may have no
reason to doubt the efficiency or effectiveness of the group they have helped
to support, they have no positive knowledge about it, either. They’re going

on its appealing mission statement, its general reputation (or sometimes
simply its name), the evocative literature that it sends, and the fact that the
government has seen fit to exempt it from taxation.

Our own survey of Americans emphasizes the atmosphere of uncertainty that
surrounds individual giving. A considerable number of respondents had no
exact knowledge of how much they actually gave to charity. Sixty-three
percent reported that they do not have an overall plan
for giving, but rather make decisions only when asked
to make a donation or volunteer. Having decided to
give money, most Americans (66 percent) appear
content to stick with what’s familiar or routine,
giving to the same organizations year after year.
Only a fraction of Americans make long-term plans to
leave money to churches, schools, or charitable
organizations.

This situation is easily understandable. But it means
that Americans who want to support credible,
effective organizations that help needy people and that
strengthen frayed communities have a difficult task. There is no easily
obtained reference guide to good charities, much less an objective list of
criteria to evaluate each charity. Learning about smaller, local organizations,
which do not have the resources to do extensive fundraising, is especially
hard. Many donors find it easier to donate to the high-profile national
charities for the poor, or to the United Way. Those are fine organizations, but
over the years their vision has blurred. With hundreds of nonprofit groups—including political and advocacy organizations—now on their rolls, individual donors cannot be confident that their contributions will be focused on the neediest in their communities.

Through this process, giving has become more mechanical and anonymous. Once a check is written and mailed, there is rarely any follow-up or contact between donor and recipient (other than when the receipt is mailed back for one’s tax records). Rather than linking the giver and the recipient organization, Christmas fundraising drives and semi-annual direct-mail appeals have isolated them from one another. We are spending money on charity to help the poor, but we have only a hazy notion about what happens to our money once it reaches the recipients’ hands.

Those who choose to donate volunteer time in addition to, or instead of, money have only a slightly easier experience. Because they presumably work on the premises of an organization that helps the poor, they can get a “feel” for the place that people who only give money cannot. But volunteers may also have difficulty determining whether the organization they are affiliated with is actually using its resources effectively or having a long-term impact on the people it serves.

Making Giving Strategic

If giving is to become more effective in America, much of the improvement has to come from donors themselves. Although philanthropies often talk about moving donors beyond “mere check-writing,” we believe that much work still needs to be done at, and before, the check-writing stage. The problem with so much American giving is that individuals spend little time considering where and how their money will do the most good. They treat charity as an obligation or a habit, but rarely as a long-term investment in their communities and their fellow citizens.

We believe donations to organizations that help the poor demand more careful deliberation because, when they are handled that way, they can be far more effective. While generous donations to large national organizations that provide services for the poor are not to be discouraged, they often represent a missed opportunity to strengthen more innovative, if less prominent, local institutions and organizations.

Making donations to smaller, locally based organizations, however, requires considerably more exertion on the part of the donor. Many small groups that provide services to the poor lack the budget and staff to invest in extensive “development” or outreach programs with donors. They are often the product of a single visionary individual. Because they may operate outside the parameters of government welfare programs, they may not have received funding either from government or from large national and community foundations. Yet discovering these more effective local charities helps restore a high degree of community involvement to the act of giving money or volunteering time. It may also do more good for the poor and needy and for one’s community.
There can be no hard and fast rules for individual giving. It is too complex a process for that. However, as we have gone about our work as members of this Commission, and through the work that many of us do each day in our own communities, we have learned that the most impressive acts of charity often have traits or features in common. The points described below are an attempt by us to describe these traits. They might be thought of as rules of thumb or guideposts for giving. We think they will help you find the most successful charities.

1. **Be Entrepreneurial:** One of the hallmarks of successful investors is their willingness to be creative, to take risks, to identify overlooked organizations that are worth supporting. Financial investors, of course, expect something in return. We think that donors should too. Act as if your gift is an investment. Do what a careful investor would do to make sure his or her money isn’t squandered. Use common sense and don’t be buffaloes by the jargon of experts.

2. **Give Locally:** There is no shortage of well-established charities and volunteer organizations that are nationally or regionally operated. And some of them do good work very efficiently. Yet, local organizations have a comparative advantage over the wealthier, bigger charities. These are the organizations that are most apt to be committed to reviving the donor’s own community. The donor can see where they do their work, the people they are helping, and the neighborhoods that they are trying to restore. Because of this proximity, the donor is better positioned to make judgments about what kind of help is most needed there. Local giving also allows the donor to be entrepreneurial. By bypassing the big bureaucratic charities or national information clearing-houses, the donor has the opportunity to discover lesser-known groups or leaders who exist outside the circle of government grants and the lists of charities favored by large foundations. The donor can become a genuine partner in creating an organization that works.

3. **Learn the Basics:** Because every gift of money or time can potentially make a difference to an organization engaged in helping the poor, you should obtain basic information about who is receiving your gift. What is the purpose of the organization? How long has it been in existence? What is the philosophy of its founders? Who is responsible for its administrative and financial management? Does the organization directly help the poor, or is it a “pass through” operation, funneling money to other charities? By finding out answers to these questions, the donor can become a prudent investor, putting his or her money toward the most effective efforts.

4. **Establish a Goal:** Sometimes the easiest way to gauge the effectiveness of a charity designed to help the poor is to see whether its goals can be stated simply: “providing shelter to older, homeless men”; “offering job training and counseling to residents of an impoverished neighborhood”; “teaching English to new immigrants in a poor neighborhood”; “reclaiming houses overrun by drug dealers.” Of course, in the real world, most groups that help
the poor do so by offering many services. But a donor can best understand a charity if its objective can be readily described in concrete terms. Cosmic ambitions to solve social problems often have noble motivations. But shrewd donors might conclude that their money is better utilized by organizations that focus laser-like on tangible tasks and well-defined projects, serving people with names in neighborhoods with names.

5. Evaluate What Works: The greatest challenge in identifying effective charities is trying to figure out “what works.” While all charities believe they are making a difference, good ones should be willing to test themselves to find out whether they really are. More and more charities are recognizing that independent evaluations, conducted over time, are essential to their long-term success in achieving their goals. And, significantly, foundations are beginning to see the importance of providing funding for them. Because they take time, and can be extremely expensive, such evaluations may be unreasonable for some small charities, but there are other, less formal measurements to demonstrate the impact of what they do in the community. A perusal of an organization’s 990 form (which is the financial form that tax-exempt organizations must submit to the IRS), as well as its annual report, will tell you quite a bit about them.

A word of caution is in order here. While we think evaluations are very important, they should not be granted undeserved authority. Even the best evaluations are blunt instruments for measuring complex phenomena. We have seen changes occur in people that we have been unable to describe except as miracles. Yet they only count as “1” on the balance sheet of the evaluator. It is important to ask, “How do we know we are doing good?” Evaluations are a way to help us begin to know that.

6. Watch Where the Money Comes From: Every donor to an organization should know how that organization is supported. Many charities that have long track records in helping the poor receive lots of federal, state, or local government funding. The donor should always inquire what restrictions and rules those government funds impose on an organization. Government funding per se should not disqualify an organization from receiving your gift. But it is worth determining to what extent that organization depends on government subsidies and whether that dependence has made it less flexible and innovative in helping those in need.

7. Watch Where the Money Goes: About half of the donors in our survey said they pay attention to how much a charitable organization spends on administrative costs compared with the amount spent on delivering services. This single item of information, if honestly calculated and openly displayed,
can be deeply revealing about how a group runs itself. Donors should know where their money is going. Well-run programs should be able to offer potential donors a breakdown of how money is allocated and how they will be funded in the future. Many organizations that provide services to the poor conduct annual audits.

8. **Know the Board Members**: The advantage of giving locally is that a donor can sometimes know board members (and other involved donors) personally or by reputation. Learning about their commitment to the organization and the history of their affiliation with it can help assure potential donors of the integrity of a charitable organization. If people who are pillars of their communities are deeply involved with, and devoted to, the organization, a donor can have confidence in the accountability of the organization.

9. **Visit the Site**: There is no better way for a donor to make at least a partially informed judgment about a charitable organization that purports to help the needy than to visit it. True, a single visit cannot tell you how money is spent or what the long-term impact of a particular activity is. But the ability to see what an organization looks like, what it actually does, whom it serves, and how it fits into the surrounding community can help a donor see what kind of solutions his time and money will support. Even the most mundane qualities of a site—its cleanliness, its order, its energy level, the work of staff and volunteers, the role played by the leader, its situation in the neighborhood—will give the donor a sense of what goes on there every day in its efforts to assist those in need.

10. **Consider Faith-Based Charities**: We know from survey data that Americans give generously to religious organizations, most often their own church, mosque, or synagogue. Unfortunately, many local, faith-based charities working with the poor are neglected by foundations and corporations because they don’t want to appear to be advocating or favoring a particular faith. There is, however, considerable anecdotal evidence that such charities have tremendous success in fields such as drug and alcohol rehabilitation, in establishing a safe haven in a crime-ridden community, and in offering counseling and guidance to unmarried young parents. Precisely because they are religiously based, these organizations may operate in unconventional ways when compared to traditional human-service groups. This often proves to be an advantage in those distressed neighborhoods where government and other private-sector efforts have failed.
Institutional Philanthropy & Religious Giving
A strong commitment to local civic renewal
he money given by foundations and corporations never fails to impress. The names Ford, Rockefeller, Carnegie, Mellon, Pew, and Annenberg are familiar to many Americans. The charitable activities undertaken by companies such as American Express and Phillip Morris are well-publicized. The MacArthur Foundation “genius grants,” some of them in excess of a million dollars to a single individual, routinely receive national press coverage. The United Way is customarily the highest-profile, and often the largest, charitable activity in our communities. Indeed, it’s likely that many Americans, upon hearing the word “philanthropy,” automatically think of these major institutional donors.

Thus it may be surprising to learn, as we noted earlier, that foundations and corporations actually play relatively small roles in the drama of American giving. Still, we find several reasons to scrutinize institutional philanthropic activities. Because they are spread across the entire country, because many of their actions are so visible, and because their ability to make large donations can launch entire programs and organizations and movements, their potential impact is immense on efforts to revive civic institutions that help the poor.

Additionally, for better or (sometimes) worse, foundations and corporations have the ability to “sanction” or legitimize certain charitable efforts—and to place a cloud over others. Having received support from one foundation or corporation, even a small organization has the ability to “leverage” that grant to attract others and generate more giving. Similarly, in our celebrity-obsessed age, being overlooked or rejected by a foundation or a corporation may cast a pall over the seeming worth of an entire organization.

None of this is to say that foundations and corporations have an exemplary record when it comes to giving. As we noted in Chapter 1, much of our dissatisfaction with American philanthropy as practiced today stems from misguided giving by the largest foundations. This is especially important because they are the organizations most apt to be seen as pace-setters by other donors, most likely to command front-page articles in major newspapers and attention on the evening news.

**Foundations: How Wealthy? How Generous?**

There are roughly 38,000 private foundations in the United States with nearly $200 billion in assets. One quarter of all foundations accounts for almost 97 percent of all foundation assets. The biggest foundations (in terms of assets) make almost 90 percent of all foundation grants (in terms of dollars). Looked at another way, roughly half of all foundation grants are made by the 300 largest foundations.

Despite the considerable assets and grantmaking power of these foundations, the amount of money they actually disburse in grants in a given year is relatively small. The sociologist Peter Frumkin, in a paper prepared for this Commission, points out that 17 of the 20 largest foundations made grants totaling less than 5 percent of their assets, a surprising figure, he suggests, given that many foundation endowments have realized sizable returns of 15 percent or more in recent years. Table 1 surveys the payout rate for the 20 largest grantmaking foundations.
Table 1. Assets and Giving of America’s 20 Largest Grantmaking Foundations (1995)

<table>
<thead>
<tr>
<th>20 Largest Foundations</th>
<th>Assets</th>
<th>Total Giving</th>
<th>Giving as % of Total Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ford Foundation</td>
<td>$ 6,600,562,000</td>
<td>$ 285,228,002</td>
<td>4.37%</td>
</tr>
<tr>
<td>Kellogg Foundation</td>
<td>$ 6,054,576,656</td>
<td>$ 222,691,781</td>
<td>3.69%</td>
</tr>
<tr>
<td>Robert Wood Johnson Foundation</td>
<td>$ 3,754,163,612</td>
<td>$ 135,864,955</td>
<td>3.62%</td>
</tr>
<tr>
<td>Pew Charitable Trusts</td>
<td>$ 3,298,733,548</td>
<td>$ 57,169,536</td>
<td>2.76%</td>
</tr>
<tr>
<td>Lilly Endowment</td>
<td>$ 3,093,732,921</td>
<td>$ 99,354,957</td>
<td>3.27%</td>
</tr>
<tr>
<td>MacArthur Foundation</td>
<td>$ 2,914,554,520</td>
<td>$ 137,279,275</td>
<td>3.99%</td>
</tr>
<tr>
<td>Rockefeller Foundation</td>
<td>$ 2,364,552,922</td>
<td>$ 93,260,988</td>
<td>3.94%</td>
</tr>
<tr>
<td>A.W. Mellon Foundation</td>
<td>$ 2,191,323,000</td>
<td>$ 105,567,655</td>
<td>4.82%</td>
</tr>
<tr>
<td>Robert Woodruff Foundation</td>
<td>$ 1,722,729,866</td>
<td>$ 61,317,640</td>
<td>3.56%</td>
</tr>
<tr>
<td>David and Lucille Packard Found.</td>
<td>$ 1,544,060,433</td>
<td>$ 62,715,546</td>
<td>4.06%</td>
</tr>
<tr>
<td>Kresge Foundation</td>
<td>$ 1,470,893,425</td>
<td>$ 60,083,081</td>
<td>4.09%</td>
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<tr>
<td>Annenberg Foundation</td>
<td>$ 1,387,318,383</td>
<td>$ 117,996,033</td>
<td>8.51%</td>
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<tr>
<td>Duke Endowment</td>
<td>$ 1,260,115,470</td>
<td>$ 138,002,147</td>
<td>3.41%</td>
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<tr>
<td>Charles Stewart Mott Foundation</td>
<td>$ 1,205,824,120</td>
<td>$ 51,995,688</td>
<td>4.28%</td>
</tr>
<tr>
<td>Carnegie Corporation</td>
<td>$ 1,106,710,522</td>
<td>$ 45,272,208</td>
<td>4.05%</td>
</tr>
<tr>
<td>McKnight Foundation</td>
<td>$ 1,000,000,000</td>
<td>$ 52,000,000</td>
<td>5.20%</td>
</tr>
<tr>
<td>Richard King Mellon Foundation</td>
<td>$ 1,041,059,700</td>
<td>$ 25,262,447</td>
<td>2.38%</td>
</tr>
<tr>
<td>Annie E. Casey Foundation</td>
<td>$ 1,097,683,886</td>
<td>$ 52,010,831</td>
<td>4.80%</td>
</tr>
<tr>
<td>Starr Foundation</td>
<td>$ 1,055,640,633</td>
<td>$ 45,106,346</td>
<td>4.28%</td>
</tr>
<tr>
<td>Dewitt Wallace-Reader’s Digest Fnd.</td>
<td>$ 996,414,188</td>
<td>$ 58,925,583</td>
<td>5.91%</td>
</tr>
</tbody>
</table>


Prevailing modes of foundation behavior, exemplified by these “pacesetters,” are largely the symptoms of a culture of professionalism that was created in the wake of the Tax Reform Act of 1969, which, for the first time, imposed fairly stringent regulations on foundations. While this culture has well served the foundation community, protecting it from its critics, it has also made it much harder for foundations to support strong, independent, locally run charities that would benefit from foundation support. In five important ways, foundation professionalism has created problems that discourage the funding of innovative and effective programs.

First, the culture of professionalism has deeply influenced the decision-making process of major foundations. Following the passage of the Tax Reform Act of 1969, many foundations went on hiring binges, creating multilevel bureaucracies much like those of large corporations, supported by ever larger administrative budgets. Today, the Ford Foundation alone has around 600 full-time staff members. These staff members have developed into a kind of “new class,” with its own prejudices, jargon, and preferences. The raison d’être of foundation staff is the “process” of philanthropy, which involves mainly navigating oceans of paperwork and time-consuming rules and procedures.

Secondly, the staffs, in turn, have become exceedingly self-conscious and risk-averse. They fear taking chances with funding targets, for if they take a risk with a grant and fail, they have failed. Their actions, thus, tend to be influenced by the norms of the foundation community, accepted by their colleagues at other foundations. Often, instead of making large grants to an
organization-based on demonstrated ability, they will make very small grants to minimize potential damage. This risk-aversion favors organizations that need the support the least and puts the unorthodox, local, non-governmental anti-poverty program at a disadvantage when it comes to obtaining foundation grants. Peter Frumkin describes the problem this way:

Nonprofits with large operating budgets and comfortable fund balances are viewed as well-managed and successful. On the other hand, emerging organizations with small budgets are often viewed askance by foundation professionals simply because other donors have not yet rallied to support these organizations in more frail financial condition. The consequence of philanthropic timidity is that financially stable nonprofit organizations with large budgets receive the largest grants simply because their budget size confers upon them an aura of worthiness and legitimacy. Rare is the foundation that will offer funding to an anti-poverty program based on the impressive vision of the program's leader, the integrity and accountability of its board members, and a visit to its site.

The fourth effect of professionalism is the debasement of serious and honest evaluation. Most foundation staff are naturally inclined to accept good news about programs at face value and to be advocates for continued support. To do otherwise would be at least an implicit admission that an error of judgment had been made. In a paper prepared for this Commission, the political scientist James Q. Wilson observes that "many foundations say they are interested in evaluations, but by this they mean an annual report from the service organization that lists the things it has done." This fear of measuring results against intentions has weakened one of foundations' greatest attributes, their ability to focus substantial sums of money in one place for a particular reason with relative ease. According to Frumkin, this fear "has stripped philanthropy of the opportunity to use funded programs as laboratories for experimentation."

Thirdly, organizations that do seek foundation support must learn how to swim in the oceans of paperwork that foundations create for them. They must prepare lengthy descriptions of new programs, discuss plans with foundation officers, and prepare detailed budgets. According to Frumkin, potential recipients often find that even relatively small grants from foundations are becoming "as nettlesome to gain as government contracts."

Fifth and finally, foundations have become so enamored of funding ever-newer and presumptively better programs that they often lose sight of the more practical, though less novel, and long-term needs of a community. The
result is that the foundation may only be committed to the financing of a particular program or activity, not to the ongoing health of the organization. As several members of our Commission have observed, a foundation will buy you a new bus to transport people to job training, but it will never give you the gas money to keep the bus running. Data confirm this perception. For instance, of the 35,000 grants made in 1995 in the 5 states with the most foundations, only 5.2 percent were for more than one year. The multi-year grants lasted for an average of only 2.5 years. Further, foundation staff and trustees tend to avoid devoting funds to "general operating support." Yet for the small organizations that provide shelter, deliver meals, or run after-school programs for children, sustained general operating support is precisely what they most need.

We understand that this is a genuine dilemma for foundations; especially the smaller ones with limited resources. They wish to make an impact by helping to launch something new. There is much to be said for promoting bold initiatives that will bring previously unavailable services to the poor. But very often the challenge that most impoverished communities face is that there is not enough money for the programs that have already taken root and won the trust of a neighborhood. Unfortunately, as long as foundations limit themselves to writing checks for new initiatives, they will fail to be the long-term investors and strategic guides that fledgling local programs need.

Compared with other kinds of giving, corporate philanthropy is relatively new. In 1934, the U.S. Supreme Court ruled, in the case Old Mission Portland Cement v. Helvering, that a San Francisco-based company could not make a charitable donation to the local community chest. Corporations, the Court reasoned, could only expend money (which, after all, belongs to their shareholders) on things that were in their direct business interest. Changes in the IRS code in the 1930s, and a 1953 New Jersey court decision permitting a corporate gift to Princeton University, liberalized the "direct-interest" rule and encouraged more corporations to make such gifts.

The most significant statistic about this type of giving, according to the political scientist Joel Schwartz, writing in a paper prepared for the Commission, is that more than 90 percent of America’s largest corporations make philanthropic contributions. Still, it is difficult to conclude that corporations are overly generous. Their annual giving—$7.4 billion in 1995—represents a minute fraction of annual corporate profits. Indeed, corporations give less of their income than ordinary citizens give of theirs.

Because of their prominent public profiles and considerable resources to attract public attention in the cities and towns where they are located, corporations have the potential to play a significant role in helping the poor and rebuilding communities. Like foundations, contributions to education and health and human services make up a significant share of corporate
gifts. But, as Schwartz points out, it is difficult to talk about corporations collectively. They tend to behave individually according to the interests of their executives, shareholders, and employees.

For many years, corporations tended to give mostly to "safe" targets. Federated giving through the United Way was, until the late 1970s, the customary form of corporate assistance to poor communities. But from 1978 until 1987, there was a steady decline in federated giving as corporations attempted to become more involved in their own communities. That would seem to have been a positive step. Corporations are in a good position to assess the needs of communities where they typically employ hundreds of people. Not only can they provide cash to worthy local efforts in poor neighborhoods, they can often offer technical assistance, material, and space for local programs, and—importantly—volunteers.

One increasingly popular way for corporations to make contributions (and a less costly one, when compared to cash gifts) is through volunteer programs they set up for their employees. According to a 1992 survey of 454 companies, cosponsored by the Conference Board and the Points of Light Foundation, 92 percent of corporations encouraged employee voluntarism. A remarkable 68 percent of these companies offered release time to employees who wished to volunteer during work hours. These volunteer programs are, by definition, a form of local giving. A company should not require its employees to invest in community service; it is enough that they create the conditions that make it easier for their employees to volunteer.

Unfortunately, recent trends suggest that this local orientation may be waning. Corporations have become more interested in national and international giving. Today, only about 40 percent of grants from corporations are given to projects and organizations in the cities where a company's headquarters are located. One cause of this is the increasing conglomeration of many industries. The biggest employers in many cities are branches of big corporations headquartered elsewhere.

That development is regrettable. Corporations often have immense resources at hand. They can influence smaller businesses in a city to join in creating long-term commitments to improving a distressed neighborhood. But corporations are torn between the local impact they could have and the considerable public attention they receive when they are involved in a national charitable campaign.

Some recent successes with high-profile national campaigns by corporations demonstrate the obvious attraction that such campaigns hold for large
companies. Both American Express, which donates part of its profits to an anti-hunger campaign called Share Our Strength, and B. Dalton, the chain of bookstores that has focused on illiteracy, used their charitable activities as part of their advertising strategy. It is unlikely that a similar, national advertising strategy could be built around purely local giving. (It is, of course, difficult to fault these efforts: The two corporations are well-served by the highly publicized campaigns, but so are the recipients of their generosity.)

What is lost when a corporation gives to a broad national cause, whether it be hunger, illiteracy, or drug abuse, is the commitment to local civic renewal. Corporations, after all, have a special role to play in the cities in which they are headquartered, have offices, or operate plants. Corporate gifts, because they can be sizable and visible and “legitimizing,” can play a transformative role in rebuilding community institutions. Corporations should also be keenly aware of the debilitating effects of crime, poor housing, drug abuse, and illegitimacy in the cities where they do business. Corporations whose business or products are heavily dependent on inner-city and urban consumers have an even greater interest in ensuring that poverty does not destroy our central cities. Companies that can successfully help build safer, cleaner neighborhoods with better-performing schools will also benefit from an environment in which an eager and stable workforce can be recruited.

Corporations, of course, ultimately respond to the interests of shareholders who are not located in any one community. That is why corporate giving is likely to remain cautious and controversy-averse, and why it is apt to emphasize the support of already-established and recognized programs. The challenge that corporate givers face is to apply the entrepreneurial qualities they bring to business to their philanthropic activities. A few inspired and adventurous corporate donors may discover the broad impact that neighborhood charitable organizations can have. These few companies will, we hope, provide a model for others.

**Does Federated Giving Have a Future?**

It is impossible to consider American philanthropy toward the poor without acknowledging the immense role played by the United Way and similar forms of “federated” giving. United Way is the nation’s largest charitable organization, with some 2,000 local chapters. In 1995, United Way raised $3.1 billion, about 2 percent of total giving that year.

The long track record of success that United Way has enjoyed is easy to understand. For years, it was able to dominate community charity drives by recruiting well-connected and prominent chairmen in every locality. It also retained the exclusive right to conduct workplace-based fundraising campaigns and then distribute that money as it saw fit, decisions often made by a “budget committee” or “grants committee” comprised of local civic leaders. This created a highly efficient organization with low overhead and minimal administrative costs. Because it was run like a business, with the bulk of money raised going directly to support the needy, the United Way
had an even stronger appeal to businesses and individual givers that had no other basis on which to judge which charities deserved their support.\textsuperscript{15}

Although much of the recent attention given to United Way has involved the financial scandal linked to its former national chairman, a lower-profile debate has been going on about whether the United Way can continue its traditional role in hundreds of communities.

The role that the United Way has long played as the primary arbiter of community needs, and the selection of recipients to meet those needs, has of late received a challenge.\textsuperscript{16} As both individuals and corporations wanted to link themselves directly with identifiable charities, support diminished for the kind of federated giving that offered the donor no choice about where the money would go. United Way chapters responded by offering donors lists—often very long lists—of eligible charities that could be selected.\textsuperscript{17} This new method—referred to as “donor choice”—not only hiked the administrative costs that United Way had so successfully kept down,\textsuperscript{18} but it also invited a far more varied, and often highly politicized, group of nonprofit organizations to become part of the possible recipient list.\textsuperscript{19} Myriad advocacy groups appeared on the United Way “menu” alongside providers of direct services to the needy.

The question remains, at a time when truly effective local charity typically requires not only financial obligation but also an informed understanding of the goals and philosophy of the recipient organization, whether the United Way and kindred forms of federated giving still offer the best model for bringing aid to poor communities. Nobody can argue with the ability of United Way to raise and dispense large sums of money. Nor can one doubt the energy and devotion of local chapter leaders. But there is also no gainsaying that United Way creates distance between donor and recipient. Strategic donors who want to become partners with the organizations they support are seeking a relationship that United Way does not offer.

### Five Sins of Institutional Philanthropy

Based on our research, we have identified five distinct problems that are often found today in organized philanthropy, problems that diminish the ability of this type of giving to foster civic renewal and refurbish the lives of poor and needy citizens. There are, as always, magnificent exceptions: foundation and corporate giving that is wise and sensitive and adroit. But we have not found enough such exceptions (particularly among the pacesetter foundations).

1. **Private foundations are engaged in too much study, too little real service, and far too little hard-nosed evaluation.** After decades of public and private experiments with myriad ways to “help the poor,” large foundations continue to expend sizable sums to “study” problems and “pilot-test” various programs rather than use that money to provide help directly. And those innumerable studies yield surprisingly little of the rigorous analysis that would enable the country to determine what effect, if any, well-intentioned programs have on those who are intended to benefit from them. Prominent exceptions, like the rigorous—and brutally honest—evaluation,
that the Annie E. Casey Foundation conducted of its New Futures program, prove the rule. They receive the attention that they do because of their rarity and honesty. Overall, it appears that philanthropy has come to see itself more as an explorer, carving new paths for government to follow, than—as James Q. Wilson urges—as a tough-minded judge of the worth of what already passes for “welfare.”

2. Many philanthropic arrangements unwittingly create more distance between donor and ultimate recipient. Large national charities have been very effective at fundraising, but they have also created conditions in which donors are far removed from the work that their dollars ostensibly support. Unintentionally, these large, umbrella charities make it harder to form a bond between donor and recipient. (Some organizations are deliberately structured to be the “pass through” mechanisms of individual giving—the United Way is the best example, which we discussed above.) Because they are national in scope, they discourage local giving specifically aimed at strengthening civic organizations and caring for one’s neighbors. As a rule of thumb, our Commission believes that the more employees a charitable organization has working within 15 miles of the Washington Monument, the less real good it is doing for poor people and vexed neighborhoods in Dallas, Milwaukee, and Savannah.

3. Large philanthropies imitate government. Philanthropic organizations and government came to a mutual understanding over the past few decades. As government intervened in certain areas that had once been the purview of philanthropy, philanthropic organizations—foundations and big charities, in particular—began to focus on government priorities and the funding of pilot programs with the intention that they be taken over and expanded by government. Establishment philanthropy became a metaphorical “laboratory” for government. Today, many institutional givers see their mission as an extension of government policy and cannot imagine functioning without government. They consciously fund projects that try to replicate (or pave the way for) government programs. They fund new programs that are intended to supplement or build upon existing government programs. In some cases, the grant-making itself becomes an attempt to advance or alter government social policy.

4. Many foundations spend too much time talking to one another, rather than addressing problems directly. As the philanthropic world has grown by leaps and bounds, it has evolved into a profession and become more self-absorbed. Today’s philanthropic landscape is cluttered with seminars, forums, cooperatives, working groups, task forces, coalitions, partnerships, and studies on how to help the poor. The bureaucracy of grantmaking has created over 30 regional associations of
grantmakers, which are primarily "boosters and cheerleaders for the field." Sometimes, we understand, such assemblies help overlapping local charities to exchange information and coordinate services. More often, we can find scant evidence that all this "networking" yields tangible benefits for communities in need of real help. Worse, the world of philanthropy shows signs of becoming a "gated community," rarely looking beyond its own protective borders and suspicious of all who do not share its views. The annual reports of many foundations suggest that considerable sums are expended on fostering dialogues among philanthropic groups themselves.

The Commission believes that this money would be better spent on local civic entrepreneurs who are independently finding ways to revive their communities—entrepreneurs with little time for high-minded palaver precisely because they're so busy serving the needy and rebuilding civil society.

5. Established philanthropy prefers the grand theory—and abstract cause—over the simple solution to a tangible problem. Many philanthropies and foundations suffer from hubris. By targeting deep-seated and intractable (and sometimes irrelevant) problems, and turning up their noses at immediate programs that would both ameliorate today's problems and address yesterday's direct causes of it, they often overlook local organizations whose immediate goals are to provide for the specific needs of real people in actual communities. Like government policymakers, many of these organizations try to address broad social conditions, often referred to as "root causes"—poverty, crime, inequality—rather than treat the manifestations, or "symptoms," of these conditions—such as welfare dependency, teen pregnancy, abuse, hunger, or addiction—with direct action in pursuit of rapidly observable results. Rather than funding the installation of, say, metal detectors in a dozen violence-plagued local schools, a foundation may combat guns in schools by funding open-ended projects that seek to "end teen violence" through vague and mostly ineffectual activities.

Religious Institutions

Americans take religion seriously: In great numbers, they belong to churches and synagogues; they affirm that religious organizations play an important and distinctive role in their lives; and they give an enormous sum of money to those organizations every year. Such giving—mainly to the country's 300,000 church and synagogue congregations—accounted for nearly half (44 percent) of all charitable giving in 1995: $63 billion. About 57 percent of individual giving goes to churches and religious organizations. This is in sharp contrast to foundations and corporations, which give little to religious organizations.

This torrent of individual giving to religious institutions yields about 90 percent of their revenues. What is that money used for? According to one study, approximately 70 percent of congregational spending goes for a wide variety of activities for members of the congregations themselves, beginning with the actual operation of the church. However, the rest—nearly a third—supports philanthropic activities or services, both to congregation members and to people with no formal connection to the congregations that aid them. A good share of this philanthropy benefits the poor.
In sharp contrast, a few high-profile religious institutions—including some of the large national organizations that serve the poor—have come to depend on government for big chunks of their budgets. For instance, Catholic Charities USA receives 65 percent of its funding from government sources. Catholic Relief Services (81 percent) and Lutheran Social Ministries (92 percent) look to federal, state, and local government programs for even larger shares of their revenues. On the other hand, a number of prominent religious charities receive no money from government: the United Jewish Appeal and the Christian Children’s Fund, for example. We suspect that mounting reliance on government funding undermines the ability of charities to carry out their missions in ways that are not overtly political. It cannot be entirely coincidental that some of the earliest and loudest voices raised against recent changes in federal welfare policy were those of senior officials of large religious charities that derive immense sums of money—and perhaps a corresponding portion of their raison d’être—from a web of dense relations with existing government programs.

Through our history, the paradigmatic religious institution has been a small church with a few dozen or few hundred members, based in a community, with a pastor who knew all his congregants. Even today, 80 percent of U.S. churches have 200 congregants or fewer. Yet the most significant trend in American religious life—potentially a revolutionary change—is the growth of the very large church. More than half of those who attend church today belong to just 12 percent of the churches. Many of these are enormous institutions with thousands of congregants—a few have more than 10,000 members—and they are growing rapidly. What sets them apart, besides their vast scale, is their independence, their enterprise, and what we may term their comprehensiveness. Having noticed the erosion of other community institutions, a number of these large churches have taken it upon themselves to recreate these institutions—at least replicate their functions—within their own domains. Besides basic congregational activities, many of these churches run “12-step” meetings, parenting classes for single mothers, athletic teams and dance and drama clubs, and social get-togethers of an incredible variety.

Such churches now offer a staggering array of activities and services, many of which minister to people outside the church. Bob Buford, a Dallas businessman and head of the Leadership Network, a network of churches—who spoke to our Commission in Dallas in March—has likened small churches to “corner stores” and the large churches to “shopping malls,” with everything you could want under one roof. The size of their congregations gives them a powerful advantage over smaller churches. According to the journalist Charles Trueheart, “Big congregations endow a church with critical mass, which makes possible sizable budgets and economic efficiencies (such as very low staffing ratios) and formidable volunteer pools...” These churches have the potential to do enormous good both within their congregations and in their surrounding communities.

A danger exists, however, that these big churches will become the sectarian equivalent of “gated communities,” enclaves in which members can shut themselves away from the urgent problems of nearby communities. There is some evidence to suggest that this is happening. A survey of the 18
largest churches in Dallas, for example, revealed that while some churches set aside as much as 30 percent of their budget for benevolent activities, some, including several very wealthy congregations, spend next to nothing for activities that benefit non-members, even though Dallas is amply supplied with human needs that would benefit from assistance.

In 1994, Mississippi Governor Kirk Fordice challenged each of his state's churches to adopt a needy family. According to US News & World Report, "only 267 of the state's 5,500 [churches] signed up, and most of those never followed through on their commitment. Today [September 1996], only about 15 churches are matched with families."

While the turning inward of some churches—congregational solipsism, we might term it—saddens and concerns us, it also remains the case that religious institutions are some of the most vibrant institutions in American society. Many of them do great good for great numbers of needy people and broken communities: American-style Mother Teresas. In some deeply impoverished neighborhoods, long after the experts from business, the mainstream foundations and nonprofits, even government have thrown up their hands in despair and regret, the church remains. And—to the surprise of many, particularly some of those same experts—the churches are making a difference. They are quietly and matter-of-factly mending the social fabric, one person at a time, saving lives that were thought to be lost. They do it based on a powerful sense of who they are and what they are about, a respect for the transformative power of belief in God and a remarkable capacity for selflessness and love in His name.

We have witnessed the powerful and life-changing effects that a church can have on an afflicted community. This Commission visited St. Paul's CME Church in Savannah, Georgia, run by one of our members, Reverend Henry Delaney. In 1989, when Reverend Delaney moved to Savannah, he declared war on drugs and disorder in his community. In the months and years since then, he has performed miracles. He has helped addicts kick drugs, setting up programs for both men and women. He opened a school for poor, at-risk young men in his community so that they might have a chance to succeed in life, and not end up addicted or imprisoned. He has reclaimed the once-dangerous streets in his neighborhood, buying up one-time crack-houses, rehabilitating them, and leasing them at affordable rates to parishioners. He has even opened up an ice cream parlor so that people might have a place to gather and talk.

Yet, for all the good he is doing in his inner-city, black community, Reverend Delaney must rely for all his funding on the generosity of his parishioners (whom he refers to as the "well-off poor"). Local corporations and
foundations have offered negligible sums to assist his mission. This, we suspect, is no isolated example. Reverend Delaney has counterparts in many American cities, pastors and churches doing great good in tough circumstances—and wholly dependent on their own low-wealth parishioners to provide the wherewithal for these miracles. (Even miracle workers, after all, must pay the utility bills.).

Why are mainstream philanthropic institutions—foundations and corporations, especially—oblivious to, even prejudiced against, these small, dynamic, faith-based, church-centered programs? We’re not certain. We suspect it has something to do with the discomfort that many members of the American elite feel in the presence of deeply and openly devout people and profoundly religious institutions that do not partake of all the assumptions of a rationalist, relativist, modernist, governmentlized society. Their manifest effectiveness seems to have been overshadowed in the eyes of donors by their pervasive religiosity. As the distinguished historian Gertrude Himmelfarb told this Commission, “Sectarian” itself has become an invidious word, sounding narrow-minded, self-serving, ungenerous, so that even religious charities, organized and subsidized by particular denominations, feel obliged to explain that they are non-sectarian in their purposes and practices, and certainly that they do not demand any religious observance on the part of their clients."

We think Dr. Himmelfarb is right. But whatever the reasons, we find it lamentable that America’s Henry Delaneys are often neglected by America’s philanthropy establishment, the more so because of mounting evidence that their religious organizations make a difference in saving lives and mending the social fabric. Studies reveal that the mere presence of an active congregation in a community results in reduced crime and improved well-being. The political scientist John J. Dilulio refers to this force for change that is brought to bear in our most distressed communities as “spiritual capital.” While it’s not likely that Reverend Delaney would use that phrase in talking with his congregants, he well understands what it means, and how it can bring about the kind of change in people that foundation program officers and corporate-giving executives only dream about.

Guideposts for Institutional Giving

The Commission has developed a short list of seven guideposts that provide a framework to evaluate institutional philanthropic activities.

1. Give locally instead of nationally. Both corporations and foundations could have their greatest impact on local projects to help the poor. Many attempt to do that. Yet, often they overlook the small, lower-profile, “grassroots” organizations that most need financial assistance and administrative guidance. Because these organizations are small, sometimes operating in a single neighborhood, unorthodox, or highly focused on a narrow problem, they often escape the attention of large givers who are naturally drawn towards more established and higher-profile recipients.

2. Evaluate the programs you fund—and the government’s too. What works in combating poverty and promoting self-sufficiency? Too often we don’t know and foundations and corporations—like the government itself—
expend large sums on projects that have never shown solid results. Yet developing proper evaluations of new projects is a costly undertaking. If more foundations and corporations were willing to spend the money necessary to evaluate anti-poverty programs—theirs own and the government’s—there might also be more willingness to experiment with previously untried methods of protecting at-risk children, initiating new police practices to promote neighborhood safety, or alternative health programs to promote greater individual responsibility.36 However, evaluations shouldn’t be the final word. As James Q. Wilson observes, “A good evaluation is a tough test, and many programs will fail it. This does not necessarily mean that the program must end; some efforts will help a few people so much that despite their inability to help enough to make them economically viable they may be worth continuing.”37

3. Help fund the operating expenses of solid existing programs. Foundations are often eager to give money to new programs, but reluctant to fund the general operating expenses needed to keep those programs running over the long run. Narrowly focused organizations working in poor neighborhoods simply don’t have the inclination or the need to constantly develop new ideas in order to serve their constituents—they are too busy simply providing the basics and paying their own bills. By funding these essential parts of an organization’s budget, a foundation might actually free the organization’s leaders to spend more time planning for the future.

4. Support the work of faith-based charities. Foundations and corporations have tended to shy away from giving to charities with a prominent faith component. Corporations, in particular, not wanting to appear sectarian, gave a negligible amount to religious organizations. This wall of separation between church and organized philanthropy makes little sense when it comes to our poorest neighborhoods. There, an active church with an inspired leader may often be the single most important institution in that community. It may have the greatest moral authority in a neighborhood that has undergone severe moral decay. The religious leaders who guide these efforts are not those involved in national affairs or in political crusades. They are the quintessential local leaders who form the moral backbone of their neighborhoods. There is no disputing the fact that much successful work within low-income communities involves this type of leader, who brings a distinct spiritual dimension to his or her work. That is especially true when it comes to combating drug addiction, crime, and teen pregnancy. Corporations and foundations that fail to seek out and support strong, faith-based leaders are missing an opportunity.
5. Spend money to create economic opportunities. There will never be a shortage of anti-poverty programs. But many of these are purely palliative. Enterprising foundations and corporations should instead seek opportunities that lead individuals out of poverty and toward self-sufficiency. Corporations and foundations have the funds to do this and measure the results. Money spent to help provide start-up capital for new businesses may have a longer-term impact than funds spent on unaffiliated job-training programs. Space for new ventures could also be provided. Many residents of poor neighborhoods would benefit from access to credit or basic financial, budget, and legal advice that most corporations can provide. Far too many businesses overlook the fact that their business experience is exactly what is most needed in neighborhoods with little economic development.

6. Create opportunities for volunteerism. The enthusiasm of Americans for volunteerism already exists. Corporations can increase its impact by creating opportunities for volunteerism among its employees. Corporations with strong ties in their own communities should seek out organizations in need of volunteer help and provide their employees with an opportunity to learn more about them. Both corporations and foundations should be active in creating volunteer programs where they are needed or where the particular expertise of a corporation could be useful to a needy community.

7. Stop drowning them in paperwork. If you think an individual is doing a good job and is worthy of support, then give him or her the money. One of the most common complaints about foundation grantmaking procedures is the innumerable and time-consuming forms to be filled out and the hoops to jump through. There are often the same forms, and same hoops, year in and year out. A member of our Commission, Father Jerry Hill, has commented that he is tired of spending his Fridays filling out forms justifying what he did Monday through Thursday. Foundations should reinvent themselves, streamline procedures, eliminate layers, and judge their program officers, as well as their programs, by results. Foundations should hire good program officers—who may be people with experience from fields outside of philanthropy—and then tell them to go out and find the best people or organizations they can. And once you have identified worthy recipients, trust—but evaluate.
Recognizing Successful Recipients
Making informed decisions about where to give
It is impossible to come to conclusions about improving private efforts to help the poor without considering the organizations that actually provide services, rebuild communities, and deal directly with those in need. The challenge for every kind of donor is choosing the right charity, one that will produce results, make a manifest difference in the lives of those it serves, take seriously the well-being of its community, and encourage the donor to play a more active role in the organization.

Finding such organizations or programs is not easy. The number of potential donees is vast. For example, each year the United Way passes the money it raises along to more than 200 widely recognized, mostly national, charities and at least 40,000 smaller local charities. And useful and reliable information about the donees is often hard to come by and, when available, generally focuses on the larger organizations.

It is no secret that not all organizations that claim to help the needy are equally worthy of support. Some plainly do a better job than others. Some are so plagued by financial and managerial problems that their life span is short. Some go on for decades but become weary, bureaucratic, and unimaginative. Some achieve little success. Some expend large portions of their revenues on various overheads. However, we believe these are isolated instances, not endemic to philanthropy. They should not distract us from the important work that is being done by many charities and the ability of most organizations, if run efficiently by competent people, to achieve their goals. The solution to these problems is to create an army of civic entrepreneurs who are able to identify good organizations and make informed decisions about where they give their money.

And, unfortunately, there are no fixed rules or definitive guidebooks to effective charities that help the poor. Indeed, there is no consensus in the world of philanthropy about how “success” in aiding the poor and renewing distressed communities might properly be defined. As we have pointed out elsewhere in this report, few programs and agencies are subject to rigorous and long-term evaluations that might tell us more about their impact on individuals. This dearth of solid information makes the task of the civic entrepreneur harder.

Without an authoritative source of information on local charities, donors who want to be strategic with their time and money have to rely mainly on their own instincts, on the facts they can readily gather, and on keen observations about how an organization works.

Fortunately, as with donor behavior, there are some common traits or clues that we have observed among the most successful organizations. We have been impressed by the fact that the organizations that are successfully
rebuilding communities and providing opportunities for families and individuals to become self-sufficient tend to share certain features. That is not to say they all look the same, or that there is a “cookie cutter” quality to the programs that work best. Rather, what we have noticed is that, despite their stunning diversity in size, purpose, scope, setting, and longevity, the organizations that are most apt to succeed share a certain perspective about their own work and integrate that perspective into nearly everything they do. No involved donor could fail to notice these things.

Our Commission has been fortunate to have first-hand experience in what makes a service organization successful. Seven of our members have either founded or been actively involved in running local, community-oriented efforts to rebuild neighborhoods and provide an array of services to help low-income families. They have become models in their own communities of “what works” when it comes to aiding the poor, promoting self-sufficiency, and reviving civic institutions. Moreover, the work of the Commission itself involved far more than lengthy hearings or academic studies. In Los Angeles, in Dallas, and in Savannah, we visited a number of diverse local programs—from homeless shelters to English-language classes and job-training programs, from shelters for the mentally ill and low-income housing projects to church drug-rehabilitation and recreation centers and youth anti-gang programs—that have found a way to make a marked improvement in otherwise-distressed neighborhoods. We have talked to people who run and manage these programs, to those who have helped raise money for them, and to those who have benefited from their work. These visits and conversations gave us real-life, tangible examples of what makes an organization truly successful. We have witnessed the special qualities of these organizations that became a touchstone of our discussions and deliberations.

Here are ten of the more important traits—that we have found to be exhibited by effective organizations:

1. They are locally based and operated. Organizations located in the most impoverished areas have a great stake in rebuilding their own communities. Their leaders and volunteers frequently live in the same area. Because they are not supervised by a national umbrella organization or plush downtown office, they tend to be independent, self-reliant, and nonbureaucratic. There are some exceptions to this—national organizations like the Salvation Army do terrific, essential work at the local level. But in most instances, charities derive tremendous advantages from being rooted in, and drawing sustenance from, particular neighborhoods. Because their first concern is meeting the immediate needs of the community, they tend to be closely attuned to the concerns and priorities of the people they serve. They also tend to be highly sensitive to what can and cannot be achieved. They are part of the community they serve and therefore fully invested in its success.

2. They are entrepreneurial. It is true that the kinds of people who are involved in running local organizations that help people in need seldom have experience in business or management. Yet, the most effective service
organizations are those that borrow the best ideas from these fields. They are entrepreneurial, willing to take risks (after adequate research and reflection) and manage them with skill. They are innovative in finding new avenues for funding. And they are enterprising in drawing in supporters (who may be entrepreneurs from other fields who are willing to offer advice). Entrepreneurialism does not mean novelty for novelty’s sake. It is a way of thinking that focuses on making the best product or providing the best service in the most efficient manner.

3. They place strict demands on the people they help. Successful organizations helping the needy—those addicted to alcohol or drugs or unwed teen mothers—rarely have a laissez-faire approach toward people seeking help. Entrance to a program often begins with meeting certain basic requirements: regular attendance, a dress code, no alcohol or drugs, mandatory attendance at meetings and classes, and so on. In almost every instance, these organizations are attempting to instill a degree of self-discipline and respect for others among their charges. It’s the “tough-love” approach. Though the government has long shunned such tactics, state welfare-reform plans increasingly have made personal responsibility their watchword.

4. They provide a refuge of tranquillity, order, and permanence in otherwise chaotic communities. Many organizations that help the needy are, by necessity, located in depressed neighborhoods where buildings and homes are in disrepair, commercial activity is limited, and trouble of various kinds is commonplace on the street. One goal of well-run programs for the poor is to provide a physical contrast with their surroundings. They offer residents in need an escape from life on the streets, making it easier to put their own lives in order or simply seek shelter. If successful, these organizations—whether a church, a school, a community center, a shelter, or a food bank—become critical institutions in communities that are desperately in need of stable institutions. They help to stabilize the neighborhood itself.

5. Their donors are deeply involved with the program. Organizations that strive for long-term success have been able to forge bonds with their donors that go beyond cashing their checks. These organizations encourage donors to give their time and enlist them in planning and fundraising decisions. Active board members of an organization know how the organization runs and are therefore good advocates in recruiting new supporters. The standing of those board members in the community—and the evidence of their active and sustained engagement with the agency’s program—will assure prospective donors that this is an organization worth supporting.
6. They stay focused. Every human-service organization that sees the wide range of needs in a poor community will be tempted to try to solve many problems. The most successful ones, however, eventually settle on solving those problems that they can actually do something about—and working with people who have some real interest in rebuilding their lives. These organizations are not utopian. Rather, they are a remarkable blend of optimism and pragmatism in action. While many of them aspire to grow, others do not look beyond their neighborhood boundaries. They are content repairing a church, restoring homes in a block, providing safety for children outside a single school, offering drug rehabilitation for a few dozen people, providing a night’s shelter for the homeless. Without a doubt, many of the social pathologies associated with severe poverty are intertwined. But successful organizations usually focus their energies on the parts of the problem that they can actually do something about. They are not paralyzed by the observation that everything is connected to everything else. They are not obsessed with “root causes.” They do not spend a lot of time sloughing responsibility, blaming others, or waiting for the Red Sea of poverty to part.

7. They depend on little or no government support. Small yet successful organizations providing help to the poor often choose not to take government support. Their unorthodox approach and anti-bureaucratic instincts make them wary of government grants that require adherence to federal rules and compliance with any number of regulations, procedures, and norms. Because they are free of many of the burdens associated with government support, these organizations don’t run like government offices.

They adapt to circumstances as they come up. They are able to turn away people who will not comport with an established code of behavior. They can be selective in the services they provide. Above all, they are independent, relying on the generosity and counsel of their donors rather than on the annual budget decisions of elected officials and the pork-barrel games of politicians. Some wonderful organizations, of course, do receive federal, state, or local funds. But the most distinctive—and successful ones do not make the pursuit of government grants their central activity. Nor do they let the strictures placed on the use of those funds alter their vision or mission. They make efforts to ensure that their programs never resemble impersonal government social policy.

8. Their goal is not simply to sustain people but to help them change so they can sustain themselves. Successful organizations aiding the poor do not only boast about how many people they serve but about how many no
longer need their help. Their programs are intended to provide comfort, of course, but also to promote self-sufficiency. They strive to change habits, to increase independence, or, at a minimum, to protect the weakest members of a community from crime, drugs, alcohol, and abuse. That emphasis on improving conditions tends to make them rigorous with the people they help. Serving more people is only part of their goal. How they serve them, what changes they can ignite, and how they can encourage greater self-reliance is their real measuring stick. To be sure, some services for the mentally ill or senior citizens are not intended to have a “transformative” effect, but their intent is still to assist those people in improving their condition.

9. They measure their success in terms of improving individuals. Virtually all government programs insist on measuring their success in terms of raw numbers: people served, checks written, case-load increases, budget expansions. And these kinds of numbers are useful for charities as well: balance sheets and cost-benefit calculations are important. However, most community-based charities work with far smaller numbers, and, ultimately, they are interested in a different type of evaluation. All of them must be willing to measure intentions against results. Drug-rehabilitation programs should be able to demonstrate that they are keeping people off of drugs. Job-creation programs should create jobs. Schools should provide solid education for their students, the kind that shows up in test scores, graduation rates, and gainful employment. Insisting on results is the best method of self-evaluation and a solid guide for donors.

10. Their purpose and achievements are readily perceived by anyone who visits them. Precisely because successful organizations need to respond to the problems in a particular community, their work—and impact—should be easily observed on-site. A visit by a donor should be revealing about how a program runs. Stable and influential organizations are fully integrated within their community. They are clean and well-maintained. They are safe and accessible for people who come seeking help. Their leaders are comfortable and ubiquitous on the premises—they don’t just show up for VIP visits. A visitor should be able to see at once what kind of community an organization is trying to help; what services are offered, and what awaits someone who seeks help at that location.

Our Commission also discussed a “short-form” method of comparing an effective organization with a rigid and ineffective one. Our conversation centered around an earlier publication with which many of us were familiar. In 1995, two of our Commission members—Lamar Alexander and Chester E. Finn, Jr.—were involved in a project sponsored by Hudson Institute that produced a slim volume called Is There Life After Big Government? It profiles successful local charities that provide sound, nongovernmental ways of helping the poor. It also adduced a list of “precepts” that characterize successful private organizations—and contrasted them with their counterparts in government programs.
This list is not intended to be a set of fixed rules. But it provides an interesting contrast between the bureaucratic culture of government and the innovative character of civic entrepreneurs:

**CIVIC ENTREPRENEURS**
- Flexible
- Demanding
- Enterprising
- Community-Based
- Results-Driven
- Realistic and Personal
- Spiritual

**GOVERNMENT**
- Categorical
- Undemanding
- Rule-Bound
- Controlled from Afar
- Unaccountable
- Utopian and Impersonal
- Hyper-Secular

To be sure, not every enterprising local group that works with the poor or people in need follows every precept in the left-hand column. But they are the characteristics that one will find again and again in impoverished neighborhoods where charitable organizations are successfully renewing the civic order.

Established philanthropy errs when it overlooks these organizations. Some have annual budgets of less than $100,000; others operate a number of buildings serving hundreds of people with over $1 million each year. In many cases, the organizations survive with few large donations. Fundraising is done entirely within their own community, in many cases among the “well-off poor.” Occasionally it includes two or three “angels.” But much of it consists of lots and lots of small and medium-sized checks.

This Commission seeks to reorient American philanthropy toward these independent, community-based, morally grounded, results-oriented organizations that have a genuine impact on people and neighborhoods. In urging this reorientation, we are calling for a type of philanthropy that aspires to civic renewal. Not long ago, America depended more on its core institutions—families, churches, civic associations—to address the problems of people in need. These institutions had a profound moral understanding of their purpose. They were able and willing to challenge individuals to
transform themselves from the inside, even while receiving material assistance from the outside. The focus was on achieving tangible and realistic goals within a community and on getting real people with real names—not just case numbers—back on their own two feet.

In our view, years of misguided and ill-conceived government social policy, often supported or mimicked by organized philanthropy, have badly corroded effective charity. Now it is time for inspired private leadership to redirect giving in America. We must seek out and promote genuine grassroots organizations as tangible expressions of the type of civic rejuvenation that is essential to America’s future. These are living, breathing examples of organizations that are very successful. These are programs that not only focus on meeting the immediate needs of individuals but also aim to be agents of renewal in the lives of those individuals and in the condition of communities in which they are located. They offer people real alternatives to the status quo. They transform both individuals and institutions. Yet these programs and organizations can only flourish with the help of enlightened and committed donors who are attracted to the very qualities that have made them unattractive to established philanthropy.

Too often, these organizations are not even considered possible funding targets by local donors or foundations. They simply do not fit the mold of typical grant applicants. Their “headquarters” may be in dangerous or unsafe neighborhoods. Their management structure is fluid and informal. Often they cannot afford flashy brochures or annual reports. In many instances, their success depends on the charisma and (sometimes quirky) leadership skills of a single individual. In inner-city neighborhoods, they often are expressly church or religion-centered organizations. Their overriding ethos is often judgmental and moralistic—a necessity when changing individual character is a goal.

To be sure, there are effective inner-city organizations that have done extremely well in attracting community-wide support and foundation involvement. But given the nature of the problems that most poor neighborhoods face, success will often come in the form of unorthodox and informal efforts that do not match the profile of a foundation’s ideal recipient. These organizations provide us with an opportunity for renewing our communities that we ignore at our peril.
In preparing this report, the Commission assembled material on a number of successful and praiseworthy charitable organizations, each engaged in helping those in need. A description of these organizations or programs can be found on our website (www.ncpc.org). It isn’t meant as a list of “approved” charities nor as a “guide to giving.” Instead, each case is intended to highlight the specific characteristics of a program that, we believe, make it unconventional (when compared to government programs) and effective.

We have selected just a few illustrative examples from a much longer list. These are brief descriptions of different types of organizations, and they deliberately focus on just part of an organization’s overall activities. That focus is intended to demonstrate the special character that makes the organization so different from government and, at the same time, so valuable to the people it helps.

**Clean and Sober Streets.** Established by two recovering alcoholics and operating in one wing of a large homeless shelter in Washington, D.C., this drug- and alcohol-recovery program uses a carefully planned and rigorous program to separate its participants from their addiction. Everyone who enters the program enters a new world of rules and requirements. The approach to addiction at Clean and Sober Streets is to force the individual to focus on his or her destructive addiction. That requires removing them temporarily from the streets, with its distractions and temptations. Because slots are few, the program must set up a screening system that makes requirements on anyone seeking help. Nevertheless, demand for help is high. People addicted to drugs and alcohol line up at 5:00 a.m. outside the building when openings are available. Each applicant must have an interview with the staff and commit to attending three Alcoholics Anonymous meetings every day for a week as a condition of admittance. The requirements become more rigid after that: New residents in “detox” are not permitted to leave the building during the first three days. Physically isolating them from drugs is a critical first step. Those who successfully move to the second phase of the program must put work or school on hold— they must be fully focused on their recovery process. No one simply shows up for a day of outpatient treatment here and there. The program’s success depends on making participants live by these rules and contribute to the smooth operation of the program. A series of penalties awaits those who do not comply with the rules, and all residents are required to work janitorial detail and desk-duty once a week. They must turn over their lives completely to the program; breaking a powerful addiction requires that kind of commitment.

**Esperanza Community Housing Corporation.** Set in South Central Los Angeles, Esperanza’s primary activity is the construction of affordable housing for the poor. Quite literally, Esperanza is rebuilding a devastated neighborhood. They have developed vacant lots into open, clean, and well-maintained apartments and townhouses. The dwellings they build are designed to be affordable; residents must pass means-tested eligibility requirements each year. Across from one of its buildings, on a 14,000
square-foot lot, surrounded by graffiti-covered buildings and a hub of gang activity, Esperanza is now planning a new park, relying on local university students for its design. Having helped establish safer, cleaner, more livable accommodations in a distressed neighborhood, Esperanza is now working to provide more services to residents, including child-care and health services.

The Gospel Rescue Ministries. The Gospel Rescue Ministries works in one of the most ravaged neighborhoods of the District of Columbia. It deals with people who have severe crack addictions or have been chronically homeless. Yet its mix of religion, toughness, and opportunity have made it an astonishing success in changing lives. Primarily a homeless shelter for 150 men, the Gospel Mission charges just three dollars a night; yet it is deliberately selective in who it admits. Random drug tests are given. Those who stay longer than seven days must attend at least three religious services a week. The Mission’s Haven Drug Addiction Program has a rehabilitation rate of 66 percent. Those who want to integrate themselves back into the world of self-sufficiency are given the chance to through its school and training center. Funded almost entirely from private funds, the program’s director is a retired surgeon who lives in the same neighborhood that the Gospel Mission is working to turn around.

Friends for Life: Started by a single individual in 1989 in Waco, Texas, Friends for Life is a volunteer-driven organization that offers alternatives to government-run health care for seniors, especially those whose condition has made it impossible for them to care for themselves. There are only four employees working in its donated office building, but 4,000 volunteers help 8,000 people in five surrounding counties. With a budget of just over $100,000, 90 percent of the fundraising goes directly into their programs. The organization provides emergency assistance to senior citizens in crisis (including, food, rent, clothing, shopping, or travel to the doctor); assumes legal guardianship when necessary; and ensures that seniors have access to other existing government and non-government service programs. This mix of services is rarely found in government programs where bureaucratic priorities have strictly separated different functions. Friends for Life, however, has focused on what the most vulnerable elderly population actually need. The result has been an unconventional yet highly practical melange of legal, medical, and social services.

He Is Pleased. In Wilmington, Delaware, a small program with a simple strategy is making enormous strides in leading the homeless toward self-sufficiency. Started by a wealthy Christian businessman and run by a single individual, the program works with a small group of homeless men who are
given the opportunity to spend a day cleaning up the city in return for a
day’s wage. The men can work for no more than 90 days and must abide by
the rules: no tardiness, no drugs (participants are tested), and no criminal
activity. Over 5 years, more than 100 previously homeless men have made it
on their own and are no longer sleeping on the streets. Those who make it
through the 90 days are then given entry-level jobs at businesses
that have created partnerships with He Is Pleased.
The annual budget for the organization is
$150,000.

Human Service Alliance. Based in Winston-Salem,
North Carolina, the Alliance is staffed entirely by
volunteers. It provides care for the terminally ill,
respite care for kids with disabilities and their
families, health and wellness, and mediation.
Because of its all-volunteer philosophy, HSA can
provide over $500,000 in services per year, spending
only $80,000 in operational and administrative
expenses. In 1995, volunteers logged 70,000 hours. All
funds come from private charitable contributions, not tax
dollars. Building maintenance, groundskeeping, clerical
work, cooking, and all other institutional necessities are either performed by
HSA volunteers or donated by professionals.

Jewish Children’s Adoption Network. Established by a husband and wife in
Denver, Colorado, in 1990, the Jewish Children’s Adoption Network (JCAN)
tries to find homes for Jewish children who have no place to go. As such, it
is the only one of its kind in the Western hemisphere. JCAN is an
exchange—a shadcanim—not an agency. Each year, about 200 Jewish
children are referred to JCAN by rabbis, social workers, attorneys, and birth
families. JCAN will then refer families from their database of 1,200 selected
Jewish families who are willing to take in children
to the source of the referral. The vast majority of
the children they serve have special needs. Many
have developmental problems, like Down’s
Syndrome. Others have physical disabilities,
such as spina bifida. JCAN is funded entirely
with private donations.

Kid-Care. Founded in Houston in 1989, Kid-
Care operates nearly round-the-clock, seven
days a week, feeding hungry children. The
food is prepared with the help of dozens of
volunteers who operate out of the house of the
founder. Every day, two vans full of food drive a 10-mile route
around the poorest neighborhoods, distributing packed lunches to kids.
The organization has a budget of $375,000 funded wholly from private,
mostly corporate, sources.

Student/Sponsor Partnership, Inc. Founded by a New York banking
executive ten years ago, Student/Sponsor Partnership, Inc. (SSP) began as an
attempt to give at-risk, inner-city children a chance to receive a more
promising education outside the city's failing public school system. The program provides scholarships for New York children to attend neighborhood Catholic schools. Today, 825 SSP students are enrolled in 16 Catholic schools in and around New York. The four-year graduation rate of these students is impressive: 76 percent of the 1994 class graduated in four years compared to 18-30 percent in New York's zoned public high schools, the schools these children would have otherwise attended. One does not have to be Catholic to join the program, but studies have shown that students in Catholic high schools academically outperform public-school students, even when adjusted for race, socioeconomic status, and parental education. In 1995, SSP had a budget of $3.3 million, of which $2.9 million goes directly to school tuition. The program has also established an extensive mentoring program that links “sponsors” to students, who must make a four-year commitment, stay in regular contact with the student, and follow his or her progress.

Austin Street Shelter. Austin Street Shelter in South Dallas, Texas, run by Commission member Reverend Jerry Hill, hosts about 300 homeless people each night. Many of them have been abused and neglected as children or suffer from mental illness. The women frequently have been beaten or raped. Many others can't find a job because they lack the education and basic skills to compete. Each of these people is seen as an individual with his or her own strengths and limitations. While the shelter's primary mission is to fill the immediate needs of the homeless, a real effort is made to offer these individuals something much more important—hope for the future. The shelter's Step-Up Program offers an opportunity for ambitious residents to be rewarded for discipline and hard work. When residents of the shelter find a job and save at least 70 percent of their salary, they are offered a semi-private room with a comfortable bed. Private sources provide the $375,000 annual budget of the shelter. The shelter's founders value the autonomy and flexibility that private funding provides. It is associated with the Episcopal Diocese of Dallas but open to all with the only religious requirement being a short prayer before the evening meal.

Our Own Programs

Six members of the Commission run similar kinds of programs or organizations. Here are short descriptions of these programs:

Best Friends. Among the more vexing social program facing America is teenage pregnancy. In just the last three decades, unwed teen pregnancy has
increased more than 30 percent. By age 18, one-in-four teenage girls will become pregnant. The Best Friends program was founded in 1987 because no one seemed to be able to answer a simple question: “What is being done to encourage these children not to have sex?” Surprisingly, adolescent girls were receiving very little instruction about the benefits of abstinence in the schools or at home. Best Friends, which is based in Washington, D.C. and run by Commission member Elayne Bennett, found that most adolescent girls don’t want to have sex but they lack effective ways to say no, and a strong group of friends and adults who will support them when they do. Beginning in the fifth grade, each Best Friends girl receives more than 110 hours of guidance each year until she graduates from high school. The program provides a character building curriculum that includes group discussions, community role models, weekly fitness and nutrition classes, and participation in cultural events. Best Friends is based on personal interaction between girls and their mentors and approaches abstinence by helping the girls develop the poise, self-respect, and self-confidence they need for success in life. Best Friends has become arguably the nation’s most effective and compelling public-school abstinence program. An independent evaluation study found very positive results: The pregnancy rate for Best Friends’ girls was 1.1 percent, compared to 26 percent of their peers attending Washington, D.C. public schools. Further, 4 percent of Best Friends girls had sexual intercourse, compared to 63 percent of their peers. With an annual budget of about $1 million, the Best Friends Foundation operates the Washington, D.C. area program and replicates the program in fourteen other cities, where the local community supports the program. The Foundation takes no government money.

Community Enterprises of Greater Milwaukee.
The mission statement of Commission member Bill Lock’s Community Enterprises of Greater Milwaukee (CEGM) says it all: “CEGM has not simply sought to establish business and provide employment; it has made a major effort to help the men and women it serves develop discipline and integrity.... CEGM believes that much of the pathos afflicting the central city can be corrected by those who live in the central city assuming personal responsibility for the quality of life therein.” The Community Baptist Church launched CEGM in 1987 to create jobs, incubate new private enterprises, build leadership, and foster economic development in Milwaukee's depressed inner city. Since its founding, CEGM has launched 11 businesses and created 175 jobs in keeping with its belief that people need jobs both for income and for self-respect and that the inner-city community must help itself. While programs that incubate small businesses are not unusual in the United States today, it’s rare to find one that also focuses on the personal renewal and spiritual well-
being of the entrepreneurs. Visiting CEGM, one hears plenty about “removing the garbage” from people’s minds. Defeatism, helplessness, and hopelessness and those who profit from conventional attitudes about poverty and urban woes are out; optimism, self-reliance, independence and “fix it ourselves” attitudes are in. CEGM’s annual budget of about $350,000 per year comes from both the public and private sectors.

**PUENTE Learning Center.** On an average day, 2,000 students walk through the doors of PUENTE Learning Center in Los Angeles. The youngest is three years old, the oldest, 87. At PUENTE they find a job-training and literacy center, a preschool, after-school tutoring programs; and much, much more. PUENTE, which means ‘bridge’ in Spanish, was started in 1985 by Commission member-Sister Jennie Lechtenberg, as a tutoring program for Spanish speaking first and second graders who were having trouble in school. Before long, their parents were asking to be taught English and basic job skills. Since then PUENTE hasn’t stopped growing. PUENTE is tuition-free and enrollment is on a first-come first-served basis. The computer-based learning programs have long waiting lists. Courses include basics such as English-as-a-second-language, Spanish literacy, GED/high-school diploma preparation, reading improvement, and typing, as well as more advanced computer applications. The center has 250 computers, in six computer labs enabling students to work at their own pace while still enjoying the critical one-on-one tutoring that makes PUENTE so successful. Eighty-seven percent of PUENTE’s students are Latino and 62 percent have incomes below $16,000 per year. The children are tutored in reading, writing, and math skills, and receive assistance with their homework. The older students are prepared to enter the workforce or go on to higher education. Almost 70 percent of PUENTE’s $1.26 million 1997 budget came from private sources.

**St. Paul Ministries.** Ten years ago, the St. Paul CME Church of Savannah, Georgia, was surrounded by boarded-up crack houses, the neighborhood abandoned to criminals and drug dealers. Residents were afraid to leave their homes. In less than a decade, the church has rejuvenated the community and developed more than a dozen privately funded programs that tackle Savannah’s social problems in ways better than government could ever imagine. St. Paul’s pastor, Commission member Reverend Henry Delaney, and his congregation started buying up crack houses and rebuilding them. St. Paul Christian Academy would follow when the church purchased a dilapidated school building for $75,000. St. Paul Ministries provides food for the hungry through its after-school Kids Cafe and its monthly Brown Bag Giveaway, which serves 625 people each month. St. Paul’s also has several programs for the addicted: The Hallelujah House, The Addicts Ministry Evangelistic
Network, and The Chestina House. Any addict who asks for help receives it, and they have a remarkably high success rate. Other programs add to the community spirit—a thrift shop provides quality used clothing and a church-sponsored ice cream parlor provides a welcome community gathering spot. The total budget for all these programs, which serve thousands of needy people each year, is $1.1 million per year.

**Victory Fellowship.** Based in San Antonio, Texas, Commission member Juan Rivera’s Victory Fellowship is a faith-based drug-rehabilitation program that has helped more than 13,000 people kick drug and alcohol habits over the past 30 years. Between 60 and 70 percent of the addicts who come to Victory find something that enables them to deal with their addiction. Many of them have come back to Victory to become pastors and drug counselors. They go through a rigorous three-year program of study and then work in the program for another year. They’ve discovered nobody is more effective in dealing with addicts than other addicts who have conquered their problems. The cost for rehabilitating an addict is about $30 a day. Victory Fellowship has launched programs in schools with former gang members and drug addicts to de-glamorize that life. They send out street teams, have gang-intervention teams, and “safe houses,” which, the gangs have all agreed, are fire-free zones. Sixty-five centers have sprung up in the Southwest and in five countries as a result of their successful work. The word in these cities is that if you need help, these people will help you. They know what it’s about—because they’ve been there.
chapter nine

Lessons Learned

Renewing Philanthropy in America
effective giving calls for civic entrepreneurs
Our Commission came together in the Fall of 1996, shortly after Congress passed an historic welfare-reform law that profoundly altered the relationship between government and the poor. For the most part, we find this reform desirable. We share the view that, over the past 30 years, well-intended government programs have severed the connection between government assistance and the expectation that the recipient demonstrate responsibility and self-sufficiency. The new welfare law creates at least the possibility that this connection can be re-created.

Welfare reform also presupposes a greater role for private efforts to assist the poor—particularly efforts by charitable organizations. We welcome this development as both an opportunity and a challenge. We believe that what charity does is inherently different from what government does; moreover, what is needed today is not more of what government does but more of what charity does. Charity cannot possibly match government in shuffling money about—the sums are too vast—and it shouldn’t try. It should stick to what it does best. Charitable and voluntary activity, if pursued in the right way, have the potential to be far more influential than government in changing the character of impoverished neighborhoods, reshaping individual lives, and reconnecting citizens to their communities.

Yet we also learned over the past nine months that government isn’t the only part of our society whose assumptions need rethinking and whose efforts need retooling. As much praise as the private sector deserves, the fact that an effort to help the poor is “private” does not guarantee that it will be effective or creative. Private giving, alas, is not synonymous with inspired giving. Generosity of heart is not the same as thoughtful strategy of mind. Philanthropy that does not have an impact on a community or that fails to measure its results against its intentions is little better than the government programs that have failed so miserably.

The lessons conveyed by this report seek to promote smarter, more strategic, more effective private giving. They rest on certain principles that we freely admit: We prefer local to national giving because local giving is the best way to involve givers in their own communities; we are suspicious of institutional philanthropy that is overly professionalized and bureaucratized; we are attracted to smaller, less orthodox, and more flexible organizations because they are more innovative in finding successful approaches to stubborn problems. We are cautious about charitable groups that rely on government funds because those funds bring rules, paperwork, and uniformity—precisely what stifles effective services. We look for results that are easily seen because improving the lot of the poor depends on having a strategy to
change their circumstances (and often their behavior), not just provide them with temporary comfort.

In short, the Commission does not believe all charitable programs are created equal. Many are not up to the task of rooting themselves in a troubled neighborhood and devising original solutions for the problems that its residents face. Making sure more of our money gets spent in the right places is a challenge that every American who wishes to make a difference must face.

With these convictions in mind, we have come to five main conclusions that, we believe, establish a sound framework for a new conception of philanthropy.

1. Effectiveness must become the principal criterion for givers of time and money intended to help the needy.

The United States is the wealthiest and most generous nation on Earth. Of course we would like to see our fellow Americans give even more time and money to help the poor; the country would be the better for it. Yet the scale of our philanthropy is not the main challenge we face. What concerns us more is the wide gap between the generosity and good intentions of Americans and the actual impact of their giving on those in need. The problem is that most of us do not make plans or set goals for our giving. And we know little about the results our philanthropy produces or about the organizations we support. More often than not, we simply respond to solicitations from various causes, from our alma mater to the innumerable “worthy causes” that solicit through the mail or over the phone at supper-time. Much of our giving seems to be a gesture of goodwill in response to the apparent good intentions of the recipient.

That pattern is out of character for Americans. We are, after all, a country that vigorously researches so much of what we spend our money on. We devour magazines that review everything from cars to televisions to computers to financial investments; we comparison shop for houses and clothing and a million other things; we study the information on the schools and colleges we send our children to. Yet when it comes to investing in charitable organizations, our passion for knowing what we are getting for our money seems to evaporate into a mist of mere good intentions.

Unlike government programs, private organizations have the capacity to provide moral leadership, to tailor incentives, to offer structure to the lives of the people they attempt to help, and to insist on accountability.

A more effective philanthropy would emphasize results and achievements. Where possible, serious evaluations are the best way to know what’s working. For smaller charities that cannot afford such evaluations, the impact will be evident to the observant donor. He or she can measure success by the way the organization is run, the skills of its leaders, the devotion of its supporters, and the norms all of them live by. The effort required to make
sure that more of our money is spent in more of the right places is something that should be embraced by anyone who feels that charitable giving and volunteering are important.

2. What philanthropy and volunteerism do most effectively, by way of improving the condition of the poor and strengthening communities, is profoundly different from what government does.

When they are run responsibly and effectively, philanthropic and voluntary efforts are the best tools we have for promoting responsible behavior, encouraging work and marriage, leading welfare recipients towards self-sufficiency, and devising sound strategies for community renewal. Government, in stark contrast, has been, for more than 60 years, primarily involved in “income maintenance.” In that limited respect, government assistance does what it sets out to do. But what it does is altogether different from what charity does. And when government has tried to take on the role traditionally occupied by philanthropy, it creates the conditions for disaster.

It is here that we most clearly observe the essential difference between government programs and private charity. In our view, private giving has a more vital and dynamic role because it is grounded in morality, not in politics or bureaucracy. Unlike government programs, private organizations have the capacity to provide moral leadership, to tailor incentives, to offer structure to the lives of the people they attempt to help, and to insist on accountability. Private efforts are often deeply spiritual in nature—something no government program can offer.

Of course government welfare programs must be reformed. But that does not mean private giving should be deflected from its distinctive ability to revive communities and redirect lives. Philanthropy is not a substitute for government; it does different things and its special character needs to be understood. The worst thing we could do is to insist that our donations of time and money be refocused to reflect the priorities and style of government.

3. To remain effective, philanthropy and volunteerism must be shielded from government’s sometimes-fatal embrace.

Because it is fundamentally different, private philanthropy can reasonably aspire to more than government ever can. Charity is our secret weapon when it comes to reviving neighborhoods, promoting self-sufficiency, and rebuilding the civic institutions that safe, well-functioning communities depend on. What makes this possible is the freedom of action these organizations have—freedom to deal with the particular needs of a particular person at a particular time and place. In practice, freedom primarily means escape from government stricture and mandate. Yet today we observe government at all levels unable to resist the urge to meddle in the affairs of charities and voluntary organizations. This lack of restraint has become even more evident in recent months as the national discussion about private efforts to help the poor has intensified.

Some of the nation’s largest national charities have come to depend heavily on government grants and contracts. These charities, while capable of
offering excellent services, are deeply entangled with the politics and procedures of official Washington and with goings-on in their state capitals. Many of them employ full-time lobbyists and frequently criticize changes in social welfare policy. They see these changes as a threat to their institutional interests. (Of course, some also disagree with them in principle.) Because their budgets are so heavily made up of funds from government, these organizations have lost both their independence and their perspective.

We detect similar trends today regarding volunteering. The recent Presidential summit seemed to reinforce an unreflective sort of volunteering—and the assumption that fostering volunteerism is the proper work of government. Encouraging Americans to volunteer without encouraging them to focus on the purpose of their volunteering—how they can best rebuild a community, for instance—may not create the highly committed volunteerism that local organizations need to thrive. Volunteering because celebrities and politicians make it trendy is a very different thing than volunteering because it is a habit of the heart. We’re especially apprehensive about volunteering funded and managed by government itself, and by schools and universities that require their students to volunteer as a condition for graduation or that compensate “volunteer” work with course credit and other rewards.

We’re not sure whether this optimism about government’s ability to structure or mandate such behavior is motivated by true faith in government or by fear that philanthropy will make a mess of things. Either way, we worry that entangling the two causes philanthropy to lose its edge. In sacrificing its independence for more security, it gives up that which makes it useful and good.

4. The most effective giving (on behalf of the poor) focuses on tangible problems with real solutions in one’s own community.

The essential needs of our most impoverished and broken communities are plainly visible: physical security, access to good schools, jobs, pregnancy prevention, drug and alcohol treatment, and shelters for the homeless or abused. While we believe that crime and disorder, failing schools, unemployment, unwed parenting, drug addiction, and mental illness have complex and sometimes unknowable causes, there are also clear, straightforward ways to ameliorate them and reduce their incidence. The most effective organizations that we have observed can describe their purpose to you and then show you whether they are achieving it or not. Ideally, donors and potential donors should be able to visit the site of a community-based organization that aids the poor and, once on the scene, immediately see what contribution it makes. Good charitable organizations deal with concrete facts and real people, not abstract theories about combating poverty.

Institutional donors, especially the large, “pacesetter” foundations, almost always espouse noble goals: better health care, coordinated social services, violence reduction, and decreased poverty, to name just a few. But these goals are formulated too vaguely to be achievable objectives for a charitable
program. Indeed, what most community organizations face are more mundane, practical needs that could be addressed with smaller, less ambitious grants. In fact, what many organizations need most—and what foundations typically eschew—is funding for their general operating expenses, to cover unglamorous essentials like utilities, food, and wages.

Smart givers should scrutinize their communities for genuine needs and support common-sense efforts within the communities to ameliorate those needs.

5. **Effective giving today calls for “civic entrepreneurs”—and enlightened recipients.**

The emerging generation of new givers—both those with inherited wealth and those who have themselves earned enough to give generously—have the ability to transform private charity in the United States. We believe that the era of writing a handful of checks every December has passed. What should take its place is the era of the “civic entrepreneur,” an era characterized by millions of citizens who want to learn about what works best to improve neighborhoods in their own communities. They should want to give locally because they want to help close to home, but also because that is how they can contribute to building effective organizations and attracting others to join them.

Most of all, civic entrepreneurs can strengthen local charities by helping them focus on the things that matter most: accountability, strong incentives, attainable objectives, and changing individual behavior. Acting as an investor, not a passive check-writer, the new donor can help guide an organization and work with it to deepen its impact in the community. This type of donor can keep watch on what works, and what does not, in helping the poor. And he can serve as a sounding board for new projects.

The civic entrepreneur will also focus on creating jobs and employment opportunities for low-income communities—the single most important factor in transforming a neighborhood. No poor community can truly change so long as it remains mired in economic hardship. Volunteer activities, shelters, and soup kitchens play a special role. But we should also look to create charitable and entrepreneurial activities that give poor people access to training, work, credit, and investments.

The most successful charities also demonstrate this spirit of enterprise. Smart recipients, like smart donors, understand the limits of what can be achieved, and therefore focus on real, doable, and sharply focused services. If donors insist on results, accountability, and innovation, more service organizations will conduct themselves accordingly.
The Challenges Facing Charity and Organized Philanthropy

These five lessons present clear challenges to charity and organized philanthropy:

1. Charity and philanthropy must focus on effectiveness, not just goodwill.

2. Charity and philanthropy must keep their mission and methods distinct from those of government.

3. Charity and philanthropy must tenaciously resist government encroachment.

4. Charity and philanthropy should tackle well-defined, concrete problems, not broad social theories.

5. Charity and philanthropy should be driven by an entrepreneurial spirit, rebuilding communities, and opening paths of self-reliance for the poor.

We are confident that, if these challenges are accepted, the nation can build a far more capable private sector that will go far to restore civic life in our poorest communities. These challenges do not come from thin air. They are inspired by effective private efforts already underway in communities across the land. These splendid examples have shown us the way. It is time for other private efforts to follow.
Appendix A: Schedule of Events

Inaugural Commission Meeting
September 29, 1996
Washington, D.C.

Full Commission Meeting
January, 28-29, 1997
Los Angeles, CA

Seminar on the Economics of Giving
February 23-24, 1997
Cambridge, MA

Seminar on Effective Giving
March 10-11, 1997
Dallas, TX

Full Commission Meeting
April, 8-9, 1997
Savannah, GA

Report Release
June 18, 1997
Washington, D.C.

Appendix B: Research

Commissioned Papers

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**Gertrude Himmelfarb**<br>City University of New York | The Past and Future of Philanthropy

**Heather MacDonald**<br>Manhattan Institute | Foundations and Social Change

**Will Marshall**<br>Progressive Policy Institute | Redefining Public Activism

**William McCready**<br>Northern Illinois University | Faith, Community, Volunteerism, and Charitable Choice

**Daniel McGroarty**<br>White House Writers Group | Educational Entrepreneurs

**Jack Murrah**<br>Lyndhurst Foundation | Lyndhurst Foundation: A Record of Community Endeavor

**Alan Reynolds**<br>Hudson Institute | The Size and Scope of Charitable Activities Will Future Bequests Ensure Ample Funds for Private Charities?

**Joel Schwartz**<br>Hudson Institute | Corporate Philanthropy Today

**Bill Shore**<br>Share Our Strength | Community Wealth

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**Author** | **Paper**
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**Maris A. Vinovskis**<br>University of Michigan | The Development and Effectiveness of Federal Compensatory Education Programs

**James Q. Wilson**<br>University of California, Los Angeles | How Do We Know We Are Doing Good?

**Robert Woodson**<br>National Center for Neighborhood Enterprise | A New Paradigm for Philanthropy

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**Surveys**
The Commission commissioned the Institute for Social Inquiry at the University of Connecticut to conduct two surveys. The first, a survey of the American people, was conducted in March of 1997 and the results are discussed in Chapter 3 of this report. The second, a survey of wealthy Americans, was conducted in June of 1997, but the results were not available during the preparation of this report.

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**Effective Programs**
The Commission commissioned David Kuo of the American Compass to profile community-based charitable organizations across the country. Descriptions of these programs are available on the Commission's website, at www.ncpcr.org.
Endnotes

1 Clofelter, p. 8.
3 According to Alan Reynolds, "Federated giving is instead put into a separate 'public/society benefit' category by Giving USA, and into a different category by Independent Sector." See Alan Reynolds, "The Size and Scope of Charitable Activities," Working Papers of the National Commission on Philanthropy and Civic Renewal.

Chapter 4

2 Clofelter, p. 10.
4 Clofelter, p. 9.
5 Clofelter, p. 16.
6 Clofelter, p. 19.
7 Clofelter, p. 24.
10 See Reynolds, p. 28.
11 Reynolds, pp. 27-8. A recent study by Price Waterhouse, for Independent Sector and the Council on Foundations, came to a different conclusion. Evaluating several tax plans—including a "flat" tax plan—that would alter or eliminate the charitable deduction, the study found that "the damaging effect on philanthropy of losing the charitable deduction would be much greater than any increases..."
that would be stimulated by lower tax rates.” According to a report in the Chronicle of Philanthropy, Sara Melendez, president of Independent Sector, explained the meaning of the survey in this way: “Most people don’t give because they receive a tax deduction.” But, she added, “the amount they give clearly is greatly affected by the deduction.” See Grant Williams, “Flat Tax Would Cost Charities $33 Billion, Study Finds,” Chronicle of Philanthropy, May 15, 1997, p. 18.

Clotfelter, p. 20

4 Bremner, 1988, p. 15.
5 Gross, p. 16.
7 Gross, p. 17.
9 Dalzell, p. 130.
10 Dalzell, p. 130.
11 Gross, p. 2.
12 Dalzell, p. 129.
13 Gross, p. 18-19.
14 Gross, p. 23.
17 Lubove, p. 162.
18 Bremner, 1988, p. 73.
19 Bremner, 1988, p. 76.
20 Bremner, 1988, p. 87.
23 Bremner, 1988, p. 111.
24 Hall, p. 46.
26 Hall, p. 51.
27 Hall, p. 58.
28 Lubove, p. 172.
29 Bremner, 1988, p. 145.
31 Katz, p. 228.
32 Katz, p. 229.
33 Katz, p. 254.
34 Bremner, 1988, p. 147.
36 Katz, p. 269.
37 Katz, p. 270.
38 Katz, p. 275.
39 Katz, p. 270.
41 Frumkin, p. 4.
42 Bremner, 1988, p. 192.
43 Hall, p. 78.
44 Hall, p. 250.
45 Bremner, 1988, p. 203.
46 “This phrase is borrowed from Glenn C. Loury, One By One From the Inside Out, (New York: The Free Press, 1996).
For further discussion of these issues, see Frumkin, p. 17-22.

*For further discussion of these issues, see Frumkin, p. 17-22.


Trueheart, p. 38.

Trueheart, p. 58.


"For further discussion of these issues, see Frumkin, p. 17-22.


Trueheart, p. 38.

Trueheart, p. 58.


Chapter 8

Though, as Alan Reynolds points out, “Diverse and user-friendly sources of reasonably impartial information are developing, but they cover only the largest charities and therefore exclude many innovative new programs. Relatively detailed information about the largest 100 charities is gathered in Nonprofit Times (www.nptimes.com) and published in Money, November 1996 (with more detail at www.money.com). Watchdog organizations in the web are also starting to provide very useful information and tips to potential donors, such as the National Charities Information Bureau (www.give.org), the Internet Nonprofit Center (nonprofits.org), and Better Business Bureau (bbb.org and benifice.org).” See Alan Reynolds, “The Size and Scope of Charitable Activities,” Working Papers of the National Commission on Philanthropy and Civic Renewal.


—Wilson, p. 7.
Lamar Alexander, Chairman of the Commission, served as the U.S. Secretary of Education during the Administration of President George Bush. Previously, he served as the Governor of Tennessee, and chaired the National Governors' Association. In addition to being active in national politics, he has also served as the President of the University of Tennessee.

As Secretary of Education, he called for an "explosion of thousands of break-the-mold schools," which would have longer hours, more days, higher standards, and more choices for families. The Education Commission of the States and the National Collegiate Athletic Association have given Mr. Alexander their highest awards.

During Mr. Alexander's two terms as Governor, Tennessee was the fastest growing state in family incomes, the third largest producer of automobiles, and the only state to pay teachers more for teaching well. He left the state government with fewer employees, a smaller debt, and the fifth lowest tax rate in the nation.

In 1987, he was instrumental in the founding of a company that helps corporations in twenty-two states to provide on-site child care and schooling for employees' children. In addition to being a successful businessman, he has written ten books. Two of his favorites are: Six Months Off, a book about his family's life in Australia; and We Know What to Do, stories from an 8,800 mile drive across America. Mr. Alexander is a country and classical pianist; he has played piano at the Grand Ole Opry, as well as for a Billy Graham Crusade. Currently, he is a Co-Director of Empower America.

Reed Coleman, Vice Chairman of the Commission, has served as Chairman of the Board and Executive Committee of Madison-Kipp Corporation since 1964. Madison-Kipp, based in Madison, Wisconsin, manufactures precision components and assemblies for the durable goods market. Prior to becoming a businessman, Mr. Coleman served as an Intelligence Officer with the United States Air Force.

Mr. Coleman has been actively involved in civic and political organizations at the national, state, and community level for over twenty years. He has served as the Chairman of the Republican Party of Wisconsin and the Campaign Chairman of the United Way of Dane County. He is a former Trustee of the University of Wisconsin Catholic Foundation, Beloit College, and the Taft Institute of Government. Mr. Coleman previously served as the Director of the Madison Club and Director of Wisconsin For Research, Inc.

Currently, he is a Trustee and President of the Norman Bassett Foundation. Mr. Coleman serves on a number of Boards of Directors including: The
Lynde and Harry Bradley Foundation; Competitive Wisconsin, Inc.; Wisconsin Policy Research Institute; and as Chairman and Director of the Sand County Foundation, Inc. Additionally, Mr. Coleman serves on the Board of Directors of Kemper National Insurance Companies, Regal-Beloit Corporation, Lunar Corporation, NIBCO, Inc., and Xeruca Corporation.

PBS’s “To The Contrary.” Best Friends has been showcased as a national solution on ABC’s “World News Tonight,” on CBS “Sunday Morning,” and in Reader’s Digest.

In April 1997, Mrs. Bennett was honored by the National Campaign to Prevent Teen Pregnancy for establishing Best Friends as one of the most-effective teen pregnancy prevention programs in the country. Since 1986, Mrs. Bennett has served as a co-chair of the Executive Committee of the annual CARE International Celebration. She is a member of the National Advisory Board of the March of Dimes.

Elayne Bennett is the President of the Best Friends Foundation in Washington, D.C., and founder of the Best Friends Program, a school-based educational curriculum for adolescent girls that promotes self-respect through the practice of self-restraint. Ten years ago, as a faculty member of Georgetown University’s Child Development Center, Mrs. Bennett observed that little was being done to encourage girls to postpone sex and reject drug use. She developed the Best Friends curriculum to provide girls with skills and direction to set goals, to graduate from high school, and to avoid sex, drugs, and alcohol. Best Friends, a national network of girls supporting one another and guided by older responsible women, is in fifty schools and fifteen cities. Mrs. Bennett teaches the curriculum, which she developed in Washington, D.C., public schools, where the teen pregnancy rate among Best Friends is one percent.

Mrs. Bennett is a public spokeswoman on issues of adolescent behavior and teen pregnancy. She has appeared on a number of national television shows, including ABC’s “Nightline,” CNN’s “Both Sides with Jesse Jackson,” and

Kenneth Dam is the Max Pam Professor of American and Foreign Law at the University of Chicago Law School. He is also the Director of the Program in Law and Economics and the Co-Director of the Center for the Study of Constitutionals in Eastern and Central Europe.

Mr. Dam served as Provost of the University of Chicago from 1980 until 1982, when he accepted an appointment as Deputy Secretary of State, the number two post in the State Department. From 1985 to 1992, he held the post of Vice President for Law and External Relations with IBM. Additionally, he served as a member of the IBM Corporate Management Board and the IBM World Trade Asia Pacific Board. Upon his retirement from IBM, he was asked to serve as President and CEO of the
United Way of America to restructure the finances and governance of the organization.

Currently, Mr. Dam serves on the boards of Alcoa, America-China Society, Brookings Institution, Chicago Council on Foreign Relations, and Council on Foreign Relations (New York). He is Chairman of the Committee on National Cryptography Policy of the National Research Council, and Co-Chairman, with Senator Sam Nunn, of the Aspen Strategy Group. Mr. Dam has written books on GATT, the international monetary system, U.S. economic policy, and the development of oil resources, as well as many articles on economic policy and antitrust law.

Reverend Henry R. Delaney, Jr.

Rev. Delaney is the Senior Pastor of St. Paul Christian Methodist Church in Savannah, Georgia. Since he became the Pastor of St. Paul, the membership has grown by 4,000, making it the fastest growing congregation in the history of the CME. Reverend Delaney’s televised worship service enjoys a vast viewing audience, and he has been nominated as one of Georgia’s most prominent black pastors by a group of distinguished Georgians.

Reverend Henry R. Delaney, Jr.

Rev. Delaney is the founder of the Haitian Mission, Port Au Prince, Haiti. This ministry, which has 46 churches and 6,000 members, has conducted revivals in 24 states and 3 foreign countries. Under his leadership, St. Paul opened the St. Paul Academy for Boys (1993) to educate boys from grades 3 through 8. He founded the St. Paul Community Cultural Center to meet the growing community outreach programs, including the Community Senior Citizen Bible Study, Kid’s Cafe (an after school program to serve children), monthly Brown Bag Giveaway (which serves over 500 people a month), and a charm school for girls. Outreaches include: The Hallelujah House (a residence for men recovering from (substance abuse), AMEN (Addicts Ministry Evangelistic Network to support recovering addicts), The Chestina House (a residence for women recovering from drugs), The Bargain Box, Too (a thrift store), and The Heavenly Dee-Lite Ice Cream Parlor.

Kimberly O. Dennis

Kimberly Dennis is currently working as an independent consultant with philanthropic organizations around the nation. Previously, Mrs. Dennis served as the Executive Director of the Philanthropy Roundtable, a national association of individual donors, foundation officers, corporate giving representatives, and trust and estate officers. During her term as Executive Director of the Philanthropy Roundtable she was also the publisher of Philanthropy, the Roundtable’s quarterly journal.

Mrs. Dennis served with the John M. Olin Foundation, a grant-making foundation with primary interests in public policy, for over five years. Previously, she held positions with nonprofit educational and policy-making
organizations including the Institute for Humane Studies in Virginia and the Pacific Research Institute in San Francisco.

Currently, she serves on the board of the W. H. Brady Foundation, as Chairman of the Board of the Political Economy Research Center, as a member of the Advisory Board of the Donner Foundation’s New Leadership Fellows Program, and acts as a judge for the Acton Institute’s Samaritan Awards.

Mrs. Dennis has authored numerous articles on philanthropy, which have appeared in USA Today, Policy Review, Private Asset Management, Imprimis, as well as other national publications.

Chester E. Finn, President of the Thomas B. Fordham Foundation, is also the John M. Olin Fellow at the Washington, D.C. office of the Indianapolis-based Hudson Institute. At Hudson, he serves as co-chair of the Educational Excellence Network and directs the project on “Charter Schools in Action.”

Currently, Dr. Finn is on leave from the faculty of Vanderbilt University, where he has been a professor of education and public policy since 1981. Between 1992 and 1994, he served with the Edison Project, as a founding partner and senior scholar. Previously, Mr. Finn served as Assistant Secretary for Research and Improvement, and Counselor to the Secretary of the U.S. Department of Education from 1985 to 1988.

Dr. Finn has written eleven books and more than 200 articles, recent publications include: Education Reform 1995-96 with Diane Ravitch (Hudson Institute, 1996), Charter Schools in Action: What Have We Learned? with Bruno V. Manno and Louann A. Bierlein (Hudson 1996), The New Promise of American Life, co-edited with Lamar Alexander (Hudson Institute, 1995); Radical Education Reforms, co-edited with Herbert J. Walberg (McCutchan, 1994); Education Reform in the ’90s, co-edited with Theodor Rebarber (Macmillan, 1992); and We Must Take Charge: Our Schools and Our Future (Free Press, 1991).


Reverend Hill is Urban Minister for the Episcopal Diocese of Dallas. In addition, he serves as the Director of the Austin Street Shelter, founded by an ecumenical group of Dallas business men, since its inception in 1983. The Austin Street Shelter is ranked as one of the safest shelters in America. It is the only shelter in Dallas that
has no time limit for its clients, and charges no fees for any services. It relies on individual private donations, foundations, and churches.

Three years after founding the Austin Street Shelter, Reverend Hill and the Board of Trustees opened the Genesis Women's Shelter for battered and abused women and children. It has expanded to include outreach care and transitional housing. Under Reverend Hill's direction, an annex, the Austin Street Chemical Abuse Awareness Program, was added to the Shelter this past year. This program is being offered to those in the community who need help with chemical addiction, but have no insurance and limited financial resources.

Since 1977, Reverend Hill's main focus in his ministry has been the homeless. He is a strong advocate for both the homeless mentally ill and the chemically addicted, as well as day-care for homeless infants and young children. Currently, he is serving as the priest-in-charge at St. Paul's Episcopal Church in Waxahachie in addition to his responsibilities at the Shelter.

Constance Horner

Constance Horner is Guest Scholar in Governmental Studies at the Brookings Institution in Washington, D.C., and a member of the U.S. Commission on Civil Rights. Mrs. Horner's career in government began in 1981 at ACTION, the federal volunteer agency, where she served as Director of VISTA, the domestic Peace Corps. After a stint as Associate Director at the Office of Management and Budget, in 1985, President Ronald Reagan appointed her as the Director of the Office of Personnel Management. Mrs. Horner served President George Bush as Deputy Secretary of Health and Human Services, and headed the Department's task force on the reform of health care financing. She also served as Assistant to President Bush and Director of Presidential Personnel.

Mrs. Horner, at different times during her federal service, has served as a member of the President's Commission on White House Fellowships, the President's Commission on Executive Exchange, and the Administrative Conference of the United States. She has taught at Princeton University and at Johns Hopkins University. Presently, she is a trustee of the Annie E. Casey Foundation and a Fellow of the National Academy of Public Administration. Additionally, Mrs. Horner serves on the Board of Directors of Pfizer, Inc., Prudential Insurance Company of America, Ingersoll-Rand Company, and the Foster-Wheeler Corporation.

Sister Jennie Lechtenberg

Sister Jennie Lechtenberg is the Executive Director of PUENTE Learning Center in Los Angeles. She founded and developed this internationally renowned multi-generational center, which provides need-specific educational instruction to over 2,000 economically and educationally disadvantaged students each day. Her responsibilities include curriculum development,
technology enhancements, physical plant management, community relations, fund raising, as well as the management of 44 staff members, public and private partnership development, and spokesperson. Additionally, she serves as the President of the Board of Directors.

Sister Jennie has previously served on the Literacy Roundtable Advisory Council, the Coalition of 100 for Los Angeles, and on the Mayor's Committee on Children & Families. From 1992 until 1995, she was instrumental in the implementation of five Mattel literacy computer labs.

Currently, Sister Jennie is a Mayoral Appointee to the Human Relations Commission for the City of Los Angeles, and serves on the Replacement Facility Advisory Council of the Los Angeles County Medical Center. Also, she is presently serving on the Board of Directors for the Pacific Enterprises, Prince of Wales Business Leaders Forum Advisory Council, and the Opinion Advisory Board for La Familia di Puede.

William H. Lock

William Lock is the Executive Director of Community Enterprises of Greater Milwaukee, Inc. (CEGM). In 1987, at the age of 56, Mr. Lock answered the call of his church to take a leadership role in guiding the church in its economic and community revitalization ministry, CEGM.

Mr. Lock served in the United States Army in Korea, and was awarded the Bronze Star of Valor. Previously, he was employed by the Milwaukee Transformer Corporation for more than thirty years, and has maintained an active role in community service since he retired as plant manager. Recently, he was appointed to the Central City Initiative Board by Governor Tommy Thompson. Mr. Lock serves as a member of the Neighborhood Strategic Planning Committee, and is the founder and past president of the Community Family Development Society.

Mr. Lock is a member and Chairman of the Deacon Staff of the Community Baptist Church of Greater Milwaukee, Inc. He has the strong belief that faith-based organizations must form partnerships with other community groups to provide leadership in the community.

Juan M. Rivera

Juan Rivera, Vice-President of Victory Fellowship of Texas Inc. in San Antonio, serves as the Assistant Director of the international and multi-tiered projects. Victory, founded by Freddie Garcia, began 30 years ago as a grassroots faith-based drug-rehabilitation program to reclaim lives, restore families, and revitalize communities. The 70 percent success rate of this ministry is attributed to its conviction to offer empathy and tireless investment that inspires in each person a faith-based sense of value and vision for themselves, their families, and their communities.

The ministry of Victory Fellowship includes: Victory Temple Church, Victory
Home Rehabilitation Centers, Victory Leadership Academy, Campus Outreach, Drop-In Centers, Women’s Ministry, Jail and Prison Ministries, and the Royal Rangers and Missionettes. Victory Fellowship’s Drop-In Centers are safe havens for at-risk youth, while the Royal Rangers and Missionettes (counterparts of the Boy Scouts and Girl Scouts) provide wholesome activities, with value-based guidance, and avenues to involving youth in community service. The Leadership Academy has trained and equipped hundreds of men, who have reclaimed their lives, to continue to serve their communities by offering guidance to others through these God-centered programs. The Women’s Ministry has inspired hundreds of women to provide the anchor of care and love that their families need to overcome drug addiction, crime, and domestic abuse. Additionally, women learn to guide and support their spouses through the most difficult stages of renewal and readjustment.

Pastor Rivera also provides counsel and support to the 65 satellite centers throughout Texas, New Mexico, California, Mexico, Peru, Colombia, and Puerto Rico.

Sam A. Williams is President of the Metro Atlanta Chamber of Commerce. Previously, Mr. Williams was President of Central Atlanta Progress (CAP), an association of 200 Atlanta businesses that are working to improve public safety, develop housing, and create a long-range plan for the Centennial Olympic Park Area. CAP has been the private sector partner with the city and other organizations in the development of Underground Atlanta, building 2,000 middle-income housing units near the Civic Center, transportation improvements, and other downtown Atlanta projects.

Mr. Williams worked with the Portman Companies for 21 years, serving as President of the Atlanta Market Center and Executive Vice President. During this time, he was active in all aspects of real estate development in the U.S., the Middle East, and Asia. He founded Research Atlanta in 1971, and previously served as a member of Mayor Ivan Allen’s staff.

His past public service includes serving as the Chairman of the Atlanta Chamber of Commerce, the World Trade Club, and the Jekyll Island Authority. Currently, he is a member of the ACVB and the Atlanta Chamber of Commerce Boards, the Atlanta Neighborhood Development Partnership, and the Board of the Corporation for Olympic Development in Atlanta.

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In 1903, Lynde and Harry Bradley established a business in Milwaukee, Wisconsin, which became the Allen-Bradley Company. In 1985, the Rockwell International Corporation acquired the Allen-Bradley Company and a significant portion of the proceeds were dedicated to establishing The Lynde and Harry Bradley Foundation. The purpose of the foundation is to commemorate Lynde and Harry Bradley by preserving and extending the principles by which they lived and upon which they built the Allen-Bradley Company.

The Bradley brothers were committed to preserving and defending the traditions of free representative government and private enterprise. The Bradleys believed that a good society is a free society.

The Lynde and Harry Bradley Foundation is devoted to strengthening democratic capitalism and the institutions that sustain and nurture it. The foundation supports limited, competent government; a dynamic marketplace for economic, intellectual, and cultural activity; and a strong defense at home and abroad of American ideals and institutions. In addition, recognizing that responsible self-government depends on enlightened citizens and informed public opinion, the Foundation supports scholarly studies and academic achievement.

The Bradley Foundation’s aim is to encourage projects that focus on cultivating a renewed, healthier, and more vigorous sense of citizenship among the American people, and among peoples of other nations. In light of these considerations, The Bradley Foundation seeks to support projects that generally share the following assumptions:

- Treat free men and women as genuinely self-governing and personally responsible citizens, not as victims or clients.
- Restore the intellectual and cultural legitimacy of common sense, the received wisdom of experience, morality, and personal character, refurbishing their roles as reliable guideposts of everyday life.
- Reinvigorate and empower the traditional, local institutions of families, schools, churches, and neighborhoods.
- Encourage decentralization of power and accountability away from bureaucratic, national institutions back to states, localities, and revitalized mediating structures where citizenship is more fully realized.
- Address arenas of public life, such as economics, politics, culture, or civil society, in which citizenship is essential.
- Support projects aimed to improve the life of the community through increasing cultural and educational opportunities, grass-roots economic development, and effective and humane social and health services.