

Imprimis

OVER 3,000,000 READERS MONTHLY

January 2016 · Volume 45, Number 1

Charitable Giving and the Fabric of America

Karl Zinsmeister

The Philanthropy Roundtable



KARL ZINSMEISTER is vice president for publications at the Philanthropy Roundtable. A graduate of Yale University, he also studied at Trinity College Dublin. For almost 13 years he was editor-in-chief of *The American Enterprise*, and from 2006 to 2009 he served as chief domestic policy advisor to the president and director of the White House Domestic Policy Council. He has written for several newspapers and magazines, including the *Wall Street Journal*, the *New York Times*, and *The Atlantic*, and he is the author or co-author of eleven books, including *The Almanac of American Philanthropy*.

The following is adapted from a talk delivered on January 29, 2016, at Hillsdale College's Allan P. Kirby, Jr. Center for Constitutional Studies and Citizenship in Washington, D.C.

Private philanthropy is crucial in making America the unusual country that it is. Let's start with some numbers. Our nonprofit sector now comprises eleven percent of the total United States workforce. It will contribute around six percent of gross domestic product this year. To put this in perspective, the charitable sector passed the national defense sector in size in 1993, and it continues to grow. And these numbers don't take volunteering into account: charitable volunteers make up the equivalent—depending on how you count—of between four and ten million full-time employees. So philanthropy is clearly a huge force in our society.

To begin to understand this crucial part of America, it is useful—and also inspiring—to consider some of America's great philanthropists.

Ned McIlhenny, born and raised in a Louisiana bayou, had a day job in addition to being a philanthropist: manufacturing and selling the hot pepper condiment invented by his family, McIlhenny Tabasco. There is big money in helping people burn their tongues, and McIlhenny used his resulting fortune for an array of good works. I'll give you just one example. When he was young, hats with egret plumes were all the rage for ladies—like Coach handbags today—with the effect that the snowy egret, a magnificent creature native to Louisiana's bayous, had become nearly extinct. In response, McIlhenny beat the bushes to find eight baby egrets on a private island his family owned. By 1911, he built up a population of 100,000 egrets on the island. At the same time, he convinced John D. Rockefeller and other philanthropists to help him purchase some swampy land to use as a winter refuge for egrets and other birds.

Another American philanthropist was Alfred Loomis. Passionate about science from early boyhood, he entered law school when his father died in order to be able to support the family. Hating the study of law and wishing to return to science, he went to work on Wall Street, and by the early 1930s he had become one of the richest men in America. Retiring from finance, he set up one of the world's great experimental labs in a mansion across the street from his home north of New York City.

In 1938, Loomis visited Berlin and was struck by two things: Hitler's

popularity and the brilliance of German scientists. He returned home convinced that war was brewing and that science would have a lot to do with who won. He poured himself and his fortune into a promising new field that had defense applications—a way to use radio waves to detect moving objects—and his lab very quickly became the national leader in what we now call radar. Thousands of radar sets created under Loomis's supervision did much to turn the tide of World War II.

Even more than his money, Loomis's methods account for his remarkable success. Appalled by the bureaucracy and sluggishness of government research programs, he took a radically different approach in his lab. When it became apparent how successful his approach had been in producing radar, the Department of Defense copied it directly for the Manhattan Project, even hiring many of the scientists from Loomis's radar lab. President Roosevelt later said

that there was no civilian who did more to win World War II than Alfred Loomis.

Another philanthropist was Kodak founder George Eastman, who popularized photography in the early 1900s. When he began his business, photography was all art and guesswork, and very little science. He hired chemists from an obscure school called Boston Tech, and out of gratitude for what they did for his company he later provided most of the money that transformed Boston Tech into the powerhouse MIT. And he did so anonymously—for years and years, the donor behind

Imprimis (im-pri-mis),
[Latin]: in the first place

EDITOR

Douglas A. Jeffrey

DEPUTY EDITORS

Matthew D. Bell
Timothy W. Caspar

COPY EDITOR

Monica VanDerWeide

ART DIRECTOR

Angela E. Lashaway

MARKETING DIRECTOR

William Gray

PRODUCTION MANAGER

Lucinda Grimm

CIRCULATION MANAGER

Wanda Oxenger

STAFF ASSISTANTS

Robin Curtis
Kim Ellsworth
Kathy Smith
Mary Jo Von Ewegen

Copyright © 2016 Hillsdale College

The opinions expressed in **Imprimis** are not necessarily the views of Hillsdale College.

Permission to reprint in whole or in part is hereby granted, provided the following credit line is used: "Reprinted by permission from **Imprimis**, a publication of Hillsdale College."

SUBSCRIPTION FREE UPON REQUEST.

ISSN 0277-8432

Imprimis trademark registered in U.S.
Patent and Trademark Office #1563325.



HILLSDALE COLLEGE
PURSUING TRUTH · DEFENDING LIBERTY SINCE 1844

MIT was referred to as “Mr. Smith.” Eastman also had a passion for music, so he methodically created and built to world prominence the Eastman School of Music at the University of Rochester. The Eastman School played an important role in popularizing classical music in America, and it remains today one of our top cultural institutions.

Another great American donor was Milton Hershey, who transformed chocolate from an expensive indulgence of the wealthy into an affordable treat for all. More importantly, he was responsible, with his wife, for the creation of a school for orphans. Hershey’s father had been a drinker and a neglectful family man, and he had known great hardship during his childhood. To relieve other children of hardship, he built a ring of houses encircling his home in Pennsylvania, installing in each a married couple to live with a group of orphans. He also built a school to provide the children a sound education and training in industrial crafts. Eventually he announced plans “to make the orphan boys of the United States my heirs,” and he endowed the Milton Hershey School with the equivalent of \$11 billion in today’s dollars.

* * *

But philanthropy in the United States is not just a story—or even primarily a story—about wealthy people or big foundations. Only 14 percent of charitable giving in our country comes from foundations, and only five percent from corporations. The rest comes from individuals, and the bulk of it comes from small givers at an average rate of about \$2,500 per household per year.

Anne Scheiber was a shy auditor who retired in 1944 with \$5,000 in the bank. Through frugal living and inspired stock investment, she managed to turn this into \$22 million by the time she died in 1995 at the age of 101. She left it to Yeshiva University so

that bright but needy girls could attend college and medical school.

Elinor Sauerwein painted her own home, mowed her own lawn, and kept a vegetable garden in Modesto, California, until she was in her 90s. She avoided cable TV and almost never ate out. Her financial advisor reported that her goal was to amass as much wealth as she could for the Salvation Army—to which, when she died in 2011, she left \$1.7 million.

Albert Lexie has shined shoes in Pittsburgh for over 40 years. He decided years ago to donate his tips to the Free Care Fund of the Children’s Hospital of Pittsburgh. Since 1981, Lexie has donated over \$200,000 to the fund, about a third of his total earnings.

Oseola McCarty of Hattiesburg, Mississippi, dropped out of school in sixth grade to support the woman who raised her, going to work as a washerwoman. She preferred using boiling pots, a scrub board, and 100 feet of open-air clothesline to an automatic washer and dryer, which she said didn’t meet her standards. When she retired in 1995, she had \$280,000 in the bank. She set aside what she needed to live on and donated \$150,000 to the University of Southern Mississippi, about two miles from where she lived, to fund scholarships for needy students to receive the education she never had. When news of her gift got out, citizens of Hattiesburg made donations that more than tripled her initial endowment. Today, several full tuition McCarty scholarships are awarded each year.

Many remarkable things have come about in America through the aggregation of dispersed giving. Historian Daniel Boorstin has noted that in 1880, the state of Ohio had only three million inhabitants but 37 colleges. That same year, England had 23 million inhabitants but only four colleges. The difference was small-scale philanthropy directed towards education. Western Reserve College, launched in 1826, was made

HILLSDALE COLLEGE CRUISE

ALASKA VANCOUVER ROUNDTRIP



ALL-INCLUSIVE!

Aboard the *Crystal Serenity*

JULY 27-
AUGUST 6, 2016

Vancouver | Juneau | Hoonah | Hubbard Glacier
Skagway | Sitka | Ketchikan | Nanaimo

CONFIRMED SPEAKERS



Michael Walsh
Contributor, *National Review Online*
Author, *The Devil's Pleasure Palace*



Victor Davis Hanson
Distinguished Fellow in History, Hillsdale College
Author, *The Savior Generals*



John Steele Gordon
Contributor, *Commentary*
Author, *Washington's Monument*

JUST
ADDED!



David P. Goldman
Columnist, *Asia Times*
Author, *How Civilizations Die*



Larry P. Arnn
President, Hillsdale College
Author, *Churchill's Trial*

CRYSTAL  CRUISES



ALL-INCLUSIVE—CALL TODAY FOR MORE INFORMATION!
(877) 242-6397 | hillsdalecollegecruise.com

possible by the giving of thousands of Ohioans, mostly frontier farmers. One supporter spent a whole winter hauling building supplies to the school from a quarry about ten miles away. Another family pledged a fraction of its egg and milk sales over a number of years. Of course you at Hillsdale College know this story well, sharing exactly the same sort of beginning.

There are activists today who argue that only money given to the poor should be counted as charitable. Is that a humane argument? It strikes me as astoundingly short-sighted. Most of the philanthropy that has resulted in a reduction of poverty over the years has nothing to do with alms. Consider donors who give to charter schools today. These charter schools are doing more to break the cycles of poverty and human failure than welfare transfers ever could.

Knowledge of our history is an essential element of American citizenship. Did you know that George Washington's Mount Vernon was saved from ruin by thousands of small donors from the Mount Vernon Ladies' Association, under whose protection it continues to operate today? Thomas Jefferson's Monticello has been protected for more than a century by a private foundation that receives no public funding. The same is true for Montpelier, the home of James Madison, and for the summer cottage where Abraham Lincoln spent a quarter of his presidency and made some of his most momentous decisions—the latter was just restored by private donors and opened to the public in 2008.

America's great cathedrals are also products of private giving. The building of Saint John the Divine was begun in New York City with a gift from J.P. Morgan, and was completed over a period of decades with the help of thousands of small donations. The National Cathedral in Washington, probably the last pure Gothic cathedral that will ever be constructed, was built with small donations over a period of 97 years.

Public libraries too. John Jacob Astor, James Lennox, and Samuel Tilden gave millions of dollars to create the New York Public Library. In Baltimore, Enoch Pratt provided both money and planning for a multi-branch public library. Andrew Carnegie created more than 2,500 libraries in towns and cities across the country.

Science in America is deeply entwined with philanthropy. Take the high-end telescopes that allow astronomers to make important discoveries about the universe. The Lick, Yerkes, Mount Wilson, Mount Palomar, and Keck telescopes were filled with light by private money, and the two massive telescopes being built today—the Magellan and Thirty-Meter telescopes—are relying on private donations as well. The Guggenheim family, which we associate with museums, created nearly all of the aeronautical engineering departments that initially propelled us into space, and was the sole funder of the career of Robert Goddard, the genius most responsible for American leadership in space flight.

John D. Rockefeller's funding for medical research started around 1901. Forty-seven Nobel Prize winners in science received significant financial support from Rockefeller before they earned their awards, and another 14 were supported at some point by Rockefeller money. The breakthroughs by these men and women include advances in blood typing and genetic research, penicillin, the yellow fever vaccine, and kidney transplants. The John Hartford Foundation funded some of the earliest kidney transplants, created the professional societies where kidney experts share information, and made kidney dialysis practical for the first time.

* * *

The topic of medical research brings to mind the question of how private philanthropy compares to

government funding. The former is superior in its ability to be individualized and pluralistic. What do I mean by this? Many of the most successful causes in the charitable world—causes like micro lending, Alcoholics Anonymous, mentoring programs, and college dropout programs—rely heavily on one-to-one accountability, taking advantage of the information available when you know who you're working with. By creating personal transactions, they use the power of relationships to change behavior. As Mother Teresa used to say, "I never think in terms of a crowd, but of individual persons."

Government programs, by necessity, focus on the crowd. Far from having different approaches and rules for different kinds of people, they are about being strictly the same for all participants. They are praised for being consistent, but one-size-fits-all standardization is not really how humans thrive. Individualized services, hard to come by in government programs, are a hallmark of philanthropic work.

Which leads us to a fancy word that every American ought to know: polyarchy—referring to a society in which there are many independent sources of power (the opposite of monarchy). The United States has a notably polyarchic culture, and independent philanthropy is a big part of this. As Yale Law Professor Stephen Carter points out, different people measure community needs with "different calipers," and millions of individual philanthropic decisions lead to more variety in giving, and more protection for non-mainstream points of view, than government programs.

Still, partly because so much of private charity takes place out of the public eye—on the local level, private, often anonymous—many grossly underestimate its power and insist that major concerns can only be addressed through government action. They seem to have three major

criticisms of private philanthropy: one, it's a drop in the bucket; two, it's amateurish, chaotic, and lacks expert coordination; and three, private donors act from impure motives.

Drop in the bucket? The Gates Foundation alone distributes more overseas assistance than the entire Italian government. Over its first two decades, its overseas vaccine program is projected to save the lives of almost eight million children. And the Gates Foundation represents only a tiny sliver of American philanthropy directed overseas. Members of American churches and synagogues send four-and-a-half times as much to foreigners in need each year as Gates does, and total private American philanthropic aid sent overseas substantially exceeds the foreign aid budget of the U.S. government. The latest totals are about \$39 billion and \$31 billion, respectively.

What about the charge that private philanthropy is amateurish and lacks expert coordination?

Consider Lizzie Kander, who ran a settlement house in the early 1900s that assimilated Russian Jewish immigrants. She used funds donated by Milwaukee businessmen to teach the immigrants nutrition, sanitation, child development, and employable skills. Needing additional money, she compiled a cookbook and housekeeping guide to sell as a fundraiser, covering the cost of production by selling ads. It was titled *The Settlement Cook Book*—with the politically incorrect subtitle, *The Way to a Man's Heart*—and eventually sold two million copies. The revenue stream from this effort benefited Jewish immigrants in the Upper Midwest for 75 years, in addition to other charitable projects.

I worked for three years in the West Wing of the White House, and I can tell you that so-called expert coordination isn't all it's cracked up to be. The healthiest forms of societal improvement result from lots of little experiments. Some will fail, but others will succeed

and be copied. This is the method by which private philanthropy proceeds.

Think about what happens every autumn weekend at hundreds of stadiums around our country. What is involved when you move a crowd of 50,000 from the stadium to their cars to their homes? If you tried to plan or direct that from a central perch, it would be a mess. There are too many variables. The average fan may not realize that he's exhibiting what scientists call large-scale adaptive intelligence in the absence of central direction, but that's what he's doing. There are lots of less trivial examples of this. Essential human tasks like food distribution are managed without any central organization. There's no agency in charge of making sure that Fort Worth doesn't run out of milk, but it never does. That's what happens in a free society. Lack of uniformity and coordination is more often than not a blessing.

What of the third alleged weakness of private charity—the idea that private donors have impure motives? Although typical donors are not more interested in getting a tax break or their name on a building than in altruism, it's true that philanthropists are not always angels. But is this a persuasive argument against private charitable giving?

J. Paul Getty was a cheapskate who made visitors to his estate use a pay phone, even though he was one of the richest men in the world. When his grandson was kidnapped in Italy and held for a \$17 million ransom, he dickered over the amount until the kidnapers mailed him his grandson's ear. Even then, Getty was only willing to lend the ransom to his son at a rate of four percent interest. Yet J. Paul Getty also bequeathed to us one of the most

sublime collections of Greek and Roman art, a gift that will elevate souls for centuries to come.

Russell Sage, a notorious miser and a convicted usurer, cheated his wife's father when they were in business together. When a mad extortionist blew up his Wall Street office with dynamite, Sage used one of his clerks as a human shield and then refused to pay compensation for the man's injuries. Yet Sage's fortunes eventually created one of the most influential early charitable foundations in the country.

There are foolish givers and dumb projects. But charitable programs that don't produce results soon die or are remade into something different.

The genius of the philanthropic mechanism is that it is able to take people just as they are, imperfections and all, and help them do wondrously useful things. Adam Smith noted that freely conducted commerce can turn normal human behaviors, including mercenary ones, into something valuable. This is as true in the world of philanthropy as it is in business.

Part of the magic of America's charitable structure is that it is able to convert commonplace private impulses into tremendous uplift for all of society.

* * *

We humans are social animals, and we naturally become disturbed and want to help when we see fellow creatures in trouble. Early on, Americans discovered that voluntary action to lift others up is not only possible, it is superior to the kind of state paternalism that diminishes freedom. Private charitable giving and the spirit of volunteerism have been essential bulwarks of the American character, and they remain indispensable to our national success. ■



HILLSDALE COLLEGE
PURSUING TRUTH · DEFENDING LIBERTY SINCE 1844

DID YOU KNOW?

The family of Mark R. Levin has donated a rare first edition of *The Federalist* to Hillsdale College. One of only 500 copies commissioned by Alexander Hamilton in 1787 and printed in New York in 1788, this book is on display at Hillsdale's Allan P. Kirby, Jr. Center for Constitutional Studies and Citizenship in Washington, D.C.