Successful Philanthropy for Liberty

by Martin Morse Wooster

Every donor who creates a foundation must answer some of the same questions. Who should get my money? How do I know my money is being put to good use? How do I know that the money I give advances the cause of liberty and limited government?

In the field of philanthropy, failures are legion. One major reason why foundations fail is that they ignore or repudiate their donor's intentions. Consider that many large liberal foundations—Carnegie, Ford, MacArthur, Pew—were founded by heroic entrepreneurs who would be appalled to see their money funding statist and collectivist causes today.

The best way to ensure that your intentions are followed is to set up a foundation with a term limit of no more than 25 years after your death. It's usually the case that after this period— after your friends and associates have died and they are succeeded by people who did not know you—that a foundation will drift away from your goals.

But won't a foundation established in perpetuity ensure that future generations remember who you are? Not necessarily. Your name will certainly survive, but who you were and your reasons for giving will certainly be forgotten. Julius Rosenwald, the long-time president of Sears, Roebuck and a forceful advocate of term-limited foundations, in a 1929 *Atlantic* article, concluded: "I am certain that those who seek by perpetuities to create for themselves a kind of immortality on earth will fail, if only because no institution and no foundation can live forever. If some men are remembered years and centuries after the death of the last of their contemporaries, it is not because of endowments they created. The names of Harvard, Yale, Bodley, and Smithson, to be sure, are still on men's lips, but the names are now not those of men but of institutions."

So it's best to give while you're alive and see your money used for good deeds. For example, George Eastman gave away $125 million in the 1920s, more than any donor of the era not named Rockefeller or Carnegie—yet he never set up a foundation, and gave away all his money with the aid of one assistant. "If a man has wealth, he has to make a choice," Eastman said in a 1923 interview. "He can keep it together in a bunch, and leave it for others to administer after he is dead. Or he can get it into action and have fun, while he is still alive."

There are many worthy causes out there. But this article is meant for the donor who wants to help promote individual liberty and reductions in the size, scope, and power of government. Here the choices largely boil down to giving money to universities and to think tanks. I believe giving to think tanks to be the better choice.

Giving to universities has many pitfalls. There's the fungibility problem. Suppose you give money to a university to aid a freedom-oriented professor. The university can take the funds it has saved on the professor's salary and overhead and redirect them to something else—such as bringing socialist speakers to campus.

There's also the question of academic freedom. Universities can legitimately argue that giving money for a professorship of free enterprise or entrepreneurship violates academic freedom, since it appears that a donor is telling a scholar what to study and what conclusions to draw. In this regard, Milton Friedman has said that he is as opposed to professorships of free enterprise as he would be professorships of socialism.

Moreover, even if you are careful in setting the parameters of a gift, there's no guarantee that the scholar you endow will pursue your wishes. In Britain, for example, the Margaret Thatcher Foundation raised $2 million to endow a Margaret Thatcher chair of enterprise studies at Cambridge. But, according to the *Spectator*, the first holder of the chair, Alan Hughes, was a Labor Party supporter who contributed to a volume entitled *Rebuilding Socialist Economies: A New Strategy for Britain*, and in an interview refused to state whether he was a free-market economist, supported the ideals of Lady Thatcher, or if he believed in capitalism.

Universities are also eager to expropriate non-political funds they don't directly control. William Robertson donated his fortune to Princeton University to aid students in the Woodrow Wilson School of Public and International Affairs. Robertson's heirs are suing the university, charging that Princeton diverted the gift away from the Woodrow Wilson School towards other causes.

Giving to think tanks avoids nearly all the pitfalls common to university donations. With organizations committed to freedom, it's more likely that a think tank will use your funds to advance liberty. But when giving to think tanks, what's the best strategy? Are long-term gifts better than short-term ones?

Long-term giving is better if you're trying to change the intellectual debate. Short-term strategies work if you have a particular scholar or project you want to fund, or if you want to aid a fledgling organization that needs some cash to keep going. For example, Joseph Coors's $250,000 grant in 1971-72 to The Heritage Foundation was crucial in the then-new organization getting off the ground.

Acting as a catalyst in a think tank's early stages is extremely important, but so is long term support. Both the Bradley and the Olin Foundations have done their part to change the marketplace of ideas by picking some ideas and nurturing them for years or decades until they take root.

For example, in 1982 Charles Murray, at the time chief scientist of the American Institutes for Research, wrote a *Wall*

Street Journal op ed in which he showed how massive government spending failed to help the poor climb the ladder out of poverty. That piece was expanded into a *Public Interest* article, which led to Murray becoming a Manhattan Institute fellow. With the aid of grants from the Smith, Richardson, and Olin Foundations, Murray then published *Losing Ground* in 1984, a seminal book that paved the way for the comprehensive welfare reform of 1996.

In 1985, the Allen-Bradley Company was sold to Rockwell International for $1.6 billion, increasing the Bradley Foundation's endowment from $14 million to $290 million. Soon after its expansion, writes political reporter John J. Miller, in his Philanthropy Roundtable monograph, *How Two Foundations Shaped America*, "[T]he Bradley Foundation worked to build upon what Murray had started." Bradley funded a fellowship called the Bradley Scholars that enabled professors and journalists to spend a year at The Heritage Foundation writing a book. In 1989-90, journalism professor Marvin Olasky spent his year writing *The Tragedy of American Compassion*, which showed for a new generation how the Victorians fought poverty by teaching the poor to be self-reliant and independent. Olasky later became a key adviser to House Speaker Newt Gingrich during the 1996 welfare reform debate.

The Olin Foundation's commitment to legal reform has been as impressive as the Bradley Foundation's commitment to welfare reform. It has spent about $2 million over 20 years funding the Federalist Society, which enables conservative and libertarian law students to network with their peers, listen to lectures from prominent scholars, and form practice groups to enable freedom-minded lawyers to work with each other in various areas of the law. The Society has about 125 chapters at various law schools, with around 25,000 members. Its prominent alumni include judges Edith Jones and Alex Kozinski and Federal Election Commission member Bradley Smith. "I don't know if the Federalist Society would have come about in some other way, absent the Olin Foundation's support," says Society Executive Director Eugene Meyer. "It possibly wouldn't exist at all."

What has made Bradley and Olin so successful in changing the intellectual debate? Miller identifies four causes.

• First, they determine what their goals are and which organizations or scholars will help move the debate in a particular direction.

• Second, they spend time and money helping to build organizations—both think tanks and magazines—that are flexible and adaptable, and able to shift direction to face challenges from the Left.

• Third, they try to figure out ways to influence opinion leaders.

• Fourth, both Bradley and Olin are patient organizations that know the struggle for freedom is a long, sustained effort. "Progress will not be a straight line," says a Bradley Foundation planning document. "The fact that we are patient funders contributes mightily to our success, as opposed to liberal funders, who flit from fad to fad."

The Olin Foundation enjoys another advantage in that it is scheduled to go out of business within three years. "Because of the spend-down strategy, we were able to dispense money like a $400 million foundation, not a $100 million foundation," says Olin executive director Jim Piereson. "We've tried to have a big impact over a short period of time, and I think we've succeeded."

So, in order to be a successful philanthropist, you need to do the following:

• Create an indenture that firmly and clearly states your intentions.

• Set a term limit for your foundation of no more than 25 years after your death.

• Find organizations that support your views—and be prepared to back them for the long term.

• Be an active donor and not a passive one. People who are smart enough to create fortunes are smart enough to know how to give their money away.

• Remember that changing ideas takes time. It took 12 years from the time Charles Murray's *Losing Ground* was published in 1984 until Congress passed welfare reform in 1996. But it's unlikely that welfare reform would have happened had Murray not written his iconoclastic book.

Won't a foundation established in perpetuity ensure that future generations remember who you are? Not necessarily. Your name will survive, but who you were and your reasons for giving will be forgotten.

The battle against big government is a long, sustained effort. There are lots of organizations out there who could value your help—and your ideas. Now get to work!

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