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Successful Philanthropy for Liberty

by Martin Morse Wooster

20th
Celebrating Twenty Years
Advancing Free Enterprise and Limited Government
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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?

The field of philanthropy is one where failures are legion. Part of the reason why foundations fail is that they ignore or repudiate their donor's intentions. Look at the history of a large liberal foundation—the Carnegie Corporation of New York, Ford Foundation, John D. and Catherine T. MacArthur Foundation, Pew Charitable Trusts—and you'll find that its founders were heroic entrepreneurs who were champions of free enterprise. For example, Andrew Carnegie was a devoted student of Herbert Spencer and Lord Acton, even spending a substantial sum to buy Lord Acton's library when the great British scholar was near-bankrupt and desperately in need of funds. John D. MacArthur, in a 1974 interview in *Nation's Business*, denounced environmentalists as “bearded jerks and little old ladies” who “are obstructionists and just throw rocks in your path.”

Yet the MacArthur Foundation, acting in its founder's name, is one of the leading liberal environmentalist groups. The Carnegie Corporation is also one of America's most active liberal foundations.

These foundations abandoned their founders' ideas because Carnegie and MacArthur left no instructions on how their money was to be spent. Carnegie understood the importance of donor intent, and created several organizations which faithfully followed his ideas—but he ran out of ideas before he ran out of money, and left half his fortune to the Carnegie Corporation without any restrictions. After Carnegie's death in 1919, the trustees responded to Carnegie's wish to “use their own judgment” to promote a statist agenda.

Similarly, John D. MacArthur left his wealth to the MacArthur Foundation with no instructions. “I figured out how to make the money,” he told his lawyer, William Kirby. “You

fellows will have to figure out how to spend it.” Although the foundation’s board was initially made up of MacArthur friends and associates and prominent conservatives like broadcaster Paul Harvey and Nixon Treasury Secretary William Simon, a battle between John MacArthur’s liberal son, Rod MacArthur, and the conservatives ended with the Left firmly in control of the MacArthur Foundation by 1981.

The Importance of Term Limits

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.

Here the wise advice of Julius Rosenwald must be repeated. Rosenwald, the long-time president of Sears, Roebuck, was a forceful advocate of term-limited foundations. In a 1929 article in *The Atlantic*, he 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 name are now not those of men but of institutions. If any of these men strove for everlasting

remembrance, they must feel kinship with Nesselrode, who lived a diplomat, but is immortal as a pudding.

So it's best to give while you're alive and can see your money being used for good deeds. George Eastman gave away \$125 million in the 1920s, more than any donor of the era not named Rockefeller or Carnegie. But Eastman 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."

What provides more pleasure to you—actively seeing your money do good, or passively leaving an endowment in the hopes that professional nonprofit managers might follow your beliefs after you are gone?

Academic Giving's Pitfalls

Now that you've set up your foundation, making sure that you've set up a term limit and forcefully and explicitly stated its goals, on what should you spend your money?

There are many worthy causes, but this paper is intended for the donor who wants to give to organizations that 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 that giving to think tanks is the better choice.

Giving to universities has many pitfalls. For one, there is the fungibility problem. Suppose you give money to a university to aid a freedom-oriented professor. The university can then 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 is also the question of academic freedom. Universities can legitimately argue that giving money for a professorship of free enterprise or entrepreneurship violates the principles of academic freedom, since it appears that a donor is telling a scholar what to study and what conclusions to draw. Milton Friedman has stated that as a violation of academic freedom, he is as opposed to professorships of free enterprise as he would be to 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 University. But according to *Spectator* writer Justin Marozzi, the first holder of the chair, Alan Hughes, was, according to one source, a Labour Party supporter who contributed a paper to a volume entitled *Rebuilding Socialist Economies: A New Strategy for Britain*. In an interview, Hughes refused to state whether he was a free-market economist, supported the ideals of Lady Thatcher, or even if he believed in capitalism.

Institute of Economic Affairs president John Blundell told *The Spectator* that Lady Thatcher's raising money to endow the Thatcher chair was a "very bad, deeply flawed strategy from the start," as the donor "might secure the first appointment, but in time they lose interest or die and the chair becomes captured by the academic establishment."

In America, Lee Bass offered \$20 million to Yale to create a Program on Western Civilization, but the proposal acrimoniously collapsed when Yale wanted to use the money to pay professors hostile to the principles of Western civilization.

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. But Robertson's heirs now are suing the university, charging that Princeton diverted the gift away from the Woodrow Wilson School

towards other causes. (Had Robertson, who died in 1961, placed a time limit on his gift, his heirs would not have to deal with Princeton's violation of Robertson's wishes.)

There are ways donors to universities can protect themselves. They should assume that, unless proven otherwise, that the college executives they deal with are liberals hostile to conservative principles. Donors should insert escape clauses in their donations to colleges that terminate the grant if a school were to violate donor intent. In addition, donors should insert "add-on" clauses to their gifts stating that their money adds to, but does not replace, the college's budget.

Think Tank Giving Strategies

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. A think tank is also more likely to honor your donor intent than a university where the Left is in charge.

But when giving to think tanks, what is the best strategy? Are long-term gifts better than short-term ones?

The short answer is that both long-term and short-term strategies work, depending on what a donor wants to do. Long-term giving is better if you are 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 help a start-up organization that needs some cash to keep going.

The best known single grant ever given to a think tank was made by Joseph Coors in 1971-72 to The Heritage Foundation. According to official Heritage historian Lee Edwards, in 1969 a group of conservatives led by Paul Weyrich and James Lucier Sr. tried to start a conservative think tank that would be a right-wing alternative to the Brookings Institution.

Weyrich and Lucier's effort had been rebuffed by donors because they lacked a budget and business plan. They spent the next two years creating a plan and refining the notion of what they wanted to do.

One day, Weyrich, who at the time was press secretary to Sen. Gordon Allott (R-Colo.), received a letter addressed to his boss from Coors's assistant, Joseph Wilson. Coors, a long-time conservative, originally tried to implement political change by being a trustee of the University of Colorado. But he found academic politics stifling, and wanted to make a long-term "investment" in a conservative organization.

Wilson was impressed by Weyrich and Lucier's proposal, but warned the pair that Coors was looking at other organizations. Weyrich and Lucier then held a conference where, Weyrich recalled, "we razzle-dazzled him" with a meeting that included two senators (including Strom Thurmond), two congressmen, and an aide to Vice President Agnew.

Coors was impressed, and decided to donate \$250,000 to get the new organization off the ground. For two years, the fledgling think tank was partially owned by the Adolph Coors Company. And when the organization had acquired its nonprofit status in 1973, Coors prodded Weyrich to adopt a name. (He chose The Heritage Foundation after walking past the "Heritage Town Houses" development in Annandale, Virginia.)

Coors continued to donate to Heritage for the remainder of his life. But had he not made those crucial initial donations in 1971-72 and lent his business expertise during that crucial formative period, Heritage would never have gotten off the ground.

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

Profiles in Success

In his Philanthropy Roundtable monograph *How Two Foundations Shaped America*, *National Review* political reporter John J. Miller looks at how the Bradley and Olin Foundations have changed the political debate. Specifically, he looks at the Bradley Foundation's role in promoting welfare reform and the Olin Foundation's role in promoting legal reform.

In 1982 Charles Murray, at the time chief scientist of the American institutes for Research, wrote a *Wall Street Journal* opinion piece in which he showed how massive government spending failed to help the poor climb 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 wrote *Losing Ground* (1984), a seminal book that paved the way for the comprehensive congressional 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, Miller writes, "the Bradley Foundation worked to build upon what Murray had started." These grants included:

- A \$300,000 grant to Marquette University in 1986 to conduct a symposium in which 20 welfare experts on the Left and Right produced *The New Consensus on Family and Welfare* (American Enterprise Institute, 1987). The experts' conclusions—that the way to be freed from poverty was to get a job (any job), a high school diploma, and a spouse—helped underscore the shift in the welfare debate away from government funding of long-term dependents on the dole.

- Bradley underwrote a program called the Bradley Scholars, which 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 Speaker of the House Newt Gingrich during the 1996 welfare reform debate.
- In 1986, Tommy Thompson became governor of Wisconsin and started on an ambitious program of state welfare reform. Bradley funds helped support the work of New York University political scientist Lawrence Mead, who consulted with Wisconsin welfare administrators and who wrote several reports for the Wisconsin Policy Research Institute, a state think tank the Bradley Foundation helped create and fund and which produced many other reports and polls analyzing Wisconsin's welfare reform efforts. In 1994, Miller writes, "the Democrats had dared Thompson to wipe away Wisconsin's welfare system, and he accepted the challenge." In 1994, Governor Thompson signed a bill that called for the gradual elimination of welfare. The Bradley Foundation gave to the Hudson Institute to help Gov. Thompson shape the state welfare reform effort. Hudson Institute advisers worked with the Thompson Administration to draft the "Wisconsin Works" or W-2 proposal, implemented in 1995, which included a work requirement. This first state "workfare" program helped ensure that Wisconsin's welfare rolls would drop from 98,000 in 1986 to 11,000 by 1998—an 89 percent drop. And these former welfare recipients ended up in the labor force. Wisconsin's success convinced lawmakers that imposing a federal work

requirement would not be a burden on the poor. “Wisconsin was the model and inspiration of the federal work requirements,” says The Heritage Foundation’s Robert Rector, who helped draft the 1996 welfare reform bill.

The Olin Foundation’s commitment to legal reform has been as impressive as the Bradley Foundation’s commitment to welfare reform. Here are some of Olin’s achievements:

- 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. There are about 125 Federalist Society chapters at various law schools, with around 25,000 members. Prominent Society 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 the society’s executive director, Eugene Meyer. “It possibly wouldn’t exist at all.”
- Since 1977, the Olin Foundation has spent over \$50 million on the Law and Economics movement, which is designed to teach judges the importance of economics in legal decisions. The Olin Foundation-funded Law and Economics Center (LEC) at George Mason University Law School has provided courses that have been taken by over 660 judges—one third of the judges currently serving on a district, circuit, or the Supreme Court. Six Nobel Laureates have taught at LEC seminars. When Sens. Russell Feingold (D-Wisc.) and John Kerry (D-Mass.)

introduced a bill to block judges from taking LEC courses, it was defeated after scores of LEC alumni protested, including Chief Justice William Rehnquist and Justice Ruth Bader Ginsburg. “Law and Economics,” Miller writes, “has advanced the interests of conservatism. It is a powerful analytic tool for people who worry about the growth of government and an unchecked judiciary. Social conservatives have found it helpful in debates surrounding divorce and school choice.”

Keys to Success

What has made Bradley and Olin so successful in changing the intellectual debate?

Miller identifies four causes.

- First, they define their goals, and determine which organizations or scholars will help the debate move 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 who know that 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.”

In addition, the Olin Foundation has a funding advantage because 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.”

Another foundation that decided to make a larger impact by spending itself out of existence was the W.H. Brady Foundation, which spent out most of its endowment in 2002. Funds from the Brady Foundation will support the research of four American Enterprise Institute fellows, enable the Acton Institute to create a database of organizations that successfully fight poverty, and help the Federalist Society create a list of lawyers who will serve pro bono for defendants who are victims of government excesses. According to *Philanthropy* magazine’s Martin Davis, the Brady board thought these grants would “create a lasting legacy” and support Brady’s “unwavering faith that ideas have consequences.”

Summing Up

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, not a passive one. People who are smart enough to create fortunes are smart enough to know how to give their money away.

Remember—changing the landscape of 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.

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!

Martin Morse Wooster is a visiting fellow at the Capital Research Center and a contributing editor of Philanthropy. He is the author of several books and monographs about philanthropy, most notably The Great Philanthropists and The Problem of 'Donor Intent. His book on philanthropic mistakes will be published by the Hudson Institute.