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1. Philanthropy and the arts in the United States

a. Origins: From charity to Philanthropy

In English, and in the United States, "philanthropy" remains both a technical and a general term, and its technical meaning is imperfectly understood both by most practitioners and by the general public. The term is probably best understood in its historical context, and especially in opposition to the concept of "charity," the duty to take care of the poor, the ill, and the otherwise unfortunate in society.

Charity in the American colonies was influenced in some respects by the practice of charity in England. For instance, England's Poor Relief Act of 1601 had placed certain charitable responsibilities in the hands of municipal authorities; some early American charity took the same form, especially in New England, though municipalities would usually farm out the actual care of the needy to whoever could do it most cheaply. But at the same time, the Church of England (and the other Christian denominations), both played a charitable role itself and imposed upon its better-off members the duty to share their wealth with the unfortunate of the faith; so in some regions of America- like Anglican Virginia- parishes and their parishioners were charged with the care of the poor and needy (on early American charity, see Trattner, 1999; Katz, 1996; on early English charity, see Jordan, 1959; Owen, 1965). But while Elizabeth's Statute of Charitable Uses of 1601 (a statute now under revision in the United Kingdom) had begun to formalize the legal status of charity and especially of charitable trusts in England by delimiting what qualified as charitable activities, the instability and variability of colonial law provided an at best unfavorable environment for charity in America (Tomlins and Mann, 2001). After the Revolutionary War that environment, especially outside New England turned openly hostile to charity for several decades, perhaps influenced by Jefferson's warnings against "un-republican" organizations. In Virginia, the Anglican Church was disestablished and its assets seized, and Pennsylvania annulled the Statute of Charitable Uses.

But American impulses towards voluntarism and charity would not be thwarted, and the controversies that resulted required the intervention of the Supreme Court, which ruled, though not wholly unambiguously, in favor of those impulses in 1819 and 1844 (in the *Dartmouth College v. Woodward* and *Vidal et al. v Philadelphia* cases). Still, the Court left enough unsaid for two divergent legal approaches to charity to develop. In New England, the law not only allowed charitable activities but encouraged them through tax exemptions (Wright, 1992); but most other states limited the sorts of activities could pass as charitable, and did little to promote them (Zollmann, 1924). As a result, charitable activity tended to thrive in the Northeast and upper Midwest, and to do less well in other areas.

Alongside this more permissive legal environment, a concatenation of developments was preparing the way for the dramatic expansion of the general idea and the legal definition of charity in the very late nineteenth century, with the development of the modern conception of philanthropy. (While charitable activities had sometimes been denominated “philanthropy,” that term was widely and non-specifically used to describe generous or benevolent behavior; in the antebellum United States, for instance, those who opposed the institution of slavery were frequently described as “philanthropic.”) The professions were developing associations to uphold occupational standards; large benevolent associations were coming to be run by salaried administrators instead of volunteers; national-scale issues like slavery, immigration, and black migration northwards were nationalizing public life, a process enhanced by the increased ease of communication that followed the federal government’s reorganization of the postal service and its control over interstate commerce; the United States Sanitary Commission’s efforts on behalf of public health on Civil War battlefields demonstrated the efficacy of scientific expertise, and then discharged into the medical community a body of scientifically minded experts concerned with dealing with the causes of disease and suffering instead of their symptoms; research universities were beginning to thrive; and the establishment of the National Conference of Charities and Correction emblematized, more generally, the professionalization of social welfare and the shift from the alleviation of social problems to their systematic solution (for reviews of these developments, see Hall, 2003; Lubove, 1965; Bremner 1996; Karl and Katz, 1981).

At the same time, the great entrepreneurs of the Era of the Robber Barons were amassing fortunes of unheard of sizes. These capitalists were all Christians, and most of them believed fervently that their Protestant faith required them to steward their wealth, and to use some considerable part of it for the benefit of others (though Carnegie’s “Wealth” of 1889 is a remarkably pragmatic and secular document). They had always been charitable -- Rockefeller had tithed the first dollar he ever earned as a boy. The difficulty for those captains of industry interested in social problems was that they were amassing liquid wealth more quickly than they were able to distribute it charitably. The charity they were able to practice was necessarily retail, and both their sense of social obligation and the amounts of money at their disposal required that they develop a wholesale process for distributing their rapidly accumulating riches.

The first instinct of these innovators was to imagine how they could expand and be more efficient in the charitable work they were already engaged in. But what really set them apart was their realization that the challenge was not merely or even primarily technical, but conceptual. For charity addressed the needs of individuals and responded to specific needs, whether of income, health or education. Even if charity could meet such needs on a continuing basis, it would do nothing to extirpate the underlying problems. Giving alms would not address the causes of poverty, nor would the provision of shelter and medicine eradicate disease. These modern businessmen (though the Russell Sage Foundation, one of the earliest and most ground-breaking foundations was established by a businessman’s widow) wished to apply their wealth to the discovery of the underlying causes of personal distress, and to the formulation of strategies to rid their country and the world of such systemic scourges (Hammack and Wheeler, 1994).

This was the origin of the modern idea of philanthropy. It emerged from a general context in which confidence was building that science and technology could provide tools to address social problems in radically new and effective ways. And it drew on the intellectual and business experience of the great capitalists, who had after all made their fortunes by innovating organizational strategies (especially the vertical integration of related extractive and manufacturing industries) and by employing the intellectual resources of the second scientific revolution (which was being so successfully managed by the emerging system of research universities). The insight was that these new techniques could be deployed to solve social, economic and medical problems just as effectively as they had served Standard Oil or United States Steel.

b. The emergence of the philanthropic foundation

The institutional embodiment of this philanthropy was the private philanthropic foundation. But the legal and political difficulties of establishing foundations were considerable. The rule against perpetuities militated against trusts (of which foundations were a type) enduring indefinitely, with the result that their capital never vested to their beneficiaries (Friedman, 2000). And as Katz at al. (1985) have shown, the laws of New York State, where much Robber Baron wealth was concentrated, were unfriendly to philanthropic foundations. Nonetheless, by the early 1900s several large foundations or foundation-like entities had successfully been established, and while Rockefeller's endowment of the Rockefeller Foundation with $100 million and wide discretion to promote "the well-being of humankind throughout the world" (well, "mankind" in the early days) prompted a public outcry reminiscent of the populist 1890s, the Foundation was duly chartered by the state of New York in 1913 (Johnson and Harr, 1998). The chartering cemented legal approval for a new sort of trust, with an indefinite class of beneficiaries and a very general purpose. In short, they created what Americans now call the private philanthropic foundation.

There was a calculated reason for the generality of purpose of these institutions. English law had always looked askance at over-specificity of purpose in trust, on the grounds that narrowly defined trust instruments would inevitably become impossible to carry out as social conditions changed over time (though the doctrine of *cy pres* helped resolve some such difficulties). The philanthropists understood the need for timeliness and flexibility from their experience in industrial management, and they sought to build it into their philanthropic foundations by appointing governing boards – trustees -- whose principal duty would be constantly to refine the particular and immediate purposes of the foundation, consistent with its general commitment to the development of research-based solutions to the most urgent problems of the country and the world. They would do this through proactive grantmaking based on the payout of some substantial portion of the annual income of the trust. Such flexibility was less important for those foundations established with time limits for spending down their assets trusts, such as the Rosenwald Fund. Julius Rosenwald, the Sears Roebuck mail order magnate, endowed the fund with more than $20 million in 1927, on condition that it expend the funds within twenty-five years of his death. In the event, it took the Fund only sixteen years.

The model of the general purpose foundation, then, was established by the time the United States entered World War I, and it flourished during the 1920s. A significant number of private philanthropic foundations were established between the end of the Great War and the onset of the Great Depression. They were devoted to a wide variety of purposes, but the majority focused in various ways on education, medicine and public health, and international affairs. Considerable investment was made in addressing the “American Dilemma,” the role of race in modern democracy, and in fact Gunnar Myrdal’s book was commissioned by the Carnegie Corporation (see Lagemann 1992). There was relatively little focus on economics and the economy, since the new foundations were constantly subjected to the criticism that they were thinly disguised efforts by the rich, having sequestered their wealth from taxation, to influence public (and especially economic) policy. But some indirect investments were made by funding and or establishing intermediary organizations like the National Bureau of Economic Research, the Brookings Institution and the Social Science Research Council, by supporting the private natural resources planning efforts of both Herbert Hoover and Franklin Delano Roosevelt. Although the Carnegie Corporation did engage in some arts grantmaking (mostly in arts education), in the 1920s and 1930s, by and large the private foundations had little interest in supporting the arts and cultural sector. And then the problems of the Great Depression dwarfed the resources of the foundations and further de-prioritized cultural philanthropy, and World War II saw much of the expert staff members recruited into the war effort.

Also in this period, another sort of foundation emerged that would prove to be extremely important as the century wore on- the community foundation. As Howard (1963) documents, the first such foundation -- the Cleveland Foundation -- was established in Ohio in 1914. It was based on the traditional premise that “charity begins at home,” though the community foundation was as scientifically philanthropic as it was charitable, both in its methods of amassing funds and strategic approach to giving. The community foundation enjoyed the same legal status as a private foundation, but its assets were donated by wealthy members of its community and were intended to benefit that community specifically. The community foundation enabled local donors to gain the tax advantages and some of the leverage of private foundations without the expense and responsibility of establishing their own private foundations. Community foundations had their own boards, populated with a mix of local notables, mostly businessmen, but also with other sorts of prominent and knowledgeable citizens. The community foundations funded a wide range of community activities, and doubtless had a broader impact on local life, especially in cultural institutions and activities, than private foundations, at least until fairly recently. At about the same time, there developed (also in Ohio) a related but more conventionally charitable institution with a local focus -- the Community Chest. This institution has since had several forms (and it is now called The United Way), but the basic idea was to provide workers with the ability to “check off” (permit the employer to deduct regularly from the employee’s paycheck) amounts of money that a central organization in the community would distribute to a selected group of charitable, that is non-profit, organizations providing services to the local community (see Crane, 1996; Brilliant, 1992).

c. The development of federal government “philanthropy”

As is well known, the government of the United States emerged from the Revolutionary period as a designedly and adamantly weak state. The fundamental premise of the Constitution of 1787 was that powers not specifically granted to the national ("federal") government were reserved to the governments of the states, or to the people. This was partly a clear principle of finance, and the budget of the federal government remained miniscule until the coming of Civil War in the mid-nineteenth century forced increases in revenue collection and military-industrial expenditure. Direct taxation was low at all levels, and was not an important federal source of revenue until after the passage of the Sixteenth Amendment in 1913**.** The division of functions between the federal government and the states meant that the latter had virtually sole responsibility for the police powers of the state -- the health, safety and welfare of the people. Since charity was, as we have seen, very much a local issue until the late nineteenth century, both charity and (relatedly) cultural activity were either outside of any governmental jurisdiction at all or under the jurisdiction of state governments. As Alexis de Tocqueville pointed out so eloquently in the 1830s, most local cultural activity was supported by volunteerism and charitable giving. This is of course still the case to a remarkable extent.

But, of course, the power of the federal government has grown enormously, driven both by the demands of waging two wars (even before the United States declared that it was perpetually at war), and by the dramatically enlarged social and economic agendas that began during the Great Depression, reached a high point during the presidency of Lyndon Johnson with "The Great Society." Despite the best efforts of successive late twentieth century Republican and Democratic administrations, it is still with us. The growth of the federal state (measured in terms of the proportion of GNP expended upon it) and the enlargement of the jurisdiction of the national government have been accompanied, not unsurprisingly, by its involvement in what look very much like philanthropic activities. Two points are worth noting. First, much of the thinking behind Roosevelt's New Deal was heavily influenced by philanthropically funded research; the foundations, in other words, helped ease the federal government into their realm (Critchlow, 1985). Second, New Deal activism, at least, actually encouraged philanthropy both because its very progressive tax rates encouraged charitable contributions, and because government policy depended for its implementation on the private infrastructure that philanthropy succored and in part constituted.

The practice began with the federal government's response to the demands of World War II, when it became for the first time the dominant funder of scientific research. The first step was federally supported military research, such as the Manhattan Project to develop atomic weapons. Subsequently the federal government became the funder of first resort in science and medicine in general; crucial in this regard, as Brownlee (1996) has shown, was the establishment of an almost universal mass income tax in 1943. At the end of the war, for the first time government "foundations" were established to drive the rapidly growing private research establishment: the National Science Foundation was established in 1950, and while the National Institutes of Health had been around in some form since 1897, it got its current name in 1948 and substantial financial support in the 1950s. These public agencies were dependent upon annual federal appropriations, and legally were quite unlike private foundations. What the government took from the "real" foundations was an approximation of their grantmaking procedures and their sectoral research planning strategies. Huge numbers of tax dollars (by historical standards) were invested in this enterprise, and one of the interesting effects of government "philanthropy" was the self-imposed necessity of private foundations, even the largest, to reposition their funding strategies in relation to what the government was and -- especially -- was not doing. Private foundations increasingly became niche players in relation to the total universe of research funding.

d. The impact of foundation philanthropy on art and culture

As already noted, American philanthropy paid little attention to art and culture in its first few decades. But changes in federal tax laws in the 1930s and 1940s stimulated a second wave of large private foundation creation -- the Ford Foundation and Lilly Endowment, for instance -- and in the post-war era several of these institutions identified culture as a promising area for philanthropic investment. This probably resulted in part from the need to move away from investment areas coming to be dominated by public funding, but also because of the emergence of new trustees with new interests and new views of the appropriateness of certain types of foundation funding. The arts and culture sector was democratizing itself in an era of rapidly expanding audiences, repertoires, and artists, and this made it easier for private foundations, always sensitive to allegations of elitism, to support it. By the 1960s and 1970s, first the Rockefeller and then, especially, the Ford Foundation had begun significant programs of cultural philanthropy. In the 1980s and 1990s, newer large foundations such as the Pew Charitable Trusts and the Wallace Funds entered the field, and there are now a number of newer foundations sufficient to support the creation of an umbrella organization of arts and culture funders, Grantmakers in the Arts, which organizes annual conferences and publishes their proceedings, and also produces research on philanthropic support for the arts and culture (renz and Atlas, 2000). The sum total of foundation support for the arts and culture, however, is quite small when compared either to private charitable donations or to state and local cultural funding, and it has fallen off dramatically in recent years (Focke, 2001).

e. Corporate philanthropy and art and culture

The record of corporate philanthropy, another post-war American innovation, is similar. United States business corporations, like business firms everywhere, are institutions that seek to amass profits for productive re-investment or to distribute to shareholders if they have them. Milton Friedman (1996) and many other economic thinkers have gone out of their way to make clear that distributions of profits for other purposes, especially for philanthropic purposes, are ill-advised and inappropriate. And it was only in 1935 that the Revenue Act made corporate donations to philanthropy tax-deductible, and since an important legal decision in 1948 they have become common practice (Muirhead, 1999). The dominant rationale for corporate philanthropy, as Himmelstein (1997) puts it, has of course been that certain sorts of gifts "do well by doing good" -- they benefit not only the donees, but also the business interests of the donor corporations. As corporate philanthropy became more and more common in the 1960s and 1970s, it tended to be directed at the communities in which a firm's plants were located and its employees lived. Firms also developed matching gift programs, through which charitable gifts of employees to universities and other nonprofits were matched dollar for dollar by the corporation, both encouraging employee charitable behavior, and giving substantial satisfaction to charitable employees. The sums involved, however, are typically not large proportionate to earnings. Over the past fifty years they have generally ranged between 1 and 2% of pretax earnings -- though for large firms such sums are nontrivial contributions. In the late 1970s industrialists in the upper Midwest led a movement to encourage corporations to boost their philanthropic giving to 5% of pretax profits, but the effort failed. In fact, in the 1980s and 1990s general levels of corporate philanthropy fell, and grant-making became more and more closely tied to corporate marketing strategies, and thus managed by the marketing and public relations arms rather than by corporate contributions offices of the firms (Porter and Kramer, 2002).

Much corporate philanthropy has gone to the cultural sector, mainly because support of the arts has appeared an attractive, uncontroversial way for industries with severe public relations problems to present themselves in a welcome positive light to the public. It is not surprising that the tobacco products industry led the way, with Philip Morris taking the sectoral lead. The first years of the twenty-first century have seen an unexpected rise in corporate giving: it amounted, according to Raymond (2003) to about 12 billion dollars in 2002, an increase of 10.5% over 2001 (in which an increase over 2000 occurred). But this was perhaps an anomalous development -- the 1990s saw a fairly substantial decline in corporate philanthropy (*Chronicle of Philanthropy*, 1999).

f. Government cultural philanthropy: The Endowments

The federal government's approach to the arts and culture has never flowed from a formed notion of cultural policy. It took Congress more than ten years to decide whether to accept James Smithson's gift to establish the Smithsonian Institution in Washington; and thereafter federal appropriations helped sustain and expand its vast (and arguably haphazard) complex of museums and research activities, far beyond what its donated trust funds could have provided by themselves (Oehser, 1969; Burleigh, 2003). A similar process took place with the Andrew Mellon endowment that began the National Gallery of Art in the capital city. The federal government encouraged individuals Americans to support the arts and culture by means of the tax code, but it did little until the 1960s to provide directly for the sector (except, perhaps, for the Works Progress Administration's incorporation of visual and performing arts into its programs). But, to the surprise of many observers, years of lobbying by arts and cultural organizations (and individuals) resulted in the creation of federal cultural grantmaking agencies in 1965. In that year, in a characteristically Great Society mood, Congress passed an act establishing a National Foundation for the Arts and Humanities, comprised of two separate Congressionally appropriated "foundations," the National Endowment for the Arts, and the National Endowment for the Humanities. The authorizing legislation justified the two unendowed "Endowments" by reference to the importance of culture in strengthening democratic society, but the actual appropriations in the first years were very small (Netzer, 1980). After all, the United States had never had a federal ministry for culture, for the very good historical reason that the Constitution never contemplated the possibility that the federal government would have responsibility for cultural activities of any kind; such activities and institutions were clearly intended to be within the jurisdiction of the states and localities.

The idea of having some sort of coordinating council to oversee them endowments (picking up on the original legislative plan for a National Foundation for the Arts and Humanities) was never implemented. Each Endowment has a presidentially-appointed Chair, subject to confirmation by the Senate, and the Chairs of each Endowment have significant discretion in grantmaking, although by statute each must work with a presidentially-appointed National Council. But the humanities are institutionally separated from the arts, mainly because “culture,” the more general term, is considered such a dangerous concept in the United States when it comes to state action. Very few of the Chairs have been independently distinguished and politically strong, and the National Councils have frequently not been selected for the professional distinction of their members. Politics has usually been the rationale for making such appointments.

Under the leadership of the arts activist Nancy Hanks, the NEA began to receive substantially increased appropriations during the Nixon administrations in the early 1970s, and after: granted $2.9 million in 1966, and less than $8.5 million in 1969 when Hanks took the helm, the NEA received about $100 million in 1977, when she died (National Endowment for the Arts, 2003). The NEH started off garnering about $6 million in 1966, and also received about $100 million in 1977 (Katz, 2001). Each endowment increased the range of its funding, the NEA providing support both to individual artists and to leading performing arts organizations, while the NEH supported both individual scholarship and individual cultural institutions such as independent research libraries and historical societies. In real dollars, the Endowments reached their highest appropriations levels in the very early 1980s, but neither ever broke the $200 million mark even in the mid-1990s, the period of their greatest appropriations in nominal dollars. Support on this scale did not match to the annual total investments of private philanthropic foundations and individual donors, and they were even dwarfed by public funding at the state and local levels.

Furthermore, during the George H.W. Bush administration the worst fears of those who had opposed federal funding of culture on the grounds that it would politicize cultural affairs were confirmed. The so-called Culture Wars prominently involved the attacks of political and religious conservatives on the funding of individual artists. Congressmen and Senators wanted to know why NEA had supported allegedly homophilic and anti-Christian art, and comparable (though more restrained) conflicts emerged in the humanities. The result, as Ziegler (1994) and Marquis (1995) have shown, was the elimination of NEA individual grants to artists, and in general a movement away from the production of “high” art and support of traditional arts institutions to the funding of more popular and local forms of art. Partly in response to these crises, both endowments have come to serve in part as pass-through funders to state arts (and humanities) councils, which regrant these funds, mostly to local organizations.

But by the mid-1990s, and especially after the massive cutbacks of 1996, more and more federal money that might have gone to the NEA and NEH was passed directly through to state councils. Only a few of the humanities councils were simultaneously funded by state governments, but almost all of the arts councils received enormously more money from their states than from NEA. This was in part a continuation of the historic American preference for state rather than federal cultural policy, but of course it rendered the councils subject both to annual variations in state tax revenues, and to the vagaries of state politics, or both. For instance, state funding for the California Arts Council dropped from $32 million in 2000-2001 and from $29 million in 2001-2002, to $1 million in 2002-3 (Winn, 2003). The message here is clear. As we enter the 21st century, philanthropy remains a significant source of the external support of cultural institutions and activities – although, it trails far behind state and local public funding. Like all U.S. nonprofit institutions since the Reagan revolution, cultural institutions increasingly will have to sustain themselves by means of earned revenues.

g. Philanthropy in the early 21st century

Returning now to philanthropy proper in the United States, it is interesting to observe how little major institutional change has occurred, although there have been profound changes in broader philanthropic behavior. The fact is that the major institutional players remain private philanthropic foundations and community foundations, each of which has to be seen in the context of changing federal policies and priorities, since the philanthropic sector has always been an inherently reactive sector.

The number of private philanthropic foundations continues to grow, and the most remarkable change is the creation of new foundations with exceptionally large endowments. In 2004, according to the National Center for Charitable Statistics (2004), the United States boasted almost 2000 private foundations with assets of $25 million or more. This is a function of the dramatic creation of individual wealth in new industries, especially information technology, coinciding with federal tax policies favorable to the creation and retention of wealth. The most dramatic example has to be the Bill and Melinda Gates Foundation, founded only in 2000, and recently enhanced by a gift of more than $3 billion by its founders. This makes the Gates Foundation, by any measure of historical economic value, the wealthiest foundation in the history of the United States. It has been fascinating to watch the Foundation, originally run in an intimate and informal fashion by Bill Gates' father and one of his business associates, swiftly take on the organizational form and grantmaking styles of older large philanthropic foundations. The same has been true of the Open Society Institute established in 1993 by the hedge fund manager George Soros: for many years Soros tried to direct the complex of foundations he established around the world by himself, but the major Soros foundation now looks more like the Ford Foundation than the donor seems to have intended.

The iron law of what, following DiMaggio and Powell (1983), might be called "philanthropic institutional isomorphism" has taken over for both the Gates and Soros foundations. The new foundations, accelerating a process begun in the 1970s, are changing the structure and dynamics of foundation giving, making for a more distributed philanthropic foundation system. Many of the new large foundations are in the Midwest (for instance the Ewing and Marion Kaufman Foundation in Kansas City) or, more likely, on the west coast (for instance, the Hewlett and Packard Foundations). But the new foundations also take on new sorts of objectives, sometimes (but not always) reflecting the interests of their donors: the Gates Foundation seems to reflect very strongly the emerging philanthropic interests of Bill and Melinda Gates, and the Packard Foundation reflects primarily the interests of Lucille Packard; interestingly, the Hewlett Foundation seems to have developed a quite independent agenda of its own.

Another significant development, this one also originated largely in the 1970s, has been the emergence of self-consciously politically conservative foundations. Foundations such as Olin, Smith Richardson and Bradley have constructed grantmaking programs aimed at stimulating, institutionalizing and disseminating conservative ideology, both by funding university programs (for instance in law and economics), colleges (conservative alternative student newspapers and organizations), publications (Liberty Fund) and think tanks (Heritage Foundation, American Enterprise Institute, Cato Institute). They have organized their own cross-institutional trade association (Philanthropic Roundtable) to compete with the establishment Council on

Foundations and Independent Sector. They have criticized the mainstream liberalism of the foundation world, causing both surprise and consternation among the older foundations, which apparently did not realize that they were liberal, a bit like Moliere's *bourgeois gentilhomme*, who did not know that he was speaking prose. What has particularly characterized the management of the conservative foundations has been the exceptional clarity and focus of their programs, and their result orientation (see National Committee for Responsive Philanthropy, 1997, 2004).

The older and more mainstream foundations would deny it, but it is likely that the most important recent change in foundation behavior has been a movement to imitate the management strategies of the conservative foundations. Over the past decade a series of new foundation management rationales have developed, and along with them a consultant industry (mainly drawing on business school models and experience). The new calls are for "effective," "strategic," or "venture" philanthropy, and each of these is essentially a business management point of view. Of course philanthropic foundations, from the very start, have always had investment strategies, and they have always desired to be effective, but their styles were more patient, relaxed and generous. After all, by the 1920s foundations were already developing "programs" or investment areas, and appointing program officers to manage these areas. They were frequently proactive, and worked closely with their chosen grantees. According to Kiger (2000), they also tended to work with limited numbers of grantees, those in whom they had the most confidence in, and whose work they could monitor closely.

I could argue that the recently emerging foundation management strategies are only nominally different from the historic model of foundation management, but in fact it seems that something quite distinctive is taking place. The changes are more in the attitudes of managers than in the techniques they use. What is now evident in many of the large U.S. philanthropic foundations is an impatience with what is said to have been the chaotic and languid styles of post World War II foundations -- too many programs, too little monitoring and evaluation of grantees and these programs, too much forbearance with grantee hijacking of previously agreed upon goals and strategies, and too little measurable success. Success is now defined in a much more matter of fact fashion, related to a new preoccupation with short-term impact on specific (and sometimes narrow) policy goals. There is less tolerance for ambiguity and uncertainty, and less patience with longer-term projects. Corollary to these attitudes is impatience with research, especially basic research, into underlying causes, the signature insight of the original philanthropists, and a loss of confidence in universities as the most effective sites for carrying on philanthropic programs.

Today many foundations are narrowing their focus, limiting the range of their programs, demanding short-term, measurable deliverables contracted up-front with grantees, and holding grantees strictly accountable for what they do and do not do (see Porter and Kramer, 1999; Rimel, 1999; Center for Effective Philanthropy, 2002). At the "venture" end of the new philanthropy, the entrepreneurial techniques of venture capital are being applied (Letts et al., 1997). Donees are analogized to start-up firms, donors partner with them, establishing specific and measurable benchmarks, and continuing their investments only if periodic goals are met. A few foundations have carried these notions quite far, some of them restricting themselves to a single program, and most significantly altering the range of their substantive programs in line with these principles. The result appears to be a retreat from research, from long-term programming, from goals that cannot be quantitatively measured, and from programs that do not promise hard-edged social/economic results.

Given the changing nature and direction of the new governing attitudes in foundation management, it is not surprising that arts and culture funding is less and less prominent on the agendas of the large foundations. As Renz et al. (2004) show, foundation support for the humanities, for instance, slipped as a proportion of overall foundation giving between 1992 and 2002, from about 2.5% to just over 2%, though more foundations made humanities-related grants. There is no longer a single major philanthropic foundation that identifies the funding of mainstream domestic arts and cultural institutions and activities as a significant investment area other than the Andrew W. Mellon Foundation. Where arts funding continues, it is normally thought of as subordinate to larger policy goals.

Consider what has happened at the Rockefeller Foundation. In the period after World War II, Rockefeller emerged as one of the largest funders of art and culture, operating through a Division of Arts and Humanities. The Division was always relatively poor in resources, compared to health and other more central Foundation concerns, but it leveraged its resources and had an important impact in the cultural sector. The Division was always precariously situated, but it was reinvigorated by a humanist Foundation President for a period of time, and survived a public-policy-oriented President. But the most recent President, a development economist, has attempted to transform the entire organization into a vehicle for assisting disadvantaged groups, especially in the Third World. The Arts and Humanities Division was therefore reinvented as the Division of Creativity and Culture, and much of its thrust redirected in line with the new overall direction of the Foundation. For example, the Rockefeller Foundation (2002) describes the desired result of its Creativity and Culture endeavors as “to enhance the well-being of societies and better equip them to interact in a global and dynamic world.” Relatively little of the Division’s resources are currently invested in any kind of conventional support and development of the domestic cultural sector. But despite these changes, Rockefeller is still an arts funder, and that is something that can now be said about only a handful of large private foundations. For the moment, there have not been major changes in corporate philanthropy with respect to the cultural sector. Expenditures continue at relatively low levels, programming remains tightly correlated to marketing goals, and corporate engagement with the sector is mostly reactive.

What has changed most in the philanthropic sector, however, is the remarkable expansion of both community and family foundations. There used to be a relatively small number of community foundations, mainly based in the major urban areas. But now even smaller towns and cities have established local community foundations, as have large and small regions of the United States; the total number of community foundations was estimated by the Mott Foundation (2001) to be 600 in 2000, and accelerating. This means that a much larger and more diverse population of donors, ranging from those of comparatively modest means to the superrich, now contributes funds for regranting in their communities. A significant recent innovation in management of community foundations, as in the United Way organizations, is in “donor-advised” funds. The pitch to new donors has been that they do not have to defer to the allocational decisions of the trustees of community foundations, but can play an active role in determining the use of the funds they have contributed. Frequently this has meant that donors set up funds to be used for quite specific purposes, in health, social service, and sometimes in culture. This has helped to stimulate a tremendous surge of investment, much of it centrally managed in particular communities.

A significant recent development is the growth in popularity of donor-advised funds (DAFs). These philanthropic instruments have been available since the 1930s, but have only become prominent since the early 1990s. Some of them -- those managed by commercial investment firms such as Fidelity Funds -- compete with community foundations. It is too soon to evaluate their impact on broader patterns of philanthropic investment, but it is already apparent that they are becoming major players. Luck and Fuert (2000) estimated that in 2000, just the assets of DAFs managed by community foundations (that is, excluding those managed by for-profit firms) totaled more than $5 billion. While we do not have the data to assess the range and extent of their sectoral investments, it seems that they have not yet had a major interest in the cultural sector.

This cannot be said of the other major change on the philanthropic scene at the turn of the twenty-first century – the explosion of family foundations. The "family" foundation is of course not new. It could be said that the Rockefeller Foundation and the Carnegie Corporation were among the first family foundations, but of course these institutions evolved into general purpose foundations managed primarily (or in the case of Carnegie, entirely) by others than relatives of the donor. These days when we talk of family foundations we refer to those whose trustees are entirely (or primarily) members of the donor's family -- and of course by the donor him or herself. Family foundations, many of them extremely small, number in the tens of thousands (Foundation Center, 2005). In many cases they are really little more than unstaffed or thinly-staffed emanations of individual philanthropists. Given the remarkable creation of individual wealth in the United States in the 1990s, it is not surprising that thousands of family foundations have been newly-established, but it is quite surprising, given the earlier history of foundations, that so many extremely large family foundations have been established. Some of them, as already mentioned, like the Bill and Melinda Gates Foundation, quickly developed into more highly organized, fully-staffed and rationalized general (or broadly-purposed) foundations, but others -- such as Gordon Moore's Gordon E. and Betty I. Moore Foundation**-** have remained highly personalized donor-driven foundations, at least so far.

We are still, in effect, in the first decade of what many are calling the "new" philanthropy in the United States, and we do not yet have enough data to be sure what the impact of new institutions and new strategies is. I have suggested elsewhere that there is less new about the new philanthropy than the claims of its enthusiasts suggest (Katz and Stacey, 2004). And it is worth noting that these claims come largely from the rapidly growing new field of for-profit philanthropic consultants, the bulk of them in or recently spun-off from business consulting firms such as McKinsey and Bain. But even I am pretty sure that there is something more than novel rhetoric at play.

My guess, without a full analysis of the available data, is that the combination of rapid expansion of the community foundation sector, the burgeoning of donor-advised funds (both in the non- and for-profit sectors) and the proliferation of family foundations is substantially changing the dimensions of philanthropic giving, the composition of donee communities, and the relations between donors and donees. It is always difficult to analyze change while it is taking place, but my sense is that we are currently living through a truly significant transitional era in the history of philanthropy in the United States. If nothing else, there is considerably more philanthropic capital in play, and there is an equally significant increase in the number and character of players. And all of this is taking place on a truly continental basis, changing the map of philanthropy from one that twenty-five years ago was focused on the Northeast, the upper Midwest, California and the Pacific Northwest.

h. Philanthropy, economy and government policy

I have just suggested the changes within the philanthropy, but I would also like to stress the obvious fact that the philanthropic sector has always developed interactively with major state policies and with the general economy. Other essays in this volume will deal with tax policy, for instance, but I hope it is obvious that both overall rates of income taxation and tax policies specific to both foundations and individual giving have specific and fairly predictable impacts upon philanthropy. The current proposals for elimination of inheritance taxes, for instance, have stimulated both general and scholarly debate over what their legislation might do to the propensity of the wealthy to transfer wealth to their families rather than to the larger society. Likewise, the much heralded explosion in the intergenerational transfer of wealth, if true, is bound to have a measurable impact on philanthropic investment, and probably upon the styles of investment as well (see Schervisch and Havens, 2002; 2003a; 2003b).

Moreover, changes in federal social policy have an impact (often hard to measure) on philanthropy. After the election of Ronald Reagan in 1980, Republicans and conservatives demanded (and achieved) steep reductions in the federal social budget, while at the same time calling for the private charitable sector to take up the slack left by the retreat of the state. That did not happen to the hoped-for extent, but cutbacks in federal funding certainly did redirect both individual and institutional philanthropic investment, particularly in the service-providing sector (Salamon and Abramson, 1982). And, as I have already mentioned, it forced non-profit institutions to try to generate earned income. These were among the forces that compelled museums to expand their gift shops, to rent out their facilities for social occasions, and to mount more spectacular blockbuster exhibitions in order to augment dwindling philanthropic and municipal financial support. To this extent the cultural sector behaved much like those service-providing nonprofits that began to charge clients for what had previously been free services.

The conservative political movement in American national politics that took off with the Reagan administration was continued by George H.W. Bush and his son – and it was the elder Bush who tried to stimulate private giving by describing in a 1988 speech the “1000 Points of Light” making positive impacts in their local communities. But it has seldom been noticed that the emphasis on private charitable and philanthropic involvement was emphasized nearly as much by Bill Clinton and his centrist Democratic administration. It was on Clinton’s watch that the first ever White House conference focusing on charitable giving was held (Chronicle of Philanthropy, 1999). But it is not only social politics that drive the interest of the state in the philanthropic sector. Roughly every ten years since World War I the federal Congress has launched noisy investigations into the behavior of the philanthropic sector, and we are currently at the beginning of such an episode. In 2004 the Senate Finance Committee investigated a wide range of alleged foundation abuses, ranging from excessive expenditures for foundation staff, trustees and administration to suggestions for legislating requirements for board meetings and oversight of foundation affairs (Grassley, 2004). This should remind Americans that what they have taken to calling the Independent Sector (usually called the Third Sector in Europe and the rest of the world) is not so completely independent.

Such government policies and activities -- aside from the policies restricting the size, scope and funding of the Endowments for the Arts and Humanities and changes in Internal Revenue Service regulations governing charitable donations -- do not ordinarily have a direct, specifiable impact on the cultural sector. Mostly, the impact (or lack of impact) of philanthropy on culture comes from alterations in foundation and individual donor behaviors and preferences, and these alterations are mostly endogenously generated. Culture is truly a part of the larger philanthropic and non-profit sector. The problem, if there is one, is that it is not a very large part of the sector. My hunch, though, is that there is much more philanthropic support than arts and cultural advocates, such as Americans for the Arts, admit. It is hidden in individual and donor-advised gifts that are not adequately publicly reported.

i. The American affinity for philanthropy

Why do Americans give? A great deal has been written on motivations for philanthropic behavior in the United States, but general explanations are not of much help in understanding the instinct to give to particular cause. The interesting issue is the distinction between charitable motivations, presumably similar across national and cultural borders, and the propensity to philanthropic activity (see Ilchman, Katz and Queen, 1998).

Philanthropy seems to me a distinctly American phenomenon, although of course it is now being appropriated and adapted in other (mostly post-industrial) national cultures. The usual explanation, tax avoidance, does not take us very far in understanding the phenomenon. The earliest twentieth-century philanthropic foundations were after all created before the federal government was permitted to tax individual income, following the passage of the Income Tax Amendment in 1913. There had been state income taxes since the Civil War, but the rates of state taxation were very low. Indeed, when John D. Rockefeller, Sr. was considering the foundation of his foundation during the first decade of the twentieth century, he instructed his lawyers to investigate state rates of income taxation. Their response was that it did not matter in which state the foundation was chartered since state taxation was so low as not to be a factor in the decision as to where to incorporate. Taxation became more of an issue by the 1930s, with the passage of federal gift and estate taxes. Both the Ford Foundation and the Lilly Endowment were created at that time explicitly as tax avoidance measures, but neither was funded for many years. There is some evidence that declines in marginal rates of taxation produce declines philanthropic giving, but the effect is not strong. Taxation is clearly an incentive to engage in tax-deductible behavior, but it is hardly the only motivation and I doubt that it is the major factor.

Much more important, I would speculate, is what I would call the American philanthropic instinct. This is distinctly not a specifically altruistic instinct, but rather a desire to contribute to the improvement in the conditions of human existence. The philanthropist may or may not share the belief of Andrew Carnegie and John D. Rockefeller, Sr. that his religious duty was to discover the underlying causes of illness and misery in order systematically to address them.

There is no doubt that Protestant religion was a strong component in the belief systems of many of the early philanthropists, and religion may well still play a motivational role in American philanthropy. But it is unlikely to be the dominant motivation, and it plays no role whatsovever for many givers. The deeper and more pervasive instinct is the one first clearly demonstrated by the first generation of American philanthropists, and it relates to a generalized commitment to make the world a better place for all.

Clearly urge to make the world a better place is not unique to one country. But historical conditions have given it a peculiar salience and form of expression in the United States. (Katz, in Halberstam, 2003) It doubtless found its origins in a people living in a country with a weak state tradition, one in which there was little history of the state (especially the national state) "doing good." The early philanthropists feared the state, and worried especially that the state in America would move in the direction of European welfare states of the late nineteenth and early twentieth centuries. The answer was for individuals to take up the responsibility that Europeans assigned to the states, and to retain the wellsprings of reform in the private sector (Karl and Katz, 1981). Times have changed and government in America has grown, but the significant emphasis of the conservative movement of the last generation in American politics shows just how tied the rhetoric of American philanthropy is to state-replacing activities. I doubt most American philanthropists are self-consciously state-replacers in any explicit sense, but their instinct to imagine and support the non-profit engines of human betterment derive from the original Carnegie-Rockefeller tradition.

2. Philanthropy outside the United States

I want to conclude with a few remarks about the arts, culture and philanthropy elsewhere in the world. I have focused on the United States both because American philanthropy is what I study, but also because private cultural philanthropy is vastly larger and more significant in the U.S. than elsewhere in the world. Though I do not think there are statistics to rely upon, it is hard to imagine that the sum total of private financial investment in culture in the U.S. is not larger than that in all other countries combined. Even if that assertion is too extreme, it is absolutely clear that no other single nation comes close to the level of private philanthropic investment in culture currently existing in the U.S. Salamon and Sokolowski have shown (2004) that the philanthropic giving of the United States outstrips that of most rich countries (even when donations to religious bodies are excluded), and the tradition of state support for the arts and culture in European countries has tended to depress private giving to the sector. Of course, what is interesting is the extent to which so many other nations are moving in the direction of the United States, frequently dramatically, as the size of their state sector declines and as they pursue self-conscious policies of privatization in their cultural sector.

History has made the difference, and here I will use Europe as the example. As art and culture developed from, say, the Renaissance, they took root in and were supported by patronage -- the gifts and protection of the wealthy and powerful. These included the church and the politically powerful, but much early patronage was provided by individuals -- it came from kings and princes and barons and cardinals and state ministers and merchants. There was of course a coincidence of private wealth and public power in pre-modern times, and at least from the fifteenth century the wealthy and powerful felt it both their duty and their prerogative to support artists, writers, craftsmen and other producers of culture and cultural institutions such as schools and cathedrals. The aim of the patrons was to glorify themselves and their families. But of course the maintenance and glorification of the Catholic Church was an equally important motivation. And this complex system of private patronage remained in place well into the nineteenth century.

But it had begun to be supplanted by the state and the state church from the sixteenth century forward. An obvious example was abolition of the English monasteries by Henry VIII, and the consequent necessity of the Crown to provide for institutions of relation and education (Jordan, 1959). Such tendencies increased with the rise of parliaments in the Netherlands and England in the seventeenth century, and by the time of the French Revolution the emerging nation-state (with or without a king) had tended to take over church and crown responsibilities for cultural patronage. This was not entirely a self-conscious or explicit decision on the part of the state, but rather a reflection of democratizing nations espousing strong notions of state power to do publicly what had previously been done by the nobility, the crown and the church (see Adam, 2004). The patron-state emerged over the course of the nineteenth century, assuming the dominant responsibility for education, state religion and arts institutions such as libraries and museums. In federal states, such as Germany, these patronage functions were frequently distributed regionally, according to local traditions of federalism, but they were ordinarily conceived of as state functions by Europeans (see Angelo, 2004).

As the twentieth century began, these forms of state support persisted, though they were less frequently conceptualized as patronage proper. They became institutionalized in (state and federal) ministries of culture, the official expression of the responsibility of the state for cultural institutions and cultural policy. And both of these developments were quite different from the emerging tradition of the privatization of culture in America. If the state was to collect tax monies for culture, it asserted the right to set the policies according to which they would be given. And across Europe but especially on the continent the state was a generous funder of culture, sometimes with a light imposition of policy and other times with a heavy hand (the national socialist movements, for instance). On the other hand, American museums and other major cultural institutions were founded almost entirely by private wealth in the late nineteenth century, and that pattern continues -- with some important exceptions- to this day.

But by the 1970s the attack on the welfare state in Europe, led by Margaret Thatcher in the United Kingdom, focused the attention of government on methods of shifting the burden off the backs of taxpayers. Privatization emerged as the obvious solution, along with a stiff dose of neo-classical economics and economic policy. In effect, Britain began a policy of Americanization of the political economy that still drives most change in state policy across the world, and certainly in Europe. The trend has apparently hit hard in the cultural sector there. To some extent non-tax alternatives, especially lotteries, have emerged to take up the space left by a receding patron state, but the larger move has been to encourage the privatization of cultural institutions, whether by their severing their ties with the state, or by finding additional non-state sources of revenue; the current debate in the United Kingdom and in most of the Commonwealth countries about the raising of student tuition fees is just one instance.

But, perhaps independently, something like a U.S. philanthropic sector has been emerging on the continent (and also in Latin America, Japan, and elsewhere). The movement has been aided in some countries by legislative action to provide tax incentives for individual charitable giving, but also by policies favorable to the establishment of nongovernmental organizations (analogues to American nonprofits) and to the creation of legal novelties, philanthropic foundations (The Economist, 2004). There are now considerable numbers of both private and corporate foundations in Europe, though the financial levels at which they operate are modest by American standards. Still they are part of what appears to be an inexorable rollback of the state and an expansion of the use of private wealth for public purposes.

I am not sure that we can tell with any precision what the specific impacts on this move to private support have meant for the cultural sector in Europe. Certainly there have been cries of distress from universities, opera companies, museums and other cultural institutions that sound a good deal like similar noises being heard in the U.S. But it is not clear, at least to me, what degree of financial impact, sorts of structural modifications or alterations in cultural content are coming into existence. It is hard, though, to imagine that there will not be some important implications for the cultural sector.

3. Conclusion

What seems obvious, when all is said and done, is that the winds of change are blowing. Although in vastly different ways, the state is retreating from culture everywhere -- although at the same time it remains everywhere a significant player on the cultural scene. In the United States we are in a transitional phase in which levels of real and potential philanthropy are rising dramatically, the state has abandoned even the modest policy claims it briefly asserted in the 1960s and 1970s, and yet the cultural sector feels that it is caught in a situation of severe shortage of funding. In Europe, the philanthropic expands as privatization proceeds apace, yet the state is not prepared to abandon its responsibility for cultural policy. We are probably in Act III of a five-act play, and it is much too soon to know how the plot will unfold.

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