

Philanthropists and Their Foundations

Foundations represent the institutionalization of philanthropy. They are the formal, legal structures that allow an individual or group to gather resources and then carry out deliberate policies and programs. Philanthropic foundations occupy a prominent place in the development of higher education—and in US public policies, based in part on antecedents from England followed by distinctively American modifications over four centuries.¹ In the mid-nineteenth century the Slater Fund and the Peabody Fund were foremost examples of foundation activity—but they were literally “exceptional,” which meant they remained isolated and limited in their influence. This marginal character for philanthropic foundations, however, would soon change dramatically and permanently.² Analysis of a chronological succession of selected, significant case studies over the past century in this chapter is intended to illustrate the continuity and change in the role of foundations in shaping American higher education into the twenty-first century.³

Starting around 1900 foundations in the United States were transformed into prominence with the creation of the great Trusts based on industrial wealth—such as the Carnegie Foundation for the Advancement of Teaching, the Carnegie Corporation, the Rockefeller Foundation, the Rosenwald Fund, the General Education Board, and the Russell Sage Foundation.⁴ These fall into the category of “private foundations,” as distinguished in the tax code from public or community charitable foundations. The private foundations represented unprecedented philanthropic support as suggested by Andrew Carnegie’s gift of \$480 million to the various Carnegie philanthropies, followed closely by John D. Rockefeller’s providing \$445 million for the assorted Rockefeller initiatives.⁵ To put these

two bequests from a century ago into context, each would be worth more than \$10 billion in 2013.

Later, between 1934 and 1970 the Ford Foundation, the Rockefeller Brothers Foundation, the Lilly Endowment, the Sloan Foundation, the Mellon Foundation, the Pew Charitable Trusts, the Howard Hughes Medical Research Institute, the Guggenheim Foundation, the Packard Foundation, and the Hewlett Foundation represented a new generation of organized large-scale philanthropy whose major initiatives often have included support of various aspects of higher education. These also reflected a parade of new, changing sources of economic development in the United States, as the foundations' endowments were based on fortunes made in pharmaceuticals (Lilly Endowment), copper mining (Guggenheim), banking (Mellon), automobiles (Ford and Sloan), Hollywood movies and aeronautics (Hughes Medical Research Institute), and computers (Packard and Hewlett). In the early twenty-first century preeminent foundations that have commanded public attention for their focus on higher education include the Lumina Foundation and the Bill and Melinda Gates Foundation, with the latter foundation drawing from commercial success in computer software.

The large private foundations understandably attract the most attention, both today and a century ago. One part of their legacy is that they provided a model for creation of hundreds and, now, tens of thousands of new foundations that represent a diverse range of resources and purposes. Many of the newer, smaller foundations represent a family's commitment to serious estate planning. A convenient guide to the extent of this foundation phenomenon is provided in the annual editions of *Giving USA* and *The Foundation Directory*. Whereas a major foundation may have its own office building or even a campus, most have a modest physical presence either as a rented office suite or, in the case of small foundations, sometimes nothing more than a computer file or a manila folder in an attorney's office cabinet. Despite these differences in scope and size, the assorted private foundations share common ground in their legal moorings, tax exemption status, and in their attractiveness to donors and recipients.

What the wealthy industrialists discovered around 1900 was that giving money away was not easy. For many of them, it was more difficult and perplexing than making their fortunes in such endeavors as oil refining, steel manufacturing, banking, or building railroad lines. A major contribution of a foundation was to bring coherence out of chaos. It represented what was then known as "scientific philanthropy"