Charity and Strategy:  
Philanthropy’s Evolving Role

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Introduction

The joint meeting of the American Philosophical Society, Royal Society, and British Academy is indeed a meeting of like minds. Our three organizations represent, in total, some 820 years of gaining knowledge in order to oppose ignorance.

We do not simply meet and talk among ourselves for mutual enlightenment. We also use our resources of disciplined thought to inform both our fellow citizens and public policy, on issues where our expertise is needed. These are roles that have not changed since the first of our societies was founded. They are more than roles; they are responsibilities, put forth by our respective founders.

Our shared mission is in “promoting useful knowledge.” Thomas Jefferson believed profoundly that a free nation could remain free only if its people were educated. He emphasized the role of the APS in that process when he said to the Society in 1808: “I feel . . . an ardent desire to see knowledge” disseminated throughout mankind.

The United States is coming up on the bicentennial commemorating the Lewis and Clark expedition—their “Voyage of Discovery” that will forever be a reminder of the duty of our societies to stimulate and disseminate knowledge. A few years short of two centuries ago, Meriwether Lewis was striding the halls of this society and the streets of this city, gaining the scientific knowledge that would serve him and his intrepid colleagues well, out West. Lewis and Clark’s expedition is a seminal event in our history. “Awesome, even today,” as one reviewer of their recently published journals stated.

It also stands as a symbol of discovery, in no less demand today—as biomedical researchers explore sub-microscopic realms, astrophysicists detect “dark energy” in the vast reaches of the universe, and, like

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1 Read 28 April 2001.
Lewis and Clark, social scientists, humanists, and other students of everyday life on earth tell us about ourselves.

These diverse enterprises have a vital element in common: They propose to lead the way to improving society and the quality of life for all.

Philanthropy, similarly, supports work for the common good. Many of the efforts are local: a new hospital or a homeless shelter or an emerging theater company. Some are local but are so successful—and translatable to other locales—that they become national models. Many are national, even international, and change the course of history.

Among such achievements are the following: Jonas Salk’s initial work that led to the polio vaccine; the yellow-fever vaccine; the 911 emergency phone number, based on the British 999 system; such successful child-development programs as Head Start and Sesame Street, both “experiments” initiated by foundations; the “green revolution,” which started with foundation-based research and evolved into a collaboration sponsored by foundations and government; and the mapping of the human genome. This massive accomplishment, unveiled in February 2001, was an international partnership, chiefly based in England and the United States. Here, the work was centered at the National Institutes of Health and in the private sector. In England, it was housed at the Wellcome Trust, where a third of the map was produced.

This short list recognizes a few of philanthropy’s contributions during our lifetimes. This sector’s accomplishments, however, make up a long tradition of attention to improving life. I will briefly touch on the historic highlights and various forms of that tradition. In more detail, I will attempt to describe the development of “organized philanthropy” in the twentieth century, which saw the introduction of what we call “strategic” philanthropy. I will explain why thoughtful philanthropy is accountable in its relations with government and its responsibility to the public. Finally, I will discuss some of the controversies and challenges facing philanthropy at the start of the twenty-first century.

The Tradition of Philanthropy

According to Greek tradition, the first philanthropist was Prometheus. He gave mankind fire. The impulse behind his act is imbedded in the Greek root of the word *philanthropy*: “love of mankind.”

But philanthropy is not simply a kind attitude—it also implies a certain kind of approach, and this, too, is expressed in the Prometheus story. The gift of fire transformed the world. Fire did not simply permit a few people to enjoy a hot meal and a warm shelter on the day it was given. It was a new tool that could be used forever to help humans make their often-hostile environment more accommodating.
In other words, fire was a long-term solution because it addressed the root of a problem. In the United States, we have a more common expression of this approach, which is often attributed to Native American lore: give a man a fish, and you feed him for a day; teach him to fish, and you feed him for a lifetime. That is the heart of philanthropy as it has evolved. It was not until the twentieth century, however, that philanthropy fully embraced the idea of directing its resources to the roots of problems.

The literature on philanthropy often contrasts problem-solving, or results-based, support with charity. All societies have developed and encouraged a culture of charity. Often it has a religious base, conferring on the giver absolution or some kind of forgiveness of sin or transgression, and is directed toward individuals.

But philanthropy generally has not had sacred ties. Nor has it a motive that confers a direct benefit on the donor. Of course, the definitions are a bit too stark, because the medieval church did a great deal of what we would call “philanthropy.” In doing so, it gained great power and collided with the interests of the governing authorities in several countries.

Medieval philanthropists still wanted to build hospitals, help repair roads and bridges, feed the poor, and give scholarships or training grants to help young craftsmen gain skills; to continue their work, they sought state protection. In Britain, their rights were codified under Queen Elizabeth in the Statute of Charitable Uses, which celebrates its four hundredth anniversary this year. This statute is called “the cornerstone” of English law—and thus U.S. law—regarding foundations. It permits these organizations to operate with relatively few legal restrictions, unlike the norm under other governmental systems.

**Highlights of American Philanthropy**

My expertise is in the field of domestic philanthropy, so I will focus on the United States. Our legal heritage, political system, social conditions, and civic-minded individuals combined to set the stage for an ever-evolving form of philanthropy—and a field experiencing great growth and change.

Alexis de Tocqueville identified a major thread in the new American nation when he said that we are a country of people who rally to causes. This characteristic represented fertile ground for philanthropy. One of the first foundations in the United States was the Magdalen Society, established in Philadelphia in 1800 to aid “unhappy females who have been seduced from the paths of virtue.”

Another early foundation was made up of two trusts established by Benjamin Franklin near the end of his long and productive life. He
willed money for loans to help apprentices in both Boston and Philadelphia to start their careers. Once himself a young craftsman who was helped by two loans, this founding father had the foresight to support the next generation.

No survey of early American foundations would be complete without mention of the Englishman James Smithson’s handsome gift “for the increase and diffusion of knowledge among men.” Today, the Smithsonian Institution stands as one of America’s cultural treasures.

In fairness, I should mention that this country returned the favor and gave England an equally generous benefactor. Sir Henry Wellcome was born in Wisconsin, then gained his pharmaceutical education in Philadelphia, before settling in England and establishing a pharmaceutical firm. The trust that bears his name is the world’s largest, with more than $26 billion in assets. It is active not only in the United Kingdom but also in developing nations—and, as many of you know, its work supporting biomedical research benefits the world’s citizens.

Modern philanthropy—dating from the turn of the twentieth century—owes much to the Industrial Revolution, when a handful of individuals amassed colossal wealth. Andrew Carnegie is a good example: he rose from poverty to become the world’s richest man in 1901. He was also eloquent and forceful about philanthropy, as in his famous statement, “The man who dies rich, dies disgraced.”

Carnegie and John D. Rockefeller represent a transition stage for philanthropy. Both spent famously out of their own pockets. Carnegie began funding libraries in the United States and Great Britain from personal gifts. To qualify for a Carnegie library, communities found the sites and paid maintenance costs, so that they took responsibility for carrying on the original gift.

This element of partnership would prove to be key to modern philanthropy, but the means of financing—from one’s own pockets—were already passing from the scene, as Carnegie and Rockefeller decisively demonstrated by their own actions.

They established foundations and other institutions that accomplished the broad social goals they wanted to reach. These organizations helped raise the status of philanthropy, consciously moving it from answering individual needs and general social purposes to examining and responding to underlying causes of social problems.

For example, Carnegie gifts founded the International Court of Justice in The Hague and were instrumental in revamping medical education in the United States and Canada.

Rockefeller’s institutional vision was equally far-reaching: establishing the University of Chicago and the Rockefeller Institute (now Rockefeller
University), and beyond education and biomedical research, setting marks in fields as diverse as scientific agriculture, the fine arts, and eradication of disease—for instance, hookworm in the American South.

One notable development of philanthropy was its base in a family name, recognizing the source of the assets. The ten largest foundations in the United States today bear family names: Gates, Packard, Ford, Lilly, Getty, Johnson, Pew, Kellogg, MacArthur, and Mellon.

Despite the size and accomplishments of many foundations in the twentieth century, the general public knew—and still knows—little about how such institutions operate. This atmosphere of mystery allowed television to present a fantasy perspective on philanthropy. In the late 1950s, CBS produced a minor classic, “The Millionaire.” Each week, John Beresford Tipton, a reclusive tycoon, bestowed a million dollars on a melodramatically challenged individual. Viewers watched avidly, hoping Tipton’s emissary would come to their homes next week.

The curtain behind which many foundations worked bred more than whimsy. It encouraged a sense that they were arrogant. This reputation, unfortunately, was sometimes deserved. A common view within philanthropy was that, since its work represents the transfer of private wealth for the public good, it need not be particularly accountable—or concerned with returning a result on its philanthropic investment.

That approach, I believe, is dead wrong. Wise stewards lead with their heads as well as their hearts.

Donors are motivated by many and varied altruistic agendas, but in the United States they have also benefited from tax codes that encourage individuals to create foundations to serve the public good. Under the law, foundations have broad latitude and few but important restrictions to which they must adhere.

The law’s modest limitations have helped stimulate enormous growth in the number of charitable foundations. Today, there are more than fifty thousand foundations in the United States. The vast majority are family-based. Others include corporate and community foundations.

The assets of American foundations total $449 billion, a sum that ranks twentieth in gross domestic product of the world’s 235 nations.

Last year, American foundations contributed about $28 billion to a range of endeavors. The future could be even more auspicious: over the next two decades, the estimated intergenerational transfer of wealth will be anywhere from $41 trillion to $136 trillion. This amount of wealth will change the face of philanthropy in ways no one can predict.

The potential influence on society means that citizens must understand better what philanthropy does—and determine what they want philanthropy to do.
Strategic Philanthropy

But change will not be driven simply from the outside. A significant number of foundations, both large and small, have been transforming how they work.

The change began, roughly, in the 1970s, when some foundations, including The Pew Charitable Trusts, began raising a new question: in the context of a thriving environment for charity and traditional philanthropy, how can we get the largest impact for the dollars we have to invest?

These foundations wanted to be more strategic—that is, to be more focused on outcomes and results. We wanted to get closer to root causes, where we might be able to fix a problem. We also wanted to leverage our investments, so that our finite resources could have a continuing, and even greater, impact. In short, we wanted to be wiser investors in a world where the needs seemed greater, the problems tougher, and our national and international affairs more complex and more nuanced.

The resulting approach is often called “strategic philanthropy.” For the Pew Trusts, this means that we try to advance public policy in a small number of fields in which we have expertise, fields that are ripe for change. And it means that we try to engage and inform a public that feels its voice is not heard in the policy process.

Here are a few examples from our current work at the Pew Trusts:

- The Pew Center on Global Climate Change has two thrusts. First, its studies provide facts for public discussion. The recent decision by President Bush to eschew the Kyoto treaty and the reaction of the European Union prove how elemental this activity is. The Center also unites businesses to work with climate change. Its Business Council includes 35 of the Forbes 500 companies. It helps erase the false impression that business is unilaterally opposed to any change in the status quo.
- Another initiative involves genetically modified foods. Surveys show that Americans think less than 20 percent of their food has been modified in one way or another; the actual figure is closer to 70 percent. Clearly, the public needs the opportunity to partake of scientifically based, non-partisan discussions, which will, in turn, help inform policymakers about needed improvements in our regulatory system for dealing with genetically modified organisms in our food supply. We want to encourage scientific advances while protecting the health of the public and the environment. Our goals are similar to those of the Royal Society, in its study of the benefits and risks of using genetically modified plants in foods.
• We have also entered the debate on the role of faith and religion in the public square—a discussion that is as old as our country. The current debate focuses on whether public funds should be provided directly to churches, synagogues, and mosques for social services. This raises new challenges in balancing the claims of church and state—assuring religious tolerance and maintaining freedom from being proselytized, and the integrity of religious groups. We hope to bring more light to, and reduce the heat in, the debates on these issues.

• Campaign finance reform has been attracting deep public interest. Our recent presidential election dramatically demonstrated how crucial this topic is, for maintaining both the credibility of candidates and the public’s confidence in our electoral system. We have been toiling in this vineyard for almost a decade. When we began, the public was unaware of the issues; the term “soft money” was unknown. Now we may be on the verge of meaningful reform. But, I assure you, we are counting no chickens until we actually see them hatch.

• Finally, several of our program areas invest significantly and strategically in our home region of Philadelphia. For example, in culture, we have developed a comprehensive set of grantmaking activities designed to sustain the richness, capacity, and diversity of the region’s artists and cultural groups. This program encourages and supports not only creative growth and artistic merit, but also organizational, fiscal, and managerial excellence. In health and human services, the Pew Fund helps many of the area’s nonprofit organizations respond to the complex needs of vulnerable populations. However, in today’s regulatory climate of more rigorous accountability, more is expected from these organizations. The Pew Fund also seeks to address their larger needs of organizational development and capacity-building.

Controversies and Challenges

Despite the growth in the number of foundations, their assets and their accomplishments, philanthropy as a sector of American life remains mostly unknown. This anonymity gives rise to several controversies and challenges.

Controversies. The most frequent controversy concerns donor intent. The terms of any foundation are set by its indentures. And donor intent should be honored, as a matter of law and of good stewardship.

But dry words on a document are not always sufficient. For example, our nation’s early trusts were overcome by time and changing
circumstance. The apprentice system Franklin wanted to foster disappeared. The funds’ trustees, in Boston and Philadelphia, put the monies—grown from the equivalent of a few thousand dollars to a total of some $6 million—to other public uses. The Magdalen Society cited earlier is now the White-Williams Foundation, helping high-achieving students from low-income families.

The law recognizes that circumstances change over time. It gives what lawyers call “an affirmative duty” to find a way to continue to honor donor intent, and it assumes that honoring donor intent is a dynamic process. The Pew Trusts believe in our stewardship of our donors’ intent. It is through our current work that we honor that intent.

A second controversy relates to foundations’ perpetuity. Should large sums of money be allowed to stay in the hands of often private and self-perpetuating boards? Should they have finite life-spans? Should they, after the donor generation, elect or appoint boards that have broad community representation that reflects their status as tax-exempt organizations?

A third growing area of debate is the role of foundations in advancing or informing public policy. Foundations may lessen the burden on government as a supporter of social services. But should they be able to use their resources to try to educate and inform and affect policy outcomes?

One side of this debate argues that foundations give voice to many and often opposing points of view and that they serve the causes of pluralism in our democracy.

The other side points out that foundation officers and boards are not elected and that foundation money is not subject to taxes. Therefore, they are not “neutral” from a policy perspective and should not enjoy an important and potentially pivotal position in shaping public policy. The outcomes of these debates will determine much of the future of American philanthropy.

Challenges. Among our emerging challenges is the continuing sense of mystery about who we are. Philanthropy remains undiscovered and unexplored by much of the media. Some newspapers have recently added our sector as a “beat,” and we welcome this development. We want the media, and the public at large, to know what we do, how we work, and what we have accomplished—even if it means opening ourselves to criticism.

Another challenge arises from the recent growth of the sector: how much can philanthropy accomplish? Are there better grantmaking models that offer a greater social return on investment?

And a third challenge is accountability: to whom are we accountable, and for what? Many foundations are opening their processes to examination. Many of us are taking advantage of traditional and new
means of communication to explain how we work. Accountability also means a new relationship with those whom we support. It is no longer funder and grantee, but partners who work together to achieve a mutually desired goal. Such partnerships help make us more successful—and also wiser, more responsible stewards.

Conclusion

This has been a quick survey of our field. The current prospects for philanthropy bring to mind an observation by the historian David McCullough: in times of peace, people build cathedrals to celebrate their success and sanctify the ideas and principles they hold most dear. This echoes the comment of Benjamin Franklin when he founded the APS: now that the “drudgery” of establishing the colonies is over, he said, we can attend to the crucial issues of cultivating the fine arts and improving knowledge.

Each and every one of us is blessed to be in a position to build the cathedrals of our era. As members of our respective societies, may we seize the opportunity. It is our heritage—and, indeed, our responsibility.