

*Japanese Americans suffered terribly with the forced evacuation, and a guy like me, fortunate enough to have succeeded in business, should help keep the memories alive.*

–George Aratani,  
founder of Mikasa and Kenwood, Inc.,  
upon funding a chair in Japanese Internment  
Studies at UCLA (among his \$10 million  
in philanthropic gifts)

---

## CHAPTER TWO

---

### *Generosity Drives the American Economy*

America's culture of philanthropy has defined both our society and our economy. The idea of American exceptionalism has a rich history of supporters and detractors, but our philanthropy alone makes the case for our exceptionalism. Most modern nations share a tradition of government by monarchy. Citizens expect government to attend to the needs of the citizenry, just as an enlightened monarch was expected to attend to the needs of his or her subjects. Taxes flow to the central government and are redistributed to the people through a centralized and, ideally, rational bureaucracy. The American model for the support of good causes is decentralized, unmanaged, and pluralistic. These values define our philanthropic tradition. On this basis alone, we are exceptional—if not always in the sense of “better,” certainly in the sense of “different.”

## *Generosity Unbound*

We are the most generous people on earth. Generosity is our most widely held value. Eighty-nine percent of Americans make a charitable donation each year. Giving constitutes our most widely shared community activity, far beyond eating fast food, watching the Super Bowl, or voting.

Generosity is in our blood as Americans, no matter when or how our ancestors got to these shores. Generosity is a value shared by the well-to-do and the not-so-well-to-do. It is shared across races and ethnic origins. Our solidarity as donors makes us all feel responsible for the well-being of our fellow Americans and of our nation.\*

Generous Americans give to causes that compel our attention regardless of our personal connections. Of course, we give to support causes that we are personally connected to: our religious communities, our schools, and to help people who share the same problems or diseases that we have confronted. But we also give to create opportunities for others to whom we have no direct connection. Newcomers naturally favor their own families and communities, but they quickly see that this is not the only way that Americans give. Americans from Elizabeth Ann Seton and Lillian Wald to Julius Rosenwald, Andrew Carnegie, Kenneth Langone, Marie Lam,

---

\* This idea is reflected in the robust commitment of minorities to the giving tradition. The Community Investment Network is one of many programs devoted to extending the efforts of black philanthropists (<http://www.thecommunityinvestment.org>). The First Nations Development Institute leads Native-American philanthropic efforts (<http://www.firstnations.org>), and there are many leadership efforts in Hispanic philanthropy, including Hispanics in Philanthropy (<http://www.hiponline.org>). Asian Americans and Pacific Islanders have a philanthropy organization as well (<http://aapip.org>).

## Chapter Two

and Eugene Lang came from immigrant families and became remarkable philanthropists: Catholics, Protestants, and Jews, Germans, Scots, Italians, Chinese, and Hungarians giving across boundaries to benefit the greater good. So many other names could be listed with these.

Few Americans ask where this generosity came from. Why has it continued? Will it remain a part of American culture? The answers to these questions create a source of honest pride in our history and our ancestors—pride we often do not get a chance to celebrate. America’s tradition of citizen-to-citizen generosity, what I am calling “generosity unbound,” comes from a long-standing connection between personal wealth and the common good. I want to tell the story of how these connections were built, and I think it is easier to care about the history when we know the people involved. Individuals make the biggest difference when they put their values into action. So let me introduce George Peabody.

Peabody (1795–1869) was a legendary wealth-builder. He also established the country’s earliest philanthropic institution. He set a standard that influenced generations to come. First, he made gifts as investments in the present on behalf of the future. Second, he made this “donor intent” clear in his various gifts. Third, he encouraged his wealthy business associates to follow in his footsteps.

Peabody grew up in a poor Massachusetts household of eleven children with strong Puritan grounding. His father made a meager living by subsistence farming and working in casual leather in Massachusetts. George had to leave school

## *Generosity Unbound*

early to support his mother and siblings. He worked as a laborer and then ran a general store in his hometown before a disastrous fire induced him to move south with his uncle to open a general store in Washington, D.C. When his military service in the War of 1812 ended, he joined a partnership with Elisha Riggs in Georgetown. He spent years traveling in the United States and England buying and selling dry goods.

Substantial wealth-building began in America after the War of 1812. The agricultural economy slowly gave way to the industrial economy that would advance through the nineteenth century. Production moved gradually from work done by hand and at home to work done by machine and at a factory or mine. An industrial revolution laid railroads, set steamship routes, and put machines in farmers' hands—and the country began to change. These technologies required large sums of money to develop before they began to pay off, so investors were needed who could supply funds. These investors in stocks or bonds waited patiently for the businesses to pay them back. Merchant banks and both domestic and international finance played a vital role in the transformation of America from an agricultural to an industrial society.

Peabody moved to London, where he opened his own financial firm in 1843. He dealt with mercantile traders and also bought and sold bonds. He was especially committed to selling American bonds in Europe to help finance capital-intensive projects like the canals and railroads that enabled our country's westward expansion. As an investment banker, he achieved the financing for the laying of the first transatlantic cable. His

## Chapter Two

London business was a partnership with Junius S. Morgan, and Peabody helped train Junius's son, J. P., in international banking. The younger Morgan began his career as a New York representative of George Peabody & Co.

Peabody saw how investments of patient capital made striking progress possible. America's railroads and other capital-intensive industries grew. Brokerage firms developed and securities were sold enabling investors in England and America to advance progress and also to amass fortunes. The paths were set for the Gilded Age. Peabody was also blazing another trail, the one to the golden age of major philanthropic institutions.

Peabody treated his wealth as the good steward did in the Bible.\* He was deeply committed to the betterment of all mankind. This belief was best served, he concluded, by investments in education and opportunities for learning that he had not found in his own youth. The Peabody institutes and museums were his effort to make self-improvement available to all people. He invested in scientific research in fields like archaeology and anthropology. In England, he invested in housing for the urban working poor.

In 1852, on the one hundredth anniversary of the founding of his native town of Danvers, Massachusetts, Peabody—who was still in England—sent a letter to be read at the town celebration. In part it said: “In acknowledgement of

---

\* Acts 20:35. The biblical principal of stewardship teaches that what I have is not mine alone to use however I wish. It is instead a gift from God to be used wisely and carefully in accord with God's love of the world.

## *Generosity Unbound*

the payment of that debt by the generation which preceded me in my native town of Danvers, and to aid in its prompt future discharge, I give to the inhabitants of that town the sum of TWENTY THOUSAND DOLLARS, for the promotion of knowledge and morality among them.”<sup>1</sup>

The funds were invested in a town lyceum, where the eight-hundred-seat auditorium hosted lectures, concerts, theatre performances, and other learning opportunities for the citizenry. Peabody wisely left funds for the building’s upkeep and for annual cash prizes to the town’s most gifted students. He also gave his hometown its motto: “Education—a debt due from the present to future generations.”

Peabody’s work brought him into contact with many entrepreneurs: Johns Hopkins, John Goodyear, and Cornelius Vanderbilt, among others. They admired his financial acumen and his great philanthropy. Peabody’s arguments in favor of education as a national solidifying force after the Civil War convinced Vanderbilt to endow Vanderbilt University in Nashville, Tennessee. Paul Tulane was directly influenced by Peabody to found Tulane University in New Orleans, and Anthony Drexel was moved to found Drexel University in Philadelphia.<sup>2</sup> Another of Peabody’s colleagues, Johns Hopkins, was persuaded to endow the nation’s first graduate university in Baltimore.

Peabody believed that an educated citizenry transcended political partisanship. He funded the Peabody Institute of Baltimore and then engaged his hand-picked trustees in a cooperative venture pursuing social advancement through edu-

## Chapter Two

cation. The year 1857 included a financial panic and the rumblings of civil war, but Peabody kept his wealthy colleagues committed to the Institute even when they found themselves in financial uncertainty and on opposite sides of the slavery issue. The Institute provided a library, programs of lectures, an academy of music, a gallery of art, and prizes to encourage private- and public-school children to excel in their studies. Peabody himself offered the following guidance: an “injunction against the Institute’s ever being used for the nurture of Sectarian theology, or political dissension.” The Institute was to “show itself, in every emergency, the firm defender of our ‘Glorious Union.’”<sup>3</sup>

Peabody returned to Danvers from London in 1868, when the town was renamed for him. He found a thriving community that, he was proud to discover, was spending five times more dollars on public elementary education than had been spent when he was a boy. In his speech to the community, he underlined the importance of education. “To be truly great,” he said, “it is not necessary to gain wealth or importance. Every boy may become a great man in whatever sphere Providence places him in. Truth and integrity, unsullied by unworthy acts, constitutes greatness.”<sup>4</sup>

Peabody invested in additional institutes at Harvard and Yale, and in Baltimore and Danvers, but his largest philanthropic initiative was funding education in the South through the Peabody Education Fund, which he established at the end of the Civil War. In the founding letter, dated 1867, Peabody wrote that “the moral and intellectual development [of the

## *Generosity Unbound*

United States] should keep pace with her material growth. . . . [T]he impoverished people of the South cannot, without aid, advance themselves in knowledge and power.”<sup>5</sup>

Scarcely two years after Appomattox, and for the first time since the end of the Civil War, former governors from northern and southern states stood together at the ceremony deeding George Peabody’s multimillion-dollar gift. Peabody stood with General Ulysses Grant and a local bishop as the deed of the gift was read. It was praised as “the first guarantee of a reunited Country and of perpetual Union.”

Peabody’s fund was a milestone in American philanthropy. As his biographer notes:

The PEF, governed by a board of trustees from both North and South, was the first multimillion dollar foundation in the United States that exercised a positive attitude toward solving social ills. It was this nation’s first educational foundation without religious conditions, the first whose influence was national, the first to provide for modification as conditions changed, and the first to set a pattern of selecting trustees from the professions and business.<sup>6</sup>

No one could have anticipated the power of this precedent-setting gift. It educated thousands, and it also inspired other philanthropists. It set expectations for good governance that still hold today. John Slater, a Connecticut textile magnate, donated \$1 million to advance the “uplift-

## *Chapter Two*

ing of the lately emancipated population of the Southern States” in 1882. Slater so admired Peabody that he decided to advance his goal by focusing his funds on the education of African-American children. Anna T. Jeanes, a Philadelphia Quaker, deeded \$1 million to the education of southern African-American children in 1905. Modeled after the great work of Virginia Cabell Randolph, a black teacher in the Richmond area, Jeanes Fund teachers visited students in their homes and helped to improve health and sanitation as well as to advance education. The Slater and Jeans funds were combined with others in 1937 to create the Southern Education Fund, which continues to this day. Peabody’s trustees remained true to his intent that his fund be dissolved after thirty years. The remaining assets were contributed to the Peabody Normal School that they had established. Today, the Peabody College for Teachers is part of Vanderbilt University.

George Peabody defines the values that have become emblematic of Americans who create foundations. He exemplifies our philanthropic tradition of generosity unbound. He believed in hard work and the building of personal wealth. But he saw himself as a trustee of this wealth, and thus he invested in others so the future would be better—for them and for the nation. He sought a public impact from his wealth, rather than a purely private benefit. He supported his own community and the parts of his nation that were in most need of new assets in order to develop for their own good and for the greater good.

Thanks to virtuous entrepreneurs like Peabody, wealth and philanthropy became more closely associated in the U.S.

## *Generosity Unbound*

than they are in any other nation. The investment model of philanthropy gives people a stake in the futures of others. It injects pride across generations, races, ethnicities, and skill sets. It is still the shaping feature of American culture in the twenty-first century.

Will this investment philanthropy continue in America? The best way to answer this question is to consider the relationship of investment philanthropy to our economy and our democracy. The best illustration of this relationship is what I call the “virtuous cycle,” the engine that philanthropy has created at the core of American society. It is powerfully illustrated by the life of George Peabody.

Let me explain. American philanthropists make unregulated **investments** that create **opportunity**. A scholarship offers a worthy student an opportunity to advance his or her education. A research grant creates the opportunity for a researcher to make progress in his or her research, whether understanding disease mechanisms or climate changes. We can never have too many opportunities.

Martin Luther King, Jr., demonstrated faith in these American ideas in his famous “I Have a Dream” speech. Using a banking metaphor, he argued that black Americans had received a “bad check” from the nation, but he concluded: “we refuse to believe that there are insufficient funds in the great vaults of opportunity of this nation.” He had faith in the Founders’ ideals even though many of his fellow citizens had forgotten the pledge the Founders had made in their names.

## Chapter Two

In the high-risk business of building a working democracy, we all need all the opportunities we can create. Our American strategy over generations has been to ensure that we educate all citizens to the absolutely highest level of their capacity. In so doing, we optimize our own chances of enjoying **prosperity**. Thus, the second step in the cycle: **Opportunity** builds **prosperity**.

Prosperity is something we know quite a bit about in America. For all our shortcomings, we have achieved a remarkable level of economic and social prosperity in the brief period of our history. We enjoy some of the highest living standards in the world. Given the vastness and diversity of our nation, we have achieved high levels of education for a large percentage of our population. We continue to make progress on the economic front. For instance, the average household income before the market crash of 1929, when translated into today's dollars, was about \$16,000. In other words, the entire middle class in the 1920s was poor by today's standards. Despite some of the highest levels of income disparity in the past one hundred years, it is still true that the bottom quintile of wage earners has seen an 80 percent increase in real wages in the past fifteen years.

Prosperity, of course, is about a state of mind as much as it is about dollars and cents. One can hardly claim prosperity for a nation if a significant portion of its citizens are pessimistic about the future. But Americans are, in fact, optimistic, and those who are less well-off seem to have preserved their enthusiasm for the American Dream. Upward mobility

## *Generosity Unbound*

remains a firm belief among many newcomers.<sup>7</sup> The spirit of entrepreneurship is alive and well, as our nation continues to create more new businesses than any other nation on earth.<sup>8</sup> As wrenching as the inevitable changes in our economy are for older workers and for those with less education, we have managed again and again to invent entire new industries at a remarkable pace: pharmaceuticals, biotechnology, wireless communication, Internet commerce. We have every reason to believe that the difficulties of recent years can be overcome with a continuing commitment to justice in the form of unbounded generosity.

The third step in the cycle: **Prosperity** produces **gratitude**. This next component of the virtuous cycle is among the most visible today. Virtually all of the new generation of philanthropists, following in the steps of Peabody, Sage, Carnegie, and Rockefeller, have acknowledged a desire to give back to the nation that has enabled them to amass their significant fortunes. They have recognized that the stability of the nation, its institutions and infrastructure, have enabled their enterprises to prosper. They could take no personal credit for these features of our society and they wanted to express their gratitude for finding such favorable conditions in which to develop their ideas.

There are many more participants in the tradition of American gratitude than the wealthy white men with their names on concert halls, museums, and universities. Remember that 89 percent of Americans make charitable contributions each year. In fact, the lower 40 percent of wage earners

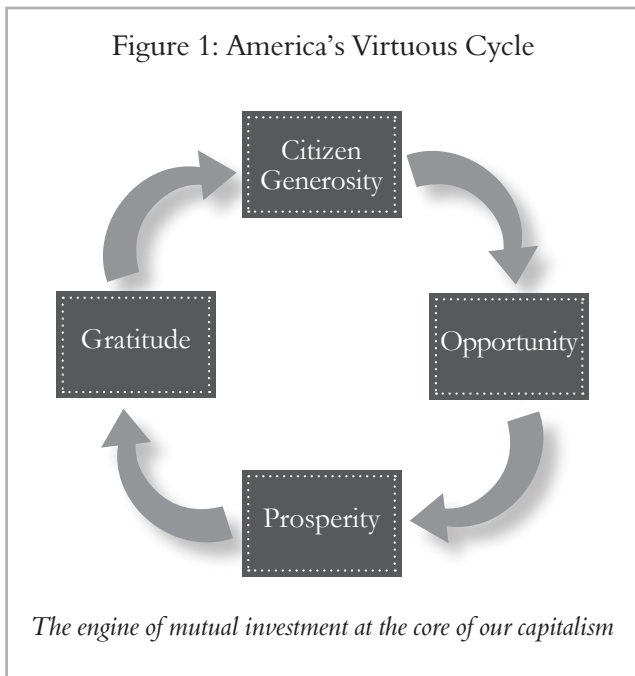
## Chapter Two

are more generous, on a percentage-of-income basis, than are the upper levels of wage earners. Most of these givers also give out of gratitude. I have the most vivid memories of my scholarship students at Connecticut College, where I served as president. When given an opportunity to thank their benefactors in person, these students regularly pledged to give back their four-year scholarships to the college as soon as they were in a position to do so.

This sense of personal responsibility in a free society is a vital asset to our nation. It keeps us focused on the needs of others, rather than on our own small worlds. We are among the few nations in the world with a holiday devoted to thanksgiving. It is certainly a most American of holidays, right up there with the national celebration of our independence. We also benefit personally from a focus on the well-being of others. A large and growing body of scientific literature documents the physical and psychological benefits to those who focus on gratitude for even the most modest blessings they enjoy.<sup>9</sup> So, in its turn, our gratitude induces the beginning of a new cycle. We are motivated to commit new acts of **generosity** because we are grateful for the **opportunities** from philanthropy that enabled our own **prosperity** and inspired our **gratitude**. When we make certain to acknowledge that we, too, are beneficiaries of the generosity of our fellow citizens, we ensure our role in sustaining the virtuous cycle. After all, most of us did not get polio; many of us have a pension that is invested in diversified investments; many of us have used the 911 system in an emergency and taken an antibiotic.

## Generosity Unbound

These are all gifts from philanthropists to the rest of us! So even if you never received a scholarship or never sought help at a free medical clinic, you and I are still recipients of philanthropy from our fellow citizens. Therefore, we owe back!



Americans have a long list of gifts to be thankful for. If you or your children need an example or two to remember why you have reason to be grateful to others for their generosity to you, read on.

## Chapter Two

### *How Philanthropy Has Strengthened Our Economy and Our Democracy*

American-style philanthropy creates a balance between capitalism and democracy. It strengthens both. It feeds optimism and innovation. It enables everyone to see the importance of fairness. It reminds us of the Founders' expectations that we each take personal responsibility for "life, liberty, and the pursuit of happiness" for our fellow citizens. It is important to recall the conclusion of the Declaration of Independence: "And for the support of this Declaration, with a firm reliance on the protection of Divine Providence, we mutually pledge to each other our Lives, our Fortunes, and our sacred Honor."

Capitalism is wealth producing and wealth concentrating. A market economy fosters tough competition and potentially winner-take-all outcomes. It encourages optimization of the individual's assets. It is demanding, impatient, imaginative, and entrepreneurial. It thrives on freedom and light bureaucracy. It is risk tolerant, but also self-focused. Enterprises must continue to grow or they risk being overtaken by competitors and simply withering away. But there is little evidence that democracy can thrive when income distributions reach very high levels of inequality.

Therefore, free-market capitalism needs a wise governor on its engine, and philanthropy provides such a mechanism. It prevents capitalism from "overheating" and burning itself up. Karl Marx theorized at the beginning of the industrial revolution that capitalists would eventually own all the means

## *Generosity Unbound*

of production. Workers would have little choice but to rise up and overthrow the capitalists and confiscate their wealth. Marx's prediction had its own internal logic. He did not, however, imagine the combination of virtue and enterprise found in men such as Peabody, Slater, and many others whom we will meet in subsequent chapters. They applied a control mechanism to their engine of wealth-building. That mechanism is personal philanthropy. Philanthropy has made our capital-market system work as well as it has because it emphasizes fair play and self-discipline. When our system has failed us, it has usually been because greed shoved generosity out of its way. The children of wealth may end up with fewer material resources if their parents choose to start a foundation. They end up with more spiritual resources when their parents have taught them generosity. Generosity in turn launches potential new capitalists from poorer families. The nation grows as this new energy competes with legacy wealth, advancing our economy and our democracy.

Capitalism, on the other hand, is an excellent teacher for those committed to building our civil society. We have a robust tradition of social entrepreneurship that is heavily indebted to the best features of capitalism: a clear vision, disciplined strategy, capital raising, and scalability, plus those essential intangibles—optimism and determination. In America, social entrepreneurship has been part of our history since the beginning. Eugene Lang offers one example of social entrepreneurship. When he talked to a sixth-grade class in his old grammar school, he was struck with an idea. Why

## *Chapter Two*

not offer his own funds to pay for college for any of them who could graduate from high school? Through optimism and determination and trial and error, he developed a plan for these youngsters to succeed. Over time, his work has inspired dozens of additional idealistic, optimistic social entrepreneurs to duplicate his idea.\* Today, thousands of low-income children have persevered through grammar and high school and received funded college educations thanks to these efforts. Lang's I Have a Dream Foundation has all the traits of a fine new entry into the business world in a capital-market system: innovative problem-solving, focus, a willingness to keep working to improve the product and process, and scalability. Wendy Kopp's Teach for America provides another example. From a first group of two hundred young recruits in 1989, Teach for America has scaled up its teacher corps to 7,300 members who taught more than 450,000 students in our country's neediest communities in 2009. These are illustrations of how foundations make pervasive and transformational change in our democracy.

Philanthropy feeds both democratic values and our market economy by investments that foster upward mobility. It creates jobs and contributes to raising our standard of living. Philanthropy acknowledges that life is not automatically fair and engages wealth in addressing unfairness. Some people are born on third base while others have never even

---

\* One such entrepreneur of special note in our current environment is Fred Clark, a successful Mexican-American businessman whose foundation provides scholarships for low-income Mexican-American kids in California. Only in America . . .

## *Generosity Unbound*

held a bat before the game begins. This latter group will need a break to compete, but they might turn out to be great assets to the team. Philanthropy offers such breaks. This has been our country's experience. Americans love fairness. Much of philanthropy's work has been about evening up the competition.

Philanthropy advanced education and job training for immigrants and minorities through settlement houses, child-labor laws, support to the arts and music, and health (research dedicated to defeating polio, cancer, heart disease, and for community health care). The nation's first symphony orchestras were filled by musicians who held their first violins, cellos, or saxophones in the basements of settlement houses in after-school programs. These investments in well-being came from foundations. They advanced American society and the economy in powerful ways. They are still doing so.

Philanthropy is American capitalism's trust builder and hope builder. It doesn't require that citizens be perfect. It does require us to recognize the importance of "self-interest, rightly understood." I see that it is in my best interest to watch out for your well-being and treat you with honesty and respect—because I see that this will inspire you to treat me in the same way. This reciprocity creates a strong society built on mutuality, safer for everyone's children and grandchildren. It is the reason that America remains relatively free of cynicism and bitter distrust. "Self-interest, rightly understood" is the idea that enables philanthropy to link market capitalism and democracy.

## *Chapter Two*

### *Philanthropy Invests in Human, Physical, and Intellectual Capital*

Philanthropy shapes our society and drives our economy through investments in human, physical, and intellectual capital. Human capital investments are donations to develop fellow citizens. Physical capital investments fund buildings, parks, and conservation. Intellectual capital investments fund new ideas in social change, technology, medicine, the arts, and other fields.

Most people have not thought about how funders transform the economy and the society around them, but each of these categories includes dramatic changes that affect the larger population. For instance, donations to programs that enhance early-childhood education or high school graduation rates—or to need-based college scholarships—are all investments in human capital. The nation prospers when such individuals, their families, and their communities benefit from this type of philanthropy. How many ordinary and amazing individuals have arrived where they are because they were “brought to you by (fill in the donor’s name).”

I think that everyone who has gotten a private scholarship should wear such a name tag during Thanksgiving week. Your surgeon, your child’s pediatrician or teacher, the neighborhood pharmacist, your broker, or your pastor, rabbi, or imam probably all received private financial aid at some point in their preparation to provide for you. We would all learn a lot about why our country works so well by measuring the value of the human assets that our citizen-to-citizen generosity has built for the nation.

## *Generosity Unbound*

John Rogers, founder and CEO of Ariel Investments, established his foundation to help schoolchildren in his native Chicago attend college. He was inspired by Gene Lang's "dreamers." But Rogers had a different idea. He launched the Ariel Community Academy, a charter school with a unique curriculum in one of the poorest neighborhoods of the city. In addition to studying "reading and writing and 'rithmetic," students become investment managers—with real money! By the time they reach grades seven and eight, students form a committee of peers to manage the \$20,000 school fund. Upon graduation, the class awards half of their earnings to the school in the form of a class gift and divides up the other half among themselves, either as cash or for investment in their own 529 accounts (matched by the foundation if they make this choice). No surprise, the students' performance on standardized tests is among the best in the city, despite the poverty of their neighborhood. The Gates Foundation is likewise a major supporter of math, science, and engineering education for minority kids, with Bill Gates noting his lack of confidence in the federal government to address this issue creatively.

Clare Boothe Luce left her entire bequest to the support of girls and women for careers in math, the physical sciences, and engineering. The Luce Foundation has stewarded Mrs. Luce's gift, which has provided 1,550 awardees with \$120 million over the past several decades.\* Oprah Winfrey continued

---

\* Full disclosure: I am a member of the selection committee of the Clare Boothe Luce Fund, along with Midge Decter, Edwin J. Feulner, James Piereson, David V. Ragone, and Cynthia M. Friend. The fund is part of the Henry Luce Foundation, where I also serve as a trustee.

## *Chapter Two*

this important work with her Angel Network Foundation that attracted some 80,000 donors to support education for girls during its years of operation. Remarkable entrepreneur that she is, Oprah has leveraged her generosity just as George Peabody did. In Oprah's case, she has used her media expertise to engage thousands of givers in her "Big Give" programs. Oprah does it and teaches others to do it.

But philanthropic human capital investments go well beyond young people. Foundations support programs to permit people over age twenty-five to receive counseling and scholarships to start college as adults. Men and women in prison have access to foundation support in many states to advance their formal education during incarceration, thus improving lives and reducing recidivism. Foundations support programs to address the special needs of groups whose life development may have been thwarted for various reasons. Special Olympics is one great example among many. Autism Speaks is another. Philanthropy, especially foundation giving, is the haven for second (and third) chances for our fellow citizens all over America.

"Physical capital" describes another major category of American philanthropic investment. Gardens, parks, and playgrounds all over the country have come from the gifts of generous donors for centuries. How many libraries, hospitals, colleges, schools, museums, recreational areas, theatres, shelters, and science institutes in your own town or city are the gifts of generous fellow citizens? What would a Google map of your town look like if they all vanished tonight? "Very, very different" is the likely answer.

## *Generosity Unbound*

These gifts keep on giving. They provide opportunities and services that improve the quality of life and attract populations to the locales in which they are located. They provide jobs for the people who work in them. They improve the real estate values surrounding them. They provide business opportunities for nearby small businesses. These facilities attract people. Tens of millions visit campuses, libraries, museums, parks, and hospitals each year. They use local transportation, restaurants, stores, and hotels. Communities thrive.

The nine major museums in Chicago bring more cash flow to the city each year than do all the major sports teams combined. The museums are gifts (from Julius Rosenwald, among others) that have benefitted all citizens over the past 150 years. Johns Hopkins University is the major employer in the city of Baltimore and the state of Maryland. The land and buildings were gifts of donors and foundations. Physical capital investments are really the gifts that keep on giving over centuries. This tradition continues today at virtually every university, medical center, performance space, and park across the nation. None of these investments meet NCRP's standards for "Philanthropy at Its Best."

Intellectual capital investments from philanthropy are just as compelling. These "donations" launch new ideas. Ideas that are "too innovative" always struggle to find funding. Private investors will usually take only so much risk because they want to be sure of a return on their investment. Government support is even more conservative, as is perfectly wise

## *Chapter Two*

in that it uses the people's money. But America's foundations feed this entrepreneurial energy precisely because they can be more risk tolerant. The Rockefeller Foundation funded the development of penicillin before the idea of antibiotics even existed. It also funded three young German physicists who had a new idea for a microscope. This investment led to the first electron microscope, the precursor to the astonishing visual-imaging industry of today. Exploratory surgery is a rare event today because doctors can see without using a scalpel first, thanks to freely invested philanthropy that, like the polio vaccine, benefits all people.

Beyond science and technology, American philanthropy has invested in great social ideas as well. When Candy Lightner's daughter was killed by a drunk driver with multiple offenses, she decided to attack the injustice that permitted these manslaughters to continue. Besides many individual donations, small family foundations supported her early efforts. All of us benefit today from the criminalization of drunk driving. This social-justice initiative was the invention of a citizen supported by philanthropy and foundations. Mothers Against Drunk Driving (MADD) and Students Against Drunk Driving (SADD) represent great intellectual capital investments.

Mississippi native James Barksdale, former CEO of FedEx, McCaw Cellular, and then Netscape, donated \$100 million to create an institute at his alma mater, the University of Mississippi. Through a partnership among state colleges and the state department of education, it is designed to fund

## *Generosity Unbound*

K–3 literacy programs and to further educate Mississippi K–3 teachers on teaching reading. The Barksdale gift is believed to be the largest donation ever geared solely toward literacy—a human as well as an intellectual capital investment made by a generous American giving back to a cause and to a place that matters to him.

In these cases and countless others, foundation donors stepped in to support risky ideas for changes in science and technology or on social issues. These changes advanced our communities, our society, and our economy. Grassroots communities and minority professionals benefited from these efforts just as the rest of the nation did. These cases of imaginative generosity need to be highlighted in each state. Efforts need to be made to keep encouraging intellectual capital investment across the country.

Human, physical, and intellectual capital investments by philanthropists have made the United States an exceptionally dynamic nation. We cannot afford to dampen this energy by constraining the freedom of donors to make high-risk investments in causes of their own choosing. Curtailing autonomy in philanthropic investments would turn our nation into a less creative, and less desirable, place to live.

Is American-style generosity perfect? Of course not. In a later chapter, I will review the many ways our social-profit sector is working to improve current practices, especially in the work of private foundations. But the record of accomplishment to date argues for sustaining this work as our nation faces a new millennium of challenges.

## *Chapter Two*

Many of the creative solutions developed by philanthropic investments have not yet been scaled up to serve the largest possible number of citizens. We all benefit from fewer drunk drivers on the road and from the availability of MRIs and CAT scans. Why do we not also have community literacy programs nationwide or home-health care para-professionals serving their communities across the nation? I wish that Greenlining and NCRP had called for this work.

Could philanthropy do more to address the life conditions of those at the bottom of the nation's economic wealth distribution? Absolutely. Do millions of us benefit from our system of unbounded philanthropy and the ways that it strengthens both democracy and capitalism? Yes. Are there millions who don't get all they need from philanthropy? Yes, and they are our common national concern. They are not the sole concern of their specific advocates. The investments of thousands of foundations and individual donors across the nation attest to this assertion.

Americans struggling to reach the middle class have found wise and committed advocates since the Declaration of Independence was signed. Some, like Jane Addams, working at the end of the nineteenth century, initiated the settlement houses that changed the fate of many hundreds of thousands of immigrants and southern-born African Americans who were drawn to America's northern cities. Others, like Olivia Phelps Stokes, left their entire inheritances to assure the college education of minorities, including Native Americans. Her foundation initiated and funded the United

## *Generosity Unbound*

Negro College Fund. Julius Rosenwald gathered the funds for 5,357 schools throughout the South to educate black children at the beginning of the twentieth century. Foundation donors have a strong record of investing in America's strivers. Today, philanthropists of every race and ethnicity continue this work. John Rogers is funding grassroots public education. Alphonse Fletcher, another successful black financier, is funding his alma maters (Harvard and Yale). Their story is the story of American exceptionalism. The generosity of generations of Americans across races, ethnicities, and religions is a record that no other nation can match.