

CAN WE SAVE THE WORLD THROUGH GENEROSITY?

PHILANTHROPY SCHOLARSHIP IN THE AGE OF THE MEGAFOUNDATION

Stanley N. Katz, Woodrow Wilson School, Princeton University

ISTR Prize Lecture, Stockholm, 1 July 2016

Greetings, ISTR colleagues. It is a pleasure to meet with you in this very beautiful city, and of course a great honor to have been invited to give this Prize Lecture for the Society. My charge is to “reflect on my work in the field of Third Sector Studies as well as on the development of the field” over the course of my forty year career in the field. I will begin with my understanding the how the field of Third Sector studies has developed, and I will conclude with observations on the manner in which the recent transformation in the distribution of wealth is shaping so many of the phenomena that we, as scholars of the Third Sector, study.

I remember very well the 1990 Independent Sector Spring Research Forum in Boston, Massachusetts and the series of conferences in Europe at about the same time when the sense was that there was enough scholarly interest to form the basis for an international scholarly organization to examine the sector that we then usually called “nonprofit” in the United States and “nongovernmental” elsewhere in the world, but which we had come to see was a unitary phenomenon.ⁱ For many of us from the States, the appeal of an international effort emerged largely from our growing realization of the central role of civil society in democracy in the post-communist era, as well as from our belated understanding of the significant role of nongovernmental organizations around the world. It took U.S. scholars a long time to understand that our non-state, non-market sector was not unique, but we had finally reached that point by the mid-1980s, and we were proud to be part of the launch of ISTR in 1992, just short of twenty-five years ago.

I had myself begun to study grantmakers, that is, U.S. private philanthropic foundations, in the mid-1970s. Twenty years later I had come to understand that I also needed to concern myself with the organizations that were the beneficiaries of the grant-making organizations, since they were both inextricably related in the American social ecology. But it would not be until the 1990s that I began to do research on NGOs outside of my own country, and I will apologize in advance for the fact that most of my attention in this lecture will be paid to scholarship and research organizations in the United States. My own scholarship in recent years has largely concerned grant-making organizations, especially very large foundations. The number and size of those organizations has grown substantially since Barry Karl and I started to study the early twentieth century philanthropic foundations, but I have continued to focus on the largest grantmakers. I want to assure Third Sector scholars that I know very well that such organizations represent only a tiny part of the more than one and half million nonprofit organizations in the United States.

My story has two interwoven narrative threads. The first is the history of organized scholarly research on the Third Sector; the second reflects my current research interest in the emergence of what I term “mega-philanthropy,” and my concern that the emergence of huge grant-making organizations poses a threat to democracy in the United States and elsewhere.

I was very favorably struck by Annette Zimmer’s recent president’s column in the ISTR newsletter identifying two roles for the Third Sector. The first is as a “provider of social services” and the second as “an important avenue for the integration of citizens into society.” She characterizes civil society “as a source of inspiration and as a countervailing power,” whose importance to ISTR is as a “normative idea and concept of how our world and society should look.” But we live in a world in which

private benevolent action can no longer be taken for granted, and in which, as she acknowledges, the advocacy function of civil society is “increasingly less appreciated by governments and ruling elites” -- to say the least! A couple of months ago, the *New York Times* editorialized against anti-NGO legislation in China, India, Russia and Hungary: “Illiberal and authoritarian governments are inherently allergic to civil society . . .” and especially to foreign NGOs. The *Times* believes that these organizations “are engaged in work that provides services or strengthens civil society, which is crucial to developing an effective government and an engaged populace.”ⁱⁱ But, as scholars of the sector, we must constantly remind ourselves that “the integration of citizens into society” is in itself a normative and contested notion in the twenty-first century. If we believe that democracy and civil society are good things, we must explain why.

The global political ground has shifted dramatically since 1992. Those of us who were active scholars then will remember very clearly our excitement over the apparent triumph of democracy at the end of the Cold War, not only in post-communist Europe but also in Latin America and elsewhere in the post-colonial world. It was a heady experience for liberal democrats, as most of us were, and it was the time in which the ancient concept of Civil Society was recovered, refurbished, and became the touchstone for understanding affirmative social change. During the decade of the 1990s scholars of the Third Sector began to recognize the emergence of Civil Society as the best way to understand the relationship of society to the democratic state.

In the U.S. scholars moved from the paradigm developed by Lester Salamon and others of “government by contract” as a way of explaining state/nonprofit collaboration to the paradigm of civil society studies. Lester changed the name of his Johns Hopkins Center to reflect this change of focus, as did other U.S. scholarly institutes. Of course the American term “Third Sector” was always contested, as

many scholars have noted. Years ago, insofar as anyone thought of it as a distinguishable sector, Americans called ours the “nonprofit sector,” and many still do. Later, John D. Rockefeller 3rd and others preferred the term “Independent Sector,” a term that seemed to have a more positive political valence in an anti-statist society.

The noted American neo-conservative scholar Irving Kristol ventured into the liberal lion’s den of the Council on Foundations in 1980 to challenge the notion that “the foundation world (the nonprofit world, as we say), constitutes a ‘third sector’ in American society”. Kristol denied the existence of a Third Sector: “Foundations are part and parcel of the private sector. . . . there are only two sectors in our society: the private sector and the governmental sector. The voluntary associations . . . are part of the private sector.” He proceeded to attack what he saw as the “hubris” of the Ford Foundation and other large grantmakers, who thought they could do “a lot of good” but were more likely to “cause a great deal of damage”. He acknowledged that U.S. foundations had come into existence early in the last century in order to do things “that the government did not do” in the nineteenth and early twentieth centuries: “That was the right thing for them to do at that time. However, the situation has changed today. . . . [Now] [f]oundations should not be an adjunct to the government. Foundations should be an adjunct to their own, private sector.” And so on. But the essence of Kristol’s objection was clear – there are only two sectors, public and private, and private money should be cherished as “the life blood” of private, public-serving organizations.ⁱⁱⁱ

My own close friend and scholarly collaborator Barry Karl was also deeply skeptical of the notion of a separate nonprofit sector, but for a different reason. In his 1987 review of Woody Powell’s important handbook on *The Nonprofit Sector*, Barry contended that the source of American confusion about state and private provision of social services was “the very concept of not-for-profit and the view

of such organizations as constituting a third or independent sector in a society supposedly divided normally between institutions organized for the purposes of making profits and tax-funded public institutions committed to providing public services.” Barry objected that “Third-sector or independent-sector organizations are organizations that provide public services that could be supported by public money, and . . . in many instances it is public money that third-sector agencies distribute.” But in America private money, the basis of philanthropy, is a product of private enterprise that is strictly for profit. Thus, “[t]he creation of a sanitary language designating a third or independent sector invites criticism by its very subterfuge.”^{iv} Barry thought we were trying to hide the private/for-profit character of philanthropy by calling it something else.

But I hope we have moved beyond such crude taxonomical questions about the intellectual geography of our field. Most of the members of ISTR are concerned, I think, with Civil Society as the *mappa mundi* for our scholarship. If we posit Civil Society as the organized space between the State and the Market, we must explain its dynamic relationship to both of those sectors. That dynamic ordinarily depends upon normative assumptions. If a scholar believes that public goods are ideally the responsibility of the state, he will view some Civil Society activity as a placeholder for what the state ought to be doing. If she believes that public goods are ideally the responsibility of the Market, she will see Civil Society activity as occupying space that private economic activity should control. Or the scholar might take the view that Civil Society is the ideal mediator between the State and Market. We as Third Sector scholars must identify where we stand on such questions. Unlike Mount Everest, Civil Society is not just “there”. It exists entirely in opposition to the other two sectors, and its relationship is necessarily normative.

Thus it matters that we now live in the aftermath of the era of Margaret Thatcher and Ronald Reagan, in a post-Brexit world in which democratic values seem endangered all over the globe, not least in my own country. The emergence of neo-liberalism as the dominant paradigm for much of international political economy forces us to try to come to terms with its implications for the place of Civil Society in our own *mappa mundi*. In this context, the role of philanthropy itself is being transformed, in the United States and in many other countries as well. In the U.S., the era of government by contract is giving way to the era of hybridity and Big Philanthropy, which aims to share with the state in setting the larger public social agenda by leveraging the private power of its concentrated wealth against the public power of the state. It appears that we are redefining neo-liberalism in a new age of mega-affluence, perhaps best described recently by Luc Boltanski and Arnaud Esquerre as an age of “enrichment.”^v Concentrated wealth and the newly available enhanced access of such wealth to political power through big philanthropy are changing the dynamics of democracy, at least in the U.S. In her President’s Column in the *Inside* ISTR that came up on my computer screen only a week ago, Annette Zimmer identifies this challenge to civil society quite nicely:

The combination of neo-liberalism as the almost unquestioned doctrine of our time and an attuned globalization of commercial activities has in many parts of the world weakened the power of the government to such an extent that civil society has become the single and only hope for the majority of the impoverished population. In other parts of the world, we are witnessing the fading away of democracy and the rule of law. The “big guys” providing simple solutions for complex problems and promising heaven on earth are again back on stage. And this development is by far not restricted to countries in which democracy has never had a chance to flourish; on the contrary, also in ~~the~~ so-called very mature and long-standing democratic countries, people are fascinated by populist slogans that remind many Europeans and particularly Germans of the atrocities of our past. Against this background, in particular international journalism as well as some political scientists are looking upon civic activism and civil society as the “big hope” in turbulent times. . . . [This may account for the interest in our field of research for many disciplines.] However, we all know that civil society is an intermediary force that depends on a stable and supportive environment that at least has to be backed by the rule of law.^{vi} ~~[STAN, CAN YOU CHECK THIS QUOTE. A FEW LINES SEEM OFF]~~

I will circle back to this at the conclusion of this lecture, but for the moment let me say only that our debates over the nature of the sector and the terminology used to describe it have shaped the manner in which we study the sector.

But now let me return to my understanding of the narrative of scholarly engagement with the problem of the Third Sector in the era of ISTR. I first tried my hand at such a narrative in a 1990 article in NVSQ, "Where Did the Serious Study of Philanthropy Come From, Anyway?"^{vii} This short piece was an adaptation of an inaugural talk I had given at my friend Benny Gidron's new Israeli Center for Third Sector Research, a fine example of the way that ISTR had helped to generate international scholarship on the NGO sector. My late friend Peter Hall quickly responded with a tart piece in the same journal entitled "The Work of Many Hands: A Response to Stanley N. Katz on the Origins of the 'Serious Study' of Philanthropy."^{viii} As you can tell from the title, Peter thought both that I had taken too much credit (I did not acknowledge that I was only one of the "many hands") and also that the origins of research in the field were far earlier than I had claimed. I leave the "credit" complaints for others to judge, but Peter was certainly right that there had been useful academic scholarship on philanthropy and charity in the United States at least as early as the 1890s. Point taken. But I was trying to make a rather narrower point, which was that a new direction in nonprofit and philanthropy research on grant-making had begun in the U.S. in the late 1960s and 1970s, a description accepted by Peter in the last half of his response.

The beginning of this new direction was the Princeton conference on the history of philanthropy that was conceived of by F. Emerson Andrews of the Russell Sage Foundation, funded by the Ford Foundation, and presided over by University of Wisconsin History Professor Merle Curti in December,

1956. Andrews quaintly described Curti as “this delightful gentleman, small and lean, keen of eye, witty, friendly, and a thoughtful observer of the American character . . . He quickly agreed that voluntary giving is an almost unique characteristic of the Anglo-Saxon peoples, and more adequate study was important for a better understanding of our whole culture.”^{ix} Curti recruited 8 senior scholars, mainly historians, from around the country to participate in the meeting, and the group produced a short report including suggestions for further study, a topic outline of the history of American philanthropy and a selected bibliography. Even a brief glance at the bibliography confirms my 1999 contention that there was not at the time much in the way of serious scholarship on the main elements of the modern philanthropic grant-making system, especially what are now called private philanthropic foundations. (Remember there were at that time no centralized archival collections of foundation manuscripts, although I should note that the U.S. Foundation Center was founded in 1956 as an invaluable institutional data repository, one that has been beautifully expanded and improved in recent years.)

The Russell Sage-Ford project, while important, was limited in its long-term impact. I actually knew a good deal about it, since from 1965 to 1971 I was a colleague of Merle’s at Wisconsin, and was acquainted with many of the Wisconsin group. Curti, amply funded by the Ford Foundation (in the first commitment by an American foundation to fund research on the field), went on to produce a couple of very important volumes on the history of philanthropy. His colleague Irvin Wyllie and several students, funded through his Ford grant, also produced useful books on the history of U.S. philanthropy. However, none of them later produced philanthropy scholarship. This has proved to be one of our long-term challenges – how to recruit researchers to the long-term, rather than one-shot, study of the Third Sector. One of the ironies in our field is that while philanthropy itself has helped to create a number of new academic fields, starting with Rockefeller support of the social sciences in the 1920s and 1930s, it has frequently been reluctant to support study of the field of philanthropy.

The post-Princeton conference history has been best chronicled by Peter Hall in his fine *Inventing the Nonprofit Sector*.^x What precipitated the organization of the field and interest in its scholarly analysis was the reaction of philanthropic foundations and other nonprofits, under the leadership of the Filer Commission (funded and instigated by John D. Rockefeller, 3rd) to the executive and congressional inquiries into the performance and potential abuses within the American foundation sector. These led to the Tax Reform Act of 1969, which imposed new restrictions upon private philanthropic foundations and created anxiety that further regulation might be in store for the sector. The Filer Commission funded a great deal of valuable scholarship and stimulated the creation of the first sectoral organization in the U.S., Independent Sector, in 1980. As Hall, points out, the new organization struggled to reconcile the divergent interests and attitudes of several existing charitable organizations, and pledged that it would proceed “only by working through the vast network of organizations already extant.”^{xi} The result was the creation of an organization that represented both grant-making organizations and NGOs, in an attempt to represent the totality of the field.

Most important, from the perspective of this lecture, was the fact that in 1983 Independent Sector created a Research Committee, chaired by a remarkable philanthropic administrator, Robert Payton, then the President of the Exxon Education Foundation. I was one of the initial members of the Committee, which began its existence by pledging not to do research itself, but to encourage and support the work of others. I succeeded Bob as chair of the IS Research Committee in 1989 and remained in that position until 1993. The Committee staff was for many years led by the formidable Virginia Hodgkinson, the I.S. Vice President for Research, an economist who was among the most knowledgeable figures in nonprofit research in the United States, and a tireless advocate for research in the field.

All along, Bob Payton's dream was to use the Committee to stimulate the development of an independent doctoral, academic field, of Philanthropic Studies. He also sought to assist American universities in securing funding to begin their own philanthropic research centers. The first such center had in fact already been created by President Kingman Brewster of Yale University – PONPO, the Program on Nonprofit Organizations, led in its early years by Prof. John Simon of the Yale Law School. I was delighted to work with Bob Payton in this field-building project, but I disagreed with him on one important point, since I thought the prospects were better for building the study of philanthropy from within the existing academic disciplines, since it was in disciplinary departments that almost all academic employment was likely to be found.^{xii} (Bob would later go on to realize part of his dream through his role in establishing what is now the Lilly School of Philanthropy in Indianapolis.)

PONPO, originally funded by John D. Rockefeller 3rd and the Rockefeller Foundation, proved to be very important in the production of nonprofit and philanthropy scholarship in the 1980s, although (as Hall notes) Yale had no dedicated faculty in the field. But there was really no academic field yet, nor were there more than a handful of scholars who considered the study of philanthropy their primary research field. PONPO also contributed importantly to the support of younger scholars who were gravitating to the field, such as the economist Henry Hansmann in the Law School, Professors Paul DiMaggio and Woody Powell in the Sociology Department, as well as Helmut Anheier, Francie Ostrower and Melissa Middleton Stone, then graduate students in Sociology and Management. There is no doubt that for many years we considered PONPO to be the leading U.S. center of research on the sector, although by the late 1980s and early 1990s other major U.S. centers began to emerge. Lester Salamon's center at Johns Hopkins University, which I have already mentioned, was one of the first. It was the research center that pioneered internationally comparative work on NGOs. Kathleen McCarthy soon began her center at the City University of New York, and specialized in providing opportunities for

international NGO managers. Later the Hauser Center was inaugurated at Harvard, with links to the John F. Kennedy School and the Harvard Business School. Still later, as I have mentioned, the major center on philanthropy funded by the Lilly Endowment, came on the scene, as well as Jim Ferris' USC Center on Philanthropy. By 1988, according to Hall's estimate, there were 20 nonprofit research centers in the United States.^{xiii} Almost all were university-based, although Elizabeth Boris's Center on Nonprofits and Philanthropy, an important Washington, DC think tank established in 1996 at the Urban Institute, (and later also the home of the National Center for Charitable Statistics), was a valuable exception.

Meanwhile, several U.S. philanthropic foundations had begun to follow the Ford Foundation, in developing grant-making programs in philanthropy and nonprofit research. For many years Ford continued to be the leader, though other mainline foundations such as Rockefeller, Rockefeller Brothers, Carnegie, and later Packard, began to support work in the field. The situation briefly improved dramatically when the Atlantic Philanthropies, under the leadership of Joel Fleishman and Harvey Dale, allocated substantial sums to fund the creation of research centers and projects both internationally and in the United States. Some of this funding went directly to nonprofit research centers, some went directly to researchers, and a good deal went to intermediate institutions such as the Nonprofit Sector Research Fund at the Aspen Institute in Washington, D.C. (very ably led, first by Elizabeth Boris and then by Alan Abramson, from 1991 to 2007) and the Social Science Research Council in New York.

More recently, apart from the institution-building engaged in by Joel Fleishman at Atlantic, much of the U.S. foundation funding has aimed at human resources development in the field, frequently by way of supporting doctoral dissertation writers. My impression, not based on systematic research, is that while this has produced a number of very fine theses on philanthropy and the nonprofit sector by new PhDs, it is not clear that over the long run, these newly-minted scholars have been committed to

research careers in the field. There has been occasional support for major research projects, and at the moment new funding organizations such as Good Ventures are displaying interest, but there are few if any large foundations with grant-making programs in our field.

Some years ago Peter Hall remarked that: “It proved to be far easier to raise funds for special projects rather than for general support, and this difficulty inevitably drew the academic research effort away from unfundable basic research toward the “near- and medium-term issues” that funders were more willing to underwrite.”^{xiv} I think that what Peter meant was that foundations were reluctant to support study of the sector itself, and much more likely to support the study of the impact of the sector on contemporary social and political problems. In general, I think this is still the case in the U.S. I would be most interested to learn from colleagues here in Stockholm what the situation is for the support of scholarship on NGOs and philanthropy in your countries.

All of this raises interesting questions about the current situation of institutional leadership of Third Sector scholarship in my country. In the first half of the last century, it was first the Russell Sage Foundation and then the Ford Foundation that provided leadership, especially through their grant-making programs. Then, in the late 1960s, more centralized leadership appeared under the threat of restrictive congressional legislation. The initiative was furthered by the Filer Commission, spearheaded by John D. Rockefeller 3rd: it was broadened to include donee organizations through the advocacy of Pablo Eisenberg. And then we had Independent Sector and its Research Committee, and PONPO, along with the new generation of academic Third Sector research centers. At about the same time ARNOVA was created to provide an individual membership-based organization to support research, and by the early 1990s our field had ISTR – as well as NVSQ and VOLUNTAS.

The feel-good version of this narrative would be that over a period of about forty years a new academic field had been created, and has grown into maturity. But that is not how it appears to me. I am more impressed by the number of academic centers that are no longer in existence, or have changed their research agendas; by the radical decrease in funding available for research on the sector; and by our failure to develop sectoral research planning mechanisms. However, although several years ago I worried that we lacked a growing cadre of younger scholars committed to careers in the field, today I am heartened by their growing numbers and the quality of the work they are doing. The participants at this meeting are proof of this. The glass now seems to me to be half-full.

The invitation to deliver this lecture requested that I “reflect on my own work in the field of Third Sector Studies,” and I would like to do that very briefly. As I have noted a couple of times in print, my initial research in this field, in the mid-1970s, concerned the origins of philanthropic foundations in the United States, and was undertaken initially at the request of a friend who was about to take an executive position with a foundation. I was fortunate enough to be able to collaborate in this project with my University of Chicago History colleague Barry Karl, who knew much more about the topic than I did. We applied for foundation support for this historical project, and managed to secure support from the Ford Foundation and a couple of the larger, established foundations. We were very slow to produce published work, however, and it became (understandably) difficult to secure additional funding until we were rescued by our friend Robert Lynn, then the Vice President for Religion at the Lilly Endowment – we were not, of course, studying religion, but Bob was convinced of the interest of our project and somehow managed to find funding for us in his budget.

Barry and I thought our project would be pretty straightforward and not too difficult to accomplish, but it did not take us long to see how badly we had underestimated our task. There was

little in the way of general history of the American philanthropic foundation, so we had to set out to sketch the history of each of the original large foundations. This proved a daunting task, since with few exceptions these organizations had done little to preserve and organize their records. The principal exception to this statement was the Rockefellers, since during the years we were beginning our research, the Rockefeller Archive Center was opened to scholars and immediately established itself as the leading repository of foundation archives in this country (and in the world, really). Barry and I spent many months visiting major foundations to urge them to deposit their records in professional repositories, especially since the RAC was not at that time accepting much in the way of non-Rockefeller material. But now, the RAC has added to and diversified its magnificent collections, and has consistently supported research by individual archival researchers.

My own interests in the Third Sector began to broaden in the 1980s, when service on the IS Research Committee made me more aware of the breadth of the NGO sector in the United States. I was also fortunate to have been recruited by John Simon to be part of the faculty of the first Salzburg Seminar on Philanthropy, held in Austria in the summer of 1986. This gave me the opportunity to work with an international group of scholars and charitable administrators, and to hold seminars with a remarkable group of young scholars and practitioners from around the world. I then met a great many people who have since risen to prominence in the Third Sector, not least of them Helmut Anheier, Wolfgang Seibel and Woody Powell. I became even more aware of the organizational challenges of NGOs when I was recruited to preside over the American Council of Learned Societies, in 1986 – there is nothing like trying to run an NGO for learning how it operates. I continued to serve on the boards of a number of Third Sector research organizations during my ACLS years. Most importantly, one of my primary duties at ACLS was to help manage U.S. professorial exchange programs with socialist countries

around the world, largely through American NGOs subordinate to ACLS that had been created for that purpose.

ACLS got me out of the U.S.A. and opened my eyes to the importance of the Third Sector in many other parts of the world, opening the present phase of my career as a scholar. Luckily, I was able to marry my institutional obligations to my scholarship. I worked with a number of U.S. foundations and a series of Eastern European NGOs in the late 1980s and 1990s in support of democratic and constitutional reform, and began to write in the field of comparative constitutionalism. It was also at this time that I began to become quite skeptical of U.S. foundation attempts to support incipient democratic movements in post-communist Europe, questioning whether foreign philanthropy could produce indigenous democracy.^{xv} I think it was also then that I began to develop deeper concerns about possible negative impacts of philanthropy upon democracy, since the consolidation of democracy has for many years been my primary intellectual and political preoccupation. More on this later.

Back to my narrative. In the early 1990s I began to discuss with Benny Gidron the possibility of a major internationally comparative, empirical study of NGOs. We secured funding from Atlantic Philanthropies, recruited Zeke Hasenfeld and research teams in Northern Ireland, Israel, Palestine and South Africa to collaborate with us, and in 2002 published *Mobilizing for Peace: Conflict Resolution in Northern Ireland, Israel/Palestine and South Africa*. After retiring from ACLS in 1997 and returning to teach at the Woodrow Wilson School at Princeton, philanthropy became my primary teaching and research subject. I began to offer regular undergraduate courses on Civil Society and Public Policy and graduate courses on Nonprofits, NGOs and Philanthropy, in addition to a freshman seminar I call Philanthropy: Can We Save the World Through Generosity? In other words, over a period of forty years, I have moved from a narrow academic interest in the history of large philanthropic foundations in the

United States to a much broader concern with philanthropy and the Third Sector as factors in the viability of democracy. But at the same time, during this period I have gotten my hands dirty in the business of philanthropy -- I have become familiar with the management and staff of both grant-making and grant-seeking organizations, and I have joined the boards of trustees of more nonprofit organizations than I am willing to admit.

But just as I have changed over the years, the world has changed, and with it the role of the Third Sector. And this is the subject of my concluding remarks in this lecture. I was born during the first administration of Franklin Delano Roosevelt, during the first phase of the New Deal, when the American state began to grow in size and to assume some responsibility for social justice, especially through the creation of our social security system. I grew up during the Second World War, when the American state grew still larger. After the War, the state began to take some responsibility for funding higher education (the G.I. Bill) and scientific research, thereby crowding the philanthropic sector out of some of its traditional activities. And then, when I first began my teaching career, Lyndon Johnson launched the Great Society, vastly expanding the size of the state and broadly extending the social net through the creation of Medicare and Medicaid. However, the Johnson years would prove to be (at least for the moment) the apogee of U.S. government spending for social services, and the vast expansion of NGO-state collaboration in social service provision. The decade of the 1970s, with its energy and environmental crises, laid the basis for what we call the Reagan Revolution, when Thatcherism and neo-liberalism came to the U.S.A.

The Reagan administration came into office in 1981 loudly announcing that it would cut the federal social budget, and claiming that the charitable sector could and would make up the spending gap. But there was neither the money nor the will in the private sector to meet this need, and the civic

sector took a beating in the 1980s, as Third Sector organizations tried to replace state funding they had lost. This situation did not change much during the Clinton administration in the 1990s, since the Democrats under Bill Clinton moved significantly to the Right. The impact on the Third Sector was to force NGOs to be more resourceful in identifying sources of funding. This led to much greater NGO reliance on fee for service provision and market-oriented activity, and to adopt business models of management. We began to hear from the sector more about social enterprise, and we began to see more hybridity – the fusion of non-profit and for-profit activity.

At the same time, the philanthropic foundation sector itself had also begun a transition to a more entrepreneurial model, especially among the larger organizations. Influenced by the recent business experience of new foundation creators and staff, and by the models taught in the leading U.S. business schools, new foundations (and reformed older foundations) began to adopt the stance of “strategic” philanthropy, whose underlying model was the practices of venture capital. The new “venture philanthropists” tried to identify donee organizations who would agree to achieve precisely measureable goals previously specified by the funders. Their strategies were based on the perceived need to achieve clearly demonstrable impact in the near term. They prided themselves on being data-driven, evidence-based and outcome-oriented. They also espoused narrowly focused, tailored grantmaking, close relationships with donees, and a generally hard-nosed attitude towards grant-making. Many of the new funders were now on the West Coast of the United States, products of Silicon Valley. They believed in making large grants in the expectation of producing significant impact. They openly aimed to influence public policy, a trend begun by the Ford Foundation in the 1960s. Unlike the early Rockefeller and Carnegie organizations, they were not embarrassed to be what Megan Tompkins-Stange has recently called “policy patrons.” All of this characterizes the current business-influenced,

hedge fund-inspired, philanthropy of mega-foundations and the Big Bet. It is not your grandmother's philanthropy.^{xvi}

These developments were possible because, beginning in the 1990s, the asymmetry in the distribution of wealth in the United States was approaching dimensions not seen since 1929.^{xvii} Due partly to the emergence of the technology sector and partly to the rampant growth of the financial sector in the era of Clinton deregulation, a billionaire class began to emerge in our country (and around the world). The definitely bad news was that the lower classes did not benefit from the explosion of wealth in the country; the potentially good news was that many of the *nouveaux riches* became philanthropists, making possible what has become the era of the mega-foundation. Even after the collapse of the dot.com balloon in the early years of the twenty-first century (and the real estate balloon a decade later), prosperity for the ultra-rich continued to grow, and with it philanthropy. As of this year, *Forbes* Magazine estimates that there are 540 billionaires in the U.S. out of a world-wide total of 1810. By 2016 the Third Sector in the United States has grown very substantially, even as, even in a period of political deadlock, the state social sector has grown again (with Obamacare and the expansion of Medicaid).

Today, the American philanthropic world is dominated at the top by mega-foundations ~~{(those with more than \$1 billion in net assets, DID YOU DEFINE THIS YET? MORE THAN A BILLION DOLLARS IN ASSETS?)~~ (88 and counting as of now, up from 5 a decade ago), although there are literally thousands of smaller grant-making organizations in the country, and there are tens of thousands of NGOs.^{xviii} The rhetoric of the large grant-making organizations is increasingly that of the business community. To some extent, American grant-makers have always embraced this terminology. What is new is the current glorification and romanticization of the market and the entrepreneur, especially the "social

entrepreneur.” To call this situation “philanthro-capitalism”^{xix} would be (in my judgment) to go too far, but we certainly seem to be headed down a road on which non-profits and for-profits are converging. Whether “the rich can save the world,” as the authors of the book *Philanthrocapitalism* claim in their subtitle, seems to me quite unlikely. But there is a lot of reason to think that philanthropists like the Gates’ and Chan-Zuckerberg think exactly that.

Is it clear that scholars have the data, the conceptual apparatus and the research tools to assess the institutions that have begun to dominate the sector in the “big bet” era of philanthropy? If it is hard enough to gain insight into the management of the Bill and Melinda Gates Foundation, how will we assess and understand the LLC recently created by Mark Zuckerberg and Priscilla Chan? Can we gain access to their staff and decision-making processes? Where will their archives be held and will scholars be able to access them? Will grant-makers in the era after the spend-down of Atlantic Philanthropies be willing to fund critical research on philanthropy? Much more importantly, will we have both the courage and resources to scrutinize critically the emerging “policy patron” philanthropic foundations? The press, at least in the United States, seems to have abandoned its watchdog role. In this situation we will have to step up our scholarly vigilance.

None of this could have been foreseen when I began my research in this field. As I wrote the last few sentences above, I found myself asking how the funders of my current research would react to the statements I have just made about contemporary foundation practice. That is the question that Barry Karl and I asked ourselves in the 1970s, and it is a question all Third Sector scholars who challenge mainstream knowledge are bound to ask. It is one of the dilemmas of much of Third Sector scholarship – how hard can we bite the hand that feeds us? Most of you will agree with me that we have no choice but to take a deep breath, and then bite, for the real danger is that we will censor ourselves. We know

that speaking truth to power is our scholarly duty, but we also know that we sometimes fall short. Some of you will remember the moral of Walt Kelly's comic strip Pogo – "we have met the enemy and he is us."

It has been the community of Third Sector scholars and the scholarly infrastructure that we have put in place that have nourished and sustained me over the past four decades. I owe a great deal to ISTR and the other scholarly organizations of the Third Sector, and to our learned journals. But mostly I owe a debt of gratitude to the scholars sitting in this hall, young and old, and to the global scholarly community that now exists in this field. Let's remember the words of Benjamin Franklin on the occasion of the signing of the U.S. Declaration of Independence almost exactly 240 years ago, "we must all hang together or assuredly we shall all be hanged separately."

Thank you so much for all that I have learned from you, and for your absolutely essential support.

ⁱ See Helmut K. Anheier, "A Brief History of ISTR," in *Inside ISTR* vol. 1 no.1 (Spring, 1993). Anheier traces our origins to the 1986 Salzburg Seminar meeting that I describe below, then the meeting in Bad Honnef in Germany in 1987, and then Benny Gidron's meeting at Kiryat Anavim in Israel in 1989, and then the

Boston meeting I refer to above. The formal organization occurred at the March 1992 IS meeting in Indianapolis. The key participants in most of these meetings were Virginia Hodgkinson, Benny Gidron, Helmut Anheier, Susan Saxon-Harrold and Lester Salamon, among many others.

ⁱⁱ Editorial, *New York Times*, 30 April 2016.

ⁱⁱⁱ Irving Kristol, “Foundations and the Sin of Pride: The Myth of the Third Sector,” speech to the Council on Foundations, annual meeting, 1980.

http://www.philanthropyroundtable.org/topic/philanthropic_freedom/foundations_and_the_sin_of_pride_the_myth_of_the_third_sector

^{iv} <http://science.sciencemag.org/content/236/4804/984>

^v Luc Botanski and Arnaud Esquerre in “The Economic Life of Things (*New Left Review*, 98, Mar-Apr 2016).

^{vi} Annette Zimmer, *Inside ISTR* (April-June 2016), vol. 24 no.2.

^{vii} *NVSQ* vol.28 no.1 (March, 1999), pp.74-82.

^{viii} Peter Dobkin Hall, “The Work of Many Hands: A Response to Stanley N. Katz on the Origins of the ‘Serious Study’ of Philanthropy,” *NVSQ*, vol. 28 no. 4 (December 1999), pp.522-534.

^{ix} F. Emerson Andrews, *Foundation Watcher* (Franklin and Marshall College, 1973), pp. 159-160.

^x *Inventing the Nonprofit Sector* (Johns Hopkins University Press, 1992).

^{xi} Hall, *Inventing the Nonprofit Sector*, p.79.

^{xii} To my knowledge, the only current doctoral program in Philanthropic Studies is to be found at the Lilly Family School of Philanthropy, in which Bob Payton was later a professor, at Indiana University Purdue University-Indianapolis. <https://philanthropy.iupui.edu/>

^{xiii} Hall, *Inventing the Nonprofit Sector*, p.251.

^{xiv} Hall, *Inventing the Nonprofit Sector*, p.250

^{xv} “Philanthropy and Democracy: Which Comes First?,” *Advancing Philanthropy*, Summer 1994, pp. 34-

^{xvi} Megan E. Tompkins-Stange, *Policy Patrons: Philanthropy, Education Reform, and the Politics of Influence* (Harvard Education Press, 2016).

^{xvii} Thomas Piketty, *Capital in the Twenty-First Century* (Harvard University Press, 2014)

^{xviii} ~~Cite to Forbes and Foundation Center [DO YOU WANT TO CITE THIS?]~~. Of course overall U.S. charitable giving is also enormous. The *New York Times* reported on 14 June 2016 that “Americans are now donating to charities and nonprofits at a record-high rate of more than \$1 billion a day . . .”
http://www.nytimes.com/aponline/2016/06/14/us/ap-us-charitable-giving.html?smprod=nytcore-iphone&smid=nytcore-iphone-share&_r=0

^{xix} Matthew Bishop & Michael Green, *Philanthrocapitalism: How the Rich Can Save the World* (Bloomsbury Press, 2008).