

## THE BUSINESS SPIRIT IN PHILANTHROPY

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Mr. Bruchey, instead of assigning me a specific problem to discuss, was kind and trusting enough to let me choose the topic of my paper. I considered the role of philanthropy in a business civilization and the influence of business on philanthropy but decided that an attempt to define the business spirit in philanthropy would be better suited to my interests and to the general trend of my research. I am not going to try to demonstrate that the business spirit and the philanthropic spirit are identical or invariably congenial, or that the business spirit is more important in philanthropy than the religious spirit, the humanitarian spirit, the scientific spirit, and the other spirits that animate and sometimes intoxicate philanthropy. Yet it would be strange indeed if something as vitally connected as philanthropy is with the giving and getting of money had not been influenced by business values. In an interpretive rather than a quantitative way I propose to suggest some of the respects in which philanthropy has felt the impact of business as a set of values.

In my paper I shall use the words "philanthropy" and "philanthropist" in the current and conventional sense of generous gifts and givers of money to good causes: religion, charity, education, research, cultural and eleemosynary institutions. This is a narrow definition of the words, because ever since "philanthropy" and "philanthropist" came into use in the seventeenth and eighteenth centuries they have had another, and not always subordinate, meaning: the love of mankind and a disposition to promote the well-being of one's fellow men by one's own efforts. Today when we say philanthropist we think of great money-givers such as Carnegie or Rockefeller. Once people like Tom Paine or Wendell Phillips were called philanthropists. They were lovers of mankind -- especially of the less fortunate and less loveable portions of it -- haters of oppression; they were doers, reformers, agitators of radical causes. Perhaps that is why some later givers, such as Michigan's W. K. Kellogg, have had such aversion to being called philanthropists. At any rate I think the current tendency to identify philanthropy with gifts of money or shares of stock is significant and pertinent to the general theme of this conference. I shall

not pursue the subject now but perhaps the question may arise during the discussion period.

We are all familiar with the use of business terms and techniques in philanthropy. Every year when reports of American giving are published and we learn that eight or more billions of dollars have been contributed to various causes by individuals, foundations, and corporations, we are reminded that philanthropy is one of our major enterprises. We refer, either favorably or disparagingly, to "the business of benevolence." We ponder about the complexity and affluence of a society in which fund-raising has become a flourishing profession. We divide giving into "wholesale" and "retail" and describe the community chest or united appeal as "the budget plan of benevolence." We call some of our contributions "investments in human welfare" and refer to foundation funds as "the venture capital of philanthropy." It is no secret that considerations of deductibility and other tax advantages loom large in both private and corporate giving.

It is often assumed that the introduction of business values into philanthropy is a relatively new development. The close association of business with philanthropy began, according to this view, with Andrew Carnegie and John D. Rockefeller; it received great impetus during the First World War and the 1920's, and took on new dimensions and refinements as a result of the New Deal, the Second World War, and the economic and political vicissitudes of the post-war years. Since you are all historians I know you will not be surprised if I express mild dissent from this interpretation and say -- as historians are prone to say about almost everything -- that the introduction of business values into the theory and practice of philanthropy in our century was not a radical new departure but a continuation and acceleration of trends long under way.

One of the things that has impressed me in my studies of philanthropy is the amount of complaining philanthropists do about the difficulty of giving away money. You might think that even if you had a great deal of money nothing would be easier than to get rid of it. You could write out one or more large checks to any of the multitude of institutions and organizations that are always clamoring for assistance. When a woman came to your door seeking funds for a national health association specializing in a rare but interesting malady you could say "Here, take it all." Or you could go to a busy intersection and toss ten or hundred dollar bills around. You would have to toss them, because people would not believe the bills were genuine if you tried to hand them to the passers-by. As a matter of fact we occasionally hear of people who have adopted such whimsical methods of disposing of surplus wealth -- but we don't call them philanthropists.

Despite the seeming ease and plentiful opportunities for unloading, we are constantly informed that giving is harder than getting.<sup>1</sup> The example of A. T. Stewart, who had a genius for trade but faulty talent for giving, led Elbert Hubbard to say "The world needs a school for millionaires so that, since they cannot take their millions with them, they can learn to leave their money wisely and well."<sup>2</sup> Wisely and well! That's the rub. We believe, as the historian of the Kellogg Foundation has written, that our gifts should be made in such a way that they will produce "maximum results."<sup>3</sup> When a rich man like Leland Stanford founds a university we praise him for going about the task "in the same business-like fashion" that he employed in creating "the great stock farm where his fast horses [are] bred."<sup>4</sup>

But why isn't largess enough? Why don't we respect magnificent folly as much as calculated prudence? Why is wisdom in giving thought to be as essential as generosity? Why does philanthropy have to be a success? Part -- not all -- of the answer lies in the business spirit. You, as business historians, don't need to be told what the business spirit is. But if someone were to ask me I should say that the business spirit, whether in philanthropy or anything else, is the spirit that says two plus two can and should equal five. The gift or the investment should produce something of greater value than the sum put into the enterprise.

For about three centuries a dominant and recurring theme in philanthropic thought has been the necessity of restraining, refining, and disciplining the charitable impulse. To be sure, our practice often departs from our principle. We are constantly subjected to fund drives calculated to stimulate our desire or willingness to give. Often we make our gifts in a routine or sentimental spirit. But most of us dislike indiscriminate almsgiving and we certainly have been warned often enough of its dangers. We attach no virtue or value to mere liberality. The bad results of unwise benevolence have been brought to our attention time and again. Over and over again we have been cautioned that charity is like morphine: it must be administered by experts and with extreme care lest it create new problems or aggravate old ones.<sup>5</sup> If anything is settled in our philanthropic tradition it is that open-handed generosity is not enough. We must consider the effects of our gifts on the recipients, weigh the consequences, figure the returns.

Possibly this cautious attitude toward charity and toward philanthropic gifts of all kinds is simply common sense. But it is the common sense of a society which respects money and understands what money can and cannot do. I believe that an appreciation of the value of money is one of the major contributions of the business spirit to philanthropy. The business spirit brings to philanthropy a sharp

awareness of the possibilities for the use and misuse of wealth and a deep sense of the responsibilities involved in all expenditures of money. Out of the mass of expert testimony on this point I shall cite the words of just one witness:

Money is not itself wealth, but it is the means of directing human activity. If paid as a wage, it can be used to induce human beings to make one thing rather than another. If it is given as public relief or private charity, it affects equally the attitude and actions of the recipient. All passing of money influences actions, for good or ill. To give money to a man because he writes a moving begging letter is to pay him for doing so, and if the gift is repeated, sooner or later it makes the writing of such letters an occupation like any other. To give money to a person because he shows his wounds is to encourage the showing of wounds. To feed the starving on condition that they will present themselves in all weathers in the middle of the night on the Thames Embankment is to make misery a condition of relief, and exhibition of misery a theatrical gesture. The central doctrine [of modern organized charity is] . . . the immense responsibility attached to any spending of money whether charitable or otherwise, and the need to accompany any transfer of money by personal care.<sup>6</sup>

I must confess that I selected the witness with some care. The man I have quoted was not a businessman but Lord William Henry Beveridge, one of the designers of the welfare state.

If it is necessary to be foresighted in disposing of our own means, how much more urgent it is to be thoughtful and wise in administering wealth which is not a property but a stewardship. In the twentieth century we have not heard as much about the doctrine of the stewardship of wealth as in previous centuries. Probably if some Texas Croesus of today were to say, as John D. Rockefeller once said, "The Good Lord gave me the money," our reaction would be amused and irreverent incredulity. But from John Winthrop in the seventeenth century to Julius Rosenwald in the twentieth we have had rich men who said and acted as though they believed that their talents were trusts committed to them for use only and to be accounted for when the master called. I recognize that the doctrine of stewardship has implications which may not be entirely compatible with the requirements of capitalistic enterprise. Nevertheless there is something

businesslike in the notion of accountable stewardship or trusteeship. I think it hardly needs to be said that the doctrine of stewardship, and Andrew Carnegie's variant of it in the "gospel of wealth," strengthened the sense of obligation, not only to give, but to give in a responsible manner.<sup>7</sup>

Assuming that by gift of God, or man, or by our own efforts, we have surplus wealth at our disposal, and that we want to give in a conscientious, responsible way -- to whom and for what purposes shall we give? To relieve the needy, the wretched, the cold, and the hungry? The business spirit (by which I do not mean businessmen in general) says no. Such gifts are unproductive. They encourage the slothful and the unworthy. They foster pauperism and destroy character and independence. Leave the destitute to the state. Use private, voluntary funds to aid the industrious and ambitious. Help the helpless. Help, but don't do all, for those who are able and willing to help themselves. In Carnegie's words, build "ladders upon which the aspiring can rise."<sup>8</sup>

This curious but very important shift in emphasis from succoring the unfortunate to assisting the ambitious became noticeable in the eighteenth century and plain in the nineteenth. It is one of the features which distinguish modern philanthropy from old-fashioned charity. I attribute it, in part, to the pervading influence of the business spirit.

One of the revered figures in modern philanthropy is George Peabody, the American investment banker who lived in London and who, both as financier and private citizen, worked to promote good relations between England and the United States. I have been particularly interested in Peabody because of my current research in nineteenth century housing reform. Just one hundred years ago Peabody founded the Peabody Donation Fund which built and still operates a number of large tenement houses in London. The Fund was one of the many benefactions which earned Peabody his reputation as the most liberal philanthropist of his day. In the chorus of praise that greeted Peabody wherever he went in the last decade of his life (he lived until 1869) there were, inevitably, a few sour notes. The sourest came from Benjamin Moran, an employee of the American legation in London. Moran asserted that Peabody had never given a poor man a meal, that his celebrated Fourth of July parties were advertisements, and that Peabody "never gave away a cent that he didn't know what its return would be."<sup>9</sup>

I don't know whether Moran's allegations were true but I strongly suspect that Peabody and men of his stamp would not have regarded the last charge as much a slur as Moran intended.

This is not the time or occasion for a long digression on nineteenth century housing reform. I would, however, like to say something about the Peabody Donation Fund because it is a fair illustration of the business spirit in philanthropy. When Peabody made his initial contribution of £ 150, 000 to the trustees of the Fund he stated that his object was "to relieve the condition of the poor and needy of this great city, to promote their comfort and happiness." In his letter of gift he suggested that the fund "be applied to construct improved dwellings for the poor, dwellings that will result in health, comfort, social enjoyment, and economy." He said that he hoped not only the present but future generations would be aided by his gift.<sup>10</sup>

In another era Peabody's money might have been used to build and endow an almshouse for the worthy but destitute poor. The Trustees<sup>11</sup> followed a different course. With Peabody's approval they interpreted "the poor" to mean "the labouring man." They decreed that people housed in the Peabody buildings must pay a fair rental, and that only persons whose income would permit them to pay this rent were to be accepted as tenants. They decided, also, that the fund was not to be spent all at once but that it was to be carefully nurtured and administered in such a way that a series of tenements could be built, each one paying for itself and returning a modest profit which could be applied toward the construction of more houses.<sup>12</sup>

In adopting this businesslike method of administering Peabody's gifts the Trustees acted in accordance with the view, accepted both in England and the United States, that purely charitable ventures in housing would do no good. They lived in an era which had adopted "Will it pay?" as one of its watchwords. They were convinced that the housing problem would be solved only when it had been proved that good housing paid and was a sound business proposition. They did not expect to house more than a fraction of the poorer classes in their model tenements. They thought the function of philanthropy was to take the lead, set the pace, conduct pilot demonstrations. Then, so they fondly believed, capital would be attracted to housing and the problem would solve itself.

In our own era we are less confident of the ability of private investors, even when infused with the philanthropic spirit, to provide automatic solutions for social problems of the magnitude of bad housing, unemployment, and insecurity. We still rely on philanthropy to pioneer and to conduct pilot demonstrations but in many cases philanthropy sets the pace not so much for business as for government or community action. When confronted with grave problems of social distress we are less inclined to ask "Will it pay to correct these problems?" than "Can we afford to ignore them?"

I have said that the Peabody Donation Fund is a fair illustration of the business spirit in philanthropy. It is also a fair example of the limitations the business spirit may impose on philanthropy. A businessman may be very daring if he sees a way to turn a large profit; a philanthropist may stake all he has on an effort to do good. But a philanthropic institution which is dedicated not only to a good cause but also to careful administration and modest augmentation of endowed funds is not likely to do anything very drastic. It will go on from day to day and year to year performing a useful function in a prosaic manner. Perhaps that is all that can or should be expected of ventures which are neither commercial enterprises nor charities. They do a lot of good and we should miss them if we didn't have them, but they don't contribute a great deal to the pioneering functions of philanthropy.

In 1849 Amos Lawrence complained that despite years of conscientious and generous giving his fortune was as large as, if not larger than, it had been at the start of the decade. Lawrence's problem was modest as compared to that of multimillionaires of half a century later. No ordinary giving, even on a wholesale basis, could keep pace with the monstrous incomes of a Rockefeller or Carnegie. "Unloading," said George Bernard Shaw in 1896, "is, for the moment, the order of the day. The problem is, how to unload without the waste, pauperization, and demoralization that are summed up . . . under the word charity."<sup>13</sup> John D. Rockefeller attacked the problem of unloading in a characteristic way. "Let us erect a foundation, a Trust," he said in 1901, "and engage directors who will make it a life work to manage, with our cooperation, this business of benevolence properly and effectively."<sup>14</sup> Rockefeller was as good as his word. In the next dozen years, with the assistance of Frederick T. Gates, he erected not one but four great philanthropic trusts: the Rockefeller Institute for Medical Research, the General Education Board, the Rockefeller Sanitary Commission, and the Rockefeller Foundation. As a producer of foundations Carnegie was even more prolific, or perhaps more impulsive, than Rockefeller. His total was twenty-two.

Sixty years after Rockefeller's pronouncement we still regard the foundation as the most effective way of putting large-scale giving on a businesslike basis. By conservative estimate there were in 1961 12,000 foundations of record in the United States and their number was increasing at the rate of one hundred a month.<sup>15</sup> These foundations range from endowments with special or limited and sometimes peculiar objects to great general research organizations such as the Carnegie Corporation and the Rockefeller and Ford Foundations. They include community trusts, corporation foundations, and family or personal foundations of varying size. Aside from the tax benefits

which may accrue to the founders, foundations provide a convenient, impersonal method of regulating and directing the flow of capital into channels of benevolence. Their justification is that they make it possible for private wealth to be distributed with greater care and vision than individual donors can ordinarily hope to possess.

American foundations are so numerous and of such varying types that generalizations are misleading. It is certainly true of the major foundations, however, that they do not give to relieve the sick and the poor but to attack, most often through education, research, and demonstration, the underlying causes of sickness and distress.

The revolutionizing of American medical education between about 1920 and 1940 is one of the best known foundation achievements. The methods employed by the General Education Board and the Rockefeller Foundation, two of the principal agents of the revolution, offer a prime example of the business spirit in philanthropy. There was nothing indiscriminate about the assistance made available by these foundations. Abraham Flexner and his associates selected the recipient institutions, not on the basis of need or helplessness, but on the grounds of demonstrated or potential strength and strategic location. The huge grants supplied were not free gifts. They were made on condition that certain improvements in facilities and instruction would be effected and that equal or larger sums would be raised from other sources. These conditional grants were investments made in expectation of direct and indirect benefits: direct benefits in the form of doubled or tripled funds for the schools aided, and indirect benefits in the form of example, stimulation, (and in some cases, discouragement) to the schools which were not aided.<sup>16</sup>

The best known modern foundations differ from the charitable trusts of the past, not only in the size of their endowments but in the breadth of their objectives. "The advancement of knowledge" and "the well-being [or "the welfare"] of mankind" are the phrases that recur in their statements of purpose. Off-hand you might not think there is anything particularly businesslike in the declared intention of one major foundation "to do something for the welfare of mankind." It sounds sentimental. And yet this foundation (the Commonwealth Fund) and a number of others with somewhat similar objectives were founded during the 1910's and 1920's when a good many employers, more or less voluntarily, were setting up employee welfare programs and experimenting with schemes of industrial betterment. Welfare capitalism has been called many things, but not, I think, sentimental. Pioneer advocates of welfare capitalism described it as "a cold business proposition," an "investment in manhood," and as a "far-sighted policy and practical philanthropy."<sup>17</sup> The parallel development of



welfare movements in business and philanthropy is at least worthy of notice. The emphasis on social welfare is characteristic of twentieth century thought in philanthropy, business and government. We take it for granted that our economic system can afford something more than subsistence, and we believe that improving the normal conditions of life is, among other things, a way of strengthening the economy.

American foundations have concerned themselves with advancing human welfare not only in its physical and material aspects but also in its spiritual, emotional, intellectual, and artistic aspects. In assuming these daring enterprises, foundations have taken on awkward and heavy burdens of responsibility. Foundations, however, have never suffered, and do not now suffer, from want of criticism or advice. They have been condemned as too conservative and too radical, for "lubricating the gears of the status quo," and for engaging in a "diabolical conspiracy" to foist empiricism and other allegedly un-American isms on the American people.<sup>18</sup> Informed and friendly critics usually point out that the dangers which beset foundations are routine, bureaucracy, and an all-too-human desire for self-preservation.<sup>19</sup> Jacques Barzun, one of the sharpest critics of the influence of business and philanthropy on intellect, asserts "The foundations have been great amplifiers of the dominant traits of our intellectual life, rather than artisans of a new conception of it."<sup>20</sup>

If there is any maxim more common in philanthropic literature than "Help those who will help themselves" it is "Prevention is better than alleviation." In this paper I have not stressed the preventive principle but I do not mean to ignore prevention or the ideas and activities that cluster around it. The axiom "Prevention is cheaper than cure" certainly has a businesslike flavor. Attempts to put this maxim into practice have had a significant influence on philanthropic institutions. Aside from limitations of time, my reason for slighting the concept of prevention in this paper is my belief that the preventive principle is really more applicable to the tasks of social reform and governmental activity than to the work of private, voluntary philanthropy.

In the United States today philanthropy assumes many guises and performs a multitude of services. Of the approximately eight billion dollars contributed to philanthropy at the start of this decade, half went to religion, and half to education, welfare, health, and miscellaneous objects. By far the largest share of the total philanthropic outlay (about 80 percent) comes from individual donors. Foundations contribute 8 percent, corporations and other business firms 7 percent, and charitable bequests 5 percent. In religion, voluntary gifts are all-important. But in education, welfare, and foreign aid, philanthropic

gifts supplement the much larger sums provided by the state through public agencies.

Aside from religion, we no longer rely on philanthropy to meet recognized social needs or to solve recognized social problems. But we do rely on philanthropy for that essential but mysterious process called "pioneering"--the discovery of new problems, the finding of new paths, the raising of new hopes. The branches of philanthropy which are most self-consciously concerned with the difficult and uncertain tasks of pioneering are the ones that are most under the influence of the business spirit. It is precisely these branches which are called upon to resist the pressures and disregard the conventions of a business civilization. This obligation creates the tensions and compounds the ironies of American philanthropy.

#### Footnotes

1. Two of the many examples which might be cited are Lincoln Steffens, "Joseph Fels," The American Magazine, LXX (1910), 744-46; and Julius Rosenwald, "The Burden of Wealth," Saturday Evening Post, January 5, 1929, p. 13.
2. Elbert Hubbard, Little Journeys to the Homes of the Great (14 vols. New York and Chicago: William H. Wise & Co., 1916), XI, 352.
3. W. K. Kellogg Foundation, The First Twenty-five Years. The Story of a Foundation (Battle Creek, Mich.: The Foundation, 1955), p. 3.
4. Albert Shaw, "American Millionaires and Their Public Gifts," Review of Reviews, VII (1893), 51.
5. See, for example, Richard C. Cabot, "Christian Charity," in Cabot, ed., The Goal of Social Work (Boston and New York: Houghton Mifflin and Company, 1927), pp. 217-34.
6. Lord William Henry Beveridge, Voluntary Action. A Report on Methods of Social Advance (New York: The Macmillan Company, 1948), p. 144.
7. For comparison of the doctrine of stewardship and Carnegie's "gospel of wealth" see Robert H. Bremner, American

- Philanthropy (Chicago: University of Chicago Press, 1960), pp. 105-108.
8. Andrew Carnegie, The Gospel of Wealth and Other Timely Essays (New York: The Century Co., 1901), p. 18.
  9. Sarah Agnes Wallace and Frances Elma Gillespie, eds., The Journal of Benjamin Moran, 1857-1865 (2 vols. Chicago: University of Chicago Press, 1948-49), I, 123.
  10. Peabody's letter of gift, dated March 12, 1862, is printed in The Times (London), March 26, 1862.
  11. The original trustees were Charles Francis Adams, Lord Stanley, Sir James Emerson Tennent, Junius Spencer Morgan, and Curtis M. Lampson. Lampson, a naturalized British subject who was born in Vermont, was the most active of the trustees.
  12. The initial decisions of the trustees are set forth in Peabody Donation Fund, Mr. Peabody's Gift to the Poor of London (London: The Fund, 1865).
  13. George Bernard Shaw, Socialism for Millionaires (Fabian Tract No. 107. London: Fabian Society, 1901), p. 2.
  14. John D. Rockefeller, Random Reminiscences of Men and Events (Garden City, N. Y.: Doubleday, Doran & Company, Inc., 1933), p. 188.
  15. American Association of Fund Raising Counsel, Inc., Giving U. S. A. (New York: The Association, 1961), p. 40; Newsweek August 21, 1961, p. 71, estimated the number of American foundations at 45,000.
  16. Abraham Flexner, An Autobiography (New York: Simon and Schuster, 1960), pp. 176-78; see also Flexner's Letter to the Editor, The New York Times, May 12, 1957.
  17. William H. Tolman, Social Engineering (New York: McGraw Publishing Company, 1909), pp. iii and 2; and Nicholas Paine Gilman, A Dividend to Labor. A Study of Employers' Welfare Institutions (Boston and New York: Houghton Mifflin and Company, 1899), p. v.

18. Recent criticisms of foundations are summarized in Bremner, American Philanthropy, pp. 174-77.
  19. Edwin Rogers Embree and Julia Waxman, Investment in People. The Story of the Julius Rosenwald Fund (New York: Harper & Brothers, 1949), pp. 212-13.
  20. Jacques Barzun, The House of Intellect (Torchbook edition. New York: Harper & Brothers, 1961), p. 181.
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