

The Generosity of America

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In 1853, a professor and preacher named Ransom Dunn set off on a two-year journey to raise funds for Hillsdale College, a young institution of higher learning in southern Michigan. Ransom Dunn would ride on horseback for 6,000 miles through the farm communities of Michigan, Wisconsin and Minnesota, and altogether he raised \$22,000—the equivalent of about \$500,000 today. The rural families then populating the upper Midwest were not rich. They were braving the winters and struggling to make a living on what was then the American frontier. But these families were willing to part voluntarily with \$10, \$50, \$100 apiece—the highest contribution was \$200—to support Hillsdale’s mission—a mission set forth in the College’s Articles of Association, whose authors proclaimed themselves “grateful to God for the inestimable blessings resulting from the prevalence of civil and religious liberty and intelligent piety in the land, and believing that the diffusion of sound learning is essential to the perpetuity of these blessings.”

We can draw several lessons from the horseback rides of Ransom Dunn. To begin with, charitable giving in America has never been the exclusive province of wealthy people. Throughout our history, Americans from all walks of life have given generously for charitable causes. Indeed, the most generous Americans today—the group that gives the most to charity as a proportion of their income—are the working poor.

Second, unlike many of those seeking donations in the charity world today, Ransom Dunn did not raise funds for Hillsdale by appealing to donors’ guilt, or by urging them to “give back” to society. Instead, he appealed to their ideals and aspirations, their religious principles, and their desire to create an institution of learning in the upper Midwest. Hillsdale was also an important center of anti-slavery teaching, and Dunn appealed to the convictions of people who sought an end to this great evil in our nation.

Third, the tradition of private generosity in America has always been central to our free society. Voluntary donations from the farm families of the Midwest made it possible for Hillsdale to be independent, which in turn gave Hillsdale the freedom to challenge prevailing cultural and political wisdom. Following another private institution, Oberlin, Hillsdale was the second American college to grant four-year liberal-arts degrees to women. Founded at a time when Michigan public schools were officially segregated by race, Hillsdale was also the first American college to prohibit in its charter any discrimination on the basis of race, religion or sex. Without the independence that comes from private support, Hillsdale would not have been able to provide this leadership.

The creation of Hillsdale College was similarly part of a larger philanthropic movement to create an educated citizenry, with the character and the knowledge to govern themselves as a free people. In his book *The Americans*, the late Daniel Boorstin, former Librarian of Congress, wrote about the great age of college creation in the 19th century. Every town in our decentralized republic wanted its own college, both to promote economic opportunity and to encourage citizen leadership. Boorstin cites an amazing statistic: in 1880, the state of Ohio, with three million inhabitants, had 37 colleges; by contrast, England, with 23 million people, had

four degree-granting institutions. It was philanthropy that enabled colleges across America to grow and flourish.

This tradition of private support for education has continued in the 20th and 21st centuries, even as government has assumed a much greater funding role through federal student loans and scholarships, scientific research grants, and state appropriations. The growth of the modern research university received an enormous boost from philanthropists such as Johns Hopkins, Leland Stanford, and James Buchanan Duke. Private support has continued to sustain Hillsdale's independence by enabling it to forego state and federal government support altogether. Charitable giving has also helped to create entire new fields of academic study. We owe the field of law and economics to the John M. Olin Foundation. And the Whitaker Foundation launched the field of biomedical engineering, which has been so important in providing new limbs for the wounded veterans of Afghanistan and Iraq.

Today, Americans voluntarily give over \$30 billion a year to support higher education, and—thanks in part to philanthropy—America has the best colleges and universities in the world. Even our great flagship state universities depend on private contributions for much of their excellence. The University of Virginia, for instance, receives more revenue from private gifts and endowment income than it does from Virginia state appropriations. And in a time of state budget cuts and the stifling impulse toward sameness that results from bureaucratic rules, public universities across the country rely on private contributions for many of their unique attributes and distinctive achievements.

I have dwelt at length on higher education, but I could offer similar remarks about museums and orchestras, hospitals and health clinics, churches and synagogues, refuges for animals, protection of habitat, youth programs such as scouting and little league and boys and girls clubs, and grassroots problem-solvers who help the needy and homeless in their neighborhoods. Private charitable giving sustains all of these institutions and gives them the freedom to make their own decisions.

Private charitable giving is also at the heart and soul of public discourse in our democracy. It makes possible our great think tanks, whether left, right or center. Name a great issue of public debate today: climate change, the role of government in health care, school choice, stem cell research, same-sex marriage. On all these issues, private philanthropy enriches debate by enabling organizations with diverse viewpoints to articulate and spread their message.

We usually hear about charity in the media when there is a terrible disaster. For example, after Hurricane Katrina, we heard about the incredible outpouring of private generosity that amounted to \$6 billion. What gets less attention is that Americans routinely give that much to charity every week. Last year Americans gave \$300 billion to charity. To put this into perspective, that is almost twice what we spent on consumer electronics equipment—equipment including cell phones, iPods and DVD players. Americans gave three times as much to charity last year we spent on gambling and ten times as much as we spent on professional sports. America is by far the most charitable country in the world. There is no other country that comes close.

Reasons for Our Generosity

I would briefly like to discuss three reasons why America is the most charitable country on earth.

First, we are the most religious people of any leading modern economy. The single most important determinant of charitable giving is active religious faith and observance. Americans who attend church or synagogue or another form of worship once a week give three times as much to charity as a percentage of their income as do those who rarely attend religious services. One third of all charitable giving in America—\$100 billion a year—goes to religion. Whether we are Jewish, Protestant, Catholic, Mormon, Muslim, or some other faith, we Americans have the freedom to support our own religious institutions, and this philanthropic freedom has been intimately linked to our religious liberty. But the giving by regular religious worshippers is not limited to their own churches. They also give more to secular charities than do those who never or rarely attend religious services.

A second reason America is so charitable is because we respect the freedom and the ability of individuals, and associations of individuals, to make a difference. Americans don't wait for government or the local nobleman to solve our problems; we find solutions ourselves. One of my favorite examples of this is the subject of a forthcoming Hollywood movie called *The Little Red Wagon*. In 2004, after Hurricane Charley, a six-year-old boy in the Tampa area named Zach Bonner wanted to help the families who had been left homeless. Pulling his little red wagon, Zach went door to door for four months and collected 27 truckloads of supplies, including tarps and water.

The third reason for our extraordinary charity is that philanthropy is such an important part of our nation's business culture. Wealth creation and philanthropy have always gone together in America. They are reflections of the creativity and can-do spirit of a free society. From Benjamin Franklin, who founded the first volunteer fire department, to Andrew Carnegie, who brought public libraries to communities across America, to Bill Gates, who is seeking to eradicate malaria, great business entrepreneurs have sought to be great philanthropists. It's not just because they have the money. It's because they have the leadership and the passion to innovate and to build institutions, and the analytical skills to assess what works.

Let me give you three brief examples.

As many of us know from John Steinbeck's *The Grapes of Wrath*, the exodus of homeless farm families from the Great Plains in the aftermath of the Dust Bowl was one of the largest migrations and human tragedies in our history. But thanks to the pioneering plant research and outreach to farmers by the Samuel Roberts Noble Foundation—founded by an oilman in Ardmore, Oklahoma—agriculture is thriving in Oklahoma today, and we don't have dust bowls any more in the Great Plains.

When Tom Siebel sold software giant Siebel Systems to Oracle, he decided to apply his business and marketing skills to another cause—fighting the devastation of Crystal Meth. He created and financed the Montana Meth Project, and as a result teen Meth abuse in Montana has fallen by 63 percent in three years. Now philanthropists in other states are seeking to replicate these extraordinary results.

The late Don Fisher and his widow Doris were the philanthropic architects of the Knowledge is Power Program, which is a network of 80 schools across the country where low-income children excel. They were also the earliest large-scale supporters of Teach for America. Using the same principles that enabled them to build the Gap retail chain, the Fishers have built extraordinary philanthropic brands.

These philanthropic achievements have all been made possible by freedom. For over 200 years, Americans have enjoyed the freedom to decide where and how to give away their money—freedom to sustain cherished institutions or to create new ones. And this freedom to give has in turn been central to independent decision-making throughout our society.

Threats to American Philanthropy

But this freedom to give is now under serious threat. Let me mention three kinds of proposals coming from Capitol Hill, the IRS, state governments, and sometimes from the charitable sector itself, that should be of concern to all Americans.

The first threat comes in the form of one-size-fits-all governance and regulatory proposals that would limit the diversity and independence of the charitable world. In 2003, for instance, Eliot Spitzer, then Attorney General of New York, proposed a prohibition on foundations with less than \$20 million in assets. His rationale was that there were too many foundations for regulatory authorities to monitor and police. In 2004, the staff of the Senate Finance Committee proposed that tax-exempt status for charities and foundations be renewed every five years and be contingent on accreditation. In 2007, a top IRS official gave a series of speeches proposing that the IRS evaluate the effectiveness and the governance of public charities and foundations. In 2008, the California State Assembly passed a bill requiring large foundations to disclose the racial, ethnic, and gender composition of their staffs and boards, as well as those of their vendors and grantees. And just two months ago,

the Congressional Research Service published a report calling for a new oversight agency for charities and foundations.

The second threat is the increasingly common argument that foundation assets are “public money” and that decisions about grant-making are subject to political control. This argument was made most recently by a prominent member of Congress, Xavier Becerra. He referred to the tax-favored treatment of charitable giving as a “\$32 billion earmark” and warned foundations that Congress has an obligation to ensure that philanthropic assets advance the public good.

The Philanthropy Roundtable recently published a monograph that took strong issue with this public money argument. It reviewed the legal history of tax-favored treatment for charitable giving, and it showed conclusively that foundations and other charitable organizations do not lose their private character when they benefit from favorable tax treatment. Moreover, as Chief Justice John Marshall wrote in 1819, in the case of *Trustees of Dartmouth College v. Woodward*, the grant of a state charter does not render a non-profit corporation and its assets subordinate to that state. Foundations and other charities do have public purposes, and state attorneys general do have the *parens patriae* power to enforce foundations’ adherence to their stated charitable purposes. But this does not mean that charitable organizations must serve the same ends as those of government or that government may unduly intrude in their governance and other decision-making.

A historic covenant has governed foundations—namely, that they must use their charitable assets for genuinely charitable purposes. Foundation trustees cannot use those assets to fund their daughters’ weddings, for instance, or their favorite political candidates. But so long as they use their assets for charitable purposes and follow some basic disclosure rules, foundations should have wide discretion to choose where to give their money and how to make their charitable contributions.

The third threat to the freedom of American philanthropy is in the form of proposals that would restrict what kind of giving is considered charitable. A growing number of such proposals, for instance, would limit the charitable deduction to direct help for racial minorities and low-income families and communities. Those are worthy purposes for charitable giving, but they are not the only worthy purposes. Americans of all races and income levels can benefit from giving to religious institutions, colleges and universities, hospitals and medical research, the arts, the environment, and many other causes that would not fall under some of the narrow definitions being proposed. Government should not be picking winners and losers in philanthropic giving. Americans should make their charitable decisions themselves.

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The late Milton Friedman once wrote, “Freedom in economic arrangements is itself a component of freedom broadly understood, so economic freedom is an end in itself. . . . Economic freedom is also an indispensable means toward the achievement of political freedom.” We can similarly say that freedom in philanthropic arrangements is an end in itself, but is also an indispensable means toward the achievement of political freedom.

Each of us should think about how we can make a difference with our own charitable contributions, following the examples of Zach Bonner with his little red wagon and the generous Midwestern farm families who helped to build Hillsdale College. And our federal and state governments, for their part, should respect and defend the freedom that is vital to the great American tradition of generous giving. ■

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