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and the Transformation of American
Public and Private Institutions, 1945-2000**

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Our understanding of American philanthropy owes more to historical and institutional mythology than to grounded conceptions of the evolution of the modern state. On the one hand, these myths posited relations between governmental and private activity as a zero-sum game, in which increases in the scope and scale of government diminished the capacities of the private sector. On the other, the philanthropy and other forms of private social investment have been viewed as diminishing the resources available for productive enterprise.

Every significant indicator of institutional activity belies these concepts. For business, the expansion of the central state fostered development of national transportation, communications, and finance infrastructures by direct subsidy and by legal and regulatory innovations that placed the national interest over state and local concerns. Federal subsidy, not private capital, built the transcontinental railroad, which spurred the consolidation of the nation's fragmented ante bellum railway network. The nationalization of the telegraph industry during the Civil War created the administrative framework for integration of the communications infrastructure in the years that followed. The federal monopoly of postal service after 1848 dramatically reduced the cost of disseminating the written word and maintaining ties between America's increasingly scattered people. Federal dollars (notably the Morrill Act of 1862) played an important part in underwriting

educational institutions that supplied the technological and human resources essential to large-scale economic enterprise.

The enormous proliferation of voluntary associations, nonprofit organizations, and private philanthropic paralleled the increasing scope, scale, and activism of the national government from the 1870s on (Putnam & Gamm, 1999; Skocpol, 1999). During the last quarter of the nineteenth century, national nonproprietary entities of every kind -- mutual benefit organizations (fraternal/sororal organizations, veterans groups, labor unions, trade and professional associations, and national religious denominations), charitable institutions (the Charity Organization and Community Chest movements, the Red Cross, and nationally-focused grantmaking foundations) -- "took off" in numbers, wealth, and influence as the national state began to grow in the 1870s. The most important of these were national franchise-form organizations whose growth was closely tied to the expansion of the transportation and communications infrastructures.

Mutually-reinforcing relationships between government and the domains of private initiative became even more evident in the second half of the twentieth century. The greatest and most rapid growth for philanthropic and other nonproprietary entities paralleled the rise of the welfare state in the decades following World War II. Most of these were nonstock corporations registered with the federal government as charitable tax-exempt/"nonprofit" organizations. Estimated to number 12,500 in 1939, by the 1967s, more than 300,000 had registered with the Internal Revenue Service [see Appendix]. Today they number nearly more than 600,000. (During the same period, the total number

of nonprofits, including charitables, grew from 80,000 to 1.2 million registered organizations).

Although there is some evidence that older organizations -- both proprietary and non-proprietary -- changed ownership forms and sought exempt status under federal law, studies of organizational populations suggest that the vast majority of the philanthropic and nonprofit entities established after the war were entirely new creations.¹

That the nonprofit domain should have expanded so dramatically during this period is hardly surprising, given the federal government's use of tax and other incentives to encourage its growth. The G.I. Bill -- a voucher system for veterans -- sparked the founding of new colleges and universities and the expansion of older ones. As America settled into its role as defender of the free world, federal subsidies to higher education came to include scholarships, capital financing and operating support for defense-related teaching and research, and powerful tax incentives to encourage private philanthropic giving. Health care, an industry dominated by government-run and proprietary hospitals before the war, became a predominantly nonprofit domain thanks to federal subsidies for the construction of "voluntary" hospitals and the growth of public (Social Security) and private social and health insurance. By the 1970s, the federal government had become the largest single source of direct and indirect revenues for nonprofits.

Tax policies were unquestionably the most powerful forces shaping the growth of philanthropic and nonprofit enterprise in the post-war decades. The universalization of income taxation and withholding in 1942, high tax rates on individual and corporate

incomes and on estates, and generous tax incentives for giving gave virtually every American above the poverty level an interest in giving. While the large numbers of "non-itemizers" who filed tax returns annually suggested that giving was not entirely tax driven, the impressive growth of philanthropic giving in the post-war years indicates that tax incentives were playing an increasingly important role in shaping the allocation of discretionary income, especially among those with higher incomes.

The Growth of the Welfare State and the Transformation of Philanthropy

Curiously, neither average citizens nor policy makers understood the changes taking place in the architecture and dynamics of economic, political, and social institutions in the post-war years. This was due to a number of factors.

First, because institutional changes proceeded not from ideologies or clearly articulated programs -- but, rather, in negotiated increments in which practical politics and pragmatism tended to shape legislative and policy outcomes: major changes came bit by bit.

Second, Americans lacked the conceptual frameworks that would have enabled them to grasp large-scale change. Although the federal government, beginning in the 1920s, had taken major strides towards gathering economic and social statistics, the relative novelty of economics, sociology, and political science as systematic intellectual enterprises meant that neither civil servants nor academic social scientists possessed the analytical capacity to make sense of these data.

Third, American political and policy discourse -- the conceptual lenses through which quantitative data would be viewed -- owed more to the political and economic philosophies of the eighteenth and nineteenth centuries than to those of the twentieth. The former tended to emphasize the distinctions between political, economic, and social domains -- and between individuals and the various collectivities in which they participated -- rather than offering models of the ways in which they were interrelated and interdependent. Ideologized conceptions of the rational individual as citizen and as consumer constituted the legal basis not only of democratic polity and market economy, but of the academic enterprises through which individuals and institutions were understood (which, as they developed after the Civil War, fragmented domains of collective behavior into political science, economics, sociology, psychology, and so on.

Fourth, even as late as the 1940s, American governments lacked the capacity to frame policy or track its implementation. The practice of budgeting federal expenditures dated only to 1912. The creation of the National Income Accounts -- the statistical system that would enable government to envision the scope and scale of national economic activity -- dated only to 1939. The establishment of government bodies to interpret and act on these data dated only to the immediate post-war years. And even then, the lack of technologies that could integrate and analyze large bodies of economic and social data posed a formidable obstacle to these serving as knowledge that was "usable" for policy purposes.

Nowhere did these ideational, technological, and administrative deficits show themselves more powerfully than in the inability of legislators, policy makers, journalists,

and academics to discern the character of the welfare state they were creating in the years following the war.

Economic planners wrote confidently of the necessity for central planning to stabilize the economy, to promote planning, and to facilitate mobilization in the event of war -- without more than a hazy understanding of the interrelationships of economy, polity, and society. Although tax policy was being used to stimulate and target private financial and philanthropic investment by the 1940s, there was no systematic assessment of the efficacy of these efforts before the mid-1970s. In other words, policy makers were, in effect, "flying blind."

In 1947, as part of an effort to create the fiscal and economic planning capacities needed to sustain the emergent national security/welfare state, Congress undertook the first comprehensive effort to overhaul the Internal Revenue Code – the process that would not be completed until 1954 (Feingold 1961). The unexpected outcomes of tax policies enacted during and after the war – excess profits and steeply progressive income taxes -- became subjects of congressional enquiry. Charitable vehicles were being used for large-scale tax avoidance, with foundations being used as holding companies and charities acquiring manufacturing firms claiming them as tax-exempt (the gift of the Mueller Macaroni Company, the nation's largest pasta manufacturer, to the New York University Law School, sparked particular outrage (Committee on Ways and Means 1948, 3395-3553; Special Committee 1954; "Macaroni Monopoly" 1968).

In the early 1950s, congressional committees subjected "foundations and other tax exempt entities" to closer scrutiny. Though driven in part by Cold War anxieties about domestic subversion, the committees also displayed genuine puzzlement and concern about the growing numbers and influence of "charitable" entities whose activities seemed to go well beyond any conventional conception of charitable, educational, or religious enterprise. Exempt enterprises were being established in great numbers and for novel purposes -- but the only language and concepts available to describe the phenomenon were terms like "philanthropy" and "charity" -- which, even at that early date, were inadequate descriptors of tax exempt entities that, increasingly, drew their revenues from government grants and contracts and sales of services rather than from donations and bequests.

Those within the world of philanthropy were no better equipped than those outside of it to grasp unfolding changes. When major foundations, responding to the pleas of F. Emerson Andrews (the Russell Sage Foundation executive who was the most knowledgeable student of nonprofit enterprise of the era), convened a conference of scholars at Princeton to draft a research agenda for the study of this domain, they could come up with nothing better than the term "philanthropy" to encompass their range of interests (Andrews 1956, 1973).

In retrospect, it is difficult to understand how sophisticated scholars and executives of major organized charities could fail to notice the extent to which such things as multi-million dollar grantmaking foundations and universities, the national religious denominations, and such new charitable vehicles as community chests and

community foundations differed from the voluntary associations celebrated by De Tocqueville a century and a quarter earlier. While their emphasis on the continuities between traditional forms of voluntarism and modern philanthropic enterprise may have been self-serving, it seems more likely that it was due to a failure of vision. (It's worth keeping in mind that systematic compilations of foundations and their assets wouldn't begin until after the Princeton Conference -- and that the IRS would not begin gathering and publishing data on tax-exempt entities for another decade!).

An analogous failure of vision was the inability to understand fully the nature of the postwar welfare/warfare state -- because, as Lester Salamon has argued, their "conceptual lenses" (and ideological predispositions) did not permit them to appreciate the synergies between government and the private sectors, which they envisioned as a zero-sum game in which expansion of government meant restriction of the private domain -- and visa versa (Salamon 1987).

When they did try to address these synergies -- as did such social critics as C. Wright Mills (1959), G. William Domhoff (1967, 1970, 1979), Gabriel Kolko (1962), and Ferdinand Lundberg (1968) -- using similarly inadequate lenses, they focused on the growing power of a national ruling class, failing to grasp that while elite power was growing, it was also being segmented into specialized inter-institutional relationships between interested constituencies. None saw the extent to which the state itself was undergoing fundamental changesⁿ -- largely because their commitment to rational choice models of explanation, which viewed organizations and agencies as driven by utility

maximization and intentionality, prevented them from examining inter-organizational relationships.³

Although Salamon's model of the nonprofit sector as a manifestation of "third party government" -- the peculiar American form of the welfare state in which public purposes were achieved through non-governmental instrumentalities --, it did not fully describe the implications of the emergent public-private relationship. While Salamon was attentive to the extent of government support for nonprofits, he ignored the political and administrative mechanisms through which such subsidies were mediated.

These, Webber and Wildavsky suggest, stemmed from a transformation in systems of federal government budgeting and expenditure. Though the twentieth century began with the federal government in an activist posture (trust-busting, military expansion, the federal reserve system, and a host of regulatory commissions), it was not until the 1930s, when major shifts in economic thinking legitimated large-scale government intervention in the economy, that the activist state began to develop fiscal practices consistent with its enlarged role (Webber & Wildavsky 1986, 453) -- and not until after the second World War that these practices become fully institutionalized.

Reflecting deep-seated popular preferences, federal fiscal policy had traditionally been concerned with limiting and controlling the scope and scale of government. But after the war, when the nation assumed responsibilities not only as leader of the Free World, but also as the preeminent manager of the domestic economy (on whose stability the former depended), the emphasis in budgeting and spending shifted from balancing

revenues and expenditures to being strategic and policy-driven. "The process of budgeting," Webber and Wildavsky write, "became introspective rather than critical. The question of 'How much?' was transmuted into 'What for?' (478)." As the federal government's efforts to stabilize the economy and maintain combat readiness through military, social, and economic mobilization, agencies and programs proliferated.

With the virtually unlimited revenues available through universalized income taxation and deficit spending (indeed, the government's borrowing capacity itself became an important economic management tool), budgeting ceased to be a zero-sum game in which one agency's gain was another's loss. Despite increasingly sophisticated oversight capacities and the creation of new policymaking and monitoring bodies (the Council of Economic Advisors, the Office of Management and Budget), the budgetary process became less rather than more centralized. Because most federal policies were implemented not by the federal government itself, but by an assortment of agencies that interfaced with the states, localities, and private sector actors that actually carried out these policies, each area of activity developed its own internal and external constituencies: agency officials pushing to expand their resources and prerogatives, congressional and other elected officials who stood to gain from spending and hiring by government agencies, and organized beneficiary groups -- "special interests" -- which lobbied congress, contributed to electoral campaigns, mobilized voters, and sought to influence public opinion through advertising and journalism.

Not only were nonprofits as recipients of direct and indirect subsidies beneficiaries of these funding relationships they played increasingly important roles in

formulating and advocating for particular policies. As traditional understandings of philanthropy and charity became blurred by the proliferation of new nonprofit entities, advocacy activities that in the past would have been carried on through trade associations, came to be the province of national mass membership associations with 501(c)(3) status (like the National Audubon Society, the Sierra Club, and the American Association of Retired Persons) (on these, see Putnam, in press). Charitable tax-exempt status not only cloaked the causes these entities promoted in an aura of disinterested public-servingness, but, because donations to them were deductible, attractive to foundations, corporations, and individual donors large and small.

Though classed as membership organizations, these new entities little resembled the national associations of the pre-war decades (fraternal and sororal, veterans, and patriotic groups). The post-war associations had no social dimension: members seldom if ever met face-to-face, individually or collectively. Membership became a political and financial act, not a social commitment.

More importantly, in terms of its political role, the emergent charitable tax-exempt universe of the postwar era differed dramatically from its associational domain of earlier decades. In the past, when national associations, foundations, think tanks, and other philanthropically-supported entities sought to influence government, they generally did so as outsiders. In the postwar decades, associations, now enjoying the benefits of charitable tax-exempt status, increasingly became -- if not extensions of government itself -- intrinsic part of the *organizational field* of public governance. The relationship between the Brookings Institution and the government which produced the Social Security Act in

the 1930s was exceptional.⁴ By the late 1950s, such relationships were becoming routinized not only on the institutional level (with government contracting with think tanks for all manner of policy and technical services) but on the individual level (as professional careers moved individuals from universities to operating and grantmaking foundations or business corporations to government agencies and congressional staffs -- and sometimes to elective office.⁵

A Period of Confusion and Fear, 1959-1969

The universalization of income taxation was a necessary concomitant of the shift in the politics of budgeting and expenditure and the emergence of third party government that so favored the growth of private giving and the proliferation of foundations and other exempt organizations. Although the income tax had been in place since 1916, few Americans earned enough to have to file returns or make payments to the federal government. Beginning in 1935, the burden of taxation became steadily more onerous. In that year, Congress made tax rates on income and inheritances steeply progressive -- placing particular burdens on the wealthy. During the war, Congress universalized the income tax and the practice of withholding and added to corporate liability with a steep excess profits tax. Inevitably, Americans -- individual and corporate, wealthy and middle-class -- became more tax sensitive and this sensitivity began to shape their patterns of charitable giving, estate planning, and other economic behaviors.

While this had the desired effect of encouraging the growth in number and size of foundations and other tax-exempt entities, it also produced an unanticipated political

backlash, as the public perceived the tax privileges of the wealthy and the growing wealth of foundations as unequitable.⁶ Public disquiet began to come to a head in the 1960s, thanks to congressional gadflies like Texas populist Wright Patman and Harvard professor Stanley Surrey, who President Kennedy had appointed to head the tax section of the Department of Treasury.

In July of 1959, after intense lobbying by the Rockefeller family, the Senate Finance Committee recommended expanding the unlimited charitable deduction provision of the tax code -- an item that permitted individuals who gave a certain proportion of their incomes to exempt organizations to entirely avoid paying income taxes. An influential minority on the committee -- which included senators Russell Long, Albert Gore, and Eugene McCarthy --, issued a sharply worded dissent, charging that the proposal would dangerously erode the tax base by encouraging "a proliferation of foundations. . . established by individuals and families. Noting that 87% of the 13,000 foundations then in existence had been created since 1940 and that 1,200 new ones were being created annually, the senators warned that "at present rates of establishment, substantial control of our economy may soon rest in the 'dead hands' of such organizations, endangering "the free choices presented by the marketplace and by the democratic processes of a free government, free economy, and a free society" (U.S. Senate 1961, 7-8).

What started as an effort to encourage giving by the wealthy soon spun out of control into a broader debate over whether private philanthropy was obsolete in an era when government had assumed primary responsibility for public welfare and whether, if

permitted at all, should be limited only to gifts to organizations that could demonstrate broad public support.

Senatorial skepticism was soon joined by outcries from the House, where Representative Patman initiated a series of attacks on foundations that would continue through the decade. His speeches and the published reports of his Small Business Committee received wide press coverage. And public concern was further intensified by best sellers like Ferdinand Lundberg's The Rich and the Super-Rich (1969), which drew on Patman's findings.⁷

In the face of rising congressional and public demands, the Department of Treasury in 1965 circulated a set of proposals recommending major changes in the rules governing foundations, including prohibitions on business dealings between donors and the foundations they established, limits on foundation control of businesses, restrictions on the deductibility of donor-controlled gifts, and regulation of the representation of donors and their families on foundation boards (U.S. Department of Treasury 1965).

Regulatory enthusiasm fueled the emergence of self-awareness in the fragmented philanthropic domain. Earlier in the century, philanthropic and charitable activists, political reformers, and socially-concerned academics had been closely linked through such organizations as the National Conference of Charities and Corrections and the National Civic Federation. But the expansion in the range of purposes of charitable organizations, the growing assumption of welfare responsibilities by government (especially after 1933), and the institutionalization of social work, public administration,

and the academic professions -- as well as the dying off of the founding generation of American philanthropists and charities leaders -- had rendered encompassing networks of this kind obsolete. By the 1930s, academics, professionals, business executives, and charitable administrators organized into specialized associations that represented and articulated their particular interests.

Another factor in this was growing secularization and religious diversity: earlier unity had been based on the common evangelical Protestantism of most charitable, educational, professional, organizational, and community leaders. By the 1920s, Protestantism had broken into conservative evangelical and liberal modernist factions. Because Jews and Catholics had been excluded from leadership in the charitable mainstream, they had created parallel philanthropic and charitable organizations. As universities and government became more secular, they attracted academic professionals and civil servants who were increasingly likely to view religion as a divisive and reactionary force. By the 1960s, organized religion, which had half a century earlier constituted the core of charitable and philanthropic enterprise, was endeavoring to distance itself from the secular tax-exempt domain in hope of evading the regulatory tidal wave.

Under the circumstances, unity of purpose even among foundations and the major national charities would prove elusive. In a 1964 memorandum pondering the formation of "a possible national association of foundations," Rockefeller family associate Raymond Lamontagne doubted that the existing contenders for philanthropic leadership -- the Foundation Library Center (which published The Foundation Directory and a magazine,

Foundation News), the Council on Foundations (a national trade association that had recently changed its name from the National Council on Community Foundations), the National Information Bureau (a kind of Better Business Bureau for nonprofit organizations and donors), the New York University Conference on Charitable Foundations, or the half dozen regional conferences of foundations -- could ever be persuaded either to merge into a single entity or to recognize the "need for and advantages of such an association."⁸

Despite halting institutionally-based efforts to frame a common vision of philanthropy's mission and purposes, individuals were weaving networks of conversation and enquiry that would ultimately become the basis for a new understanding of the tax-exempt universe. The most important of these was the 501(c)(3) Group, a loose network of tax lawyers, trade association and foundation staff, and executives of national charities formed to exchange information about the technical dimensions of the tax code as it affected charitable tax-exempt organizations but who, as the regulatory winds increased in velocity after 1965 began to concern itself with more substantive policy issues.

Technocratic rather than ideological in orientation, members of the group tended to define issues in economic and legal terms rather than political ones -- an approach not shared by the top leadership of grantmaking foundations. (As one of these would lament to another in the early 1970s, "has charity become all law? Is it irretrievably committed to lawyers instead of its traditional practitioners?"). Word of the group's activities became known to the staffers in the Rockefeller family office whom John D. Rockefeller 3rd had

enlisted in his increasingly anxious search for concepts and organizational vehicles that might reunify the philanthropic community.

The lack of a unified and coherent understanding of contemporary philanthropy became embarrassingly evident during congressional hearings on the 1969 Tax Reform Act, which proposed to incorporate many of the suggested reforms of the previous decade. The heads of the major foundations offered coordinated defenses of foundation autonomy, evoking hallowed traditions of American voluntarism and warning against the evils of "government control" and actions that would "discourage individual charitable giving." Their unyielding posture on the one hand and their inability to speak the new economic language of public policy on the other, won them few friends. In the end, Congress adopted tax reforms which restricted excess business holdings, regulated donor control, mandated payout levels, curtailed political activity, allocated tax privileges according to tests of public support, and required detailed annual filings of activities from all secular exempt entities with incomes over a certain level.

Ironically, no one in the late 1960s really grasped the changing nature of the eleemosynary universe. Neither the government's tax policy makers nor philanthropy's spokesmen understood the ways in which the peculiar features of America's allocative welfare state had tied government and private enterprise together. Each side persisted in seeing the other as autonomous actors: its defenders viewed philanthropy as endangered by the growth of Big Government; its detractors viewed philanthropy as a threat to economic and political democracy. Both, though aware of the growing number of exempt entities (thanks to the fact that the IRS had begun tabulating numbers of organizations

registered as nonprofit), none comprehended the ways in which the accelerating pace of government expansion correlated with proliferating numbers of nonprofit organizations. Nor -- because they didn't understand the differences between traditional donative voluntary associations and contemporary nonprofits (which were increasingly likely to be commercial enterprises supported by user fees and grants and contracts from public and private agencies) -- did they intuit the ways in which one of the most significant expressions of the expansion of government was the dramatic growth of the nonprofit domain.

From Philanthropy to Nonprofit Sector

If the passage TRA69 left most philanthropic leaders in a state of shock, it energized those who understood the urgent need to reexamine and reconceptualize charitable tax-exempt activity -- the 501(c)(3) Group and John D. Rockefeller 3rd's and his associates.

Even before the ink was dry on the tax reform bill, the Rockefeller group had convened a blue ribbon commission on foundations and philanthropy, seeking to conduct a broad survey of philanthropic practices. This survey of the opinions and attitudes of foundation leaders proved to be a dead end as far as new ideas were concerned. Another seemingly unrelated Rockefeller initiative -- a set of surveys of youth attitudes undertaken as JDR3 struggled to understand the radical activism on America's campuses and in his own family circle -- would prove to be far more productive. By the mid-1970s, Rockefeller would begin to view grassroots social change movements with their emphasis on voluntary action and more traditional kinds of philanthropy as comprising a "second

American revolution" based on "private initiatives in the public interest" (Rockefeller, 1974). In doing so, he and his associates began to grasp the extent to which "philanthropy" involved not only grant making foundations, but a vast universe of entities that were neither governmental nor profit-seeking.

The 501(c)(3) Group started from a very different set of interests -- primarily concerned with tax and regulatory issues -- viewed through the lenses of law and economics. Recognizing that any defense of philanthropy would have to be grounded in the new economic language of public policy, they began reviewing the extant literature on tax policy and charitable giving. Considering it seriously flawed and hopelessly ambiguous, they (with secret funding from the Rockefeller family) commissioned Harvard economist Martin Feldstein, who had earlier done promising work on health economics, to conduct a new study on the question of whether and, if so, how tax policy affected giving.

When word of Feldstein's findings, which powerfully affirmed the impacts of tax policy, reached the Rockefeller Family office, JDR3rd's associates went into action to make sure that their implications became as widely known as possible. Working quietly behind the scenes, they began lining up political support within the Department of Treasury and among key congressional tax policy staff for a "Commission on Private Philanthropy and Public Needs" and, when this was in place, set about recruiting those who would serve on the commission, a staff, and the consultants and researchers who would give its activities substance.

The Filer Commission (as it came to be known) was chaired by John Filer, CEO of the Aetna Insurance Company, and included present and former university presidents (William Bowen of Princeton, Edwin Etherington of Wesleyan, and Elizabeth McCormack of Hunter), representatives of major tax exempt industries (Bayard Ewing of United Way, Walter McNerney of the American Hospital Association, and Alan Pifer of the Carnegie Corporation), leading businessmen (Filer of Aetna, Walter Haas of Levi, Straus, Ralph Lazarus of Federated Department Stores, and investment banker C. Douglas Dillon), as well as religious and political leaders like George Romney and Rev. Leon Sullivan. Carefully balanced politically, religiously, ethnically, and regionally, the only conspicuous omission from the group were foundation leaders. The composition of the group made clear the fact that "philanthropy" was actively being redefined to include donees as well as donors.

Despite the best efforts of Rockefeller and his staff, the profound differences in the ways even leading Americans viewed philanthropy became evident early on. Sessions devoted to forging agreement on fundamental principles were stormy. When the Commission issued its recommendations in 1975 under the title Giving in America: Toward a Stronger Voluntary Sector, it was accompanied by vigorous dissents from commission members and researchers (which appeared as an appendix to the volume and, at greater length, in the first of the six volumes of research papers the Commission would issue in 1977) (Commission on Private Philanthropy and Public Needs, 1977).

Despite decensus, one area of agreement was clear: "philanthropy" had been definitively reframed within a "sector" of "voluntary" entities and activities. Most

commissioners also agreed on the need for continuing study and discussion of the issues and, to this end, recommended the establishment by Congress of a "permanent national commission" -- a quasi-governmental entity with "broad public membership" to gather information and shape regulatory policy towards the "nonprofit sector."

It appears that Rockefeller and his advisors envisioned the creation of an "organizational field" of government agencies, regulatory bodies, trade associations, and nonprofit industries and other organized constituencies that would function much as similar configurations of interests had under the system of third part government -- acting together as an advocate within government for the universe of charitable tax-exempt institutions. Unfortunately, Rockefeller and his associates had misjudged the depth of popular disenchantment with this system of decision making and with the liberal credo with which it had come to be associated.

Had a Republican been elected to the presidency in 1976, Rockefeller's "Bureau of Philanthropy" might well have been established. But the Carter administration -- representing viewpoints not shaped by decades of Beltway cronyism and hence, deeply skeptical of conventional regulatory processes -- were not about to sponsor the creation of yet another industry-dominated regulatory commission. Though disappointed, Rockefeller and his allies were not discouraged. They began working towards the creation of a private organization that could serve as a "common meeting ground" for the contentious factions of the charitable tax-exempt universe -- an organization that would be named INDEPENDENT SECTOR (IS) when finally established in 1980.

As originally conceived, IS reflected JDR3rd's broad and inclusive conception of the voluntary domain, as well as the political realities of the factious world of organized charity. It was to be a minimally-staffed membership organization with little capacity to promulgate legislative or research agendas. But with Rockefeller's untimely death in 1978, leadership of the effort passed to a group around former Carnegie Corporation president and HEW Secretary John W. Gardner, who had little patience with "bottom-up" decision making and participatory democracy. Gardner's protégé, Brian O'Connell, quickly moved IS into a trade association mode, with strong staff leadership backed up by the clout of the major grantmakers who, at the outset, comprised the new organization's core membership.⁹

This shift is perhaps understandable, given the challenges that nonprofits would face on the election of Ronald Reagan in 1980. Declaring his intention to slash government social spending in order to free communities and community groups of the burdens of Big Government, Reagan constituted both an opportunity and a threat for the nonprofit world. Certainly Reagan's rhetoric appealed to traditional ideas about the intrinsic opposition of public and private initiatives -- and, to the extent that these were still widely embraced by the leaders of American foundations and charities, they were applauded. Thus, when the President organized a Task Force on Private Sector Initiatives chaired by industrialist William Verity (the Verity Commission) to stimulate higher levels of corporate giving, E. B. Knauff, John Filer's right hand man at Aetna and former Filer Commission top executive, joined it as Staff Director.

On the donee side there was considerably less enthusiasm for Reaganism. Not only would proposed reduced tax rates be likely to diminish incentives for giving, major cuts in social expenditure would cripple nonprofits that had become increasingly dependent on government grants and contracts. These included colleges and universities, for whom federal funds constituted nearly a third of annual revenues and human services organizations, for whom direct federal money constituted nearly all of their incomes, but virtually all tax-exempt enterprises except religious bodies. These fears were substantiated by the work of Urban Institute researchers Lester Salamon and Alan Abramson who, in a 1981 study financed by the 501(c)(3) Group, provided a sweeping assessment of the extent to which the supposedly "independent" sector was in fact almost entirely dependent on direct government subsidy (Salamon & Abramson 1981, 1982).

Although Salamon, working with teams of researchers, later further substantiated the extent of nonprofit/government interdependence through an impressive series of studies of state and local nonprofit sectors -- and gave eloquent voice to the need for new theoretical perspectives that would allow more informed understandings of this relationship (Salamon 1987) --, neither the sector's leaders nor the growing community of nonprofits researchers were able to bring themselves to abandon conventional dualistic conceptions of the state and "philanthropy." Despite adopting economistic rhetoric, they continued to cling -- in spite of overwhelming evidence to the contrary -- to political and social assumptions about the donative, voluntary, and essentially "independent" character of the nonprofit sector.

Nonprofit and philanthropic trade associations were similarly resistant to warnings from researchers about the increasingly commercial character of the sector. In 1980, Henry Hansmann, a Yale graduate student in law and economics (and a founding member of Yale's Program on Non-Profit Organizations), began publishing a remarkable series of papers that sought to delineate a theoretical framework for the tax and regulatory treatment of tax-exempt entities. Though his own intellectual goals were more ambitious -- he was attempting to set forth a comprehensive theory of ownership -- his ideas offered what appeared to be uniquely powerful economic rationales for the existence of nonprofits based on the ideas of contract and market failure -- the one suggesting that the inherent "trustworthiness" of nonprofits overcame information asymmetries between providers and clients in regard to certain kinds of public goods, the other asserting that the character of these goods, which precluded providers from fully capturing the benefits of selling them and purchasers the benefits of exclusive ownership (Hansmann 1980, 1981a, 1981b, 1985, 1984, 1985a, 1985b, 1987a, 1987b, 1988a, 1988b, 1988c, 1996).

Although the philanthropic world found much to like in Hansmann's work -- particularly his emphasis on the "trustworthiness" of nonprofits and his portrayal of a seemingly ironclad economic rationale for their existence --, it also found much to dislike -- particularly Hansmann's suggestion that nonprofits which generated most of their revenues through commercial activity ought to be treated differently from truly charitable donative entities. At a dinner for research funders in 1983, the head of a major trade association denounced Hansmann's work as "the stupidest thing that I have ever heard."¹⁰ It would take another decade and a half for sector leaders to begin to appreciate

Hansmann's concerns about commercialization of their once non-charitable domain (INDEPENDENT SECTOR 1999).

Though philanthropy's leaders began the decade with a sense of crisis, convinced that the Tax Reform Act of 1969 represented the end of the great postwar period of growth for foundations and other exempt entities, as the years passed it regained its self-confidence. While there were still episodic skirmishes with the New Right over such things as unfair competition between nonprofits and for-profits (Small Business Administration, 1983; "Unfair Competition," 1984), the liberal tilt of grantmaking by big foundations (Capitol Research Council), and foundation policies and practices with regard to such things as affirmative action, on the whole nonprofit industry leaders found the Reagan administration's permissiveness about lobbying and advocacy by nonprofits very much to its liking. The embrace of nonprofit instrumentalities by the New Right and by southern and western wealth, while complicating the task of formulating broad consensus on the goals of philanthropy, seemed to be fueling a new spurt of growth in giving and foundation formation, particularly on the state and local levels.

Anti-Institutionalism and the Rise of the Nonprofit Sector

It seems unlikely that conservative political and religious movements that, even at their peaks, never commanded the support of anything approaching a majority of Americans, could by themselves caused the dismantling of the liberal state. The so-called "Conservative Revolution" was only one element of a deep, cross-cutting, and largely apolitical disenchantment with government, established authority, and large organizations.

John D. Rockefeller 3rd may have discerned the spirit of the times more accurately than the pundits of the 60s and 70s (who viewed the Counterculture and the "Me Generation" as phenomena of the Left) when he labeled its curious combination of radical individualism, spirituality, voluntarism, and entrepreneurialism as a "second American revolution" that transcended conventional political categories.

Significantly, the "common meeting ground" for both Left and Right was the emerging "Third Sector," which offered organizational vehicles through which private values could be translated into public ones without the necessity for compromise and accommodation required by political and governmental processes. Management guru Peter Drucker accurately captured the ethos of the revolution in 1989, when he described how the "nonprofit organizations of the so-called third sector" had become "creators of new bonds of community" for members of a generation that had abandoned "the political culture of mainstream society," where "individuals, no matter how well-educated, how successful, how achieving, or how wealthy" could "only vote and pay taxes. . . only react, . . . only be passive." The "counterculture of the third sector," he wrote, offered arenas of privatized activism in which individuals could exercise influence, discharge responsibilities, and make decisions in uniquely effectual and satisfying ways.

Underlying this shift in forms of civic engagement were more fundamental alterations in civic paradigms. Where the liberal ethos had posited a conception of the "Common Good" in which individuals' pursuit of their interests was constrained by commitments that transcended self-interest (what Tocqueville called "self-interest rightly

understood), the post-liberal ethos dismissed the notion of the collective and the public as elitist, defining the "Common Good" as the aggregate outcome of private purposes. Viewed over the long term, tensions between these two orientations (Wildavsky and Webber label the first orientation "hierarchical" and the second "sectarian") ran through all of American history in struggles between Federalists and Jeffersonians and Whigs and Jacksonians in the ante bellum decades, between Republicans and Democrats between the Civil War and the Progressive Era, and between proponents and opponents of federal government activism for most of the twentieth century. Indeed, it was the very power of this tension that had shaped the post-World War II welfare state as allocative rather than bureaucratic.

But by the late 1980s, the anti-statist pronouncements of conservative polemicists and academics like Ayn Rand and Milton Friedman -- opposition to public schools, to government regulation, to social welfare programs, to corporate social responsibility -- once dismissed as "irritable gestures that pass for thought" -- came to be embraced as legitimate alternatives to the discredited ideas and institutions of American liberalism.

The private philanthropy and the "nonprofit organizations of the so-called third sector" played a key role in this transformation. Through the 1970s, philanthropic and nonprofit organizations had been dominated by liberals with close ties to government and their activities had generally been framed by liberal political and social agendas. Regarding foundations and "other tax-exempt entities" as the instrumentalities of the liberal elite, conservatives not only rejected philanthropy, but led efforts curtail their power.

In the 1970s, conservatives began to view philanthropy in a different light. A number of factors account for this shift. Perhaps the most important of these was economic and demographic: the postwar economic boom and the growth of new defense-related industries had empowered groups -- non-WASP religious conservatives, many of them from the South and West -- that had traditionally been excluded from the centers of institutional influence. Brought into government by Richard Nixon, who in his "new Nixon" incarnation had tapped the growing strength of Republican conservatism to secure the 1968 presidential nomination, this group -- represented by people like financier William E. Simon, economist Alan Greenspan, and defense contractor/corporate lawyer Caspar Weinberger -- combined deeply conservative convictions with extraordinary sophistication about governmental and corporate institutions. Despite his personal distaste for its liberal orientation, Simon, in his role as Secretary of Treasury, played the role of political guardian angel and institutional sponsor to the Filer Commission -- and in so doing served as a key boundary spanner between the liberal and conservative wings of American philanthropy.

Simon was a man of many interests -- and was in important respects as significant a figure for emergent conservative philanthropy as John D. Rockefeller 3rd was for liberal philanthropy. Like Rockefeller, Simon had his own inner circle of advisors -- among them public intellectual and journalist Irving Kristol and philanthropist Leslie Lenkowsky. At Kristol's urging, Simon bankrolled the establishment of the Institute for Educational Affairs (IEA). While IEA originally attracted notice as the sponsor and funder of conservative student publications on traditionally liberal college and university

campuses, in the early 1980s, it also served as a platform for efforts by conservative philanthropists to promote a conservative philanthropic agenda.

In 1982, acting on the belief that self-policing of abuses might serve as an effective defense against further outbursts of congressional regulatory enthusiasm, liberal leaders of the Council on Foundations attempted to adopt a code of "principles and practices" for grantmakers that included provisions (such as endorsements of affirmative action goals) that were unacceptable to conservative grantmakers. Rebuffed in their efforts to prevent the adoption of the code, the IEA attempted to lead conservative grantmakers out of the liberally-tilted Council on Foundations, appealing not only to committed conservatives, but also to middle-of-the-road corporate grantmakers. Although the effort to create a conservative philanthropic trade association failed, many of the executives and scholars involved in the effort formed an active and articulate group of voices for conservative grantmaking that, through Philanthropy Roundtable, would have an enduring and increasing influence on the way philanthropy and nonprofits were understood. At the same time, they helped to promote the idea that philanthropy could serve conservative as well as liberal agendas.

The IEA was only one of a host of efforts to institutionalize conservative philanthropy. After the election of Ronald Reagan, think tanks like the American Enterprise Institute and the Heritage Foundation became the conservative counterparts of such traditional liberal policy bastions as the Brookings Institution, the Twentieth Century Fund, and the Urban Institute. Like the liberals, the conservatives cultivated relationships to universities, funding research and drawing like-minded academics into the policy

process. And these efforts were sustained by the growing number and wealth of conservative foundations. And outside the inner circle of establishmentarian conservative think tanks were arrayed smaller entities, focused on particular issues, that functioned as the ideological conscience of the new right's intellectual empire.

A Thousand Points of Light -- and Beyond: The Triumph of the Nonprofit Sector and the Disappearance of Civic Space

George Bush's speech accepting the Republican presidential nomination in 1988, in which he called for the dismantling of big government and the nurturing of "a thousand points of light," marked the definitive moment at which American conservatism as a whole embraced the possibilities of philanthropy and other forms of private voluntarism. Even though Christian conservatives and other further to the right remained suspicious of Bush, their commitment to the possibilities of philanthropic and nonprofit instrumentalities became evident in the activities of congressional leaders like Newt Gingrich, who were energetically creating new nonprofits to promote their legislative agendas and to attract donors to the conservative vision of institutional reconstruction. Conservative engagement in philanthropy and nonprofits and the use of these instrumentalities for explicitly political purposes had the effect of blurring the lines between political donations and charitable giving.

The blurring of boundaries between left and right, charitable and commercial, political and non-political activities was substantive as well as institutional. One of the most important areas of organizational growth in the 80s was involved the dismantling of

state institutions for the mentally disabled and the placement of the disabled in community-based group homes. The movement had begun in the late 1960s, as an offshoot of the civil rights movement. Although the litigation that led to deinstitutionalization was spearheaded by liberals associated with the American Civil Liberties Union's Disabilities Rights Project, the effort to create alternative settings for the disabled was based on a loose alliance of right and left-wing critics of the medico-legal establishment, religious conservatives (including members of religious orders decloistered by Vatican II, Ultra-Orthodox Jews, and fundamentalist Protestants), and libertarians of various persuasions, who advocated the creation of systems of nonprofit -- rather than government-run -- group homes. While stoutly resisted by organized psychiatry and social work, labor unions, and many liberal politicians, this unlikely partnership of left and right litigated relentlessly against reluctant state agencies on the one hand and neighborhood opponents (NIMBYs) on the other. What ultimately carried the day was the fact that politicians of all persuasions eventually recognized the enormity of the patronage resource represented by a program that would steer billions of dollars into acquiring, renovating, and operating group homes. (Overall, the creation of the alternative system of care for the disabled amounted to nearly as great a public expenditure as had the construction of the interstate highway system).

The oddity of the alliance is suggested by the character of Covenant House, one of the most prominent early beneficiaries of privatized social welfare services. Founded by Father Bruce Ritter, a member of the Franciscan Order, as a refuge for runaway teenagers, Covenant House boasted a board composed of New York's most prominent and politically-connected Catholic laymen, including William E. Simon and Peter Grace.

Although noted as a pioneer in direct mail fundraising (the House distributed millions of copies of a paperback book entitled Sometimes God Has a Kid's Face), the bulk of its revenues came from government grants and contracts. In its focus on the homeless young and its dependence on government largesse, Covenant House was grounded in the charitable counterculture of the left; in its aggressive marketing and reliance on right wing political connections, it was no less firmly rooted in the political culture of conservatism. At the same time, it was no less grounded in the post-Vatican II transformation of cloistered religious orders into platforms for alternative ministries to the disabled and dependent -- a movement deeply offensive to much of the Catholic right.

The welfare reform of the mid-1990s did not -- like Minerva from Zeus -- spring fully formed from Newt Gingrich's forehead. Rather, these legislative initiatives brought together strands of thought and action that had been evolving on the state and local levels for the previous twenty years: deep distrust of large institutions (particularly governmental ones) and politics; the spiritualization of social service (evident in the rise of parachurch organizations like Habitat for Humanity); the emergence of alternative religious ministries for which service and caregiving were primary forms of devotional activity; a definition of the causes of poverty from an emphasis on conditions to an emphasis on character. In one form or another, these views had been entertained by influential groups across the political spectrum who found by the mid-nineties that -- despite deep-seated historical animosities -- they could form consensus such issues as expanding the prerogatives of religious institutions (the Religious Freedom Restoration Act of 1994), direct government funding of faith-based service provision (the Personal

Responsibility and Work Reconciliation Act of 1996), advocacy by nonprofits, and turning key government functions over to nonprofit groups, secular and religious.

Because tensions still existed within the new Republican majority between its Main Street and Wall Street wings, the old conservatives populist hostility to nonprofits periodically surfaced in the form of debates over further limiting the advocacy activities of nonprofits, unfair competition with for-profit businesses, and the supposed anti-capitalism of some grassroots and progressive groups. But a Republican leadership that owed its power to a significant degree to its adroit use of nonprofit vehicles in policy making (American Enterprise Institute, Heritage Foundation), propagandizing (Christian Coalition), and campaign financing (Newt Gingrich's GOPAC) seemed hardly likely to kill the goose that laid its golden egg.

Ironically, philanthropy/nonprofit trade groups like the Council on Foundations and INDEPENDENT SECTOR, which had traditionally identified themselves with Democratic-liberal policy agendas found that -- in terms of legislative issues affecting the prerogatives of tax-exempt activities -- they differed less from their brethren on the right than they had supposed. Even if disinclined to accommodate conservatives, circumstances, particularly the proliferation of conservative foundations, think tanks, and charitable entities, compelled them to do so -- or risk encouraging the establishment of conservative rivals. The shift at the Council on Foundations was dramatic: the old liberal crew that had edited Foundation News was replaced by staff that focused its successor, Foundation News and Commentary, on professional and corporate issues rather than public policy. While the change at INDEPENDENT SECTOR was less dramatic, with the

retirement of Brian O'Connell, the organization assumed a far lower profile on public policy matters, emphasizing its commitment to voluntarism, giving, and community service.

In the midst of welfare reform, a variety of groups -- left, right, and center -- vied to speak for philanthropy. On the right, Lamar Alexander chaired a Task Force on Philanthropy and Civic Renewal, that commissioned working papers and convened sympathetic philanthropic and political notables. On the left, the liberal Nathan Cummings Foundation sponsored papers and sought to gain progressive philanthropy a national voice through relationships to liberal periodicals like the American Prospect -- while the Center for Responsive Philanthropy (the descendant of the dissenting Donee Group of Filer Commission members and consultants) issued scathing evaluations of welfare reform.

But in the center, more significantly, staid policy groups like the American Assembly, working closely with INDEPENDENT SECTOR and Indiana University's Center on Philanthropy, strove to forge a set of common goals for the nonprofit sector that would bring philanthropic factions together. The 1998 Assembly met, appropriately enough, at one of the great shrines of post-liberal philanthropy -- the Getty Center in Los Angeles. After the presentation of a two dozen papers by scholars and philanthropic leaders, the Assembly issued its final report. In it, concerns with race and gender issues -- the "hot button" concerns of mid-century philanthropy -- were nowhere to be found. And, though passing reference was made to growing disparities of wealth, they were mentioned affirmatively -- as presenting new opportunities for the rich-grown-richer to disseminate

their wealth more generously and imaginatively (Clotfelter & Erlich 1999). At the end of the century, the leaders of the philanthropic mainstream had clearly moved back into the conservative channels that had characterized it at the century's beginning.

National philanthropic leaders, liberal and conservative, may have succeeded in affirming a shared agenda, but the question remains as to whether it has any particular relevance to the future of giving and volunteering in the America of the twenty-first century. There are, for example, very real questions as to whether the creators of the vast new wealth generated by the entrepreneurial pioneers of the new communications and information technologies will show any inclination to heed the call of the philanthropic "mainstream." To be sure, a handful of magnates like Ted Turner and Bill Gates have begun donating enormous sums to national and international causes, as well as a willingness to use conventional instrumentalities, such as foundations, to dispense their largesse. But the vast majority of the newly wealthy not only seem to be reluctant to give, but, when they do so, prefer less conventional means and objects.

Conclusion: Beyond the Welfare State?

For all the rhetoric of the past two decades about "ending the welfare state as we know it," an overview of the institutional architecture of the twentieth century *fin-de-siècle* suggests an intensification of trends rather than a shift in direction.

Part of the challenge in grasping this is the proposition that, as suggested at the beginning of this essay, we never fully understood the kind of welfare state we had created. In fact, what appeared to be Big Government based on central state bureaucracies turned

out to be a directive and allocational state that depended on states, localities, and private sector actors to carry out its mandates.

In the end, all the much vaunted (and feared) Reagan and "conservative" revolutions seem to have accomplished is, via "devolution," to give states a greater role in the allocation of tax federal revenues (which are still primarily gathered through national mechanisms) and in setting policy guidelines for welfare, education, and other social programs. Privatization -- out-sourcing public agency functions to private sector firms -- has meant little more than giving official recognition to trends that were already long-established.

A great deal of attention has been given to "charitable choice" and other features of welfare reform that seem to broach the historic "wall of separation" between church and state. But the reality is that contemporary church-state relationships (and the court rulings that have sanctioned them) really represent little more than a return to patterns of church-state cooperation in service provision that prevailed in most parts of the United States before the second World War.¹¹ In fact, this shift can be viewed as an extension of the earlier efforts through which government effectively took over the domain of donative voluntary associations and transformed them into quasi-governmental entities.

In light of these institutional continuities, it hardly comes as a surprise to find the role of the organizational fields of interrelated agencies, congressional staffs, think tanks, advocacy groups, foundations, and mass membership/industry associations that arose in the earlier phases of the development of the post-World War II welfare state

undiminished in significance. Indeed, the role of special interests, many of them using the nonprofit form acting as conduits for donated funds -- including political monies, hard and soft -- seems considerably greater now than at any time in the past.

If there is significant qualitative change to be found, it seems to consist of the disappearance of philanthropic commitment to building and maintaining broad civic capacity -- and its replacement by narrower commitments to institutions and causes that benefit particular geographic or demographic segments of the population. As early as the mid-1980s, efforts to assess the impact of the 1969 Tax Reform Act found that, while tax reform had not appreciably slowed the growth of foundations, the areas showing the greatest expansion were in the South and West (rather than in traditional centers in the Northeast and Upper Midwest) and that philanthropy was more likely to be focused on local and regional rather than national objectives.¹² More recently, studies of giving by wealthy information and communications technology entrepreneurs suggests an orientation to locally-based "hands-on" philanthropy that would be more amenable to measurable and tangible outcomes (Bengali 1999; MacDonald 1999; Van Slambrouck 1999; Ignatius 1999). This may well be expressive of the distaste for conventional forms of civic engagement among the new class of "knowledge workers" observed by Peter Drucker in 1989.

At the end of the second World War, as the modern American welfare state first began to emerge, the United States was still very much a nation of voluntary associations and people who joined, actively participated, and supported these entities with donations of time and money. Most of these (including religious denominations, fraternal/sororal

associations, veterans groups, health charities, professional societies, and so on) were "national associations" -- federated entities headquartered nationally, but with state and local chapters and subunits. By the 1990s, most of these were dead or dying -- and in their place had grown a vast universe of free-standing, autonomous charitable tax-exempt nonprofits in which membership was nominal and most of whose revenues came directly or indirectly from a mix of government grants, contracts, vouchers, and earned income from sales of goods and services.

The shift from the PTA to the PTO as the primary forum for parental involvement with schools captures the nature of this transformation (Crawford & Leavitt, 1999). The PTA was a national membership body with associated state and local organizations, as well as chapters in virtually every school in the country. It served as an important forum not only for shaping national and local educational priorities, and for disseminating information about educational issues, but also as a common meeting ground for professional educators and parents. PTOs, which have largely replaced the PTA, are autonomous bodies that function as parent auxiliaries for particular schools. While they depend on voluntary contributions of time and money, they have no connections to other schools in their communities or to state or national bodies. What was once a broad and inclusive civic arena has become a privatized and insular enclave.

In 1995, Harvard political scientist Robert Putnam's drew a bleak portrait of these trends in his provocative 1995 essay "Bowling Alone." Though he treated the proliferation of nonprofits as a symptom (and in certain ways, a cause) of declining civic engagement, he may have been too quick to dismiss their significance. To be sure, the

enclaving and privatization of broadly inclusive civic domains does appear to spell the end of public life as we have known it since the mid-nineteenth century. But it may not portend the end of public life as-such. In contrast to Putnam, Peter Drucker's more sanguine portrayal of a society in which individuals create and participate in privatized expressive enclaves in which they can acquire and exercise civic skills, act efficaciously, and to which they can devote their energies and resources points to a form of civil society that is certainly different from the Tocquevillian ideal, but is a no less valid model of civic interaction.

Again, it is worth reflecting on contemporary religion scholarship that has shown how social and economic changes, in eroding transgenerational loyalties to particular faiths and encouraging individualized searches for spiritual communities, led to the decline of denominational religion since the 1950s (Roof & McKinney, 1987; Roof, 1993; Wuthnow, 1986, 1998). But the decline of the religious "mainline" by no means has meant that America has become indifferent to religion. As free-standing congregations, parachurches, self-help groups, and other alternative forms of spirituality and devotional activity have proliferated, many commentators now consider the nation to be undergoing a religious renaissance comparable to the other great "awakenings" of the past.

The reality is that the "civic space" whose disappearance Putnam and others decry -- like "mainline" religion and national associations like the PTA -- is only one way of configuring public life. The notion of a "common good" defined and defended by the disinterested "experts" of the twentieth century or the "wealthy, learned, and respectable"

of the nineteenth is a time and class-bound notion that, even at the Republic's beginnings, represented but one of several ways of enabling citizens to act collectively.

Because of his commitment to equality (and his keen sense of what placed it at hazard), Jefferson defined the "common good" as comprising no more than the sum of individual goods. Thus, while foremost among those defending the rights of individuals to assemble, worship, and speak as they pleased, was also a determined opponent of efforts to extend these personal freedoms to organizations. As he wrote to New Hampshire Governor Christopher Plumer in regard to the state's efforts to reorganize Dartmouth College,

the idea that institutions, established for the use of the nation, cannot be touched or modified even to make them answer their end, because of rights gratuitously supposed to be in those employed to manage them in trust for the public, may, perhaps, be a salutary provision against the abuses of a monarch, but it is most absurd against the nation itself. Yet our lawyers and priests generally inculcate this doctrine; and suppose that preceding generations held the earth more freely than we do; had a right to impose laws on us, unalterable by ourselves; and that we, in a like manner, can make laws and impose burdens on future generations, which they will have no right to alter; in fine, that the earth belongs to the dead, but not to the living. . . (Jefferson 1816).

Jefferson's views were embraced by most Americans outside of New England -- which accounts for the relative scarcity of private philanthropy and endowed institutions outside the Northeast before the twentieth century.

The alternative view of the "common good" -- as more than the sum of individual goods -- advanced by Federalists like Timothy Dwight, who argued that it could only be attained under the guidance of enlightened and learned political and religious leadership. This model eventually became dominant, with the emergence of the organized professions, the research university, and the widespread adoption of bureaucratic organizational forms in government, business, and eleemosynary enterprise (Frederickson 1965; Weibe 1967; Galambos 1970, 1983; Sklar, 1988). Its ultimate triumph depended less on the will of the unruly electorate or the turbulent marketplace than on the strategic philanthropic giving and organization-building of New England elites, who well understood the advantages philanthropic institutions offered the electorally disenfranchised for exercising power and influence.¹³

With the emergence of powerful professional and managerial elites at the beginning of the twentieth century, the accepted conception of public life came increasingly to be identified with private philanthropic and philanthropically-supported institutions. The central irony of civil privatism was that the essential condition for its success -- its emphasis on inclusion based on merit -- was also the instrument of its undoing, as talented outsiders, Catholics, Jews, and non-northern Europeans, began to push members of old elites from positions of leadership in the 1960s. This ultimately

forced the Establishment to shift its conception of the "common good" in a more privatized direction -- and, along with it, its philanthropic agenda.

Taken together, these trends powerfully underscore the hazards of our using time-bound concepts and standards to measure and assess fundamental institutional changes. Among the most hallowed of these concepts (and the standard by which we distinguish altruism from self-interest) has been the boundary between public and private action. Viewed ahistorically, this boundary seems universal and absolute. Viewed historically, it is clear that clear demarcation of public and private domains only began to emerge in certain western European legal systems in the seventeenth century and only received unambiguous codification in the post-Revolutionary declarations of rights in American state constitutions, in the first ten amendments to the United States Constitution, and in the Supreme Court's 1819 Dartmouth College decision, which definitively extended the First Amendment right of assembly into a constitutionally inviolable right to form associations. (It hardly seems coincidental that the delineation of the public-private boundary coincided with the rise of the modern nation state and modern economic institutions).

But even these epochal gestures did not translate automatically into an unlimited right to make philanthropic donations -- the very essence of what we consider to be "private initiatives in the public interest." The federal courts hesitated to give private citizens this power until 1844, in its landmark ruling in the Girard Will case. The states were even more hesitant. Until an overhaul of its charities laws in the early 1890s, New York courts routinely overturned charitable bequests deemed not to be in the public

interest and its legislature strictly limited both the size of institutional endowments and the proportion of a decedent's estate that could be left to charity. As late as the mid-1920s, Mississippi entirely forbade bequests of real estate or money for religious or charitable purposes (Zollman 1924, 45-46).

A decade ago, Lester Salamon pointed out the ways in which defective "conceptual lenses" had impaired our ability to grasp the importance of relationships between nonprofits and government (Salamon 1987). Far more serious distortions result from our use of such defective lenses to view the boundaries between public and private domains and the institutions and practices whose existence is contingent on the location of those boundaries -- philanthropy, volunteering, associations, corporations, and so on. While contemporary statutes and regulations may clearly demarcate charitable/philanthropic and mutual benefit activities the reality is that this distinction, like the public private distinction, is of relatively recent origin.

At the end of the nineteenth century, the tax laws of Massachusetts and a number of other states accorded equal exemption privileges to all membership organizations, making no distinction between such mutual benefit associations as fraternal and sororal lodges, mutual savings banks and insurance companies, and athletic organizations and such charitable, educational, and religious organizations as colleges and congregations. In contrast, states like Pennsylvania offered tax exemption only to entities that could demonstrate devotion of a substantial proportion of their activities *gratis* to those in need. A more or less common standard of tax treatment only emerged after the second World War, incident to the universalization of income taxation -- and there are indications that

uniform practice is currently in eclipse, as states have begun assessing the high cost of subsidizing "charitable" enterprises that are, in fact, largely commercial operations.¹⁴ Trends in tax and regulatory treatment may take decades to evolve, but their extent and significance cannot be ignored -- especially because, in the aggregate, they are the elements of how distinctions between public and private and altruistic and self-interested come to be institutionalized.

In conclusion, it appears that the real history of American philanthropy and the organizations and movements supported by giving and volunteering has yet to be written. Until we can place these activities within a fully inclusive understanding of how Americans have carried out collective endeavors -- including, most importantly, the tasks of self-government -- our historical accounts will consist of little more than myths written to justify the efforts of particular social groups to maintain or claim power.

ENDNOTES

1. My studies of organizational populations show a massive die-off of traditional voluntary associations and their replacement by charitable tax-exempt entities in the decades following the second World War (Hall 1999).
2. In the aftermath of the Princeton Conference, generous funding -- chiefly by the Ford Foundation -- produced an outpouring of seminal studies, including Curti's own American Philanthropy Abroad (1963) and Philanthropy in the Shaping of Higher Education (1965), his colleague Irvin Wyllie's work on the legal history of philanthropy (1959), and dissertations and monographs by their students, including Howard S. Miller (1961; 1964), John Lankford (1962), James Howell Smith (1968), and Victor Thiessen (1968). Ford and Sage funding also supported work at Harvard by Professor Winthrop K. Jordan [who wrote five important studies of British philanthropy (1959; 1960a; 1960b; 1962a; 1962b)], David Edward Owen (1965; 1982), and graduate students Daniel M. Fox and Neil Harris, who wrote important studies of museums and the arts in America (Fox, 1963. 1995; Harris, 1966, 1981, 1990, 1993, 1996), Helen Lefkowitz Horowitz, whose 1969 dissertation on cultural philanthropy was only the first of her contributions to the literature on American institutional life (1976, 1984, 1987). Funding catalyzed by the Princeton Conference also led to the publication of a number of pioneering monographs by scholars at other institutions, including University of Georgia communications scholar, Scott M. Cutlip's Fund Raising in the United States (1965). Clifford Griffin's study of stewardship (1965), and Robert M. Bremner's American Philanthropy (1960; see also 1980).
3. To be fair to the social scientists of the era, they did recognize aspects of the new public-private synergies. Certainly, Mills's identification of the "military-industrial complex" pointed to a highly selective awareness of new relationships between public and private domains. Criticism of the "revolving doors" between regulatory agencies and the industries they regulated identified an important aspect of these relationships.
4. The "organizational field" presents an invaluable alternative to such units of analysis as firms, industries, and sector. Social theorists Paul DiMaggio and Walter Powell define an organizational field as "those organizations that, in the aggregate, constitute a recognized area of institutional life: key suppliers, resource and product consumers, regulatory agencies, and other organizations that produce similar services or products." The virtue of this unit of analysis, they argue, "is that it directs our attention not simply to competing firms. . . but to the totality of relevant actors" (DiMaggio & Powell 1989, 65). Moreover, it invites attention to a greater range of organizational behavior -- including efforts to maximize utilities other than profits (legitimacy, certainty).

The organizational field is a peculiarly useful framework for viewing complex and extensive interorganizational relationships that would remain invisible to other

forms of analysis -- especially relationships across institutional domains (government/business/nonprofit).

5. Typical of this pattern are the careers of such notables as John Foster Dulles, John Gardner, Robert MacNamara, Dean Rusk, the Bundys, and Henry Kissinger, all of whom who moved easily between foundation and corporate boardrooms and executive suites, university faculty and administrative positions, and high appointments in government.
6. This was not a new charge. Similar fears had been expressed by the Walsh Commission in 1913, whose staff sharply questioned Andrew Carnegie, John D. Rockefeller, and other early foundation philanthropists -- and by the TNEC (Temporary National Economic Committee) in the late 1930s. In contrast, congressional investigators of the early 1950s were more concerned about the political and cultural influence of foundations than their economic impact.
7. Patman's investigatory reports included: *The Power and Influence of Large Foundations* (U.S. Congress 1961a); *Foundations Fail to Give Adequate Financial Reports* (U.S. Congress 1961b); *IRS Needs Sharper Tools* (U.S. Congress 1961c); *Tax Exempt Foundations and Charitable Trusts: Their Impact on Our Economy* (U.S. Congress 1962); *Tax Exempt Foundations and Charitable Trusts: Their Impact on Our Economy, Second Installment* (U.S. Congress 1963); *Tax-Exempt Foundations: Their Impact on Small Business, Third Installment* (U.S. Congress 1964); *Tax Exempt Foundations and Charitable Trusts: Their Impact on Our Economy, Fourth Installment* (U.S. Congress 1966); *Tax Exempt Foundations and Charitable Trusts: Their Impact on Our Economy, Fifth Installment* (U.S. Congress 1967); *Tax Exempt Foundations: Their Impact on Small Business* (U.S. Congress 1967); and *Foundations and Charitable Trusts: Their Impact on Our Economy, Sixth Installment* (U.S. Congress 1968).
8. Emerson Andrews relates the difficulties he encountered in gathering information on grantmaking foundations for the first edition of the Foundation Directory. Before the mid-1960s, the only national organization of foundations was the Council of Community Foundations organized by
9. Although classified by the IRS as a 501(c)(3) charitable and educational entity, IS was organized like a trade association, with membership restricted to nonprofits that carried out their activities on a national scale. This necessarily restricted membership to large grantmakers and a handful of large charitable federations and advocacy groups. Since the vast majority of the nation's nonprofits were locally based -- or were chapters of large organizations like the Red Cross and the national health charities.
10. This critical strand did not, however, escape the vigilance of INDEPENDENT SECTOR's Chair, Brian O'Connell, who described Hansmann's ideas about the nonprofit sector to assembled notables at a dinner following the first Spring

Research Forum as "the stupidest thing that I have ever heard." This led John Simon and Paul DiMaggio to write a lengthy memorandum taking him to task for "derisory remarks made not at the panel session in which Henry participated -- where he could have responded -- but in a forum where he was not present to explain himself and in front of a distinguished group of researchers and other individuals professionally concerned with the quality of research on the independent sector." An account of this interchange can be found in John G. Simon and Paul J. DiMaggio to Brian O'Connell 7/13/1983, PONPO files.

Later, highly selective readings of Hansmann's public goods, contract failure, and market failure rationales for nonprofits became -- somewhat to Hansmann's annoyance -- the closest thing to an orthodoxy that the new nonprofits field had to offer.

11. Between the 1880s, when the U.S. Supreme Court declared the United States to be a "Christian Nation," and World War II, church-state relationships were cooperative and supportive and clergy -- particularly Protestant clergy -- played prominent roles in public life. Only after the war did an increasingly activist (and religiously diverse) federal judiciary begin reaffirming the "wall of separation" between the two. On this, see Handy, *Undermined Establishment: Church-State Relations in America, 1880-1920* (1991).
11. On this, see Teresa Odendahl (ed.), *America's Wealthy and the Future of Foundations* (1987) and *Charity Begins at Home: Generosity and Self-Interest among the Philanthropic Elite* (1991). In response to these shifts, the Council on Foundations launched an effort to convene local and regional philanthropic communities throughout the country. These shifts not only reflect the tremendous growth of economies in these regions after 1960, but also the willingness of wealthy conservatives who had traditionally resisted foundation philanthropy to embrace it.
12. For an example of the clarity with which members of New England's upper classes understood the potential of philanthropy and voluntary associations as a counterpoise to democracy, see William Ellery Channing's essay, "Associations" (1829). For a wonderful case study of how these instrumentalities were used to exert control over forms of popular cultural that flourished through market patronage, see Edward Everett's account of the Lowell Institute (Everett 1840; Weeks 1966; Story 1981). See also Paul J. DiMaggio's important study of elite use of nonprofit organizations in Boston's musical culture later in the nineteenth century (1986).
14. At this point, most states began accepting federal grants of exempt status as the *desideratum* for exemptions from state and local sales and property levies. The Pennsylvania Supreme Court's landmark 1985 decision in the Hospital Utilization

Project Case represented a dramatic break from this practice, when the court boldly declared

the mere fact that an organization is a nonprofit corporation does not mandate that it be exempt from taxation. . . . This fact is immaterial and not controlling since we are not bound by Federal determinations as to the charitable character of a school. More important, however, standards applied under the Federal statute are totally different from those under the Pennsylvania statute. . . (Hospital Utilization Project 1985).

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APPENDIX

Table 1: Total nonprofits (NPOs) and charitable nonprofits [101s and 501(c)3s] registered with the Internal Revenue Service, 1939-1996.

YEAR	TOTAL NPOS	101s & 501(c)3S
1939		12,500
1943	80,250	17,450
1946	93,458	27,500
1950		32,000
1967		309,000
1968		358,000
1969	416,000	138,000
1972	535,000	
1973	630,000	
1974	673,000	
1975	692,000	
1976	763,000	260,000
1977	790,000	276,000
1978	810,000	294,000
1979	825,000	304,000
1980	846,000	320,000
1981	851,000	328,000
1982	841,000	323,000
1983	845,000	336,000
1984	871,000	353,000
1985	887,000	366,000
1986	897,424	487,183
1987	939,105	522,751
1988	969,177	489,952
1989	992,561	490,129
1990	1,024,766	484,000
1991	1,055,545	512,551
1992	1,085,206	530,592
1993	1,118,131	542,969
1994	1,138,598	522,000
1995	1,164,789	560,057
1996	1,188,510	573,265

Source, *Historical Statistics of the United States, Millennial Edition* (in press)