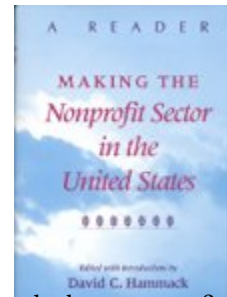


# H-Net Reviews

in the Humanities & Social Sciences

David C. Hammack, ed. *Making the Nonprofit Sector in the United States: A Reader*. Bloomington: Indiana University Press, 1998. xix + 481 pp. \$39.95 (cloth), ISBN 978-0-253-33489-3.

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Since World War II, the nonprofit sector's growth has been astonishing, by any measure. At the beginning of the twentieth century, America had just eight foundations; in 1999, there are over 41,000, with the overwhelming majority created after 1945. Even the Internal Revenue Service cannot provide the exact number of today's nonprofits. Possibly it exceeds two million, including churches, synagogues, and local chapters of national organizations.

Sorting out how and why all this happened, whose interests these developments served, and the outlooks of the great American philanthropists attracts the attention of more and more scholars. They have no easy task because the nonprofit world is enormously varied and complex. To a large extent, the scholars' own eleemosynary experiences are with foundation program officers, in connection with grant applications for research projects. But most philanthropic transactions still take place the way they did at the beginning of the twentieth century, with someone personally asking someone else for a donation to finance a cause for communal betterment.

During my own forty years plus as a development professional, I have often wondered how it is that pronouncements about charitable giving made at institutions of higher learning so seldom seem applicable to what we actually do. The reason, of course, is that what is pronounced is only infrequently applicable to such places as Borough Park in Brooklyn, Ivy League universities, and suburban Scarsdale, in New York's Westchester County.

According to the publicity release accompanying the review copy of *Making the Nonprofit Sector*, Hammack, who is currently on the staff of Case-Western Reserve University, has had a long and distinguished teaching ca-

reer. Evidently, however, he never worked at a nonprofit. What is surprising, given the book's title, is how much more it tells us about how the system worked and currently works than about the theories that undergird it.

Hammack includes forty-one documents and essays by "men and women who have taken part in the effort to define America and the American dream ...." But his book tells us little about the philosophies of the two men who defined modern philanthropy, Andrew Carnegie and John D. Rockefeller. Both had earlier created the modern corporation, and neither thought that charity, like industry, could function on a piecemeal basis in an advanced industrial society.

Clearly, their thinking is of critical importance to "Making the Nonprofit Sector." But in this connection, neither of two seminal articles, nor sections thereof, by Carnegie ("Wealth"[1] and "The Best Fields for Philanthropy"[2]) are included. Arguably, these are the most literate and powerful attempts ever written to explain relationships between laissez-faire capitalism, charity, and Social Darwinism, of which Carnegie was an exponent. Despite his unwavering dedication to the proposition that the fittest survive, Carnegie could never be certain that fit societies survive. He argues that capitalists must spend their fortunes for the public good. If they fail to do so, consequences may include serious social unrest. And such unrest could lead to the loss of fortunes.

Carnegie's articles inspired a torrent of angry responses from clerics and social activists, which is why it is impossible to understand the *Social Gospel* and opposition by Progressives to benefactions by the very rich without taking into account the polemics of such clerics as the Reverend William Jewett Tucker. For Tucker, the problem posed by great wealth was the fact of its accu-

mulation in the hands of a few, not of how to dispose of it after it was accumulated.[3] Charitable organizations, financed and organized by men whose wealth was unimaginable before the Civil War, could be, to thinkers like Tucker, nothing more than a means of social control through which the rich hoodwinked the poor.

Unfortunately, not only is there nothing by Tucker included in the book, but, on Rockefeller giving, Hammack offers only Frederick T. Gates's "Address on the Tenth Anniversary of the Rockefeller Institute, 1911" (pp. 320-28). This selection helps us understand rationales that led to the founding of the Institute, a forerunner of Rockefeller University. But it does not suggest another subject of even greater importance than health care in Rockefeller thinking, around 1911.

Rockefeller and his son, John D., Jr., were deeply concerned about the same reaction that had troubled Carnegie-growing public sentiment against the very rich. The resentment would shortly spill over into Congress. In 1912, a Presidential Commission on Industrial Relations, headed by Frank P. Walsh, opened hearings on the "general conditions of labor in the United States." The Commission's more immediate mandate would soon become exploring possible connections between Rockefeller holdings in the Colorado Fuel and Iron Company, the Rockefeller Foundation, and a confrontation between members of the National Guard armed with machine guns, and strikers, at one of the company's sites, in Ludlow, Colorado.

The running battle that then developed between foundations and Congress came to a head in 1969, when the redoubtable Representative Wright Patman (D-Texas), simultaneously chairman of both the House Subcommittee on Small Business and the House Banking and Currency Committee, launched what turned out to be the most exhaustive Congressional probe of foundations ever undertaken.[4] At once, and rightly, foundations feared the havoc Patman might wreak,[5] based on his clearly negative feelings toward trustees of foundations and directors of Eastern banks: "You can't tell Brand X from Brand Y, they're the same people," he declared.[6]

Patman might have ended the development of foundations as tax shelters. He asked, "How can the Treasury Department possibly justify continuing to wring heavy taxes out of the farmer, the worker, and the small businessman, knowing that people of large means are building one foundation after another... ?"[7] As it developed, however, foundations had the political power to

withstand Patman's mighty assault. The Reform Act of 1969, mainly his doing, came nowhere near accomplishing what he wanted, which was for the Secretary of the Treasury "to declare an immediate moratorium on granting exemptions to foundations and charitable trusts." [8]

Hammack devotes little space to the Patman episode and includes none of Patman's statements. Nor does he include responses to Patman by foundation spokesmen. Yet, such items relate philanthropy to Progressivism, to what Carnegie and Rockefeller feared, and, not least, to the "American dream." On the plus side, the book provides useful information on many individuals and institutions. It lacks an index, however, making it difficult to easily locate that information.

#### Notes

[1]. *North American Review*, v. 141 (June 1889), pp. 653-664.

[2]. *North American Review*, v. 141 (December 1889), pp. 682-698.

[3]. See especially, Tucker, William Jewett, "The Gospel of Wealth," *Andover Review*, v.15 (June, 1891), 631-645.

[4]. See "Tax-Exempt Foundations and Charitable Trusts: Their Impact on the Economy," *Subcommittee Chairman's Report to Subcommittee No. 1, Select Committee on Small Business*, House of Representatives. The items included are dated December 31, 1962; October 16, 1963; March 20, 1964, December 21, 1966; April 28, 1967, March 26, 1968, June 30, 1969, and August 1972. Hereafter referred to as Patman Reports.

[5]. See Andrews, F. Emerson, *Patman and Foundations: Review and Assessment*. Occasional Papers: Number Three. New York: Foundation Center, 1968.

[6]. Joseph C. Goulden, *The Money Givers*. New York: Random House, 1971, p. 229.

[7]. Patman Reports, December 31, 1962, p. 2.

[8]. Patman Reports, December 31, 1962, p. 2.

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