

## Transparency and Accomplishment: A Legacy of Glass Pockets

by Vartan Gregorian

My chief happiness...lies in the thot [sic] that even after I pass away, the welth [sic] that came to me to administer as a sacred trust for the good of my fellowmen is to continue to benefit humanity for generations untold.

—Andrew Carnegie

The words of Andrew Carnegie with which I begin this essay for me embody one of the fundamental principles that must undergird the work of a philanthropic foundation: an absolute dedication to advance the welfare of humanity. Carnegie was not only the founder but also the first president of Carnegie Corporation of New York; our ninth president, John Gardner, articulated a second principle that must always be coupled with the first. He said, "A foundation should practice full disclosure. The larger it is, the more energetically it should disseminate full information on its activities."

Wealth is nothing new in the world—even the Bible mentions rich men (though often disparagingly, I might point out). It was our founder, Andrew Carnegie, along with others such as John D. Rockefeller, J.P. Morgan, Andrew W. Mellon, J. Howard Pew, Henry Ford and Henry Phipps who, at the beginning of the 20th century, brought a new concept to the idea of wealth, which was to use it imaginatively, constructively and systematically for the public good and to create institutions that would be dedicated to that purpose. Andrew Carnegie was very clear, as well, about his wish to see the money with which he endowed this foundation reinvested, in perpetuity, to serve the public.<sup>1</sup> In the November 10, 1911, letter of gift to Carnegie Corporation of New York, he wrote about the continuation of the personal philanthropic efforts he had begun. Using the abbreviated spelling he sometimes favored, he said, "My desire is that the work which I hav been carrying on, or similar beneficial work, shall continue during this and future generations."

When Carnegie transferred the bulk of his wealth to the Corporation, he also dispatched those funds across a kind of Rubicon of responsibility, because the money was no longer to be under the personal control of an individual, to be disseminated as the individual saw fit. Rather, it would be administered by an organization governed by rules, overseen by trustees and accountable to the public it proclaimed that it wanted to serve and, in time, to state regulators and the federal government.<sup>2</sup>

Andrew Carnegie himself had no quarrel with these oversights. In 1915, for example, testifying before a special Industrial Relations Commission appointed by President Woodrow Wilson to study the field of labor-management relations, he was asked about regulations that might apply in other areas and to entities such as foundations. When the question was posed as to whether or not he thought the state or federal government should exercise any supervisory control over these institutions, he replied, "Why, I would be delighted to welcome them." Later, when he was asked if he thought that full publicity should be given to the activities of foundations, he answered that he believed in advertising. "I would like more men, more people to get interested in my foundation," he declared.

But perhaps the responsibility to be accountable that is inherent in creating an institution such as Carnegie Corporation<sup>3</sup> was best summed up by one of our earlier trustees, who declared that it was incumbent upon foundations to have “glass pockets.” When I assumed the presidency of the foundation in 1997, I wholeheartedly welcomed that ideal as a guidepost for both the past and the years ahead. In fact, my first essay for the Corporation’s annual report was built around that theme. I wrote, “Freedom from political pressure is as necessary for the viability of private foundations as it is for institutions of higher education, but so is transparency...”

Foundations should stand for the best ideas and impulses of the American people, their idealism, altruism and generosity. Because of this, their values, and how they conduct themselves, must be higher than the prevailing standards. We are accountable not only before the law and the court of public opinion, but before history, as well.”

Looking back, it is evident that the concept of transparency has been a guiding principle of this foundation from the start. As early as 1922—setting a pattern that has remained consistent throughout the 93-year history of the Corporation—the officers of the foundation were thinking and writing about their personal and professional responsibility to ensure that the Corporation’s work was carried out in as thoughtful, forthright and accountable a manner as possible, while endeavoring, always, to plan for future generations. In the *Report of the Acting President for the Year Ended September 30, 1922*, Henry S. Pritchett, acting president of the Corporation from 1921-23, wrote, “[Under the charter of the Corporation], the policy pursued from the outset by its founder, and later consistently adhered to by its trustees, has followed a definite principle. According to this principle [the foundation has conceived its function to be] that of an agency charged with the duty of studying and estimating those forces and institutions that make for the advancement and diffusion of knowledge...Thus, if the trustees of to-day [sic] use the funds for mediocre or for unfruitful purposes, even with the best intentions, the trustees of the next generation shall have in their hands the same power for usefulness that belonged to their predecessors.”

The Corporation, through its officers, staff and trustees, has also made a consistent effort to demystify its work, given that the very nature of what it does can be confusing to some. Since many people know little, if anything, about the activities of foundations, they may be prone to think that the only responsibilities foundation staff have are to read proposals, pick the projects they like and write checks. The truth is that the Corporation is—and has always been—deeply committed to the idea of communicating as clearly and in as much depth as possible how it conceives of its mission, which can only be fulfilled by helping grantees to facilitate their work and carry out the projects that are supported with Corporation funding. In his 1922 report, Pritchett acknowledged the full weight of this responsibility, writing, “It is the difficult duty of the Corporation to select with discrimination from the many well-intentioned efforts, those that seem in their judgment most likely to make the greatest contribution to knowledge and understanding...”

In 1946, under the Corporation’s seventh president, Devereux C. Josephs, who served from 1945-48, the *Reports of Officers for the Fiscal Year Ended September 30, 1946*, also addressed the question of choosing between those “many well-intentioned efforts.” Discussing, for example, the fact that provision of a fair retirement income, inherent in the establishment of the Teachers Insurance and Annuity Association (TIAA), which was launched with “capital and initial subsidies from the Corporation,” had now been inculcated into American society through the Social Security system—a shining example of foundation money acting as a contributing lever for social change—the report acknowledges that it’s time for Carnegie Corporation to identify new opportunities. In doing so, however, it must

continue to adhere to the principle of using its resources as effectively as possible and explain how it will make its decisions in that regard. Therefore, the report states, "it is in order to set down as clearly as possible how and where this principle may be translated into action." The report then proceeds to do just that, identifying specific goals, with a focus on those that will have "lasting influence."

The post-World-War-II period—the Cold War years—presented new challenges to the Corporation, which by the mid-point of the century had already been carrying out grantmaking for almost four decades. In 1955, building on the legacy of openness and honesty about how Carnegie Corporation conducts its activities over both the long term and on a day-to-day basis—and seeking to renew and restate the processes involved in managing a foundation and its assets in light of changing times—John W. Gardner, president of the Corporation from 1955-1967, wrote an entire essay about *The Work of a Foundation*. In this publication, Gardner describes, in detail, many aspects of a foundation's work. He covers subjects such as *The Morning Mail* ("Proposals which come in by mail form a high proportion of the daily input...The best foundations are sympathetically attentive to every visitor and every letter..."); *How Decisions Are Made* ("...the first step which a foundation must take down the road toward wise decisions is to limit its field to some degree...but of course, no foundation will wish to draw up rules so rigid that it cannot occasionally respond to an imaginative idea even though it may be out of program..."); *Giver, Receiver and Gift* ("The relationship between the foundation officer and the [people] who seek and receive foundation funds is a highly disciplined and honorable relationship...A foundation must be precisely clear concerning its intentions and must honor even implied commitments").

Still, as Gardner points out in that essay, though "The major foundations, such as those associated with the names of Rockefeller, Ford and Carnegie, are meticulous in reporting to the public on the nature of the grants which they make...[v]ery few citizens have the faintest notion of how they go about doing it." In the present day—following in the spirit of Gardner's effort to make the work of the Corporation transparent to all, and concerned that today's generation may still be unsure about what foundations do or how to approach them—we use the tools of modern technology to put not only all our program guidelines and grantmaking policies and procedures on our web site ([www.carnegie.org](http://www.carnegie.org)), but also to make available an interactive quiz that helps grantseekers to quickly determine whether their project dovetails with the Corporation's fields of interest. For grantseekers who want to send in a funding request, the "How to Apply for a Grant" section of our web site offers detailed instructions about the narrative, budget and other information that should be included in a proposal.

Our web site also offers an easily searchable database that can almost instantly call up more than a decade's worth of grants—over 4,000, giving a comprehensive picture of the institutions and projects we've funded. This information is updated quarterly, after every Corporation board meeting, when grants are decided upon.

## **Foundation Staff: A Responsibility to the Public**

The true worth of a foundation cannot be determined just by the value of its endowment and by how well it carries out its mission; the quality of its leadership is also a key factor in judging excellence, as is the adherence of foundation officers and staff to an exemplary level of performance and behavior in carrying out the institution's work. It is not just the management of wealth that matters in maintaining a foundation's relevance, but also the

manner in which that wealth is equitably and responsibly disseminated by those who have taken on this task.

The personal conduct of Corporation staff in carrying out the foundation's business is an area that we have consistently addressed over time. This issue was of particular concern to Alan Pifer, the Corporation's tenth president, who served from 1967-82 (he also served as acting president from 1965-67). In a 1968 essay called *Foundations at the Service of the Public*—the title in itself a strong signal of how committed Pifer was to Andrew Carnegie's "sacred mandate" of serving his fellow men—Alan Pifer wrote that one way of ensuring that foundations have the highest value they can to society is to see that they are run by "trustees and staff whose sole loyalty is toward the long-run public good." In a 1984 publication, written for the Council on Foundations and entitled *Speaking Out: Reflections on 30 Years of Foundation Work*, Pifer delved more deeply into this subject. He began by explaining his rationale for why foundations and their personnel should always bear in mind that they occupy a unique position in society. He wrote, "[There is a] great need for everyone connected with foundations, either as trustees or staff, to understand that the funds committed to their charge are very special and should be used only to accomplish important things that will otherwise not be accomplished... I have always felt...that, because they are such privileged institutions and because they have so much potential for unusual service to the society, foundations should be judged by a higher standard."

Pifer's sentiments were echoed by his successor—and my immediate predecessor—David A. Hamburg, the Corporation's eleventh president, who served from 1982-1997. In a 1998 interview that was part of the "Conversations with History" series of the Institute of International Studies at the University of California at Berkeley, Hamburg said, "[F]oundations have great opportunities...they have scope and flexibility to address a very wide range of problems, including extremely hard problems that people would rather not think about, that look truly intractable...That is a great privilege."

In *Reflections on 30 Years of Foundation Work*, Pifer wrote very specifically about how an individual who has the "great privilege" of working at a foundation should conduct himself or herself. He said, "Above all other aspects of foundation work, I would put the human factor. I mean by this the attitudes and behavior of foundation staff members. If they are arrogant, self-important, dogmatic, conscious of power and status, or filled with a sense of their own omniscience—traits which the stewardship of money tends to bring out in some people—the foundation they serve cannot be a good one. If, on the other hand, they have genuine humility, are conscious of their own limitations, are aware that money does not confer wisdom, are humane, intellectually alive and curious people...the foundation they serve will probably be a good one. In short, the human qualities of its staff may in the end be far more important to what a foundation accomplishes than any other consideration."

While certainly a hallmark of Pifer's presidency, these golden rules have guided the foundation throughout its history. In recent years, we have expanded and even codified them to ensure that the values by which we mark and measure our professional lives at the Corporation are not just implicit in our work and our conduct but are explicitly spelled out. We have done this, in part, by creating a series of policies to which all those employed by the Corporation are asked to adhere, and which the board has heartily and enthusiastically endorsed. These include a Code of Ethics, Conflict of Interest Guidelines and a Whistleblower Policy. Because they embody the core values of the Corporation, these policies serve a purpose even larger than the specifics they address: they keep the underlying principles of this foundation fresh and alive for both staff and trustees,

inculcating them into all our activities. In fact, Corporation employees are asked, annually, to reacquaint themselves with the policies and sign their names to them.

None of these policies is frozen in time, naturally, and we will revisit them from time to time in order to determine whether they need to be refined, revised or strengthened.

## The Role of Trustees

The trustees of the Corporation are an integral part of ensuring that the foundation not only carries out its work effectively, but in doing so always meets the “higher standard” of foundation accountability. Theirs is a particularly critical responsibility in light of the fact that Andrew Carnegie—understanding that in different eras, different needs would emerge on the part of both people and institutions—expected the Corporation’s trustees to respond to the demands of the times creatively, thoughtfully and with the courage of their convictions. In 1911, he wrote, “Conditions upon the earth [sic] inevitably change; hence, no wise man will bind Trustees forever to certain paths, causes or institutions...I give my trustees full authority to change policy or causes hitherto aided, from time to time, when this, in their opinion, has become necessary or desirable. They shall best conform to my wishes by using their own judgment...”

The first person to take the founder literally didn’t wait very long. Henry S. Pritchett, then president of The Carnegie Foundation for the Advancement of Teaching, disagreed with Carnegie’s philanthropic fondness for certain benevolences, which he made evident by writing, in 1916, “Our nation faces sharp, pressing, insistent questions concerning which the people stand in urgent need of knowledge and understanding...It seems clearly the duty of the Trustees<sup>4</sup> [of Carnegie Corporation] to inquire if there are means by which this Trust may come to closer grip with these questions than through the giving of library buildings and church organs.”

In *Reflections on 30 Years of Foundation Work*, Alan Pifer expressed his thoughts about the role of trustees in concert with his characterization of foundations as having a dual public-private nature. Foundations, he wrote, “are private in the sense that they are incorporated as private entities, arise from private wealth and initiative and are self-governing and self-perpetuating. They are public in the sense that, once they have been granted tax-exempt status, they exist solely for public benefit...and must be administered with the broad interest of the public, and no other interest, constantly in mind. To see that this happens is the principal function and responsibility of the trustees...”

Earlier, in 1941, Frederick P. Keppel, the Corporation’s fifth president (1923-41), also addressed the role of trustees. In the *Report of the President and of the Treasurer for the Year Ended September 30, 1941*, he wrote—with great prescience, considering that he was addressing an issue that would become paramount in the latter half of the twentieth century, when foundations and other nonprofit organizations would often be taken to task, by the public, the press, and regulatory authorities, such as state attorneys general, for overspending on administrative costs—“One of the first responsibilities of a foundation board is to see that the ratio of administrative expense to total resources be kept as low as possible, consistent with efficiency.” Keppel understood, though, that trustees’ responsibilities were broader than just financial oversight, noting, in that same essay, “It is essential the board of trustees should not only represent financial judgment and experience, but also be representative of American lay opinion.”

The crucial role that trustees play in enriching the quality of an organization's work at all levels was brought home to me when I was dean and later provost at the University of Pennsylvania. At that time, I came to know Henry Salvatore, a very interesting, well-read, cultured, conservative businessman who had helped to launch Ronald Reagan's career. Salvatore used to criticize everybody equally: capitalists, Communists, socialists, libertarians; literally, everyone. One day, I asked him what he thought was the greatest weakness of capitalism and he replied that the corporate world gathers together tremendous talent for the purpose of legitimizing its actions rather than for providing enlightenment. His words made a tremendous impact on me and ever since I've made every effort to engage trustees who can help to enlighten the work of the institutions that I have headed and who are passionately interested and concerned about the institutions' direction, programs and activities. That doesn't mean they should micromanage, but that they should be active participants in helping to shape the institution's future rather than perceive themselves or be perceived as just decorative figures.

When I came to the Corporation, I was very pleased to find that appointing trustees who wanted to be a dynamic force in the life of the foundation was already a long-standing tradition here, as was the continuity provided by thoughtful, committed board members<sup>5</sup> who have helped to guide the foundation's work and enrich its mission. The individuals who have held the position of chairman of the Corporation's board have been particularly instrumental in maintaining continuity of governance, such as Helene Kaplan, our current chair, who has served two terms in that position (1985-1990, 2002-present), the first during the presidency of my immediate predecessor, David Hamburg, and whose indispensable service on our board spans more than twenty years, an extraordinary demonstration of commitment. (When David Hamburg first became president, John C. Taylor, 3rd, was chairman of the board, serving from 1980-1985 and shepherding the foundation during the changeover from Alan Pifer's presidency to Hamburg's.) After Helene Kaplan's first term as chairman, she was followed by Warren Christopher (1990-1993) who was sworn in as U.S. Secretary of State shortly after his chairmanship of the Corporation's board was completed. Newton Minow was chairman of the board (1993-1997) when I became president of Carnegie Corporation, and we were all extremely grateful for his insight and leadership during the transition—myself, perhaps, most of all. And Thomas Kean (1997-2002), who succeeded Minow as chairman, was a strong and vigorous presence who both staff and board looked to in order to help set our direction for the future.

Perhaps one can argue over the scope and diversity of just what really constitutes Keppel's "American lay opinion," but the racial, ethnic, age, gender, cultural and career diversity of the Corporation's board over the years is a testament to the effort that the foundation has always devoted to finding trustees who may have different points of view and different backgrounds, but who share an unquestioning commitment to Andrew Carnegie's exhortation to promote the public good.

## **Records, Reports, Reviews**

For almost all of its long history—83 of its 93 years—the Corporation has published an annual report, and was among the first foundations to do so. These reports contain—in the words of John Gardner—"...records of all the dollars spent, to whom they went, for what purpose." We consider these annual reports, which contain our audited financial records, along with descriptions of all our grants, to be not only the purview of the Internal Revenue Service or of state regulators, but part of our compact with the public, fulfilling our obligation to the public's right to know how we spend what we still consider to be Andrew Carnegie's money. Therefore, to us, the critical issue about accountability is not just to

follow federal, state and local rules but to go beyond the specific tenets of those regulations to fulfill their spirit, too, which means bringing openness, honesty and transparency to all aspects of our work and our finances. Indeed, this issue was the cornerstone of an address I gave at the 20th anniversary conference of Independent Sector in 2000: as I told the conference attendees, “I believe that accountability can only be achieved with strategic thinking and planning, periodic self-assessment—and absolute transparency in communicating our progress toward our goals.”

To achieve that end, since 1997, when I became president, we have made our annual reports and financial data available on our web site, which also includes a description of our spending philosophy.<sup>6</sup> This course of action seems natural and fitting as we follow in the footsteps of those who were the stewards of the foundation before us and who believed, wholeheartedly, in what John Gardner in his 1964 annual report essay (*Private Initiative for the Public Good*) termed “the principle of full disclosure.”

As if anticipating Gardner’s call for openness, in his 1941 report of the president, Frederick Keppel tells us that “Accurate records, intelligently studied and analyzed and made freely available, are of the essence of foundation administration.” This is a mandate that the Corporation, under every one of its presidents—myself most definitely included—has fully endorsed and unwaveringly followed.

We do not confine our efforts to document and disseminate information about our work to our annual reports. Indeed, Gardner, Pifer and Hamburg, for example, have each published cogent analyses of different eras in the Corporation’s history, in essence, helping us to hold up a mirror to ourselves and to reflect on where we have succeeded and where we have not. Even today, these reports help us to draw inspiration from the past and reexamine lessons learned along the way.

Gardner was the first of the Corporation’s presidents to take a long and comprehensive look back in his 1961 essay, *Fifty Years in Review*, which marked the fiftieth anniversary of the Corporation. In the Review, he provided an incisive, honest, analytical and broad-ranging assessment of what the Corporation had accomplished in its first half-century. In 1981, Alan Pifer followed suit with the publication of *Carnegie Corporation in a Changing Society 1961-81*, and just over fifteen years later, David Hamburg wrote *A Perspective on Carnegie Corporation’s Program 1983-1997*.

The Corporation has also invited evaluation of its work from those outside the foundation. The noted scholar and historian Ellen Condliffe Lagemann—currently dean of the Harvard Graduate School of Education—was asked by Pifer and the Corporation to write an unfettered consideration of what the foundation had accomplished to date and where it had fallen short of its goals. What she produced was a deep and thoroughly researched book about the Corporation and its journey through three-quarters of a century. Entitled *The Politics of Knowledge: The Carnegie Corporation, Philanthropy, and Public Policy* (Wesleyan University Press, 1989), it was partially funded by the Corporation but written, as Lagemann reports in her preface, without anyone at or associated with the foundation seeing the manuscript until after it went to press. Naturally, it is gratifying to read her conclusion about the process of researching and writing the book, of which she says, “I can think of few organizations that would allow a historian the unrestricted access and freedom that the Carnegie Corporation has granted me...”

In keeping with the mandate given to the Corporation by Andrew Carnegie—that its efforts be dedicated not only to the advancement of knowledge and understanding, but also to

disseminating what we learn through our work and the work of our grantees—the Corporation, over the years, has produced a series of publications that have also served as an open window onto our work. From 1953 to 1996, we published *The Carnegie Quarterly*, which sent writers all over the United States as well as abroad to research and write about the work being done under Corporation grants. When I came to the foundation, I asked that this tradition be enriched and enhanced by creating a new magazine to not only report on the kinds of endeavors that the Corporation's support was contributing to but also to place these projects in the context of our national concerns and help stimulate dialogue about what our grantees are doing and what kinds of outcomes we are helping to bring about. This publication is called the *Carnegie Reporter*, and true to its name, it has engaged top-notch, independent journalists and writers to help us—and the public, along with the press and policymakers—understand the interplay between foundation funding and critical issues in American national life.

A more recent publication, launched in 2003, is the *Carnegie Results*, which is published four times a year with the intent of presenting an objective, in-depth examination of the full arc of Corporation support for a particular project or in a particular area, from beginning to end. Again, we take our inspiration from Andrew Carnegie who, his biographer Joseph Frazier Wall tells us, was the champion of what Carnegie called “scientific philanthropy.” Judging by his personal bequests (for the construction of libraries across the U.S. and abroad, for example, an undertaking that he knew would provide an exponential benefit not only to the local communities in which they were constructed but also to future generations who would continue to have access to their storehouse of knowledge), Carnegie meant that term to convey his belief that philanthropy should be carried out within a strategic framework and its results dispassionately assessed to determine what has—or has not—been accomplished.

It is for exactly that purpose that we publish the *Carnegie Results*. For the Winter 2004 issue, for instance, we commissioned an evaluation of a particular aspect of the Corporation's work in South Africa. Author Marita Golden<sup>2</sup> focused on what came to be known as the Carnegie “Poor White Study,” initiated in 1929, which left the Corporation with what she termed “a questionable legacy” by “creating blueprints to solidify Afrikaner economic and political dominance” over blacks, “coloureds” and other non-whites in that nation. She then went on to write about how the Corporation “would, in future years seek, with considerable success,” to alter this unfortunate history, in part through the Second Carnegie Inquiry into Poverty and Development in Southern Africa, begun in 1982, under the leadership of Alan Pifer. Its intention, in the words of David Hood, director of what was then called the Corporation's Commonwealth Program, was to “create a document that revealed what life under apartheid really meant,” and help to promote a transition to a democratic, multiracial society in South Africa—goals that, in the end, we were finally able to meet.

Why did the Corporation decide to revisit—and even put a spotlight on—its difficult past in regard to this chapter of its work in South Africa? The answer, at least in part, stems from the conviction of people like Alan Pifer that you can learn as much from your failures as your successes—sometimes, even more. After all, each time you fail at something, you learn one way never to proceed again, and that will cut down on wasted time and effort in the future! And further, since we, as a foundation, are part of a community of foundations, it seems to me to be an obligation on our part to share the roadmap of our work with our colleagues so they, too, can avoid the wrong turns we have taken in the past.

We also choose to carry out this kind of clear-eyed evaluation because we are convinced that Andrew Carnegie, with his emphasis on scientific philanthropy, would want us to: trial and error are at the heart of science, and the courage to be honest, analytical—and scientific—about our work must be at the heart of philanthropy, as well.

## **The Venture Capitalists of the Nonprofit World**

Earlier in this essay, the unique nature of foundations was touched upon and, in the words of Alan Pifer, “the obligation of those in a position of responsibility to have constantly in mind the enormous preciousness of the funds they control.” David Hamburg expanded on this concept by explaining how he felt those precious funds were best used. Foundations, he said, “were meant to be the venture capital of the nonprofit sector.” I couldn’t agree more. Foundations like Carnegie Corporation were not created to be an end in and of themselves, but to be tools dedicated to helping other worthwhile organizations—be they universities, libraries, nongovernmental organizations, voluntary agencies, charitable associations, hospitals, museums, citizens’ advocacy groups, grassroots coalitions or a host of other nonprofits working at the state, local, national and even international levels—carry out *their* missions; to help *them* fulfill their mandate as agents of change. In that regard, let me quote a favorite expression of a previous Corporation vice president, Lloyd N. Morrisett, about the potential impact of foundations—that in pursuance of the public good they may not create the wave, but they can influence the direction of the wave.

In other words, foundations are catalysts for progress; they are the institutions that invest in change, even when the odds against positive change seem overwhelming. Throughout the course of the Corporation’s long history, we have held fast to that role, even while the nation was buffeted by upheavals that challenged its ability to keep moving forward, or to nourish its growth as a living, thriving democracy. The Corporation was just a few years old when World War I broke out, an event that Andrew Carnegie’s wife, Louise, claimed had broken her husband’s heart, because, in addition to being one of the first to call for the establishment of a “league of nations” and providing the funding for a “palace of peace” to be built at The Hague in the Netherlands (now home to the International Court of Justice), he had used his contacts with world leaders to try to personally intervene in the march to war—to no avail. But Carnegie’s lifelong dedication to international peace became—along with education—one of the hallmark themes of the Corporation’s work, which it pursued through World War II, the Cold War, and still devotes untiring efforts to in the wake of September 11th and the many international conflicts and challenges that confront our nation in this new century. We have carried out this mission through grants, scholarships, national and international commissions and convenings, research and—under the leadership of David Hamburg—through the Carnegie Commission on Preventing Deadly Conflict (CCPDC), which produced reports and analyses, held conferences and linked the world to its work through its web site (and, in the process, helped to make the concept of preventing deadly conflicts become a priority concern for the United Nations as well as the wider global community), so that the quest for peace has never been far from the center of our organizational agenda.

Hamburg, it should be noted, was not afraid to put the Corporation under a national spotlight by creating not only CCPDC but a number of other commissions, including the Carnegie Commission on Science, Technology and Government, the Carnegie Task Force on Meeting the Needs of Young Children and the Carnegie Council on Adolescent Development, all of which produced research and reports that continue to enrich and inform their fields today. Describing how this commission-centered approach evolved and how it facilitated results, Hamburg details a number of components in the prologue to *No More Killing Fields*:

*Preventing Deadly Conflict* (Rowman & Littlefield Publishers, Inc., 2002), writing that, "...we fostered communication between scientists and practitioners in education and health, supported creative innovations and working models in communities, and put emphasis on applied research to assess systematically the upshot of these innovative models—asking what sort of action is useful for whom under what conditions."

In the years since the Corporation's founding, we have used Andrew Carnegie's endowment to support efforts that have become landmarks for the nation. Just a brief list must include establishing TIAA (now TIAA-CREF), noted earlier. Another important milestone was the funding—and timeliness—of *An American Dilemma: The Negro Problem and American Democracy*, Gunnar Myrdal's study of race relations in the U.S., a groundbreaking report that "raised the nation's consciousness about its race problem and was cited in the Supreme Court's 1954 *Brown v. Board of Education* decision to prohibit segregation in the nation's public schools..."<sup>8</sup>

In 1956, the Corporation helped to establish the Foundation Center, with the goal of promoting information and understanding about philanthropy and the work of foundations as well as to help better connect grantees with sources of funding. Among the stated principles of the Foundation Center, which we fully endorse, are that "Transparency and accountability are key to earning the public trust." To meet its goal of being a hub of information for grantseekers, grantmakers, researchers, policymakers, the media and the general public, the Foundation Center employs a number of strategies, including "[Ensuring] public access to information and services through our web site, print and electronic publications, five library/learning centers, and a national network of Cooperating Collections."

From 1967-1973, the Corporation financed the Carnegie Commission on Higher Education, headed by the late Clark Kerr, which conducted a study outlining a massive program of higher education federal assistance that led to the formation of the Federal Pell Grants program. Since 1973, the program, named after Senator Claiborne Pell, has awarded more than \$100 billion in grants to an estimated 30 million postsecondary students. Corporation funding has been instrumental in helping to establish many other organizations and programs that have made significant contributions to shaping the nation's educational agenda throughout the 20th century, including the Educational Testing Service, which was founded in 1947 to promote the development of ways to measure academic merit irrespective of social or economic background and the College-Level Examination Program, founded in 1960 to provide students of any age with the opportunity to demonstrate college-level achievement through a program of exams in undergraduate college courses.

In the mid-to-late 1980s, alarmed by a lack of scholarly expertise in Soviet studies, the Corporation supported scientific research and collaboration with the Soviet Union. With Corporation funding, Columbia University's Harriman Institute conducted research and training in Soviet security, the Brookings Institution expanded its Foreign Policy Studies program to include research on Soviet domestic and international policies, Berkeley and Stanford Universities undertook a joint project to study the evolution of Soviet perspectives, and the Institute for East-West Studies strengthened its U.S.-Soviet program.<sup>9</sup>

Through the 1960s into the 1990s, the Corporation was a leader in advancing young children's care and education, supporting research that proved crucial in securing and safeguarding federal funds for the Head Start program. Collaborative work with the Ford Foundation, sometimes through mutual funding of educational projects, sometimes via support of related undertakings in the field of education throughout the decade of the

1960s, contributed significantly to the development and passage of the Elementary and Secondary Education Act of 1965, which Ellen Lagemann, writing in *The Politics of Knowledge*, says, “represented a turning point in the history of education in the United States.” Notably, the Act, comprising five discrete sections, provided aid to school districts with “educationally deprived children of low income families” (which included 94 percent of the nation’s school districts in 1965), among other critical educational supports and innovations.

The foundation also supported educational television, helping launch Children’s Television Workshop (now Sesame Workshop), producer of *Sesame Street* and other acclaimed programs for children. After the Carnegie Commission on Educational Television promoted TV’s educational potential, Congress adopted its recommendations in the Public Broadcasting Act of 1968, which established the public broadcasting system. The Children’s Defense Fund, which was established in 1973 with funding from the Corporation, continues to work toward the betterment of children’s lives.

In a 1986 response to the federally sponsored study (*A Nation at Risk: The Imperative for Educational Reform*, 1983) that laid bare the poor state of the nation’s schools, a Corporation task force responded with *A Nation Prepared: Teachers for the 21st Century*. This report helped focus national school reform efforts on the critical need to revitalize the teaching profession. The task force also made a recommendation that many cite as its primary and lasting legacy: the establishment of a national board for professional teaching standards. With support from the Corporation, the recommendation became a reality in 1987 with the establishment of the National Board for Professional Teaching Standards.

Other landmark efforts to improve both teacher education and the quality of teaching in the U.S. have been nurtured by the Corporation, including the work of the National Commission on Teaching and America’s Future, which placed the notion of teacher quality at the center of the nation’s educational agenda through its much-heralded report, *What Matters Most: Teaching for America’s Future*. In 1998, the Corporation and the Ford Foundation enabled the American Council on Education to produce *To Touch the Future: Transforming the Way Teachers are Taught*, which cited the need for leadership by the presidents of our nation’s higher education institutions as the sine qua non for reforming teacher education.

*Turning Points: Preparing American Youth for the 21st Century*, another Corporation-sponsored study, published in 1989, accelerated reform of middle schools, including the widely adopted replacement of junior high schools with smaller 5th-8th grade middle schools. The Corporation also established a Task Force on Meeting the Needs of Young Children, as noted earlier, and in 1994 produced a report entitled *Starting Points: Meeting the Needs of Young Children* that drew attention to the promotion of the healthy development of children under the age of three. During this time the Corporation also produced a body of educational studies and reports through other organized groups such as the Carnegie Council on Adolescent Development and the Carnegie Task Force on Learning in the Primary Grades, among other efforts.

The 1990s also saw the foundation contributing to national and international efforts to develop a framework for dealing with global upheavals, most notably, the collapse of the Soviet Union. Grants to the Brookings Institution evolved into the Prevention of Proliferation Task Force, the precursor to the Cooperative Threat Reduction Program of 1993. Launched in 1991 as the Soviet Nuclear Threat Reduction Act, the program came to be known as “Nunn-Lugar,” after the bipartisan team of Democratic Senator Sam Nunn of Georgia and Republican Senator Richard Lugar of Indiana, who jointly sponsored and vigorously lobbied

for the legislation. The impetus behind Nunn-Lugar was the fact that the fall of the Soviet Union had left the region in disarray; looking back, nuclear nonproliferation experts say that this period, because of the potentially catastrophic loss of control over so many nuclear weapons and the possibility that former Soviet satellite states would use the weapons as bargaining chips, was one of the most dangerous times for world peace and security in the past 50 years.<sup>10</sup>

In prior years—in the 1980s, for example, during the height of the Cold War—the Corporation provided support for a number of related efforts to lay the groundwork for cooperation between the U.S. and Russia, as well as among other international powers. One ongoing effort—that continues today—is support of Track II, or nonofficial diplomacy, often centered on promoting dialogue between and among policymakers who can influence events and diffuse tensions. The foundation also continues an emphasis on creating national and international linkages between scholars and policymakers—through conferences organized by the Aspen Institute<sup>11</sup> and others—as well as with political and military leaders in order to keep lines of communication open and to infuse the development of policy with knowledge gained from thoughtful, rigorous research and study.

In 1999, the Corporation expanded its interest in international peace and security to include some of the most pressing new challenges on this agenda, including the post-Cold-War rise of national self-determination, the promise and peril of competition over fresh water, and misuse of advances in biological science. Through more than 70 grants to scholars and experts over a three-year period, the Corporation advanced understanding of the still-critical role of nationalism and its political expression through national self-determination in affecting the course of war and peace at the dawn of a new century. And building on recommendations in *Preventing Deadly Conflict*, the 1997 final report of the Carnegie Commission on *Preventing Deadly Conflict*, efforts were made to widen the range of disciplinary expertise brought to bear on a host of international water challenges, from Southern Africa to South Asia. Building on earlier unofficial negotiations on water between India and Bangladesh, Corporation-supported working groups in the subcontinent promoted technical solutions to regional problems while fostering cooperative relations among neighboring countries. New and poorly understood security threats in the biological realm became the focus of another new Corporation initiative that built upon decades of work in the nuclear non-proliferation field.

In recent years, continuing in the Corporation's tradition of choosing to address complex, difficult and timely issues affecting our national life, we have undertaken several major initiatives, including *Schools for a New Society* (SNS), a long-term, \$60 million initiative aimed at redesigning American high schools, initially in seven cities across the U.S., by involving educators, parents, community leaders and businesses in creating schools that will prepare all students to participate in a knowledge-based economy. This is a five-year commitment on the part of the Corporation, with the participation of the Bill & Melinda Gates Foundation, that focuses on reforming whole school systems in these cities—not just individual schools—so that a high-quality education and equitable resources are available to all students. Because of the scope of this undertaking and the fact that we are still in the early years of implementation, an in-depth evaluation of results is probably some time away. However, there are some early—and rewarding—indicators of success. For example, one SNS site reports data suggesting its redesign efforts have contributed to a decrease in the percentage of dropouts and an increase in the percentage of students graduating.

In New York City, which educates more public school students than any other urban district in America and more than a majority of the states—the system includes nearly 1,100,000

students; over 300,000 of them attending high school—the Corporation, in an innovative partnership with the Bill & Melinda Gates Foundation and the Open Society Institute, is working on a related initiative, *New Century High Schools*. Launched in 2000, with an initial five-year, \$30 million investment, the initiative promises effective high schools for all students and the implementation of small-school designs.

Both efforts to improve urban high school systems stem from the Corporation's long-standing, deeply held and unswerving commitment to public education. In 1902, Andrew Carnegie said, "Upon no foundation but that of popular education can man erect the structure of an enduring civilization." More than 100 years later, it is clear to me that Carnegie's words express an idea—indeed, a mandate—that is as current and critical an imperative as any other effort we are engaged in today that aims to strengthen our society and prepare our democracy for the great challenges of the future.

Another initiative, *Teachers for a New Era* (TNE), is encouraging bold reforms in current teacher education models; it will provide matching grants up to \$5 million for a period of five years to selected institutions and focuses on three design principles:

- Research evidence must ultimately demonstrate whether children have experienced learning gains as a result of the work of teachers who are graduates of the teacher-preparation program.
- Full engagement of arts and sciences faculty is required in the education of prospective teachers as well as ongoing collaboration between university arts and sciences faculty with school of education faculty.
- A view of education as an academically taught clinical practice is required, one which includes close cooperation between colleges of education and participating schools; master teachers as clinical faculty in colleges of education; and two-year residencies for beginning teachers.

One outcome we hope to promote through these reforms is the view of teaching as not only a highly valued profession—with practitioners who are rewarded accordingly—but also one that is seen as critical to our nation's continued social, economic and technological development. As Louis V. Gerstner, Jr., former chairman of IBM and currently chairman of The Teaching Commission, of which I am a member, along with Corporation trustees James Hunt and Richard Riley, has reminded us, "We [as a nation] will not continue to lead if we persist in viewing teaching—the profession that makes all other professions possible—as a second-rate occupation."

As with *Schools for a New Society*, TNE is a long-term commitment for the Corporation. (Additional support is being provided by the Annenberg and Ford foundations.) Teaching is, to use an oft-quoted phrase, a noble profession, but it is not often enough that the nation is reminded of how fundamental good teaching is not only to good outcomes for students but also to the success of every educational reform effort underway in America today. As I recently challenged the presidents of the colleges and universities participating in TNE, we have to spread the word to the nation that teaching *matters*, and the voices of those in our schools of education—from the students to the professors to the provosts to the presidents—must be among the loudest of those sounding this clarion call.

The Corporation has also been at the forefront of support for state-level campaign finance reform, encouraging voter and civic education and supporting the strengthening of democratic institutions, including the electoral process; for example, noting the malfunctioning voting mechanisms that nearly crippled the 2000 Bush-Gore election, the

presidents of the Massachusetts Institute of Technology and Caltech approached the Corporation to fund a collaborative project of their institutions aimed at developing an easy-to-use, reliable, affordable and secure voting machine.

Anticipating the 2000 election helped spur the Corporation in another direction, as well: the foundation's *Russia Initiative* was an 18-month-long endeavor with the goal of informing candidates and the public about the short- and long-term impact that rapid, often massive changes taking place in Russia might have on both the U.S. and the wider global community. The initiative brought together more than 100 Russian and American scholars in task forces to discuss and analyze issues relating to Russia's security, economy, democratization, social cohesion and state building. The result was a number of reports and a documentary video called *Russia: Facing the Future*, which, along with a companion volume of the same name, called for a mature reengagement between the U.S. and Russia in the post-Cold-War world. In the post-9/11 world, the more open and cooperative relationship between our two nations, called for by the *Russia Initiative* reports, has become a reality, particularly in the area of sharing intelligence about potential international threats. More than 20,000 copies of the reports—published in English and in Russian—and the documentary video that resulted from the initiative have been disseminated on a worldwide basis.

Also in advance of the 2000 presidential election, the Corporation and the John D. and Catherine T. MacArthur Foundation brought together top-level national security experts at the Carnegie Endowment for International Peace in Washington, D.C., to review, analyze and synthesize views on proposed national missile defense initiatives and the impact that American interest in weaponizing space might have on its relations with its allies as well as its foes.

*Higher Education in the Former Soviet Union* is another international undertaking, this one aimed at strengthening higher education in Russia and other former Soviet states, with a specific emphasis on the social sciences and the humanities. At the heart of this grantmaking activity are Centers for Advanced Study and Education (CASEs), which serve as umbrellas for stimulating research and publications through fellowships, conferences, travel grants, library support, access to the Internet and connections to Western academic communities. To date, nine CASEs have been established by the Corporation, which is working in cooperation with the MacArthur Foundation and the Russian Ministry of Education. CASEs are, I think, an important and innovative example of utilizing what Joseph Nye, dean of the John F. Kennedy School of Government at Harvard University, has called "soft power"—the ability to effect change through attraction rather than coercion. By supporting the intellectual life of Russian scholars and academics, and by forging close ties between them and their counterparts at universities in the United States, we are building strong, multi-dimensional relationships that can only contribute to the continuing development of both nations, as well as to international stability.

Internationally, the Corporation has been working in Africa almost since the foundation's inception.<sup>12</sup> Currently, our focus is on selected countries in sub-Saharan Africa and our grantmaking emphasizes strengthening a number of African universities, enhancing women's educational opportunities at institutions of higher education in Africa, and on developing the capacity of selected African public library systems, all efforts aimed at contributing toward national development. It is our hope that, during this unsettled period in the history of the African continent, our support can help to preserve, promote and enhance centers of excellence, such as institutions of higher education and libraries. In this context, the Partnership for Higher Education in Africa, comprising the Corporation, the Ford

Foundation, the MacArthur Foundation and the Rockefeller Foundation, was launched in April 2000; the foundations' intention is to work together to improve the educational capacity of selected African universities. The initiative will support efforts, many already underway, by leaders of African universities and academic associations to expand and enhance the education of the next generation of African leaders in fields necessary for continued development of the region. Between 2000 and 2003, the Partnership foundations contributed an aggregate of over \$100 million toward higher education development in six focus countries—Ghana, Mozambique, Nigeria, South Africa, Tanzania and Uganda—and on an Africa-wide basis. These funds covered both joint grantmaking by the Partnership as a whole and individual foundation support to selected tertiary-level institutions in Partnership countries. The initiative has, therefore, already exceeded its announced goal of providing \$100 million by 2005.

A recent direction for the Corporation has been the establishment, in 1999, of the Carnegie Scholars program, which resumed the Corporation's historic support for individual scholarship for the first time in thirty years. (Under the previous program, one notable scholar funded by the Corporation was Robert Caro, who used Corporation support to help write his Pulitzer-Prize-winning book, *The Power Broker: Robert Moses and the Fall of New York*, published by Vintage Books in 1975). We resumed the program in harmony with the spirit and concerns of Andrew Carnegie, who believed so deeply in the power of the individual to change the world, and in knowledge and scholarship as the tools that humankind uses to bring about that change. To date, we have awarded 67 fellowships.

I think I can assure you, after reviewing this précis of 93 years of Corporation funding, that being transparent about mission, achievements, finances and even failed outcomes, is no impediment to good works. Clearly, transparency and accomplishment are not mutually exclusive.

In 1886, Andrew Carnegie wrote a book called *Triumphant Democracy*, a joyous, optimistic paean to America, his adopted country. When a book critic asked rhetorically, "Where are the shadows?" Carnegie swiftly replied, "The book was written at high noon when the sun casts no shadows." Today, Carnegie Corporation, the institution that Andrew Carnegie meant to embody his best philanthropic efforts and philosophy, continues to carry out its work under that same bright light.

## **Carnegie Corporation's Endowment**

A paramount responsibility of the stewards of this foundation—from the day it was created in 1911 to the present—is to maintain the Corporation's financial resources in order to ensure that it can always meet the demands of its mission and keep its grantmaking at a high level. Through the years, that goal has been successfully met: the Corporation's endowment has remained healthy, and provided us with many, many times its original value. Still, we are no longer one of the largest foundations in terms of our endowment—the Foundation Center ranks us 22nd in terms of asset size—but we remain at the forefront of the "venture capitalists" of the nonprofit world because of our legacy of accomplishments, which we always remind ourselves would never have come to pass were it not for the vision of Andrew Carnegie. As he wrote in his seminal work, *The Gospel of Wealth*, "This, then, is held to be the duty of the man of wealth...to consider all surplus revenues which come to him simply as trust funds, which he is called upon to administer, and strictly bound as a matter of duty to administer in the manner which, in his judgment, is best calculated to produce the most beneficial results for the community..."

Every president of the Corporation—as well as the staff and board members—has had to cope with the responsibility of disseminating Andrew Carnegie’s “surplus revenues.” I am no exception. In this connection, it is clear to me that in order for the Corporation’s programs to function responsibly, we need leadership that is responsible about our finances, and in order to be fiscally responsive to our mission, we need a healthy endowment. After all, it was our founder’s explicit directive that his original bequest be managed in such a way as to ensure that grantmaking be carried out well into the future. Therefore—following on the recommendations of a pro bono report on strengthening the organization, prepared for the Corporation by senior leadership of McKinsey & Company, which called upon us to take a more proactive stance in both safeguarding and growing our endowment (in order to maintain and even increase our ability to make grants)—I was pleased to be able to bring a Chief Investment Officer onto the staff. The CIO (who is also a Corporation vice president), working with a small but talented in-house team, has kept our endowment at a level where we have been able to maintain or only slightly reduce our spending on grants during even the most challenging times that our economy has undergone in recent years.<sup>13</sup>

The careful, responsible, thoughtful and creative stewardship that we exercise over the Corporation’s endowment allows us to preserve our allegiance to the intent of our donor, who challenged those who followed after him at Carnegie Corporation of New York to serve the “generations untold” he wrote of in his letter of gift. It also protects our independence, because the funds we disseminate come from a private endowment, unencumbered by government mandates or subject to social or political trends, which is one of the great privileges—and responsibilities—that Gardner, Pifer, Hamburg and all those who preceded them have alluded to. Deeply cognizant of our obligation to invest and use this money both wisely and well, when it comes to program directions and strategies to support, we research, we consult, we investigate, examine, discuss, argue, study, think about, strategize and plan—and then make grants to the best organizations, run by the best people we can find.

As I wrote in my recent autobiography,<sup>14</sup> nowadays, as I sit in my office, I am positioned under Carnegie’s portrait, and cannot help but reflect, with some awe, on the responsibility of following in the footsteps of a major historical figure, particularly one who espoused a philosophy about engaging in philanthropy that laid the groundwork for modern-day philanthropic institutions and practices. I often find myself stealing a glance at him and sending him some psychic assurances that, at Carnegie Corporation, we are still administering “for the community”—and doing it to the best of our ability. Not just because we want to follow the rules and regulations about foundation giving, but because we want to do the right, the ethical, the *only* thing we should be doing: supporting work that will make life better, conditions easier and the struggles a bit less overwhelming for as many men, women and children as we can reach. For the Corporation, a critical component of that mission comprises working with our partners in promoting social change: our grantees.

## **An Honorable Relationship**

John Gardner said that the relationship between foundations and their grantees should be “honorable,” and one “governed by courtesy and a sense of mutual respect.” Alan Pifer’s characterization of the connection between the two entities was perhaps even more direct. He said, “The grantee needs the grantor’s help but, equally, the grantor needs good grantees to spend the foundation’s money, if it is to fulfill its role.

I am in complete agreement with both of my predecessors. The nonprofit sector has come to rely more and more on the support of institutions such as foundations for a variety of

reasons, including the fact that the federal government, which is the second largest source of income for nonprofits, now provides less funding to this sector than it did in 1980, after accounting for inflation—at the same time that the government has spun off many aspects of its social, health, culture, educational and other responsibilities to these same groups. Therefore, we in the business of philanthropy should see ourselves not as the bearers of largesse—certainly not!—but as the partners of those who are on the front lines and even the frontiers of our society, ensuring that our nation remains strong and that its people are given access to and benefit from the resources and opportunities available in our democracy. By supporting these efforts we are only doing our jobs—and our most important job is to ensure that nonprofits can do theirs. After all, civil society is not enriched nearly as much by foundations as it is by foundation grantees, those organizations and individuals who are doing the real work of improving the life of our nation—indeed, of people around the world. Foundations can convene, mobilize, invest in excellence, recruit the participation of great minds—but they are not the real movers and shakers. In fact, I often think it is incumbent on foundations to be mindful of the Hippocratic oath, when it comes to grantees: “First, do no harm.” We must be careful not to make the mistake of—even unintentionally—turning our grantees into contractors who carry out projects of our choosing. Certainly, foundations have missions to fulfill, but so do grantee organizations, and the philanthropic community must always be respectful of, and responsible to, the need of the nonprofit organizations they partner with to maintain the integrity of the work they were created to carry out.<sup>15</sup>

In truth, this is no small charge. Today, in the U.S., there are more than 1.2 million nonprofit organizations. In dollar terms alone, the nonprofit sector annually generates more than \$670 billion, or nine percent of the U.S. Gross National Product. More than twelve million Americans are employed by nonprofits. Because the sector is so large and diverse in mission, scope and ability, but also has such an impact on the life of the nation, there are always going to be concerns about its performance, governance, influence, intentions and fiscal responsibility. That’s normal. Even our founding fathers were wary of the phenomenal growth of the citizens associations that were emerging in the new republic. George Washington was among those who feared that nongovernmental organizations would become too powerful, stating, in his 1796 farewell address to Congress that “cunning, ambitious and unprincipled men” could use these associations to “subvert the power of the people.”

Happily, though, George Washington’s fears have not proved out. With a few notable exceptions, nonprofit organizations, including foundations, have gone about their work with integrity, honesty, balanced judgment and an overriding concern for doing the right thing and for being scrupulously ethical in all their dealings with the public, the media, the government and with each other.

This is as it should be, because while Andrew Carnegie saw himself as a trustee of public wealth, I—along with the great majority of my colleagues, I’m sure—see foundations as stewards of public trusts. After all, not only are foundations entrusted with the administration of considerable wealth—annually, the more than 61,000 foundations in the U.S. (which have total assets of over \$475 billion), give away over \$30 billion—their wealth and central role in our civil society provide them with the power to offer great help or, unintentionally, to harm. Philanthropies, therefore, have a moral responsibility to see that this power is used openly, wisely and responsibly in upholding society’s values rather than subverting them. These responsibilities will only increase in the coming years as their wealth increases. It is estimated that as much as \$2.7 trillion more will be entrusted to the

nonprofit sector in general, and philanthropies in particular, during the next twenty years when about \$18 trillion will pass from one generation to the next.

In 1915, when asked by the chairman of the Industrial Relations Commission to state his business, Andrew Carnegie—the founder of modern philanthropy—replied that “My business is to do as much good in the world as I can; I have retired from all other business.”

For the Corporation, with its unparalleled legacy of leaders who have committed themselves through their words, their writings and their actions to a course of complete transparency and accountability about how they make their decisions, pursue their goals, award grants and manage the foundation’s endowment, there is no question about maintaining and honoring the compact we have made with our grantees and with the public: to continue the business that Andrew Carnegie began for us. And in doing so, to keep our pockets as clear as glass.

#### ENDNOTES

<sup>1</sup> The Corporation’s capital fund, originally donated at a value of about \$135 million, had a market value of \$1.8 billion on September 30, 2003.

<sup>2</sup> Currently, foundations must spend a minimum of five percent of their assets for charitable purposes each year; if they fail to spend at that rate they would be subject to tax penalties and even, in extreme cases, be in danger of losing their tax-exempt status.

<sup>3</sup> This foundation has the misleading and corporate-sounding name “Corporation” because by the time Andrew Carnegie established it, in 1911, he had already used the words *foundation, endowment, institution, institute, trust and fund* in setting up other philanthropies.

<sup>4</sup> For most of its history, The Carnegie Foundation for the Advancement of Teaching shared its officers and board members with Carnegie Corporation of New York.

<sup>5</sup> In alphabetical order, these are the distinguished and noteworthy individuals who have served on the board of Carnegie Corporation of New York during the presidency of David Hamburg and myself, up to the present time (and excluding the chairmen, named above): Bruce M. Alberts, Tomás Arciniega, Richard I. Beattie, Geoffrey T. Boisi, Richard F. Celeste, Jack G. Clarke, James P. Comer, Eugene H. Cota-Robles, Bruce B. Dayton, Cándido de León, Thomas R. Donahue, Fiona Druckenmiller, Richard B. Fisher, James Lowell Gibbs, Jr., John G. Gloster, Ruth Simms Hamilton, Fred M. Hechinger, Teresa Heinz, James B. Hunt, James A. Johnson, Joshua Lederberg, Martin L. Leibowitz, Ann R. Leven, Vincent A. Mai, Shirley M. Malcom, Ray Marshall, William J. McDonough, Mary Patterson McPherson, Carl M. Mueller, Henry Muller, Sam Nunn, Olara A. Otunnu, William A. Owens, Mary Louise Peterson, Thomas R. Pickering, James J. Renier, Condoleezza Rice, Richard W. Riley, Margaret K. Rosenheim, Judy P. Rosenstreich, Robert E. Rubin, Anne Firor Scott, Ruth J. Simmons, Raymond W. Smith, Shirin Tahir-Kheli, Marta Tienda, Wilma S. Tisch, Laurence A. Tisch, Thomas A. Troyer, James D. Watkins, John C. Whitehead, Sheila E. Widnall and Judy Woodruff.

<sup>6</sup> “[T]he Corporation’s spending policy supports a stable flow of funds for the foundation’s programs and offers a sense of security for our grantees. The policy, which calls for spending 5.5 percent of the average market value of the endowment during the prior 12 quarters, dampens large swings in valuation. This helps sustain the Corporation’s grantmaking efforts in bad times as well as good, helping us fulfill Andrew Carnegie’s legacy of using private wealth for the public good in perpetuity.” From *Diversification Serves the Endowment Well*, Carnegie Corporation of New York annual report, 2001.

<sup>7</sup> Marita Golden is the author of twelve books; the most recent, *Don’t Play in the Sun: One Woman’s Journey Through the Color Complex*, was published by Doubleday in April 2004.

<sup>8</sup> *Public Scholarship: A New Perspective for the 21st Century*, by Stephen R. Graubard (Carnegie Corporation of New York, 2004).

<sup>9</sup> The Corporation supported the Russian Institute at Columbia University in the 1940s. In 1982, the institute was renamed the Harriman Institute in honor of Governor W. Averell Harriman and Ambassador Pamela C. Harriman.

<sup>10</sup> To date, the program has deactivated 6,312 nuclear warheads, destroyed 535 ballistic missiles, 459 ballistic missile silos, 128 strategic bombers, 708 submarine-launched missiles, 408 submarine missile launchers, and 27 strategic missile submarines. It has sealed 194 nuclear test tunnels and helped more than 20,000 scientists formerly working on programs relating to weapons of mass destruction find employment in other fields. Source: [www.lugarcamp.com/cats/nunn-lugar.asp](http://www.lugarcamp.com/cats/nunn-lugar.asp).

<sup>11</sup> The Corporation has supported Aspen Institute conferences on education, international issues and other areas of concern for more than twenty years.

<sup>12</sup> Carnegie Corporation of New York was created by Andrew Carnegie in 1911 to promote “the advancement and diffusion of knowledge and understanding.” Under Carnegie’s will, grants must benefit the people of the United States, although up to 7.4 percent of the funds may be used for the same purpose in countries that are or have been members of the British Commonwealth.

<sup>13</sup> Over approximately the past half century, our endowment has grown from \$182.5 million in 1950 to almost \$1.823 billion in 2003; in 1950 we appropriated \$4.2 million for grants, while in 2003 we appropriated \$74 million.

<sup>14</sup> Vartan Gregorian, *The Road to Home* (Simon & Schuster, 2003).

<sup>15</sup> Recently, two of my colleagues have also written forcefully about this issue: Gara LaMarche, vice president and director of U.S. Programs for the Open Society Institute, “When to Lead and When to Get Out of the Way,” *Chronicle of Philanthropy*, June 24, 2004; and Jessie C. Gruman, president and executive director of the Center for the Advancement of Health, “How Foundations Hurt Charities,” *Chronicle of Philanthropy*, August 19, 2004.

