

Inside Philanthropy

Who's Funding What, and Why

Powerless: How Top Foundations Failed to Defend Their Values—And Now Risk Losing Everything

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With the U.S. Supreme Court now dominated by five movement conservatives, nearly all the gains of modern liberalism—many of which leading foundations helped to engineer over generations—are now at risk. Major reversals on civil and reproductive rights are only part of what may lie ahead. The larger dream of the conservative legal movement is to limit government in a wide range of spheres—repealing by judicial fiat decades of laws to protect workers, the environment and consumers, as well as the legal frameworks that support key entitlement programs like Social Security and Medicare.

Today, finally, that dream may be within reach. Meanwhile, the Trump administration is hard at work dismantling the “administrative state”—gutting or destroying institutions created during the high water years of 20th century liberalism. The tax law passed by Congress last year, which has ballooned the deficit, is likely to translate into eventual cuts in domestic spending that trickle down to nearly every community in the United States. A growing climate crisis, no longer on Washington’s agenda, threatens to derail progress on a wide range of fronts, with emergency response efforts coming to consume ever greater resources.

There are many reasons America has arrived at this point. But philanthropy is an important part of the story. Over more than 40 years, funders on the right bankrolled a bold and ambitious strategy to spread their ideology and capture power. Their success in this regard ranks as among the most dramatic examples of high-impact giving in the past half-century.

In turn, the deeply ineffective response of mainstream and liberal foundations to a concerted attack on their core values, past accomplishments, and cherished goals stands as an abject failure of leadership and courage. These funders, plodding along with narrow technocratic plans, failed to act on a central reality of modern politics: If you can’t win and hold power within America’s key institutions, you risk losing on every issue that you care about.

Early Warnings

All I can say is, *we told you so*.

Back in the 1990s, I was among a small group of writers and researchers sounding the alarm about conservative donors working to shift America sharply to the right. The strategy of these funders—including the Scaife, Olin and Bradley foundations, and families like the Kochs and DeVoses—was to bankroll an ideological movement that could move ideas on the extreme fringe into the political mainstream—and ultimately turn them into policy and law.

These funders played the long game, over decades, with an eye on capturing the highest ground of American politics: law, fiscal policy, regulation, and the narrative frames of public discussion. They didn't invest in issues or programs, or dole out one-year restricted grants. They invested in ideas, institutions and people. They gave general support to a core group of multi-issue think tanks, legal groups, leadership institutes, and media outfits year after year, decade after decade.

Among the organizations to which these funders were most deeply dedicated was the Federalist Society, which was founded in 1982, to populate the judiciary with conservative judges—people like Neil Gorsuch and Brett Kavanaugh—and came to have an annual budget of over \$20 million. Funding this organization has never been about moving the needle on some specific issue in the near term; it's been about achieving transformative change over the long term on *all* the issues.

The Federalist Society's leadership doesn't twist itself into pretzels stringing together project grants. A who's who of conservative donors back the core mission with mostly unrestricted support. And they've kept renewing their support, like clockwork, for over 30 years.

Power Game

While Americans have heard a lot about the Federalist Society lately, I was studying the flow of right-wing money into this group over 20 years ago. And along with other writers like Sally Covington, Michael Shuman and Rob Stein, I wondered why big foundations like Ford, MacArthur, Robert Wood Johnson, Kellogg, Carnegie, Mott and Rockefeller weren't doing more to nurture legal talent and future judges who could defend and advance *their* values in one of the most important of all political arenas.

Likewise, we wondered why there were no well-funded, multi-issue think tanks on the left—places like the Heritage Foundation, Cato and the American Enterprise Institute. These flagship organizations have played a central role in pulling together the right's narrative and translating its values into policy ideas and blueprints for governance. They've provided a home to the movement's top public intellectuals, trained successive waves of young conservatives, and cultivated pathways into Congress and the executive branch. Last year, the Heritage Foundation had over \$90 million in revenue; it's been the source of many of the Trump administration's ideas for dismantling the administrative state and has played a central role in staffing executive branch agencies with movement conservatives dedicated to eviscerating federal power.

Even as conservative funders bankrolled strong, cross-cutting institutions, starting in the 1970s, to advance their values across a broad front—and started seeing dividends from this strategy early on (Heritage also orchestrated many of Reagan's policies)—liberal and mainstream funders took a different approach, sticking mainly with project support for single-issue organizations working in a siloized fashion.

These funders had plenty of money to compete in a more strategic game if they so chose. Compared to top foundations, places like Scaife and Bradley were (and are) pretty small. In a 1998 article, Michael Shuman documented in detail how conservative funders were badly outgunned by behemoths like Ford, and yet they wielded far greater influence by leveraging their resources in the critical realms of ideas, policy and movement building. They kept their eyes on key prizes, like dominance of the courts. And they were willing to bankroll the darker arts of politics to achieve their causes—like when Richard Scaife's foundation poured several million

dollars into the “Arkansas Project” to dig up dirt on Bill Clinton, an expedition that turned up Paula Jones and set in motion a chain of events that led to Clinton’s impeachment, and arguably, Al Gore’s narrow loss to George W. Bush in the 2000 election.

In his article, Shuman warned, prophetically it turned out: “The stakes are huge: We are in a monumental struggle over the very future of governance and public policy as we know it. If progressive philanthropists insist we play wiffle ball while our opponents play hardball, we’re destined to lose.”

In 1997, NCRP published a report by Sally Covington, *Moving a Policy Agenda*, that offered a chilling look at the rising influence of conservative philanthropy. Covington wrote, “Conservative funders see themselves as part of a larger movement to defeat ‘big-government liberalism’ and they fund accordingly, but mainstream foundations prefer to make modest, on-the-ground improvements in specific neighborhoods. As a result, mainstream foundations increasingly operate within the larger policy assumptions and parameters that conservative funders help shape.”

Covington’s report made waves in the foundation world and generated a lot of discussion, but few funders changed course. Then, during George W. Bush’s first term, Rob Stein started giving a PowerPoint presentation making many of the same points—and got traction with wealthy individual donors who were deeply alarmed by a president moving America in a hard-right direction. These donors stepped up to build such groups as the Democracy Alliance, the Center for American Progress and Media Matters for America.

The rise of this progressive infrastructure was a big step forward, but it has remained small in comparison to what the right fields. For example, there’s now a counterpoint to the Federalist Society—the American Constitution Society, created in 2001—but it has a fraction of the resources. While single-issue liberal groups like the ACLU and Sierra Club have large budgets, organizations that operate across issues and can quarterback a movement to win power more broadly have a much harder time raising money.

Sticking With an Older Model

One reason that the new infrastructure that arose on the left in the Bush years hasn’t scaled is because few top legacy foundations ever signed on to this project. The foundation world has mostly kept doing what it’s always done: trying to solve problems one at a time, within narrow frames, and steering clear of anything that might smack of ideology or partisanship. By and large, these funders have acted in the exact *opposite* way as the cabal of conservative funders who’s enjoyed stunning success in reshaping public policy.

Now, this cautious world of institutional philanthropy faces a moment of reckoning. Many funders are facing the potential of catastrophic setbacks to long-held goals.

Will the alarming developments of the past two years—and past few weeks—finally push mainstream philanthropy to stand up and fight for its values in the all-important spheres of ideology and power?

It’s too early to say. We’ve reported on many efforts by foundations since the 2016 election to engage more vigorously in public policy battles. Still, old ways of operating die hard. More likely, these funders will largely keep playing yesterday’s game for achieving impact.

That game is often about identifying evidence-based solutions that work and then trying to bring them to scale, frequently in partnership with the public sector. It entails building up fields of expertise and networks of smart people who operate at the nexus of knowledge and action. It increasingly involves convening key stakeholders in the pursuit of collective impact. To be sure, it can entail major investments in public policy research, advocacy, and public education—but typically to advance very specific goals, in ways disconnected from any larger movement-building project. Much of this work is incremental. It involves making progress, digesting lessons, sharing results, and then building on success.

Reason vs. Power

All these strategies can and do work. But their success often hinges on larger factors. For example, the Ford Foundation's asset-building efforts—the centerpiece of its economic equity funding under Susan Berresford's leadership and beyond—achieved some real results. But the financial crisis of 2008 wiped out nearly all the wealth gains made by communities of color over preceding years. One of the reasons that crisis occurred is because there was barely any opposition to efforts to deregulate the financial sector during the 1990s. Even now, amid a growing push to undo the Dodd-Frank law and rising warnings about future financial crises, few foundations focus on policing Wall Street—an obvious high ground of political economy.

Many foundations seemed trapped in a dated mindset about how change happens and how to have impact. They haven't wrapped their heads around key realities of our age, like the fall of public trust in institutions and elites, and rising polarization and populism. In this environment, expertise just doesn't seem to matter all that much.

What's moving change right now are social movements, ideology and tribal loyalties. Old-fashioned oligarchical power and raw political muscle matters, too—perhaps more than at any time since the Gilded Age.

These trends advantage a conservative funding world that's always operated with an ideological game plan and in close concert with business interests, the Republican Party, and social movements like the Christian Right and the Tea Party. Moreover, its orientation toward power has made it well-suited to a nastier political environment. As I've mentioned, conservative funders have long been willing to fight dirty when they see gains to be had—most recently, by funding voter suppression and the character assassination of *Hillary Clinton*, and by fanning primal divisions in the electorate.

Meanwhile, top legacy foundations seem increasingly lost at sea—and in a sense, hopelessly naive about political realities. They don't know how to operate in the present environment. They're worried about risking carefully nurtured reputations as institutions that are above politics and driven by pragmatism, not ideology. They fret that the philanthropic sector as a whole could lose the public's trust. And so, with a few exceptions (most notably, Ford), they just keep doing the same thing—as if it's still 1959.

Consider the battle over healthcare. For a generation, the leading funders in this space, particularly the Robert Wood Johnson Foundation, have worked patiently to make the case for wider access to health insurance, more preventive care, and reduced industry influence. They've scored some important gains, including help secure passage and implementation of the Affordable Care Act.

But that law was partly gutted early on by a conservative legal attack that knocked out the Medicaid mandate and it is now hanging by a few threads. Another round of legal attacks on the ACA, with a more conservative court, could spell its doom—if the Trump administration doesn't kill it first.

In any case, the kind of deeper health reform that the U.S. needs has never been on the table. Even a modest public option was pushed out of bounds early in the ACA debate. Insurers and drug companies still make vast profits while millions of Americans go without basic care.

The Limits of Technocratic Philanthropy

Working to ensure healthcare for all Americans has been treated by philanthropy as a technocratic exercise. Invest in research. Show what works. Develop policy ideas. Activate stakeholders. Pay for messaging and advocacy.

But what the healthcare fight is really about are values and ideology. Do Americans believe that healthcare is a fundamental right and part of a larger social compact? Are they ready to trust government to guarantee that right?

This fight is also about power. Winning arguments over healthcare on the merits doesn't actually matter if interest groups block action by Congress or if ideological judges find a way to invalidate new healthcare legislation passed by Congress.

It takes a movement with a broad vision and multifaceted infrastructure to win big battles like this one—a fight that cuts to the core of what this nation is all about and who gets what. You don't win on an issue like healthcare in isolation. You win because it's part of a larger agenda about equity. You win on healthcare because you have *power*. The same goes for climate change and any number of other issues.

But a foundation like Robert Wood Johnson isn't in the business of broadly funding an ideological movement that can help secure true healthcare reform someday in the future—and protect that gain from judicial or bureaucratic sabotage. It's not supporting a larger push to win power in defense of its values. This is not a funder that's going to give religiously to the American Constitution Society for the next 30 years because it understands that supportive courts are essential to reforming America's health system. It's not going to fund leadership institutes that train young progressives or give unrestricted support to flagship think tanks like the Center for American Progress.

That's just not how a place like Robert Wood Johnson operates. It's not how most mainstream foundations operate.

And the results are now more apparent than ever.