

“The Importance of Institutions,” Remarks by Jonathan Fanton at the Chicago Donor’s Forum Luncheon, June 22, 2006

It is a great pleasure to join you today. I have profound admiration for the Donor’s Forum and for your President, Valerie Lies. Valerie is a national leader in challenging times who has made Illinois the model for best practices in the non-profit sector.

This invitation produced some personal reflections as I thought back to a Donor’s Forum panel of new foundation presidents in 2000: Don Stewart, Paula diPerna, Ellen Lageman, Dick Behrenhausen. All wonderful colleagues, who made a positive impact on our city, but, alas, now on to other things. It is humbling to be the only one left.

Each of us had come from a different walk of life -- in my case, from a career in higher education. I suspect we were all excited by the prospect of doing good things, helping people in need, elevating public discourse about sensible policies, strengthening institutions essential to realizing our highest aspirations.

Philanthropy it is a very satisfying job. I have learned more in seven years here than I did in all the time I spent at universities – about fields I barely knew, places only dimly imagined. Most of all, I have learned that the world is full of good people – smart, decent, hardworking, and optimistic that they can make a difference.

And I have learned that institutions matter deeply. Around the globe, people are making common cause through non-governmental organizations – in the environment, human rights, health, education, social services, and all the rest. The collective power of the human spirit is amplified exponentially through institutions like those you represent. In a moment, I want to reflect with you on their importance.

That topic may be a bit surprising. Our foundation is best known for the MacArthur Fellows, which focus on creative individuals – not institutions. Each year, twenty-five people – in the arts, sciences, civic life – get a life changing phone call out of the blue granting them the freedom to pursue their interests with \$500,000, no strings attached.

But while the program celebrates the power of individual creativity, it often chooses exceptional people expressing their genius through excellent institutions, sometimes organizations they have invented.

I think of Roseanne Hagerty, the founder of Common Ground in New York City, which provides supportive housing for the homeless. Or Xiao Qiang, the former Executive Director of Human Rights in China, an organization started after the massacre at Tiananmen Square to expose that country’s violations of international standards.

I think of Paul Farmer, whose Haiti-based organization Partners in Health is a global model for the delivery of health-care services in the developing world. Or Laura Bourg, the Executive Director of the Southern Mutual Help Association, who has been working on rural housing issues for 30 years. And the list goes on.

In fact, MacArthur works closely with institutions around the world. Active in 65 countries, we have offices in Nigeria, Russia, Mexico, and India. Biodiversity conservation, international peace and security, population, human rights and international justice: these are the four pillars of our international program. We are also beginning a new initiative in human migration and mobility.

Our domestic program addresses the relationship of people, place, and systems. We are making some big bets: (1) on community and economic development; (2) on affordable rental housing; (3) on juvenile justice reform; and (4) on education, with a new focus on the effect of digital media on how young people learn -- in and outside of school.

MacArthur is unusual among major international foundations because we are so deeply engaged in our hometown: about 30 percent of our domestic budget is spent in the Chicago region. We think we are a better foundation in all that

we do around the world because we are rooted in a place where we work with real issues and people on a continuous basis.

All of our national work is piloted here in Chicago. For example, we will shortly announce the formation of The Preservation Compact, a partnership of government, business, foundation and civic leaders committed to preserving affordable rental housing in Cook County.

And we are deeply committed to helping the city build strong urban neighborhoods of opportunity and hope. In partnership with LISC, over 10 years MacArthur is investing \$150 million in sixteen of Chicago's high-poverty neighborhoods. In each place, we fund priorities identified by the residents themselves: schools, housing, jobs, crime reduction, economic development. We believe that by addressing on all these issues at once, these neighborhoods can become healthy on a sustainable basis. And through this recovery will come a city and region more competitive in the global economy.

MacArthur also provides unrestricted general support to Chicago arts and cultural organizations of all sizes – city-wide institutions and neighborhood groups, 178 in all. So we support the Art Institute, the Chicago Symphony, and the Goodman, but also the Mexican Fine Arts Museum, the Old Town School of Folk Music, and the Lookingglass Theatre. We give grants to small and medium-sized organizations through the Prince and Driehaus Foundations.

All told, we support 300 institutions in the Chicago region, organizations that form a thick network of relationships giving ordinary citizens the power to solve problems, seize opportunities, and imagine a just future.

Alexis de Tocqueville, that wise observer of the American scene, had it right in 1832 when he wrote:

“Americans of all ages, all conditions, and all dispositions constantly form associations... To remain civilized or to become so, the art of association together must grow and improve in the same ratio in which the equality of conditions is increased.”

Building and strengthening voluntary organizations has never been more important. The issues facing our country are growing more complex – the threat of terrorism, climate change, the budget deficit, the migration of people. We look to trusted institutions to help us think about public issues and to galvanize action.

As the political process seems less substantive and more superficial, as government seems less able to deliver what we need, as we worry that the market may not be the best alternative for basic public goods, we turn to non-profit organizations for guidance, inspiration, and concrete assistance.

We trust them. We depend on them. They enrich our lives and strengthen our communities.

Foundations are not very good vehicles for direct action. When we enter a field like affordable housing or international justice, we depend on a portfolio of grantees approaching our issues from different perspectives. Some do research, others do policy analysis or public education. Some work with government, others monitor and critique government.

At MacArthur, we know well that all of our programs require strong organizations and institutions like yours. You are on the front-line doing the work, taking the risks, producing the results.

And while some of our grants are for specific projects, we strongly believe in general operating support and occasional endowment grants. Let me give some examples in three categories: core support to existing institutions; creating new institutions where there is a gap in the landscape; and significant grants timed to help institutions make a quantum leap in their development.

The first is easy and straightforward. In all our areas of work, we have identified a number of what we call "anchor institutions," organizations that provide infrastructure for the fields where we are active. We currently support almost

100 of these organizations across the globe. Let me name just a few: the Center on Budget and Policy Priorities, a trusted source for federal budget analysis; the Coalition for the International Criminal Court, which organized 2000 NGO's worldwide to speed ratification of the Rome Treaty; and LISC/Chicago, which is responsible for affordable housing construction and preservation and neighborhood revitalization across the city.

Often, we encounter a gap in the field, a need that is not being met by existing organizations, and then add our greatest value by creating new institutions. Over the years we have played a lead role in establishing organizations like: Chicago Metropolis 2020, which aims to boost the Chicago region's competitive edge by promoting better regional policies and collaboration; The National Security Archive, which monitors foreign and security policy by using the Freedom of Information Act to obtain government documents; and The Bhutan Forestry Institute, which trains staff to manage new national parks and preserve critical biodiversity in this remote Himalayan Kingdom.

Let me talk about two in more detail.

1) The first is called the *Security Council Report*.

We are all familiar with the United Nations' failure to stop the genocide in Rwanda and ethnic cleansing in the Balkans a decade ago. And we know that it is acting far too slowly in Darfur today.

MacArthur has had an interest in defining the international community's role in preventing genocide. That led us to join with the Canadian government to create the International Commission on State Sovereignty and Humanitarian Intervention. It articulated a new norm now made official by Security Council Resolution 1674: the Responsibility to Protect. The resolution commits the United Nations, "to take collective action," when states are "manifestly failing to protect their populations from genocide, war crimes, ethnic cleansing and crimes against humanity."

Sounds good, but what if the Security Council does not act? How do we know what is going on behind closed doors? How do we know where and when to apply pressure? Despite living in an age of information, little is readily available about what is happening in the Security Council and what it all means.

MacArthur has partnered with the Rockefeller Foundation and the governments of Canada and Norway to establish a new institution called Security Council Report. Founded last year, SCR issues frequent reports on what the Security Council is or isn't doing, and what is coming up on the agenda. The material is available on the Internet for the public, including journalists. And it is of special use to the Security Council's elected members, often kept in the dark by the Permanent Five.

Recent issues have cast a spotlight on Darfur, Northern Uganda, East Timor, and the simmering border conflict in Ethiopia and Eritrea. In each case, SCR reminds members of past resolutions whose promises are unmet and suggests options for doing better.

2) The second organization I want to highlight is the *Center for Science, Technology, and Security Policy*.

MacArthur has made a \$50 million investment in creating a new generation of first-rate scientists involved in public policy. But we all know how hard it is to get expert advice to those in power, advice they trust when they need it. So we created the Center in 2004 to link scientists we support to policymakers.

The Center aims to help them navigate new possibilities and pitfalls posed by discoveries in fields like genetics, biochemistry, or cyber-technology, and on topics like nuclear weapons and power, detectors for dirty bombs, public health, avian flu, and emergency preparedness.

The Center is off to a good start, producing, for example, expert reports on biological threats for the State

Department and offering seminars for Congressional and Agency staff. Recent meetings explored the problems and promise of the Global Nuclear Energy Partnership and the US-India nuclear deal. Nearly 100 congressional and agency staff attended.

So far, I have talked about core support for established institutions central to our fields and about the creation of new organizations to fill gaps in a strategy. But how should we respond to an institution that is ready to take a quantum leap forward – ready to build an endowment, acquire new space, expand its aims? Here we are talking about institutions that are pace setters and have clear missions, as well as talented Board and executive leadership.

To address this need, ten years ago, we began making a few large institutional grants – up to \$5 million unrestricted – on top of an organization's ongoing general support. So far we have made 26 of these awards to organizations like the Center for Urban School Improvement at the University of Chicago, the Center for Reproductive Law and Policy, and the World Resources Institute. Just last week, our Board made two new institutional grants to The Field Museum and the Carnegie Endowment for International Peace.

These funds can have a profound effect on the institutions that receive them. In 1999, we gave \$4 million to National Public Radio. Its President, Kevin Close, has told us that our grant stimulated a refinement of NPR's mission and a reformulation of its strategy, which helped convince Joan Kroc that NPR would use her legacy creatively. She left NPR \$200 million in her will.

Not every large institutional grant has had a multiplying effect quite like that one, but they have made critical contributions at important times. Human Rights Watch is the largest and most influential human rights organization, active in over 70 countries. In 1998, HRW was about to launch its first capital campaign with a modest goal of \$25 million. We made a \$5 million grant that raised their sights to \$50 million, which they exceeded.

When MacArthur made its grant, HRW's budget was \$15 million, now it is \$33 million. It had 100 staff in five offices, but now has 250 in eleven regions. More work in the Middle East; new projects, on topics such as abuses related to counterterrorism; attention to a wider range of victims, like those affected with AIDS -- those are the results.

A final example: Chicago's Metropolitan Planning Council has a long and distinguished history of impact in our city since in 1934. MacArthur has supported projects there since 1986.

The MPC's achievements over the years are formidable: prompting the creation of the Chicago Housing Authority in the 30s; pushing for the development of Chicago's first housing code in the 50s; designing the Regional Transportation Authority in the 70s.

Until 2001, MPC's \$2.5 million budget came from annual donations. An organization of this age and distinction deserves a more stable source of support – an endowment. That year, MacArthur made a \$4 million challenge grant, which MPC matched with \$14 million for endowment and new projects. MacArthur's grant helped MPC give more attention to critical issues like school finance reform and affordable housing in the suburbs.

I want to close with a sneak preview of an announcement we will be making in October: A new program for small and emerging organizations that have shown unusual effectiveness and creativity.

It derives its inspiration from the MacArthur Fellows program. There will be no applications. To qualify, organizations must have received previous MacArthur support, be central to one of our fields, have budgets under \$2.5 million, have strong leadership, and be doing extraordinary work against the odds.

It is often small or emerging organizations that generate provocative ideas, reframe the debate, or provide fresh ways of understanding persistent problems. Some are particularly effective at delivering services or challenging old paradigms.

They could be tackling the tough issues of police abuse in Nigeria or helping low-income families apply for federal benefits in Chicago. They could be providing reproductive health care in rural Mexico or promoting the construction of affordable housing across the US. They could be defending press freedom in Russia or working to improve intellectual property laws in the United States. In the end, the criteria are simple: good people doing vital work in outstanding organizations.

Each institution will be given between \$250,000 and \$500,000 for endowment, building purchases, general operating support, to mount a challenge – whatever works best for them. And – a very important detail – this is in addition to their ongoing support.

There will be an awards ceremony this October here in Chicago, which will bring together representatives of the nine organizations chosen at our Board meeting last week. We will organize a series of seminars about their work that will be open to all of you – a chance for mutual learning.

The occasion will invite us all to pause and reflect on the role that institutions play in our lives. Can we imagine life without the institutions that educate us, nourish our aesthetic sensibilities, help us comprehend a complex world, and bring us together with others, empowering each of us to work together in pursuit of a more just and humane world at peace?

Chicago is unusually blessed with strong institutions that have clear missions, creative leadership, and robust membership. They share a spirit of optimism and a willingness to work together to make our city more beautiful, physically and spiritually, more tolerant and respectful of differences, more open to opportunities for each individual to get ahead and make a difference. It there is any place in America that has the possibility of becoming that shining city on a hill that the founders of our country dreamed about, it is Chicago.

Together, through our institutions, those of us in this room are leading the way.

Footnote:

1. The quoted text refers to the UN Summit Document, September 2005. Resolution 1674 “reaffirms the provisions of paragraphs 138 and 139 of the World Summit Outcome Document regarding the responsibility to protect populations from genocide, war crimes, ethnic cleansing and crimes against humanity.”

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