

The funny thing about T.R.'s great confidence in his ability to direct the economy is the fact that his own attempt at running a business—a ranch he bought with some of his large inheritance—was a complete failure. Powell observes that “Roosevelt knew little about business, as his disastrous ranching losses made clear, and he certainly never seems to have thought about the function of prices in an economy.”

Although many people think that T.R. stood for “rugged individualism,” in actuality his authoritarian views were quite hostile to real individualism. In conclusion, Powell depicts T.R. as one of the most energetic presidents, but demonstrates that this trait was disastrous for the peace and prosperity of America.



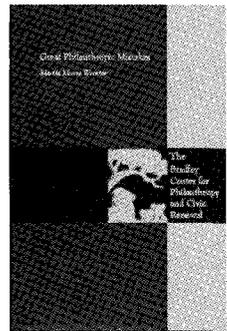
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### Great Philanthropic Mistakes

by Martin Morse Wooster

Hudson Institute • 2006 • 157 pages • \$14.95 paperback

Reviewed by George C. Leef



The University of Chicago was founded with John D. Rockefeller's money, and numerous public libraries were created through the philanthropy of Andrew Carnegie. People hear about philanthropic success stories and generally assume that charitable foundations are doing wonderful things with the fortunes of the nation's superrich. In fact, there is a common view that the charitable work done with the wealth amassed by business tycoons is a “giving back to society” that at least partially atones for their undoubted transgressions against law and/or morality.

But how often do people think about philanthropic blunders? Who reflects on the possibility that charitable foundations might actually do *harmful* things with the money at their disposal?

There is only one such person who comes to mind: Martin Morse Wooster, author of *Great Philanthropic*

*Mistakes*. Wooster has made quite a study of philanthropy. His earlier book *The Great Philanthropists and the Problem of Donor Intent* examined the tendency for charitable foundations to be taken over by “experts” who overwhelmingly have a leftist outlook and steer the foundation's giving in ways that are often radically at odds with the philosophy of the donor. With his current book Wooster delves into the hubris of those “experts” who usually think there is no limit to the good they can do with vast sums of money. The trouble is that they often do no good at all—and sometimes considerable harm.

Wooster focuses on eight cases where huge foundations made mistakes: the Rockefeller Foundation's attempt to recast American medical education; the Lasker Foundation's war against cancer; the population-control campaign of the Ford and Rockefeller foundations; the Ford Foundation's “Gray Areas” program; the Carnegie Corporation's public-television campaigns; the Ford Foundation's school-decentralization initiative; the MacArthur Fellows program; and the Annenberg Foundation's public-school-reform crusade. After reading about each one, my mind was drawn to Milton Friedman's observation that no one spends other people's money as carefully as he spends his own.

Foundations don't act. The people who run them do. Wooster's eight cases center on foundation decision-makers who had grand visions for changing the world. Arguably, the one who best exemplifies the typical mindset was Ford Foundation president McGeorge Bundy. Bundy, who ran the giant in the 1960s and 1970s, once declared, “I may be wrong but I am never in doubt.” It's that lack of doubt that is the root of the problem time after time. Ford's “Gray Areas” program is an excellent example.

The basic idea behind this program was to fund community organizations in impoverished areas, mostly inner cities. Ford Foundation officers assumed that activists in each community would know best what kinds of programs would be most beneficial. Thus Ford created new community organizations that would have great latitude to do whatever their leaders wanted. The result was a set of organizations “so flexible as to be virtually spineless, agencies whose very existence was dependent on their ability to write proposals that

reflected what their sponsors wanted to hear,” as Harvard historian Stephan Thernstrom put it.

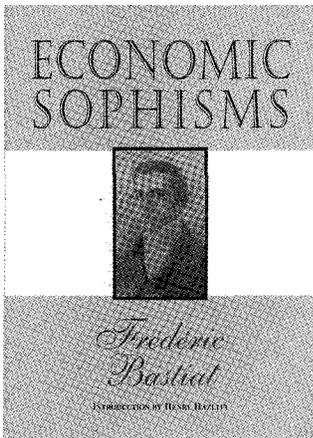
The “Gray Areas” groups, primed with Ford money, proceeded to “do their own things.” One, named Mobilization for Youth, spent its money organizing the poor to advocate for hefty increases in federal welfare programs and fomenting rent strikes in New York City. The community activists that Ford executives so smiled on found innumerable ways to squander money, and it’s hard to find any lasting benefits.

Another illustrative failure Wooster highlights is the Annenberg Foundation’s gigantic effort at public-school reform in the 1990s. Walter Annenberg made his money in magazines, especially *TV Guide*. His foundation announced in 1993 the “Annenberg Challenge” in which it put up half a billion dollars and asked other philanthropies to toss in some of their money as well. Government schooling was going to get a huge financial boost with the money designated for “reform”

efforts. Foundation executives made big splashes around the country hyping their “transformative” programs. All the funding, however, went into the educational status quo, which happily absorbed the money and went about business as usual. In 2002 the Annenberg Foundation published a report loaded with bromides such as, “[P]ublic education in America is better than its image,” but conceding that public schools had not significantly improved despite all the money lavished on “reform.”

Summing up, Wooster writes, “The grant maker usually finds himself surrounded by mendicants, courtiers, and flatterers. Faced with all this flattery, he naturally becomes more than a little full of himself.” Combine that with the common belief among those people drawn to foundation work that they can design and implement programs to make the world better and you have the perfect formula for the dissipation of wealth. 

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## Economic Sophisms

By Frédéric Bastiat

Introduction by Henry Hazlitt

Although written 150 years ago, Bastiat’s devastatingly accurate attacks on the illogical, self-serving arguments of protectionists remain both relevant and entertaining. Among the gems in *Sophisms* are “The Negative Railroad,” “Petition of the Candlemakers,” and “The Physiology of Plunder.”

Perhaps the best recommendation for *Sophisms* comes from renowned journalist and FEE founding trustee Henry Hazlitt. In his introduction to the book, Hazlitt declares:

*We could use more Bastiats today. We have, in fact, desperate need of them. But we do, thank Heaven, have Bastiat himself, . . . and the reader of these pages will not only still find them, as Cobden did, “as amusing as a novel,” but astonishingly modern, for the sophisms he answers are still making their appearance, in the same form and almost in the same words, in nearly every issue of today’s newspapers.*

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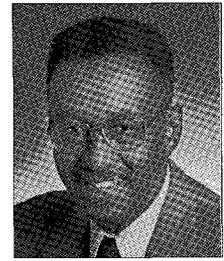
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## The Intellectual Defense of Liberty

BY WALTER E. WILLIAMS



All too often defenders of free-market capitalism base their defense on the demonstration that free markets allocate resources more efficiently and hence lead to greater wealth than socialism and other forms of statism. While that is true, as Professor Milton Friedman frequently pointed out, economic efficiency and greater wealth should be seen and praised as simply a side benefit of free markets. The intellectual defense should focus on its moral superiority. Even if free markets were not more efficient and not engines for growth, they are morally superior to other forms of human organization because they are rooted in voluntary peaceable relationships rather than force and coercion. They respect the sanctity of the individual.

The preservation of free-market capitalism requires what philosopher David Kelley has called the entrepreneurial outlook on life, which he in part describes as “a sense of self-ownership, a conviction that one’s life is one’s own, not something for which one must answer to some higher power.” If we accept as first principle that each owns himself, what constitutes just and unjust conduct is readily discovered and does not require rocket science. Unjust conduct is simply any conduct that violates an individual’s ownership rights in himself when he has not violated those same rights of others. The latter phrase—when he has not violated those same rights of others—allows for fines, imprisonment, and execution when a person has infringed the ownership rights of others.

Therefore, acts such as murder, rape, and theft, whether done privately or collectively, are unjust because they violate private property. There is broad consensus that collective or government-sponsored murder and rape are unjust; however, government-sponsored theft is another matter. Theft, being defined as forcibly taking the rightful property of one for the benefit of another, has wide support in many societies that make the pretense of valuing personal liberty. That theft,

euphemistically called income redistribution or transfers, is often defended by lofty phrases such as: assisting the poor, the elderly, distressed business, college students, and other deserving segments of society. But as F. A. Hayek often admonished, “[F]reedom can be preserved only if it is treated as a supreme principle which must not be sacrificed for any particular advantage. . . .” Ultimately, the struggle to achieve and preserve freedom must take place in the habits, hearts, and minds of men. Or, as admonished in the Constitution of the state of North Carolina: “The frequent recurrence to fundamental principles is absolutely necessary to preserve the blessings of liberty.” It is moral principles that deliver economic efficiency and wealth, not the other way around. These moral principles or values are determined in the arena of civil society.

It is not broadly appreciated that the greater wealth produced by free markets itself contributes to a more civilized society and civilized relationships. For most of man’s existence, he has had to spend most of his time simply eking out a living. In pre-industrial society, and in many places today, the most optimistic scenario for the ordinary citizen was obtaining enough to meet his physical needs for another day. With the rise of capitalism and the concomitant rise in human productivity that yielded seemingly ceaseless economic progress, it was no longer necessary for man to spend his entire day simply providing for minimum physical needs. People were able to satisfy their physical needs with less and less time. This made it possible for them to have the time and other resources to develop spiritually and culturally. In other words, the rise of capitalism enabled the gradual extension of civilization to greater and greater numbers of people. More of them had more time available to read and become educated in the liberal arts and gain more knowledge about the world around them.

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