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The Greatest 20th-Century Donor You've Never Heard Of

Julius Rosenwald built up black schools and spent down his endowment.

Cover Story from May / June 2006 issue of Philanthropy magazine

By *Martin Morse Wooster*



Julius Rosenwald: The Man Who Built Sears, Roebuck and Advanced the Cause of Black Education in the American South

By Peter M. Ascoli

409 pp., \$35, Indiana University Press

Julius Rosenwald (1862-1932) was one of the twentieth century's greatest philanthropists, but he's little known today. He should not remain obscure. His efforts to build thousands of schools for blacks in the South enabled a great many black children to receive a better education than they would otherwise have had. And his impassioned arguments against perpetual foundations raise questions that

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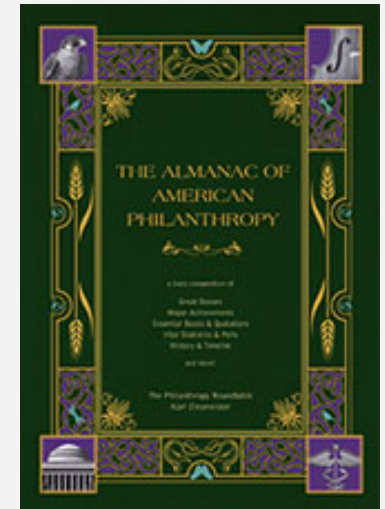
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PHILANTHROPY MAGAZINE

every donor must confront.

Only one biography of Rosenwald has appeared, and that was in 1939; so he's long overdue for a reappraisal. Fortunately, Rosenwald's grandson, Peter M. Ascoli, who teaches at the Spertus Institute of Jewish Studies, has produced a well-written, engaging biography, judiciously crafted from diligent research in several archives. It is a fitting tribute to his grandfather's life and works.*

Rosenwald grew up in Chicago and by the early 1890s had achieved modest success in a company that made men's suits. His great opportunity came in 1892, when his brother-in-law, Aaron Nussbaum, had a meeting with Richard Sears, the co-founder of Sears, Roebuck. Nussbaum thought the meeting would involve selling pneumatic tubes to Sears. He swiftly found that Sears had other plans. A brilliant salesman but a disorganized manager, Sears was short of cash and offered to sell Nussbaum half of his company for \$75,000. Nussbaum then asked his brother-in-law if he'd be willing to buy a quarter of Sears, Roebuck for \$37,500. Rosenwald swiftly agreed—and the investment eventually made him a multimillionaire.

Rosenwald spent three years selling his clothing company and joined Sears, Roebuck as a vice president in 1896. He found that, thanks to Richard Sears' masterful skills as a copywriter, the company was flooded with orders. But once the orders were received, they were thrown in baskets, where they would sit for weeks or months. Rosenwald joined a company where, as one historian puts it, "orders poured in, faster than the factories could make the goods, faster than they could be cleared through warehouses and shipping rooms. Departments fell behind—30 days, 60 days, sometimes three or four months."

Rosenwald, working with plant manager Otto Doering, conquered the chaos. He established one of America's first assembly lines, where orders could be processed swiftly and efficiently. Rosenwald and Doering's achievements were copied by other businesses wanting to improve their efficiency. Management expert Peter Drucker once declared that Rosenwald "is the father not only of Sears, Roebuck but also the distribution revolution which has changed the world economy in the twentieth century."

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In 1908, Richard Sears lost a power struggle and Rosenwald became president of Sears, Roebuck, a position he held until his retirement in 1924. With his newfound wealth, Rosenwald began to turn to philanthropy. He started contributing to Jewish causes, first in Chicago, then nationally. But his major accomplishment in philanthropy came in the summer of 1910, when his friend, Paul J. Sachs (co-founder of the investment banking firm Goldman Sachs) gave him two books: Booker T. Washington's *Up From Slavery* and John Graham Brooks' *An American Citizen: The Life of William H. Baldwin, Jr.* Rosenwald was moved by the story of Baldwin, a general manager of the Southern Railroad who decided to devote his life to raising funds for black colleges. Rosenwald vowed to do what he could to help blacks.

Rosenwald's first major gift came in 1910, when he announced he would donate \$25,000 to the construction of any YMCA for blacks where other donors had raised \$75,000. Rosenwald's challenge grant led to the construction of a dozen YMCAs—and to the attention of Booker T. Washington.

We know Washington today from his writings encouraging blacks to be self-reliant. But Ascoli notes that Washington was also a "brilliant fundraiser" whose ideas persuaded donors to make gifts they weren't otherwise prepared to make. Rosenwald, for example, was prepared to donate to the Tuskegee Institute, the college Washington founded. Washington asked Rosenwald to do more. In particular, Washington wanted Rosenwald to help build small rural schools in areas in the South where blacks received little or no education.

In a September 1912 letter, Washington urged Rosenwald to assist in the building of six rural schools in Alabama. He proposed that the schools would cost \$600 apiece and that Rosenwald pay half of this, plus an additional \$50 per school to hire someone to "get people stirred up and keep them stirred up until the schoolhouses had been built."

"It is the best thing for the people themselves to build [school]houses in their own community," Washington concluded. "I have found by investigation that many people who cannot give money would give half a day or a day's work and others would give material in the way of brick, nails, lime, etc."

Rosenwald agreed to pay for half the cost of the six schools. Washington regularly sent the donor detailed reports on how his funds were used. By May 1913, the

Creating a Mission Statement to Preserve a Philanthropic Vision

With a clear mission statement, a foundation can enact its vision and preserve the intent of its founding philanthropist.

Every Cause Is Not Alike

A legal battle with a New Jersey animal shelter proves to be a win for donor intent.

schools were finished. Washington duly sent Rosenwald a detailed report, including several photographs and testimonials from local whites who supported the school construction project. “You do not know what joy and encouragement the building of these schoolhouses has brought to the people of both races in the communities where they are being erected,” Washington declared.

“This was a brilliant statement,” Ascoli observes. Washington had spent enough time with Rosenwald to understand his patron’s ultimate goal: that “the work of building and raising funds for these schools would somehow bring the two races closer together.” Rosenwald had never explicitly said this in his conversations with Washington. Yet Washington, a sympathetic listener, understood his patron’s deepest desires—and Washington’s skill at understanding Rosenwald’s hidden motives increased Rosenwald’s desire to give.

Dramatic Expansion of the Rosenwald Schools

In June 1914, Rosenwald and Washington concluded an agreement in which the school construction program would be expanded to 100 additional schools. Rosenwald would pay between one-quarter and one-third of the cost of construction, and Sears, Roebuck would donate building supplies. But in order to be eligible for the grant, state and local governments had to agree to pay for half the cost of the schools. The final 25 percent had to be raised from parents or other members of the community. For in order to build a “Rosenwald School,” local citizens had to contribute money or time. Historian Daniel Boorstin notes that these local contributions were crucial to determining which towns would get a Rosenwald School. “No one would be helped unless the person himself was willing to make an effort to help himself. The passive beneficiary,” Boorstin concludes, “had no place in this scheme.”

Black southerners went to extraordinary lengths to make sure their town had a Rosenwald school. Diane Granat, who studied the Rosenwald Schools for the Alicia Patterson Foundation, observes that in one community, “struggling sharecroppers set aside an area planted with cotton as the ‘Rosenwald Patch.’” Parents whose children went to Rosenwald Schools in Montgomery County, Maryland, routinely held fried-chicken suppers and pick-up baseball games as fundraisers.

One anonymous observer left a detailed description of the lengths the citizens of Boligee, Alabama, went to obtain a Rosenwald School in 1916. The local cotton

crop had been ravaged by the boll weevil, and many contributors were field hands who walked four miles through the mud to get to the meeting site.

“You would have been overawed with emotion if you could have seen these poor people walking up to the table, emptying their pockets for a school,” the observer wrote. “One old man, who had seen slavery days, with all of his life’s earnings in an old greasy sack, slowly drew it from his pocket, and emptied it on the table. I have never seen such a pile of nickels, pennies, dimes, dollars, etc. in my life. He put 38 dollars on the table, which was his entire savings.”

Because blacks had to donate some of the cost of the school’s construction, they thought a Rosenwald School was theirs, even if a local government ran the school. And these struggling African Americans knew that a good school was the first step towards enabling their children and grandchildren to climb out of poverty.

Over 70 years after plans for a Rosenwald School were first announced for Northumberland County, Virginia, Alice Dameron vividly recalled the joy local African Americans had when they learned they would get a new school. “Parents and grandparents of those school children,” wrote Dameron, “were from families of former slaves who had been accustomed to hardships, denials, segregation, and the struggles for mere existence after the Civil War. To own a piece of land, clean it up, and call it home was their first goal. To see to it that the present would live better than the past by providing opportunities was their next goal.”

After Rosenwald decided to scale up the school construction program, he also stepped back from day-to-day management of the project. He hired William C. Graves to review grant proposals and to deal with a lot of the paperwork for the project.

Yet Rosenwald remained intimately involved with the program. He regularly took others on his site visits to Alabama. On a trip in February 1915, for example, 41 people went to Alabama as Rosenwald’s guests. These included potential donors, such as meatpacking heir Harold Swift; prominent social workers such as Grace Abbott, Jane Addams, and Sophonisba Breckenridge; and heads of nonprofits, such as Mrs. Kellogg Fairbank, president of the Chicago Lying-In Hospital.

Ascoli writes that these observers saw the way the construction of the Rosenwald schools acted as a catalyst to revitalize downtrodden communities. “People painted

or whitewashed their homes,” he writes, “and cleaned up their gardens so that the community would be deemed worthy of a new building.”

Washington died in 1915, and Rosenwald’s relationship with Washington’s successor at Tuskegee was frosty. But Rosenwald kept the school construction program going. By the time of his death in 1932, he had contributed \$4.4 million towards the construction of an astonishing 5,357 Southern schools, which was matched by \$18.1 million in government funds, \$1.2 million from other foundations, and \$4.7 million in contributions from blacks. Had Rosenwald not started the program, it’s unlikely any of these schools would have been built.

Rosenwald’s giving was not limited to causes benefiting blacks. He was the major contributor to Chicago’s Museum of Science and Industry, and resisted attempts to have the building named the “Rosenwald Museum.” He was also a generous contributor to Jewish causes, including a major effort to save the lives of Jews in the Soviet Union by creating a “colony” inside the USSR where Jews could live. This project failed because the Soviet Union defaulted on the millions of dollars of bonds that Rosenwald and other prominent donors had purchased to fund the venture.

During World War I, Rosenwald served as a volunteer. He spent a year working on the Committee for National Defense, an advisory committee of CEOs that helped check waste and fraud in the massive purchases the government made to equip the troops headed for France. In the summer of 1918, Rosenwald went to the front, giving inspirational speeches to soldiers (including those in segregated black units) about how life would be better after they had won the war. Traveling in a uniform without insignia, Rosenwald told the generals he met that he was “General Merchandise.”

Rosenwald described his typical speech to a reporter from Survey magazine. He began by reading letters from governors and senators cheering the troops on. Then he spent the last 15 minutes of his talk giving a more substantial message. “I generally spend the last 15 minutes to tell them what they must make of America when they return—a real nation, all belonging to one another. They are demonstrating to the army that men from all places have their faults and their virtues, but all are made of good stuff. It is the same way with nationalities. There should be no more prejudices against people from any country if they become Americans. I speak of civic matters and politics. I often show what a disgrace it is to our country to treat the Negro as we do, and not give them a square deal, such as

they like to have.”

Against Perpetuities and Endowments

As his philanthropic projects progressed, Rosenwald also perfected his philosophy of refusing to support perpetual foundations and endowments. He had held this belief for a long time. For example, Rosenwald had long been a generous contributor to Hull House, which helped poor people in Chicago get clothes, food, and jobs. But when Hull House launched its first capital campaign in 1912, Rosenwald refused to contribute to the creation of a Hull House endowment.

“I am opposed to permanent or what might be styled the never-ending endowment,” Rosenwald told the American Academy of Political and Social Science in 1913. “Permanent endowment tends to lessen the amount available for immediate needs, and our immediate needs are too plain and too urgent to allow us to do the work of future generations.”

In the 1920s, Rosenwald continued his efforts to fight perpetuities. In 1925, he agreed to give a million dollars to the University of Chicago, provided that the school did not use any of the money to increase its endowment. The school created a special “suspense account” for Rosenwald’s donations, and agreed that it would spend \$100,000 from this account each year until the gift was exhausted. Rosenwald contributed another million, and the university spent out the suspense account by 1942.

When Rosenwald decided to create the Julius Rosenwald Fund in 1917, he insisted that the fund spend itself out of existence no later than 25 years after his death. The Fund ceased to exist in 1948—ten years ahead of Rosenwald’s deadline.

Rosenwald’s belief in term limits for foundations attracted the attention of editors of national magazines, who solicited articles from him. With the assistance of journalist William C. Rice, Rosenwald expressed his ideas in “Principles of Public Giving,” published in the Atlantic Monthly in 1929. It is the most important article by a philanthropist since Andrew Carnegie penned “The Gospel of Wealth” in 1889.

“I think it inevitable that as trustees and officers of perpetuities grow old they become more concerned to conserve the funds in their care than to wring from

these funds the greatest possible usefulness,” Rosenwald wrote. “That tendency is evident already in some of the foundations, and as time goes on it will not lessen but increase.”

“The cure for this disease is a radical operation,” Rosenwald concluded. “If the funds must exhaust themselves within a generation, no bureaucracy is likely to develop around them.”

Although Rosenwald’s article was controversial at the time, relatively few donors took Rosenwald’s advice and put term limits on their foundations. Rosenwald’s son-in-law, Edgar Stern, and his grandson, Philip Stern, set up foundations with term limits. So too did Pittsburgh industrialist Maurice Falk.

Yet Rosenwald’s arguments are as pertinent today as they were in 1929. Donors should ponder the questions Rosenwald posed. Is it better to spend your fortune now, when you can ensure that your wealth will be given away as you intend? Or do you believe that, after your friends and associates pass away, professionals who did not know you will continue to honor your intentions?

In an article published in 1930, Rosenwald predicted that his warnings against perpetuity would endure. “Real endowments are not money, but ideas,” Rosenwald wrote. “Desirable and feasible ideas are of much more value than money.”

Contributing editor Martin Morse Wooster explores Julius Rosenwald’s ideas in *Should Foundations Live Forever?* and *The Foundation Builders*.



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