



# Dan Peters

An *Insider* Interview

## The Good Works of American Philanthropy

**D**an Peters is president of the Lovett & Ruth Peters Foundation, a foundation devoted to education reform. He is also a member of the board at the Philanthropy Roundtable, where he helped create the Alliance for Charitable Reform to defend freedom in the philanthropic sector. ACR has been very much engaged in the past year or so, as various activist organizations have mounted an effort to redirect foundation grantmaking to their favored causes. In particular, the Greenlining Institute has pushed for legislation in California to require foundations to report the racial composition of their boards and staff and to report the number of grants and the

percentage of grant dollars going to minority-led charities. The California Assembly did in fact pass such a bill, but it was withdrawn from further consideration after the 10 largest California foundations committed to increase their focus on minority initiatives. Similar pushes are being made in other states. Meanwhile, the National Committee for Responsive Philanthropy has proposed a variety of benchmarks for foundations and suggested that the U.S. Congress may want to incorporate those benchmarks into new regulations. Recently, *The Insider* talked with Mr. Peters about what these various agendas mean for philanthropy. He also shared his thoughts on education

reform, what really makes good philanthropy work, and his heroes.

**THE INSIDER:** *Your parents, Lovett and Ruth Peters, made a big contribution to the world of education reform, didn't they? How did they get involved in philanthropy?*

**DAN PETERS:** My parents are an extraordinary couple—and they'd be the first to say how blessed they are to have lived in this country where they could pursue their dreams. Neither one was wealthy, but thanks to the generosity of others my dad received a scholarship to Andover and Yale, where he graduated Phi Beta Kappa. Thanks to a superb education and a lot of hard work, he made quite a bit of money in the energy business.

Almost 25 years ago, he said: "I am going to give up the money-making side of things and focus on the charitable and education side of things." He felt blessed by all that he had. He also felt that our educational system was not educating kids and that low-income kids were getting clobbered by the status quo. He wanted to do something about it, so he did two things. He started up the Pioneer Institute in Boston to change the intellectual climate in Massachusetts, especially in education.

And then he and my mom also set up the Lovett and Ruth Peters Foundation to focus on reforming and improving K-12 education in the United States. Both my parents had received wonderful educations, and they wanted every child in America to have the same opportunity they had had.

**TI:** *What do you make of the push in various states for legislation requiring foundations to report how many minorities they employ and how much of their grant dollars go to minority-led charities and so forth?*

**DP:** I think the question we need to answer is: "What problem are we trying to solve here?" Americans are a generous people.

Today we give away more than \$300 billion per year. That's 10 times what we all spend on professional sports!

All too often we use the wrong measurements in the non-profit world. For example, in the world of K-12 education, the measurement is not the input side—how much we are spending in education. The question ought to be: "What are the results we're getting for it?"

High school graduation rates are essentially unchanged in this country since 1960. They're about 70 percent. Can you think of any other part of society, with the exception of government programs, where people are getting the same results they did almost 50 years ago?

**TI:** *Sounds like the status quo isn't working. How would you fix it?*

**DP:** There's a great quote of Sir Isaac Newton. He said: "If I have seen further than others, it is by standing upon the shoulders of giants." What a great comment. If you look at some of the remarkable work that has been done in education in this country by philanthropists—to me, there's the roadmap. The giants are out there. We just need to follow their lead. One of my heroes is Julius Rosenwald, of Sears & Roebuck fame. This was a remarkable guy who was responsible for building more than 5,000 schools in the South—not exclusively but primarily for blacks—using all the key things that make philanthropy successful. He didn't walk into town and say: "I'm going to build you folks a new school." He made them part of the effort, so they had to contribute and thus had ownership in it. They had incredible pride.

That guy's a hero, but we've got modern heroes as well. Don Fisher, of Gap fame, created the KIPP brand. Don is one of my heroes. Don would be the first to tell you he surrounded himself with wonderful people, starting with Michael Feinberg and Dave Levin, who



started up the two KIPP schools in Houston and New York. The KIPP schools are a phenomenally successful effort, and Don Fisher was the guy who allowed them to expand. Everybody knows the KIPP brand these days. That's thanks to Don. Don is an example of a philanthropist who's made a tremendous difference.

I'm proud to say that the Lovett & Ruth Peters Foundation has been heavily involved in giving kids trapped in demonstrably failing public schools access to EdChoice scholarships. This year, we've got almost 3,000 kids in the greater Cincinnati area who are voting with their feet to leave a failing public school and go to a school of their choice.

This year, almost 40 percent of all the kids in the Catholic inner-city schools are in the EdChoice scholarship program. The Catholic inner-city schools are expanding in Cincinnati because of these EdChoice scholarships, whereas in most parts of the country, Catholic inner-city schools are closing their doors. I'm not trying to push Catholic schools, *per se*, although I think they are doing an excellent job of educating these kids.

**TI:** *What's at stake in this battle between the diversity push and the efforts to preserve philanthropic freedom?*

**DP:** The focus needs to be on allowing the charitable and philanthropic sector to do the kind of work that it has historically done well. I think most people feel that philanthropy is far more efficient, far more focused, far more creative than the government mindset of just handing out money. Good philanthropy says: Let's don't give people fish, let's teach them

how to fish. Let's help them become self-sufficient so they can improve their own lot in life and maintain their own dignity. There's not a lot of dignity in just saying, "Here, here's a check."

So I think good philanthropy has built into it the consideration of how we help people improve their lives. That's why Julius

Rosenwald's philanthropy had such an impact. *There* was a guy with a vision to meet a huge unmet need: We need more schools for low-income blacks trapped in the South. So Rosenwald had a real focus to address that, and then in doing it, he didn't walk in saying: "I'm footing the bill; it's all on me." He said: "You guys need to be a part of it."

And indeed they were.

Sharecroppers even set aside plots of land called the Rosenwald patch where the cotton was sold to help pay for the Rosenwald school. It was a magnificent effort. It's the same thing Habitat for Humanity does. People are part of the effort; it's not just somebody coming in and then walking away.

If you look at the successes of American philanthropy, it is rather impressive. It's really a wonderful story: in no particular order, education reform, schools for blacks in the segregated South, AIDs research, the Polio vaccine, public libraries, even the white lines on highways. These are not Left/Right kind of issues. These are things that have made us better, and I'm glad there was not a U.S. Department of Philanthropy to regulate this effort. Can you imagine that?

Here's an example of creativity. In 2007, Dick Farmer of the Farmer Family Foundation was reading in the paper about the need for a mobile health unit for veterans. Dick has

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always had a big heart for veterans. He is a former Marine. So the following day, he took the idea to the foundation's board. They made a decision right there: We're going to do this. \$313,000. Done.

The van is now going around this area for people who are unable to get to the hospital and to the veterans administration. This van will give them physicals, dental exams, and help with referrals to the appropriate VA facility. The veterans can get walkers; they can get wheelchairs. The van is one of only six such units in the VA system. The guy reads the article, and the following day he says: "Let's do it." Can you imagine a stratified bureaucracy making that kind of decision? No wonder Americans celebrate the creativity, flexibility, and generosity of American philanthropy, and that's what's at stake in this battle.

**TI:** *What do you think of this argument that the tax exemption for charities amounts to tax revenue forgone, and therefore more government oversight is justified?*

**DP:** Government has got to be clear on the rules. Historically, the premise was this: In return for receiving a tax exemption to go into the charitable arena, one had to spend the money on the charities and activities for which it was intended and one could not enrich himself or his friends in the process. So the need for oversight is very much appropriate and very much necessary.

But I think there is confusion here. We are not receiving subsidies. The exemption is obviously designed to encourage greater charitable activity in the same way that those of us who have IRAs and 401(k)s receive a tax exemption—it's an encouragement to save for our retirement and for the future, but that does not mean the government owns your IRA.

**TI:** *The National Committee for Responsive Philanthropy (NCRP) has issued a report,*

*"Philanthropy at Its Best," that proposes a number of benchmarks for foundations, including that 25 percent of grant dollars should be directed toward community organizing activism. Isn't it fair to say that what that group wants is to redirect funds toward groups that share their leftwing political views?*

**DP:** What's interesting in all this is how nonpartisan the response from charities and foundations has been. I don't see this as a Left/Right debate. I see this as a good philanthropy versus poor philanthropy discussion.

I don't know what NCRP truly thinks in private, but my guess is they've been disappointed by the response, because when you go down the checklist of influential philanthropic associations, their silence or their opposition to a number of the ideas has been rather compelling. Paul Brest, president of the Hewlett Foundation, has been eloquent with his concerns, and Paul's not labeled a conservative.

The list goes on. The Council of Foundations—nobody has ever accused that of being a conservative organization—has had opposition to the report. The Association of Small Foundations has come out against a lot of the things in the report. The Independent Sector has not endorsed this report.

**TI:** *What do you want people to understand about how good philanthropy works?*

**DP:** Two comments jump into my mind: One is Martin Luther King's "the fiery urgency of now." Philanthropists think: "We got a problem now; let's work to solve it." And the other is Thomas Jefferson's "One man with courage is often a majority." Julius Rosenwald was one committed man; he said: "Let's do it." Dick Farmer said: "Let's do it." Don Fisher said: "Let's do it." It wasn't: "Well I got to get a committee; I got to get approval from the government." There's a whole different theme here. Those are priceless descriptors of what good philanthropy looks like.

