At the start of the 20th century, America reinvented what it meant to be wealthy. In 1907 the first Baron Allendale, a landowner, died leaving one of the largest estates in Britain of that era: £3.2 million. In the same year, on the other side of the Atlantic, John D. Rockefeller became the world's first billionaire. Even allowing for the fact that there were four dollars to the pound, Rockefeller was by far the wealthier man, probably as rich as anyone - at least, outside of royalty - had ever been.

America's golden age of philanthropy at the turn of the 19th/20th centuries was a reflection of the enormous leap forward that the American economy had made in the 19th century and the Americans' wholly new way of doing business. The rich in Britain had tended to stick with their landed estates or with family firms in particular sectors, rather than build diversified holding companies. The fortunes of British businessmen were constrained by the size of the market, even if it spread throughout the Empire. In the rapidly expanding US economy, fuelled by massive migration, in new industries such as rail and oil, there were much bigger fortunes to be made. Scale was the order of the day and two of the greatest industrialists of the age, Andrew Carnegie and John D. Rockefeller, then made the leap to become the first mega-philanthropists.

It was little more than half a century previously, in 1835, that Alexis de Tocqueville had observed that there was no rich class in America and a popular prejudice against ostentatious enjoyment of riches. At this time, although America's rich already held a large slice of the economic pie, this was not comparable to the relative wealth of the British or European aristocracy.

There had long been a tradition of philanthropy in America, stretching back to pre-Revolutionary times, spread by the religious dissenters who settled in the New World such as Cotton Mather and George Whitefield. Self-help was always a strong theme in the debate about charity - without the *noblesse* to *oblige*, giving had to have a real purpose. Benjamin Franklin, for example, advocated the razor as an ideal gift for paupers, so that they can shave themselves and so "teach them the joys of self-help". Into the 19th century, thinking about poor relief in America was haunted by the dangers of pauperisation, hence a preference here too for the punitive workhouse model.

Even after independence, the philanthropic connection between the Old and New Worlds continued. The anti-slavery movement of the early 19th century experimented with its own African colony for freed slaves and suffered a similar failure in Liberia to the one their British counterparts had already endured in Sierra Leone. In 1829, the British scientist James Smithson, who had never visited the United States, left $500,000 for the "increase and diffusion" of knowledge in America. The curious and innovative public-private partnership that Congress created to make use of this gift is known today as the Smithsonian Institution. The money flowed in the opposite direction a few decades later from the fortune of American financier George Peabody. Based in London, his first philanthropic venture in the UK was to promote the public image of the United States. In 1851 the Federal Government refused to finance the American contribution to the Great Exhibition in the Crystal Palace in London. Peabody stepped in to salvage national pride and score a major public diplomacy success.

The first impetus to a new kind of philanthropy came with the Civil War. 1861 saw the launch of the Sanitary Commission, a federal agency created to co-ordinate women's voluntary contributions to the war effort, inspired by British efforts around nursing during the Crimean War. Wealthy individuals also stepped in to meet the enormous humanitarian and development needs of the South, after the end of the war in 1865. Peabody, for example, gave $2m between 1866 and 1869 to the Peabody Fund for Southern Education, to provide for the education of newly emancipated slaves.

This was followed by a growing professionalism in the charity sector. For example, the American Red Cross was founded by Clara Barton in 1881, with funding from a philanthropist called John D. Rockefeller. This movement was inspired by the International Red Cross, which had been formed in Europe in 1863 by Henri Dunant after the horrors of battle of Solferino, and was focused on disaster relief at home. From the 1880s, relief agencies in American cities began to band together to stop duplication of effort, taking their lead from London's Charity Organisation Society. It is worth noting, however, the popular disgust at their patronising intrusiveness, well captured in D.W. Griffiths' 1916 film *Intolerance*, where the spinster sister of a rich industrialist throws herself into meddlesome philanthropy, which eventually puts a young man on the gallows. The start of the 20th century also saw the growth and professionalisation of American charities. New national charities such as the Boys Clubs (1906), National Association for the Advancement of Coloured People (1909) and National parent-teacher association (1915) were founded and the YMCA and Harvard pioneered new fundraising techniques.

In 1889, the Scottish-born steel magnate Andrew Carnegie (1835-1919) published his seminal article *Wealth* (or *The Gospel of Wealth*, as it was titled in Britain). In doing so he demonstrated a rupture with the world of de Tocqueville and his Puritan forebears. This was a man who saw himself as the product of natural selection and therefore the bearer of a trusteeship over lesser individuals to create "ladders upon which the aspiring can rise". Born into an ordinary but politically radical family (they supported the Chartist electoral reform movement in Britain) in Dunfermline, Scotland, Carnegie's business career began on America's railroads. His prospects were boosted significantly by the railroad opportunities arising from the Civil War. In the 1880s and 1890s he grew his holdings in the US iron and steel industry, which he sold to JP Morgan in 1901 for a personal share of $225 million.

Carnegie's ruthlessness in business was evidenced by the 1892 Homestead Strike at one of his steel mills in Pennsylvania. His company provoked a confrontation with the Amalgamated American union by announcing a pay cut. A strike and lockout followed, with escalating violence as Carnegie brought in the Pinkerton detective agency to force open the plant for non-union labour. Several died in the gunbattle that ensued, provoking intervention from the state militia that finally reopened the plant. In keeping with his Darwinist views, Carnegie focused much of his philanthropy on libraries and concert halls rather than welfare handouts, the first library opening in his home town of Dunfermline in 1883. He eventually funded 3,000 libraries across America and many more across Britain and the Empire. Integral to his philanthropic strategy was a requirement that the recipients made matching contributions. As he said, "I do not wish to be remembered for what I have given, but for what I have persuaded others to give." Those towns that wouldn't pay their share of the costs of construction and the ongoing operating costs didn't get a library.

"The problem of our age is the proper administration of wealth, that the ties of brotherhood may still bind together the rich and poor in harmonious relationship" begins *The Gospel of Wealth*. Carnegie then goes on to defend the market economy on the grounds that: "while the law [of competition] may be sometimes hard for the individual, it is best for the race, because it insures the survival of the fittest in every department". As to the intellectual opposition: "The Socialist or Anarchist who seeks to overturn present conditions is to be regarded as attacking the foundation upon which civilization itself rests". Carnegie then moves into the main theme of his essay: "What is the proper mode of administering wealth after the laws upon which civilization is founded have thrown it into the hands of the few?" He rejects passing it on to your descendants, pointing to the indolence and corruption of the royal houses of Europe as evidence of the corrosive effect of inherited wealth. Sitting on your wealth until your death also invokes Carnegie's scorn "The man who dies thus rich dies disgraced." The freemarketeer even sings the praise of punitive taxation: "By taxing estates heavily at death the State marks its condemnation of the selfish millionaire's unworthy life." His third way is for the rich man to give his surplus wealth away during his lifetime: "the man of wealth thus becoming the mere trustee and agent for his poorer brethren, bringing to their service his superior wisdom, experience, and ability to administer, doing for them better than they would or could do for themselves." His final theme is how to spend this philanthropic capital wisely. "Of every thousand dollars spent in so-called charity to-day, it is probable that nine hundred and fifty dollars is unwisely spent - so spent, indeed, as to produce the very evils which it hopes to mitigate or cure." His self-help philosophy then guides him to a list of priorities for giving: first, founding a university and then public libraries, hospitals, public parks, concert and meeting halls, swimming baths and, last, churches. One of Carnegie's grandest philanthropic gestures, offering $20 million to the people of the Philippines in 1898 to help them buy their independence from Spain and spare themselves American imperialism, which ultimately failed but was a good reflection of his radicalism. He also paid for the Peace Palace in The Hague in the Netherlands, which now houses the International Court of Justice. It is perhaps unsurprising that President Taft dismissed him as "a peace crank". But money bought power and influence and no world leader could afford to ignore letters sent from the from the diminutive philanthropist's lavish castle at Skibo in Scotland. John D. Rockefeller (1839-1937) was a very different man. A pious protestant who had made an even greater fortune than Carnegie, his money came from that other symbol of American industrial modernity - oil. Rockefeller bought into the refining business in 1863 at the start of the Civil War and by 1865 had established Cleveland as one of the major refining centres in the US. From there his Standard Oil Company grew by absorbing other refineries, some sharp collusion with the railway companies ensuring his competitive advantage over his rivals. With enormous market power, Standard Oil continued to grow, making Rockefeller the world's first billionaire.

Like Carnegie, Rockefeller's business practices provoked controversy. In 1914, an effort to break the strike at Colorado Fuel and Iron, which he controlled, resulted in a fire at the strikers' camp that claimed the lives of two women and 11 children. The ‘Ludlow Massacre' as it became known stained Rockefeller's reputation.

From early life, Rockefeller's faith had inspired him to give to church and charity. Like Carnegie, whose *Gospel of Wealth* influenced his giving, he wasn't interested in casual charity or almsgiving. Reflecting, in an essay called *The Difficult Art of Giving,* he later affirmed his commitment to self-help: "The only thing that is of lasting benefit to a man is that which he does for himself." Rockefeller was a believer in the pursuit of efficiency in his giving and talked about ‘scientific philanthropy' and ‘the business of beneficence'.

By the end of the 19th century he was making large grants to colleges and universities (including to Spelman College in Atlanta for black women). However, as his fortune grew, even with the support of former Baptist Minister Frederick T. Gates as his philanthropy adviser from 1891, his giving could not keep up. "Your fortune is rolling up, rolling up like an avalanche!" wrote Gates in 1896. "You must distribute it faster than it grows! If you do not it will crush you and your children and your children's children!" Indeed, it was a recognition of his inability to spend his fortune that led Rockefeller to revive the Tudor innovation of the charitable trust or foundation, beginning in 1901 with the Rockefeller Institute for Medical Research.

The first general purpose foundation of this era was not, however, established by either of these great philanthropists, but by Margaret Olivia Sage. When her investment banker husband died leaving her $65m she decided set up a foundation in his name as the best way of helping the poor. It is ironic that the venerable Russell Sage Foundation, established in 1907, is named after a man who, by all accounts, would not have approved of it. In 1909 Rockefeller decided to endow a foundation with $50m but his application for Congressional approval ran into stiff opposition, including from President Taft. Rockefeller's business methods were beginning to haunt his philanthropy. While Rockefeller tried to win over his opponents, Carnegie, who had initially planned to spend his fortune in his lifetime but was now aware that he didn't have the years in him to do so, avoided Congress and endowed a foundation called the Carnegie Corporation of New York with $125m in 1911, Rockefeller persisted with Congress until 1913 and then opted for a charter from the state of New York to create the Rockefeller Foundation.

The negative public sentiment that accompanied the attempts of Carnegie and Rockefeller to create foundations originated in the ‘Progressive' movement at the end of the 19th century. The journalist Henry Demarest Lloyd wrote a series of articles attacking corruption in business and politics in the 1880s and, in 1894, his progressive reform classic *Wealth Against Commonwealth*. In 1895 the Congregationalist minister Washington Gladden attacked ‘wholesale philanthropy' in an article *Tainted Money*, which questioned the way the philanthropic millions had been earned. In 1904, the pioneer of investigative journalism (or muckraking as it was known at the time) Ida Tarbell published her sledgehammer attack on Rockefeller *The History of the Standard Oil Company*, which alleged that his fortune was based on "fraud, deceit, special privilege, gross illegality, bribery, coercion, corruption, intimidation, espionage or outright terror" and criticised the scale of his giving as but a ‘pittance' of his total fortune. She asked: "Is it too much to hope that even Mr. Rockefeller will see, at last, that what we need in society is not charity but fair play, and that he who attempts to substitute the one for the other handles a sword which deals fatal blows in two directions." In 1905 Washington Gladden even criticised a donation by Rockefeller to expand the work of the Congregationalist church because the money had been acquired "by methods as heartless, as cynically iniquitous as any that were employed by the Roman plunderers or robber barons of the Dark Ages."

The mission of ‘Progressive' politicians such as Teddy Rooselvelt and Woodrow Wilson was to wrest power from the hands of these ‘corrupt' corporations. From the Sherman Antitrust Act of 1890 through the 16th and 17th Amendments, which authorised a federal income tax and required popular election of US senators, and the creation of a Federal Trade Commission this new agenda dominated American politics in the early 20th century. Rockefeller's Standard Oil Corporation was dissolved in 1911.This suspicion of the new giants of capitalism reflects the fact that, despite massive industrialisation, America was still, on balance, an agricultural economy (the urban population only exceeded the rural population in 1920). Low farm prices for much of the late 19th and early 20th centuries contributed to a widely held view that ordinary people were benefiting little from the economic boom that was fuelling these new fortunes.

The opposition to the creation of foundations was not just a principled objection to the source of the money, but also the product of fears that the foundations themselves were against the public interest. The 1912 Walsh Commission recommended limits on the size of foundations for fear that they would "manipulate the economy and …influence public opinion". Frank Walsh then went on to head the US Industrial Relations Commission of 1915 that followed the Ludlow massacre. Indignant that Rockefeller had used the Foundation to investigate the causes of industrial unrest following the Ludlow Massacre, Walsh attacked foundations for their wealth, loosely defined powers, exemption from federal taxation, freedom from public control, subservience to donors, and benumbing effect on smaller philanthropic agencies.

So what forces were driving this new generation of mega-philanthropy? The scale of the wealth was one factor, as we have seen. So, too, was the liquidity of that wealth. Carnegie, in particular, after selling his business interests in 1901 to J.P. Morgan's U.S. Steel, enjoyed a remarkable flexibility.

Carnegie and Rockefeller, although of very different temperaments, also shared a vision that society could be improved by getting to the cause of problems (the efficiency movement), a tradition to which Peabody was a predecessor. Hence their mutual disgust for almsgiving and belief in self-help.

Writing in the *Harvard Business Law Review in 2007*, Carl Schramm describes the foundation form of philanthropy as "…an institutional response to the rapid social, economic and cultural changes of the late nineteenth and early twentieth centuries." He argues that "Capitalism had created externalities in the form of urban ills and labor strife. Foundations played a vital role in addressing these externalities in ways business firms could not. By pressing for improvements in working conditions and social-welfare programs and bolstering social science research, foundations helped smooth the rough edges of the capitalism of their time." He might also have mentioned the translation of this social, economic and cultural turbulence into political unrest. For, while America never saw a strong Socialist movement, this was a period of rising labour power and political agitation.

For about a decade after World War one, private charity enjoyed a period of great popularity in America. Some of the Progressive scepticism about private foundations remained and the community foundation movement was launched with the express intent of raising money from the rich without allowing them direct control. In 1928, a great champion of voluntarism, Herbert Hoover (1874-1964) took over the White House. Hoover rose to public prominence leading the voluntary Commission for Relief in Belgium, during World War one (although the majority of the money spent was Belgian government funds, subsidies from British and French governments and US Government loans, not private donations). He then transformed the American Relief Administration into a private charitable organisation, which led the Russian famine relief effort in 1921. He served Presidents Harding and Coolidge in the 1920s as Commerce Secretary, before winning the Presidency for himself.

When the post-war economic bubble burst with the Wall Street Crash of 1929, Hoover looked to the mechanisms he knew and trusted to deal with the problems of unemployment and poverty. His hostility to state intervention was so great that he even praised the American Red Cross for rejecting a $25m grant from Congress. In October 1930 he appointed Arthur Woods of the Rockefeller Foundation to develop a response to the global recession. The President's Emergency Committee for Employment (PECE), as it became known, worked with the charitable and philanthropic community including the Association of Community Chests and Councils, the Family Welfare Association of America, the Red Cross, the Russell Sage Foundation, to build community programmes to address unemployment.

But the economy was in freefall. Between 1929 and 1933 about 80% of the value of stocks disappeared. The economy wasn't stagnant, it was shrinking (real net national product per capita fell by 0.5% p.a. from 1929-1937. As the problems worsened, Hoover sought to galvanise the charity response by launching the Organisation for Unemployment Relief in 1931, headed by the President of the New York COS, with an appeal for $175 million. But, with only $100 million raised and the strongest charitable organisations active in the least hard hit areas, Hoover was wide open to presidential rival Franklin D. Roosevelt's attack that state aid for the unemployed should be provided "not as a matter of charity, but as a matter of social duty". In July 1932 Congress refused further funding for Hoover's schemes. Wealthy foundations could not plug the gap in funding - even the Rosenwald Foundation nearly had to be liquidated because the price of Sears Roebuck stock on which it was based had collapsed. Hoover's voluntarist experiment was falling apart.

Roosevelt's victory in the 1932 presidential election was followed by the New Deal (even if that wasn't the platform he had campaigned on), in which the government took on an increasing role in welfare provision and economic development. Roosevelt also pursued Hoover's tax-cutting Treasury Secretary Andrew Mellon, who had made a fortune in banking, for tax evasion. It is widely believed, rather unfairly, that Mellon's decision to donate his art collection to the nation was part of an effort to settle his tax affairs. He died in 1937 and was cleared of all charges posthumously.

America's experiment with the ‘corporatist' state was never on the scale of Britain or Europe, and the philanthropic tradition remained stronger in America through the Great Depression and the post-war years. However, as on the other side of the Pond, philanthropists in America in the mid 20th century faced much greater competition for resources by the state. In Britain in 1936 about a third of a gross income of £10,000 or more would have gone on tax. With wartime this racheted up to two thirds, and barely fell back in peacetime so that the number of wealthy estates started to fall. Income taxes may not have reached such levels in the US but the overall tax take reached historically high levels during this period. For example, from 1941-1971 the federal estate tax was 77% on estates valued at over $10m.

American philanthropy survived this squeeze much better than their British and European peers, partly because it was a wealthier society with lower taxation and partly because the voluntarist spirit was stronger. High death duties also had the perverse incentive of encouraging the use of foundations as a tax-dodge. "Ford did not create the Ford Foundation out of altruism or to restore his reputation" argues foundation historian Martin Morse Wooster. Instead, he says, the foundation was a product of 1935 New Deal legislation to increase estate duty to 70% on assets over $50m. Henry Ford and his son Edsel still held 96.9% of company stock and the old man was not going to relinquish control. In 1936 Henry endowed the foundation with non-voting shares, while retaining the few voting shares that controlled the company for his heirs.

This sort of trickery confirmed suspicions about foundations, which continued to suffer political attacks. In the McCarthyite 1950s they were checked up by the Cox and Reece Commissions that gave them the all clear on suspicions of un-American activities. By the 1960s it was widely felt among Republicans, at least, that the wishes of original donors were being neglected, and that both foundations and corporate donors had been captured by a liberal clique. The attack was led by the Texas Democrat Congressman Wright Patman, some say as a front for the Nixon White House, whose obsessions included a hatred of the civil rights movement and a suspicion of the rich (as a young man, he had tried to impeach former Treasury secretary Andrew Mellon in 1932). Patman focused on the liberal foundations, which were seen to have over-reached themselves in support of the civil rights movement and other liberal causes. The Ford Foundation drew particular criticism. In 1948 Henry Ford II had rescinded family control of the Foundation. "We thought that the amount of funds that would be available in this public instrument was of such magnitude that it would hardly be right for one family to have decision as to the distribution…" he explained at the time. After that, the trustees of the Ford Foundation had steered the organisation towards liberal causes that many observers felt would have horrified its founder. In 1967 they supported a voter registration drive in Cleveland that was credited for Democrat Carl Stokes' narrow victory, becoming the first African-American mayor of a major US city. The perception that the Ford Foundation had lost political neutrality was reinforced when, in 1969, it made grants to staffers of assassinated presidential candidate Bobby Kennedy's to "ensure their transition into private life".

J.D. Rockefeller III organised the foundations' defences for this "gathering storm", forming the Peterson Commission to carry out a balancing investigation to the Patman hearings. Peterson only reported in 1970, after the 1969 Tax Reform Act, which placed significant new restrictions on the work of foundations. Rockefeller was credited with sparing them from more draconian regulation through his lobbying of Congress but the Act still limited their political activities and imposed a requirement that Foundations should pay out a least 6% of the value of their assets each year (later reduced to the 5% that prevails today). In 2007, Peterson became a billionaire thanks to the floatation of Blackstone, a private-equity firm he co-founded. In its prospectus he said he planned to give away most of his fortune.

In his 2007 book *The Foundation: A Great American Secret*, philanthropy professional turned academic, Joel Fleischman tries to sum up the contribution of the foundation sector. Among the particular achievements of this fourth golden age of philanthropy he cites Carnegie's support for the 1906 Flexner report that reshaped medical training in America, Julius Rosenwald's support for schools for African-Americans in the 1920s, the Rockefeller Foundation's sustained support for the ‘Green Revolution' in agriculture in Asia that is credited with saving a billion lives, the Ford Foundation's support for two very different initiatives but massively successful initiatives: Sesame Street in America in the 1960s and the Grameen Bank microfinance organisation in Bangladesh in the 1970s. And so the list goes on.

But this is not an insider puff job. Fleischman is appreciative of the successes of philanthropy but also painfully aware of its failings: ""I am convinced that the foundation sector as a whole, as great as its social contribution is now and has been for most of its history, seriously underperforms its potential with respect both to the social benefit it might otherwise have conferred if it were not underperforming and also to the mission that its freedom from substantial government and social control is designed to fulfil."

Question-marks about effectiveness were not the only challenge that philanthropy faced at the turn of the millennium. By the 1970s, the ‘great compression' of the welfare boom of the post-war years had reduced inequality and driven up tax rates, which interrupted the supply of philanthropic capital and, to some at least, demonstrated that the state was better placed to meet social need than charity. But things have changed again since the economic crisis of the 1970s and the painful restructuring of the 1980s. Throughout the world, new wealth has been created in the last 20 years on a scale unprecedented in the middle of the 20th century, but this has been accompanied by rising inequality and scepticism about governments' capacity to respond. In short, the conditions in which we should expect a fifth, global golden age of philanthropy to dawn.