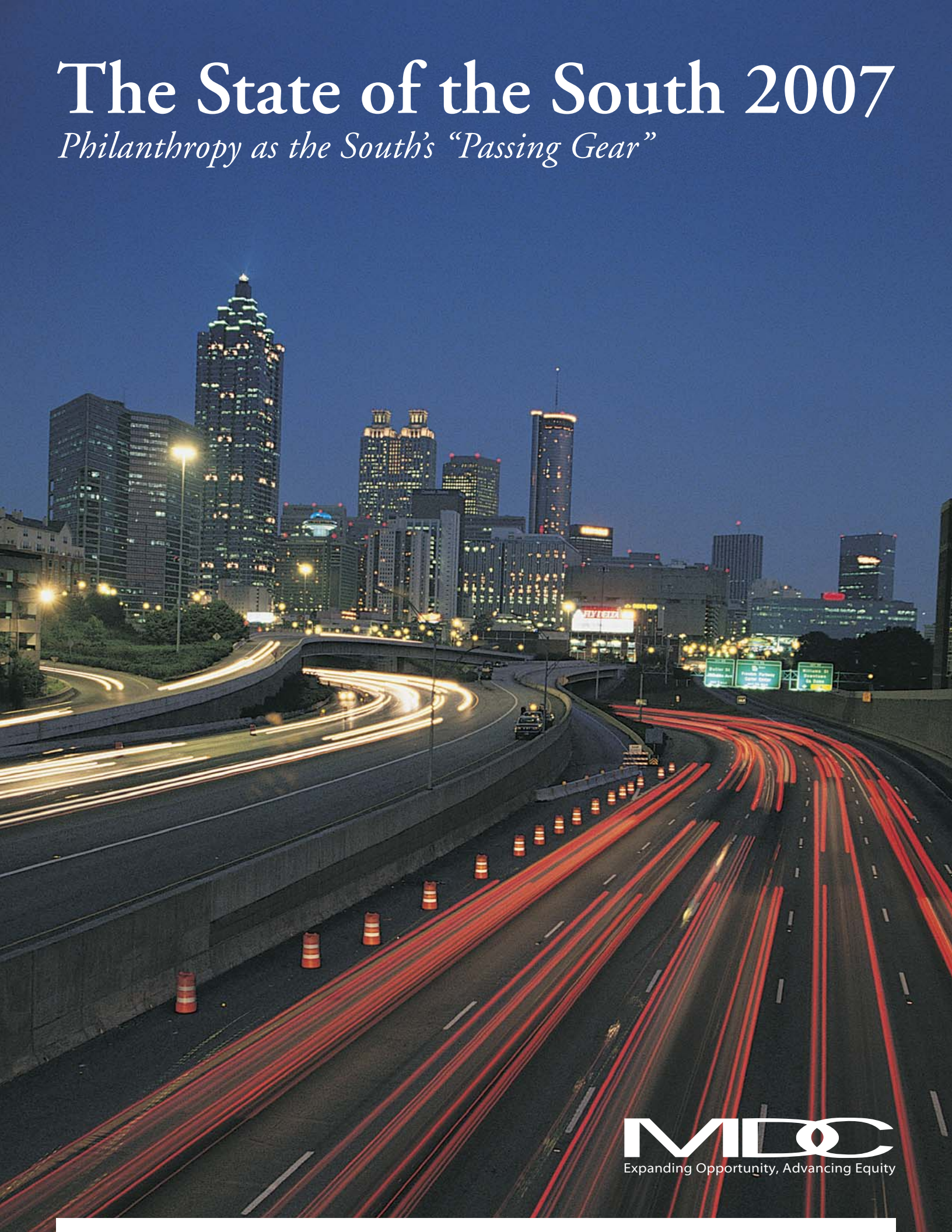
The State of the South 2007

Philanthropy as the South's "Passing Gear"



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ABOUT MDC

MDC's mission is to help organizations and communities close the gaps that separate people from opportunity. We have been working to create positive change in disadvantaged communities for 39 years—by conducting research and demonstrating effective programs at the community level. We focus on three areas: education, economic and workforce development, and asset building and strategic philanthropy.

MDC's organizing principle is that
Education + Work + Assets = the Pathway to Opportunity.

We are a private, nonpartisan, nonprofit organization located in Chapel Hill, NC, and supported by grants and contracts from foundations; federal, state, and local governments; and the private sector.

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A LETTER TO OUR READERS

The report in your hands is shaped by a vision grounded in history, data, and faith in the future of our region. Our vision is for a South that is both equitable and competitive—a region that is strong, resourceful, and works well for all its residents. History reminds us that the South too often has faltered on the road toward that vision. Long periods of intransigence have alternated with outbursts of forward movement toward fairness and shared prosperity. Data show us that the effects of this mottled record linger today in enduring gaps in education, health, income, and opportunity. They also reveal a region poised and prepared as never before to realize its promise.

This State of the South, the sixth in our biennial series, explores our region from a new perspective: the role that philanthropy can play to accelerate progress toward the possibilities before us. Why philanthropy? First, the act of prompting change through giving is the ultimate hopeful human act. Philanthropy by its nature speaks of faith in the future. Second, history teaches us that the South's progress owes much to bold investments by philanthropy to promote health, improve education, and dismantle social barriers. When wisely applied, the power of philanthropy is transformative. This report challenges the South to consider how to unleash the potential of philanthropy for the future.

We hope and intend for this report to start a fresh conversation about the role of philanthropy as society's "passing gear," an essential tool, along with private markets and public policy, for helping the South close the gaps that limit our competitiveness and civic cohesion. Here the South has an opportunity to join with prominent entrepreneurs and public figures who have lately embraced philanthropy as the preferred sector for social innovation.

The South has both the growing means and an unparalleled opportunity to be bolder and more strategic in its generosity. The return on our investment can be enormous. It is time to begin.

JOHN HOPE FRANKLIN

- James B. Duke Professor Emeritus of History, Duke University
- Emeritus Professor of Legal History, Duke University
- Professor of History Emeritus, University of Chicago
- Recipient, Presidential Medal of Freedom, 1995
- Chair, Advisory Board, One America:
  The Presidential Commission on Race, 1997-1999
- Author, *From Slavery to Freedom: A History of African Americans*

We dedicate this *State of the South* to John Hope Franklin, James B. Duke Professor Emeritus of History at Duke University. Our neighbor, friend, and mentor, John Hope has never failed to look at history squarely, extract its lessons without compromise, and challenge society to take up the unfinished business of fairness and equity. The South has no finer model for facing the future.

Prologue

Homegrown Philanthropy: A Call to Action

"Surplus wealth is a sacred trust which its possessor is bound to administer in his lifetime for the good of the community."

– Andrew Carnegie, Industrialist and Philanthropist

The South is arguably the most generous region of a generous nation. Southerners give to their universities and schools, to their soup kitchens and homeless shelters, to the community United Way, to relief agencies responding to natural disasters, and most especially to their churches and other religious institutions. As a whole, Southerners give more than might be expected of people in a historically poor region.

Charitable generosity is splendid, and necessary. But today, charity is not enough. The South also needs more organized philanthropy to boost its competitiveness and address inequities in the 21st century—and the South needs venturesome philanthropy, ready to do different things.

For much of its history, the South has had plenty of poor people and too few prominent philanthropists. But of course, Southerners and philanthropists are not strangers. Indeed, key advances in the region during the 20th century resulted from philanthropic intervention designed to improve the lot of people in a region afflicted with racial segregation, poverty, ill health, and under-education. Until recently, however, the South relied more on Northern than homegrown philanthropists. John D. Rockefeller's money attacked hookworm disease and fostered the creation of local health departments. Julius Rosenwald's Fund provided scholarships and grants to build schools to educate black Southerners. Andrew Carnegie's philanthropy built libraries and financed the 100 researchers working under Gunnar Myrdal, who produced, in 1944, *An American Dilemma*, the masterwork on race relations.

To be sure, Southern philanthropy has left an imprint, too. Asa Candler's earnings from Coca-Cola went into transforming a small Methodist college into Atlanta's Emory University. James B. Duke used his success in generating electricity to upgrade Durham's Trinity College into Duke University. Three decades ago, the Z. Smith Reynolds Foundation and the Kate B. Reynolds Trust, founded on Winston-Salem cigarette-manufacturing money, financed the pilot program that became the state-funded Area Health Education Centers, which bring university-based health care expertise to rural North Carolina communities.

Today, the South contains one of the nation's shining examples of the benefits of cooperative, patient philanthropic investment: the Center for Community Self Help in Durham, NC. This community development financial institution has two affiliates, the Self Help Credit Union and the Self Help Ventures Fund, as well as a policy research arm, the Center for Responsible Lending. Since 1980, Self Help has provided nearly $4 billion in loans to small businesses, nonprofits, and home-buyers, while the policy center has fought predatory lending practices across the nation. Throughout its quarter century of history, Self Help has received key grants from Northern and Southern philanthropies: the Ford, MacArthur, Casey, and Rockefeller Foundations, as well as critical early support from the North Carolina-based Mary Reynolds Babcock and Z. Smith Reynolds Foundations.

Today, too, the Deep South stands as one of the world's leading recipients of an outpouring of generosity. In addition to uncounted hours of volunteer person-to-person assistance, more than $4.25 billion in donations flowed in the wake of the devastation inflicted by Hurricane Katrina in late summer of 2005. The American Red Cross received more than half of the donations, with the rest going to an array of religious and secular relief agencies.

In addition to government action, rebuilding depends on an entrepreneurial spirit on the part of individuals and corporations, and it requires philanthropic investments to provide research, revitalize civic institutions, and inform policy decisions. The TV pictures from New Orleans in the immediate aftermath of Katrina stirred the nation to

confront issues arising from poverty, class and race divisions, environmental degradation, and governmental detachment from the day-to-day lives of Americans. These are issues that need to be addressed not only in New Orleans but across the South.

In a global race in which the region must compete, undereducated youth, chronic poverty, lingering health disparities, and civic frictions along the lines of class and ethnicity complicate the South's ability to keep pace. Today, China, India, and other emerging economic powers have become high-skill, low-cost producers in ways that the South never imagined. Demographic shifts, combined with the rise of a knowledge economy, have underscored the South's need to educate every person well. Leaving people behind is no longer a strategic option for a region that hopes to stay strong and competitive.

We know that Americans, and especially Southerners, will respond magnificently in a time of crisis. But we also know that the region needs to respond to the dynamics of the world economy by strengthening its competitiveness and shearing away inequities. This is a call to action to Southern philanthropy to guide the region in meeting that twin challenge.

Findings

Toward "Passing-Gear" Philanthropy

The purpose of this report, the sixth in the *State of the South* series, is to examine the bracing era of change that has transformed the region and will continue to do so. In examining how demographic, economic, education, and health trends bear on the work of philanthropy, we advance five overarching findings:

1) **A quarter of a century of dramatic advancement has made the South a magnet for jobs and for a diverse array of people who want to work.**

The South's medium range prospects are for continuing population growth and diversity, accelerating economic change, and burgeoning metropolitan areas. These trends present challenges and opportunities for the region that are quite different from the issues addressed by Northern, as well as Southern, philanthropists earlier in the region's history.

2) **In the first years of the 21st century, the South fell into a trough of economic stagnation and widening income gaps.**

A national economic slowdown sent distress signals rippling across the region, manifested in job losses and in constricted state budgets. The region learned a hard lesson: that it could not take advancement for granted.

3) **A thriving region that works well for all people must pursue two goals simultaneously: competitiveness and equity.**

The swift transformation of its economic and social landscapes has left the region with "equity gaps" that threaten its future vitality—in educational attainment, in prospects for a healthy life, in the availability of jobs, and in economic wherewithal. Assuring educational attainment beyond high school, promoting healthy lifestyles, addressing poverty and its side effects, and removing barriers to opportunity make Southern communities more competitive in the demanding economy of today and the foreseeable future.

4) **Now is the time for an economically vibrant South to produce more of its own philanthropic assets.**

As a region that has surged in population, in economic strength, and in wealth, the South is no longer the out-of-sync, left-behind region of the past. No doubt, the South will continue to offer national philanthropies issues to be addressed and problems to be solved. Still, by producing more of its own philanthropy and deploying it creatively and strategically, Southerners—who know themselves and their own communities better than anyone else—would engage more deeply in shaping their own future.

5) **The South needs a philanthropy that is bold, innovative, and visionary—philanthropy that serves as the region's "passing gear."**

States and communities, of course, need a robust private sector to create jobs and an effective public sector to provide infrastructure and services. But, as Andrew Carnegie suggested a century ago and investor Warren Buffett echoed more recently, the capitalist system produces inherent inequities. It is imperative that Southerners capable of doing so apply their wealth, their entrepreneurship, and their knowledge to forge stronger, more equitable communities and states, and by consequence, a more vital region. For the better part of a century, philanthropy has served as a powerful force in the life of the South. Now the region has arrived at a moment in its history that calls for homegrown philanthropy to be a strategic tool for building the South of the future.

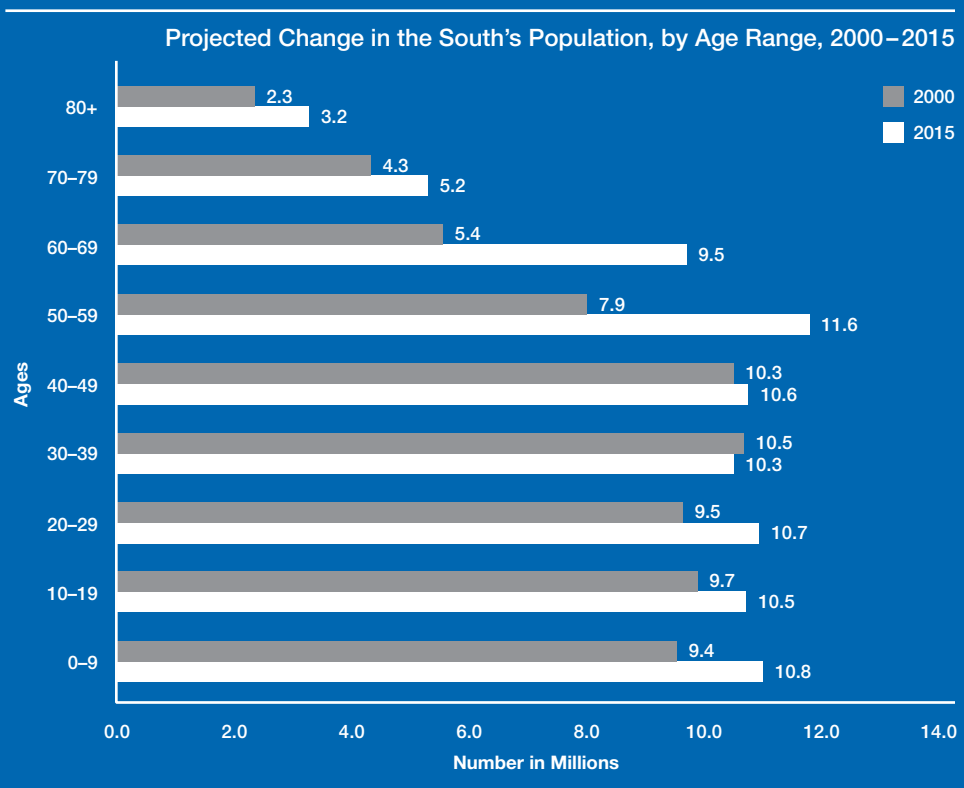
Chapter 1

Three Souths: A Reflection on Past, Present, and Future

"Change, in fact, has long been a central theme of Southern history, prodigious change of such degree and frequency as to become one of the region's several distinctive traits."

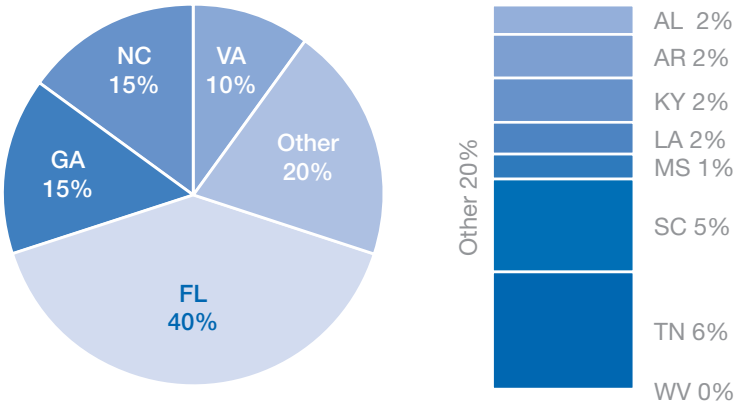
– C. Vann Woodward, Historian

Ten years ago, in the first of MDC's biennial reports to the leaders and people of the region, we said that our data and analysis would describe "three Souths." In this report, we return to that construct. We look at the lingering effects of the South of the past. We examine the accelerating changes that define the South of today. And we call attention to the growth that is projected to shape the South of the future.



Source: U.S. Census Bureau, Population Division, Interim State Population Projections, 2005

Share of the South's Projected Population Growth by State, 2000–2015



Source: U.S. Census Bureau

The South of the past: For much of the 20th century, Southerners lived in not-so-splendid isolation. Theirs was both an internal and external isolation. A largely rural people in a region of few cities, most Southerners lived at some geographical distance from one another. As a result of endemic poverty, one-party politics, and racial discrimination embedded in law, the South also lived in psychological and cultural isolation from the rest of America.

The region had an economy dependent on natural resources. Southerners picked cotton and cropped tobacco. They dug coal out of the hills and pumped oil from beneath soggy land. They worked in factories that produced yarn and cloth, that refined cane into sugar, and oil into gasoline. Most of the profits went elsewhere.

Southerners worked hard, but mostly in low-paying jobs that required a modicum of education. In the South of the past, education was widely regarded as necessary for only a few and an expensive conceit for the many. As its basic economic development strategy for decades, the South sought to entice industry from afar by offering cheap labor, cheap land, and low taxes.

Racial discrimination rent the civic fabric, resulted in vast injustices, and held the region back economically. Jim Crow laws and customs drew clear demarcations between white and black Southerners—in restaurants, doctors' offices, movie theaters, and, most importantly, in schoolhouses and workplaces. Simultaneously, the South's culture, especially in music and food, blended elements of black and white. But the South also experienced one of the great out-migrations of human history as black citizens left by the millions over several decades in search of greater economic opportunity in the Northeast and Midwest.

The South of today: In the quarter century after World War II, historian C. Vann Woodward wrote, the South went through a "great storm of social change and economic upheaval with more shocks than the South had sustained since the 1860s… Old monuments and institutions were overturned or swept away completely. One-party politics went the way of one-crop agriculture and the one-horse farmer, and gone with them and the wind were the poll tax, the white primary, the Jim Crow laws, and the white man's monopoly on the ballot box."

As MDC has pointed out in previous *State of the South* reports, the banishment of Jim Crow—and the region's subsequent, not coincidental, economic flowering—propelled the South to leave behind its old isolation from the rest of America. The South has grown strong enough to lead the nation.

By the millions, people now move to the South, instead of away from it. Since 1980, the region has added 15 million jobs, and job growth has propelled population growth—among whites, blacks, and Latinos. Especially notable, from the standpoint of history, is the complete reversal of the "Great Migration" of blacks out of the South; more black Americans now move to the South than to any other region. Meanwhile, Latinos, spreading out beyond Texas, Florida, and California, have transformed large segments of the South from a biracial to a multi-ethnic culture.

Today's South serves as the home base of global corporations; commercial banks of national stature; giants of the entertainment and media industries; automobile assembly and auto parts factories; pharmaceutical research and production; and tourism locales, retirement communities, and four-star restaurants. Much of the old farm and small-factory economy has collapsed, replaced by a vast expansion of retail and services. As its economy shifted, the South today is more affluent and more metropolitan than ever.

And yet, to assess the current state of the South is also to recognize the jolts the region has received from the huge forces of nature and of the global marketplace. In late summer of 2005, back-to-back hurricanes hit communities along the Gulf of Mexico, resulting in damage from which it will take years, perhaps even decades, to recover. Coastal communities in Mississippi and Louisiana were practically wiped away. The flooding of New Orleans left more than half the city's residents dispersed across the nation in an unforeseen diaspora.

The aftermath of the hurricanes prompted Americans to ponder the consequences

and implications of endemic poverty, environmental degradation, and race-tinged civic disunity. In New Orleans and beyond, public and private life in the South remains coated with an awareness of race. Concurrently, this formerly isolated region struggles with its unaccustomed role of serving as an employment magnet for immigrants speaking another language and arising from another culture.

It is something of a paradox that the very processes of advancement have left the South facing difficult issues arising from employment dislocation as well as income and wealth disparities. A more high-tech, globally competitive economy has introduced new employment opportunities for Southerners, but it also has destroyed jobs held by mature adults who have few prospects for shifting into jobs with comparable pay. As more affluent Southerners congregate in metropolitan areas, they seek to enjoy the amenities of modern living, much of them provided by low-wage service workers. As Carnegie pointed out in his time—and as is evident again amid the economic shifts at the outset of the 21st century—wealth creation usually results in widening inequality. Consequently, the South of today, along with the rest of the United States, finds itself a society pulled apart.

A State Model for National "War on Poverty"

Historians James L. Leloudis and Robert Korstad describe the economic conditions in North Carolina when Gov. Terry Sanford took office in 1961:

North Carolina's factory workers earned some of the lowest industrial wages in the nation; 37 percent of the state's residents had incomes below the federal poverty line, half of all students dropped out of school before obtaining a high school diploma, and one-fourth of adults 25 years of age and older had less than a sixth-grade education and were, for all practical purposes, illiterate.

Under Sanford's leadership and critical funding from foundations, North Carolina launched an innovative and visionary program to address its long-standing social and economic conditions. The North Carolina Fund, which served as the nerve center of the effort, was incorporated in 1963 as a private, nonprofit corporation dedicated to an "all-out assault on poverty." It was the first project of its kind in the country, dedicated simultaneously to addressing the immediate needs of the poor and to dismantling the structures that perpetuate poverty.

The Fund's methods—promoting collaboration between government, communities, and private foundations to tackle issues of poverty—would become a model for President Lyndon Johnson's War on Poverty, begun in 1964.

Private philanthropy provided the intellectual leadership and material resources to spur an unprecedented burst of experimentation to address the root causes of economic distress. Financing came from the Ford Foundation, Z. Smith Reynolds Foundation, and Mary Reynolds Babcock Foundation.

The Fund created programs that directly engaged struggling communities and individuals. For example, it launched the North Carolina Volunteers, a service corps that trained college students to work in rural communities and a prototype for the federal Volunteers in Service to America (VISTA) program. It stimulated the development of child care, home- and lifestyle-management programs such as sewing and cooking classes, tutoring for school children, and adult literacy programs. And it set in motion community action to foster interracial civic participation and grassroots community development.

At the outset, officials of the Fund decided that its own life should be short, roughly five years. Still, the Fund spun off stand-alone institutions, including a low-income housing initiative as well as MDC Inc., which was born in the late 1960s to stimulate job training to ease North Carolina's transition from agriculture to industry and from segregated to integrated workplaces.

The South of the future: In March 1956, Elvis Presley released what would become his first gold album, a vinyl platter played on a turntable. A half century later, Southerners get their music, as do the rest of America and the world, on CDs or downloaded from the Internet. Fifty years ago, it would have been difficult for most Southerners to imagine the South of today. And so it is with Southerners today—they have to be prepared for a future that they cannot altogether imagine.

Even though it's difficult to look 50 years ahead, or to have much certainty about 20 or 30 years from now, the South already knows that big trends are shaping its future:

- Whites, blacks, and Latinos will continue to enter the region in search of job opportunities and a high quality of life. The emerging South is destined to become a more ethnically diverse region than it is today.

- As a result of continued in-migration from other parts of the United States and immigration from other nations, the South will contain more people—in some Atlantic Coast states, many more. The Census Bureau projects substantial population growth, especially in Florida, Georgia, North Carolina, and Virginia.

- In aggregate, the white South will grow older as the baby-boom generation reaches

retirement over the next decade. In some rural communities, the median age (half the people above, half below) is likely to reach 40, even 50. Meanwhile, blacks and Latinos will become a larger share of Southerners of prime working age, reshaping the region's workforce.

- The South will continue the process of "metropolitanization." Rural areas, especially along interstate highways and near seacoasts, will see a measure of growth in people and jobs. But metropolitan areas, composed of cities, suburbs, and burgeoning exurbs, will continue to serve as the region's chief economic engines.

- In the growing metropolitan South, a clear class divide may persist—a divide between lower-paid service workers and higher-paid workers in technology-oriented enterprises and the professions. The fault line of a class divide almost surely will center on educational attainment: Those who earn more will be those who know more and thus can compete successfully in the global economy.

- The South, its isolation far in the past, will remain inextricably linked to that global economy. Technological advances will surely influence the course of the South's economy and culture. Change will remain a constant, and may well intensify.

The South, therefore, enters a daunting era of grand opportunities and anxiety-inducing challenges. The future will be shaped by public policies, private sector investments, and the creativity of uncounted individual Southerners.

Key to bridging divides of ethnicity and class and to surmounting barriers to opportunity will be knowledge and people's ability to perform at globally competitive levels. Schools, colleges, and universities will take on an even more central role in equipping more Southerners to thrive amidst the changes in store over the coming decades.

History shows that philanthropy can step into the process of change and cause Southerners to grapple more intelligently with the issues of equity, competitiveness, and civic and democratic vitality. Through the 20th century, Northern philanthropy and a small but significant cadre of bold Southern donors helped our region face its deficits, heal its divides, mitigate its inequities, and shape a fairer and more competitive South. When philanthropy led, in time the South felt the benefits. History shows that philanthropy can be a strategic asset; the future requires that it be so.

Chattanooga: Passing the Tipping Point

In Chattanooga, TN, the Lyndhurst Foundation has helped transform the city of 155,000 from a stunted former industrial center into a hub for successful business enterprise, a regional tourism center, and a gracious place to live.

The results of Lyndhurst's investments, together with community cooperation and public-private partnerships, have been striking. This is the third *State of the South* report that has cited Chattanooga, nestled in a bend of the Tennessee River, as a model from which other Southern cities can learn.

Downtown Chattanooga is the center of employment and entertainment, and increasingly, the site of the city's most active residential development. Key indicators of community health, such as property values and safety, have moved upward in several distressed neighborhoods. In 2005 alone, the Lyndhurst Foundation made grants to more than 60 organizations in the city and region—to establishments as diverse as the Chattanooga Market, a weekly farmer's and artisan's market in the Southside district; the Chattanooga Neighborhood Enterprise, which runs revitalization activities and housing incentive programs; and the Community Research Council to support community-based research and analysis.

The collaboration between the Lyndhurst Foundation and the Chattanooga community underscores the potency of local philanthropic investment in communities as well as the power of community-philanthropy partnership and shared vision.

Website: www.lyndhurstfoundation.org

Chapter 2

The South Today: A Changing Dynamic

"The Southern people...represent the living, striving, creative wealth of the region...they reflect great contrasts and heterogeneity as well as similarities and homogeneity. As for any democracy, so here and perhaps more so than the nation as a whole, they are alike the hope and the despair of the region."

—Howard W. Odum, Sociologist, 1936

What Howard Odum wrote about the people of the South seven decades ago remains true today, only more so. This is a region of sweeping similarities and stark contrasts, of hope embodied in a rising middle and upper middle class of better-educated citizens, and of despair embedded in lingering poverty and growing income inequality.

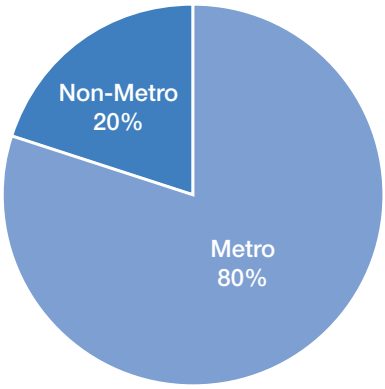
The South that Odum documented, a bygone South, was largely rural, with many poor people and a slender middle class—a region defined by the segregation of blacks and whites. Now 70 years later, the region has become more like the nation, in its economy and lifestyle as well as its governance. Still, the South retains a sense of regional distinctiveness—in food and folkways, in cultural, and social and political attitudes—even as it goes through yet another cycle of transformation.

In the spirit of Odum, this report now turns to presenting an array of data to set the stage for progress by documenting conditions.

More people, more diverse

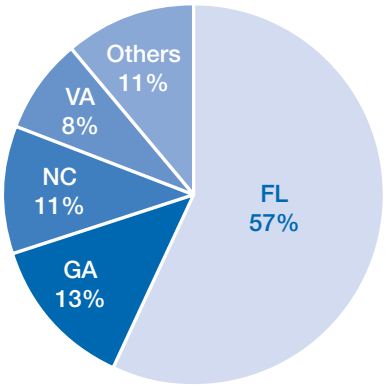
The South is home to 74.1 million people, one-quarter of the nation's population, according to the mid-decade estimate of the U.S. Census. (For the purposes of this report, the South consists of 12 states in the lower right quadrant of the United States. To tighten the focus of this analysis, data from Texas and Oklahoma are not included, as they were in previous *State of the South* reports.) The 2005 population represents an increase of more than 20 million people since 1980. Over the past 25 years, the South has outpaced the nation in population growth—40 percent growth for the South, 30 percent for the nation.

Share of Total Southern Jobs in Metro and Non-Metro Areas, 2000



Source: Bureau of Economic Analysis

Share of Increase in the South's Hispanic Population, by State, 1980–2005



Source: Estimates of the Population by Race and Hispanic or Latino Origin for the United States and States: July 1, 2005 (SC-EST2005-04), Population Division, U.S. Census Bureau, July 15, 2006

Robust growth, however, has not been evenly distributed. The region's center of gravity has increasingly shifted toward the Atlantic Ocean. Five states along the Atlantic seaboard—Florida, Georgia, North Carolina, South Carolina, and Virginia—have powered much of the region's population surge. Meanwhile, six states grew at rates below the region's growth rate, and West Virginia declined in population.

Metropolitan areas continue to outstrip rural areas. Rural communities, to be sure, have experienced population growth. With the exception of West Virginia, Southern states saw their non-metro population increase since 1980—with six states actually having a 10 percent rise in rural residents. At the same time, the South's metropolitan population increased by 45 percent, so that now, three out of four Southerners live in a metropolitan setting.

When Odum wrote his masterwork in 1936, he observed that the "the people of the Southeastern States continue to replenish the other regions"—more than 3.5 million Southern-born people, especially African-Americans, left the region in the first three decades of the 20th century. Now more black Americans move to the South than to any other region of the United States.

The South remains—and will continue to be for the foreseeable future—a majority-white region, significant in terms of politics and culture. And yet since 1980, the black population grew faster than the white population (45.6 percent vs. 33.1 percent). "Beginning in the 1970s, but especially during the 1990s, record numbers of African-Americans began to move away from traditional Northern and Western cities to newly prosperous Southern metropolitan

Mother and Child, Learning Together

A mother and child arrive at school together—only at this place, the mother doesn't simply drop the child off and leave. This is a school with a family literacy center, where mothers upgrade their reading and writing skills while their children attend preschool in adjacent classrooms.

Thanks to seed funding from the William R. Kenan, Jr. Charitable Trust, schools across the nation have adopted the comprehensive approach to intergenerational learning developed by the National Center for Family Literacy (www.famlit.org). Founded by its president, Sharon Darling, and based in Louisville, KY, the family literacy center has spawned more than 6,000 mother-and-child programs, and the approach also has been embedded in federal legislation.

A $900,000 gift from the Trust in 1989 launched the National Center for Family Literacy. Other grants followed—from Toyota Motor Corporation, the UPS Foundation, Verizon, the John S. and James L. Knight Foundation—in support of the documented power of comprehensive intergenerational instruction to produce educational and economic self-sufficiency. As part of its approach to literacy, the center offers math, computer, and nutrition classes to the mothers. It also teaches them how to navigate the local school system.

Several federal laws—such as the No Child Left Behind Act, the Head Start Act, the Workforce Investment Act, and the Community Services Block Grant Act—include language and funding for family literacy services as an educational intervention that increases adult and child academic gains.

"Taking What We Have to Make What We Need"

The Alabama Black Belt Community Foundation came about through the merger of two separate initiatives—one focused on setting up a community foundation and the other on creating a regional foundation. The Ford Foundation helped bring the two together by underwriting the cost of developing a shared vision and mission. The Jessie Ball duPont Fund of Jacksonville, FL, and the Mary Reynolds Babcock Foundation of Winston-Salem, NC, also provided support.

The foundation was born in 2003. Its planning process brought together an unusual array of Alabamians to find solutions to the Black Belt's enduring inequities. Black and white, young and old, professional and blue collar, business people and grassroots organizers gathered in communities throughout the region to make an inventory of their communities' assets and find ways to address endemic poverty, unemployment, teen pregnancy, illiteracy, and poor health in 12 counties stretching from Mississippi to Georgia.

In spring 2006, the Black Belt Community Foundation awarded 47 grants totaling $61,750 to diverse community nonprofits, such as the Black Belt Community Health Services, the Coalition of Women Entrepreneurs, and the Student Tutoring and Enrichment Program.

The foundation's goal is to build local philanthropy, nurture the Black Belt's culture of giving, and support efforts that engage local people in tackling community issues. The Foundation remains focused on its guiding principle: "Taking what we have to make what we need."

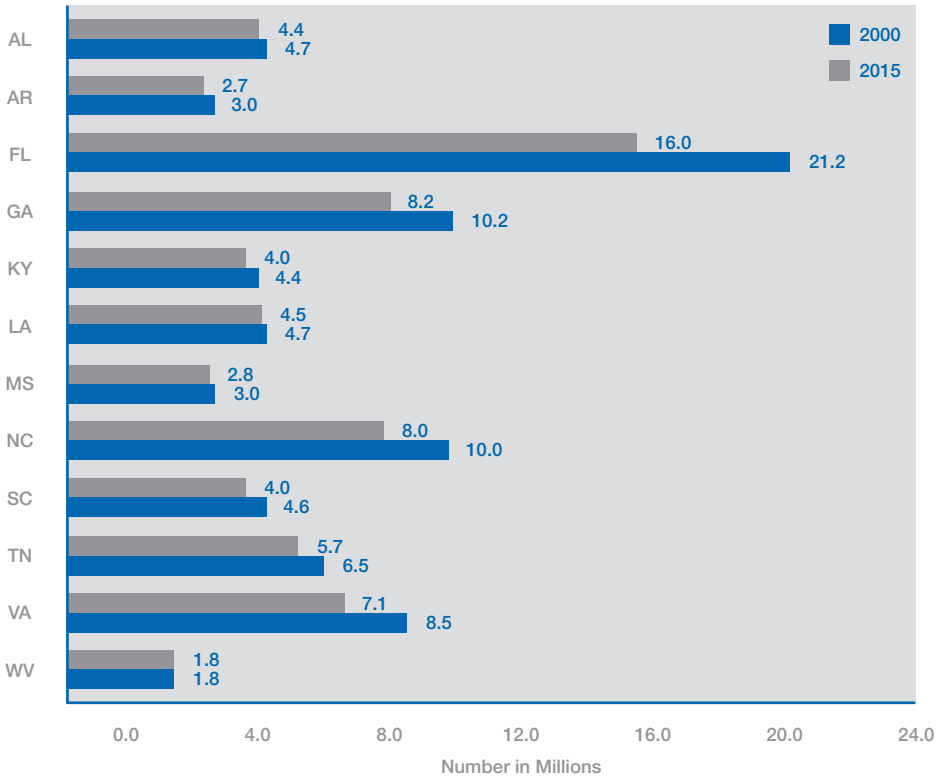
areas—a reversal of the earlier northward 'Great Migration,'" wrote demographer William H. Frey in a March 2006 Brookings Institute report. Frey noted that the metropolitan areas centered in Atlanta, Miami, Orlando, and Charlotte rank among the top 10 in black population gains since 2000.

Meanwhile, the South also finds itself in the midst of a shift from a biracial to a multi-ethnic region. Hispanics constituted 8 percent of the South's population in 2004, up from 2.5 percent in 1980. Four states—Florida, Georgia, North Carolina, and Virginia—accounted for 90 percent of the growth in the region's Hispanic population between 1980 and 2004.

According to the Census Bureau's mid-decade projections from the 2000 count, the number of the South's residents is expected to increase 20 percent by 2015. And four Atlantic seaboard states—Florida, Georgia, North Carolina, and Virginia—should account for 80 percent of the region's growth. The population projections suggest a significant shift in the age profile of the region: a dramatic rise in people aged 60 years and above, only a modest increase in people of prime working age, and somewhat more robust growth among children.

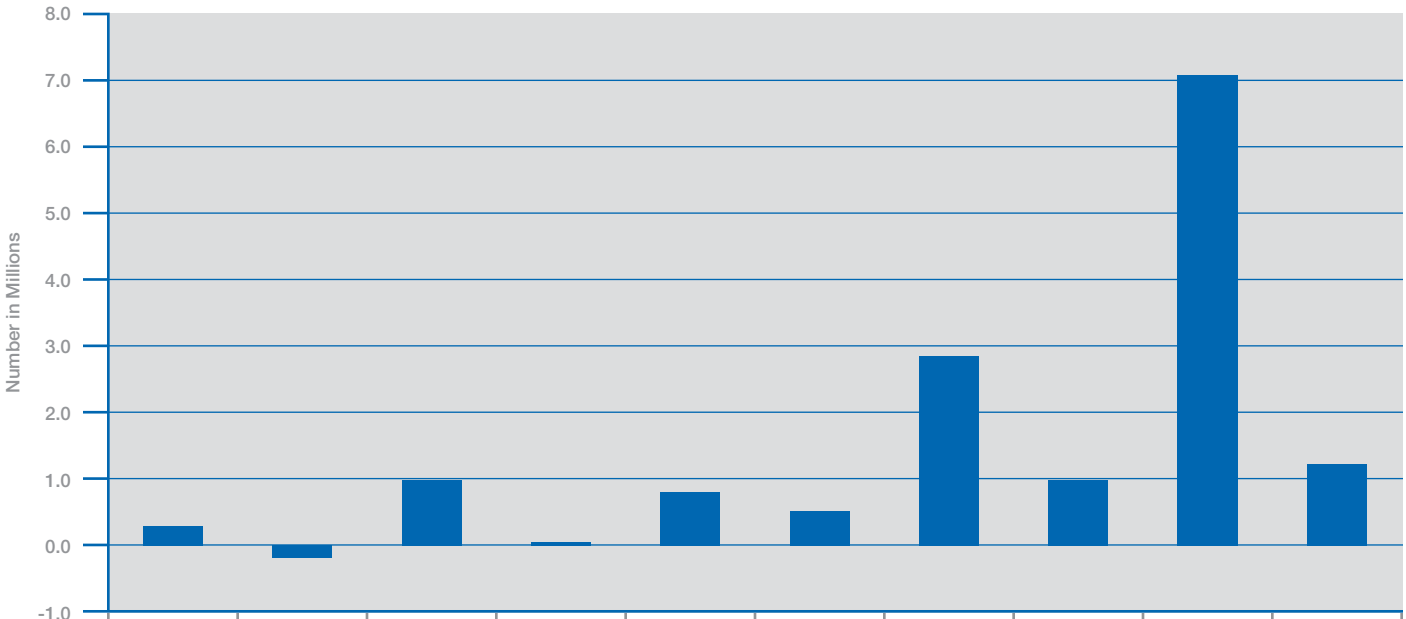
While Atlantic seaboard areas have advance notice to prepare for population growth, two hurricanes in 2005—Katrina and Rita—rearranged population patterns along the Gulf Coast from Alabama to Texas. As the Brookings Institution, which set up a hurricane recovery monitoring project, pointed out, federal disaster declarations covered 90,000 square miles of the coastal region, an area roughly the size of the United Kingdom. More than 700,000 households received relief aid in the weeks immediately following the storm, which took the lives of 1,200 people.

Projected Population Change by State, 2000 vs. 2015



Source: U.S. Census Bureau

Change in Employment (Non-Farm) by Industry, South 1980–2000



	Agriculture	Mining	Construction	Manufacturing	Transportation/ Utilities	Wholesale Trade	Retail Trade	Finance, Insurance, and Real Estate	Services	Government
Employment	314,722	–156,382	1,015,375	49,707	804,418	560,278	2,891,976	1,020,719	7,127,943	1,277,380

Source: Bureau of Economic Analysis

By the summer of 2006, half or more of New Orleans' pre-Katrina population of 462,000 remained elsewhere. The Census Bureau reported that hurricane-induced evacuation had reduced the share of black and poor people in the New Orleans metropolitan area population, while the Mississippi Gulf Coast experienced a decline in more affluent white residents.

A job surge, then stagnation

People go to where the jobs are. Job growth has fueled population growth and population diversity. From 1980 to 2000, total jobs in the South jumped from 25.4 million to 40 million—an expansion of nearly 42 percent. The rate of job growth exceeded the rate of population growth, which was 35 percent in the same period.

And yet, as a result of the national economic slowdown of the early part of this decade, job growth stagnated in much of the South between 2000 and 2004. With the exceptions of Virginia and Florida, the number of jobs in Southern states stayed flat or increased by a mere 1.5 percent or less.

The slowdown illuminated the restructuring of the South's economy. Jobs in textile- and furniture-making fled, while jobs in services, retail, and the professions rushed in. Low-slung brick plants were abandoned, while glassy suburban office buildings sprouted along interstate routes.

From 1980 to 2000, the South had a modest net gain of nearly 50,000 manufacturing jobs, an indication that despite losses in traditional manufacturing, factory work remains an integral part of the region's economy. But in the first years of the 21st century, the manufacturing sector suffered the largest losses, down 11.4 percent or 439,731 jobs. Manufacturing employment declined between 9 percent and 16 percent in every state, with North Carolina especially hard hit. Between 2001 and 2004, the South accounted for 21 percent of the nation's lost manufacturing jobs.

At the turn of the new century, the South's anxiety level rose because the economic blows it suffered were not limited to old-economy industries. Certain new-economy sectors also suffered. The information sector declined in every state, and management employment declined in five states. Thus, the most recent downturn hit both the high and low end of the employment spectrum.

The job growth data parallel the population growth data in signaling a marked contrast between the Atlantic Coast states and the inland states, and between metro areas and rural communities. Florida, Georgia, North Carolina, Virginia, and Tennessee accounted for four out of five net jobs added in the South between 1980 and 2000. Job growth in Southern metro areas has outpaced the national level for metropolitan areas—

65.9 percent to 49 percent, respectively. Between 1980 and 2000, Southern metro areas accounted for 87 percent of total job growth in the region. Approximately 80 percent of all jobs in the South are in metro areas, up from 75 percent in 1980. Mississippi is the only state with more jobs in non-metro areas.

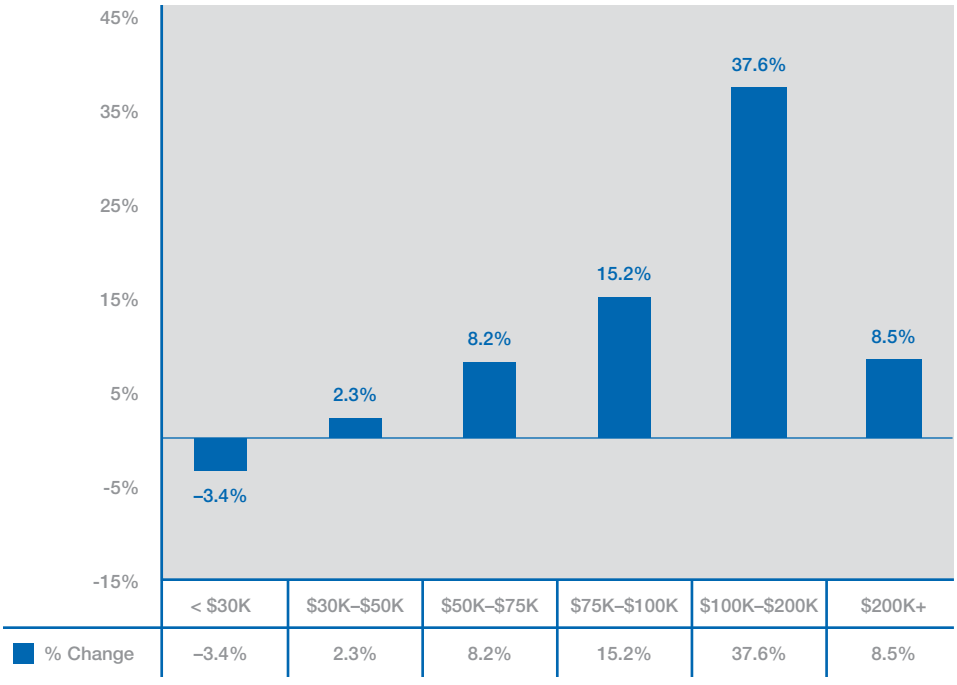
Rising affluence, widening gaps

The interrelated dynamics of job growth and in-migration from the Northeast and Midwest produced a South with growing numbers of affluent people. The bygone South had a vast gap between the wealthy few and the many who were poor or near-poor. The modern metropolitan South has developed a strong middle class and a burgeoning upper middle class.

One indication of the strong middle and upper middle classes comes in the form of federal income tax returns from the region. More than 521,000 tax returns filed by Southerners reported adjusted gross income of $200,000 or more in 2003, representing 1.7 percent of the total filed. (Across the nation, 2.5 million tax returns reported adjusted gross income of $200,000 or more, 1.95 percent of the total.) In the five-year period from 1998 to 2003, IRS returns filed by Southern taxpayers showing gross incomes of more than $200,000 rose 8.5 percent—and rose fully 37 percent in the $100,000-$200,000 range. There were gains in the middle-income brackets, too.

Most Southerners, however, do not have incomes anywhere near $100,000. In its late August analysis of income data, the Census Bureau reported that the median income for households (both family and non-family) was $42,138 in the South, compared to $46,326 for the United States. Thus, half the South's households have incomes of $42,138 or below. (The Census Bureau's "South" includes Texas, Delaware, and Maryland, so the median income may be somewhat different, perhaps lower, in the 12 states in MDC's "South.")

Percent Change in Tax Returns by Selected Adjusted Gross Income Ranges, South, 1998–2003



Source: Internal Revenue Service

The South's job growth has been accompanied by widening income disparities. Across the United States, income inequality has resulted largely from the substantial growth in wages and investment income among the affluent, while earnings among workers at the bottom and the middle have grown little, if at all. What's more, as the South gains more affluent citizens, especially in its sprawling metro areas, the demand rises for restaurants, hotels, big-box stores, lawn maintenance, and other enterprises that employ lower-wage workers. The sector with the biggest employment gains was food service/accommodations, up 15.2 percent or 370,767 jobs. This sector grew in every Southern state.

A state-by-state analysis of income trends by the Center on Budget and Policy Priorities and the Economic Policy Institute paints a nuanced and rather sobering picture. This analysis divides families into "quintiles," with the average income calculated for each 20 percent of families from the bottom to the top. The study found that the income gap between the richest and poorest families grew wider in 38 states between 1980 and 2003—and that includes every Southern state. The gap also grew between the top fifth and the middle fifth of families.

Over this period, several Southern states rank among the most unequal in the country. Five Southern states—Tennessee, Florida, Louisiana, Kentucky, and North Carolina—are among the top 10 states in terms of the size of the gap between the top 20 percent and the bottom 20 percent of families. Four states—Kentucky, Florida, Tennessee, and North Carolina—are among the top 10 for their gap between top and middle.

The South is the land of the working poor and working near-poor. As one looks more closely at the bottom 40 percent of Southern families, one sees that over the 20-year period from 1982 to 2002, average income

Changes in Personal Per Capita Income, 1980–2004

	US	AL	AR	FL	GA	KY	LA	MS	NC	SC	TN	VA	WV
1980	$23,161	$17,944	$17,230	$22,747	$19,282	$18,728	$20,099	$16,046	$18,767	$17,731	$18,913	$23,230	$18,590
2004	$33,041	$27,630	$25,724	$31,460	$30,074	$27,151	$27,219	$24,379	$29,303	$27,153	$29,806	$36,175	$25,681

Source: Bureau of Economic Analysis

(calculated in constant 2002 dollars) actually rose in every Southern state for families in both the bottom "fifth" and the second "fifth." Two states will serve as illustrations: In Kentucky, the bottom 20 percent of families went from an average income of $12,137 to $14,814, and the second 20 percent went from $22,346 to $28,460. In Florida, the bottom 20 percent rose from $12,936 to $15,396, and the second 20 percent went from $23,084 to $28,423.

Despite the gains, a high proportion of Southern families lives on the edge. Many who are able to move above the official poverty line remain not so far out of poverty. The average annual income of families in the second "fifth"—not the poor, but the working near-poor—falls below $31,000 in every state except Virginia, where it is more than $37,000.

(The 2006 federal poverty level for a family of four is $20,000. While the government's method of calculating poverty is widely debated and viewed by many as an inadequate measure of real economic distress, it is used here for comparison purposes, to provide context to the figures for the bottom 40 percent of families.)

In contrast, the average income of the top fifth of families exceeds $100,000 in every Southern state, except Arkansas, Mississippi, and West Virginia.

During the South's economic resurgence of the 1980s and 1990s, even the poorest families, on average, made income gains. Today's gap results not from average incomes of the lowest families going down so much as from the incomes of the richest families rising significantly faster than those of everyone else.

These figures suggest a two-sided story. Leaving people behind threatens the region's competitiveness and, ultimately, its civic cohesion. Public health research concludes that economic inequality is a major contributor to unequal health outcomes. And yet, growing affluence gives the region greater resources to put into philanthropic enterprises that could bolster competitiveness and lift the bottom 40 percent.

Poverty's enduring blot

Poverty remains a characteristic blot upon the face of the South, a region with large swaths of rural destitution. Though poverty does not cut as deeply as it once did in the region, the 2000 Census still found that nearly one out of five Southern children lives in a household below the poverty level.

Since 2000, almost every Southern state has seen a rise in poverty rates, resulting from the economic sluggishness of the past half-decade. In its calculation of three-year poverty rates for 2003-2005, the Census Bureau found that 10 Southern states

exceeded the national average poverty rate of 12.6, with Mississippi the highest at 18.3 percent followed by Louisiana at 17.4 percent. Only two states—Florida and Virginia—fell below the national average in poverty rates. Generally, poverty rates in the South today are below their 1980 levels.

Southern states score fairly low on various measures of wealth and asset accumulation. Between 15 percent and 20 percent of households in every state have negative net worth. With the exception of North Carolina, every Southern state has between one-fifth and one-fourth of its households classified as asset-poor, meaning that these households have only enough assets to permit three months of spending at the federal poverty level.

Much Southern poverty is "legacy poverty." It stems from the region's history of racial segregation and destitution amid a small-scale farm and factory economy. Today, a portion of poverty also comes, as David Brooks of *The New York Times* has pointed out, as fallout from the new knowledge economy. It's increasingly difficult these days to find work that pays an above-poverty wage that does not require education beyond high school. In today's South, educational gaps contribute to economic gaps.

Poverty results from a complex set of tugs, from the interplay of causes and effects. Many Southerners remain in an underclass mired in poverty. For many others, poverty is more intermittent than full-time, as they live in poverty only for a few weeks or months, then pull themselves out. Researchers have also begun focusing on the geography of poverty, noticing the effects of concentrations of poverty in certain neighborhoods in such cities as New Orleans, Atlanta, Memphis, and the Hampton Roads area of Virginia. The isolation of many poor people in definable city neighborhoods from job growth in the suburbs further contributes to what scholars call "spatial inequity."

In addition to imbalances—and sometimes unfairness—within the capitalist system, cultural, lifestyle, and attitudinal factors play roles in the persistence of poverty in the South. Many of today's "disconnected youth"—disconnected from schools, from work, from their communities, and often further disconnected by periods of imprisonment—grow up in families in poverty.

And many young Southerners grow up in single-parent families, which, in aggregate, are at special risk of falling into poverty. Births to single women—including not

Melissa's Story: Building Income and Wealth

Melissa Gardner, a 37-year-old divorced mother, was living a life so hemmed in that her world seemed to end outside the front door. She and her two children lived with her mother. She had no job, and no car.

Her work experience consisted of short stints at one temp agency after another, none longer than three months. She had tried earlier to get a college degree, but money troubles had always blocked her path. "I didn't have child care," she said, "and it was so far away. So I'd start school and quit a semester, then go back."

Seeing a poster, while at a hairdresser's, for certified nursing assistant training, Gardner hurried to enroll in the six-week course. Getting through it wasn't easy. Many nights, her mother was unable to give her a ride, and she had to ask others for a lift home.

Still, the day after graduation—two months after starting the course—she got a job at the nursing home in St. George, South Carolina, at $6 an hour. The pay rose to $6.50 when she got her state certified nursing assistant's license. When she had saved up $800, she bought an old car that barely made it between Dorchester and St. George.

As did most others in her class, Gardner soon moved on to better-paying jobs—an $8.45 an hour CNA job at a Summerville nursing home, and then work at an Alzheimer's facility in Charleston that pays $12.75 per hour.

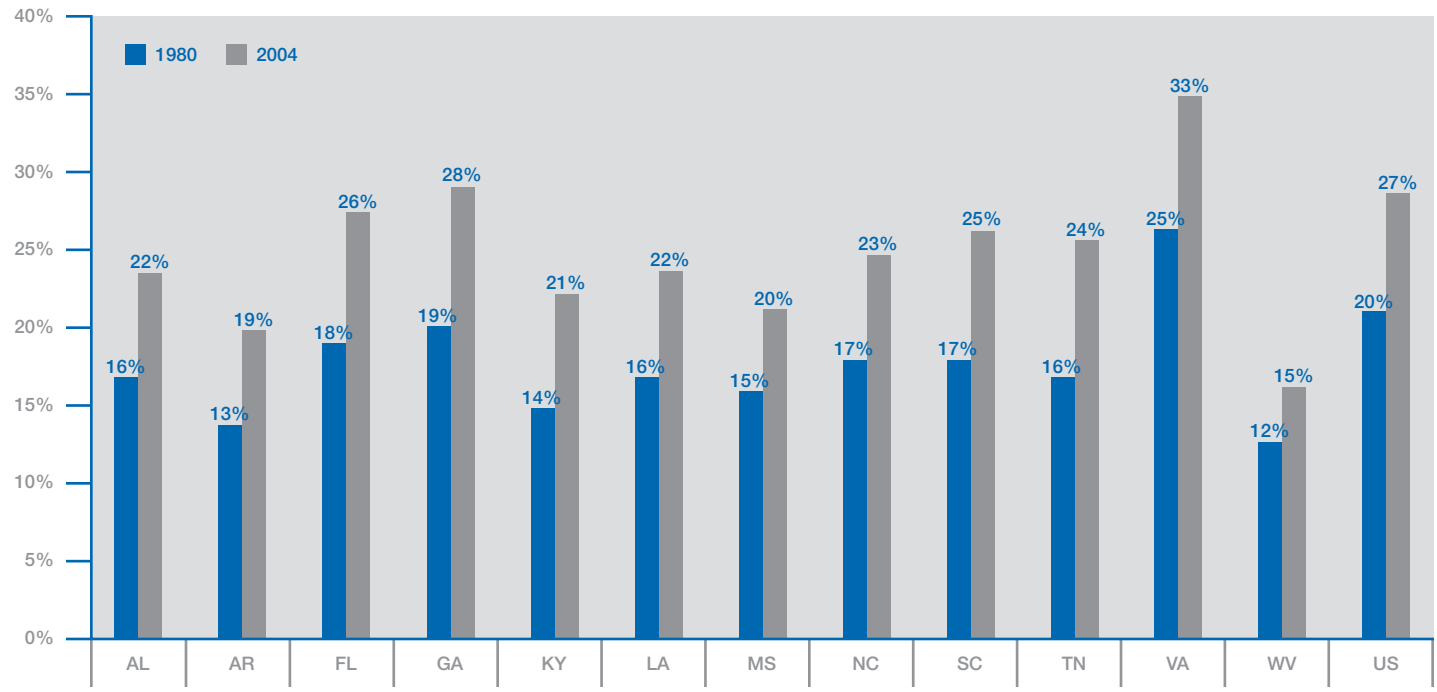
Gardner credits the Program for the Rural Carolinas, a Duke Endowment initiative co-managed by MDC Inc., for helping her change her life. "I'm more self-sufficient, and I can do things on my own," she said. "It's not like welfare, where you're just waiting for a check every month."

After her last job change, Gardner moved with her children out of her mother's house into a rented mobile home. Likewise, seven of her fellow CNA students were able to move out of the St. George public housing complex after earning their state licenses.

Melissa Gardner didn't stop striving after becoming a certified nursing assistant. Through another effort of the Program for the Rural Carolinas, she also filed for the Earned Income Tax Credit. She used her tax benefit for the working poor to buy a dependable car: a blue 1998 Saturn with only 45,000 miles on the odometer.

Now Gardner is enrolled in a local Individual Development Account program, which helps people acquire assets such as homes, educational degrees, and businesses. She has saved more than $700 toward a down payment on a house and is working to improve her credit rating. Once she reaches $1,000, the IDA program will match it with $2000, giving her $3000 to put down on a home of her own.

Percentage of Population Ages 25+ with at least a BA, 1990 vs. 2004



Source: U.S. Census Bureau, Current Population Survey, 2005

just teenagers but adults as well—increased in every Southern state between 1990 and 2004. In South Carolina, Louisiana, and Mississippi, more than four out of 10 babies born in 2004 were born of mothers and fathers who were not married.

Education: crucial to the future

In the South, nine out of 10 people between 5 and 17 years old attend public schools. Every day, from kindergarten classrooms up to 12th-grade physics laboratories, more than 11 million young Southerners attend a public school.

Are not these numbers dramatic evidence that the future of the South—its economic, civic, and democratic vitality—depends on states and communities persisting in thorough efforts to improve public education? Public schools are the primary civic institution that bring together people in their formative years across lines of gender, race, income, and religion for the specific purpose of learning how to think and to live with each other in a capitalist and democratic society.

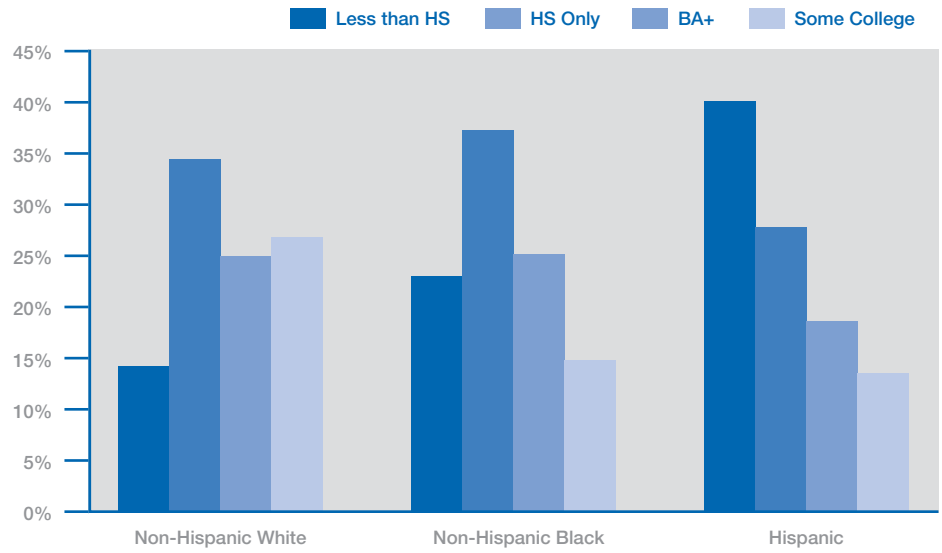
In education as in the economy, the Southern story today is a mixture of heartening advances and disheartening disparities. Overall, the South has a better educated populace than ever. And yet, too many young Southerners drop out of school before earning a high school diploma. After achieving greater racial desegregation than the nation as a whole, the South has drifted into a re-segregation dynamic.

Overall, public school enrollment in the South grew by 1.7 million students, or 16.7 percent, between 1990 and 2001. Florida, Georgia, North Carolina, and Virginia had enrollment surges, while Alabama, Kentucky, Louisiana, and West Virginia had declines. School enrollment, of course, follows general population growth, particularly growth among families in childbearing years. Where enrollment growth has been pronounced, it has come among whites and blacks, and especially among Latinos. The Hispanic school-age population in these states grew by 322 percent between 1990 and 2000, and the preschool-age population (4 or younger) increased by 382 percent.

In its 2003-2015 projections, the National Center for Education Statistics suggests the South will experience a 13 percent increase in elementary and secondary school enrollment. More students are projected in all Southern states except West Virginia and Alabama. Based on anticipated growth in 18-year-olds, not changes in graduation rates, NCES projects an increase in high school graduates in seven states—Florida, Georgia, North Carolina, Virginia, South Carolina, and Tennessee—and a decrease in the remaining Southern states.

Every Southern state has posted gains in the proportion of its adult population with a bachelor's degree or above. The gains result from more young Southerners completing college, as well as the in-migration of affluent, well-educated people from elsewhere

Educational Attainment by Race/Ethnicity, Census South, 2000, Ages 25+



Source: U.S. Census Bureau

Negotiating Through the Crossroads

The Crossroads Charlotte story began in 2000 when the city participated in Harvard Professor Robert Putnam's Social Capital Benchmark Survey. The survey found that that the Charlotte-Mecklenburg metropolitan area has high levels of faith-based involvement and philanthropy. And yet, out of the 40 communities in Putnam's research, Charlotte ranked next to last in interracial trust.

The findings came as the city's population was expanding with new Latino and Asian residents, as well as African-Americans. The survey alarmed leaders in a city with a progressive reputation and a proud history of racial tolerance. In response, the Foundation for the Carolinas teamed with the Community Building Initiative (www.communitybuildingintiative.org) —itself a Foundation-initiated project focused on racial and ethnic inclusion and equity—to create Crossroads Charlotte (www.crossroadscharlotte.org), a long-range public engagement initiative designed to transform Charlotte's civic landscape.

Crossroads Charlotte, which includes organizations from the public, private, educational, and nonprofit sectors, has used scenario planning to examine local data, analyze trends, make projections, and forecast the conditions and issues the community might experience in a decade. At the core is the question: "What kind of Charlotte does the community want to see in the year 2015 as it deals with access, equity, and inclusion?" Crossroads considered key influences on the future of the community—education, demographic changes, the economy, growth and land use, community resource allocation, and leadership and civic engagement.

To date, Crossroads Charlotte has engaged thousands of people in examining ways to move the community forward. In creating Crossroads Charlotte, the Foundation for the Carolinas has provided not only financial and technical support, but also solid leadership in bringing together people and organizations around significant community issues.

in the United States. People with a college education vote at a higher rate than people with less education, and the better educated the adult populace, the more attractive a state will be for economic investment.

Only Virginia, at 34 percent, exceeds the national level (27 percent) of adults with a bachelor's degree. Most Southern states fit into a range of 22 percent to 26 percent of adults with a bachelor's degree. However, three states—West Virginia, Mississippi, and Arkansas—fall below 20 percent.

The region, as well as the nation, is awash in test scores and other education data. In this report, we have chosen to focus on one set of numbers that illustrate the kind of educational gaps that call out for the attention of government, business, and philanthropy. The chart, using the results of the National Assessment of Educational Progress, shows the percentage of 8th graders who scored below-basic in reading in the Southern states. (Note: NAEP identifies three achievement levels: advanced, proficient, and basic. Basic is defined as "partial mastery of prerequisite knowledge and skills that are fundamental for proficient work at each grade." Below basic does not have a formal definition, though it suggests a certain absence of fundamentals.)

This is a significant measurement, because the 8th to 9th grade transition is a key point in determining whether a student will drop out, and reading ability is crucial to success in all high school subjects. The scores point to at least three conclusions:

1) In every state, young women are out-performing young men. In most Southern states, more boys than girls scored below basic by about 10 percentage points. Indeed, in many measurements of educational attainment, women have moved ahead, while young men have not advanced as vigorously as the modern economy requires. In a trend that began in 1978 and

continues into the middle of this decade, women exceed men in college enrollment and degree attainment.

2) In every state, there is a clear gap between white and black 8th graders. In the states with sufficient data to report, there is a gap between white and Latino 8th graders. Especially noteworthy is that in fully 10 Southern states, half or more of black 8th graders scored below basic in reading.

3) In the South, as in the nation, low income and low attainment go hand-in-hand. In Southern states, with Virginia and Kentucky the only exceptions, 40 percent or more of students of low-income families score below basic.

Poverty is the single greatest impediment to student achievement. While creative and energetic school interventions can—and in many places do—help reduce the achievement gap between children in poverty and middle-class children, for the most, part the gap persists. Educators protest that "schools cannot do it alone," and there is much truth to that. Socioeconomic status is the single largest determinant of high school graduation. Increase the high school graduation rate, and you decrease the poverty rate. Decrease the poverty rate, and you increase the high school graduation rate. It's that simple, and that complex.

To drop out is to face a future of severe constraints—although, to be sure, most Southern states have second-chance opportunities, notably in community colleges. People who do not complete high school and earn a diploma are more likely to be unemployed, to live in poverty, to land in prison, and to become disconnected from mainstream society.

The report, "Locating the Dropout Crisis," issued in September 2004 by the Center for Social Organization of Schools of Johns Hopkins University, spotlighted a distinctive feature of the problem in the South: that it involves many whites as well as blacks. In Northern cities and states, the study found "weak promoting power," especially in high schools with a majority of minority students. By contrast, the study observed, "It is only in the South that large numbers of white students attend high schools in which on-time graduation is not the norm. In some states, this appears to be partly a function of rural poverty."

Nearly 80 percent of the nation's high schools with weak promoting power—schools where the freshman class shrinks by 40 percent or more by the time students reach their senior year—are in 15 states, including Georgia, Florida, Louisiana, North Carolina, and South Carolina. Cities in which half or more of the high schools had weak promoting power in 2002 included Atlanta, Shreveport, Norfolk, Jacksonville, Augusta, Louisville, St. Petersburg, Tampa, and Richmond.

Remembering Myrdal and Key

In an introduction to the 50th anniversary edition of *An American Dilemma*, Sissela Bok, philosopher and ethicist, offers this poignant anecdote about her father, Gunnar Myrdal: "When asked by my sister, Kaj Folster, what had been the greatest moment of his life, my father answered that it had been when he finally stood at the Princeton train station, 'with the manuscript for the Dilemma in my hands—ready! All that I had lived for.'"

An American Dilemma, a two-volume masterwork that bears the subtitle, "The Negro Problem and Modern Democracy," stands as a classic example of a philanthropy investing in ideas that helped shape the future. In late summer of 1937, according to Myrdal's own account, Frederick P. Keppel, president of the Carnegie Corporation, invited the Swedish economist to take on a comprehensive study of the condition of black Americans.

Between September 1938 and the book's publication at the end of 1942, Myrdal first traveled across the American South to see for himself and went on to assemble a team of a dozen scholars, augmented by about a hundred researchers and consultants. The entire project was financed by the Carnegie Corporation. "Because of its size, scope, and source of funding, the Myrdal study was a departure from the prevailing pattern of how philanthropic foundations engaged in improving race relations," Richard Magat, president of the Edward W. Hazen Foundation, wrote last year in *Commonweal*.

Myrdal and his team's accumulation of data and observation, as well as their searching analysis of the disconnection between racial segregation and American ideals, provided an intellectual basis for the legal and social changes that transformed the South in the quarter of a century after World War II.

Seven years after *An American Dilemma* appeared, V.O. Key Jr. published his masterwork of political science, *Southern Politics*. Funded by a grant from the Rockefeller Foundation to the University of Alabama, Key's work influenced the teaching and commentary on the region's politics for more than a generation.

Through *An American Dilemma* and *Southern Politics*, national foundations found vehicles for bringing knowledge, sometimes unwelcome but necessary just the same, to the people of the South—about themselves and their public life. Now, among the challenges facing Southern philanthropy is how to invest in new knowledge through vehicles suitable for the 21st century.

The health-economy connection

Among public health professionals, the link is clear and compelling: The more economically secure a community and its people are, the more likely they are to be healthier of mind and body. Just as reducing inequities makes the South and its communities more competitive, so will expanding economic opportunities lead to a healthier South.

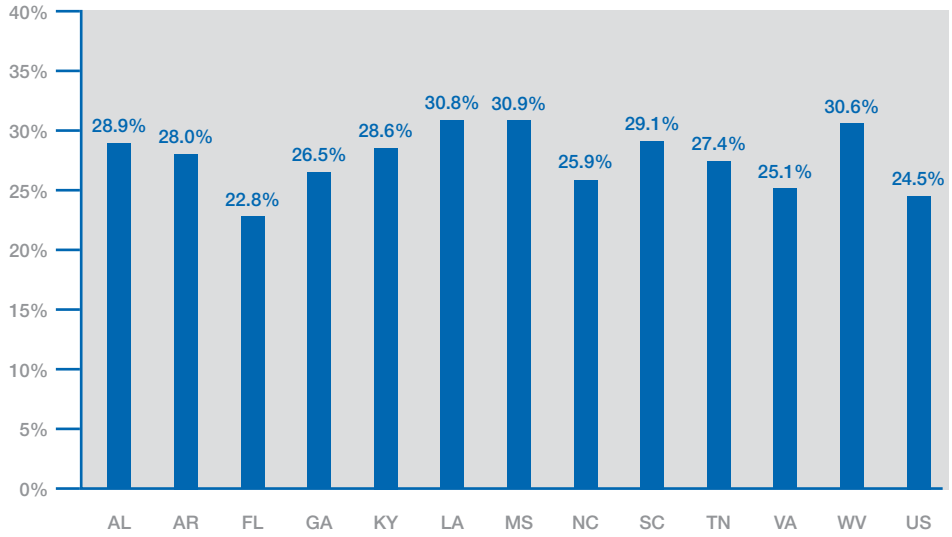
Pick an indicator of poor health, and the South is likely to have made some progress in recent years—but still to lag behind the nation.

• Infant Mortality—Rates fell across the South between 1980 and 2000 for the total population, blacks as well as whites. Nevertheless, most Southern states still have higher infant mortality rates than the nation as a whole.

• Heart disease—Since 1980, the rate of death from heart disease dropped in the nation and in every Southern state. Still, heart disease continues to be the leading cause of death in the nation and in the South. Heart disease takes more lives in the South than in the nation as a whole.

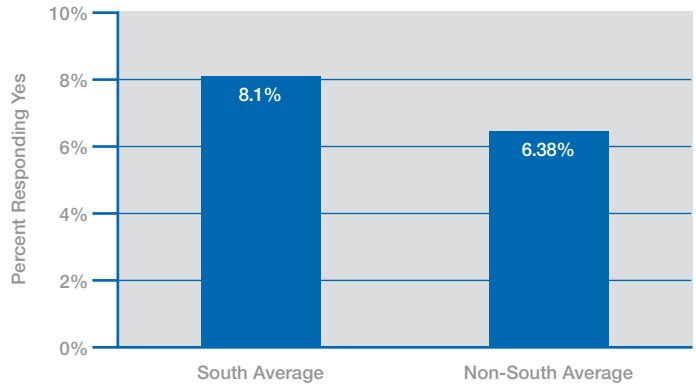
• Stroke, cancer, diabetes—The rate of deaths attributable to strokes also has declined, but only one Southern state, Georgia, is below the national death rate. Black Southerners are one and a half times more likely to die of stroke than whites. Meanwhile, every Southern state has seen increases in deaths attributable to cancer and diabetes.

Percentage of Adults who are Obese, Southern States, 2005



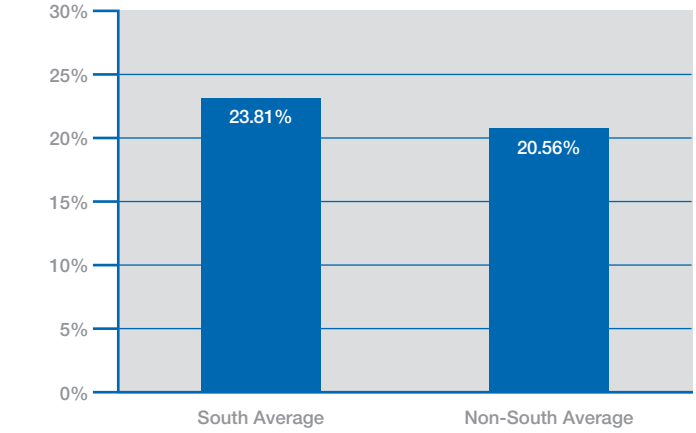
Source: The Trust for America's Health, "F as in Fat: How Obesity Policies are Failing in America," 2006.

Have you ever been told by a doctor that you have diabetes?
Percentage of All Respondents Ansering Yes, 2004



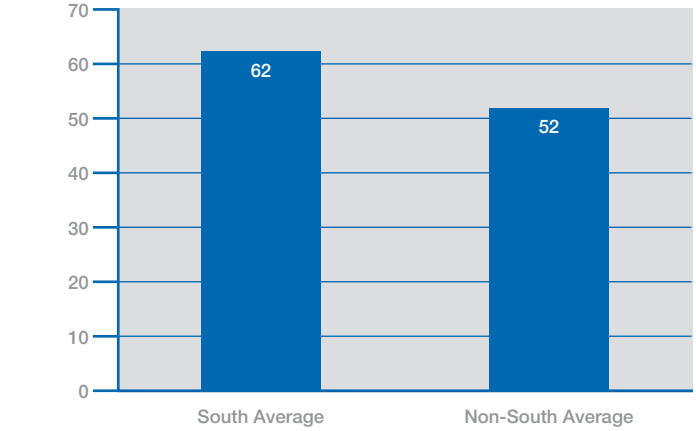
Source: National Center for Chronic Disease Prevention and Health Promotion, Center for Disease Control Behavioral Risk Factor Surveillance System.

Percent of Adults Current Smokers, 2004



Source: National Center for Chronic Disease Prevention and Health Promotion, Center for Disease Control Behavioral Risk Factor Surveillance System.

Number of Stroke Deaths per 100,000 people, 2003



Source: The Centers for Disease Control and Prevention (CDC), National Center for Health Statistics, Division of Vital Statistics, National Vital Statistics Report Volume 54, Number 13, April 19, 2006, Table 29.

• Obesity—The 2006 report of the Trust for America's Health puts the matter bluntly in a headline: "The Biggest Belt: The American South." The Trust reports that eight Southern states ranked among the top 10 in the percentage of obese adults, using combined data from 2003 to 2005. Mississippi led the list with 29.5 percent obese adults, and South Carolina tied with Indiana for eighth, with 26.2 percent obese adults.

Studies stretching back over two decades, first in Great Britain and then in the United States, point to a direct link between socioeconomic status and health. The National Center on Health Statistics reports that poor black men have a lower life expectancy than middle-class black men; poor white men similarly have a lower life expectancy than middle-class white men.

While the focus of government public health policies and philanthropic efforts through much of the 20th century was on disease eradication and sanitation, today the public health system concentrates more on disease prevention and promotion of sound health—thus, the emphasis in the South these days on the causes and effects of rampant obesity. For example, the HealthCare Georgia Foundation declares, "With one-third of Georgia's children either overweight or at risk for becoming so, our state is facing an epidemic that, if not reversed, will result in the first generation to live sicker and die younger than their parents." The Georgia foundation has awarded $4.3 million in grants to address pressing health issues, with an additional $1 million announced for 2006. North Carolina's Health and Wellness Trust Fund, which receives a quarter of the state's tobacco settlement proceeds, has devoted $15.5 million to anti-obesity efforts.

The obesity issue illustrates the complex interplay of factors that determines a person's health, and it also illustrates the push-and-pull of economic inequities and poor health. Being excessively overweight not only contributes to other health problems, but also impairs many individuals' productivity and ability to earn a living. And yet, being poor makes it more difficult to avoid obesity, as a trip to the supermarket shows. Cold-water seafood, lean meats, and most fresh fruit cost more, sometimes much more, than "junk food" high in calories and artificial ingredients.

Similarly, families of modest means make fewer visits to a physician or a health clinic, often allowing a nagging ailment to turn worse and relying as a last resort on an emergency room. And yet, regular visits to a physician can serve to prevent disease and keep people on a healthier regime of diet, exercise, and lifestyle choices.

The South has made substantial progress in one important respect—the availability of health insurance for children in lower-income families. Indeed, in 2004, nine Southern states had lower rates than the national rate of uninsured children. The progress is attributable in large part to the adoption and expansion of the federal-state insurance program widely known as CHIP—evidence that public policy can make a difference. In Tennessee, however, from 2000 to 2004, the rate of uninsured children rose, probably as a result of the diminution of the TennCare program, as that state's response to dealing with burgeoning Medicaid expenses. Florida stands out among the Southern states as having an uninsured rate for children significantly higher than the national rate.

Between 1987 and 2004, the share of people in the United States with private insurance fell while the percentage of people who had public insurance and no insurance rose. This general pattern held for Southern states. The Census Bureau reported that the uninsured rate for the South went up slightly from 2004 to 2005, with South Carolina, Georgia, and Florida showing marked increases in the share of their people without health insurance.

Racing against past and future

Six decades into its dramatic rise from economic also-ran to national powerhouse, the South today is locked in a tough new race to sustain its progress and prosperity. The region is racing at once against the future and against the past—against increasingly nimble, large-population economic competitors abroad and against unresolved inequities at home.

Throughout this report, we emphasize that the South and its philanthropy should address equity and competitiveness simultaneously. Though different concepts, they intersect and interact.

From childhood games, Southerners instinctively grasp the equity argument; when someone skews the rules of a game, we naturally respond, "That's not fair." In the broader civic context, it makes Americans uncomfortable when confronted with the question: Is it right in a democratic society that some people can't make it? Americans were discomfited with this implicit question when they saw the TV pictures of people stranded above the flood waters in New Orleans.

Southerners know from their own history that economic uplift can flow from knocking down barriers and removing inequities. Court rulings and legislative actions that dismantled legalized racial segregation in the 1960s and 1970s liberated not only black people from an unfair social structure, but also Southerners, white and black, from a system that held back their region and communities. It was no mere coincidence that the South experienced a remarkable economic surge in the quarter of a century following the demise of Jim Crow.

Remembering Rockefeller's Getting at "Root" Causes

The General Education Board, founded in 1902 by John D. Rockefeller Sr., spent $325 million over a period of six decades to aid education in the United States. In the South, the Board supported both white and black elementary and secondary schools, as well as higher education.

The Board believed that educational advancement in the South would also require a serious effort to address the crippling poverty that was the legacy of the Civil War and Reconstruction. Frederick Gates, Rockefeller's brilliantly creative assistant, recognized that financing schoolhouses and teachers would not automatically expand educational attainment among people in an impoverished, tax-poor region. He proposed that the GEB invest in the recovery of the region's soil, whose infertility underlay and perpetuated Southern destitution.

Thus was born the GEB farm demonstration program. The theory of change, startling to this day for a philanthropic "education" program, held that fertile soil would improve crop yields, increasing farmers' income and their ability to pay state and local taxes to support a state system of schools. Good crops would support good schools. School reform took the form of teaching black and white farmers about seed selection, soil preparation, earlier planting, more careful cultivation, earlier harvesting, and crop diversification—known as the Knapp system, after Dr. Seaman Knapp, a transplanted upstate New Yorker at Texas Agricultural and Mechanical College.

In 1903, Congress had appropriated funds to support Knapp's agents as they demonstrated how to fight the boll weevil plague in Texas, Louisiana, and Arkansas. The GEB contributed funds to extend the Knapp demonstrations in non-infested states, forging a partnership with the Department of Agriculture. During 1906 and 1907, demonstration farms spread to Mississippi, Alabama, and Virginia. By the end of 1906, there were nearly 1,500 farms in Mississippi and more than 1,000 in Alabama. As the boll weevil advanced and Congress allocated funds to combat its destruction, the GEB was able to move to other states, including North Carolina and South Carolina, Georgia, Florida, Kentucky, and West Virginia.

Between 1906 and 1914, the Board invested $925,750, teaching agricultural science and the business management skills necessary to free farmers from debt—and to raise the level of education of both races in "the suffering South."

The bygone South absorbed—or ignored—the high costs of inequity. When it was the nation's low-cost producer, blessed with a rising population eager to work, the South spurred growth and raised living standards by offering itself as a low-wage, low-cost place to do business. The idea of low-wage, high-skill foreign competition did not register in the South's formula for success.

Now, more than in the past, undereducated youth, chronic poverty, lingering health disparities, and civic frictions along the lines of class and ethnicity complicate the South's ability to keep pace in the global race. Today, China, India, and other emerging economic powers have become high-skill, low-cost producers in ways that the South never imagined. Demographic shifts, combined with the rise of a knowledge economy, have underscored the South's need to educate every person well. Leaving people behind is no longer a strategic option for a region that hopes to stay strong and competitive.

Success on the field of global competition increasingly depends on how decisively the South acts to lower the social and economic costs of inequity by making everyone fit for the race. Today, competitiveness requires a commitment to equity.

Organizing the Power of Grassroots Giving

Giving circles represent a new piece in the mosaic of Southern community philanthropy. Though giving circles build upon an existing tradition, what is new is that they have been formalized among people previously viewed as consumers of philanthropy rather than as donors.

Across the South, like-minded but less-than-affluent people are pooling their resources to help make a difference in their communities. Bearing a resemblance to investment clubs in structure, but not goals, giving circles invest in philanthropic activities and social change. The Southerners involved in giving circles consider themselves "venture philanthropists," supporting nonprofits with financial and intellectual capital, resource, and contacts. Giving Circles vary in structure, size, and charitable focus. Some are informal group of friends with a bank account; others have governing boards and may use the management of a community foundation.

With a grant from the Ford Foundation, Darryl Lester, who created HindSight Consulting to bring non-traditional groups into organized giving, has helped organize young African-Americans to pool their untapped skills and resources to address issues of race and equity in their communities. In 2004, HindSight worked with young African-Americans in Birmingham, AL, and the Research Triangle of North Carolina to create two giving circles: the Birmingham Change Fund and the Next Generation of African-American Philanthropists Fund (NGAAP Fund). In late 2005, New Mountain Climbers of Christiansburg, VA, and Zawadi of New Orleans, LA, joined HindSight's Community Investment Network (www.thecommunityinvestment.org). Matching funds from the Ford Foundation motivate the giving circles to raise money and enable them to establish charitable funds with institutions that may require minimum balances. The NGAAP (www.ngaapfund.org) has made grants to the Southern Anti-Racism Network to help parents become better advocates for their children in the school systems and to Glory to Glory House of Refuge, which provides transitional housing for women living with HIV/AIDS.

Chapter 3

Philanthropy: Key to a Thriving Region

"Today, philanthropy in the American South is part of a great moment in history."

—James A. Joseph, former U.S. ambassador to South Africa.

Private markets and public policy play indispensable roles in helping the South become an economically competitive region. But to pursue competitiveness and equity simultaneously will require the South to work in new ways through new partnerships. And, in doing so, philanthropy becomes a critical strategic asset for the South.

As Ambassador James Joseph, MDC's board chair and president emeritus of the Council on Foundations, suggests, this is a historic moment for the South and for the philanthropic sector. Like the region itself, Southern philanthropy today is witnessing a period of profound transformation. As population, incomes, and wealth grow, so do the resources the region has available for investment in both charity and social transformation. It is a moment that calls for a strategic alignment of homegrown philanthropy with the South of the future.

"Faith may have no politics, but it does seem to belong disproportionately to the poor," the Louisiana-based essayist Andrei Codrescu has written. "Which makes it all the more fair to employ the angels of the rich to the purposes of justice." Codrescu wrote those words in a reflection on New Orleans cemeteries, but they serve, too, as a reflection on the differences in scale between charity and philanthropy in the South.

In her book, *The Great Good: How Philanthropy Drives the American Economy and Can Save Capitalism*, philanthropy scholar Claire Gaudiani draws a crucial distinction between charity and philanthropy. Both, of course, are necessary, and one is not inherently superior to the other; sometimes they act in combination. Charity, in her analysis, focuses on relieving immediate distress,

while philanthropy addresses causes of distress and invests in longer-term solutions.

Much of the outpouring of generosity by Southerners, even by people of relatively modest means, goes to pay the bills at the church, to support the local meals-on-wheels program, to help purchase books or athletic uniforms for teenagers, and to a multitude of such worthy endeavors. Individual generosity remains a defining characteristic of the South. Generosity appears to be in our DNA.

In 2003, average individual charitable giving in all but three Southern states exceeded the U.S. average of $3,724. Eight Southern states had average individual giving of more than $4,000—and Tennessee outpaced all at $5,564. Despite the economic problems experienced in Southern states since 2000, average charitable contributions in the South have increased much faster than the national rate. In general, contributions have increased the fastest in the poorest states.

The Catalogue of Philanthropy's *Giving Index*, which seeks to measure generosity by how much people give relative to their incomes, ranks Southern states high. In the rankings based on 2003 data, seven of the top 10 states on the Giving Index are Southern states, and 10 Southern states are in the top 20.

(Note: The methodology used to determine the Giving Index *has been challenged in a study by the Center on Wealth and Philanthropy at Boston College. That study provides data for assessing the generosity of Americans by region, and it offers a useful breakdown between religious and secular giving. Even some of the alternative measures suggested in the Boston study paint the South in a positive light: People in most Southern states appear to give beyond what would be expected in terms of both their gross income and after-tax income.)*

Uplift Down in the Delta

In the mid-1980s, the Mississippi River Delta, historically among the poorest regions of the United States, featured an economy more like third-world countries than that of a segment of a strong nation. In 1986, then-Arkansas Governor Bill Clinton and the Winthrop Rockefeller Foundation announced an initiative to end decades of economic decline in rural Arkansas.

With additional funding from the Ford Foundation and the MacArthur Foundation, the initiative took off, and Southern Bancorp, a community development bank holding company, and a family of nonprofit development affiliates came into existence. A consortium of private foundations, governmental entities, corporations, and concerned individuals incorporated Southern Bancorp.

Over its two decades, Southern Bancorp (www.southerndevelopmentbancorp.com) has made $146 million in development loans, which created or saved more than 7,000 jobs and led to the construction of 120 rental units for low- and moderate-income residents. The bank also provided more than 3,400 individuals with job training through its Business Development Center.

The creation of Southern Bancorp is only one example of philanthropy-based social change programs deployed in Arkansas, as well as the Delta counties of Louisiana and Mississippi. The Mid South Delta Initiative (MSDI) is one such program. The Kellogg Foundation has invested more than $44 million in MSDI (www.msdi.org) since its creation in 1997. MSDI focuses on the development work of regional nonprofits and seeks to strengthen community-based leadership. Through nonprofit partners, MSDI has offered leadership workshops to more than 2,500 Delta residents and has provided long-term leadership development programs for 150 emerging community and nonprofit leaders.

The Enterprise Corporation of the Delta (ECD) (www.ecd.org)—a community development financial institution begun in 1994 with seed money from the Pew Charitable Trust—provides commercial financing, mortgage loans, and technical assistance to support businesses, entrepreneurs, home buyers, and community development projects. ECD has attracted investments from a wide range of organizations, including local banks, interested in helping develop the region. ECD's goal is to break the cycle of poverty by using a variety of income and asset development strategies designed to help the region's low- and moderate-income residents.

ECD also sponsors Hope Community Credit Union (www.hopecu.org) in Jackson, MS, to provide financial products and services to low- and moderate-income residents in its three-state service area. Since 1994, ECD/HOPE has generated more than $150 million in financing for entrepreneurs, homebuyers, and community development projects, and assisted more than 10,000 people in low-income communities throughout the Mid South.

Nine Southern states have itemized deduction rates lower than the national figure. This means that people are not receiving tax benefits for their contributions and/or that their contributions are not motivated by tax considerations. Indeed, the robustness of Southern generosity has a lot to do with the affection that many Southerners hold for their places of worship and with their deeply held belief about the rightness of giving.

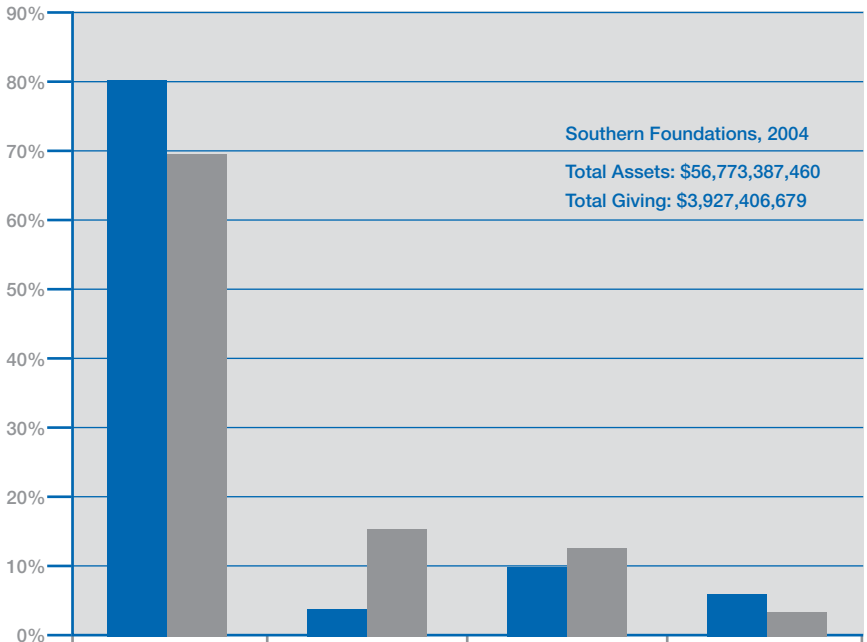
Peaks and valleys

Even as its charitable impulses remain strong, the South also needs to "employ the angels of the rich" to have its growing segment of beneficence-capable individuals and profit-expanding corporations devote a share of their wealth to organized philanthropy that fills gaps left untended by government and the private sector. It is through organized philanthropy that the South can make big things happen.

Over the past three decades, organized or institutional giving has flowered in the South. In 1975, the South had 2,600 foundations with $2.2 billion in assets; by 1990, philanthropy had expanded in the region so that it had 4,700 foundations with $8.2 billion in assets. The past decade and a half has seen even greater expansion; philanthropy in the South has mushroomed to 11,500 foundations with nearly $56 billion in assets. And yet, Warren Buffett's transfer of wealth to the Bill and Melinda Gates Foundation will result in that single institution having assets exceeding the entire current total for the South.

Within the South, the distribution of philanthropic assets is tremendously uneven. The top 10 foundations, each with more than $499 million in assets, control 21 percent of the region's assets. The top 20 control 28 percent of the total.

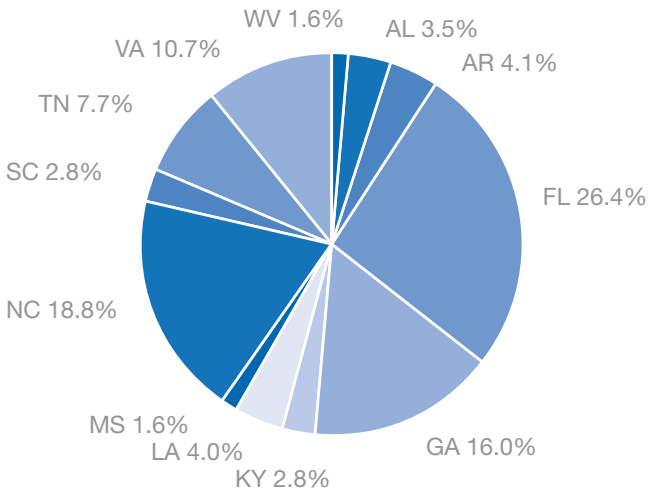
Southern Foundation Assets vs. Foundation Giving, by Foundation Type, 2004



	Independent	Corporate	Community	Operating
Total Assets	80.3%	4.4%	9.8%	5.5%
Total Giving	69.2%	15.1%	12.8%	2.9%

Source: Foundation Center, 2006.

Share of Southern Foundation Assets, by State, 2004



Source: Foundation Center, 2006.

Also, four states house about 70 percent of the region's philanthropic assets, with resources especially lacking in the most economically distressed states. Ironically, states high on the Giving Index lack organized philanthropic resources: Mississippi's share of Southern foundations is 2.1 percent, Arkansas' is 2.3 percent,

Tennessee's is 6.2 percent, Alabama's is 5.9 percent, and Louisiana's is 3.9 percent. In fact, according to 2003 data, Florida's share is equal to that of Alabama, Arkansas, Kentucky, Louisiana, Mississippi, South Carolina, Tennessee, and West Virginia combined.

Today, 88 percent of the region's philanthropic organizations are independent foundations created by families or individual donors from accumulated private wealth; 7 percent are operating foundations that fund and operate their own programs for public benefit, 4 percent are corporate foundations sponsored by private business, and 1 percent are community foundations that aggregate contributions by individual donors for distribution in a particular community or region.

The landscape of organized Southern philanthropy is a tableau of peaks and valleys. Foundation giving tends to focus in places where assets are concentrated. This leaves relatively well-endowed communities better able to benefit from philanthropic investment than under-endowed communities, which may have substantial "charity" but not enough long-term "philanthropy." This is yet another divide in the South.

The Foundation Center's Statistical Information Service provides a ranking of the top recipients of foundation grants and of the top foundations awarding grants in each state. State-by-state differences permit no easy comparisons, but several observations emerge:

1) Most states benefit from giving by a combination of in-state and out-of-state foundations. Northern foundations remain critical to the South's advancement, though Southern foundations are increasingly important.

2) Colleges and universities, along with their related medical centers, are major recipients in nearly every state. Of the top 10 in Florida, five are universities; of the top 10 in Georgia, four are universities. Loyola University New Orleans and Tulane University are the top two recipients in Louisiana, with LSU Foundation and Dillard University also in the top 10. The top five in Mississippi are university-related.

3) Local cultural and civic institutions—symphonies, zoos, YMCAs, United Ways, museums, parks—rely on organized philanthropy. In Tennessee, the Frist Foundation ranks third with grants of $8.4 million; the Frist Center for the Visual Arts in Nashville ranks second as a recipient with $6.1 million. The Louisville Zoo ranks eighth as a recipient in Kentucky, and the Boys and Girls Club of the Low Country ranks seventh in South Carolina.

4) North Carolina and Arkansas stand out as the states with sizeable foundations with a statewide reach. The Charlotte-based Duke Endowment is the largest donor in both North Carolina and South Carolina, while the Z. Smith Reynolds Foundation in Winston-Salem awards hundreds of grants annually to state-focused enterprises. Arkansas has both the Walton Family Foundation and the Winthrop Rockefeller Foundation.

Several states have large national foundations, and all have foundations focused on specific communities. What the South needs is more foundations with a statewide and regional reach because it needs more statewide and regional approaches to competitiveness and equity issues. Foundations with a statewide or regional mandate can address issues related to policy and large economic, educational, and civic systems in ways that foundations with more limited and localized focus cannot.

Inequity Hidden in Plain Sight

Viewers come away from the 2005 documentary, *The Corridor of Shame: The Neglect of South Carolina's Rural Schools,* with unforgettable images: children in coats, hats, and gloves in unheated classrooms; leaky windows and collapsed ceilings; rusted water fountains and raw sewage in hallways and closets; and nearly empty library shelves. A quarter of a century after Neil Armstrong stepped onto the moon, the film shows a textbook that proclaims, "Some day, man will walk on the moon."

The Corridor of Shame, produced and directed by Charleston native Bud Ferillo, focused on eight school districts along I-95 with the purpose of putting a human face on the statistical evidence in a court case seeking to bolster funding for rural schools. Ferillo raised $75,000 from 16 philanthropic organizations and 21 individuals to make the film. By helping illuminate unacceptable conditions that were "hidden in plain sight," the Ferillo film, and the philanthropic investment behind it, advanced a tradition of spurring change by building public understanding of troubling issues.

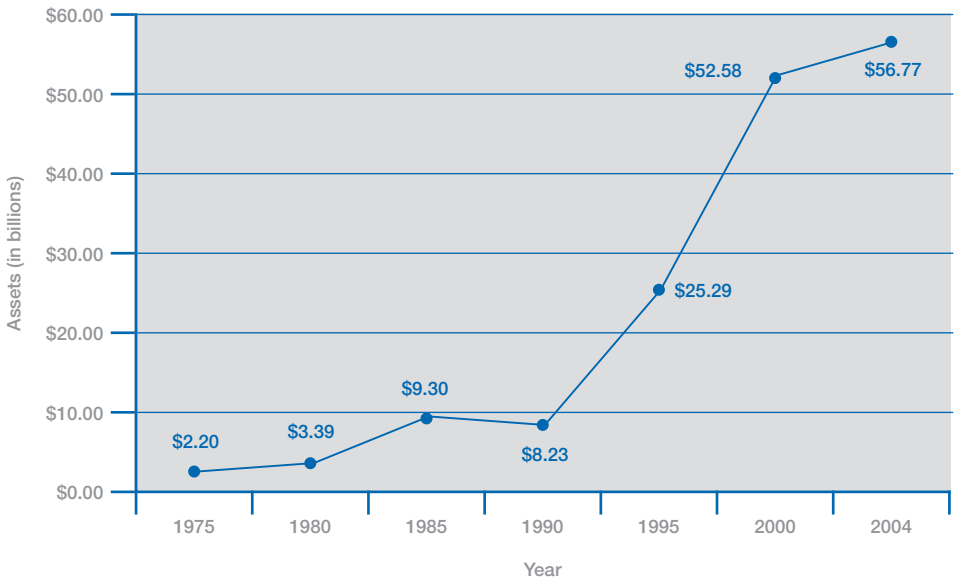
Website: www.corridorofshame.com

Using freedom strategically

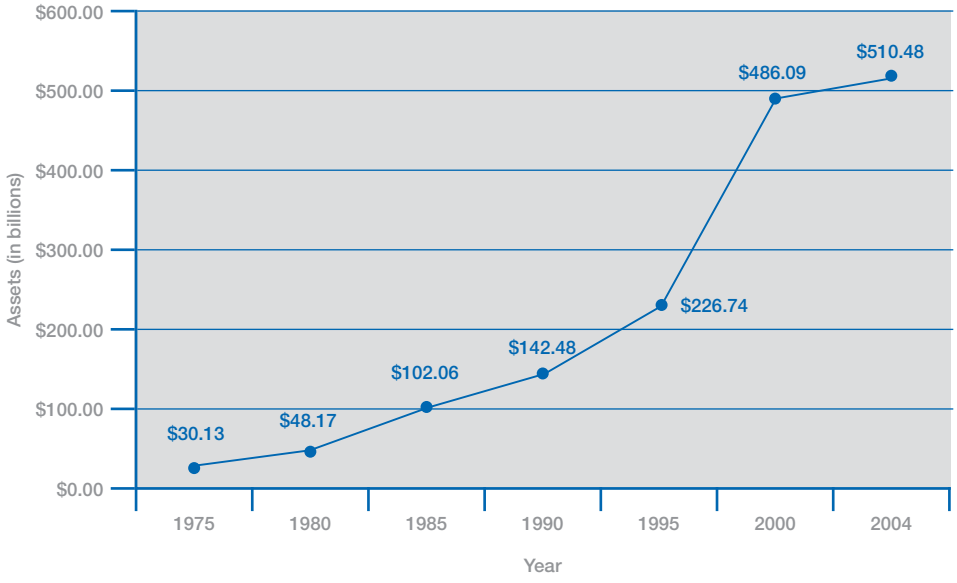
As organized Southern philanthropy builds and proliferates, it presents the region with a tremendous resource for advancement and transformation. But philanthropy's ability to serve as a tool for regional uplift and opportunity depends upon how the region's donors and leaders view and deploy the philanthropy we have. Organized Southern philanthropy has the freedom to work across a sprawling continuum, from charitable relief of immediate need to long-term attention to causal factors and breakthrough opportunities.

In order to extricate the South from its imbedded inequities, however, Southern philanthropy will need to make strategic use of its freedom to act. And making strategic use of philanthropic assets first requires that we understand the possibilities and limits of philanthropy as a tool for change.

Foundation Assets, South, 1975–2004



Foundation Assets, U.S., 1975–2004



Source: Foundation Center, 2006

On one end, philanthropy is restorative. It can correct excesses, unintended consequences, and harmful results that occur when private markets and public policy miss the mark or fail to act. In addition to the charitable response to the 2005 hurricanes, reminders of philanthropy's restorative role abound in our history. The activities of Eartha White, a legendary nurse, businesswoman, social worker, and political activist in the history of Jacksonville, FL, make the point. She created a home for unwed mothers, a nursery for children of working mothers, an orphanage for black children, and a nursing home for elderly African-Americans. From soup kitchens to homeless shelters, the South has traditionally favored charitable efforts as an everyday restorative when confronted with harsh inequities such as poverty, illiteracy, and poor health.

On the other end, philanthropy can be catalytic, imaginative, and pioneering. It can test new ideas, build new institutions, and lower the cost of social innovation by subsidizing risk. In her book, Gaudiani credits this kind of "investment-oriented" philanthropy with creating a host of innovations that have promoted social equity and competitiveness in America: the private pension, the scholarship fund, the free library, the modern medical school, and higher education for racial minorities. All were prompted by private philanthropy. While the South can point to exceptional examples of catalytic, imaginative, investment-oriented philanthropy—from J.B. Duke's institution-building to the development of Self-Help in Durham to grassroots foundation efforts to revive the Alabama Black Belt—the region will need more bold, forward-looking philanthropy to spur equity and competitiveness.

Consider the distinctive roles that it can play to advance our regional well-being:

• Philanthropy is society's venture capital. Like a trail guide, it can lead private markets and public policy by venturing into areas where monetary return is hard to calculate and public consensus has failed to gel. For example, beginning in the 1980s, the Arkansas-based Winthrop Rockefeller Foundation began testing new strategies for financing small businesses and community development enterprises in its home state and in the wider Mississippi Delta. Today, its investments, along with subsequent contributions by national and regional donors, businesses, and government, have created two of the South's most innovative development finance institutions: the Southern Development BancCorporation and the Enterprise Corporation of the Delta.

• Philanthropy is "society's passing gear." Foundation scholar Paul Ylvisaker credits philanthropy with the power to accelerate promising solutions to stubborn social problems that government and business are reluctant to touch. The South owes much to "passing-gear philanthropy." During the civil rights movement, individual donors, followed later by alert—mostly Northern—foundations like Field, New World, and Taconic, made critical funding available for voter registration and legal advocacy to break the back of Jim Crow. These early-stage donors gave courageous leaders the funds and encouragement to advance racial equity, ultimately freeing the South from a self-limiting way of life. Similarly, controversial health issues such as venereal disease and HIV-AIDS received philanthropic attention before government intervened.

• Philanthropy can conceptualize problems, elevate issues, and focus social attention. From sponsorship of Gunnar Myrdal's research on race, to contemporary analyses of distressed rural schools, philanthropy has a noble tradition of helping society shed light on issues that are "hidden in plain sight."

Casey Foundation: Focusing on Families

In 1999, the Annie E. Casey Foundation (www.aecf.org) launched Making Connections, a 10-year, multi-city initiative to improve the lives of children and families living in tough or isolated neighborhoods. Louisville, KY, and Savannah, GA, were among the original 22 cities selected.

In Louisville, the Casey Foundation's investment has led to the creation of the Louisville Asset Building Coalition (www.louisvilleabc.org), a group of more than 90 government agencies, banks, churches, community-based organizations, hospitals, and professional groups organized to help families achieve economic success. The coalition assists families with tax preparation and filing for the Earned Income Tax Credit (EITC). It also helps them open checking accounts, learn how to improve their credit ratings, and set up Individual Development Accounts.

Savannah has had a long-standing relationship with the Casey Foundation. Out of this relationship have emerged several strategies designed to improve the long-term social and economic outcomes of children and families. Organizations like Project SAV and the Neighborhood Improvement Association have led local efforts, including EITC campaigns and community-based workforce development programs.

These are components of a more ambitious plan to address family self-sufficiency. A Savannah collaboration of business, government, and community leaders convened an Anti-Poverty Task Force in 2003, resulting in a project called Step Up Savannah (http://www.stepupsavannah.org). Step Up Savannah has formulated strategies to address six major areas identified as barriers to self-sufficiency: affordable housing, asset building, dependent care, transportation, healthcare, workforce development, and education.

In both Louisville and Savannah, the Casey Foundation's strategic use of philanthropic dollars has helped promote a comprehensive approach to tackling family poverty.

In South Carolina, investor and philanthropist Darla Moore has used philanthropic gifts to leverage change through direct investments in higher education and by creating and funding the Palmetto Institute, a nonprofit, non-partisan research organization dedicated to increasing South Carolina's per capita income. Palmetto-sponsored research has prodded South Carolina to revise its economic development strategies and make important reforms in technical education. Moore herself has used the philanthropic pulpit to make the case to South Carolina's leaders that economic success will require the state to address poverty and racial inequity head on.

• Philanthropy is relational; it builds social trust. The research of Harvard sociologist Robert Putnam has pointed to a strong link between social trust and civic prosperity, and researcher Richard Florida has likewise cited social tolerance as a factor in economic growth. As immigration and demographic change reshape the South, trust between and across diverse groups will be vital for building communities that can work together in a competitive world. Sensing an opportunity for leadership, community foundations in Charlotte and Greensboro and the Mississippi-based Foundation for the Mid South have made the cultivation of trust and cooperation across the races centerpieces of their work.

• Philanthropy challenges us to practice mutual self-regard. Like social trust, mutual self-regard is an intangible that makes humane and successful community possible.

Today, the South is awakening to the global phenomenon of "community philanthropy" by recognizing the deep traditions of self-help and bottom-up philanthropy that have long existed, uncelebrated. New forms of Southern philanthropy, such as the Community Foundation of the New River Valley in Virginia, the Alabama Black Belt Foundation, and North Carolina Gives, are gathering individual donors into powerful combinations and helping neglected communities harness their own assets to address lingering inequities.

• Philanthropy is patient when patience is impolitic and impatient when impatience is impolitic. Philanthropy is at once free to take the long view and positioned for a swift response to immediate conditions. It can be both a salve and a stimulant. Over decades of patient investment, the Lyndhurst Foundation has transformed its hometown of Chattanooga into a beacon for intelligent community development and vigorous school reform. North Carolina's A.J. Fletcher Foundation recently has focused with single-minded intensity on pressing the state to increase the capitalization of its low-income housing trust fund in order to ease an affordable housing crisis. To challenge the here-and-now and to build for the long-term future are among philanthropy's greatest assets. Or as Leslie Lilly, president and CEO of the Foundation for Appalachian Ohio, has put it, "Philanthropy can plant the 'seeds of fire' that ignite people to believe and act on what could be, rather than accept the status of what is."

Yet despite its virtues, philanthropy is held back from playing a broader problem-solving role by several factors:

• Philanthropy is small relative to the public and private sectors. In its February 25, 2006, issue, *The Economist* pointed out that the United States substantially outpaces other large industrial countries in charitable and philanthropic giving. Still, total giving in 2004 represents slightly more than 2 percent of GDP. And, drawing on a Johns Hopkins University study that looked at trends from 1995 to 2002, with religious giving excluded, *The Economist* reported that U.S. giving represented only 1.85 percent of GDP. By contrast, U.S. welfare-type spending comes to 18 percent of GDP. Unless it is clever about the role it plays—being the "passing gear" or the "early investor" that leverages larger subsequent contributions from government or business—philanthropy and its value are easily marginalized.

• Philanthropy in the South is disproportionately associated with charity rather than change. The South has several of the nation's most generous states—in terms of percentage of disposable income contributed to charity. But most of the South's generosity is focused on immediate need rather than investment in the transformative work the region must undertake to address competitiveness and equity. Without a rethinking of the way Southerners give and the issues and institutions the region's generous people support, the South's philanthropy will be an under-utilized asset.

• Philanthropy tends to be idiosyncratic rather than strategic. While there may be absolute social value in "doing good," challenging social problems require analysis and understanding to determine the most constructive places to intervene. Many individual donors and small foundations lack the time and resources to do strategic philanthropy on their own.

• Too much philanthropic investment fails to reach scale. If philanthropy's strength lies in its nimbleness and its ability to skirt the limitations of politics and markets, its weakness is that by itself, it can seldom take solutions to scale. Reaching scale requires active collaboration with government and the private sector, skillful use of leverage, and an appreciation of the dynamics that produce "tipping points" in social change—communication, networks, and relationships of trust. Few Southern foundations and individual donors see this as an integral part of their work.

• The philanthropic environment is changing faster than philanthropic institutions can adapt. The rapid pace of globalization is redefining the issues that philanthropy will need to engage and changing the environment in which it acts. Immigration, rising income inequality, geographic inequity, environmental vulnerability—these are only a few of the issues for Southern philanthropy to address. Yet, as one commentator told MDC, much of Southern philanthropy is "hidebound, localized, and traditional." Too much Southern philanthropy is on cruise control. If it hopes to lead and avoid being marginal or irrelevant, Southern philanthropy will need to place a priority on developing and sharing knowledge, forging new partnerships with allies in all sectors, building relationships with demographic groups emerging into prominence, and modeling the tradition of "investment philanthropy" that transformed the region in decades past.

Moving from downstream to upstream

An industrial plant at the head of a river is polluting the water downstream. People are getting sick. Where should anyone who wants to make a difference intervene, downstream or upstream or both? What's the most effective orientation: intervention or prevention, or both?

In much the same way that Gaudiani and others draw a distinction between charity and philanthropy, foundation executives and trustees should consider the difference in investing downstream versus upstream. Downstream strategies have immediate

effects on people and their communities; they meet needs and touch lives directly. Upstream strategies work over the long term to bring about changes in underlying conditions.

As they address both inequities and competitiveness, Southern foundations will find themselves confronted with questions such as these:

• In distressed rural communities, people are caught in a cycle of poverty, unable to get into the economic mainstream and often at the mercy of predatory lenders. Where should a foundation intervene: downstream with charitable relief, upstream with social reform, or both?

• Many low-income, minority, and first-generation students enter community colleges with few of the skills they need for success in the shifting economy. They leave before attaining their degrees. Where should philanthropy intervene: downstream, working on individual improvement with tutoring programs, or upstream, with reform of public schools and community colleges, or both?

The techniques of philanthropy are numerous: investing in knowledge development as a basis for acting, analyzing and promoting policy, engaging public officials, building constituency, convening, bridging differences, brokering relationships, building institutions, communicating knowledge, and evaluating.

With many arrows in their quivers, philanthropists need to develop analytic habits of mind. In making informed choices about where to intervene—upstream, downstream, or both—foundation staffs and boards can draw on the four philanthropic traditions to which we now turn attention.

A matrix for thinking more deeply

Elizabeth Lynn and Susan Wisely have conducted seminal work in identifying and describing four traditions of American philanthropy. (The work is summarized as a matrix in the accompanying chart.) Their work underscores that philanthropy has not been, and is not now, monolithic or static. Rather, as a practical, problem-solving people, Americans have progressively rethought and refocused philanthropy as society's challenges have evolved.

Lynn and Wisely describe philanthropy as a malleable, strategic tool that can serve multiple public purposes. Each tradition of American philanthropy has strengths and limits. Each is a response to human conditions and social possibilities. Effective philanthropy requires philanthropists and their advisers to have a clear sense of the nature of the problems and issues they want to address. Using the Lynn-Wisely matrix provides foundations a method for such self-evaluation.

A Matrix for Thinking More Deeply

TRADITION	IMPULSE	PHILOSOPHY	LIMITS
Philanthropy as relief.	Address immediate need.	"Love thy neighbor."	Need is limitless.
Philanthropy as improvement.	Maximize human potential.	"Teach a man to fish."	What if the pond is empty and the rod is broken?
Philanthropy as social reform.	Dismantle structures that perpetuate problems.	"Change not charity."	Who decides what must be reformed?
Philanthropy as civic engagement.	Build community.	"Only connect."	Relationships may not lead to action.

adapted from Susan Wisely and Elizabeth Lynn

Philanthropy as Relief is as old as human society itself. The Good Samaritan impulse runs deep in every culture. The speed and magnitude of America's charitable response to the destruction caused by the 2005 hurricanes testify to the power of philanthropy as relief in the American culture. People traveled to the Deep South to staff relief stations and to clothe and feed the displaced and distressed. Others opened their homes to strangers, giving respite and compassion. Gulf Coast residents benefited from more neighborly charitable acts than we will ever know. Human beings appear to be hard-wired to respond to the immediate needs of other people.

And yet, philanthropy as relief does not address causation. By focusing on the immediate effects of natural events and human folly, such philanthropy can

Healthcare Georgia Tackles Childhood Obesity

Obesity in children increases their risk of contracting type 2 diabetes and hypertension, as well as medical conditions more commonly seen in older adults: gall bladder disease, sleep disorders, heart disease, and even strokes. With one-third of Georgia's children either overweight or at risk for becoming so, Healthcare Georgia Foundation has made a major investment in combating physical inactivity and obesity among children. In 2005, the Foundation awarded $4.3 million in grants to 53 organizations and programs to address the state's most pressing health issues, including childhood obesity.

Many of the organizations and programs funded by Healthcare Georgia are community-based, and all target under-served populations. Programs such as Wilkes Wild About Wellness and the Whitefoord Community Program serve overweight young people in their own communities, providing both nutrition counseling and fitness instruction. Others, such as Policy Leadership for Active Youth (PLAY) and the Georgia Coalition for Physical Activity and Nutrition (G-PAN), have taken on the role of informing policymakers about the most effective programs for promoting physical activity.

Website: www.healthcaregeorgia.org

unwittingly divert attention and resources from long-term remediation of deep-down problems associated with poverty and community rebuilding.

By the late 19th century, pioneering philanthropists like Andrew Carnegie gave rise to Philanthropy as Improvement. They saw a danger lurking in our cultural inclination toward philanthropy as relief: Outright charity, Carnegie believed, bred dependency and perpetuated need. Wise philanthropy should invest in "improvement," creating ladders by which "those who desire to rise…may rise." Carnegie's philosophy and example had a great impact on American philanthropy. Today, philanthropic support for scholarships, libraries, and vital programs like Habitat for Humanity reflect the logic and values of Philanthropy as Improvement.

Yet, improvement rests on the assumption that the ladders of progress and uplift are accessible and sturdy, and lead to a higher plane. Philanthropy as improvement assumes that society is always benign, if not constructive. Since the pond is well stocked, people need only to learn how to fish in order to feed themselves forever. By the mid-20th century, however, the Great Depression, the costs and contradictions of legalized racial segregation, and the persistence of poverty, among other challenges, raised fundamental questions about the sunny world view behind the improvement tradition. Philanthropists saw deeper, structural factors that posed limits to widespread opportunity and well-being in America.

Foundations sought to respond by investing in efforts to change institutions, policies, and social priorities in order to realize a better society by implementing Philanthropy as Reform. Change, not charity, was the work of this tradition of philanthropy. Philanthropy as reform sought to work on upstream causes of social distress and division rather than the downstream alleviation of need. In recent years, reform-oriented funding has ranged from community organizing to charter schools, from legal services for the poor to tax and budget analyses. At its finest, philanthropy as reform made investments in people and causes that have made our nation and the South freer and fairer.

In the last quarter of the 20th century, philanthropy as reform encountered a counter movement. While philanthropy as reform became widely, if simplistically, equated with "liberal" or "progressive" foundations, a group of philanthropists and their foundations set about to finance studies and to promote government policies to offset the investments of the "reform" foundations and to advocate for fewer restrictions on the capitalist system. Thus it was, for example, that books were published to offer counter arguments to the policies that stemmed from Myrdal's work and that think tanks arose to promulgate "conservative" responses to long-term policy questions. By the late 20th century, philanthropy itself reflected a more polarized America.

Philanthropy as Civic Engagement provided a response to the polarization. Some foundations began to recognize the need for common ground and shared purpose. In the quest for community in a world of centrifugal social forces, organized philanthropy began to invest in community building, civic dialogue, and other efforts to strengthen the coherence and connections that society depends upon to thrive. Lynn and Wisely call this form of philanthropy an emerging tradition.

Examples include funding community visioning activities, civic participation programs to enhance democratic representation and involvement, and civic education consortia. Rather than investing to address need, foster upward mobility, or advance structural reform, this tradition focuses on trust and cooperative inter-group

relationships as the heart of constructive communities and regions. In this view, divided societies fail to develop and cohere. When foundations fund civic engagement, they help serve as society's connective tissue.

Southern philanthropy today has been shaped by each of these traditions, and it has the power to choose among them as it decides how to deploy its assets to advance human and social well-being. It also has the power to add to them.

For example, several observers have suggested a fifth "tradition," Philanthropy as Entrepreneurship, or Venture Philanthropy. In the Lynn-Wisely matrix, the "impulse" would be to attack problems at scale, and the "philosophy" would be that "the market is our friend." The "limits" would be that markets are impatient, and solutions take time.

Venture Philanthropy has emerged as a dynamic new approach that excites young, newly wealthy entrepreneurs who are uncomfortable with amassing large amounts of money and simply dispensing five percent annually to the nonprofit community. Philanthropy as entrepreneurship is illustrated by the Robin Hood Foundation, which takes from the rich to fight poverty in New York City, refuses to have an endowment, and gives away what it raises annually by drawing upon business and social networks. As one of its associates says in a *Fortune* magazine article, "Why put away money for a rainy day when it's pouring out?" Calling upon knowledge and skills gained in the marketplace, Robin Hood functions akin to a hedge fund, not only disbursing money but also sending out business and legal consultants. It then evaluates benefit to the poor per dollar of cost, eliminating the bottom 10 percent of performers based upon its universally applied benefit/cost calculation.

Venture philanthropy taps into new money and talent, promotes hands-on involvement by donors, and relentlessly emphasizes efficiency and effectiveness for return on the dollar. Technically, it is not a "new tradition" because it deploys its resources primarily across the traditions of Relief and Improvement. It also has not yet established a foothold in Southern philanthropy. Nonetheless, venture philanthropy has the power to reinvigorate philanthropic participation because it has attracted a new organized cohort of donors.

An "Office of Second Thoughts"

In a provocative article, "How to Make a Big Foundation Effective," William A Schambra of the Hudson Institute recommends that the Bill & Melinda Gates Foundation establish an "Office of Second Thoughts" to encourage self-examination and democratic accountability. Even if they do not set up such an "office," Southern foundations would benefit themselves, and their region, by addressing such questions as:

• What competing, alternative paths are we rejecting when we choose this particular approach to a problem, and what are we losing as a result?

• In our established grants programs, have inertia, political correctness, personal ties, or lack of imagination confined the foundation to obsolete or discredited frameworks?

• What unintended and overlooked consequences flow from the path we are choosing? Are the experts who run our program displacing elected and civic leaders who are essential to its sustained progress?

• Are our activities inadvertently creating problems for democratic accountability?

One does not have to be a Bill or Melinda Gates to appreciate the importance of such counterbalancing questions to organized philanthropy, which runs the risk of being "hidebound, localized, and traditional"—and inherently undemocratic.

Questions for the region

Most organized philanthropy in the South adheres to the traditions of Need and Improvement. MDC's questions to the region and its organized philanthropy today are these:

What traditions of philanthropy are required to help the South move the needle on the self-limiting inequities we face? What philanthropic traditions—in what combinations—will help the region become both globally competitive and internally equitable?

The South needs different philanthropy. Charity and improvement, however worthy, are no longer enough to take us where we must go.

Chapter 4

Habits of the Mind

"There's been a sea change in Southern philanthropy."

—Thomas W. Lambeth, Executive Director, Z. Smith Reynolds Foundation, 1978-2001

The South's philanthropic resources are more significant than ever before in our history, and while not as large and well-distributed as we need them to be, they are growing in number and in form. And, as Thomas W. Lambeth has observed, whereas 30 years ago gatherings of Southern foundation officials mostly focused on the nuts and bolts of operating philanthropic organizations, the region's philanthropy now focuses much more on equity. The sheer diversity of the philanthropic landscape presents distinctive opportunities for both established institutions and emerging philanthropic ventures to accelerate the assault on structural inequity and to enhance competitiveness in the South.

Where can Southern philanthropy focus to foster equity and strengthen our ability to compete? How can it help the people and places most at risk of falling behind, and staying behind, to participate and contribute to a rising tide of prosperity?

This report urges philanthropy to look at four areas for investment. We know, of course, that these four do not exhaust the range of need; no doubt, some may want to address the manifold issues stemming from new immigration, or the degradation of the environment, or the ways in which the criminal justice system erects barriers to individual advancement. Our data—and our emphasis on equity and competitiveness—lead us to point to these four:

- K-16 Education
- Economic Development and Labor Force Preparation
- Income Enhancement and Poverty Reduction
- Public Health and Disease Prevention

K- 16 Education

The economic rationale for increasing educational attainment levels for the South's people rests on simple logic: in a knowledge economy, poor education and weak skills will result in low or stagnant income. Educational attainment may not guarantee a person's ability to secure family-sustaining work, but the absence of educational persistence and success will consign most people to limited work prospects and truncated opportunity.

The South needs philanthropy to work across the continuum of Improvement, Reform, and Civic Discourse to:

• Renew civic commitment to strong public education for all students regardless of income, race and ethnicity, and geography. Inner-city and rural public education particularly need the resources and advocacy that a committed philanthropic sector can provide.

• Redesign schools that no longer perform at high levels for all children, and reinforce innovations through changes in public policy.

• Provide accessible pathways to and through post-secondary education for all aspiring youth, especially poor and first-generation students.

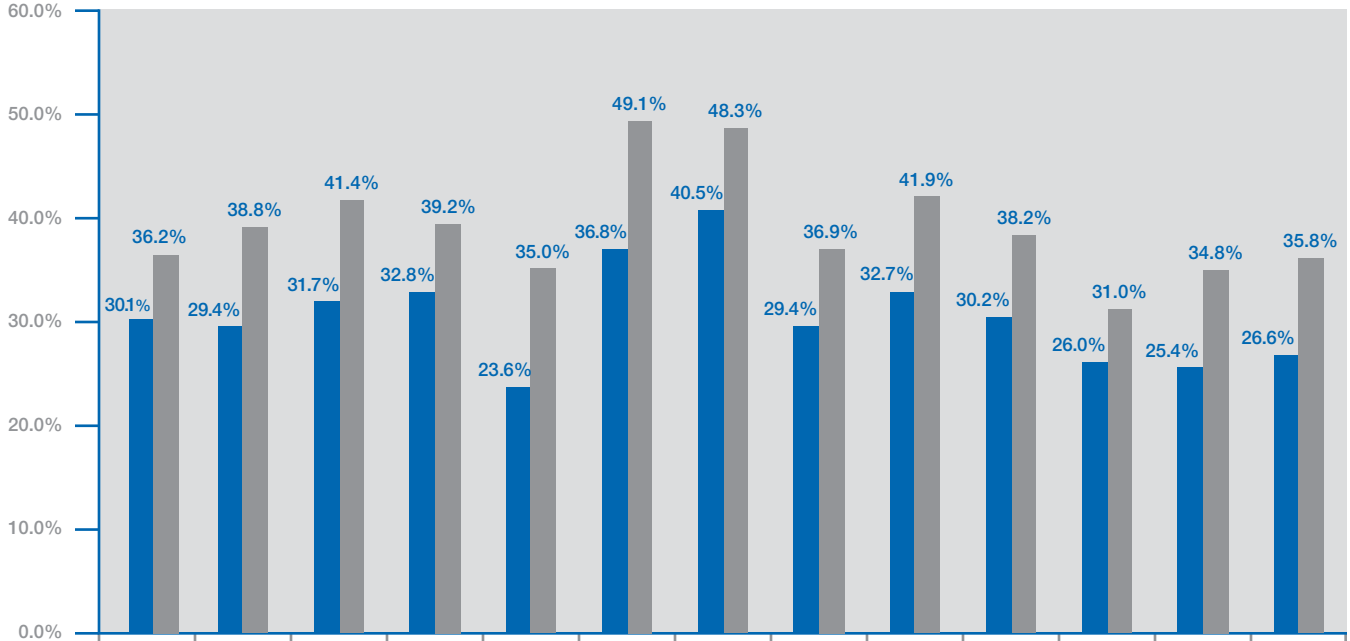
As we reported in *State of the South 2004,* by the end of the 1980s, Southern schools had become the most integrated in the nation. Since then, desegregation has steadily eroded. In 2001, only three out of 10 black students attended majority-white schools in the South. The South is re-segregating, and as it does so, it risks the prospect of increasing educational inequality.

The consequence of racially segregated and high-poverty schools is a large population of undereducated youth and adults, and a society more rigidly divided into rich and poor, exacerbating disparate outcomes and threatening the region's economic future and civic health.

A growing number of school children are Latinos, and a rising generation of blacks and Latinos will form the core of the South's near-future workforce. School systems that increasingly isolate white students from blacks and Latinos—and isolate children of the poor from children of the more affluent—will fail to prepare young people adequately for participation in an equitable society and a competitive economy. Philanthropy must work to reverse this trend, confronting public complacency and resisting this spiraling into what will become *de facto* segregation, two demographically determined school systems, separate anew and intractably unequal.

Financial disparities among schools is the subject of numerous court challenges in states across the region. Wide disparities between the have and the have-not schools, with resulting unequal educational opportunity among children, strikes Americans as basically unfair. Various strands of argument and of proposed alternatives have gained currency among foundations and advocacy

Births to Unwed Mothers as a Percentage of All Births, 1990 vs. 2004



	AL	AR	FL	GA	KY	LA	MS	NC	SC	TN	VA	WV	US
1990	30.1%	29.4%	31.7%	32.8%	23.6%	36.8%	40.5%	29.4%	32.7%	30.2%	26.0%	25.4%	26.6%
2004	36.2%	38.8%	41.4%	39.2%	35.0%	49.1%	48.3%	36.9%	41.9%	38.2%	31.0%	34.8%	35.8%

Source: U.S. Census Bureau; U.S. Department of Health and Human Services, Centers for Disease Control, National Vital Statistics Reports, Vol. 55, No. 1, September 29, 2006.

nonprofits, including charter schools and vouchers. While some Southern states have made progress in closing gaps, our states and communities often get stuck among competing ideological arguments. The South needs philanthropy to help its citizens break out of constrained thinking to re-conceptualize school finance, including the distribution and control of state and local resources, with freshness and ingenuity.

The strong link between poverty and student academic achievement is the single greatest impediment to raising students' aspirations and performance in the classroom. While creative and energetic school interventions can help reduce the achievement gap between children in poverty and middle-class children, for the most part the gap persists, as do numerous efforts to close it. Educators protest that schools cannot do it alone. Neither can philanthropy.

If family economic status is the most powerful predictor of student academic achievement, philanthropic institutions that fund education must identify economic and social policy solutions to reduce poverty as an integral part of their school reform agenda, and must join forces beyond traditional collaborations to understand and intervene effectively in breaking poverty's stranglehold on student achievement.

Economic development and labor force preparation

Karl Stauber, a North Carolina native and president of the Minnesota-based Northwest Area Foundation, has accurately noted that philanthropy was only a "bit player" in the economic transformation that reshaped the South in the last half of the 20th century. Activist government and public-spirited business leaders created Research Triangle Park, North Carolina; strong community college systems in Mississippi, Virginia, and the Carolinas; and the transportation infrastructure to connect the South to distant markets.

Today, our economic landscape more nearly resembles the nation than ever in the South's history. Like the nation, therefore, the South exhibits sharp bifurcations. It has well-positioned and prospering people and communities. It has economically marooned and redundant people and communities. And it has a nervous middle class. The South will need to create a rising economic tide that can lift all boats, rather than just a fortunate few.

Stauber sees a three-fold agenda for addressing competitiveness and equity:

• The South needs to develop new economic engines that create wealth, expand the middle class, and reduce poverty. The need is most acute in the rural South and in growing swaths of the South, like the textile belt that have lost their economic footing to international competitors.

How a State Stimulated New Philanthropy

In 1998, cigarette manufacturers and 46 states reached what became known as the "master settlement agreement" to anti-smoking lawsuits. North Carolina, the nation's top tobacco-growing state, used settlement proceeds to create both a foundation and a trust fund—and in so doing, demonstrated how a state can act creatively to construct vehicles for "upstream" philanthropy.

At the recommendation of then-Attorney General Mike Easley, now the governor, the General Assembly set up the Golden LEAF Foundation and directed that it would receive half of North Carolina's settlement proceeds. The foundation's 15-member board is appointed by the Governor, the President Pro Tem of the Senate, and the Speaker of the North Carolina House. Since Golden LEAF's creation, its board has followed a policy of investing the settlement proceeds and making grants from the earnings. Thus, Golden Leaf's value will grow as yearly settlement payments flow in.

As an analysis in *SouthNow*, a publication of the Program on Public Life at the University of North Carolina at Chapel Hill, points out, Golden Leaf has become an integral part of the state's economic development infrastructure. Its mandate is to help tobacco-dependent communities and the state to cope with their economic transition.

Golden LEAF's president, Valeria Lee, reports that the Foundation's grants have helped stimulate roughly 9,400 new jobs; approximately 1,900 people have been retrained; and almost 4,000 have kept jobs they otherwise would have lost.

The foundation's most prominent initiative involved a $60 million investment in a biotechnology training consortium. NC State University in Raleigh, NC Central University in Durham, and the state community college system each received significant funding as part of the bio-tech initiative.

While 25 percent of the state's settlement proceeds were set aside for farmer assistance, the remaining 25 percent went to a new Health and Wellness Trust Fund, the board of which is chaired by Lt. Gov. Beverly Perdue. The trust fund has invested $28 million in efforts to reduce smoking by teenagers, more than $9 million to address health disparities by race and ethnicity, $15.5 million in collaboration with Blue Cross/Blue Shield of North Carolina to prevent obesity, and $86 million in a supplemental prescription medicine program for senior citizens.

• The South needs to prepare its people to meet the standards of the new economic foundations it creates.

• The South needs to cultivate the civic capacity to make the first two transformations happen and to determine that the opportunities and benefits of a new economic order are broadly distributed.

Some philanthropy will have the knowledge, will, and expertise to contribute to the first challenge. Mississippi's CREATE Foundation, a coalition of leading family foundations in Greensboro, NC, and the Winthrop Rockefeller and Walton Family Foundations, through their investments in the Delta, have taken on the task of reinventing stalling and stagnated regional economies. More foundations should learn from their example and emulate their boldness.

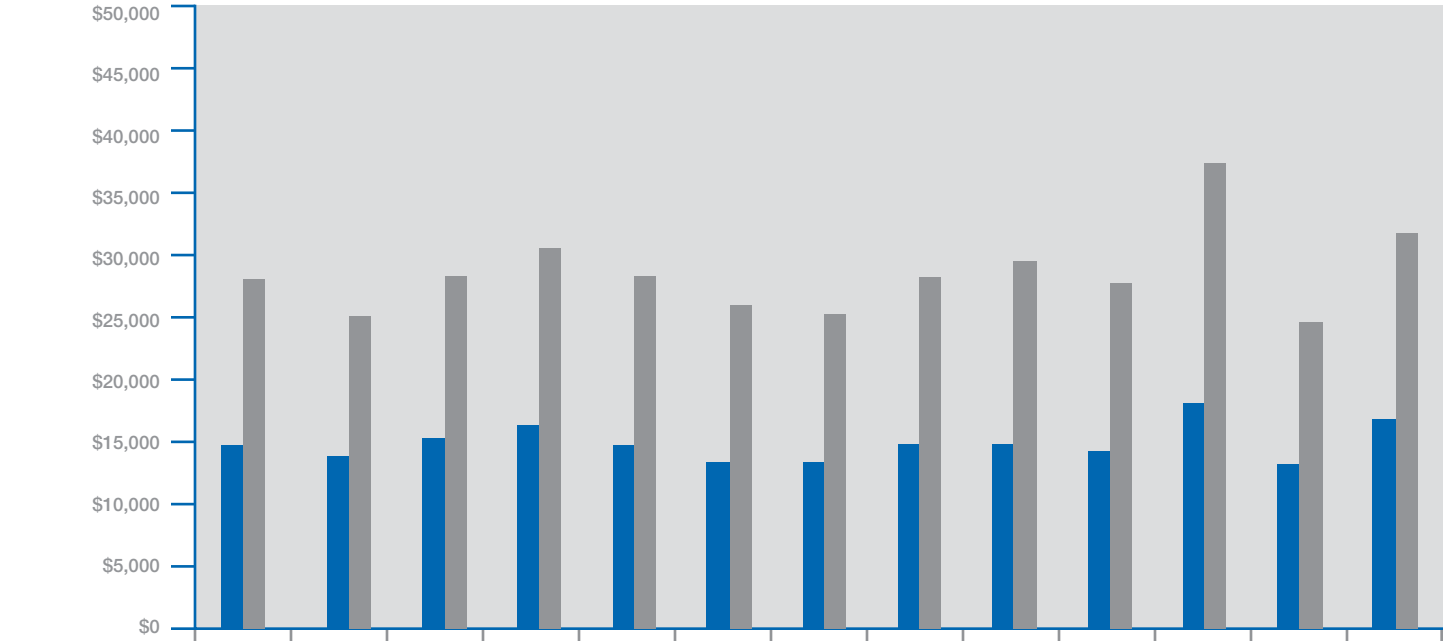
Other foundations already work on the human capital challenge facing the South through investments in public and higher education. But little philanthropy has ventured into the more specific realm of workforce preparedness for populations who have an unsure footing in a changing economy. Displaced workers, dropouts, prisoners re-entering society, and new immigrants will all be members of the emerging workforce as the supply of well-trained, native-born workers ages and shrinks. Philanthropy can take a page from colleagues in other regions, like the Joyce and Charles Stewart Mott Foundations, and do more to help the region move non-traditional and vulnerable populations from the margins to the mainstream of the workforce.

Finally, as Stauber says, civic leadership and public will are essential to successful social, institutional, and community change. The wheels of reform grind slowly, and broader equity seldom results without persistence and vigilant attention to outcomes. Philanthropy has an opportunity to help society take the long view and measure success against an equity standard: Is our community moving in the direction of fewer gaps and less economic division? If not, why not, and what can be done?

Income enhancement and poverty reduction

While economic development and labor force preparation can be likened to the rising of the tide, policy that focuses on reducing poverty and enhancing incomes is more akin to enabling people to obtain boats. Poverty's heavy hand weighs on the South more than any other region. It is both a product of and a lead contributor to the inequities the South experiences in education, economic vitality, and public health. Like economic development,

Average Income of Families in Bottom 40 Percent, 2001–2003



	AL	AR	FL	GA	KY	LA	MS	NC	SC	TN	VA	WV	US
Bottom 20% in 2001–2003	$14,765	$13,888	$15,396	$16,345	$14,814	$13,347	$13,456	$14,884	$14,957	$14,303	$18,110	$13,208	$16,778
Second 20% in 2001–2003	$28,143	$25,192	$28,423	$30,638	$28,460	$26,041	$25,308	$28,255	$29,581	$27,911	$37,492	$24,684	$31,931

Source: Analysis of data from U.S. Census Bureau Current Population Survey, calculations by Economic Policy Institute and Center on Budget and Policy Priorities.

poverty is an area where philanthropy may doubt its ability to be constructive. Yet philanthropy can help the region make progress on poverty at three levels:

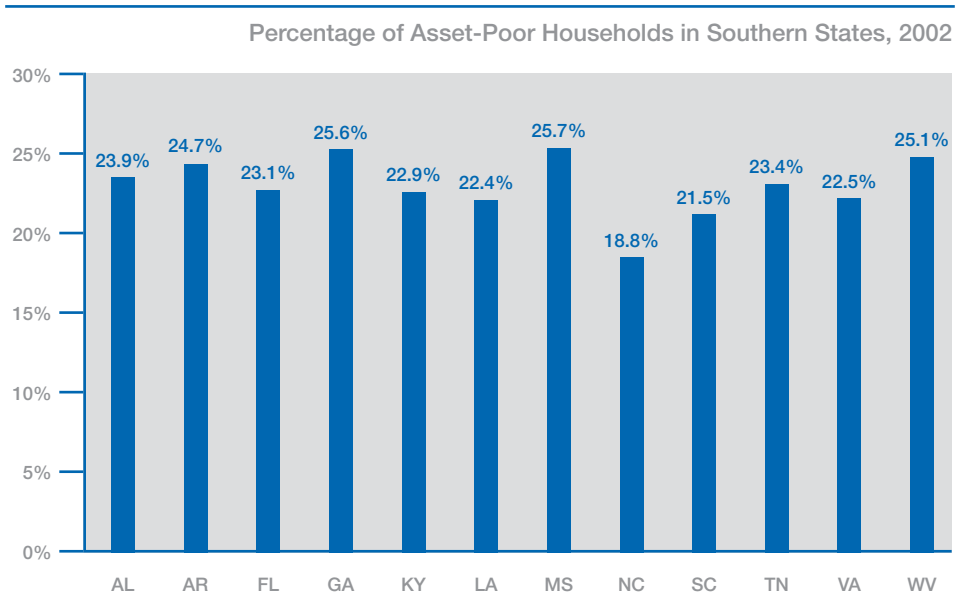
• The South needs philanthropy to help develop and spread innovative programs that increase income and reduce poverty. Private philanthropy has a history of introducing effective new ideas for attacking poverty, from the General Education Board's farm demonstration programs to increase crop yields and thereby income in the early 1900s, to the importation of micro-enterprise financing for home-based businesses by several Arkansas foundations in the 1980s. The recent proliferation of successful foundation-funded efforts to help the poor augment their income and build assets—through participation in the federal Earned Income Tax Credit Program, matched savings, and homeowner programs—shows that philanthropy can continue to make a difference in the economic lives of the poor. Still, despite the fact that we have strategies that work, too few Southern foundations have placed poverty reduction and income enhancement at the heart of their agendas. We need far more foundations to spread what works across our region.

• The South needs philanthropy's help to spur institutional change and policy reform. Philanthropy is responsible for some of the South's most creative institutions for asset-building and income-boosting for the poor, from Self-Help in North Carolina, to the Enterprise Foundation of the Delta and the Southern Development BancCorporation in Arkansas, to MACED in rural Kentucky. They have demonstrated how to navigate private markets for the purpose of social equity. We need more innovators like these, and philanthropy can help. In addition, a few courageous foundations have begun to support policy reform to address pernicious practices, such as predatory lending, that strip the poor of hard-earned resources, and tax policies that reinforce inequity.

• The South needs philanthropy's leadership to build civic commitment and public will to keep poverty reduction on the public agenda. Just as leadership and civic vigilance are needed to make certain the South's economic development strategies lift all boats, philanthropy can do more to keep poverty from slipping off the agenda. Vehicles like the Annie E. Casey Foundation's Kids Count reports could be a model for foundations to provide social performance data to prick public consciousness and spur action. Faith-based community organizing efforts, now spreading through the region thanks to foundation investment, are proving effective at keeping public and community leaders accountable for closing equity gaps.

Public health and disease prevention

The South has a long way to go before we can say that our region conforms to the Surgeon General's 2002 definition of public health: "healthy people in healthy communities." By providing resources to address individual diseases, philanthropy has shown it can add social value. But more could be done in the realm of public health to address the intersection of competitiveness and equity. By addressing the social determinants of health—dysfunctional individual behavior, environmental and social conditions that undermine physical and mental well-being, economic insecurity, and chronic poverty—philanthropy can position the South's least resilient and most vulnerable people and communities to make a stronger contribution to our collective uplift.



Source: CFED, Asset and Opportunity Scorecard

The proliferation of hospital conversion or "health legacy" foundations—now the South's fastest-growing form of institutional philanthropy, with about 10 percent of the region's philanthropic assets—offers an unparalleled opportunity to make "upstream" investments that attack the social and economic contributors to poor health. The fact that these new foundations have often sprung up in parts of the South that heretofore have had little or no organized philanthropy and could not otherwise accumulate such assets is rare good fortune. The efforts of the Rapides Foundation—to address unacceptable health outcomes in Central Louisiana both directly through health-specific investments and indirectly, or "upstream," by funding public school reform,

workforce development, and fostering homegrown economic development—merit study and replication for dealing holistically with the South's health deficits.

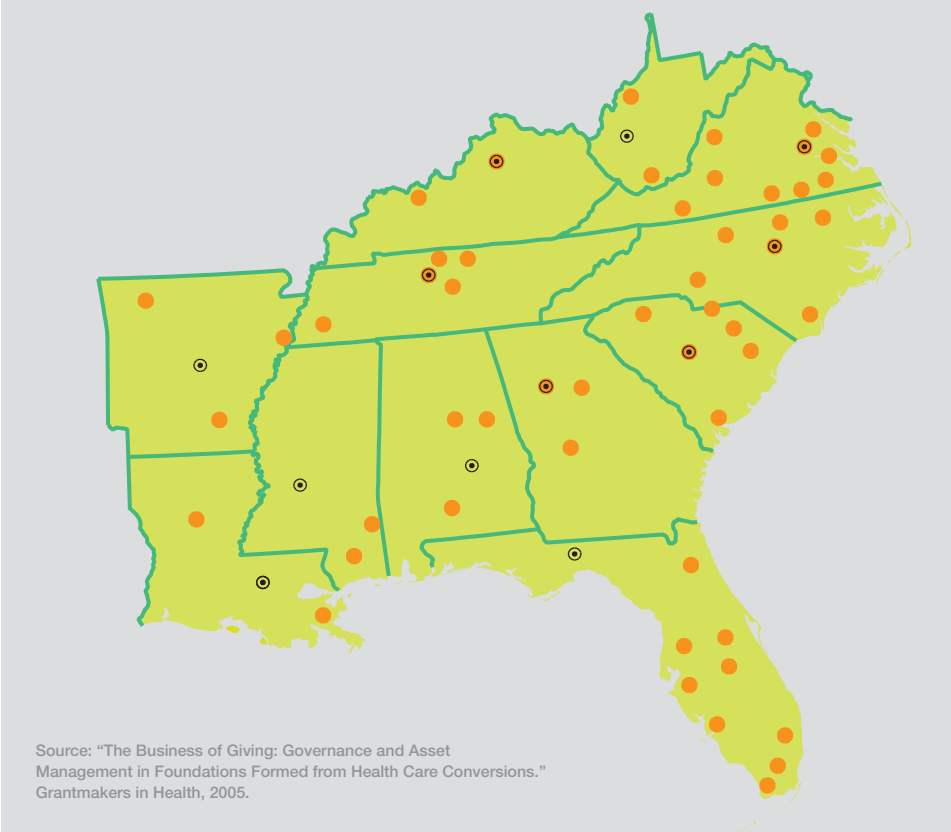
Southern philanthropy has great strides to make in achieving sustainable community development through the integration of programs in the areas of the environment and public health. The loss of wetlands helped create a public health crisis in New Orleans, as did the overflow of industrial hog farm effluent in North Carolina. Less newsworthy and more constant, exposure to emissions, toxic chemicals, and other environmental hazards and degradation takes it toll, especially in communities of color and low-income communities. Success in this area requires that philanthropy reach across special interest boundaries such as "public health" and "the environment," as well as across boundaries of the public and private sectors.

The people and communities of the South will capture the benefits of a potentially bright future only if we can overcome significant weaknesses that undermine our ability to compete and succeed in a relentless global economy. Success will require the region to engage in fixing the deep inequities in education, health, and income that prevent the South from deploying our human assets for the common good.

History and recent experience provide persuasive evidence that organized philanthropy can help pilot and accelerate the vehicles that society needs to make progress in addressing the causes of inequity at the individual, family, community, institutional, and policy levels. Philanthropy can be society's passing gear.

In an era when government is fiscally constrained and the private sector frequently preoccupied with its own issues of competitiveness, organized philanthropy can and should take the lead in putting the twin challenges of equity and competitiveness squarely on the South's agenda. Southern philanthropy can both commit its own resources to addressing the causes of persistent inequity and marshal leadership in communities, states, and the region to make the South a place that works well for everyone.

Locations of Health-Conversion Foundations in the South, 2006



Source: "The Business of Giving: Governance and Asset Management in Foundations Formed from Health Care Conversions." Grantmakers in Health, 2005.

Recommendations: Toward more "passing-gear" philanthropy

"Ending poverty is the 'moon shot' of our time."

—Ralph Smith, Annie E. Casey Foundation

The *State of the South* sees two overarching imperatives for organized philanthropy:

1) Focus on reducing inequity.
2) Focus on bolstering competitiveness.

As a region, the South lags the nation in critical indicators: per capita income, educational attainment, and personal and community health. Philanthropy can do much more to help the South bring itself to parity with the rest of the country.

At the same time, the South faces widening divisions that will make certain population groups and geographic communities weigh heavily on our future. Divided societies do not develop. Thus the South needs to raise the tide of overall well-being while simultaneously helping people and places that have lost their buoyancy.

The twin challenges can be summarized this way: Philanthropy should help the South achieve parity with the nation and progress for the bottom 40 percent of our people and communities.

In addition to these overarching imperatives, "passing-gear" philanthropy will need to:

Move funding upstream. In a region characterized by deep individual generosity that readily responds to immediate need,

organized philanthropy has a strategic calling to focus on addressing the causes as distinct from the symptoms of inequity. To meet this calling, Southern philanthropy will have to move more of its investments "upstream."

Moving upstream still gives organized philanthropy great latitude in which to tackle inequity. The framework developed by Elizabeth Lynn and Susan Wisely provides a useful guide for defining upstream strategies.

By focusing on *improvement*, philanthropy can provide access to the systems and institutions that heal, educate, and allow enterprising people to advance themselves. It can make the engines of uplift in our society available to people and communities that otherwise would struggle in their attempts at self-help—by providing scholarships and mentoring, supporting entrepreneurs, deploying teachers and resources to underserved schools, and underwriting community health access and wellness programs.

By focusing on *reform*, philanthropy can prod and advocate for changes in public priorities and institutional practices that hold back progress on reducing inequities. It can help put equity high on the agenda of the organizations it funds and help those organizations change the way they work.

By focusing on *civic engagement*, philanthropy can build the community structures and civic relationships we need to help leaders in all sectors see inequity as a common threat. It can cultivate public will to raise the tide and elevate the bottom 40 percent.

Whatever tactics a foundation chooses to embrace, this should be a guiding question: How will this investment help reduce the equity gaps we face?

Provide intellectual leadership. As Ford Foundation President Susan Beresford has said, "The currency of foundations is ideas." Ideas move society forward, and by investing in their development and implementation, philanthropy can create change. Foundations can help the communities they serve and the region as a whole frame the debate about inequity and competitiveness. Foundations also can fund the development of the knowledge the region needs to make more rapid progress in health, income and asset building, and education for the least-advantaged Southerners. This can take numerous forms, from investing in idea-generation and application at universities and colleges, to funding inventive front-line nonprofits, to supporting social entrepreneurs, who too rarely merit the attention of mainstream philanthropy.

Focus and collaborate for scale and impact. One of the glories of American philanthropy is its pluralism. Thanks to its diversity, philanthropy reaches into every corner of American life. Yet philanthropic pluralism can have an unintended shadow side. Diversity and decentralization can make concerted philanthropic effort on common problems hard to achieve.

The problems of inequity—and competitiveness—require concentrated social attention. The region needs its philanthropy to work together at the community, state, and regional levels on the shared problems that hold us back. This will require Southern philanthropy, most of which is focused locally, to "lead beyond the walls," in the words of Peter Drucker—forging community, state, and regional efforts to attack inequity at a scale that matters. The South's few statewide and multistate foundations could take the lead in encouraging coalitions to focus philanthropy on fostering greater equity in health, education, and income.

Build the infrastructure the South needs to close its equity gaps. Much of Southern philanthropy flows to institutions that could play a stronger role in building knowledge and mobilizing action to enhance the region's competitiveness and reduce its social and economic gaps. Philanthropy can help the region by challenging our universities, colleges, medical centers, and social service organizations to work toward concrete equity outcomes in their fields of expertise. The Lumina Foundation's Achieving the Dream initiative to raise success rates for less-advantaged community college students is a promising strategy.

In addition to urging mainstream organizations to help close our equity gaps, Southern philanthropy can be alert to the need for new, special-purpose organizations that can bring new expertise to the region. Investments from Southern foundations and Northern allies have given the region such irreplaceable assets in the battle for equity as North Carolina's Self-Help, Arkansas' Southern Development BancCorporation, the Enterprise Corporation of the Delta, and the National Center for Family Literacy. The South needs more path-breaking organizations to fashion new responses to enduring inequities.

Philanthropy can support innovation in its own ranks. The emerging movement of community philanthropy—new to America but already transforming the developing world and troubled locales like Northern Ireland—is demonstrating that resources and creative ideas for promoting prosperity and community uplift exist among people and places traditionally seen as disadvantaged. Mainstream foundations can do more to enable such local expressions of self-help philanthropy across the South, as Jessie Ball duPont, Mary Reynolds Babcock, Alabama Power, and Ford have done with the Alabama Black Belt Foundation.

Help the South's leaders and organizations practice boundary-crossing behavior. A successful assault on the South's persistent poverty and near-poverty must enlist private markets, government

action, civic leadership at all levels, and deep involvement from the nonprofit sector. Philanthropy prides itself on being a "neutral convener." It has a clear leadership opportunity to gather society's creative energy to see how the South can free itself from the burdens of economic distress and civic division. In addition to helping society build leadership "horizontally" across the sectors, philanthropy also can build leadership that connects society "vertically." The South and the nation have few forums for civic deliberation that cross the income and asset divide. Community foundations in particular have a special opportunity to create new civic and regional leadership that overcomes the limitations of business as usual.

Nurture and work with indigenous traditions of giving. The South has been enriched in recent years by the growth of a strong black middle class, and it will be enriched even more as a Latino middle class emerges from within what is now a relatively recent immigration. Blacks and Latinos have traditions of benevolence, and as their economic wherewithal expands, they will be in a position to develop institutions for organized giving. In addition to enriching our philanthropic traditions and expanding our resources, new expressions of indigenous or "community" philanthropy can help mainstream foundations understand the natural assets and points of resiliency that exist within cultures previously considered marginalized. Community philanthropy may be a vital partner in addressing inequity at the grassroots level.

Demonstrate impact or risk obsolescence. This report has stressed the social indispensability of organized philanthropy. Yet increasingly, people of wealth interested in solving public problems are bypassing traditional forms of philanthropy in favor of more direct platforms for action: policy institutes and social venture enterprises. Philanthropy's long-term credibility and value will rest in its ability to produce results that can transform thinking and action.

Recently, prominent donors and philanthropists have begun to shatter conventional thinking about the forms and strategies that "upstream" philanthropy should take. From former President Bill Clinton, to Bill Gates, to maverick entrepreneurs and entertainers, these philanthropists exhibit greater openness to non-traditional combinations of philanthropy and market-driven reforms. Rapid response and entrepreneurial impatience characterize these donors, whose restless imagination makes much traditional philanthropy seem slow and pale. To date, this new-style philanthropy is concentrated outside the region, in centers of finance and technological innovation, but the South could benefit from an infusion of their bottom-line discipline and commitment to hard evidence of change.

Attend to the power of public policy. One bad public policy can undermine the benefit of dozens of strong programs. Philanthropy traditionally has been gun-shy about venturing into the world of public policy, partly out of confusion over what the law allows, partly because the path to policy influence is unclear. Yet across the region, organized philanthropy is helping forge fresh policy solutions to stubborn or ignored equity issues. North Carolina's Z. Smith Reynolds Foundation has undertaken an array of initiatives designed to inform and guide state policy-making. The A.J. Fletcher Foundation, also in North Carolina, has focused directly on low-income housing. A coalition of foundations has formed the Florida Philanthropic Network to examine the state's investment patterns and priorities and to consider corrective strategies for philanthropy. And in the wake of Katrina, foundation-supported policy institutes are springing up to examine tax equity, public expenditures, and policy guiding the rebuilding. The development of fresh ideas for public policy merits strong philanthropic support so that the South can summon all its people to participate in the race for global competitiveness.

Beyond merely generating policy options, some foundations have begun to marry support for research with investments in policy advocacy to ensure that decision makers actively consider fresh ideas. Using what some donors call a "shake and bake" approach, these funders support organizations with grassroots constituencies whose members will pressure the establishment for reform. While these membership organizations "shake" the status quo, more conventional research organizations provide them with analysis and policy alternatives. Several Southern states have benefited from foundation investment to build a "shake and bake" infrastructure for research and advocacy, most notably North Carolina (on education, predatory lending, and the environment), Kentucky (on education and economic development policy), and Arkansas. Though often strapped for funds, these coalitions have kept vigilant watch over the equity agenda.

Reflect the changing South in the governance and staffing of philanthropy. If Southern philanthropy aspires to have deeper impact on inequity and competitiveness, it will need to look different than it does today—at both staff and board levels. The very people most affected by structural inequity—low income, non-white, rural—are thinly represented in authority positions in organized philanthropy. It will be harder for organized philanthropy to understand and work with the people and communities it hopes to assist as long as they remain recipients rather than partners in strategy and decision making.

Epilogue

Unleashing the Philanthropic Impulse

This essay, a call to action, consists of excerpts from a speech by James A. Joseph, chair of MDC's Board of Directors, at a conference on philanthropy in the South, convened in Chapel Hill, NC, in October 2005.

I grew up in Louisiana, and I have many fond memories of both the people and the place: the sweet smell of magnolia, the magic of the Mississippi, and the mystique of Cajun and Creole cultures. But there was another side to those melancholy years of my youth; I was forced to study from hand-me-down books in hand-me-down buildings. I walked miles past the white school to get to the so-called colored school on the other side of town, and in the summers, I picked cotton from sunup to sundown in the hot Louisiana sun.

Thanks to past *State of the South* reports, we have abundant documentation of how far the South has come in contributing to the national effort to form a more perfect union, establish justice, and promote the general welfare.

• We have succeeded in dismantling the legalized racism of Jim Crow,

• We have greatly increased educational and other opportunities for African-Americans and the many newcomers transforming our civic culture and changing the face of the South,

• We have made such progress in improving race relations in much of the region that the brain drain that saw many talented and skilled blacks moving North is now a brain gain with many moving back, and

• Perhaps most importantly, we have continued the dialogue and continued the fight against injustice at a time when race is no longer on the table, if it is anywhere in the room, in many other parts of the country.

Yet, we are reminded almost daily of the enormous equity gaps that remain. Philanthropy's vision for the future should be to help move the South beyond the tolerance of difference to valuing diversity, to an understanding that opportunities and outcomes are interrelated, and to a commitment to give new life to the promise of equality in the workplace, the schoolhouse, and our civic institutions.

Given my own experience in various forms of philanthropy, I want to share with you six observations that I believe might be helpful for anyone contemplating the challenges and opportunities of promoting equity through strategic philanthropy.

1. We need to clarify the distinction between philanthropy and charity.

Philanthropy often has been most effective when it has dared to go beyond charity, when it has been for the American society what the research and development budget has been to a business corporation—the seed money for experimentation and innovation.

2. Philanthropy can help to inform and enrich the public policy process.

The effects of private philanthropy's engagement with public policy in the development of the South are engraved widely and deeply in legislation, in court decisions, in public attitudes, and in social changes across a wide front.

3. Philanthropy should invest in the empowerment of those who are economically and socially marginalized.

Philanthropy can help educate the public on the policies and practices needed to make our society work for all of its citizens, but it is not enough simply to be advocates who speak on behalf of the marginalized groups in our communities; we must help empower them to speak for themselves. I like the concept of assisted self-reliance, or participatory empowerment, where the affected groups provide leadership but are supported by outside resources.

4. Philanthropy should invest in boundary-crossing leadership, in people who can

unite other people, and in people who seek power in order to disperse it rather than to simply dominate.

Strategic investments in a new generation of leaders can help bring new talent into mainstream institutions, equip our sector and the larger society to deal with the new demographic reality, and cultivate civic and social entrepreneurs. Although the current climate may appear as a leadership vacuum, it is more likely that we simply have been looking in the wrong places for leadership. If we have learned anything from those who are building new societies in Eastern Europe and Southern Africa, it is that the next generation of leaders is not likely to fit the traditional mold, nor are those leaders likely to be found in traditional places. Many instead will be ordinary people with extraordinary commitments.

5. We need to invest to unleash and inform the philanthropic impulse that lies in all of our citizens and communities. The growing black and Latino middle class has enriched the South and provides the potential for a new, but stronger, civic culture. While there is a tendency to think of these groups only in relation to the demand side of philanthropy, many are now in a position to contribute to the supply side.

6. We need to remind the trustees and managers of private donor groups that they are custodians of values as well as resources.

We need to step back and ask what assumptions and what social analyses lie behind our grant making, what theory of change informs our investments and priorities, how often is equity a consideration in what we conclude is successful, and finally, do we have an organized and disciplined way of learning what truly works in advancing equity and closing social gaps? Philanthropy in the American South is part of a great moment in history. I hope, therefore, that donors and those who manage philanthropic funds will not be afraid to demand more of themselves, their colleagues, and those with whom they collaborate.

All of this may seem like a long and difficult agenda for philanthropy and equity in the South, but in the final analysis, it may be that the most important role of philanthropy is to help provide hope for the many who remain hopeless.

James A. Joseph was president of the Council on Foundations from 1982 to 1995 and U.S. Ambassador to South Africa from 1996 to 2000. He now serves as Professor of the Practice of Public Policy Studies and Executive Director of the United States—South Africa Center for Leadership and Public Values at Duke University.

The full text of Ambassador Joseph's address may be found on the MDC website, www.mdcinc.org.

Appendix 1

Acknowledgements

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Any errors or oversights contained in this report are solely the responsibility of MDC.

Appendix 2

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