The Resources to Act

It was not until the tenure of former university professor Dolph Norton in the sixties that The Cleveland Foundation would resume the practice of critically examining the performance of important civic institutions. The desire to evaluate and refine its own operation (which will be examined in depth in subsequent chapters) also reemerged during this pivotal era. Suffice it to say here that the courage to question the status quo had become deeply ingrained in the Foundation's culture by the late eighties.

For proof, one needed to look no further than to a program staff meeting following the second quarterly meeting of the Distribution Committee in March 1987, where the Foundation's new treasurer, Philip T. Tobin, even though he had been on the staff for only a few weeks, had felt free to raise the issue of the impact that the Special Initiatives in education and neighborhood development would have on the organization's flexibility. Referring to a formal resolution that the Distribution Committee had just approved, authorizing the creation of a Special Initiatives reserve fund comprised of all the proceeds from the expected sale of the Bulkley complex and up to 50 percent of projected unrestricted income through 1990, Tobin observed: "This is really going to cut into available income."

A former financial officer for several major corporations, Tobin suggested that the Foundation reexamine its options. Why not consider the possibility of a principal distribution, he asked—an idea for funding a portion of the Special Initiatives that Minter, Lajoie and Pogue had already weighed and put to one side.
The program officers' response to Tobin's suggestion was muted: An invasion of principal was not an action lightly recommended. The Foundation had long identified itself as "a trust for all time," and staff members were sensitive to the possibly negative impression an expenditure of assets might leave with potential donors. They were also aware of the importance placed on asset development by Steve Minter, and especially Dick Pogue, who had hopes of seeing the endowment reach the half-billion dollar mark during his tenure as chairperson.

Believing the discussion closed, Tobin went back to work on an analysis, for the five-year period ending in 1986, of the investment performance of the five banks then entrusted with managing the Foundation's portfolio (an example of the sophisticated financial data Tobin had been hired to produce). But "Steve is like a blotter—he takes everything in," Tobin said. By the time Tobin finished his analysis, Minter had assessed the impact of the Scholarship in Escrow grant on the year's allocation of flexible dollars, and he had decided that the option of a principal distribution should be examined once again.

In early June, Tobin wrote a memo informing the members of the Foundation's administrative subcommittee, which Pogue chaired, of his preliminary findings regarding the portfolio's performance. After factoring in inflation, Tobin reported, the market value of the Foundation's assets had grown more than 100 percent since 1981, while its income had increased only about 50 percent. The difference in the two growth rates had produced a real addition to principal of more than $100 million. "One way to characterize this difference," Tobin observed, "is to say that, because the Foundation grants only what it receives in current income, . . . it is adding to its wealth at a greater rate than it is able to make grants to the community."

In other words, a principal distribution would actually be a way of sharing with the community the incredible appreciation of the Foundation's assets. It would also allow the Foundation to support several new projects of immense importance to the future of the city without severely diminishing its capacity to respond to the normal array of grant proposals. Nonetheless, did these advantages justify a principal distribution for what would be only the fourth time in the Foundation's history?

Carlton K. Matson, the person finally chosen in 1924 to succeed Raymond Moley as the Foundation's second director, would have envied such
a dilemma. The former journalist, publicist and advertising executive assumed the reins in November 1924 of an organization that could barely pay its administrative expenses. As a matter of fact, The Cleveland Foundation was in such a precarious financial position in the mid- to late twenties that the onrushing Depression would no doubt have swept it away had not providence intervened to provide firmer footing for survival and, eventually, growth.

At the time Matson became director, the Foundation’s endowment was generating less than $15,000 annually in unrestricted income, and its subsidy from Cleveland Trust, with Goff gone, had been limited to $5,000 a year. There was little room in such an austere budget for continuing to undertake exhaustive, expensive studies, and now that Belle Sherwin had resigned to accept a position as national president of the League of Women Voters, no forceful voice was left to argue in their favor.

Matson found the organization’s impecuniousness particularly embarrassing because it was widely believed that it had an endowment of $100 million—a figure Goff had, in his enthusiasm, taken to quoting as the amount pledged to the Foundation at speeches he gave around the country to promote the community foundation concept. “Perhaps you would care to know that our actual funds here are only $40,1855 . . . ,” Matson would write Ralph Hayes, the director of the New York Community Trust, in November 1925, in reference to an annual directory Hayes published that listed the endowments of the other 55 or so community trusts that The Cleveland Foundation had spawned around the country. (Goff’s former personal assistant at Cleveland Trust, Hayes maintained the records as a service to the growing community foundation movement.) “Of course,” Matson continued, “there is a ridiculous gap between $100,000,000 and less than $500,000. I think it would be too severe a jolt to use this actual figure however. I think it would hurt the movement nationally. . . . It would be better to use the $100,000,000 and qualify it [as our expectation].”

During his first year at the Foundation the new director had been encouraged by the Distribution Committee’s attempt to persuade other Cleveland banks to participate in a multiple trusteeship in order to secure a broader base of support for the Foundation. In consultation with Hayes, whose own foundation had been established under the auspices of 16 trustee banks, Matson had prepared a thoughtful memorandum on how
such a trusteeship could be structured in Cleveland. But, whether due to the committee’s and Cleveland Trust’s ambivalence to the idea of sharing authority or that of other local banks to the thought of helping a competitor, the effort had failed. Matson finally concluded that if the Foundation were to survive, let alone flourish, he would have to become actively involved in fund raising.

In the spring of 1926 he began sending copies of a newspaper article on community trusts to various prominent Clevelanders, a means of introducing himself disguised as a solicitation of their comments. The response Matson received from Andrew Squire, one of the city’s most powerful corporate attorneys, revealed how little knowledge even the most informed members of the community had of the Foundation—a suspicion that may have been first aroused several years earlier when a salesman appeared at the door seeking to sell a steam shovel to the “Cleveland Foundation Company.” Squire wrote: “Before [comment-ing], I want to assure you that I have been so ignorant of the Community Fund [sic] that I should like to know something about it.”

Even among those who possessed some knowledge of the Foundation, there was a perceptible uneasiness about its purposes, which Matson discovered that summer when he systematically sent to every attorney in Cleveland a copy of a speech Ralph Hayes had given earlier in the year at the City Club. Reacting to Hayes’s observation that the community foundation would one day be ranked as Cleveland’s most important contribution to the ideas of the world, former Mayor Newton D. Baker, a founding partner of another corporate law giant, Baker, Hostetler and Sidlo, had written to Matson:

I still believe in this Cleveland idea but I have reached a definite judgment that there ought to be a legal limitation placed upon funds thus left in trust. . . . I do not know what is going to happen when a good many more thousand million dollars have come to be held by trust companies being invested in all sorts of securities with . . . financial control of the country being more and more absorbed by . . . privately organized boards of trustees, whose principal obligation is the collection of income and its distribution to charitable uses. I would like to see some constructive thinking . . . now so that we may not have to repeat Henry the Eighth’s flight in the Twentieth Century.

Solo practitioner John A. Alburn also responded to the mailing, though he was more concerned with wealthy foundations exerting undue influence on public affairs:
I believe such a situation can and should be met at the earliest possible date, first, by making thoroughly known the aims and purposes of the Foundation; second, by working out plans for even exceedingly small contributions . . . so as to make it a popular matter instead of a matter dealing only with the rich,¹ and third, working out plans for the expenditures of principal as well as interest . . . so that the present generation will benefit and the public will feel that . . . large amounts of money are [not] being accumulated for unknown future purposes.

In follow-up notes to both men, Matson pointed out the fact that the Foundation’s charter provided for distribution of principal. Exaggerating more than a little, he assured Alburn that “when the Foundation has funds . . . it is the desire and intention of everyone concerned that there shall be principal distribution from time to time to institutions. . . .” and conceded to Baker that “by making such a provision . . . mandatory instead of optional, progress might be made toward avoiding such a possible condition as you outline in your letter. . . .”

Despite his ready answers, Matson had been sobered by the resistance he encountered from the very men he hoped would persuade their wealthy clients to endow the Foundation, and he began casting about for alternative sources of support. Not surprisingly, his eye fell on the Welfare Federation of Cleveland. By the mid-twenties the Federation had developed into a fund-raising powerhouse whose annual Community Fund campaign (begun in 1919 as a continuation of the city’s successful War Chest drives) consistently generated millions of dollars for its member social service agencies. Formerly the Federation’s publicity manager, Matson conceived the notion that it and The Cleveland Foundation should merge operations and boards. The idea apparently foundered on the Federation’s fears about the potential for political domination by the Foundation’s publicly appointed board; but in the process of pleading his case Matson won for the Foundation a rededicated advocate in a member of the Federation’s executive committee, the investment banker Warren S. Hayden.

As president of the Cleveland Chamber of Commerce when The Cleveland Foundation was created, Hayden had been among those whom Goff had consulted beforehand about his concept. It apparently distressed Hayden to learn that Goff’s well-laid plans had not turned out as expected. In the spring of 1928, he sent a letter to the president of Cleveland Trust, urging the bank to try once again to establish a multiple
trusteeship. Although Hayden spoke solely as a public-spirited citizen, because of his position on the board of the Union Trust Company, Cleveland's largest bank and, as such, second-ranked Cleveland Trust's closest competitor, his words carried the promise of the financial community's cooperation.

The delivery of a powerful friend at Union Trust was Carlton Matson's last and somewhat providential contribution to the Foundation. On March 28, 1928, he resigned to become chief editorial writer for the Cleveland Press, and his departure may be one of the reasons why it took more than a year for Cleveland Trust to act on Hayden's suggestion. Sentiment slowly crystallized among the officers of the bank in favor of multiple trusteeship. An impassioned internal memorandum challenging Cleveland Trust to assume its rightful role in revitalizing Goff's creation no doubt contributed significantly to the process. "The Cleveland Foundation is suffering from neglect and lack of nutrition," it warned, adding:

Its magnificent objective, if not quite forgotten by those who should have cherished it, has apparently come to be regarded by them as too remote of attainment in this generation. Accordingly, the Foundation has made little headway either in the acquisition of resources or in the building of tradition. At age fifteen it is still a rather weak, unimpressive infant instead of showing signs of becoming the robust public servant which Frederick Goff hoped it would develop into.

The fact must be frankly faced that it will now take energetic measures to revive the Foundation and the great idea behind it.

... And there is no more propitious time than the present. ... Although wealth production has become a highly skilled and scientific business, wealth disposition is still far from being either science or art. The reason is not the unwillingness of the community to learn, but the lack of established and accepted agencies for the conservation of wealth and the use of its income. The banks are the logical people to do this work of organization and instruction, and they ought to do it. They are the financial centers of the city; they ought to supply its financial leadership.

In the latter half of 1929, Cleveland Trust's president appointed a committee of three officers (among them, Leonard Ayres) to work out the legal details of the multiple trusteeship. "The Resolution and Declaration of Trust Creating the Multiple Trusteeship" that was finally drafted allowed a prospective donor to name as trustee of his or her be-
quest to the Foundation the trust company with which he or she was accustomed to doing business. The internal operation of the Foundation would change significantly in one way: a Trustees Committee composed of the presidents of the participating banks would assume the duties that had previously been Cleveland Trust's alone. Ultimately, four additional Cleveland banks saw the advantages of participating.²

On January 6, 1931, Cleveland Trust hosted a dinner for 200 bankers, attorneys and civic leaders to announce the formation of the multiple trusteeship. Keynote speaker Newton D. Baker (having apparently undergone a change of heart) welcomed the expansion of the Foundation's fund-raising powers as a "crown of laurels on the brow of a great inventor."

The multiple trusteeship served to awaken Cleveland's powers-that-be to the Foundation's great potential as a "re-distributing agency," a description Matson had tried with not much success to impress upon a city laboring, at best, under the assumption that the Foundation was some sort of research organization. Just how useful and flexible an intermediary a community foundation could be was further driven home to many citizens late in 1931.

With more than 100,000 Clevelanders on the breadlines, it had become painfully clear to the Welfare Federation that the year's Community Fund goal of $5.35 million was not going to be met. In addition to the disastrous implications of a shortfall for the city's overburdened social service agencies, meeting the goal had become a matter of intense parochial pride. "Don't worry, Mr. President," Samuel L. Mather, the father of Cleveland's community chest concept, told Herbert Hoover when the President had appointed the industrialist to a committee charged with mobilizing a national relief effort earlier in the year. "Cleveland will take care of its own."

Invariably the largest contributor to the annual Community Fund drive, Mather had died a few months before its commencement in late November, leaving its organizers to slog it out on their own. By the evening of the last day of the drive, more than 400,000 individuals had made contributions, including many of Cleveland's old-line families, whose donations of $10,000 or $15,000 were always announced dramatically at the eleventh hour. Among their number that night was an astounding $150,000 contribution from Samuel Mather's estate. Even so, the 8,000 campaign solicitors who had gathered at Public Hall to
watch the final tallying of the monies sensed that their hard work might not have been enough.

"While the fate of the Fund still swung in the balance, Carl W. Brand was called to the podium," the Cleveland Plain Dealer reported. "Something was up, but nobody knew just what."

Brand chaired the speakers bureau of the Community Fund and was a member of the Distribution Committee of The Cleveland Foundation. He was there to announce the Foundation's contribution of $75,000, which had been arranged that very day in order to put the campaign over the top. With the Foundation's timely intervention, the Fund surpassed its goal with $30,000 to spare. At the end of the evening, it was announced that a record $5.65 million had been raised.

To support the Community Fund in its hour of need, the Distribution Committee had agreed to make a gift of half of the first income from a bequest that had recently been probated. Fittingly, the donor had been the late Harry Coulby, a former partner of both Samuel Mather and of Henry G. Dalton, a Distribution Committee member, in the firm of Pickands Mather and Company, a major supplier of raw materials to the steel industry.

Coulby, an Englishman who had conceived a fascination for the Great Lakes as a boy, stowed away to America as a young adult, making the journey to Cleveland from Buffalo on foot. Beginning his career at Pickands as Sam Mather's clerk, he had risen to a position of command over the company's fleet of 52 lake freighters, assembling a personal fortune in the process. Upon his death at age 64, the childless "Czar of the Great Lakes" left $3 million to the Foundation, a godsend that had skyrocketed its income in 1931 to $250,000, 60 percent of which derived from Coulby's bequest alone. With one stroke of the pen the Foundation had been thrust into the ranks of the five largest community trusts, and the concurrent establishment of the multiple trusteeship increased the likelihood that there would be other bequests forthcoming to keep it there.

Like the majority of donors who followed him—a far-flung list ranging from Plain Dealer heiress Katharine Holden Thayer, who left the Foundation $17 million, to a German-born laundress named Katherine Bohm, who left it $6,500, her life savings—Coulby had designated uses for the income from his bequest. (Most donors favored causes in health, education and welfare, predilections that would define the parameters of The Cleveland Foundation's grantmaking for the next 30 years.) Half of
the Coulby income was to be given each year to Cleveland's Lakeside Hospital; the other half was to be used by the Foundation to assist sick, crippled or needy children. By requiring the Welfare Federation to redistribute the $75,000 exclusively to member agencies that served needy children, the Foundation was able to respect Coulby's specific wishes at the same time that it served a broader need. The deepening Depression forced the Welfare Federation to call again on the Foundation the following year to rescue the Community Fund drive, and gradually what had been believed to be a one-time event turned into an annual gift to the Community Fund—a practice that continued until after the end of World War II. This kind of standardized grantmaking typified the Foundation's post-Crash years.

For with its slowly increasing girth—the endowment finally surpassed the $10 million mark in 1946 and the $20 million mark in 1956—had come a gradual change in the Foundation's operation. Goff's interest in promoting civic experimentation and social change had been replaced by his successors' dedication to responsible grantmaking. As more and more of the Foundation's time was devoted to administering its growing annual income in ways that had often been spelled out by others, it displayed less and less interest in resuming its reformer's role of old. With the exception of its leadership of a municipal slum-clearing effort that built the country's first public housing in Cleveland in 1937, the Foundation largely left to other hands direct action on the city's pressing problems. During the 25-year tenure of Matson's successor, Leyton E. Carter, it would concentrate instead on being a responsive funder, awarding what came to be annuities to established charitable agencies. For example, Ho Mita Koda Camp, the Association for Crippled and Disabled Children, the Girl Scouts, the Welfare Association for Jewish Children and the YMCA were listed regularly in the Foundation's annual reports of the thirties and the forties as the recipients of grants from the Coulby fund. (Given that for many years appointees to the five-member Distribution Committee were invariably drawn from the white male business establishment, the ossification of the Foundation's grantmaking can be understood.)

Leyton Carter would play a more innovative role when he chaired Cleveland Homes, Incorporated, a private housing corporation formed in May 1933 to implement a master redevelopment plan for Cleveland that was aimed at combating blight, which over the years had swallowed
up fully one-fourth of the city’s total acreage. This unpaid but time-consuming civic assignment, which the Distribution Committee encouraged Carter to accept, constitutes a forgotten but significant part of the Foundation’s record of accomplishment. Although the master plan was never to be fully realized—it called for 1,000 acres of East Side slums to be replaced with new streets and speedways linking low-income garden apartments with stores, schools and other public buildings—Cleveland Homes laid the groundwork for the construction of the first three public housing projects in America. Before the Federal Emergency Administration of Public Works (PWA) decided in early 1934 to assume full responsibility for the first 1,028 units Cleveland Homes had planned in an attempt to speed hiring of the unemployed (PWA’s major interest in the project), the housing corporation had commissioned all the necessary architectural drawings, acquired the land and secured $9 million in federal financing.

In 1940, three years after their construction was completed, the PWA placed Cedar Apartments, Outhwaite Homes and Lakeview Terrace under the management of the Cleveland Metropolitan Housing Authority (CMHA). The founding director of CMHA, former Cleveland councilman Ernest J. Bohn, is usually given sole credit today for having built them, perhaps because it was he who persuaded city council to undertake a study of blight that resulted in the master redevelopment plan, as well as new state legislation establishing municipal housing authorities.

Even as planning for the three housing projects proceeded, however, another study cautioned that public housing might not be the hoped-for cure for the problem of blight. Commissioned by CMHA in 1934, “An Analysis of a Slum Area in Cleveland” described the site of the proposed Cedar and Outhwaite developments, home to many of the city’s 72,000 blacks, as “a festering sore spot in the heart of a large American center of business and industry” that would not be healed until the precarious social and economic standing of Northern blacks was remedied. “The Negro must have the opportunity to become self-sustaining if he is to take advantage of the opportunity to live in these government-built houses even at the comparatively low rentals which will be charged,” the study declared.

For more than 30 years this quiet plea to the political and civic leadership to attack the root causes of Cleveland’s spreading slums went unheeded. Instead the community diligently continued treating the
symptoms through various social programs, such as the model nursery school established in 1938 with a grant from The Cleveland Foundation at the Lakewood Terrace housing project on the city's near West Side. In addition to immunization shots and recreational activities, the nursery offered underprivileged preschoolers a hot lunch complete with fruit juice, milk, and cod liver oil.