

**A Tribute to James Piereson
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Tonight we are feting Jim Piereson but fretting that he has worked himself out of a job. It is because the Olin Foundation is closing up shop that we can now tell Jim what we really think of him without sounding like toadies. We don't know who the next John Olin will be nor whether he will be smart enough to hire someone like Jim. And other foundations that sustained the conservative intellectual movement from incubation to maturity are reducing their funding for our sort of work. All of this has conservative intellectuals and activists worried about their fiscal future.

That worry is misplaced. America is vastly richer than when John Olin established his foundation, and the growth of discretionary income and wealth is making the nonprofit sector the fastest growing part of American society. Of course most charity will continue to go to the arts, medical research, social services, and universities, and most for political and policy causes will go to left-wing causes. But we have done very well for thirty years on a tiny sliver of the total; there is no reason to doubt that we will find another sliver and probably more in the age of super-abundance.

A more interesting worry is nearly the opposite: whether the conservative movement can sustain its intensity of effort and practical influence as part of a burgeoning nonprofit world that is flush with resources but dysfunctional in important respects. These dysfunctions have long afflicted our rival, richer organizations on the left, causing a great deal of waste, self-indulgence, running

around in circles, and flaccid output. We all admire Jim Piereson for his sterling character, keen intellect, sound judgment, and self-confident modesty, but the really important reason for us to honor him is that he has shown how nonprofit finance can be purposive and effective.

My epitaph for Piereson and Olin is: Organization Has Consequences. Here are three guidelines for productive grant-making that I have gleaned from their record:

First, invest in institutions, people, and big projects. In the for-profit world, financial institutions invest in firms. There are exceptions, as in the entertainment business where one finds specialized investing in highly talented people and in large projects such as movie productions. But one almost never finds investments in single products or one-off projects within firms, which is common in the nonprofit world and the reason why we are organized around piecework and why grant-making and operating foundations tend to be overstaffed. Olin-Piereson went against the grain, promoting an effective division of labor between finance and operations. They concentrated on sustaining institutions with reliable management and proven performance, and on bankrolling individuals of singular talent such as Allan Bloom, Irving Kristol, Heather MacDonald, and a long line of postgraduate fellows. Where Olin penetrated beyond the firm level, it did so at the universities – the contented cows of dysfunctional nonprofit organization – with the conscious purpose of academic reform; and in these cases it was not distracted by small projects but created entire institutions such as the Law and Economics programs and the Collegiate Network.

Second, invest in success. A strange feature of the nonprofit world is the practice of defunding success. When Goldman Sachs discovers a profitable investment, it and other investors respond by pouring in more. In the nonprofit world, a typical foundation response is to say, *Well, now that we've achieved this big triumph, let's move on to other fun and interesting things.* But Olin was as resolute about sticking with winners as cutting off failures. I'm sure that reviewing my seventeenth annual fund-raising proposal for Michael Novak was less fun for Jim than the first one was, but Olin's strategy of building a stable portfolio of high-performing long-term investments, and pruning and fertilizing at the margin like a good hedge-fund manager, was one of the great secrets of its influence.

Third, focus on fundamentals. The most successful for-profit investors such as Warren Buffett and Bruce Kovner operate on principle: they determine their own criteria of value, tie themselves to the most of those criteria, and almost never fall for passing fancies. Although Jim Piereson and his fellow Oliners have been individuals of strong opinion about the news of the day, they did not let transient political ups and downs roil their investment strategy. That strategy was to build and maintain the intellectual infrastructure of the modern conservative movement, consisting of institutions and journals and networks, individuals of exceptional ability or promise, and a set of fundamental propositions requiring continuous explication – Constitutional integrity, limited government, open inquiry in the academy, and the application of economic reasoning to policy.

Jim will object that his role in all of this was subordinate, that the real credit is due to the foresight of John Olin and the insight of William Simon and the Olin

trustees and his predecessor Mike Joyce, that he was just a hired hand. Rather than quarrel with him on these points I will turn the tables and say that they are the most important reason for singling him out for special honor. Most of the key posts in the nonprofit sector have been and will be held by hired hands. We are the intermediaries between those who have created or inherited wealth and those who will spend it for better or worse. How the hired hands organize and conduct themselves is the source of many of the dysfunctions of the nonprofit world, and those of us in the conservative intellectual wing will need to continue to outsmart the pack. Jim Piereson has been a paragon of intelligent nonprofit investing; within this room, may he be a paradigm as well.