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The Foundations and Social Change

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AN ABSTRACT OF THE THESIS of Helen M. Dalton for the
Master of Social Work presented July 28, 1978.

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This thesis provides an historical review of the role and function of the philanthropic foundation as an institution of American society, stressing in particular the foundation response to social change. The period of emphasis is World War II to the present, although earlier history is also covered in some detail.

The research method used was an extensive library search of the literature, followed by categorization and analyses of the data.

The foundation as a special type of philanthropic institution is placed within the historical context of private philanthropy in general, as it developed in the United States. The American philanthropic foundation is shown as a distinctive product of American sociological, political and economic conditions. The broad areas of foundation activity are surveyed, exploring the reasons for certain well-defined patterns of giving.

The main focus of the work is on the foundation response to the phenomenon of social change brought about by the rapid industrialization of the Nineteenth Century. This led, in turn, to the social movements of the Twentieth Century; in particular, government's increased assumption of responsibility for the disadvantaged. The foundation response is revealed through two main thrusts: increased support of a broader range of social welfare programs, and very limited encouragement of direct social reform through social activism. A study, The Race Question, is presented as an example of the attitude of the major foundations to the effects of social change on the problems of the black minority.

The major criticisms of the foundation as an institution of society are considered, especially as giving rise to congressional efforts to control and restrict many aspects of foundation activity. Given, also, the increasing

government presence in the traditional fields of foundation endeavor, an attempt is made to project the future role of the foundation as an accepted and valued contributor to American life.

This thesis reaches the conclusion that the survival of the philanthropic foundation as an institution is not in serious doubt. Through internal reforms and a keener awareness of social issues and public attitudes, the foundations can continue to provide independent centers of initiative and make distinctive contributions to the welfare of our society.

THE FOUNDATIONS AND SOCIAL CHANGE

by

HELEN M. DALTON

A thesis submitted in partial fulfillment of the
requirements for the degree of

MASTER OF
SOCIAL WORK

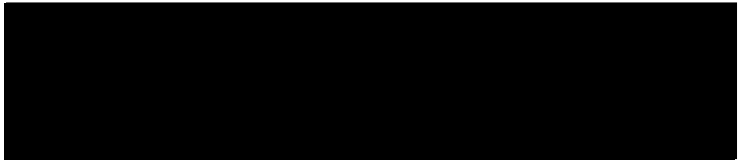
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The members of the Committee approve the thesis of
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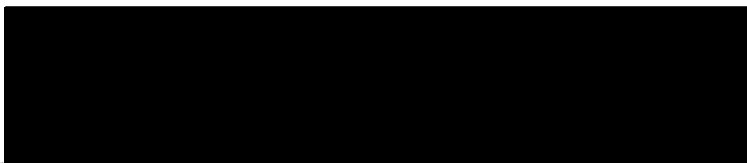


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CHAPTER I

THE HISTORICAL BACKGROUND OF PRIVATE SECULAR PHILANTHROPY AND ITS DEVELOPMENT IN THE UNITED STATES

There is no one, simple answer to the question of why a man should give of his substance to benefit another, while expecting nothing in return. This kind of giving has come to be called "philanthropy," a word whose Greek roots meaning "love of man" indicate what is, or should be, the distinguishing characteristic of the act. A glance at history, however, makes it clear that attitudes towards giving have varied greatly over time, in accordance with religious, social and cultural patterns. F. Emerson Andrews, the noted American authority on philanthropy and philanthropic foundations, makes a few points concerning primitive and early literate peoples which serve to illustrate this diversity.

Primitive man found his basic needs for food, clothing and shelter supplied through the kinship network of family or clan. There was no need for almsgiving in the modern sense. This simple pattern persisted among isolated groups until the Twentieth Century, as shown by Malinowski's famous study of the Trobriand Islanders of the Pacific. (Andrews, 1950: 27-28.)

Similarly, Andrews notes that the stability of Chinese society has been based since earliest times on the strength and reciprocal obligations of the extended family; yet even as far back as 2,000 B.C. societal provision was made for support of those whom death had left bereft of normal family ties. (1950: 29.)

The theology of Ancient Egypt included a belief in the afterlife. Egyptian records show that philanthropic giving and kindly actions towards the less fortunate were widely practiced, motivated largely by a desire for improved standing after death, but partly by genuine pity in the face of need, extending beyond the family or clan. (Andrews, 1950: 30.)

According to Andrews, the Greek concept of "love of man" had little connection with almsgiving or relief of the unfortunate, but rather emphasized charitable giving for the benefit of the state or of any worthy citizen. The modern counterpart might be the civic improvement project or good citizenship award. Pre-Christian Rome followed this Greek pattern of philanthropy; it should be remembered that the famous "bread and circuses" were supplied not out of charitable motives, but to prevent political insurrection. However, in later centuries, even before the influence of Christianity, charitable institutions such as poorhouses and orphanages were established in Rome, revealing a trend

towards giving out of sympathy. (Andrews, 1950: 32.) It is of interest to note here, with respect to such motives, that one authority holds that Greek belief was in the primacy of reason and Christian belief in the primacy of sympathy (Stace, 1941: 144).

The Judeo-Christian tradition is the well-spring of modern philanthropy. The Old Testament abounds in reference to the duty and to the benefits of giving generously both to God and to the poor. The Hebrew concept of charitable giving is well summarized by Maimonides, a rabbi of the Twelfth Century, A.D., who listed eight degrees in the duty of charity. The highest degree is worth quoting in part, as it could well serve as a blueprint for the activities of many philanthropic foundations:

"Lastly the eighth, and the most meritorious of all, is to anticipate charity, by preventing poverty; namely, to assist the reduced fellowman either by a considerable gift, or a loan of money, or by teaching him a trade, or by putting him in the way of business, so that he may earn an honest livelihood; and not be forced to the dreadful alternative of holding out his hand for charity...

(Union Prayerbook of Jewish
Worship, 1952: 117-118.)

Many would consider the teachings of Jesus as the most important single influence on the philanthropy of the western world. They are epitomized in the commandment-- "Thou shalt love thy neighbor as thyself"--and the New Testament makes it very clear that "neighbor" is an all-

embracing term, extending beyond family, friends, community or tribe. It seems fair to state, however, that Jesus' precepts, while widely admired, have not in general been closely followed by practicing Christians.

European Models for American Philanthropy:

Christian doctrine emphasizes the stewardship of riches and charitable giving as a means of salvation. Throughout the medieval period in Europe the Christian church was the chief almoner, channeling religious gifts to a widening circle of general charities, including hospitals and schools. Gradually, with the waning power of the Church and the growth of a middle class, personal philanthropic giving became accepted and local governmental bodies assumed increasing responsibility for the distribution of charitable gifts and the care of the needy. This swing to secular control in England (the chief model for American philanthropy) dates from Henry VIII's confiscation of church properties in the Sixteenth Century and was intensified and institutionalized through a series of Poor Laws during the reign of Elizabeth I. A landmark of Elizabeth's era was the Statue of Charitable Uses, passed in 1601 for the creation, control and protection of philanthropic funds, which has become the "corner stone" of Anglo-Saxon law concerning charitable giving (Andrews, 1950: 36-37).

Parallel with the official, state recognition of the value and range of personal philanthropy, came attempts to cope with the rising tide of poverty resulting from the social dislocations which followed the breakup of the feudal system and the development of towns, manufacture and commerce. This brought new, less stable relationships for the working man, leaving him at the mercy of underemployment and intermittent employment throughout his life, unable to make adequate provision for his old age. Government attempts to deal with the problems of poverty were generally punitive and repressive, a reflection of the widely-held belief that poverty was, by and large, the result of character weaknesses in the individual. The Elizabethan Poor Laws, however, were a step forward in that they assigned definite responsibility for poor relief, which was to be locally financed by taxes, i.e., enforced charitable contributions, and locally administered for local residents (de Schweinitz, 1943: 27-29).

No sustained and coordinated national policy regarding relief of the needy emerged in England until the Reform Act of 1834 which, although conceived as a formalization of public assistance, was so grudging in its provisions that it led to a vast increase in private charitable giving, both of time and money. This was the peak of the Industrial Revolution, and the appalling contrasts of "Poverty in the midst of Victorian plenty" (Woodroffe, 1962: 3-24), spawned a multi-

plicity of charities, the control and organization of which became the concern of the Charity Organization Society, established in London in 1869. One other important charitable venture of the time was the Settlement movement--in essence, neighborhood centers in slum areas, staffed by middle-class volunteers. The philanthropic impulse was thus directed towards assisting the individual--through visitation, counseling and direct financial aid--to cope with his unfortunate environment; while at the same time, through volunteer efforts in the Settlement Houses, making the philanthropist more keenly aware of the social and economic conditions which breed poverty.

The Growth of Private Philanthropy¹
In The United States:

The Pilgrims who landed from the "Mayflower" were a group of religious dissenters who took seriously the doctrine of Christian stewardship of riches and the duty of private benevolence. They were prepared to be their brother's keeper, even though hoping that poverty would be virtually

¹The focus of this thesis does not permit exhaustive treatment of the many religious, cultural and philosophical influences upon American private philanthropy, merely recognizing some of the major factors.

eliminated in the New World, where work would be available for all. The Quakers who later settled in Pennsylvania held similar ideas on the importance of Christian charity, and these two ideological threads combined to form a solid foundation for American philanthropic attitudes, as exemplified in the writings of John Winthrop, Cotton Mather and Benjamin Franklin, which profoundly influenced the early generations of settlers. (Weaver, 1967: 20-21.)

Another factor which greatly affected the direction of American philanthropy was the strength of the voluntary sector of society, which developed to a degree unknown in Europe. This was the result of an historical accident, where settlement took place before any centralized government was established, so that local communities had to care for their own needs through voluntary collaborative activities. This strength of the voluntary sector has had a marked effect on the whole fabric of American life. Major social institutions--such as universities, hospitals, schools, libraries, museums and welfare agencies--were not necessarily state-run or state-funded, and even today many are still privately controlled and voluntarily supported. De Tocqueville noted with interest in the early 1800's that Americans were forever forming associations, nor has this trend diminished. The diversity of private philanthropic organizations can be seen as a reflection of the philosophy

of pluralism and the value placed on individual initiative (Filer Commission, 1975: 9-10).

With such a promising start in Puritan religious ethics and a strong tradition of voluntary cooperation, it comes as something of a shock to realize that the public mechanisms for conveying charitable assistance to the needy were based on British principles, chiefly the Elizabethan Poor Laws, until well into the Twentieth Century. Reinforcement of the attitude that the cause of poverty must lie within the individual was provided by the unlimited opportunities of a land where there was almost never a shortage of work. But despite the gigantic scale of plenty in the New World, poverty did exist and was intensified during the rapid industrialization of the Nineteenth Century, when the ideology of the workhouse and the Poor Law was found inadequate to cope with the rising tide of misery in the large urban centers. (Woodroffe, 1962: 77-99.) It must not be forgotten, however, in relation to this thesis, that it was the uncontrolled economic expansion of the industrial era that permitted the accumulation of vast fortunes by such men as Carnegie and Rockefeller, who turned to philanthropy as a means of disposing of their wealth. This they did both by charitable giving in the traditional sense and by the establishment of philanthropic foundations, to ensure the continuance of their original benevolent

concepts. It appears to this writer that the search for immortality, whether in the religious or secular sense, was still a strong motivating factor for many, despite the secularization of the Nineteenth Century as compared with medieval times.

To this background came the Charity Organization Societies and the Settlement Houses when they moved across the Atlantic to provide a new focus for philanthropic giving. In general, however, American public assistance lagged behind that of Western Europe, and was still philosophically attached to the Sixteenth Century at the outbreak of the Great Depression of the 1930's. It took an economic cataclysm of this magnitude finally to jolt the government and society into a realization that private and local methods for providing for the relief of distress were totally inadequate. (Woodroffe, 1962: 154-160). This slow change of attitude is, in a sense, a tribute to the deep-seated belief in the value of private initiative and voluntary giving, epitomized in the words of Herbert Hoover--

"A voluntary deed by a man impressed with a sense of responsibility and brotherhood of man is infinitely more precious to our national ideals and national spirit than a thousandfold poured from the treasure of the government under the compulsion of law."

(Weaver, 1967: xviii)

Philanthropy in Modern Society:

In the foregoing pages, an attempt has been made to place American private philanthropy in an historical context, focusing on a chronological pattern of secular rather than religious development. For a better understanding of the place of philanthropy in today's world, we should look briefly at the rationale for private giving as it affects both the individual and society in general.

Within the framework of the western world with its roots in the Judeo-Christian ethic, philanthropy has come to mean different things and individual reasons for giving have changed over time. A pioneer American social worker, Lillian Brandt, writing in 1921, defined seven elements that underlie private giving:

- sympathy for suffering
- desire for divine approval
- to meet the expectations of associates
- familiarity (with needs)
- loyalty
- the pleasure of doing good
- intellectual and aesthetic forces
e.g., sense of justice.

(Parrish, 1973: 7-8)

The reader may decide which of these motives are still valid and likely to remain so. Nowadays, without being unduly

cynical, one might include fiscal considerations such as tax benefits.

Other researchers have probed the less exalted motives which prompt the individual to make a charitable gift, even to the point of enlisting the aid of psychiatry:

"Generosity could reflect some more or less pathological craving for status or power. It could be a neurotic attempt to buy reassurance and even love, or to create the illusion of involvement with the world while avoiding the challenge of real, direct relationships."

(Benedict Nightingale,
quoted in Kirstein, 1975: 2)

What seems clear is that people give from a complex variety of motives, including fear, guilt and "the impulses of religion, humanitarianism, vanity, social responsibility, malice and bigoted convictions....mingled in variable proportions" (Kirstein, 1975: 2).

In few countries has the State even attempted to provide for all the needs of society. Private philanthropy has traditionally been the major source of aid to the disadvantaged, as well as providing support for other societal institutions. In very recent years, the Filer Commission on Private Philanthropy and Public Needs published a report on the voluntary (private non-profit) sector of American society. This is the Third Sector, after government and business, and is the conduit for nearly all philanthropic giving, whether of money, time or service. The Report's

analysis of the underlying social functions of voluntary groups contains a rationale for the continuance of private philanthropy. Among the basic functions identified are the following:

- initiating new ideas and processes
- developing public policy
- supporting minority or local interests
- providing services that the government is constitutionally barred from providing
- overseeing government
- overseeing the market place
- bringing the sectors together
- giving aid abroad
- furthering active citizenship and altruism.

(Filer Commission, 1975: 41-46)

While the Commission is convinced of the continuing importance of voluntary associations and voluntary giving to our pluralistic society, it expresses some concern for the future. This concern is based not only on the government's increasing role in taking over many of the services and functions of the non-profit sector, but also on the fact that private philanthropic giving is not keeping pace with increased costs (1975: 11-13). On the other hand, more recent figures are less alarming. According to Giving, U.S.A., "Americans contributed more money to charitable causes in 1976 than at any time in history....the total giving

increase exceeded the rise in inflation for the first time in the past three years"--even though this did not totally offset the rapid rises in the costs of operation experienced since 1974. (1977: 5.)

In the next chapter and thereafter we shall focus on the philanthropic foundation, a valued contributor to private philanthropy and a social institution in its own right. Through an analysis of the foundation's background, record of achievement and future prospects, additional light will be thrown on the philanthropic field in general.

CHAPTER II

THE GROWTH AND LEGAL STRUCTURE OF THE PHILANTHROPIC FOUNDATION IN THE UNITED STATES

Historical Development :

The foundation, in its broadest sense, includes any instrument set up for the disbursement of private wealth for public purposes, and as such is as old as recorded history. To understand the development of the American foundation, it is illuminating to trace what can be called "the foundation idea" through its Greek, Roman and Byzantine forebears to the present day (Harrison and Andrews, 1946: 11, 8). While foundation giving, in a sense, will overlap with private philanthropy in general, there is sufficient distinction between the two to warrant separate treatment.

The key to "the foundation idea" is giving in perpetuity rather than as a single, charitable act. The ancient Greeks, for example, are known to have left funds in perpetuity specifically for the purpose of honoring a god and benefiting their fellow citizens, motivated by the perfectly natural desire to win esteem while alive and honor to the memory after death. This is not far removed from the motives of any modern foundation donor. Plato's

Academy near Athens was a famous precursor of our endowed educational institutions which managed to exist for nearly 900 years, maintaining the philosophical aims of its founder through a succession of owners and donors (Harrison and Andrews, 1946: 11-12).

Pre-Christian Rome gradually liberalized its restrictive laws which kept inheritance within the family. The concept of a legal as opposed to a natural heir became accepted, recognizing the right of guilds, societies, fraternal and charitable organizations to receive bequests. By the time of the "five good emperors" (96-180 A.D.), foundations were greatly encouraged throughout the Roman Empire, and objectives were beginning to shift towards ministering to the needs of the underprivileged. The emperors, for instance, gave of their private wealth for establishment in the municipalities of foundations to aid in the feeding, clothing and educating of needy children (Harrison and Andrews, 1946: 13-14).

Until the Fourth Century A.D., foundation funds were held and administered by private or political bodies. Abuses and mis-use of funds led the first Christian Roman Emperor, Constantine (312-337 A.D.) to hand over to the Church the responsibility of receiving legacies and administering them in accordance with the wishes of the donors; at the same time assuring the Church of unrestricted use of its property and income (an act with long-lived repercussions). This

ushered in a period of roughly one thousand years of ecclesiastical foundations, when the Church had a charitable monopoly and accumulated tremendous resources. The historical record should note, at this point, the profound influence of the Byzantine (Christian) Emperor, Justinian, who, in the Sixth Century A.D., brought about a revision of the confused body of outmoded and contradictory laws relating to ecclesiastical foundations and philanthropy in general. The Justinian Code which bears his name clarified and codified this material to furnish adequate legal guides to those who managed relief programs and to protect charitable funds from greed and corruption (Weaver, 1967: 9-10).

From this early period onwards throughout the Middle Ages, the ecclesiastical foundations were almost the sole agency of philanthropy, supported not only for the worth of the work they made possible, but as a means of achieving merit towards the salvation of the donor's soul. Their influence is still seen today in endowed church schools, colleges and institutions for children. This situation did not change until the rise of national states in Europe brought pressure for secular control over the Church. This was achieved in England by Henry VIII, whose dissolution of the monasteries in the Sixteenth Century was a political step which had profound social implications. In particular, it was important in the development of the modern concept of a

philanthropic foundation, as an institution licensed by the state. Later, foundations were declared capable of holding property in perpetuity and even of receiving bequests of land, but only for the public good (Harrison and Andrews, 1946: 14-15).

Under the stimulus of the Elizabethan "Statute of Charitable Uses," (1601), secular philanthropic giving became the established pattern among the rising middle class and many so-called foundations were established in succeeding centuries in Britain to perpetuate the desires of a charitable donor. A Royal Commission of Inquiry reported in 1837 on 28,840 "foundations" then in existence, although most were very small and provided little more than relief (Harrison and Andrews, 1946: 16). It was their influence, however, together with the sharing of the same traditions, that led to the establishment of the first foundation on American soil.

As indicated earlier, the vast economic promise of the New World and the strongly-entrenched tradition of self-help reduced the need for conventional charitable giving until the industrial pressures of the Nineteenth Century made "poverty in the midst of plenty" more apparent. Generally accepted as the first foundation in the United States is the Magdalen Society, set up in Philadelphia in 1800, although Benjamin Franklin had been active earlier in

establishing trust funds for charitable purposes. The Smithsonian Institution, established in 1846 through a bequest from the English inventor, James Smithson, foreshadowed many modern foundations in stipulating that the money be used, in part, for publicly-disseminated research. The Peabody Education Fund of 1867 was the first "recognizably contemporary" foundation. In general, however, the widespread advent of the philanthropic foundation as a social institution had to await the accumulation of the vast fortunes of the late Nineteenth Century, fortunes derived from the expansion of the principle industries: "iron and steel for Carnegie; oil for the Rockefellers and Harkness's Commonwealth Fund; copper for Guggenheim; tobacco for Duke; retailing for Rosenwald, Field and Hartford; and the more recent growth of the automobile industry for Sloan, Mott, Kettering and Ford." (Whitaker, 1974: 40-41).

This theme is echoed in the writings of the social philosopher, Eduard Lindeman, when analyzing the philanthropic foundation in relation to American society. He characterized the foundation as a symbol of surplus wealth: "If surplus money cannot be spent entirely on luxuries, and if increased speculations result in cyclical depressions, there is still the remaining outlet of philanthropy. At this point foundations arise." Lindeman saw them as true cultural phenomena, rising above ordinary private charity to the level

of large-scale organization (Lindeman, 1936: 9).

This is not the place for a detailed history of the establishment of the major foundations, but some mention should be made of the two giants, Andrew Carnegie and John D. Rockefeller, Sr., who set the stage for what was to follow. By 1900 both of these men had accumulated huge fortunes, then turned to dispose of them in bold and imaginative ways. It seems clear that Carnegie sincerely believed that he had a duty to administer his wealth for the benefit of the community. This he did, not only through the establishment of the public libraries, universities, hospitals and medical schools which bear his name throughout the United States, but through a number of endowments for specific purposes--such as The Carnegie Endowment for International Peace. Finally, in 1911, he turned over the bulk of his fortune to the broad-purpose Carnegie Corporation of New York, so that his work for community betterment could be carried on into the future. Rockefeller's philanthropies followed somewhat the same pattern as Carnegie's, with enormous sums to set up, for example, the new University of Chicago; a number of special-purpose endowments, e.g., the Rockefeller Institute for Medical Research, the General Education Board; and in 1913 a large, general-purpose corporation, the Rockefeller Foundation (Parrish, 1973: 14-15).

To come to a true appreciation of the influence of Carnegie and Rockefeller in setting the tone for the growth of the foundation as a special American institution, one should realize that they were not the only wealthy men of their time, but--unlike most--they were seized by a new vision of the conduct of philanthropy. Warren Weaver analyzes this vision in the following words:

"Our social and economic system makes possible the accumulation of a great fortune. The person who amasses that fortune makes reasonable provision for his heirs; then he turns the rest of the money back to the society which has made the fortune possible, under the administration of competent and experienced persons, who then seek to apply this money to promote understanding of the basic problems of society and to improve and enrich the lives of all men."

(Weaver, 1967: 37)

Following the example of Carnegie and Rockefeller, the first two decades of the Twentieth Century saw the establishment of many foundations by men of wealth, including such famous names as Commonwealth, Milbank Memorial, Julius Rosenwald, Russell Sage and Surdna. Despite (or because of) the inroads of the income tax, the trend towards setting aside assets into charitable trusts continued to grow throughout the 1920's and 30's. A new surge of development, at a much faster rate, took place after World War II--which levelled off following the passage of the Tax Reform Act of 1969. While more detailed statistics will be presented in a later section, it is illustrative to note that only twenty-

seven foundation names were listed in 1915, about 200* in 1930, an estimate of 12,000 in 1960 and of 26,000 in 1971. (Cunningim, 1972: 11-13.) The last figure of 26,000 remains the same in the 1977 Foundation Directory. Such a rate of growth invites further analysis as a sociological phenomenon.

Legal Structure and Aspects of Foundations :

In the United States foundations are a special form of charity, falling legally within the classic definition of Justice Gray, in a Massachusetts case of 1867:

"a charity, in the legal sense, may be more fully defined as a gift, to be applied consistently with existing laws, for the benefit of an indefinite number of persons, either by bringing their minds or hearts under the influence of education or religion, by relieving their bodies from disease, suffering or constraint, by assisting them to establish themselves in life, or by erecting or maintaining public buildings or works or otherwise lessening the burdens of government."

(Andrews, 1956: 11)

Despite the admirable clarity and scope of this definition, considerable confusion has existed as to what actually constitutes a "foundation"--particularly in the face of the extraordinary growth in the number of so-called foundations since World War II. This confusion has lessened in recent years through the activities of the Foundation

* Lindeman states 309. (1936:13).

Library Center (commonly referred to as The Foundation Center), which is the authoritative source for many kinds of information about the philanthropic foundations of the United States. Since 1960 the Center has published a number of editions of The Foundation Directory, which has become "the standard reference work for information about non-governmental grant-making foundations in the United States--used by fund seekers, foundation and government journalists and general readers interested in the American phenomenon of foundation giving," (Foundation Directory, 1977: ix).

The Center, then, defines a foundation as:

"a nongovernmental, nonprofit organization, with funds and program managed by its own trustees or directors and established to maintain or aid social, educational, charitable, religious, or other activities serving the common welfare, primarily through the making of grants. Charitable trusts are included."

(Foundation Directory, 1977: ix)

This definition has become the standard in the literature. It should be noted that it covers trusts and endowments, but excludes those organizations which may bear the name "foundation," but whose primary purposes are other than the awarding of grants.

Within this broad definition, the Center distinguishes between various types of foundations on the basis of "legal form, geographical scope, origin of funds, mode of operation, type of giving and size of assets or aggregate annual giving,"

pointing out, however, that not all these distinctions are universally accepted nor does every foundation fit exclusively within a single category (Foundation Directory, 1977: ix). Based on these distinctions, five generally-accepted classifications of foundation can be identified (Reeves, 1970: 4-5):

General-purpose foundations--which includes most of the large organizations, such as the Carnegie Corporation and the Ford and Rockefeller Foundations.

Special-purpose foundations--which disburse funds within specific areas only, such as medicine or archaeology.

Family or personal foundations--which are the most numerous and usually small in assets.

Corporation (or company-sponsored) foundations--which is a relatively new and fast-growing category. The foundation is legally separated from the parent profit-making company and makes grants on a broad basis, although often with the aim of advancing the welfare of the parent corporation.

Community foundations--which are set up to manage local charitable gifts, made in perpetuity, from many donors rather than a single source. The governing board is broadly representative of the local community and the grants are almost always directed toward the immediate locality.

Establishment and Operation:

As noted above, the standard definition of a foundation includes charitable trusts, since legal distinctions between the two are minor. In general, trusts are easier to organize than incorporated foundations, using either a single trustee, a group, or an institution such as a bank. These trustees have narrower powers but greater personal liability for their actions than do foundation directors. Foundations occur in greater numbers than trusts, although combinations of the two, or a shift from one to the other, are not uncommon (Andrews, 1956: 44-47).

Since a foundation is a special type of charity, the common procedure is to incorporate it as a charitable organization under the laws of a particular state, the incorporators usually being the original Board of Trustees (directors) and the founder. The statement of purpose can be broad or specific; in general, binding language is avoided nowadays in the articles of incorporation to ensure as wide a freedom of action as possible for the foundation in the future. A corporate charter is drawn up and, in due course, tax-exempt status for the foundation is obtained from the Internal Revenue Service (Andrews, 1950: 94-96).

Special attention should be drawn to the important

role of the board of trustees. The board of a foundation usually has sole responsibility for its management and plays an active part in the running of affairs, selecting the fields and methods of operation and the professional personnel, if any. Members can be elected for stated terms, often for life, with the board generally having power to fill its own vacancies. As a general rule, trustees serve without pay²--which means that they tend to be men (occasionally women) of substance, who can afford to do so. Sound business judgment, varied experience and perhaps social vision seem to be the qualities most in demand for trustees (Andrews, 1950: 96-97).

The majority of foundations confine their activities to making grants in their fields of interest, which is a fairly simple matter requiring a minimum of staff. Some, however, fall into the category of "operating" foundations--defined as "a fund or endowment.....whose primary purpose is to operate programs determined by its governing body. Some grants may be made, but the sum is generally small

²Weaver (1967: 106) notes that some are paid salaries or fees ranging from \$1,000 to \$25,000+ annually. More recently, Nason (1977: 74-75) comments that although the range of trustee compensation is very great, the amounts are quite modest for most foundations. He states that "foundations set up as charitable trusts are more likely to provide fees to trustees than foundation established as corporations; and there is some evidence that the practice of paying fees is on the increase."

relative to the funds used for programs." (Foundation Directory, 1977: x.) Within this latter category, some foundations retain operating staff for special research projects, on an "ad hoc" basis, while others have permanent research and operating staffs (Andrews, 1950: 101).

It must not be forgotten that foundations are required by law to use their funds for social betterment and not for private profit. But to continue with its work, a foundation must maintain a fund for disbursement. This is usually done by investment of all or part of the principal of the fund, using the income for grants or programs. In this matter of investments, a number of practical and ethical questions arise. One of the decisions facing trustees is whether to stay with safe business investments with a high rate of return, or to risk substantial sums in enterprises for social betterment, with smaller returns and possibly an uncertain future. Questions of conflict of interest can also arise, where foundation research impinges on areas of foundation investment (Andrews, 1950: 98). The voting of common stock in a business enterprise may also pose a dilemma, since it could place a philanthropic foundation in control of a profit-making concern, an impossible legal position. Warren Weaver (1967: 102) suggests that it is debatable whether foundation investment, in general, has always been directed to activities which contribute in a

positive way to the welfare of society, and this question of investment policy will be dealt with more fully in a later section.

With respect to the disbursement of income vs. principle, American foundations fall into four patterns. These types can be summarized as follows:

1. An accumulating foundation, where none of the principle and not all the income is spent.
2. A perpetuity, which may spend income but not principle.
3. A discretionary (optional) perpetuity, which may spend part or all of its principle.
4. A liquidating fund, where both income and principle must be spend within a stated time.

(Andrews, 1950: 98-101)

Of interest here to the student of social change is the gradually decreasing emphasis on the notion of perpetuity, once synonomous with the whole idea of a charitable foundation. Ever since the Eighteenth Century there have been powerful critics of the concept of "mortmain"--that is, the dead hand of the donor reaching from the grave to influence events in a vastly changed world. For many hundreds of years, also, the legal doctrine of "cy près" (Norman French for "as near as possible") has been used as a means of modifying wills or trusts that were no longer

appropriate in the current society. No longer, for example, do we have much use for a fund set up to provide a permanent supply of faggots for the burning of heretics. Even so, perpetuities have been the prevailing mode and it is only in recent decades that modern foundations have given their governing boards greater freedom to adjust their programs and their funds to meet changing conditions. The Ford, Rockefeller and Sloan foundations, for example, are optional perpetuities (Weaver, 1967: 11, 96). There is still considerable difference of opinion as to the relative value to society of a perpetual fund, which can be expected to exert a limited influence for some considerable time, and a liquidating fund, which can provide greater sums on a short-term basis. In the same vein is a general argument about foundation grant-making, i.e., the value of a small number of large grants vs. a large number of small grants-- a practice which has been humorously referred to as "ladling out the ocean with a teaspoon."

As mentioned earlier, the granting of tax-exempt status prohibits a philanthropic foundation from indulging in profit-making business operations. In the past this exemption has been abused in various ways by a small percentage of foundations, bringing adverse publicity to the field, but recent legislation has lessened the likelihood of such practices. (Weaver, 1967: 102). Attempts to

influence legislation have likewise been partially controlled since the 1930's, under penalty of loss of tax-exemption. The Tax Reform Act of 1969 more specifically prohibits foundations from influencing legislation, either by grass-roots lobbying or by any direct approach to legislators. Some critics have pointed out, however, that such restrictions greatly hamper foundation efforts to promote social reform through governmental actions, confining them to limited or superficial programs (Whitaker, 1974: 144, 151).

The Influence of Tax
Policy on Foundations:

If foundations arose as a response to accumulated wealth, it is of interest to review briefly government tax policy in relation to growth in foundation numbers and scope of activities. Broadly speaking, it has been the policy of the U.S. government in the 20th century to encourage charitable giving by such devices as tax-exemptions and deductions, thus reducing the expenditures which the government itself might have to make to relieve social problems. This is reflected in the fact that, following the introduction of the Income Tax in 1913, it was but four years before charitable contributions were allowed as deductions. Tax exemption for foundations was also written in to the 1913 law. Critics have asserted (Reeves, 1970: 5-6), (Zurcher, 1972: 12-13), that this favored tax status must be considered as

major factor in stimulating the growth of foundations, both in numbers and in assets. Without disparaging the genuinely idealistic motives of many of the founders, it does seem fair to say that wealthy individuals and corporations have been legally able to reduce and circumvent taxes by means of foundations.

While giving moral support to foundations on the one hand, the federal government has also become a stern and effective regulatory agency. Initially government policy was very generous, encouraging tax-free contributions to foundations and rarely exercising its power to punish abuses by withdrawing tax-exemption. But this favored status has gradually diminished. The Revenue Act of 1934 was the first attempt to regulate the propaganda efforts of foundations in influencing legislation, while the Revenue Act of 1950 attempted to deal with the practice of using foundations as tax shelters for business and introduced reforms to prevent exploitation of a foundation for the private advantage of those who controlled it. In addition to this regulation of their activities, legislation in 1964 accorded foundations less favorable status vis-à-vis other charities, by setting a 20% maximum deduction for gifts to foundations. This trend continued in the Tax Reform Act of 1969, when the first tax was levied on foundations, at the rate of 4%

of net investment income, setting an ominous precedent (Zurcher, 1972: 12-14, 143-145).

The 1969 Act warrants additional comment, as it introduced significant control, effectively separating private foundations from other charitable agencies. In the words of Merrimon Cuninggim, "it is a new set of ground rules, quite different from those of the past" (1972: 190). In addition to imposing an annual tax, and requiring a certain minimum payout for charitable purposes, the Act dealt more firmly with the continuing problem of self-dealing; and provided for more complete disclosure of foundation operations. It further restrained foundation efforts to influence public policy by establishing categorical limitations on the purposes for which grants may be made, a provision in response to criticism of the foundations as espousers of "leftist" causes (Zurcher, 1972: 147-149).

Where does this leave the foundations? Restrained and restricted they may be, but current figures nearly ten years later show that the 1969 Act did not have the crippling effect on their operations which had been feared by some. Far from ringing a death knell, the disclosure provisions of the Act, in particular, have served to make the work of foundations more clearly understood by the general public.

Current Statistics and
Patterns of Growth:

Today there are two main sources of information on the activities of foundations in the United States: the Internal Revenue Service and The Foundation Center. All foundations are required to file reporting forms annually with the IRS, including such information as assets, expenditures and grants, and this information is for public use. From this it is estimated that there are currently 26,000 grant-making foundations in the United States, giving about 500,000 grants each year, with a total grant value of about \$2.1 million (Foundation Directory, 1977: xix).

Although the Foundation Center works closely with the IRS in compiling The Foundation Directory, this publication includes only the larger foundation in terms of assets and grants i.e., those with reported assets of \$1,000,000 or more, or making total contributions of \$100,000 or more per annum. While this results in a listing of only 2,818 foundations in the 1977 Directory, they represent about 90% of total foundation assets in the United States, and their grants account for approximately 83% of all foundation dollars paid out for charitable purposes, or a total of \$1.7 billion (Foundation Directory, 1977: xi, xx). This, then, is the rationale for the exclusion of the smaller organizations,

in the interests of maintaining a manageable publication. The picture changes somewhat from year to year, with growth or decline of assets and grants for individual cases.

The Directory divides the foundations into Private,³ Company-sponsored and Community foundations (See Table I, Appendix A). Additional Tables II through VIII show listings of the foundations by asset size, by aggregate and average grants and by other groupings reflecting strength, scope and fields of interest. (See Appendices B through H).

Some idea of the growth in numbers and size of foundations in the decades from 1900 to 1969 can be gained from a table compiled by the Foundation Center (Foundation Directory, 1971: x), Appendix I.

The proliferation of small foundations with assets under \$1 million since World War II is clearly revealed. This sudden increase in number is graphically illustrated in the bar-graph (Appendix J) and is attributed to high tax rates, the emergence of company-sponsored foundations and to a new emphasis on family foundations with living donors (Foundation Directory, 1964: xv).

The Foundation Directory displays a guarded optimism about the future growth of foundations in respect to numbers

³A category which covers General-purpose, Special purpose and Family or Personal foundations.

and assets. Although aggregate assets have declined, company-sponsored and community foundations are showing strong growth. In the two years 1975-1977 aggregate assets declined by \$3 billion out of a total of \$31.5 billion, largely a reflection of fluctuations in the investment market, as well as economic inflation which affects a wide range of foundation activities, including administrative costs. Other factors include the payout provisions of the Tax Reform Act of 1969 and tax limitation on gifts to foundations. Nonetheless, aggregate giving to foundations increased slightly (by \$168.5 million) in the same period. Community foundation assets have almost doubled in the decade 1965-75 and their total grants have tripled. This type of foundation is of growing importance, not only for grant-making but as a flexible means of administering many different kinds of charitable funds for the community's benefit. Company-sponsored foundations are also likely to have a strong continuing role, with aggregate assets of more than \$1.2 billion and aggregate grants of more than \$244 million (Foundation Directory, 1977: xv, xvii, xix).

CHAPTER III

THE TRADITIONAL AND PRINCIPAL AREAS OF FOUNDATION ACTIVITY

The Emerging Pattern:

In surveying the foundation landscape, it is apparent that their charitable giving has followed certain well-established paths. The most up-to-date compilation (Foundation Directory, 1977: xx) summarizes the picture in the following words:

"Since 1961, when the Foundation Center first began to record grants of current interest in broad fields, Education has always ranked highest in grants received, and because so many projects or programs funded by foundations under other headings--for example, International Activities, Science and Humanities--are channeled through educational institutions, it is fair to assume that more than half of the foundation dollars reported go to Education broadly defined. Health has generally followed Education, but in some reporting years Welfare has taken second place. However, in this composite, Welfare has dropped to fourth place after Science. International Activities, which often appeared in second place in the 1960's, has fallen steadily behind in recent years. Humanities has consistently remained in either fifth or sixth place. Religion has always been the least favored field in foundation giving, but receives about half of all philanthropic dollars through contributions from individuals."

Table 8 (Appendix H), showing Grants by Fields of Interest, 1974-76, reinforces this analysis.

The main emphasis has changed very little in the past fifty years. Eduard Lindeman, in a survey of one hundred

foundations and community trusts during the decade 1920-1930, found that the dominant concerns were Education, Health and Social Welfare,⁴ which represented 90% of total giving (Lindeman, 1936: 20). A survey almost twenty-five years later showed the same predominance of these three major fields, which will be given more detailed treatment. (See Table 25, Appendix K, from Andrews, 1956: 278).

Education:

The concern with education goes back to the Nineteenth Century when the Peabody Education Fund (1867) and the John F. Slater Fund (1882) were established to provide for education in the South, following the dislocations of the Civil War. In the early years of the Twentieth Century, both Carnegie and Rockefeller devoted much of their great wealth to programs to provide educational opportunities at all levels. Through Carnegie's network of public libraries and support of universities, he was placing within reach "the ladders upon

⁴One might speculate here whether the emphasis on Education is related to the donor's subconscious wish to be remembered as a benefactor in an area of status; and whether the support of Health is another manifestation of the desire for immortality, arising from hope that science will find a cure for man's ills and thus prolong life.

which the aspiring can rise"--to use his much quoted phrase. This sentiment was echoed by John D. Rockefeller, Sr., who believed that "if people can be educated to help themselves, we strike at the roots of many evils of the world."

(Peterson Commission, 1970: 94). He translated thought to action through the creation of the General Education Board, which did much to upgrade the standards of the small American college, including Negro institutions.

The Carnegie Foundation for the Advancement of Teaching was dedicated to the support of higher education through establishment of curriculum standards and improvement in salaries and pensions of college teachers. It provided the sponsorship for Abraham Flexner's "landmark" report of 1910, which laid bare the low level of medical education in the U.S.A. and led to reform of the entire field. The Carnegie Corporation and the Lessing Rösenwald Foundation also did much to rejuvenate higher education through their support of experimental liberal arts colleges.

The post World War II period, with the promise of mass education, provided new challenges for foundations. Quality control became an issue, resulting in the curriculum reform movement of the 1950's supported by the Carnegie Corporation and the Ford Foundation, the latter now becoming a national force. Ford's Fund for the Advancement of Education is credited with major innovative improvements in the public

schools, while Carnegie money resulted in the famous Conant Report of 1959--The American High School Today--and other volumes focusing on urban educational problems. Both Ford and Alfred P. Sloan Foundation have provided major assistance for Educational Services Incorporated, an agency focusing on curriculum research and development. Another of Ford's far-reaching endeavors was the establishment, in 1955, of the National Merit Scholarships Corporation, which administers a national program of scholarships to academically-gifted high school students.

Improvement of education for the negro has been a particular concern of many foundations since the days of the George F. Peabody Fund. The Phelps-Stokes Fund and the Julius Rosenwald Fund made negro education their special domain in the earlier part of this century. In response to the civil rights struggle and the urban crisis of the 1950's and 60's, major foundations such as Ford, Alfred P. Sloan, Danforth, Rockefeller, Carnegie--and a host of smaller ones--have been involved in new efforts to provide more opportunities and a higher quality of education for negro students. Positive results have been seen in closer cooperation between negro and white colleges and in innovative experimental programs for elementary and pre-school education of disadvantaged children.

Education beyond the borders of the United States

assumed increasing importance in the post-war world, with Carnegie, Rockefeller and particularly Ford giving substantial sums to support educational, training and research institutions and activities in many parts of the world.

Fred M. Hechinger (1967: 410-427) is the source of the foregoing survey of the impact of the American Foundations on the field of education. Of necessity, only the highlights are mentioned, omitting the contribution of the many smaller foundations that have made education their major concern. In his overall assessment, Hechinger stresses the fact that education always runs at a deficit, which is why the foundations are of such importance. The fact that American education has been able to rely on substantial and steadily-growing contributions from the foundations "has often made the difference between routine operations and the vital effort to blaze new and unconventional trails." (page 410.)

Health and Medicine:

The foundations were a major force in support of medicine and public health long before the federal government sponsored any programs in these fields. The improvement in standards of American medical schools, in response to the Flexner Report, can be credited largely to the Rockefeller Foundation, whose leadership has been outstanding. Its

initial grant to Johns Hopkins University to establish a School of Hygiene and Public Health provided a model for others to follow, moving public health into an established scientific profession. Rockefeller funding was responsible for the successful eradication of hookworm in the southern states and world-wide control of malaria and yellow fever. It has also contributed significantly to basic research in medical fields such as molecular biology and genetics, and has lent support to foreign medical institutions through the International Education Board. (Peterson Commission, 1970: 97).

Medical research and health-related fields have drawn support from a wide range of foundations, as is shown in Table 4 (Appendix L). Twenty-two foundations are listed, with their areas of interest including medical research, hospitals, medical education, patients' services, nursing, public health and mental health. In terms of total funding, Ford has become a giant in the field since 1950, with massive support of medical schools and hospitals (Weaver, 1967: 261-63).

Some of the more innovative approaches for which foundations have been responsible are worth noting: The Commonwealth Fund's support for rural group practice, rural hospitals, and family medical care through the Health Insurance Plan of Greater New York; other health insurance

plans, such as Kaiser; the Mayo Foundation and Mayo Clinic uniting medical education with medical care, an example that has had significant impact; the Macy Foundation's experiments in group practice and studies of medical care; the W. K. Kellogg Foundation's support of nursing schools (Peterson Commission, 1970: 95-97).

It is clear that the pioneering efforts of the foundations were responsible to a great degree for bringing the broad field of health and medicine to public attention and thus stimulating governmental responsibility and action. Even though the federal government is now heavily involved both in medical care and research, the foundations may still find great opportunity, particularly in "risky" research and in international programs where government is reluctant to enter.

Social Welfare:

This has always been something of a "catch-all"-- attracting the interest of large numbers of foundations. Nowadays The Foundation Directory's heading "Welfare" includes the following sub-categories:

- Community Development
- Youth Agencies
- Community Funds

- Recreation and Conservation
- Delinquency and Crime
- Child Welfare
- Aged
- Social Agencies
- Handicapped
- Housing and Transportation
- Race Relations.

(Table 8, Appendix H)

Prior to the Social Security Act of 1935, when the government first assumed responsibility for primary relief, charitable giving for the poor, children and the aged was the chief concern of many of the older foundations and trust funds. Even as late as 1955 the Archibald Thomson Fund was still disbursing loaves of bread to the poor of Philadelphia. But the welfare support picture has changed radically in the past few decades, with the expansion of public, tax-supported programs. While the foundations in general are no longer involved in direct relief, they have made important contributions to studies on the needs and services available for children and the elderly. They are also devoting more and more attention to social science research on the causes of social problems (Andrews, 1956: 280-291).

As Richard Friedman points out (1973: 165), the

government now overshadows private foundation expenditures in the social services. In fact, on a dollar-for-dollar basis their expenditures are insignificant. "In order to maintain any relevance," he suggests, "private foundations must accordingly analyze their role in terms of the significance and impact achieved by their expenditures." In this connection we shall later assess the contributions of the Ford Foundation, which in the past two decades has taken the lead in the creation and support of innovative social action programs.

Variation According to Size and
Type of Foundation:

In 1970, the Commission on Foundations and Private Philanthropy, under the chairmanship of Peter G. Peterson, published a report, Foundations, Private Giving and Public Policy, which has become an important reference work in the field. It is often referred to as The Peterson Report by The Peterson Commission. In an effort to discover just how foundations have spent their money, the Commission asked foundations to classify their 1968 grant expenditures by type of recipient and purpose of grants. From this information the Commission was able to determine how the asset size of a foundation influenced the purpose for which a grant was made, also gaining some idea of the pattern of giving of Company and Community

and Community Foundations. The results are summarized in Tables A.41 and A.43 (Appendix M and N). Some general comments will illustrate the trends. Again, as might be expected, the principal beneficiaries were Education - 31%; Health and Medicine - 21%; General Welfare - 14%. However, the smaller foundations allocated a higher proportion of their grants than did the larger to health and medicine, religious institutions and charitable organizations--in particular the Community Chest (United Way). This follows closely the pattern of individual philanthropic giving (Peterson Commission, 1977: 77-78).

Another point of interest is that more of the smaller foundations, e.g., those supporting Israel, made grants with an international rather than a domestic objective, although the larger ones spent more in aggregate dollars. Even so, 75% of all foundations supported domestic programs only, with Company and Community foundations doing virtually nothing on the international scene. In addition, it was found that very few foundations (13%) claimed that they had made any grants that were innovative or experimental, and of these the vast majority were larger foundations (Peterson Commission, 1970: 81,84).

Similar conclusions emerge from George Kirstein's recent survey of American philanthropy--Better Giving (1975). He suggests that foundation decision-making is based more

on intellect and less on emotion that is that of individuals, which may explain why foundations give a much smaller percentage to religion and a larger percentage to education and the humanities than do other philanthropic donors. Likewise, corporate foundation giving tends to favor non-controversial recipients such as well-established engineering and business schools, local United Funds, and some encouragement of the arts (Kirstein, 1970: 55,57).

In summary, in the words of the Peterson Report: "a majority of foundations spend most of their funds on conventional projects and in conventional ways that are similar to the traditional patterns of individual giving." (1970: 86).

Foundation Giving in Relation
To Total Philanthropic Giving:

To place the contributions of American foundations in better perspective, one should examine their giving in relation to the giving for charitable purposes from all sources. Eduard Lindeman made an assessment of this relationship for the decade 1921-1930, when total philanthropic giving was averaging about \$2 billion per annum. Based on projections from a sample of foundations studied, he estimated that foundations and community trusts would contribute from 5% to 10% of the total philanthropic budget

(Lindeman, 1936: 13-14). This is higher than the estimate of Harrison and Andrews for the early 40's when foundation annual expenditures were estimated at \$72 million out of a total philanthropic budget of \$2.056 billion--or a little less than 3% (1946: 55). Total charitable giving grew to \$5 billion per annum in the mid-50's and to \$10 billion by the mid-60's, by which time the foundations' share was estimated at 8%. The bulk of giving (80%) was from individuals, with religion receiving 49% of the philanthropic dollar (Weaver, 1967: 62-65).

By 1969, total philanthropic giving had risen to \$17.6 billion, of which the foundations contributed \$1.6 billion, or 9%. Once again, living individuals were the main donors, giving \$12.6 billion or 77% of the total (Peterson Commission, 1970: 1-2).

Figures for 1973 have also been analyzed by Kirstein (1975: 50-58). In that year the total wealth of foundations in the U.S.A was estimated at \$30 billion, from which they made grants of about \$2.4 billion, representing less than 10% of the total given to philanthropy from all sources. Kirstein takes a rather jaundiced view of the foundations. In assessing their impact on American philanthropy, he states that their importance has been overstressed, probably because of their great impact on the direction of philanthropy in

the early part of this century. He points out that their modest contribution is directed, for the most part, to established institutions which do not rely solely on foundations for support. The implication seems to be that the foundations could pass from the scene with little effect on charitable giving in general.

Finally, 1976 figures support Kirstein's arguments to some extent, for they reflect a decrease in the percentage factor despite an increase in total giving. Foundations gave \$2.13 billion in 1976 to charitable organizations, an increase of 6% from 1975, but this represented only 7.2% of total philanthropic giving. According to the American Association of Fund-Raising Counsel, this increase in dollar amount was primarily a result of a rise in the value of foundations assets (Giving, USA, 1977: 6, 13).

Some Outstanding Achievements
of American Foundations:

George Kirstein notwithstanding, certain foundation contributions in various fields have been truly significant in their profound and long-lasting impact on society. References to these classic achievements continually crop up in the literature, their wide range and importance dramatically summarized in a paragraph by Thomas Parrish (1973: 11):

"Foundations made the grants to the persons who discovered insulin and developed polio vaccine and discerned the double-helical structure of DNA. They made the grants that led to the control of yellow fever and hookworm. They financed the birth-control pill, hybrid corn, Dr. Kinsey's discoveries, the two-hundred-inch Mt. Palomar telescope and the Green Revolution."

Of necessity, one cannot document all these exciting developments. Two particular cases, however, merit more detailed treatment, by reason of their tremendous long-range influence, not only on our own society but on the world in general. These are Population Control and the Green Revolution.

According to the Commission on Foundations and Private Philanthropy, "the field of population studies provides a striking example of the way in which foundation pioneering can demonstrate the need for an activity so unmistakably that public funds take over its support." (1970: 100). Long before the threat of a population explosion became apparent, a small number of American foundations were doing valuable work in this field. Established in 1922, the Scripps Foundation for Research in Population Problems focused on the broad political and social implications of growth and change in world populations, developing a new breed of demographer. From 1928 onwards the Milbank Memorial Fund entered the field, emphasizing research on contraceptive methods at a time when such matters were rarely mentioned. The Milbank

Fund's grant to Princeton University in 1936, to establish an Office of Population Research, achieved respectability for population studies in higher éducation, an example which was followed by many other universities. These efforts received a tremendous boost in the early 1960's from the Ford Foundation, which distributed over \$3 million to strengthen university programs in training and research in population (Osborn, 1967: 367).

Both the Carnegie Corporation and the Rockefeller Foundation encouraged work in population and related studies throughout the 1930's and the 1940's, including Dr. Kinsey's controversial exposé of American sexual attitudes. The Macy Foundation broke a new ground in this period in supporting work on reproductive endocrinology. By the early fifties, world population was increasing at a rate which would lead to doubling every forty years, with ominous implications for the world food supply. In 1952, John D. Rockefeller, III, organized and financed a new foundation, The Population Council, whose mission was to develop the scientific knowledge and the personnel to deal effectively with the population explosion. The Council's work, expanded by grants from other foundations, has been vital, leading in the 1960's to the successful development of the plastic intra-uterine device. This has since become the most widely used and generally acceptable contraceptive method in the developing countries,

proving more suitable than the oral contraceptive, "the pill", which had been developed somewhat earlier at the Worcester Foundation of Experimental Biology (Osborn, 1967: 367-371).

In contrast to Europe, where government-supported population research was extensive in countries such as France and Sweden, no government funds went into the early work on demography in the United States. The foundations were the true pioneers in the field and the foresight and concern of the leaders mentioned brought others, initially cautious, to see the importance of work on population control. Public understanding and acceptance of these issues can be credited in large measures to the work of the Planned Parenthood Federation of America and the Population Reference Bureau of Washington, both heavily supported by foundation grants (Osborn, 1967: 372-373).

Since the 1960's the federal, state and local governments have accepted far greater responsibility for population control and research. In 1968, for example, government contributions were \$145 million (\$55 million for research and \$90 million for family planning services), as against about \$25 million contributed by the foundations for population studies. The Peterson Commission, in presenting these figures, comments that "the whole story remains an illustrious one in the catalog of imaginative, innovative work by

foundations at a critical time." (1970: 101).

The so-called Green Revolution of the 1960's has some right to be considered the most important single achievement of American foundations to date. It has probably received more worldwide publicity than any other foundation effort. Financed in large part by the Rockefeller Foundation, it is a prime example of the founder's credo of "helping people to help themselves." After many years support by Rockefeller and also by the Ford Foundation, research institutes in Mexico and the Phillipines succeeded in developing high-yielding, hybrid dwarf varieties of rice, wheat and corn, which enabled farmers to double or even triple their crop yield. These were widely used, particularly in Asia, to meet the needs of populations with high birth rates and low living standards. The results were dramatic-- India doubled its wheat production in six years and Mexico became a wheat exporter instead of a net importer (Whitaker, 1974: 172-73).

The new grains, sad to say, have brought problems in their wake. They require extremely high inputs of water and fertilizer and are vulnerable to diseases, requiring ecologically-undesirable levels of pesticides. These factors tend to make rich farmers richer and the poor relatively poorer. Thus the high-yield grains are a technological solution to malnutrition and famine, which may not be successful in the

long run unless accompanied by economic and social reforms (Whitaker, 1974: 173).

These drawbacks should not detract from the credit due the foundations concerned, who provided a critical breathing space for many millions of people on the edge of starvation and a solution of tremendous potential value, despite present difficulties in its application. The important point, as far as this thesis is concerned, is that--once again--American foundations were able to play a crucial part on a world-wide scale. They were able to concentrate their resources on an area where the U.S. government had no clear mandate for research, and indeed might have faced adverse pressure from the domestic farm lobby with its own grain surplus (Whitaker, 1974: 173).

Sociological Reasons for Established Patterns of Giving:

One must look at certain aspects of the social structure to understand the overall emphasis of foundation work as outlined in this chapter. In his early study of the American foundation, Eduard Lindeman isolated four general factors which determine how vested wealth is disposed of:

- a) the original aim or purpose of the benefactor
- b) officials and advisors employed by foundations

- c) various cultural pressures which become dominant at any given period of time
- c) the personal element as embodied in the trustees who hold funds in trust and must ultimately assume responsibility for expenditures."

The personal element is very strong throughout, since all of the individuals involved--donors, staff and trustees--interpret cultural pressures according to their own concepts of needs and values (Lindeman, 1936: 32). This, then, is the key to understanding the foundations' support of established societal institutions over many decades, a pattern which has only recently begun to change in some respects.

The donor, of course, supplies the initial impetus and direction, but it is the trustees who decide where the money is to go in the long run. In an analysis of the trustees of seventy representative foundations for the year 1930, Lindeman came up with an illuminating profile of the "average" foundation trustee of that time: he was a man (less than 3% were women) in his 50's or older, enjoying economic security derived chiefly from fees and profits and a high social position; a member of the "best" clubs and churches; well-educated at a private institution of higher learning, but not in the sciences or technology. "In short, a member of that successful and conservative class which came into prominence during the latter part of the Nineteenth and early Twentieth Century, the class whose status is based primarily

upon pecuniary success" (Lindeman, 1936: 44,46).

Lindeman points out that these characteristics are only to be expected in an individualistic society where power and prestige go hand-in-hand with wealth, and where educational institutions (particularly at the time he was writing) reflect the individualistic drive, rather than any deep-seated sense of social responsibility. Thus the donor, whose fortune was made possible in such a society, entrusts the long-term management of his wealth to individuals who will be likely to share the same norms and faith in the established institutions which have served them so well.

This picture of the typical trustee does not appear to have changed substantially over the years. In 1952, F. Emerson Andrews found essentially the same characteristics in a study of the trustees of twenty large foundations, although the number of women had risen slightly to 7% (Andrews, 1956: 67-68). In 1969 the Commission on Foundations and Private Philanthropy turned a critical eye on the makeup of boards of trustees of twenty-five of the largest foundations, finding--once again--a majority of white, Anglo-Saxon Protestants with backgrounds in business, banking or the law, and a striking absence of Catholics, Jews, negroes, women or young trustees. The Commission sees this lack of diversity as a weakness, limiting the trustees' perception of the "raw surge" of American life and tending to weaken public confidence in

the wisdom of their decisions (1970: 89-90).

Writing in 1973, H. Thomas James, president of Spencer Foundation, addresses this thorny issue of lack of diversity on foundation boards, accentuated by the fact that they are co-optive and self-perpetuating. Recent trends towards fixed retirement age and fixed maximum length of service may do away with top-heavy distribution of trustees in the elderly age brackets, but could do little more than increase mobility within the same narrow social, economic, educational and religious boundaries. In the rather critical climate of today, foundations must be encouraged to move voluntarily towards reform in making their boards more diverse and responsive, or be prepared to face increased pressure for legislative interference and control (James, 1973: 194-195).

CHAPTER IV

FOUNDATION RESPONSE TO THE PRESSURES OF SOCIAL CHANGE

Social Change - A Sociological Analysis:

In order to evaluate the response of foundations to the forces of change in our society, it is almost essential to look at the phenomenon of social change from a broad, theoretical perspective. A contemporary American sociologist, Wilbur Moore, has made a close analysis of this phenomenon, and his findings with regard to the social changes that can be expected within modern, industrialized societies have a bearing on the present and future functions of the foundations as an institution of American society.

History shows us that some degree of societal change has persisted throughout time. As a result of rapid technological advances, especially in communications, not only is the rate of change accelerating, but the range of consequences is expanding. In Moore's own words (1963: 2):

"the normal occurrence of change affects a wider range of individual experience and functional aspects of societies in the modern world--not because such societies are in all respects more 'integrated', but because virtually no feature of life is exempt from the expectation or normality of change."

Another modern sociologist, Alvin Toffler, puts the case for

accelerated change a little more forcefully (1970: 22):

"There is widespread agreement, reaching from historians and archeologists all across the spectrum to scientists, sociologists, economists and psychologists, that many social processes are speeding up--strikingly, even spectacularly."

The Functional Model of An
Integrated Social System:

Many social theorists have tried to explain change in societies and differentiation among them. Social "evolutionism" was popular, for example, following Darwin's revolutionary notion of biological evolution. By the early Twentieth Century "functionalism" --which says, in essence, that we must look to the system as a whole to understand the function of any part--had become widely accepted. Thus institutions or any other aspect of the culture will survive only if they are related to the operation of the total system. This rather extreme view has been modified over the years, recognizing the fact that large-scale social systems such as the U.S.A. are not "all of a piece" and exhibit discordant elements. In other words, an institution that may be functional for one part of the system may be dysfunctional for the overall system (Moore, 1963: 7-9). The foundations, for example, have been criticized on the grounds that their special privileges permit support of selected institutions, at the expense of the broader social goals supported through

Federal tax revenues. Modified functionalism, however, accepts the principle of selectivity--which implies that if an institution has survived for any length of time it is likely to be useful to the functioning of the system as a whole.

As Moore points out, there is no reason to believe that culture and setting are ever in perfect adjustment. He goes on to describe the flexibilities that are inherent in social systems, which enable them to respond to environmental and social challenges (1963: 12-19). Within this framework, changes in foundation attitudes and patterns of giving (to the extent that they do occur) can be seen both as a form of selective adaptation and a response to challenge.

Industrialization and Social Integration:

The modern world is one of extraordinary economic growth, which has come about as a result of industrialization. The creation of industrialized societies has had far-reaching effects, which touch many aspects of society besides the purely economic. Moore identifies the vital social prerequisites for industrializing an economy, which he groups under the headings of changes in Values, Institutions, Organizations and Motivation (1963: 93-96). A full discussion of these vital changes is unnecessary for present purposes;

what is important here is that the changes were clearly apparent in the push towards industrialization in the U.S. in the late Nineteenth and early Twentieth Centuries. The merit system, for example, often turning "rags to riches", gave opportunity for accumulation of great wealth through capitalist institutions, based on free market exchanges and labor mobility; political stability and civil order made possible the organization of a complex economic network; while a sense of participation in a changing social order motivated not only a wealthy industrialist such as Andrew Carnegie, but a working man striving for personal betterment.

In studying the effects of industrialization on society, a relationship is clearly apparent to the growth in foundation numbers and to avenues of future growth and usefulness. Economic organization is part of the core structure of industrialization, where its effects are probably most dramatic. Major transformations, for example, have taken place in the upgrading of worker skills and the demand for professionals--a rationale for the traditional foundation support of education. Changes in the demographic and ecological structure of U.S. society have also been very marked. Noticeable here has been the continuing movement from rural areas to the cities, with consequent over-urbanization (i.e., migration at a rate higher than the

expansion of employment). This brought a grim trail of over-crowded living conditions, disease and lack of opportunities, providing a focus for foundation work in the areas of social welfare and health. Change in social structure has meant, among other things, an immense growth of interest groups and associations, representing diverse economic, occupational and recreational concerns (Moore, 1963: 93-104). This has resulted in a diversity of sources competing for foundation grants, and an opportunity, which should be seized (and has been to some extent), for expanding the range and scope of foundation interests.

The Dynamics of Modern Industrial Societies:

It is difficult to argue against sociologists such as Moore (1963: 105) and Toffler (1970: 21-22), who claim that modern industrial societies are continuously dynamic and change at a steadily accelerating rate. Certainly everyday experience seems to confirm this statement. Quantum leaps in technology put men on the moon and spacecraft on Mars in rapid succession. In two decades we have seen astonishing changes in patterns of social behavior, as evidenced--for example--by widespread tolerance of illegitimacy, abortion and alternative life styles.

Of interest to the future of the foundations are the

"processes of continuous change" (Moore, 1963: 108), in particular the growth of specialization, both in individual roles and in highly-specialized organizations. Projected is a future with greater differentiation of all kinds--new products, new processes, new occupations. The changing nature of social problems is revealed in new forms of deviance, e.g., the drug culture, bringing different efforts at social control. The "quality of discontent"--to use Moore's phrase (109)--has changed greatly in modern societies in contrast to simpler systems. The preservation of local initiative in the face of centralized administrative controls is just one example of a key issue of current concern. In all of these areas the foundations could, if they wished, play a part in helping to direct the processes of change along socially-desirable paths, acting as change agents rather than reactors to change. We will return to this theme in the final chapter of this thesis.

The Growth of Social Conscience
In the Twentieth Century:

The phrase "century of the common man" has been used so often as to become commonplace, yet we should not forget what it really means in terms of human needs and aspirations. In the U.S., at least, its implications are highly visible and require no documentation other than that provided by

common experience and everyday observation. In all aspects of life--political, economic, legal, educational, social--the "common man", i.e., the bulk of the population, is achieving a greater degree of participation in all that society has to offer. What were once the privileges of the elite few are gradually being extended to all. Universal adult suffrage has given to women and other minority members the right to participate in the political process. The union movement and regulation of wages has assured most workers of a decent livelihood and job security; free secondary and assisted higher education has made upward mobility a recognized feature of American life; the push for civil rights and integration has reduced some of the burden on minority groups; and the material standard of living in the United States appears to be a model for other nations.

None of this should be interpreted as meaning that all participate equally in these benefits or that the struggle is over. Relative to preceding centuries, however, the changes have been dramatic and reflect, I believe, a growing concern for the welfare of fellow members of society.

Nowhere is this growth of a social conscience revealed more clearly than in the changing attitudes towards public assistance of society's weaker members. The depression of the 1930's marked a turning point in American life in this respect. Prior to that time, as was suggested in Chapter I,

the almshouse and the poor farm were still the preferred methods of dealing with this kind of social problem, despite the ameliorative efforts of the fledgling social work profession. But the year 1935 brought the Social Security Act and a new way of looking at things. Although this was essentially a measure designed to maintain social stability in a highly unstable period, its effect went far beyond that. The act broke new ground for federal legislation in the United States, in that it offered old-age and unemployment insurance financed through federal taxes, also some federal aid to the states for direct relief of certain categories of poor, i.e., the old, the blind and dependent children. These new relief regulations, narrow as they were, laid the foundations for the contemporary public welfare system (Piven and Cloward, 1971: 114-117).

In the forty years that have elapsed, the Social Security Act has been modified and expanded through numerous amendments. Thus coverage is far more extensive today; benefits have expanded to include survivors and dependents; benefit levels have increased and the retirement age has dropped (Kamerman and Kahn, 1976: 322-23). As an indication of the kind of change we are discussing, one might quote the goals and objectives of Title XX, which went into effect in January, 1975:

"For the purpose of encouraging each State, as far as practicable under the conditions of that State, to furnish services directed at the goal of--

- (1) achieving or maintaining economic, self-support to prevent, reduce, or eliminate dependency,
- (2) achieving or maintaining self-sufficiency, including reduction or prevention of dependency,
- (3) preventing or remedying neglect, abuse, or exploitation of children and adults unable to protect their own interests, or preserving, rehabilitating or reuniting families,
- (4) Preventing or reducing inappropriate institutional care by providing for community-based care, home-based care, or other forms of less intensive care, or,
- (5) securing referral or admission for institutional care when other forms of care are not appropriate, or providing services to individuals in institutions.

there is authorized to be appropriated for each fiscal year a sum sufficient to carry out the purposes of this title."

(U.S. Code, 1974, v.2, 2716)

Granting that these goals may be only partially or inadequately fulfilled in many states does not detract from the fact that they are evidence that modern society clearly feels that it has a responsibility to try to achieve these ends.

The Response of Foundations to Changes
In Societal Attitudes:

Social Welfare Giving:

Chapter III makes the point that while social welfare causes have traditionally drawn foundation support, following the classic charitable goals of relieving distress and aiding the indigent, nowadays the total dollar contribution of foundations in that area is insignificant compared with that of the governmental sector. Nonetheless, surveys show that total welfare giving by foundations has increased substantially in recent years. A survey of U.S. foundation grants of \$10,000 or more by fields, for the decade of the 1960's, shows a striking eight-fold increase under the heading of Welfare--from \$20 million in 1962 to \$174 million in 1971 (Whitaker, 1964: 169).

Table 4 (Appendix O) gives the relevant figures, which can very likely be explained in part by the increase in broad public concern for the problems of poverty in the United States in this era, as evidenced by President Johnson's "War on Poverty."

By way of contrast, the decade of the 1920's showed only a modest growth from approximately \$6 million to ca. \$7 million, no doubt reflecting the influence of the stock

market crash and the onset of the Depression (Lindeman, 1936; 30). Current statistics as reported in the Foundation Grants Index for 1978, covering grants of \$5,000 or more from 340 foundations, show a comparison of Welfare giving for the years 1975, 1976 and 1977 (see Appendix O). The latest figure of \$100 million for 1977 reflects a leveling off in the seventies, as compared with the preceding decade. It should always be remembered that comparative figures can only show trends, since reporting criteria and definitions of "welfare" have changed over the years.

The question now is to determine how much of this increased giving has flowed through established channels to support conventional programs, and how much has been diverted to the more controversial programs which might be grouped under the general heading of "Social Action". The Peterson Commission's survey of foundation grants, by Purpose, for 1968, reveals a preponderance of support to the traditional areas--with Community Chest, United Fund, Welfare Council and similar general welfare agencies getting 14% of the foundation dollar, as against a total of 10% for a variety of "social" causes. A breakdown in tabular form makes the picture clearer:

General Welfare	14%
Community Action and Services	4%
Community, Racial and Ethnic Services	3%
Manpower and Vocational Training	1%
Housing	1%
Individual and Family Services	1%
Political Process-Related Services	less than .5%

(1970: 79-80)

Prominent in the support of General Welfare programs have been the Community Foundations, which today number a little over 200. As mentioned earlier, these institutions administer funds in perpetuity from a variety of private sources for community purposes, usually focusing on local needs. Traditionally Health and Welfare needs have received more than half of the total dollars allocated by community foundations, a trend which continues as can be seen from this following table:

ESTIMATED FIELD PREFERENCES
FOR COMMUNITY FOUNDATION GRANTS
COMPARED WITH FOUNDATION GRANTS GENERALLY

1974-1975

<u>FIELD</u>	<u>Community Foundation Grants (%)</u>	<u>Total Foundation Grants (%)</u>
Welfare	34.3	13.7
Health	28.8	21.8
Education	22.4	27.2
Humanities	10.7	10.4
Sciences	5.5	13.9
Religion	2.8	2.0
International	0.5	11.0

(Handbook for Community Foundations,
Vol. II, 1977: 10)

The council for Foundations, Inc. sees an increasing role for community foundations in philanthropic leadership in their communities. Many community foundations have experienced substantial growth in recent years through transfers of assets from private foundations going out of existence; thus they are becoming an increasingly significant resource, providing alternative possibilities for meeting social needs in their local areas. This responsibility as a source of funds and initiative is being met to some extent by a trend towards direct civic engagement in research studies or action programs--which may in due course wean the

community foundation away from its traditional concern with the United Fund and the local hospital or symphony orchestra (Handbook for Community Foundations, Vol. 1, 1977: pages 1-5, 1-16, xii-7).

This leaves the bulk of American foundations to be evaluated in terms of their response to the pressing issues of our times. A number of foundation-observers have attempted to make such an assessment, focusing in particular on the decades of the fifties and sixties when an active rather than a passive approach to social problems became more apparent in American society in general. The following section will document the involvement of some of the larger foundations in contemporary social issues.

Social Reform:

The question might well be raised as to why foundations should concern themselves with social action programs, given the fact that there is no lack of more traditional outlets for their philanthropic energies. One answer (still timely) was given by F. Emerson Andrews nearly thirty years ago, when he spoke of foundations as the "venture capital" of philanthropy. His own words are worth quoting:

"They are the only important agencies in America free from the political controls of legislative appropriations and pressure groups, and free from the lay controls of needing to temper programs to the judgments and prejudices of current contributors. Because of this position of

unusual freedom, they have an opportunity, and perhaps a special responsibility, for helping push forward today's most important frontier--the study of man himself and his relationships."

(Andrews, 1950: 103)

The extent to which the foundations have actually treated their assets as "venture capital" is open to question. Certainly at the time of the Peterson Commission survey in 1969 the argument would be hard to support, if treating the foundations in toto, as one social institution. The Commission's survey of selected foundations found that: "first, only 1% of all foundations viewed any of their grants as controversial: second, that the grants involved amounted to only 0.% of the total grants made between 1966 and 1968 and, as such, were almost totally centered in the large foundations." Furthermore, only 13% considered any of their grants to be innovative, experimental, or out of the ordinary, while the grants involved represented only 3% of the total grants made between 1966 and 1968. Once again, the bias was overwhelmingly in favor of the very large foundations (Peterson Commission, 1970: 84), which provides a rationale for their inclusion as detailed objects of study in the following pages.

Given that these figures are an accurate reflection of the foundation field ten years ago, one must search for other data to substantiate the thesis that the foundations are, in fact, increasing the amount of attention given

to contemporary social problems.

In 1972, Waldemar A. Nielsen, under the sponsorship of the Twentieth Century Fund, produced a critical analysis of the work of thirty-three of America's largest foundations, each with assets of \$100 million or more. Together these accounted for more than half of the total assets of the estimated 25,000 foundations in the U.S.A. at the time (see Table 1., Appendix Q). They were chosen because of their broad impact, as general-purpose grant-making institutions; because their size makes them stand out as potential leaders in the field and because they present considerable diversity. They symbolize modern philanthropy, with all its possibilities and limitations (Nielsen, 1972: 21, 26).

To avoid unnecessary repetition, the names of Ford and Rockefeller will not appear in this review, as their contributions are dealt with in some detail in other sections. Some comments will be made, however, about the third member of the traditional "big three"--The Carnegie Corporation--to illustrate changing attitudes. Carnegie pointed the way to social concern almost forty years ago, when commissioning Gunnar Myrdal's epoch-making study of the American Negro "An American Dilemma", and likewise Dr. James Conant's 1961 study of the American high school, with its revelations of the needs and problems of slum schools. But the

foundation has been slow to act on these recommendations. It has always been identified with education and did not move far beyond traditional support in this field until the late sixties, when a dramatic change of emphasis can be credited largely to the leadership of Alan Pifer. Pifer's 1968 essay, "Foundations at the Service of the Public," is a searching analysis of the problems and potentialities of American philanthropy, asserting that foundations should anticipate the strains of social change and assist in the adaptation of major institutions to such change. To this end, Carnegie turned its attention to the problems of ghetto residents-- with such ventures as experimental high schools for drop-outs, legal aid via community law offices, paramedical health trainees and educational television for children ("Sesame Street"). This thrust continues to lead the foundation towards an increasing response to contemporary social concerns, particularly through the vehicle of study projects and public commissions to spur public action on major national problems (Nielsen, 1972: 39-46).

Nielsen makes a distinction between the "professionalized" institutions such as Carnegie, Rockefeller and Ford and the "family-style" foundations, still operating with donor-family control and a more personal approach to grant-making. Several in this category have shown in recent years a keener awareness of social issues and a more activist approach to

their solution. The Vincent Astor Foundation of New York City is a case in point. Established by Astor in 1948 "for the alleviation of human misery," the foundation concentrated during his lifetime on conventional charitable giving, chiefly for the needs of children. Since his death the foundation has moved into a more innovative urban program, focusing on the needs of youth in the New York ghettos. Substantial grants have been made for community centers, boys' clubs, low-income housing and recreational activities such as parks and playgrounds. Thus, within its narrow focus of one city and one age group, the Astor Foundation has displayed increasing interest in the problems attendant upon social change (Nielsen, 1972: 228-29).

Nielsen's study shows that The Phoebe Waterman Foundation (later the Haas Community Fund) also has a strong and growing interest in the social and racial issues of a large metropolitan area--in this case, Philadelphia. Founded in 1945 by self-made chemicals millionaire, Otto Haas, in honor of his wife, the foundation during its early years restricted its grants to conventional health-related and educational institutions. More recently grant monies have been directed in increasing amounts to vocational training and scholarship assistance to disadvantaged children and youth, low-income housing and other social welfare projects,

which by 1969 made up about one-third of its outlays (Nielsen, 1972: 239-241).

The name of Henry J. Kaiser is chiefly associated in the public mind, at least on the West Coast, with the Kaiser Foundation Medical Care Program. This is an extremely successful prepaid health insurance plan which, although it may have social benefits, is in no sense a philanthropic enterprise. As such it fits the philosophy of its founder, who was primarily a business man and not a philanthropist in the traditional mold. A millionaire many times over, by virtue of his far-flung construction enterprises, Kaiser set up a Family Foundation in 1948, largely to provide a vehicle for tax planning and estate management. But in the last decade, under the guidance of younger generation family members, the foundation has moved into a broad range of educational and health-related concerns, including the community problems of the San Francisco-Oakland Bay Area. In its statement of purpose in 1970, it recognized the existence of poverty, unemployment, inadequate schools and housing and discrimination of all kinds, and pledged to "accelerate its active support of various public agencies and community improvement projects...particularly those dealing with the problems of the poor and disadvantaged." (Nielsen, 1972: 248). Although confining its efforts largely to the state of California, the newly-activated foundation appears ready to

address contemporary problems (Nielsen, 1972: 244-248).

According to Nielsen, other wealthy foundations have been moving, albeit slowly, into the field of social issues and social activism. The Danforth Foundation, of St. Louis, Missouri--founded in 1927 from the Ralston-Purina fortune--was identified for many years with higher education, frequently with a religious slant. Since 1961, under a new executive director, Merrimom Cuninggim, the foundation has enlarged the scope of its activities, increasing its support for black education, both college and secondary, and becoming involved with the urban crisis in the late sixties through projects in the St. Louis metropolitan area. Here it focused on housing, employment, scholarship programs for blacks and "community reconciliation" to an extent which produced something of a backlash among conservative white leadership in the community. Overall, at least in the view of one observer, Danforth has in recent years initiated "creative, socially pertinent, and professionally competent programs" (Nielsen, 1972: 101-106).

The Fleischmann Foundation of Reno, Nevada is an example of an institution that has changed direction considerably as the trustees have become more aware of contemporary problems. Founded in 1951, just a few months before his death, by millionaire business-man-playboy Max C. Fleischmann, its stated program as of 1960 was "built around a strong belief

in the free enterprise system and the American Way of Life... to assist organizations and institutions which foster such a tradition" (Nielsen: 251). From such limited beginnings, the foundation has branched into other areas of special relevance to the West--educational opportunities for American Indians, Mexican-Americans and other minority groups; the conservation of natural resources and wildlife; ecology, the environment and pollution control. Although its primary interests lie in the state of Nevada, it has concerned itself on a national level with the administration of justice, particularly the functioning of juvenile courts (Nielsen, 1972: 250-253). All these interests show a remarkable broadening of vision and scope on the foundation's part in recent years.

Nielsen reports also on The Commonwealth Fund of New York City, which sprang from the vast oil fortune of the Harkness family. Established in 1918, the foundation built a fine reputation in the twenties through a series of innovative programs in the fields of educational research and health services both urban and rural, noteworthy in that era for their lack of racial bias, with particular focus on the health, welfare and education of children. But in subsequent decades, due to the limited outlook and conservative bent of the board of trustees, the foundation

gradually changed its thrust to become almost solely a supporter of advanced medical institutions, apparently indifferent to the social and economic shortcomings of the American health care system. With change of leadership in the sixties, this trend seems to have been reversed and the Commonwealth Fund is turning its attention to the health needs of the ghettos, the problems of violence and drug addiction, environmental health and the mental health of society in general (1972: 255-262).

The Sloan Foundation owes its existence to the General Motors Corporation, which Alfred P. Sloan headed for nearly thirty-five years. Since its establishment in the mid-thirties, the foundation and its donor "passed through a succession of changes that constitute one of the more instructive transformations in the story of American philanthropy" (Nielsen, 1972: 193). A fanatical promoter of free enterprise, Sloan kept tight control of the foundation's activities until advanced old age, and grant-making in that period was a routine affair of programs furthering technology, the physical sciences, business management and economics. Towards the end of his life, Sloan apparently developed some awareness of how his foundation might meet the challenge of a changing world through socially-responsible programs, but little was done until after his death in 1966. Since then, a revised board has included

"the range of problems posed by the pressing needs of our current society" within its broad purposes, plus emphasis on the training of blacks and other minority groups (Nielsen, 1972: 192-197).

One other example is touched on by Nielsen, a powerful latecomer whom he sees as a "gleam of hope" in the foundation landscape. This is the Edwin H. Land Foundation of Cambridge, Mass., established in 1961 by the inventor of the Polaroid camera. Land was a scientific genius who built Polaroid into a multi-million dollar corporation on a basis of brilliant technology coupled with an unorthodox social philosophy regarding human development and the enrichment of the industrial work environment. The company has stressed employment of minorities and educational opportunities for employees and now that the donor is turning more of his energies into his foundation this same kind of philosophy is being expressed through the medium of philanthropy (Nielsen, 1972: 263-268). A survey of Polaroid's recent domestic grants (Foundation Grants Index, November/December, 1977) shows a remarkably high proportion of 69% for Welfare purposes broadly defined, including therein minority education, job placement, legal aid and community social services.

Another "gleam of hope" or possibly the beginnings of a trend can be found in the record of three young foundations

established in the 1970's whose activities have been reported recently in Foundation News. These are the Vanguard Foundation of San Francisco, the Haymarket Foundation of Boston and the Liberty Hill Foundation of Los Angeles. All three were started by groups of young men and women of substantial private means, who were concerned about the inequitable distribution of wealth in our society and wished to further social change in an organized way, rather than by haphazard charitable giving. Vanguard is possibly the best known of the three and its methods of operation have set some interesting precedents. It has funded projects that other foundations have been reluctant to touch, for the most part promoting specific change rather than basic services, in such areas as the medical rights of women and of mental patients, and prison reform. From now on, Third World projects in the Bay Area will receive an increasing share of support, as the foundation has recently established a separate community board, with a racial and ethnic mix of men and women, which will control 50% of the foundation's funds. Both the Haymarket and Liberty Hill foundations also operate with a grassroots community board. Vanguard's success can be measured by the fact of its acceptance by well-established foundations on the West Coast and elsewhere, who now regularly fund projects with Vanguard, or who provide support after Vanguard money has "seeded" a project. Despite

the fact that its assets are modest and do not yet meet the criteria for inclusion in the Foundation Directory, Vanguard is growing rapidly--with grants totalling \$242,000 for 1976 and a projected 1977 grants budget of approximately \$355,000. As one of the founders recently stated, "we see as our function the providing of funds for groups working to give disenfranchised people more control of their own lives.... funding support should let people help themselves." (a statement which reflects the philosophy of Andrew Carnegie or John D. Rockefeller). (Foundation News, Vol. 18, #3, May/June, 1977, 43-47.)

The Ford Foundation -
Leader in Social Reform:

Any survey of American philanthropic foundations must take particular note of the Ford Foundation, not only because of its vast size but by reason of its innovative and controversial social-action programs. Ten years ago its assets (\$3.7 billion in 1968) were equal to one-sixth of those of all 25,000 American foundations at that time (Nielsen, 1972: 78); and latest figures show it still the leader, with assets of \$2.3 billion and annual grants totalling almost \$173 million (see Table 7, Appendix G). Size, however, is just one measure of a foundation's impact. To understand the present thrust of Ford's activities, it is helpful to review, briefly, the foundation's history.

Henry Ford established his foundation in 1936, chiefly, it is alleged, as a device to keep control of the Ford Motor Company within the family after his death, when the foundation inherited 90% of the company stock. The true philanthropic impact dates from 1950 when, under a newly organized board, it adopted an idealistic and rather remarkable statement of purpose, pledging its resources to the problems of contemporary life that arises from man's relationship to man. Five priority areas--world peace, democracy, the economy, education, and the scientific study of man--have provided the focus for the foundation's activities since that date (Nielsen, 1972: 79-80).

As might be expected, program emphasis has fluctuated over twenty-five years, in response to societal pressures and internal concerns. In the first few years, under activist leadership, the foundation branched into international economic development, domestic educational reform and civil liberties, pouring million-dollar grants into new subsidiaries--the Fund for the Advancement of Education, the Fund for Adult Education and the Fund for the Republic. The McCarthy era brought Congressional investigations of "subversion and Communist penetration" among philanthropic foundations,⁵

⁵The effect of the McCarthy era on foundations is elaborated in Chapter V.

anti-foundation attacks in the press and spasmodic boycotts of Ford products, which led in turn to pressure from the Ford Motor Company seeking to turn the foundation into less controversial paths. As a result of these complex pressures, the foundation decided to divorce itself from the parent company by sale of its stock and to distribute the proceeds through general support grants to non-controversial institutions. In the years 1955-1956 these grants amounted to approximately \$600 million, divided among more than 600 private colleges and universities, 3,500 voluntary, non-profit hospitals and 45 privately-supported medical schools (Nielsen, 1972: 86-88).

New leadership in the late fifties attempted to establish an image of Ford as a domestically-oriented, educational foundation, but by the early sixties a return to the original statement of purpose was becoming apparent, through diversification of programs--in the arts and humanities, international concerns of world population growth and chronic food shortages, and the problems of youth, the aged and the urban ghettos within the United States. By the time McGeorge Bundy took over as President in 1966 (an office he still holds), Ford had already launched a major, integrated attack on the problems of several large metropolitan areas and was identified in the public eye with

such diverse activities as educational television and the International Rice Research Institute (Nielsen, 1972: 90-92).

During the early years of Bundy's direction, the foundation expanded its strong concern for human problems within a democratic society. The first black member joined the foundation board, and a major change in financial policy attempted to ensure that investment (as distinct from grant-making) would also be in socially-desirable areas. This trend toward social activism survived the new round of Congressional investigations and public controversy that culminated in the Tax Reform Act of 1969 (Nielsen, 1972: 95-97). As the decade of the seventies draws to a close, the Ford Foundation seems to be vigorously pursuing its stated goals--with ongoing programs to support community development in impoverished urban and rural areas; public interest law; legal defense for civil rights; low-income housing; and educational assistance to severely-disadvantaged minorities (Current Interests of the Ford Foundation, 1978-79: 19-21).

Innovative and Controversial Programs:

Many of Ford's efforts in the social reform area have drawn the fire of critics, as well as providing an example for others to follow. Into this category falls the "Gray

Areas" community action projects, which were credited with providing the stimulus for the whole U.S. anti-poverty program. "Foundations should not do what government can do," said Mitchell Sviridoff, head of Ford's Public Affairs Division, "but the Gray Areas program showed where the government should go." (Whitaker, 1974: 173).

"Gray Areas" was the name given to those zones of deteriorating real estate which fringe the downtown core in so many of America's cities. Working in five cities-- Oakland, New Haven, Philadelphia, Boston, Washington, D.C.-- between 1961 and 1965, Ford attempted to address the multiple deprivation of such areas through direct action, rather than through grants to established institutions. Money was poured in⁶ to encourage the formation of joint public/voluntary agencies providing a wide range of educational and vocational training, legal aid, health, family counseling and youth employment services. The key ingredient was community participation, with neighborhood centers as effective focal points (Whitaker, 1974: 174). When the Office of Economic Opportunity was established in 1965 to run the government's War on Poverty, Ford began to withdraw from this area, but

⁶Between 1960 and 1967 grants of over \$41 million, including Pittsburgh and state of North Carolina (Current Interests of the Ford Foundation, 1978-79: 20).

the fact that the war has obviously not been won should not detract from the historical importance of this venture in creative philanthropy. The main tasks, as identified by the foundation, are as relevant in 1978 as they were in 1961:

"To try to mesh the policies and operations of public jurisdictions; to work with disadvantaged and minority groups; to look beyond old and fixed ways of doing things; and to invent and evaluate new approaches in education, housing, employment, legal services and welfare."

(Whitaker, 1974: 1974)

The city dwellers of the Gray Areas were largely blacks, and Ford money has been prominent in many other avenues of aid to black Americans. Voter registration was the big issue in the sixties when Ford gave sizeable grants for black voter education and registration both in the South and the North. At times this resulted in widely-publicized charges of political meddling, as in the 1967 grant to the Cleveland chapter of CORE for a voter registration drive in black areas of that city. When this resulted in a black man being elected as Mayor of Cleveland, Congressional critics accused the Ford Foundation of "a grandiose design to bring vast political, economic and social change to the nation" (Rep. Wright Patman, quoted in Cuninggim, 1972: 133).

A similar volley of criticism greeted Ford's attempt in 1967-68 to effect a structural change in public education in New York City, for the perceived benefit of black students

(the celebrated Ocean Hill-Brownsville case). Grants were made to three school districts, in predominantly black slum areas, to experiment with decentralization--i.e., control by local community councils. The whole project backfired, leading to teachers' strikes and a great deal of racially-inspired tension and strife. Ford's part in the affair was strongly defended, however, by McGeorge Bundy who argued that "if private foundations cannot assist experiments, their unique role will be impaired, to the detriment of American society." (Reeves, 1970: 22).

Another experiment, The Center for Community Change, established in Washington, D.C. in 1968 with a multi-million dollar grant, became a target of criticism as a lobbying center, although its stated purpose was to "enhance the voice of the poor in their own destiny" through formation of strong community organizations throughout the country (Nielsen, 1972: 356).

Ford's support of minority groups other than blacks has also raised charges of partisan political activity and extremism. Some of the most adverse publicity arose from the foundation's efforts on behalf of Chicanos in the San Antonio region of Texas. Grants in the late sixties to the Mexican-American Youth Organization (MAYO) and the Mexican-American Legal Defense Fund (MALD) brought fierce

adverse reactions, not only from right-wing Texas whites but from old-line Mexican-American politicians (Cunningham, 1972: 114).

In reviewing the charges of extremism and political partisanship hurled so readily at the Ford Foundation, it is apparent that the critics prefer to concentrate on the relatively small amounts given to unorthodox projects, while ignoring the fact that most of the grants designed to assist minorities go to established organizations for traditional activities, such as providing scholarships or basic research. But, as Nielsen points out, when the balance of political forces is altered by minority groups demanding their rights--whether they be Mexican-Americans in the Southwest or blacks in a northern city--local sensitivity is aroused and a number of vested interests are disturbed--hence the outcry (1972: 424-425).

What the facts show is that Ford's activism is only relative; relative, that is, to similar efforts by other large foundations. What should be noted is that the percentage of its total outlays falling into the broad "social action-research" area increased substantially throughout the sixties. In 1960, out of total outlay of \$160 million, \$7 million fell into this category (4%). By 1970, \$42 million of a total of \$192 million in grants was so classified (22%) (Nielsen, 1972: 416). This trend

continues--the budget for 1978-79 shows a total of \$35 million allocated to National Affairs (the largest domestic division), which centers on "the Foundation's long-term commitment to the cause of equal opportunity." This amounts to 29% of the total domestic program budget of \$121 million. By way of comparison, only \$25 million is allocated to Education and Research; and this weighing of priorities rather clearly reveals the thrust of the Ford Foundation today. (Current Interests of the Ford Foundation, 1978-79: 4, 5).

The Race Question - A Case Study

As a major part of his 1972 survey, Waldemar Nielsen examined the record of foundations in general, and the thirty-three selected leaders in particular, in showing concern for the special problems of black Americans. His reasons for doing so are well stated:

"To determine the extent to which the big foundations address themselves to urgent issues of social change and the kinds of actions they take in trying to deal with them, it is necessary to go beyond generalities and and look at their actual performance on specific problems. None is more instructive than that of racial discrimination in the United States. It is the oldest, the most visible and now, in the view of many, the most ominous challenge facing American democracy."

(Nielsen, 1972: 332)

An historical approach is used in this study, to bring out more clearly the rate of involvement of the

foundations concerned, followed by a final summation which groups them according to their degree of interest in black issues. Of necessity, there will be some repetition of names mentioned in preceding sections, since social action and black problems are inextricably intertwined.

As noted briefly in Chapter III of this thesis, the involvement of foundations with blacks in the South dates from the Reconstruction period following the Civil War, when the modest efforts of the Peabody Fund, followed by the John F. Slater and Anna T. Jeanes Funds provided some support for negro education. It was not until the turn of the century, however, that a large-scale effort was undertaken to address the plight of the black man. Plight is the right word, for despite emancipation the black remained at the bottom of the ladder, the victim of fullscale discrimination in every sphere of life, segregated, powerless and widely assumed to be basically inferior and incapable of achievement of higher skills (Nielsen, 1972: 332-333).

The names most closely associated with black welfare in the first three decades of the Twentieth Century were John D. Rockefeller and Julius Rosenwald. Rockefeller's creation of the General Education Board in 1902 was a major advance for southern education in general (not only that of the black), for its thrust was to stimulate the creation of universal, publicly-supported systems of primary and secondary schools

in a region where they were almost non-existent. Working within the framework of racial segregation of the day, the Board did achieve encouraging results, even though critics have pointed out that the long-term benefits accrued largely to white schools. Nonetheless, the General Education Board funnelled \$129 million to southern education between 1902 and 1921 (Nielsen, 1972: 333-336).

From the year 1917 onwards Julius Rosenwald, another self-made millionaire, devoted part of his vast assets to the cause of black education through the medium of the Rosenwald Fund. His name is associated with rural school building programs in the South, matching funds with state and county so as to prod that reluctant region into establishing public school systems--within the context of segregation. In this same era, Andrew Carnegie gave limited support to a number of black schools and colleges, both through his own private philanthropy and, after 1911, through the vehicle of the Carnegie Corporation. Regular grants were also made to the National Urban League, which had been formed to deal with problems facing blacks relocating in northern cities (Nielsen, 1972: 334,337).

The decades of the twenties and thirties brought new problems to the black American. Racial tensions flared as blacks moved in ever-increasing numbers to northern cities

to seek a better life, triggering white mob violence in the North and Klan violence in the South. In this difficult atmosphere, the response of the larger foundations fluctuated or was non-existent. The General Education Board shifted its emphasis from support of basic schooling to support of negro colleges and medical schools and advanced training for black educators. The Laura Spelman Rockefeller Memorial, however, in its ten years of active life from 1918 to 1928, conducted a bold and innovative program of research on interracial relations and the social, economic and welfare needs of blacks. The Rosenwald Fund, until its dissolution in 1946, built up an impressive record--not only in its work with rural schools, grants to black colleges and fellowships for advanced education, but in trying to make a dent in the system of segregation itself. In 1919 it contributed to the creation of the Commission on Interracial Cooperation (later to become the Southern Regional Council), to encourage black and white community leaders to work together on common problems, which laid the base for the gradual dismantling of segregation. The Fund also entered the health field, providing opportunities for black interns to train in white hospitals, from which they had hitherto been excluded. This was a significant breakthrough, achieved in the face of the opposition of the American Medical Association.

Experimental health centers in the ghettos and low-cost medical insurance were other major achievements, besides the financing of studies on many aspects of black poverty and segregation, which were to affect later governmental policy decisions (Nielsen, 1972: 338-342).

Despite the fact that many of the largest foundations were established between 1900 and World War II, very few concerned themselves with the black problem in that period. Exceptions were The Commonwealth Fund, which did considerable work during the twenties with both the urban and rural poor (including blacks); while the Duke Endowment provided some health and educational assistance to the blacks of North and South Carolina (Nielsen, 1972: 342-343).

The upheaval of World War II brought profound changes in the patterns of black migration and employment, in the black man's self image and in white attitudes. In the immediate post-war era, the federal government took the initiative in seeking to expand black rights and opportunities in housing and employment, while the famous Supreme Court decisions of the early 1950's, outlawing segregation in public schools, public facilities and higher education, ushered in a new phase in the struggle for racial equality. The Civil Rights Act of 1957 brought resistance from southern whites, the rise of militant black organizations such as CORE and the response through non-violent, direct action

under the leadership of Martin Luther King.

Nielsen makes the charge that the majority of the older, large foundations were content to remain spectators in this exciting period in black history, possibly as a result of Congressional attacks upon foundations in the mid-fifties. Exceptions were the newly activated Ford Foundation and the Rockefeller Brothers Fund, the Sloan Foundation and the Danforth Foundation--all of which made grants to black institutions of higher education. In addition the Rockefeller Foundation assured the General Education Board of a new lease on life, with a grant of \$10 million (Nielsen, 1972: 343-344).

The decade of the sixties was one of accelerating black activism, stemming in great part from the slow rate of progress in desegregation of housing and schools and from the rising tide of black unemployment, especially in the northern cities. The Civil Rights Act of 1964 brought voter registration drives throughout the South and the possibility, at long last, of black participation in the political process. But economic progress was maddeningly slow, militant black organizations proliferated, calling for Black Power, and race riots broke out in scores of cities across the country in the summers of 1967 and 1968. This increase in violence and disorder did at last serve to turn the attention of more of the large foundations towards black

problems, even though almost half of them still preferred to direct their efforts elsewhere (Nielsen, 1972: 345-347).

In summation, Nielsen groups the large foundations of his study according to their degree of involvement, as of 1970. As leaders he chooses Carnegie, Ford, Mott and the Rockefeller Brothers Fund--for their "high degree of interest in and an activist approach to the problems of blacks." (p. 350). A few additional words will clarify his choice. The Carnegie Corporation's interest has fluctuated over the years, but the level of support has increased since the Supreme Court's desegregation decision, and the foundation's interest has expanded beyond higher education to include programs addressing the urban crisis, poverty and race relations. The same broadening of fields applies to the Rockefeller Brothers, covering support of leading black organizations such as the National Urban League, the NAACP's Legal Defense Fund, the Southern Regional Council and the International Council for Business Opportunity. The Charles Stewart Mott Foundation, while restricting its activities to the city of Flint, Michigan, has energetically supported a wide range of programs to benefit the working class--including a substantial black population--by means of direct-action approaches to improve employment and housing. Finally, we have the Ford Foundation. This is in a class apart in magnitude of grant dollars committed to

black programs and its overall contribution to social action has been treated in a separate section (Nielsen, 1972: 350-53).

Following the four leaders are four more who have taken considerable interest in black problems, albeit through rather orthodox grants, largely in educational fields. These are the Danforth Foundation; the Haas Community Fund (formerly the Phoebe Waterman Fund); the Sloan Foundation and the Rockefeller Foundation. An additional six are identified with occasionally innovative projects and a relatively high degree of interest: The Astor Foundation, the Houston Endowment, the Richard King Mellon Foundation, the Fleischmann Foundation, the Commonwealth Fund and the Woodruff Foundation. This leaves eight foundations with a limited interest, mainly directed to traditional educational support, and ten more who have never shown any special interest in the black American (Nielsen, 1972: 347-349).

It should not be assumed from the foregoing that only the larger foundations have expressed any concern for the needs of the black in our society. On the contrary, a few of the smaller institutions have been known to step in where their wealthier brethren obviously feared to tread. A brief reference to outstanding names in this category will ignore many others, but serve to show the trend.

The Field Foundation has been active in interracial relations for many years and has achieved its greatest

recognition through its work to increase opportunities for blacks, addressing such issues as civil rights, legal problems and voter registration. The Stern Fund has long been noted for its support of liberal causes and controversial issues, reflected in such activities as workshops for civil rights in the Deep South, anti-poverty programs, ghetto business opportunities. The Taconic Foundation is another working with difficult social problems, directing its attention to programs helping to provide equality of opportunity in education, housing and employment. The New World Foundation is dedicated to promoting mutual understanding among peoples and nations, which brought it squarely, and early, into the race question (Cunningim, 1972: 149, 156, 162). What must be remembered about these smaller foundations is that their influence has been incalculable, even though their total grant dollars do not approach the amounts given by larger institutions. Indeed, one observer-- Ben Whitaker--comments that "the path to more enterprising and activist roles was originally blazed in the U.S. by some of the smaller foundations as the Stern Family, Field, New World Taconic and Twentieth Century Funds," pointing out further, as an example, that it was the Kaplan Fund that started the community-action agency, Mobilization for Youth, in 1957--five years before Ford gave any money to this program (Whitaker, 1974: 76-77).

A traditional view of this whole question is presented by Flora M. Rhind and Barry Bingham in their essay Philanthropic Foundations and the Problem of Race (in Weaver 1967: 429-439). The authors assert that in the U.S.A. the "race problem" is largely the Negro problem,⁷ since his difficulties are more complex and deep-seated, by reason of their origin in slavery, than those of other minority groups. They take the view that the foundations can best be judged by their contribution to the advancement of Negro education which, at least up to the mid-sixties, had received the major share of foundation investment in racial problems.

The authors make a persuasive case for their argument, when contrasting the situation prior to the Civil War with that of 1960's. Before the Civil War the education of slaves in many states was actually illegal, and it took many decades of slow and persistent effort even to provide the meager educational facilities, always in the context of segregation, that would begin to prepare the Negro for the responsibilities and opportunities of freedom. In the forefront of these efforts, long before the federal government showed any concern, were northern philanthropic groups including

⁷ A decade later, this statement might be considered outdated.

a small number of foundations. Referring to the Reconstruction period, the famous Negro scholar, W. E. B. DuBois, states that "had it not been for the Negro school and college, the Negro would, to all intents and purposes, have been drawn back to slavery." In commenting on this, Gunnar Myrdal in An American Dilemma says, "The great wonder is that the principle of the Negroes' right to public education was not renounced altogether. But it did not happen. The explanation is the persistence and magnanimity of northern philanthropy." (Quoted in Weaver, 1967: 435).

For most of the first half of the Twentieth Century the foundations were forced to work within the system of segregation in the South, hence the charge that they perpetuated the system through their support of separate Negro schools and colleges. A more balanced appraisal might be that they did a great deal, considering the climate of the times. Perhaps the most important outcome has been the emergence of an educated Negro leadership, which was to mean so much in the battle for civil rights. "Without the support and encouragement of the philanthropic foundations," assert Rhind and Bingham, "this educated elite might not have emerged at a time when it was desperately needed." (1967: 438).

Waldemar Nielsen concludes with an overall evaluation of the record of the big foundations, which raises some

important questions and is sharply at variance with the views of Rhind and Bingham. He questions the premise that education, alone, is the key to the black man's achievement of full equality in white society and claims that the foundations have been evading essential issues by continuing to pour their money into educational facilities and opportunities. Of greater importance, he asserts, is the movement (apparent already in some foundations) away from exclusive concentration on education to interest in social and economic fields, not only in rural areas and the South but in urban ghettos. Another line of development, still not common, is the grant for activist projects--such as black voter education and registration or legal challenges to discrimination in housing and employment. In general, the big foundations have lagged behind the pace of events in the racial crisis, due in large part to the ingrained conservatism of their boards and staffs, where a black face is still a notable exception. Although many of them are now modifying their policies and becoming more involved, Nielsen does not expect major commitments nor rapid change in the near future (1972: 360-361).

The Rate of Foundation
Response to Social Change:

In the considerable body of literature dealing with the philanthropic foundations, two central but diametrically-opposed positions emerge. These can be labelled for convenience the "cutting edge of change" argument and the "lagging behind public opinion" argument, and may be summarized as follows:

The foundations have played a strong role in promoting social welfare (in its broadest sense) in the United States, particularly in the fields of education and scientific research. The pioneering work of certain foundations has changed public opinion, raised public expectations and brought pressure on government to effect changes in social policy. Philanthropic foundations can be innovative, flexible and provide the "cutting edge of change" in our society, hence they should be encouraged to continue their work, free of government interference and unhampered by restrictive taxation.

Far from providing a "cutting edge," the foundations--in general--have lagged behind public opinion and government action. They have been orthodox, timid and anchored in the status quo (a reflection of the composition of their governing boards). They operate at the taxpayer's expense,

disbursing considerable sums for purposes which may or may not be in the best interests of society. If their privileged tax position were removed, these monies would flow into the government's coffers, to be used for purposes over which the electorate would have some control.

Since Chapter V of this thesis will be devoted to an examination of the full range of criticism directed at the foundation as an institution, our concern for the moment will be merely to attempt an assessment of their rate and degree of involvement in social reform issues. Neither will there be any attempt in this section to come up with a summary judgment as to what this involvement has meant to society as a whole, although indicators are apparent in earlier chapters and such assessments form a large part of the literature (see, for example, Judgments Concerning the Value of Foundation Aid--in Weaver, 1967: 223-428).

Once again sounding a balanced and cautionary note, the Peterson Commission warns that "both the critics and panegyrists of foundation grant programs appear to have greatly overstated their claims" (1970: 85). The criticism referred to here is that of wild-eyed political and social activism, which certainly does not hold water in the eyes of some qualified observers of the mid-sixties. Donald Young, a former president of the Russell Sage Foundation, makes the statement that "foundations avoid controversy like the

plague," which leads them to expend very little as "risk money," preferring to fund agencies and projects where there is little chance of public controversy and criticisms (Reeves, 1970: 84). Burton Raffel, former editor of Foundation News bemoans the fact that foundations are not living up to their potential, in that "their role as an impetus toward innovation is not being fulfilled as it could and should be" (Reeves, 1970: 86). Searching for more recent data, one finds much the same story in the seventies. According to Vernon Jordan, Executive Director of the National Urban League (quoting the Foundation Grants Index) less than 5% of foundation dollars allocated to child welfare in 1970 and 1971 went to black communities, and of that only 0.5% went to black agencies, with similar tiny percentages allocated to black youth programs or the black aged (Nason, 1977: 26).

In like vein, a 1973 survey of Chicago's 1,600 foundations by the Urban Dynamics-Inner City Fund, revealed only 200 which showed some interest in minority civil rights and inner-city social problems. Among the city's five largest foundations, only 4.13% of their grants went to minority-controlled institutions. As the report points out, foundation money goes to the tried and true--"innovative ideas or organizations lacking technical expertise in budgeting or proposal writing rarely get foundation support" (Naxon, 1977: 26).

It should be clear by now from the statistics quoted earlier that grants made directly for social change or to assist the powerless are but a tiny fraction of the annual support of education, medical research and other traditional causes. Indeed Nielsen--referring of course to the big foundations only--asserts that "not one-tenth (probably not one-twentieth) of their grants have any measurable impact upon the major social problems confronting the nation at the present time" (1972: 425). He does, however, see hope in the fact that the big foundations are passing through evolutionary changes caused by deaths of founders and turn-over in board and staff membership, which he feels will lead to more responsive and effective philanthropy in the years to come (see Table 4, Appendix R, Successive Stages of Evolutionary Change Reached by the Big Foundations as of 1972).

A degree of optimism for the future is also provided by Sarah Carey in her study--Philanthropy and the Powerless--quoted in Nason, 1977: 27). While recognizing that philanthropy in general has a very limited interest in supporting social activism, she suggests that the situation is slowly, but perceptibly, improving. She points to at least 41 foundations who have shown an interest in social justice and to certain new developments--such as foundations committing capital as well as income to helping the underprivileged; more

foundations providing technical assistance as well as money; more foundations providing sustained assistance to weak recipients. These may all be but straws in the wind, but the wind blows according to the climate of the times.

Reasons for the Slow Growth Of
Interest in Social Reform:

The subject of conservatism among wealthy donors and the board members whom they choose to carry on their work has been covered in Chapter III, Section 5. This has been advanced as the main reason for the general adherence to traditional patterns of giving and the broad lack of interest in direct-action programs to correct social abuses. These findings have been reinforced by John W. Nason, Chairman of the Board of the Edward W. Hazen Foundation, in a new study--Trustees and the Future of Foundations--published in 1977. He sees, however, some slight grounds for optimism pointing out that the "typical" trustee is not as stereotyped as in Lindeman's day, partly because the expansion of science and technology has affected the intellectual orientation of the successful businessman. In addition, an increasing number of foundations, citing Ford, Rockefeller and Carnegie in particular, have made a real effort to broaden and diversify their board membership by adding women, blacks and members from outside the power elite (1977: 41).

Nonetheless, Nason stresses that foundations have a long way to go in achieving the degree of diversity among trustees that is generally considered desirable on a number of grounds, the central one being that "differences of viewpoint, properly presented, considered and synthesized, can lead to wider choices and better decisions" (1977, 42). These different perspectives would provide a wider range of sensitivity to human and societal needs, which would very likely lead to marked changes in traditional patterns of giving.

Much the same type of comment is found in a recent article by Harold C. Fleming, a trustee of the Taconic and New World foundations, in reviewing the degree of compliance by foundations in the "affirmative action" guidelines which now govern employment practices in industry. Affirmative action is based on the premise that minorities and women are under-represented in many positions because of historical patterns of discrimination, and attempts to remedy this imbalance. The foundations have done little to comply, either internally with respect to trustees or staff, or externally in promoting affirmative action by grantee organizations. This writer urges that the foundations pay more attention to these issues, not only to avoid government interference, but because "they will do their

jobs better, and with more deserved recognition, if they draw more fully on the pluralistic vigor that is the strength of our society" (Fleming, 1976: 14-17).

Other internal factors combine to keep the majority of foundations in tried and true paths. One area with great potential for social betterment is that of program-related investments, where financial return is secondary to some social purpose that coincides with the foundation's broad philanthropic program. Examples would be loans to establish or expand small business in ghetto areas, the kind of thing that would be considered a bad risk by conventional lending institutions; or investment in low-income housing. This could be done by foundations individually or by combining with others, each setting aside a small portion of assets to endow a separate corporation--solely to provide "soft loans" or social-venture capital. Despite the fact that the 1969 Tax Reform Act favors such investments and exempts them from penalties, few foundations have taken advantage of this means of maximizing the thrust of their resources. The chief reasons probably lie in the high-risk nature of such investments, which are viewed as unsound by conservative trustees (Zurcher, 1972: 98-100).

Similar conclusions are reached by Richard K. Rein in a recent survey of the track record of PRI (program-

related investments). One of the problems has been that successful PRI's are difficult to achieve, in that foundations have taken a loss on many of these ventures. This poor reputation has undoubtedly had a negative influence. Many foundations have been unwilling even to attempt a PRI, yet there have been notable successes, with the Ford Foundation in particular. The concept of PRI has spread to the profit-making world, for example with life insurance companies; yet many foundation officers still need to be convinced that all foundation investments do not have to produce the maximum dollar value, and that there may be other, over-riding social purposes which should be encouraged (Rein, 1978: 28-30).

It was suggested earlier that foundations, in general, avoid controversy like the plague, a sound reason for their lack of initiative in promoting unconventional programs. This sensitivity to criticism is rooted in a history of considerable fluctuation in public attitudes toward foundations, as reflected in a series of congressional inquiries and legislative restrictions, culminating in the Tax Reform Act of 1969. Details of this ongoing criticism and its results will form the substance of the next chapter, and throw some light on the foundations' quite natural desire to avoid further restrictions on their activities.

CHAPTER V

CRITICISM OF THE FOUNDATION AS AN INSTITUTION OF SOCIETY

In reviewing the literature it becomes apparent that criticism of foundations falls under two main headings. The first set of charges relates to structure, management and financial aspects; the second to programs and operating policies. Criticisms under the first heading are deep-seated and difficult to deal with since, essentially, they question the right of the foundation to exist.

Structure and Financial Aspects of Foundations:

There is no shortage of critics in this field, nor of particular aspects upon which to concentrate the criticism. One seasoned foundation executive, Merrimon Cuninggim, has addressed the arguments, both pro and con, identifying the following sensitive areas:

- tax dodge
- business and family advantage
- investment policy
- center of power
- elitism
- public accountability. (1972: 41-83)

Tax Dodge:

This is probably the most widely-heard complaint against

foundations. It is a "catch-all" phrase, grounded in popular resentment of taxation in general, which is seen by many as favoring the wealthy and providing too many loopholes. Admittedly it is rather absurd to accuse the foundations of avoiding payment of taxes when they are, by definition, tax-exempt or virtually so. What the critic is really getting at, suggests Cuninggim, is that the motives of the donor are suspect in setting up his philanthropic fund, knowing full well that there will be a tax benefit involved, similar to that offered to an individual who can claim a tax deduction for charitable gifts. Therefore the target of criticism should be (if necessary) the laws themselves, not those who abide by them (1972: 41-45).

Of course this is not the whole story and it seems that there have indeed been specific tax abuses. Prior to the Tax Reform Act of 1969, various kinds of tax-avoidance schemes were possible. False claims have been revealed, for gifts that were never made to a foundation or that were not worth the full amount claimed; schemes known as "boot-strapping" made it possible for large amounts of business income to be accorded favored tax treatment when only a minor portion thereof found its way into the hands of a charitable institution. By and large, however, Cuninggim feels that

abuses have been few and that a foundation is no more a tax dodge than is a church, a hospital, a symphony orchestra or any other institution which has favored tax status (1972: 46-48). Other observers would concur. Weaver, for example, likens the occasional instance of abuse to the bad apple that taints the barrel (1967: 189-190) while the Peterson Commission, which made a careful study of the authenticity of the alleged financial abuses of foundations, echoes this theme of being broadly condemned for the sins of a tiny minority. (1970: 54-62).

Business and Family Advantage:

The charge that establishing a foundation gives the donor and his family unfair business and personal advantages is also widespread. In this case it is more difficult to refute, since the possibilities are ever-present. A foundation can be a disguised advertisement for a donor's business, or even if no commercial enterprise is presently involved the opportunities for personal advertisement, social benefit and increased public esteem are obvious. (Cunningim, 1972: 49).

More serious than these intangible but perfectly legal advantages are the interlocking arrangements that may exist between a parent company and foundation. The Treasury Depart-

ment's Report on Private Foundations of 1965 faced these squarely, identifying four categories of major problems:

- 1) Self-dealing: This refers to donors engaging in business transactions with their foundations--for example, borrowing or lending of money, renting or purchasing of property--none of which can be justified for charitable purposes.
- 2) Foundation involvement in business: Active conduct of business enterprises not only puts regular business at a competitive disadvantage, but presents opportunities for self-dealing and diverts foundation management from its proper concern with charitable activities.
- 3) Family use of foundations to control corporate and other property: This refers to donor transfer to a private foundation of stock in corporations over which the donor maintains control, thus creating undesirable, interlocking relationships.
- 4) Financial transactions unrelated to charitable functions: This refers to heavy borrowing, to loans, and to stock speculations which are both unwise and unnecessary for charitable enterprises.

(Reeves, 1970: 177-183)

What must be noted here is that this kind of illegal or borderline activity is now largely at an end as a result of the Tax Reform Act of 1969, which imposes severe penalties for many types of conflict-of-interest and self-dealing. As to how widespread were these practices, again it is difficult to make a sound judgment. The Peterson Commission, in its examination of approximately 500 Internal Revenue Service (IRS) returns for foundations, prior to 1969, concluded that "the vast majority did not report any self-dealing transactions" (1970: 58).

The nub of the matter has been well expressed by Cuninggim: "There are a hundred ways in which a foundation can be used by a donor for some special sort of advantage for him, his family, his business, or his own narrow interests" (1972: 55). In view of this, it is up to society, through its laws, and up to the donors themselves as responsible citizens to see that they do not overstep the acceptable bounds. Donors are expected to have some kind of relationship with their foundations, but prudent limitations must be observed. Despite the screams of the critics, The Treasury Department Report of 1965 concluded that "most private foundations act responsibly and contribute significantly to the improvement of our society" (Cuninggim, 1972: 59).

Investment Policy:

Foundations have received a good deal of criticism in regard to their investment policies, much of which has been richly deserved. Three charges are common-

- . foundations do not manage their assets well
- . the rate of return on their assets is absurdly low
- . their payouts to charity are pitifully small in comparison with the size of their resources.

(Cunninggim, 1972: 60)

This state of affairs arises from the fact that most foundations do not start life with a diversified portfolio, but with a grant of stock from the donor's own business; and naturally they tend to hang on to this stock, which may or may not bring the best return from the point of view of accumulating income to be used for charitable purposes. Whether foundations have a controlling percentage or merely a substantial proportion of the stock of the donor's company, they have been slow to diversify their investments. (Cunninggim, 1972: 61) This is apparent at a glance when viewing a table of the investment holdings of 45 of the largest foundations, as of 1960 (Nelson, 1967: 186-188) (See Appendix S).

Legal attempts were made over the years to ensure that

foundations paid out some proportion of income and did not hoard their resources, but prior to 1969 there was little effective enforcement. The 1969 Act has meant that a number of foundations have had to divest themselves of a considerable portion of their holdings in related companies, hence have diversified their investments. This, in turn, should lead to more rapid payout to charity--thus addressing another complaint in the Treasury Department's 1965 report that "the purposes of charity are not well served when a foundation's charitable disbursements are restricted by the investment of its fund in assets which produce little or no current income." (Cunningim, 1972: 61-62). That this is a fair criticism is borne out by the Peterson Report, which reached the conclusion that "in every category, foundation investment performance is substantially lower than the balanced funds performance of nearly 15% in 1968" (1970: 74). This is not merely an internal weakness of foundations, but a matter of public concern, since the costs to society (in terms of lack of money available for charitable purposes) could be on the order of hundreds of millions of dollars annually (1970: 75).

The terms of the Tax Reform Act set a fixed payout to reach 6% by 1975 (later reduced to 5%). This is not excessive when compared with what other endowments produce

for tax-exempt institutions, but the result has been to force major changes in the behavior of foundations, both large and small. Historically, foundation disbursements have usually been tied to cash income, without reference to capital gains, which has distorted the picture of foundation giving vis-à-vis assets--making payout seem excessively low. Even so, Cuninggim claims that some foundations have been paying out less than 2% of their asset market value, which is quite unjustifiable and can only be made palatable to the public by recognizing the fact that foundation performance varies widely, with some even exceeding the 6% payout figure (1972: 63-65) Another point to be recognized is that the income of a foundation does not have a direct relationship to its size, so that many of the smaller ones do better than the larger in terms of percentage of monies disbursed in grants. On balance, however, investment policy is an area where foundations can hardly be said to shine, and the three charges made earlier are well founded (Cuninggim, 1972: 63-71).

Center of Power:

The image of the large foundation as a center of immense power seems strongly rooted. Setting aside for the moment the question of what it is that the foundation does

with its power, this analysis will focus on possession of power stemming from wealth. Private power of this type, say the critics, is an evil thing, with a vast, unchecked influence over many other institutions of society and on public affairs in general.

It is a fair statement that foundations have a certain amount of influence in our society, just as do churches and universities, although it would be foolish to imagine that any of these groups are likely to speak with one voice on any particular issue. However, it is the sheer size and wealth of some of the foundations that worry the critics. They see the foundations, in toto, as owning too large a share of the national wealth when, in point of fact, the percentage is negligible. (Cunningham, 1972: 73-74). According to Foundation Center figures in 1969, "foundation assets were only about eight-tenths of one percent of net debt instruments and corporate stocks in the American economy. They were about seven-tenths of one percent of the value of all tangible U.S. wealth....and less than the market value of AT&T and General Motors....furthermore, foundation grants are less than two-tenths of one percent of the GNP and only nine percent⁸ of total charitable

⁸Reduced to 7.2% by 1976 (Giving USA, 1977: 6).

giving in the United States" (Goulden, 1971: 10).

Despite these figures, critics are worried by the intangibles of power and are well aware that foundations are capable of exerting great leverage on American society. They feel that this potential is made more threatening by the factor of perpetuity, which permits power to build on power, ad infinitum. This explains the frequent attempts, none as yet successful, to set a legal limit to foundation life. Cuninggim sees this as a dangerous trend which could be extended beyond foundations to other forms of philanthropy, effectively abridging the leadership, wisdom and influence that usually accompanies longevity. In any event, it cannot be denied that foundations wield a certain amount of power which is all to the good if it is used to further the general welfare. Thus the power question is more reasonably settled on empirical rather than on philosophical grounds (1972: 75-77).

Elitism:

The question of elitism has been addressed to some extent in Chapters III and IV, when discussing the make-up of foundation boards and the conservatism of the typical trustee. The charge has broader aspects, however, centering on the fact that the foundation is a closed corporation which

can ignore the wishes of the public at large. Its mandate as a disburser of funds for the general welfare, say the critics, means that a representative section of the public to be served should have a voice in what is being done. Hence all the current efforts to see that blacks, women and other minority members find a place on the boards of foundations.

In considering these arguments, Cuninggim makes a number of points. Firstly, as he says: "the presence of a black on a foundation's board is no guarantee that that foundation will take seriously the problems of blacks in American today." Tokenism is prevalent not only among foundations but in museums, colleges, or even social welfare agencies. Secondly, since the vast majority of foundations are very small, they have neither paid staff nor large boards and are forced to operate as tight-knit, closed corporations (1972: 78-79). Apropos of staff, the Peterson Commission reached the conclusion that "only one-fifth of all foundations have any paid staff at all, including secretaries. Only 5 percent have any full-time paid staff." (1970: 87). These figures may be high, since an investigation by Zurcher and Dustan in 1970-1971 uncovered "only 212 foundations employing one or more full-time professional staff and 345 employing full or part-time professionals. The latter

represent less than 1.5% of the foundation universe." (Nason, 1977: 63-64).

Most critics level their charges at the large foundations which are prominent in the public eye. The Treasury Department's Report of 1965 listed the "broadening of foundation management" as a matter of major concern, tied to close donor involvement. Unsuccessful attempts have been made to set legal limitations on the involvement of the donor or his immediate family on foundation boards; also on the practice of paying high salaries to some trustees, which can lead to diversion of funds from their proper purposes.

Certainly one has to admit that a foundation by its very nature is elitist--in that it is almost always the creation of an individual and run by a small group of his choosing. But if foundations are non-democratic in their structure and management, they do not have to be anti-democratic. What is more, they can greatly improve their public image by being more honest and open about their activities (Cunningim, 1972: 80-82).

Public Accountability:

This charge is related to the preceding one of "elitism"--but is more serious in nature, for what the critics imply is that the foundations have no real understanding of the fact that their tax-favored status carries with it a

certain responsibility towards the public. As they disclose so little about their affairs, it is obvious they consider themselves answerable to no one but themselves (Cunningim, 1972: 82-83). Since the passage of the Tax Reform Act of 1969, which calls for more complete public disclosure, some of this controversy is now largely academic; nonetheless, its rationale must be examined.

The main question at issue is this: How responsible should the foundations be to the taxpayer? And secondarily, to what extent have foundations been guilty of evading their obligations in this respect? Two opposing positions are evident: the first, that tax-free dollars are public dollars, to be spent in ways acceptable to public opinion. At the other extreme are those foundation apologists who would argue that philanthropic institutions owe no responsibility to the public, since untaxed money is privately owned. Governmental statutes prior to 1969 have been consistently vague in defining the issue; but the recent consensus among government and foundations seems to be that foundations do owe a minimum accountability to the public. This obligation should be met voluntarily, through publication of annual or biennial reports (Reeves, 1970: 7-8).

As for the second question, Reeves defines it in a forceful statement: "With few exceptions, foundations have

traditionally shrouded their affairs in secrecy, claiming that their business was exclusively their own" (1970: 8). The extent to which this state of affairs has changed over the years, in response to public criticism and congressional inquiries, will be dealt with in later sections of this chapter.

Program and Operating Policies
of Foundations:

Under this heading, also, Cuninggim identifies certain specific charges:

- inadequate spending
- extremism
- secretiveness
- lack of monitoring and evaluation
- inconsequential work
- partisan political activity.

Before considering these areas separately, some general comments are in order. It seems clearly apparent that criticism of foundation programs is a subjective matter, based on the individual's view of proper priorities among fields of activity, and thus full of basic contradictions. For example, the foundations are spending too much, or too little, on Health, Education and Welfare or whatever it may be. An important factor here is that foundations, to a large extent, are "responding" rather than "initiating" agencies, reacting to grant requests that broadly reflect current

public needs and standards.

It must also be remembered that foundations, especially the larger ones, work in many complex fields and it is well-nigh impossible to please everyone. Added to this, appeals have multiplied in recent years, now that foundations are more exposed to public view, which means a greater percentage of rejections and corresponding disappointments. But if many a critic turns out to be a rejected grant suppliant, it is still true that the above charges are recurring and broadly-based and deserve careful analysis (Cunningim, 1972: 88-93).

Inadequate Spending:

This topic has been discussed in some detail in the preceding section under "Investment Policy". In the eyes of the general public, however, it is more closely related to program and operating policy, reflecting an unfavorable image of the foundation hoarding its resources or spending unjustifiable amounts on operating expenses, so that charity--the rightful recipient--gets a mere trickle. In a later section we will return to this charge, in particular to ascertain how the 1969 Tax Reform Act has changed the picture.

Secretiveness :

This is related to "Public Accountability"--but the appearance of secretiveness in operations is a slightly different issue. It arises, to some extent, from the inherent nature of a foundation, which lacks the "built-in" visibility of other tax-exempt institutions such as churches, universities and hospitals where it is relatively easy to observe what is being done (Cunningim, 1972: 95-96).

For many years foundations have been required to file annual reports of fiscal activities with the IRS (Form 990-A) which are matters of public record, available through the Foundation Center and elsewhere. Even so, the charge is made that they file inadequate returns, trying to conceal as much as possible. Furthermore, a review of the number issuing annual or biennial reports, for general public information, is not reassuring. In 1968 the Foundation Center estimated that only 140 foundations followed this practice (Cunningim, 1972: 96-97). Almost ten years later, the 1977 Foundation Directory shows 386 foundations issuing Annual Reports, out of a total of 2,818, which--although a substantial increase--is still only 14%. Certainly the worst offenders are the small foundations, for 79% of those with assets of \$100 million or more publish reports, and 55% of those in the next bracket (assets of \$25 to \$100 million)--see Table 5,

Appendix E.

In defense of the small foundations, it must be said that the issuing of an Annual Report can be a costly business and is a difficult chore without paid staffs. It would certainly add to the volume of grant requests, thus exacerbating the common complaint that foundations never answer their mail. To a great degree, also, foundations have been non-communicative among themselves, seldom cooperating on common projects or exchanging information. Secrecy extends, in some cases, to information about how to get a grant as well as to the range of grant activity. This is especially hurtful to smaller organizations seeking grants, who don't have widespread connections or lack professional fund-raisers. Nonetheless, at least one qualified observer feels that, although many small and a few large foundations have operated in unwarranted secrecy, this era is fast coming to an end (Cunningim, 1972: 95-99).

Inconsequential Work:

Chapter IV of this thesis recognized the fact that foundations have been widely criticized on the grounds of the safe, unimaginative nature of the bulk of their programs. But "inconsequential" is a strong word, perhaps justified today in terms of statistics relating foundation giving to

government spending in comparable areas, but open to question when applied as a blanket criticism. The history of foundation achievements should stand as witness to work of considerable consequence.

One of the more strident critics of inconsequential work has been Joseph Goulden, whose diatribe against the foundations, The Money Givers, characterizes most of them as "institutions which exist to benefit the rich and the near-rich....administered by philanthropoids who build cuckoo clocks and try to pass them off as cathedrals." In less colorful language he develops a more serious charge, that foundations have expended their efforts in exploring the defects of society (through voluminous reports) rather than actively trying to correct them (1971: 317-318).

A slightly different slant is provided by George Kirstein, who suggests that some of the activities of large foundations should come under the heading of "Doing Bad by Doing Good". High hopes are often raised by large, well-publicized grants, with corresponding disillusionment when expected results fail to materialize. He cites as one example Ford's intervention in favor of decentralizations of the New York City school system, which he alleges did nothing but foment discord without improving the education of black children (1975: 53-54).

The critical position is well summarized by the Peterson Commission's findings for the years 1966-68 (already reported in Chapter IV) that only one percent of the foundations surveyed viewed any of their grants as "controversial or particularly unpopular", and only thirteen percent had made any which they considered "innovative, experimental or out of the ordinary." The breakdown by asset size showed the larger foundations to be far less timid and conventional in their giving (1970: 84-85).

Cunningham's purpose in bringing up the charge of "inconsequential work" is firstly to show that what is inconsequential to one observer may not be so to another, thus making it extremely difficult to pass judgment as to what is ultimately most beneficial to society. Secondly, he asserts that the charge is often a friendly criticism, delivered more in sorrow than in anger, and intended to remind the foundations that they are not doing as well as they might be, given their power, prestige and resources (1972: 102-104).

Extremism:

The charge that foundations are always stirring up trouble is in direct contradiction to the line of criticism just discussed. "Extremist" charges usually come from two camps: those who see the foundations as ultra-conservative

and reactionary, and those who see them as radical, even revolutionary. The "reactionary" charge was a favored one in the early years of this century, when the wealthy "robber barons" of industry, many of whom had established foundations, were accused of trying to resist change. This argument is still heard. The Anti-Defamation League of B'nai B'rith, alarmed by possible growth of anti-Semitism in the United States, published a survey in 1964--Danger on The Right--which documented the substantial involvement of a small number of foundations in efforts "to support the massive reactionary Rightist propoganda campaign, which seeks to influence and to change American political opinion." The writers claim that about seventy foundations have been involved, including some of the largest such as Pew and Sloan; while many small foundations have allocated a major portion of their annual giving to finance such causes (Forster and Epstein, 1970: 120-124).

Attempting a balanced appraisal, Cuninggim concedes that a small number of foundations have had ties with the John Birch Society and similar far-right groups, but points out that tax-exempt status can be lost when propoganda gets too blatant, as happened with billionarie Texan, H. L. Hunt, and his Life Line Foundation. The established foundations, in general, have steered clear of involvement in reactionary

movements (1972: 108-109).

The "revolutionary" charge was behind the congressional investigations of foundation behavior in the 1950's and seems continually to crop up. Critics obviously feel that foundations, as successful products of the capitalist system, have no business supporting socialistic ventures or giving aid and comfort to any controversial group which may tend to disrupt law and order or change the status quo (Cunningim, 1972: 109). This position is epitomized by René Wormser in his study--Foundations: Their Power and Influence--published in 1958. This was a product of the McCarthy era and an attempt to document the subversion of the foundations by Communists and fellow-travelers, based on the "evidence" uncovered by the Reece Committee (1970: 97-112).⁹ Today, these charges of socialist propaganda and infiltration of the government by leftists from the foundations sound almost absurd; even at the time they apparently gained little widespread credibility.

The argument was revitalized in the sixties, when Civil Rights and anti-Vietnam War activities were prominent. Goulden devotes attention to "Philosophies of the Right and the Left," suggesting that foundation funds flow in "uneven

⁹See further discussion of the Reece Committee Hearings later in this chapter.

dribblets" to both ends of the political spectrum; naming on the Left such foundations as the Stern Family Fund, the Field Foundation and the Louis M. Rabinowitz Foundation (1971: 159-163). Cuninggim, however, claims that there is even less solid supportive evidence of left-wing tendencies than of right-wing, and that such charges are made either by fanatics or by those who, at heart, resent the privileges and independence of foundations (1972: 110-111).

Partisan Political Activity:

All foundations are involved in political activity in a broad sense. They are channeling money into areas of health, education and social welfare--in some cases addressing urgent community problems--all of which cannot fail to have political repercussions of some kind. The crucial question is whether they have abused their non-profit, tax-exempt status by pushing, openly or behind the scenes, for legislative changes. The answer would have been "Yes" in 1971, if relying upon the following statements in the Congressional Quarterly:

"An era of war, crusades for human rights and changing priorities spurred non-profit groups and tax-free foundations to move from eleemosynary grants to gifts with legislative and political goals.....Members (of Congress) termed some foundations 'holding companies' for out-of government officials, and charged that the influence of powerful foundations constituted a sub-government that swayed the thinking of legislative and executive branch officials."

(June 11, 1971, pp. 1251-1256,
quoted in Cuninggim: 112)

The examples raised in Congress as proof of these charges turn out to be largely those already cited when discussing the work of the Ford Foundation, e.g., voter registration efforts in Cleveland, Ohio, and support of Chicanos in San Antonio, Texas. A series of travel-study grants by Ford to eight aides of Senator Robert Kennedy, soon after his assassination in 1968, aroused suspicions of financing a "shadow political machine." One or two of the less prominent institutions were also accused: The Frederick W. Richmond Foundation of influencing an election in New York City; the Wolfson Family Foundation and the Parvin Foundation with politically-inspired relationships with Supreme Court Justices Abe Fortas and William Douglas (Cunningham, 1972: 112-116).

More sinister revelations in the mid-sixties uncovered evidence of the Central Intelligence Agency channelling money through a number of small foundations for the purpose of shaping foreign policy; in particular, anti-Castro efforts in Cuba and pro-Arab, anti-Zionist efforts in the Middle East. Close ties with fanatical right-wing organizations were also involved (Sherrill, 1970: 133-141). In these CIA cases it would seem that the government agency was the prime mover, hence should be held largely responsible.

It is certainly true enough that high government officials frequently end up as foundation executives and

vice versa (cf. McGeorge Bundy, John Gardner, Dean Rusk--to name just a few) but whether this implies powerful foundation influence as a sub-government is another matter. This writer is inclined to agree with Cuninggim that it may merely indicate the shortage of able leadership (1972: 117). Others think differently. A recent critic, Jeffrey Hart, puts the matter thus: "The deep issue concerns the role of the larger foundations as a kind of shadow government, disposing of substantial political and social power and using that power in ways that are in fact highly questionable." He goes on to say that they are acting increasingly as a political force, not responsible to any electorate and using public money into the bargain (1973: 47).

For a totally different view, one may turn to Ben Whitaker (1974: 150-151). He considers the restrictions against overt political actions by foundations to be contrary to the best interests of society, suggesting instead that all charities, including the foundations, could more effectively act as pressure groups or trade unions for deprived people. They should campaign actively to get the State to assume wider responsibilities for social welfare but as things stand today in the U.S.A. it is just this kind of activity which the law prohibits.

The review of foundation programs and statistics on patterns of giving already presented makes it clear that most

foundations are becoming increasingly involved in matters that have political implications. But, to quote Cuninggim, "once it is granted that a few foundations have been indiscreet or naive or even narrowly partisan, the widespread slashing charge of political misbehavior can be categorically denied" (1972: 118).

Lack of Monitoring and Evaluating:

A final major criticism of foundations is that they do not monitor and evaluate their own work. This is a charge not widely voiced in the literature, possibly because not much is known about it. One systematic effort to get at the facts was made by the Peterson Commission, who came up with some rather bleak data underlining a widespread lack of follow-up procedures, at least in the year 1968. For example, "41 percent of all foundations.... never take any steps to monitor their grantees or follow up their grants; 72 percent never require periodic reports as a requirement for payment of installments of the grants; 91 percent never require independent auditing of the grantee's expenditures" (1970: 91).

All this requires some interpretations. Large foundations, for example, do more in the way of monitoring because they have more staff to draw on. Certain kinds of grants, say to the endowment fund of a university, do not

require close follow-up. In fact, rigid supervision of all grants might be seen in an unwelcome intrusion in many cases and would certainly add to overhead costs. Furthermore, evaluation is a difficult business, implying some kind of definition of "success" for a program within a given span of time, which may not be easy to establish with innovative social programs (1970: 90-91).

Having said this, one is still forced to the conclusion that foundations are curiously lax in this particular area. Even Cuninggim, who is more of an apologist for foundations than a critic, admits that they do not (in general) take their duty of evaluation and follow-up on grants very seriously. He agrees with the Peterson Commission's conclusion that most foundations are more interested in making grants than in "evaluating the success or failure... what was learned by them, and the extent to which the results were disseminated to interested publics" (1972: 121-122). This is thrust of Goulden's sharp-tongued remark that "research is something one puts on the shelf and forgets while one moves on to another project. This is, after all, what foundation philanthropy did for half a century" (1971: 318).

Public Criticism As Reflected
In Congressional Inquiries:

The preceding sections were devoted to an analysis of the major areas in which foundations have come in for criticism. The present section will attempt to put the matter in better perspective by presenting a brief historical survey of the various congressional inquiries into foundation activities, reflecting changes in public attitudes.

There have been four major congressional investigations of foundations in the Twentieth Century. Trouble started in the years 1910-1912, when the Rockefeller Foundation tried in vain to get a federal charter, facing cries of "tainted money" and "a new form of the dead hand"--and being forced eventually to operate under a charter from New York State. At this same time a Presidential Commission under the chairmanship of Representative Frank P. Walsh was investigating the general conditions of labor in the United States, sparked by violence against striking coal miners in Rockefeller-controlled companies. The Walsh Commission report issued in 1915 was highly critical of the ties between big corporations and foundations, reflecting the general fear of the power of big business and great wealth in the Progressive era. This was the era of trust busting, and even Rockefeller's General Education Board came under

suspicion of trying to influence public opinion through its aid to teachers. Nevertheless, the Walsh Commission had little impact and no legislation resulted from the report (Peterson Commission, 1970: 63-64).

The foundations flourished virtually unrestricted throughout the next three decades, despite the mildly regulatory provisions of the Revenue Acts of 1934 and 1950, designed to curb blatant abuses of tax exemption and to discourage the influencing of legislation. It was not until the early fifties that congressional concern was again aroused, by which time the foundations were being feared as agents of "creeping socialism" rather than of "creeping capitalism". This concern came to a head in 1952 with an investigation under the chairmanship of Representative Edward E. Cox of Georgia. It is generally agreed that this probe (held in an election year) was politically inspired, as well as being prompted by fears of communist infiltration of foundations. This was the McCarthy era, the president of the Carnegie Endowment for International Peace, Alger Hiss, had been convicted in a case involving communist espionage, thus the committee was looking for evidence of aid to communist causes as well as possible abuses of tax exemption. The final report, an unanimous one, was a victory for the foundations. They were cleared of charges of undermining

the capitalist system and some complimentary remarks were made about their important contributions to American life, in particular their vital role in advancing the frontiers of knowledge (Peterson Commission, 1970: 65-66).

This was not the end of the matter. Representative B. Carroll Reece of Tennessee remained unconvinced by the Cox Report and in 1954 acquired congressional funds for a new and more comprehensive study of the foundations. The charges now were of a "diabolical conspiracy" (to use his own words) to finance communism and socialism in the United States via radical educational and research organizations, and to support efforts to overthrow our government and to undermine our American way of life. Based to a great extent on studies presented by committee staff members, the majority report of the Reece Committee accused the foundations of leftist, collectivist leanings and of exercising inordinate power through interlocking action. It recommended closer surveillance by the IRS and further restrictions on the type and purpose of foundation grants, but it is significant to note that no legislation resulted from the committee's work (Peterson Commission 1970: 67).

The most thorough investigation of foundations was that pursued throughout the decade of the sixties by Representative Wright Patman of Texas, a veteran legislator

in the Populist tradition. This represented a return to the suspicions of the Progressive era, with Patman asserting that "the multimillion dollar foundations have replaced the trusts which were broken up during the Theodore Roosevelt administration"--and Senator Albert Gore of Tennessee calling foundations "free-floating, non-owned, non-public accumulations of economic assets" (Peterson Commission, 1970: 67-68).

The thrust of Patman's investigations was directed at abuses of tax exemption and the manipulating of foundations for private gain. These were not exactly new charges, but existing laws, to put it bluntly, had few teeth in them--allowing foundations great latitude in interpretation. Patman gathered exhaustive data from over 500 foundations, representing approximately 90% of all foundation assets, and issued a stinging report in late 1962 illustrating the ways in which foundations had been used "to enrich businesses, to stifle business competition, to pay large salaries to members of donors' families, to act as loan companies and to play the stock market" (Reeves, 1970: 27-28).

In response to this report, the IRS revised its procedures for surveillance of foundations and the Revenue Act of 1964 sought to check the practice of foundations engaging in financial transactions with their donors. In addition, the Treasury Department conducted an intensive

survey of approximately 1300 foundations, publishing a report in 1965 which has become something of a landmark. In evaluating three general criticisms made by Patman, the Treasury study came to the following conclusions:

- " (1) Foundations had been guilty of unnecessarily delaying the use of funds donated for charitable purposes.
- (2) They had not become a disproportionately large segment of the national economy.
- (3) No substantial data were discovered to confirm the contention that 'foundations represent dangerous concentrations of economic and social power'."

(Reeves, 1970: 29)

Recommendations were for changes in tax laws or Treasury Regulations to control abuses by a minority of foundations, with no support for Patman's proposal of a time limit on their life or a separate federal regulatory agency to police them (Reeves, 1970: 30).

A series of additional reports by Representative Patman, plus rising political feeling against tax-loopholes in general, led to the Treasury Department's proposed reform on the nation's tax system in 1969, sections of which were directed at abuses by foundations. This was followed by congressional hearings on comprehensive tax reform (with Representative Patman a prominent witness) which brought forth a tremendous reaction from foundations and their supporters. Fighting to resist what they perceived as possibly

crippling regulations, they waged a successful publicity campaign with the result that the Tax Reform Act, finally signed into law in December, 1969, was a milder document than the original House or Senate versions (Reeves, 1970: 30-32).

The Tax Reform Act of 1969:

Some features of this Act have already been dealt with in Chapter II, but it is appropriate here to stress the importance of the major provisions. The two fiscal requirements were considered punitive features at the time. The levy of 4% on annual investment income was the first tax ever imposed on foundations and considered excessively high for an "audit fee"--its ostensible purpose. The payout provision required a foundation to spend all of its annual net income (excluding long-term capital gains) OR an amount gradually reaching 6% of market value of assets by 1975, whichever was higher (Cuninggim, 1972: 198, 200). It should be noted that the Tax Reform Act of 1976 has reduced this payout to 5% (Foundation Directory, 1977, x).

Many observers view the 1969 Act as responsible and progressive, although neither clear nor precise in some sections. Cuninggim feels that it was long overdue and lists a number of its benefits, in particular "the series of firm prohibitions against self-dealing interlocking directorates,

speculative investments, excess business holdings and similar organizational or personal relationships for the sake of private advantage." He also speaks highly of the provisions for full disclosure, including opportunities for the public to inspect annual reports, although both he and the Peterson Commission feel that the law did not go far enough in this respect (1972: 195-196). Judging by the small percentage of foundations publishing annual reports, this is perhaps a fair criticism. Cuninggim also applauds the fact that the final Act did not include earlier proposals to limit the life of foundations or to prohibit all grants to individuals. (1972: 196).

A number of handicaps to foundation operations are also apparent. In trying to cut down on use of funds for improper purposes, the Act made it difficult to justify legitimate administrative expenses and imposed tough penalties for errors and violations. Furthermore, its effect was to provide less incentive for contributions to grant-making foundations. All of this may have slowed down the rate of establishment of new foundations and led to the dissolution of some old ones (Cuninggim, 1972: 202-203).

While pointing out that precise data on the births and deaths of foundations are hard to come by, Nason reports that the small family foundations with assets of less than \$200,000 have experienced significant mortality since 1969,

due to the onerous provisions of the Act (1977: 30). Even if the future of the very small institutions is uncertain, the large ones appear to be holding their own. The Foundation Directory lists 2,818 foundations in the 1977 edition, as against 2,533 in the 1975 issue, although direct comparisons are misleading because of changes in asset size and qualifying criteria (Foundation Directory, 1977: xvii).

Probably the most serious issue raised for foundations was the prohibiting of grants which might affect public opinion and thus influence legislation. This was in line with earlier attempts to keep foundations out of direct political activity, but it could have the effect of deterring foundations from undertaking any work at all, since almost any activity might influence legislation in the long run (Cunningim, 1972: 204-206). Apparently the language of the Act has been liberally interpreted by the IRS, for grants for social programs which can be expected to influence public opinion are obviously continuing.

Perpetuity:

One ghost not laid to rest by the 1969 Tax Reform Act was the argument over limiting the life of foundations. As discussed earlier, the notion of perpetuity is central to the foundation idea and a perpetual fund has been the common form of incorporation in the U.S.A. This usually permits expenditure of income only, although optional perpetuities do permit some disbursement of principal.

In assessing the perpetuity question one might ponder the words of Julius Rosenwald in 1917, when directing that his own fund be liquidated within twenty-five years of his death:

"I am not in sympathy with this policy of perpetuating endowments and believe that more good can be accomplished by expending funds as trustees find opportunities for constructive work than by storing up large sums of money for long periods of time. By adopting a policy of using the Fund within this generation, we may avoid these tendencies toward bureaucracy and a formal or perfunctory attitude toward the work which almost inevitably develop in organizations which prolong their existence indefinitely."

(Whitaker, 1974: 241).

Foundation critics in recent years, in particular the indefatigable Mr. Patman, have been hammering away at the idea of setting a limit to the life of a foundation. This, so the argument runs, will serve "to redistribute the control of American industry among wider groups in the population, and return public funds to the Government if they

are not distributed." (Patman, quoted in Whitaker, 1974:242). Twenty-five years, thirty years, forty years have all been proposed as a suitable time span--long enough for a foundation to do its work but short enough to discourage delays in distribution of income.

Thomas Reeves, writing in 1970, feels that foundations have no "absolute right" to increase their wealth indefinitely, and that regulatory proposals are bound to come up again. He is in favor of a forty year time limitation, wherein most programs could come to fruition (34-35). George Meany, President of the AFL-CIO and extremely critical of foundations, also favored a limitation such as forty years when testifying before the House Ways and Means Committee in 1969 (Reeves, 1970: 214). Joseph Goulden, commenting on the 1969 Act, deplores its lack of limitation on foundation life. "Immortality," he states, "for vast pools of wealth is poor public policy. Too many foundations have used their money in ways the founder never contemplated and would not condone were he alive." (1971: 314).

The main rebuttal argument, which was of course presented by the foundation spokesman during the 1969 congressional hearings, was that no wealthy man would leave his money to a foundation if he knew that it would have to be dissolved in, say, twenty-five years (Goulden, 1971: 314). But the very existence of liquidating funds shows that this

is not necessarily so; and one gets the impression that Rosenwald's comments about bureaucracy and perfunctory attitudes have turned out to be only too true in many cases.

Summary Arguments:

After discussing in some detail the types of criticisms levelled at foundations, and showing how these have given rise to a series of governmental attempt to control perceived abuses, one is left with the task of trying to present a fair summary of the arguments--preferably in a few short paragraphs. Two central questions emerge: are the foundations "bastions of special privilege and bulwarks of the established order", or are they "agents of constructive change?" (Cunningim, 1972: 83, 122).

The thrust of all the criticisms directed at the structure and financial management of foundations leads to one broad accusation: foundations are "bastions of special privilege and bulwarks of the established order." They help the rich to get richer and the powerful to gain more power, and thus go against the grain in America. While admitting that a degree of privilege is involved, by definition, the good outweighs the bad. Foundations have been guilty of sins in the past, but government regulation has corrected the worst abuses. It is a more open world today, the foundations are more sensitive to criticism, and the old charges will

gradually have less and less substance. Rather than concentrating on the extreme cases of abuse and bad management, one should form a judgment on the basis of the proportion of total philanthropic resources that are in the hands of reputable foundations. "The overwhelming amount of organized philanthropy is on the side of good management, no special privilege, high accountability." (Cunningim, 1972: 86, 87).

From all the attacks on the programs and operating policies of foundations, the question that arises is this: "Do foundations serve as major instruments of change in American society?" It is a question that comes from friend and foe alike, some thinking the foundations do too much, others that they do too little. The answer must be, on balance, "Yes"--the foundations both do and ought to cause change in the society around them. Having said that, it must be admitted that foundations are more likely to be followers than leaders. It is only the exceptions that made the headlines- "Foundations try to change things, but not too fast and not too much." (Cunningim, 1972: 125, 123).

CHAPTER VI

THE FUTURE ROLE OF THE FOUNDATION AS AN INSTITUTION OF SOCIETY

The Extent of Government Encroachment Upon Traditional Areas of Foundation Activity:

For a clearer understanding of where the foundation fits into the social structure today, it is important to clarify its position as a philanthropic source vis-à-vis the federal government and--by extension--the state, county and city governments through which federal funds are disbursed. Throughout this thesis there has been reference to two facts, firstly that foundation giving is but a small percentage of total philanthropic giving (currently about 7.2%), and secondly, that foundation giving today is minute compared with the total amount that government now spends in aspects of our social life which were once almost totally supported by the private sector. In this connection, it is illuminating to review the findings of The Filer Commission in 1975, remembering that the discussion applies to private philanthropy in toto, of which the foundations are just a part.

"In recent years," states the Commission's report, "government has emerged in the United States as a major 'philanthropist'--THE Major philanthropist in a number of the

principal, traditional areas of philanthropy." The report goes on to point out that the government provides substantial funding assistance to non-profit organizations and activities (to the extent of about \$23 billion in 1974). In addition, government agencies are increasingly providing services parallel to those of the private sector, or rendering private-sector services redundant or obsolete (1975: 89).

The growing importance of the government is shown by figures from the health field. In 1930, government spending at all levels was about to equal to that of the private sector in the area of medical research and health facility construction; by 1973, government was spending about three and a half times as much. In medical and health spending as a whole, government outlays were about 15% over those of private philanthropy in 1930, but by 1973 they were nearly seven times as much (1975: 90).

The field of higher education, where traditionally private support has been the most important element, provides another striking example. A century ago, public funds provided no more than 10% of higher education's income; today, about 60% comes from public sources. The biggest change occurred following World War II, when the G.I. Bill spurred enlargement or creation of publicly-supported institutions of higher education to meet the need. Since 1960, both the number of private institutions and their

enrollments have shown a gradual decline, and today only about one student in four attends a private college or university (1975: 90-91).

The most dramatic change has occurred in the broad category of "welfare". As the Commission observes: "immense new programs have been launched and expanded in recent decades that have altered society's whole institutional structure for, and attitude about, dealing with the problems of the poor." (1975: 91). This profound shift dates from the Great Depression of the 1930's, when it became apparent that private charity was inadequate to meet the needs of the times and the government was obliged to assume some of the responsibility. The extent to which this obligation has grown can be appreciated if one is aware that in 1929 the government spent \$60 million on welfare programs, whereas in 1974 the amount was over \$25 billion (1975: 92).

In summary, as certain minimal levels of Health, Education and Welfare are now widely regarded as necessary for the proper functioning of society, the state is seen as the appropriate agency to allocate resources and oversee their distribution. While private charity still plays a role in "filling the gaps," the task of eliminating poverty is becoming a matter of redistribution of income through legislative action (1975: 93-94).

Moving from philanthropy in general to the more

specialized focus of this thesis, it is apparent, when comparing foundation spending with that of the governmental sector, that the same kinds of changes have taken place. In fact, according to Heimann, "the single most pervasive change affecting foundations during the past generation has been the steady expansion of the role of the federal government in all of the traditional areas of foundation activity." This is documented by the fact that the annual budget of the Department of Health, Education and Welfare is now about three times as large as the total assets of all foundations (1973: 4).

One observer, Richard Friedman, (1973: 163-191) has made a comparative analysis in the broad field of "human services"--which he defines as those programs of Health, Education and Welfare provided by the federal government primarily through the Department of Health, Education and Welfare (HEW); the Office of Economic Opportunity (OEO),¹⁰ and the Department of Housing and Urban Development (HUD). For purpose of clarity, the author has excluded certain types of government payments, e.g., Social Security, so that a more direct comparison can be made between government and foundation spending.

¹⁰ Now the Community Services Administration (CSA)

Friedman points to the fact that foundations have operated independently of government in the human service field, and claims that they should be credited with much of the initiative for change and innovation in service delivery, prior to the 1950's. By the early 1970's, foundations were making about 60% of their grant expenditures on human services, as defined above.¹¹ In 1961 they spent \$218 million in this broad range, while the government spent about sixteen times as much, or \$3.5 billion. Ten years later, foundations spent \$673 million, versus government spending of \$15.3 billion, or 23 times as much, and this difference is expected to become even greater over the next few years (1973: 165).

When comparing today's world with that of the early Twentieth Century, the contrasts in the field of education alone are particularly startling. In 1913, for instance, total spending of the Carnegie Corporation (in all fields) was \$5.6 million, which was on a par with that devoted by the federal government to education (\$5 million). By 1971, however, total foundation spending for education was \$343 million--a mere 6% of the \$6.5 billion allocated through federal programs (1973: 166).

In further analysis, Friedman shows that a typical

¹¹This lumps together program areas which have hitherto been treated separately when discussing foundations.

medium-sized foundation in a community of three hundred thousand population, spending about \$400,000 annually on human service grants, would be outspent by the government in human service programs by a ratio of 30 to 1 (1973: 167). Thus, and this has been stressed earlier (see Chapter III), if foundations spend insignificant amounts in dollar terms, they must counterbalance by funding programs of significance and impact. This line of attack will be developed more fully in the final sections.

A more detailed comparative analysis of foundation grants and federal expenditures in 1973, prepared for the Filer Commission by Koleda, Smith and Bourque, looks at the figures within five traditional program areas of Health, Education, Science, Social Welfare and Arts and Humanities. It should be noted that the data are drawn from a sample of grants reported in the Foundation Grants Index, which is based on voluntary reporting, hence may not be a true reflection of the total expenditures of all foundations. Nonetheless, the findings should indicate general trends (1975: 30).

Health:

Health and health-related activities accounted for 31% of the total foundation grants budget in 1973. Although this represents only 2.4% of federal health outlays (excluding

state and local), it is of interest to note how the money was used. Almost 89 cents of the foundation health dollar went into research, manpower training, construction of facilities, and projects to improve the organization and delivery of health care. Of the federal dollar, on the other hand, 83 cents was used for the consumption or delivery of health care services, chiefly through Medicare and Medicaid. This reflects the foundation emphasis on planning for health care in the future, in contrast to the government responsibility for the immediate needs of today (1975: 31).

Education:

Approximately 50% of the total foundation grants budget went to educational programs in 1973, representing 7% of the comparable federal spending. Noticeable differences were apparent in the distribution of the foundation and the federal dollar, both as to target area and type of support. Foundation support of pre-school, elementary and secondary education combined was very small, only 1.2 cents for every dollar of federal money. Almost all foundation funds went to higher education, amounting to 14% of the federal expenditures in that area. At all educational levels, the foundations emphasis was on personnel training, research, and facilities and equipment purchases. whereas the government dollar was used primarily for operational or student support. In fact,

foundation grants towards education research and facilities and equipment purchases were quite impressive, representing 81 cents for every federal dollar spent for such purposes (1975: 32).

Science:

In looking at foundation and federal spending on science-related activities, one is struck by the fact that the money is used by different types of institutions. About 68 cents of the foundation science dollar goes to colleges and universities, the rest to other non-profit organizations and some foreign institutions. The federal government, on the other hand, allocates only 13 cents of its science dollar to academic institutions, with 82 cents being spent in industrial firms or in federally-funded research and development corporations.

In this field, as in most others, federal funding dwarfs that of the foundations, who spend only 2 cents for every federal dollar. Even within the academic institutions federal support is ten times the dollar value of that of the foundations. Priorities differ here too, with federal emphasis in the universities on research and development and foundation emphasis on the training of scientists and construction of facilities. In fact, foundations actually outspend the government in this last activity (1975: 32-33).

Social Welfare Services:

To make valid comparisons under this heading, one has to ignore the government's vast cash benefit programs and consider only those services such as food and nutrition, housing, employment, and general social development. Here, again, foundation expenditures were minute in dollar terms, an estimated \$135 million as against \$10 billion, or 1.3%. The breakdown shows differing priorities, with foundations allocating 88% of their funds to social development programs-- such as family services, the aged, youth recreation and development, legal aid, drug and alcohol abuse. The government spent only 35% in the social development area, placing more emphasis on the basic needs of food, housing and employment, in that order (1975: 33-34).

Arts and Humanities:

Although it lies somewhat outside the main thrust of this thesis, it may be of interest to note that this is the one broad area studied where foundations outspent the government--by almost two to one, in general. The foundation emphasis was on educational programs and activities in the arts and humanities, where they spent \$3.76 for every federal dollar. The government gave higher priority to expansion programs, spending \$2.09 for every foundation dollar in this sub-area (1975: 34).

In summary, the authors suggest that the data indicate "substantial differences in spending priorities between foundations and the federal government, particularly in Health, Education and Science. As a broad generalization.... federal support was aimed at consumption of services and the foundation money went toward what might be termed investment activities--the support of manpower training, research, construction, purchase of special facilities and equipment." (1975: 34).

With the statistics quoted above it would not be difficult to dismiss the foundation as a social institution of diminishing usefulness, impact and influence. Dollars and cents, however, are not the only criteria, and it will be the task of this final chapter to present a balanced picture of the foundation's chances for survival and continued acceptance as part of the framework of our society.

Where Do We Stand Today?
The Ultimate Question:

Every publication devoted to an examination of the role of the foundation in our society closes with some kind of an assessment of the pros and cons and an attempt to read the future. The prognosis varies from unrelieved pessimism to cautious optimism. A sampling of the questions asked shows the focus of concern.

Heimann deals with what he calls "the ultimate question": "Is there a continuing rationale for foundations? Foundations are in a difficult period in their history....The pervasive role of government programs means that the traditional rationale for foundations has largely disappeared" (1973: 259).

Nielsen puts much the same question in slightly different words: "What do foundations contribute to our society? What are the costs as well as the benefits? In the end, given the scope and range of the nation's urgent needs and the multiplicity of its instruments and institutions for dealing with them, what difference do foundations make?" (1972: 399).

Zurcher talks of "the issue of survival," which "raises the question whether foundations, as a class of institution, have outlived their usefulness and hence are expendable." (1972: 166).

Whitaker asks "Is there a modern function for such private institutions in the light of the increased activities of central governments? If so, are governments prepared to recognize and encourage this: will foundations be allowed to play a really independent role, or only to perform those tasks which the State decides they should do?" (1974: 12).

Goulden poses the question: "What further, if anything, should be done about foundations?" and answers it in cynical fashion-- "One's first reaction is to dismiss them as simply another of the many flawed institutions in America and to leave them alone to continue building their childish sand castles on their

private beaches, as so many of them have done throughout their existence" (1971: 318). Hart asserts that "In both practical and theoretical terms, the tax-free foundations face serious difficulties....the prospect for the foundation today is one of deepening public malaise and festering rebellion, with, off at the end, only bleak prospects." (1973: 43).

So much for the statement of the problem. To put the foundation dilemma into better perspective, one should look at it in a broader context, as defined by the Filer Commission. "One of the conventional wisdoms of the 1970's," states the Commission, "is that virtually all institutions, public and private, have declined in popular esteem and trust, especially those that exercise substantial economic or political power" (1975: 159). Cited are the Presidency and Congress, corporations, labor unions and the press. The main reason for this attitude is the growing feeling that our institutions are not necessarily operating in the public interest, and, what is worse, they are beyond society's control. The private, non-profit sector is coming in for a share of this generalized suspicion, since it does not come under the traditional incentives and restraints of the market and the democratic process. Foundations are a case in point, for they are seen as wielding more political and economic

power than most other non-profit institutions (1975: 159-160).

The Cost-Benefit Approach:

There are those who assert that the question of the usefulness of the foundation in today's world could be settled once and for all by some kind of cost-benefit analysis, measuring the loss in tax revenue against the social benefits produced by the foundations. This solution has a scientific ring and an appealing simplicity, yet many serious observers are convinced of the impossibility of such a task. The Peterson Commission spent two years studying every aspect of foundation activity and came to the conclusion that there were too many variables involved, not susceptible to measurement, to make a cost-benefit evaluation feasible. Furthermore, foundations are grant-making institutions, so that any credit (or blame) for results must be shared with the recipient of the grant (1970: 117).

Even the "cost" of foundations in terms of taxes lost to general revenue (which is what the critics seem to be driving at) is impossible to measure, for who is to know if the donor might not avoid taxes by giving his money directly to some other tax-exempt institution? Even if the government were to receive these extra taxes, what guarantee exists that the money would be used in more socially-desirable ways, so that the net benefit to society would be greater?

(Heimann, 1973: 270).

Zurcher warns that the government may be coveting the foundations' untaxed wealth, if the 4% audit tax is any indication, but counterattacks with some sound, dollars-and-cents arguments. Given that the total charitable contribution of foundations is not likely to rise above 1% of the federal government's annual budget, that tiny percentage is still greater than the yield from severe taxation of foundations, substituted for their normal charitable contributions (1972: 166-167).

Nielsen agrees that it is impossible to answer his own question--"What are the costs as well as the benefits?"--in any rigorous, statistical way, because most of the required data are just not available. The best that can be done is a descriptive effort to compare the contributions of the foundations to the nation's stability and progress with those of other private and public agencies (1972: 339).

Blueprint for Survival:

As mentioned above, and at every turn, public confidence in the foundation is weakening. This section will not be a rehash of past sins or the detailed criticisms presented in Chapter V, but rather a look at those factors which will, if allowed to continue, work against a stable and productive

future for this institution. It will be seen that many critics focus on the same negative aspects and make similar recommendations.

Arnold Zurcher, a long-time foundation executive, centers the public loss of confidence in "the fact that foundation directors have failed to achieve more efficient administration and more farseeing management." (1972: 2). In general, Zurcher is guardedly optimistic about the survival of foundations, but he identifies two main threats:

(1) Continued, self-serving abuses by a small minority of foundations, which could bring on more stringent tax regulation and thus adversely affect all foundations.

(2) Lack of internal reforms, especially in the area of managerial competence, internal operations and communication with the public. This is the author's main thrust--he feels that without such reforms the foundations will not develop the capacity to respond successfully to the challenge of today. Specifically, he calls for expansion and upgrading of staff and for more involvement in the creation and administration of projects, rather than playing a purely supportive, grant-giving role (1972: 176). Thus, in brief, the foundations must put their own house in order and effectively police themselves.

Waldemar Nielsen is another who questions the foundation's capacity for survival, despite the fact that

they could, if they would, continue to take an important role. As things stand today they serve a useful, but not vital, social function in channeling very modest funds to help maintain other non-profit institutions, but the data do not support their claim to be an institution noted for creativity and social experimentation (1972: 426). The crucial question, again, is whether the foundations can reform themselves, but the prospects for institutional self-renewal are not encouraging. Based on past history, Nielsen feels that foundations have an extraordinary capacity to brush off criticism and hope that the problem will go away, rather than face their own faults. He would like to see such moves as the diversification of boards and investments and professionalism of staff, all of which run counter to the private, authoritarian, cliquish bent of the average donor and trustee. Government regulation, though a partial answer, is no substitute for self-improvement, which alone can build vitality and creativity within a foundation (1972: 431-433).

John Nason, another foundation executive of long standing, echoes the theme of more accountability and openness and improved management if the foundations are to continue. He believes that foundations are important to American society; that they are in danger; and that "the role of the trustees is central and crucial." His recommendations for survival, therefore, hinge on the ability of the trustees to

realize that they are living in a changing world, and to plan accordingly. Amongst other things, trustees must (1) recognize that they serve a public trust, not some private purpose; (2) plan a program of philanthropy; (3) make hard choices among public needs; (4) diversify board membership and broaden outlook; (5) make the foundation accessible and give public accounting of activities; and (6) organize for effective operation (1977: 97-104). "Like other social inventions," Nason reminds us- "foundations can be discarded if judged to be no longer socially useful or productive. Managed with wisdom, sensitivity and genuine concern for the common good, their future is bright. The judgment of society will hinge on the performance of trustees." (1977: 105).

Joseph Goulden, as indicated earlier, is inclined to wash his hands of the foundation as a flawed institution, but then concedes that they should be allowed to function provided their activities are more open to public review and scrutiny. To this end he advocates publicly-appointed members on boards, open board meetings, public access to research and expense reports--plus either a time limit on foundation life or a 25-year limit on the time a donor or his heirs could have any voice in foundation affairs (1971: 319).

Jeffrey Hart is one who sees only bleak prospects for the foundations, asserting that they are vulnerable today

in the sense that the general public is becoming increasingly wary of their activities. His criticism centers on three main points: (1) many foundations, at least prior to 1969, were operating wholly or in large part as tax dodges; (2) many disposed of their tax-exempt funds in frivolous or eccentric ways; (3) the foundations, to a large degree, have been acting as a political force, not responsible to any electorate.

This question of political involvement to the extent that the large foundations form a "shadow government", pressing for social activism of a type that is not necessarily in the public interest, has been a matter of concern for many critics over the years. It certainly appears to worry Hart, so that his prescriptions for reform differ from those mentioned above, having nothing to do with improved management or better communication with the public. He makes one clear recommendation: "that the foundations concern themselves with activities that will be perceived as beneficent by all segments of the national community." (1973: 55)--neglecting to mention how such a consensus can be arrived at in a pluralistic society. What must be done, he asserts, is for the foundations to give up "social activist fancies" and direct their support to the sciences and social sciences and--above all--to the arts, which he

feels would do a great deal to counteract the "moralism and utilitarianism" so pervasive in American today. Then, and only then, would the foundations have a useful role to play in our society (1973: 55).

From what has already been said, it seems fair to accept Heimann's estimate that the foundations are in a difficult period in their history. Their tremendous effort which only partially modified a crippling Tax Reform Act in 1969 showed that they have very limited political support and no effective popular constituency (a point which is raised by many others, cf. Cuninggim, 1972: 94). Their normal spheres of activity are being increasingly taken over by government agencies, so that the question of how best to justify their existence and use their resources is not an easy one to answer. They could keep a "low profile" and channel their monies to non-controversial projects with low priority for government action, such as museums, symphony orchestras and hospitals. While this might defuse political hostility in the short run, their tax-exempt status might come under renewed attack in the long run, on the grounds of being unnecessary middlemen in the process of philanthropic giving. In the long run, Heimann suggests, foundations are going to have to prove that they can do things that others cannot do so well (Heimann, 1973: 259-260).

All this may be possible if foundations can overcome or work within that egalitarian or populist sentiment which seems to see virtue in small things and evil in large ones-- leading to fear of big business, big labor, big government and the huge fortunes which created the big foundations (Peterson Commission, 1970: 68). Hart also draws attention to the recurrent appeal of populism, which is as old as the Republic and was a powerful factor in the tax reform movement of the 1960's and the election campaigns of both George Wallace and George McGovern in 1972 (1973: 44). Hence it cannot be overlooked as an element in our national life which may work against foundation survival.

The Brighter Side of the Coin:

A balanced estimate must include the good with the bad. Having discussed a number of the problems facing foundations today, we should look at the plus factors which may provide valid reasons for a continued, useful existence. Zurcher (1972: 167-169) puts forward three persuasive arguments which underlie the case for foundations:

- (1) Accepting the fact that the government has invaded the territory, the demands on private philanthropy are growing, not diminishing, because we live in a civilization of rising material expectations and expanding social demands. When governmental priorities change, or economic recessions

force cutbacks, the private sector is needed even more, to take up the slack.

(2) Leaving aside the financial contribution, the foundation enjoys a unique "logistical" advantage over government in that it is so much more flexible. Immediate grants can rapidly mobilize resources and manpower for some socially-important project, before the more cumbersome machinery of government has had time to move.

(3) Another valuable advantage is the relative freedom from organized social pressure (despite congressional investigations and the Tax Reform Act of 1969). "Unlike governmental agencies, the foundation has no organized body of voters to please, no elections to win, and, normally, no lobbyists to withstand." (page 168). Of course this lack of a constituency can leave the foundation open to attack, as happened in 1969, but it does result in very real freedom to explore projects that may not seem desirable or practical for government action. Thus the foundation can promote "pure" research, underwrite experimental programs, support the unknown scholar. Furthermore, as mentioned earlier, this independent status has led foreign governments to accept the help of American foundations when they might have rejected any such ties with the U.S. government.

The twin themes of flexibility and independence, with some minor variations in corroborative detail, form the

basic rationale for foundation existence as developed in the literature. Heimann (1973: 261) has summarized the position:

"The freedom from internal and external constraints gives the foundations great flexibility to respond to the changing needs of American society. This flexibility provides the best basis for defining a useful role for foundations, because it suggests that there are activities which foundations can perform better than other institutions."

The range of these activities in the past has already been documented. Most foundation watchers have some recommendations for areas of future service. Arnold Zurcher, in particular, has prepared a brief agenda of problems that will press for solution in this current decade where the foundations could adopt a more positive stance as agents of change. These can be grouped for convenience in the following categories:

- the social structure
- the individual in relation to society
- the values of our society
- the world at large.

The Social Structure:

First priority, according to Zurcher, should be the updating and reform of the government, both Congress and the Presidency, focusing on the outmoded seniority system, lobbying and lack of responsiveness to public opinion. Even

though the provisions of the Tax Reform Act tend to discourage criticism of governmental institutions, a foundation could and should be an objective instrument of investigation and appraisal.

The foundations could perform the same role of independent investigators of other institutions of our society, such as corporate business, with its increasingly irresponsible attitude towards the consumer; organized labor with its often unreasonable demands; the universities, with their difficulties in financing themselves and evaluating their roles in the modern world. Even more important (and in this I concur) would be an objective effort to evaluate the impact of science and technology on society, and to assist other agencies in planning for the future by establishing national priorities and making the options known to the public at large.

The Individual in Relation to Society:

First in this category is a problem not presently being addressed to any extent by the government--that of "alienation" or trying to reidentify the individual with a vast and impersonalized society. This has been a pervasive problem of youth in the past two decades, little progress has been made, and the foundations might well accept the

difficult challenge. Related to this same problem is the need to keep people off the "economic scrapheap"--both youth and the aged. Government efforts are in no sense adequate and the foundations could do much in exploring our technological capacity to create new vocational outlets for all age groups in work that is both socially-useful and satisfying. Past history has shown that if foundations lead the way in measuring the extent of a problem and suggesting solutions, government is apt to follow.

Finally, the foundations must continue to work with the ever-present issue of the minority American and his claim to first-class citizenship. Many foundations have a long and honorable tradition of help in this field, which could be continued with demonstration projects, program-related investments and other institutional and administrative models for government and industry to follow.

The Values of our Society:

Here Zurcher explores the idea that the foundations, as relatively objective institutions, free of the passions of politics, could help mold public opinion towards acceptance of revolutionary changes in our accepted values. He was referring (in 1972) to the need for a change in the popular belief that "progress" is characterized by uncontrolled expansion. Today, in 1978, we seem to have some understanding

of the need for "biological and ecological equilibrium," but there is still a long way to go to overcome the misuse of resources and distortion of rational priorities in our national life. Here, again, is a challenge that the foundations could meet by supporting scholarly research and disseminating unbiased findings.

The World at Large:

This is an area where some foundations can be deservedly proud of their record. In the under-developed countries, which may continue to rely heavily on massive aid from foreign governments or the United Nations, the foundations will still have an appropriate place in training or research projects on a smaller scale. In the world in general, the highest priority must be given to the stabilization of human numbers, a field where earlier foundation involvement showed the value of research and initiation of programs by private institutions. The list of opportunities for foundation involvement could go on and on--world law--civil rights--international cooperation in space--where, at the very least, foundations could clarify options for government action.

It should be clear enough now that foundations are not likely to run out of worthwhile projects, should they wish to take them up. There is some indication that they are rising to the challenge. A recent issue of Foundation

News carried an account of the 1977 annual conference of the Council on Foundations, giving attention to such diverse projects as revitalizing the inner cities and depressed rural areas; setting new goals for social services; providing student aid; and acting as citizen advocate and critic of governmental institutions. Suggestions were offered as to how foundations could make a difference in these important areas in the decade ahead. Even if the extent of foundation involvement were small-scale, the direction of concern and interest would count (Foundation News, May/June 1977: 19-32).

CONCLUSION

In the preceding pages we have discussed inherent weaknesses, current dangers and challenging opportunities, all of which will combine to decide where the foundations will stand in our society. But no realistic appraisal of the future can ignore the relationship with government which, according to many observers, is the crucial factor. Various aspects of this relationship have already been noted, but it may be appropriate now to pull the main factors together:

"First, the government is a powerful competitor in practically every field of foundation activity.

Second, foundations and government agencies can act as collaborators in areas of mutual interest.

Third, the government acts as a regulator of foundation activities, conferring benefits and enforcing the restrictions and penalties imposed by the tax law.

Fourth, on a level beyond regulation, both Congress and the executive branch act to encourage or discourage foundations (cf. the 1969 legislation).

Fifth, the government can become a subject of foundation programs....the need for external criticism and evaluation of government programs is of increasing importance."

(Heimann, 1973: 5)

This all points to a more complex situation than the simpler scenario of yesteryear. But, as Nielsen reminds us, the foundation is not the only institution of our society trying to preserve some independence of action while at the

same time adjusting to the advent of a modified Welfare State. Business, academic, scientific and religious groups are all feeling much the same pressures (1972: 398).

From my own analysis of the question "can the foundations survive?", I would be inclined to answer "yes". Philanthropic demands are continually expanding and only under a totalitarian system can the state be expected to fulfill all needs. Opportunities are legion for the use of foundation expertise in a broad range of public affairs and social research. Populism notwithstanding, American society seems to favor a mixed system of private and public support for its cultural institutions and is not likely to turn its back on what the foundations have to offer. If they succeed in putting their own house in order, they will undoubtedly improve their standing in the public eye.

Of course, there is no known way to compare what is with what might have been, which makes questions of social evaluation impossible to answer with any degree of finality. However, in reviewing the record of the foundations, I am left with a sense of regret that, as a class, they have not lived up to their unique potential for public good. This is where I hope and expect to see a change in the years ahead.

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APPENDIX A

Aggregate Fiscal Data for Private Foundations Company-Sponsored and Community Foundations

(Dollar figures in thousands)

Type of Foundation	Assets	Gifts Received	Expenditures	Grants	Number of Foundations
Private ¹	\$26,270,407	\$695,452	\$1,759,443	\$1,494,512	2,284
Company-sponsored	1,210,665	174,368	253,737	244,126	462
Community	1,154,267	75,905	76,859	69,097	72
Totals:	\$28,635,339	\$945,726	\$2,090,039	\$1,807,736	2,818

¹ Includes both operating and nonoperating foundations.

Note: Detail may not add to totals because of rounding.

Source: The Foundation Directory, Edition 6, 1977.

APPENDIX B

2 Foundations by Asset Categories with Aggregate and Average Grants

Asset Category (In millions)	Number of Foundations	Assets (In thousands)	Percent	Grants ¹ (In thousands)	Percent	Average Grant	Number of Grants	Percent
Large Foundations:								
\$100 and above	39	\$12,502,869	43.7	\$ 625,548	35.9	\$49,584	12,616	6.7
25 under 100	133	6,372,581	22.2	296,345	17.0	21,086	14,054	7.5
Small Foundations:								
10 under 25	228	3,575,793	12.5	213,631	12.2	11,533	18,524	9.9
5 under 10	349	2,460,511	8.6	179,421	10.3	6,130	29,268	15.7
1 under 5	1,638	3,555,590	12.4	318,110	18.2	3,967	80,195	42.9
Under 1	431	167,996	0.6	112,050	6.4	3,455	32,427	17.3
Totals:	2,818	\$28,635,339	100.0	\$1,745,104	100.0	—	187,084	100.0

¹Grants figures exclude amounts for programs, matching gifts, and scholarships or fellowships.

APPENDIX C

3 30 Largest Company-Sponsored Foundations by Aggregate Grants

<i>(Dollar figures in thousands)</i>					
	Grants	Foundation Name	Assets	Gifts Received	Expenditures
1	\$6,653	Ford Motor Company Fund	\$ 19,891	\$ 14	\$6,904
2	5,156	Alcoa Foundation	101,638	39	5,421
3	4,933	United States Steel Foundation	32,541	16,584	4,934
4	4,822	Xerox Fund	2,775	2,933	4,840
5	4,617	Gulf Oil Foundation of Delaware	28,712	—	4,684
6	4,583	Exxon Education Foundation	8,917	3,677	5,125
7	4,359	Eastman Kodak Charitable Trust	51,198	—	4,426
8	3,858	Amoco Foundation	38,846	—	4,077
9	3,509	General Electric Foundation	15,848	—	3,599
10	3,433	Mobil Foundation	3,208	—	3,719
11	3,404	Atlantic Richfield Foundation	2,067	3,000	3,405
12	3,046	Shell Companies Foundation, Incorporated	15,356	2,500	3,135
13	2,958	Procter & Gamble Fund	6,280	3,600	2,981
14	2,882	Exxon USA Foundation	7,756	1,640	3,027
15	2,790	Sears-Roebuck Foundation	9,678	2,052	2,837
16	2,743	Western Electric Fund	5,748	—	2,777
17	2,612	General Mills Foundation	4,226	3,000	2,652
18	2,285	Chrysler Corporation Fund	6,348	—	2,285
19	2,213	UPS Foundation	6,777	2,000	2,237
20	2,129	Simon (Norton), Inc. Museum of Art	67,169	10,813	2,471
21	2,087	General Telephone & Electronics Foundation	995	2,102	2,097
22	2,047	Rockwell International Corporation Trust	2,124	200	2,084
23	1,998	Merck Company Foundation	1,531	500	2,044
24	1,927	Aeroflex Foundation	1,774	—	1,954
25	1,921	PPG Industries Foundation	9,030	—	2,023
26	1,913	Weyerhaeuser Company Foundation	2,189	2,293	2,002
27	1,849	Monsanto Fund	5,698	1,615	1,908
28	1,669	Corning Glass Works Foundation	2,323	—	1,767
29	1,575	TRW Foundation	3,608	2,214	1,601
30	1,538	Bank of America Foundation	4,438	900	1,641

Source: The Foundation Directory, Edition 6, 1977.

APPENDIX D

4 30 Largest Community Foundations by Asset Size

		<i>(Dollar figures in thousands)</i>			
	Foundation Name	Assets	Gifts Received	Expenditures	Grants
1	Cleveland Foundation	\$179,815	\$ 4,200	\$ 9,533	\$ 9,184
2	New York Community Trust	179,060	10,973	14,382	13,356
3	Board of Directors of City Trusts, City of Philadelphia	93,000	—	4,900	4,450
4	Chicago Community Trust	91,574	4,248	5,240	4,557
5	Permanent Charity Fund Incorporated, Committee of the	68,648	229	3,287	3,079
6	San Francisco Foundation	53,520	6,273	5,644	5,017
7	Hartford Foundation for Public Giving	39,821	1,435	1,366	1,155
8	Philadelphia Foundation	31,500	1,899	1,787	1,679
9	New Haven Foundation	31,350	1,367	1,858	1,756
10	Kalamazoo Foundation	26,371	2,271	2,261	2,088
11	Columbus Foundation	25,519	4,551	1,816	1,587
12	Winston-Salem Foundation	25,298	1,640	1,560	979
13	Dallas Community Chest Trust Fund, Inc.	23,174	8,148	2,296	2,024
14	Pittsburgh Foundation	22,972	2,038	1,481	1,215
15	California Community Foundation	20,785	826	1,113	1,013
16	Rhode Island Foundation	18,431	1,942	1,014	916
17	Indianapolis Foundation	15,973	608	970	925
18	Grand Rapids Foundation	15,718	2,213	511	388
19	Minneapolis Foundation	12,058	1,591	991	805
20	Williamsport Foundation	7,769	—	386	330
21	Buffalo Foundation	7,672	837	543	503
22	Cincinnati Foundation, The Greater	7,524	837	1,222	1,204
23	Santa Barbara Foundation	7,409	—	645	469
24	Seattle Foundation	6,787	1,247	490	471
25	Milwaukee Foundation	6,751	1,176	747	689
26	Atlanta, Metropolitan Foundation of	6,509	1,200	1,204	1,126
27	Stark County Foundation	6,031	181	331	315
28	Oklahoma City Community Foundation	5,304	1,778	110	75
29	Saint Paul Foundation	5,087	1,365	1,415	1,316
30	Norfolk Foundation	5,076	20	285	251

Source: The Foundation Directory, Edition 6, 1977.

APPENDIX E

5 Foundations Publishing Annual Reports¹

Asset Category	Number of Foundations	Published Annual Reports			
		Yes	Percent	No	Percent
\$100 and above	39	31	79	8	21
25 under 100	133	73	55	60	45
10 under 25	228	82	36	146	64
5 under 10	349	57	16	292	84
1 under 5	1,638	122	7	1,516	93
Under 1	431	21	5	410	95
Totals:	2,818	386	14	2,432	86
Type of Foundation					
Community	72	53	64	19	36
Company-sponsored	462	46	10	416	90
Private (Operating or Nonoperating)	2,284	287	13	1,997	87
Totals:	2,818	386	14	2,432	86
Geographical Orientation					
Local	1,825	211	12	1,614	88
National or Regional	993	175	18	818	82
Totals:	2,818	386	14	2,432	86

¹ Includes multi-year published reports.

Source: The Foundation Directory, Edition 6, 1977.

APPENDIX F

Assets, Gifts Received, Expenditures, and Grants of 2,818 Foundations by Regions and States

(Dollar figures in thousands)					
Place	Number	Assets	Gifts Received ¹	Expenditures	Grants ²
Middle Atlantic	882	\$13,502,071	\$281,832	\$957,233	\$830,928
New York	620	9,761,020	228,887	725,635	624,414
New Jersey	71	1,510,094	7,149	73,105	65,381
Pennsylvania	191	2,230,956	45,797	158,493	141,133
East North Central	603	5,965,398	199,787	428,545	390,716
Ohio	191	1,058,930	35,252	91,337	83,087
Indiana	49	994,325	11,940	80,101	73,481
Illinois	198	902,778	93,943	92,174	83,392
Michigan	97	2,697,791	26,452	128,745	118,857
Wisconsin	68	311,574	32,200	36,188	31,900
West South Central	222	2,215,808	39,377	160,688	124,702
Arkansas	7	12,387	1,027	1,240	916
Louisiana	21	86,570	1,391	6,555	4,539
Oklahoma	34	376,785	3,253	29,734	21,795
Texas	160	1,738,065	33,706	123,159	97,451
Pacific	286	1,955,426	201,770	156,086	138,257
Washington	32	204,714	97,612	12,650	11,665
Oregon	22	72,333	2,876	5,495	4,653
California	218	1,579,683	80,064	131,882	116,546
Hawaii	11	98,695	21,218	6,060	5,393
South Atlantic	300	1,863,659	56,486	140,978	112,435
Delaware	30	302,151	3,298	16,806	13,344
Maryland	30	116,018	7,763	12,701	8,223
Dist. of Col.	33	217,592	16,736	26,161	19,160
Virginia	34	95,489	1,232	7,679	6,084
West Virginia	2	3,461	147	78	60
North Carolina	49	382,703	6,992	24,733	21,282
South Carolina	16	73,889	1,965	6,441	5,437
Georgia	59	410,652	6,195	27,354	22,331
Florida	47	261,706	12,156	19,026	16,514
Totals:	Number: 2,818	Assets: \$28,635,339	Gifts Received: \$945,726	Expenditures: \$1,807,736	Grants: \$830,928

(Dollar figures in thousands)					
Place	Number	Assets	Gifts Received ¹	Expenditures	Grants ²
West North Central³	202	\$1,246,486	\$50,521	\$99,900	\$83,722
Minnesota	83	729,006	27,231	56,945	45,039
Iowa	21	65,674	2,876	5,325	4,687
Missouri	69	379,565	13,867	29,777	27,650
Nebraska	11	30,716	855	3,415	2,591
Kansas	18	41,526	5,692	4,438	3,755
New England	211	1,138,892	33,647	91,641	81,131
Maine	4	6,491	242	541	480
New Hampshire	10	21,125	1,046	1,490	1,152
Vermont	2	21,844	123	1,371	689
Massachusetts	117	497,919	9,519	37,786	32,544
Rhode Island	11	62,610	4,623	4,655	3,587
Connecticut	67	528,905	18,095	45,798	42,678
Mountain	62	437,482	63,228	30,517	26,219
Montana	1	1,777	2	258	244
Idaho	4	6,472	89	536	466
Wyoming	5	12,251	242	962	587
Colorado	30	256,648	56,078	17,606	15,790
New Mexico	2	1,896	4	590	431
Arizona	12	34,787	6,300	2,736	1,489
Utah	7	8,770	512	854	785
Nevada	1	114,880	0	6,974	6,427
East South Central	49	299,969	18,944	24,143	19,620
Kentucky	8	97,171	1,453	9,383	6,771
Tennessee	25	151,772	16,095	11,049	9,855
Alabama	14	48,357	1,250	3,253	2,799
Mississippi	2	2,669	145	438	195
Outlying Areas	1	10,149	133	326	5
Puerto Rico	1	10,149	133	326	5
Totals:	Number: 2,818	Assets: \$28,635,339	Gifts Received: \$945,726	Expenditures: \$1,807,736	Grants: \$830,928

¹ Gifts received were reported for 1,166 foundations.

² Grants data were lacking for 23 foundations. The grants figure includes grants, programs, matching gifts, and scholarships or fellowships.

³ North Dakota, South Dakota, and Alaska had no foundation that met the size qualification. Note: Detail may not add to totals because of rounding.

APPENDIX G

50 Largest Foundations by Aggregate Grants

(Dollar figures in thousands)

	Grants	Foundation Name	Assets	Fiscal Date
1	\$172,995	Ford Foundation	\$2,354,147	9/30/76
2	53,485	Lilly Endowment	761,963	12/31/75
3	35,206	Rockefeller Foundation	747,252	12/31/75
4	34,201	Mellon (Andrew W.) Foundation	623,418	12/31/75
5	33,303	Johnson (Robert Wood) Foundation	1,058,048	12/31/75
6	31,698	Kellogg (W. K.) Foundation	965,155	8/31/76
7	28,380	Pew Memorial Trust	447,318	12/31/75
8	25,557	Kresge Foundation	623,638	12/31/75
9	20,535	Duke Endowment	380,071	12/31/75
10	13,612	Carnegie Corporation of New York	240,196	9/30/75
11	13,356	New York Community Trust	179,060	12/31/75
12	12,730	Mott (Charles Stewart) Foundation	377,043	12/31/75
13	12,373	Sloan (Alfred P.) Foundation	256,662	12/31/75
14	12,010 ¹	Disney Foundation	1,747	9/30/76
15	10,930	De Rance, Inc.	103,368	12/31/75
16	10,412	Mellon (Richard King) Foundation	231,366	12/31/75
17	9,880	Rockefeller Brothers Fund	185,755	12/31/75
18	9,184	Cleveland Foundation	179,815	12/31/75
19	9,047	Houston Endowment Inc.	209,551	12/31/75
20	8,668	Mabee (J. E. and L. E.) Foundation, Inc.	124,182	8/31/75
21	8,065	Penn (William) Foundation	125,669	12/31/75
22	7,413	Clark (Edna McConnell) Foundation	161,412	9/30/76
23	7,286	Bush Foundation	125,183	11/30/75
24	7,129	Surdna Foundation	98,652	6/30/76
25	6,736	Gannett (Frank C.) Newspaper Foundation	148,872	12/31/75
26	6,653	Ford Motor Company Fund	19,891	12/31/75
27	6,543	Commonwealth Fund	131,137	6/30/76
28	6,427	Fleischmann (Max C.) Foundation	114,880	6/30/76
29	6,404	Astor (Vincent) Foundation	64,765	12/31/75
30	6,338	Welch (Robert A.) Foundation	123,541	8/31/76
31	6,170	Scaife (Sarah) Foundation, Inc.	71,899	12/31/75
32	6,112	Fairchild (Sherman) Foundation, Inc.	101,760	12/31/75
33	6,080	Battelle Memorial Institute Foundation	17,222	10/31/76
34	6,019	Danforth Foundation	106,598	5/31/76
35	5,788	Cullen Foundation	37,332	12/31/75
36	5,586	Irvine (James) Foundation	100,868	3/31/76
37	5,420	Brown (James Graham) Foundation	80,699	12/31/75
38	5,327	Warren (William K.) Foundation	56,529	12/31/75
39	5,275	Tyndale House Foundation	2,026	12/31/75
40	5,248	Brown Foundation, Inc.	143,248	6/30/75
41	5,158	Kenan (William R.), Jr. Charitable Trust	106,403	6/30/76
42	5,156	Alcoa Foundation	101,638	12/31/75
43	5,024	Longwood Foundation	102,246	9/30/75
44	5,017	San Francisco Foundation	53,520	6/30/76
45	4,933	United States Steel Foundation	32,541	11/30/75
46	4,913	Ahmanson Foundation	85,857	10/31/76
47	4,834	Research Corporation	50,438	10/31/75
48	4,822	Xerox Fund	2,775	12/31/75
49	4,751	Moody Foundation	117,095	12/31/75
50	4,617	Gulf Oil Foundation of Delaware	28,712	12/31/75

¹ Includes a transfer of \$11,502,772 held in trust.

Source: The Foundation Directory, Edition 6, 1977.

APPENDIX H

Grants by Fields of Interest, 1974-76

	Amount (In thousands)	Per- cent	Number of Grants	Per- cent
Education	\$ 591,993	28%	7,503	23%
Higher Education	186,627	31	1,850	25
Buildings & Equipment	99,986	17	673	9
Communications	69,345	12	747	10
Elementary & Secondary Education	61,122	10	1,501	20
Fellowships, Scholarships & Loans	50,423	9	857	11
Educational Research	40,531	7	479	6
Personnel Development	33,849	6	382	5
Libraries	23,582	4	398	5
Educational Associations	14,830	2	414	6
Adult & Vocational Education	11,698	2	202	3
Health	\$ 442,121	21%	4,797	15%
Hospitals	181,018	41	1,383	29
Medical Care & Rehabilitation	101,689	23	1,146	24
Medical Education	94,542	21	821	17
Mental Health	22,156	5	810	17
Public Health	21,603	5	290	6
Nursing	12,761	3	159	3
Dentistry	5,215	1	67	1
Health Agencies	3,137	1	121	3
Science	\$ 317,639	15%	5,801	18%
Social Sciences:				
Law	62,576	20	979	17
Political Science	29,505	9	362	6
Business & Labor	23,958	7	355	6
Sociology	21,351	7	228	4
Economics	11,544	4	207	4
Psychology	9,786	3	163	3
Anthropology & Archaeology	1,267	0	41	1
Life Sciences:				
Medical Research	50,096	16	751	13
Environmental Studies	30,995	10	692	12
Biology	26,414	8	454	8
Agriculture	8,898	3	177	3
Physical Sciences:				
Engineering & Technology	13,321	4	191	3
Chemistry	12,923	4	637	11
Math & Physics	5,632	2	278	5
Marine & Earth Sciences	2,434	1	79	1
Astronomy & Space	879	0	24	0
General	6,060	2	183	3
Welfare	\$ 292,965	14%	7,796	22%
Community Development	46,482	16	575	8
Youth Agencies	45,979	16	1,928	26
Community Funds	31,953	11	597	8
Recreation & Conservation	31,098	11	369	5
Delinquency & Crime	26,864	9	506	7
Child Welfare	22,046	7	789	11
Aged	21,648	7	425	6
Social Agencies	21,515	7	918	13
Handicapped	16,818	6	665	9
Housing & Transportation	14,381	5	342	5
Race Relations	14,181	5	182	2
Humanities	\$ 224,210	10%	3,588	11%
Museums	84,341	38	668	19
Performing Arts	55,308	25	886	25
History	25,744	11	446	12
Music	22,748	10	790	22
General	15,213	7	346	10
Art & Architecture	13,592	6	342	9
Language & Literature	4,244	2	73	2
Philosophy	3,020	1	37	1
International Activities	\$ 222,654	10%	2,454	8%
Technical Assistance	48,905	22	371	15
Education	47,579	21	629	26
Health & Welfare	46,003	21	478	19
International Studies	38,954	17	433	18
Cultural Relations	16,753	8	209	8
Peace & International Cooperation	15,399	7	191	8
Exchange of Persons	5,656	3	63	3
Relief & Refugees	3,405	1	80	3
Religion	\$ 38,990	2%	954	3%
Religious Studies	17,751	46	263	27
Religious Welfare	8,556	22	330	35
Religious Associations	7,511	19	174	18
Churches & Temples	5,172	13	187	20
Totals:	\$2,130,572	100%	32,394	100%

Source: The Foundation Directory, Edition 6, 1977.

APPENDIX I

Table 2. PERIOD OF ESTABLISHMENT OF 5,436 FOUNDATIONS, BY DECADES AFTER 1900; BY LATEST ASSET CLASSES

Period	Total foundations	Percent	\$10 million or more		\$1 million under \$10 million		Less than \$1 million	
			Number	Percent	Number	Percent	Number	Percent
Total	5,436	100	331	100	1,830	100	3,275	100
Before 1900	18	*	1	*	14	1	3	*
1900-1909	16	*	6	2	9	*	1	*
1910-1919	75	1	22	7	36	2	17	1
1920-1929	157	3	32	10	88	5	37	1
1930-1939	259	5	64	19	118	6	77	2
1940-1949	1,134	21	97	29	463	25	574	18
1950-1959	2,546	47 ^a	79	24	799	44	1,668	51
1960-1969 ^b	1,231	23	30	9	303	17	898	27

* Less than 0.5 percent. ^b Record incomplete for recent years.

NOTE: Information on year of organization was unavailable for 18 *Directory* foundations.

Source: The Foundation Directory, Edition 4, 1971.

APPENDIX J

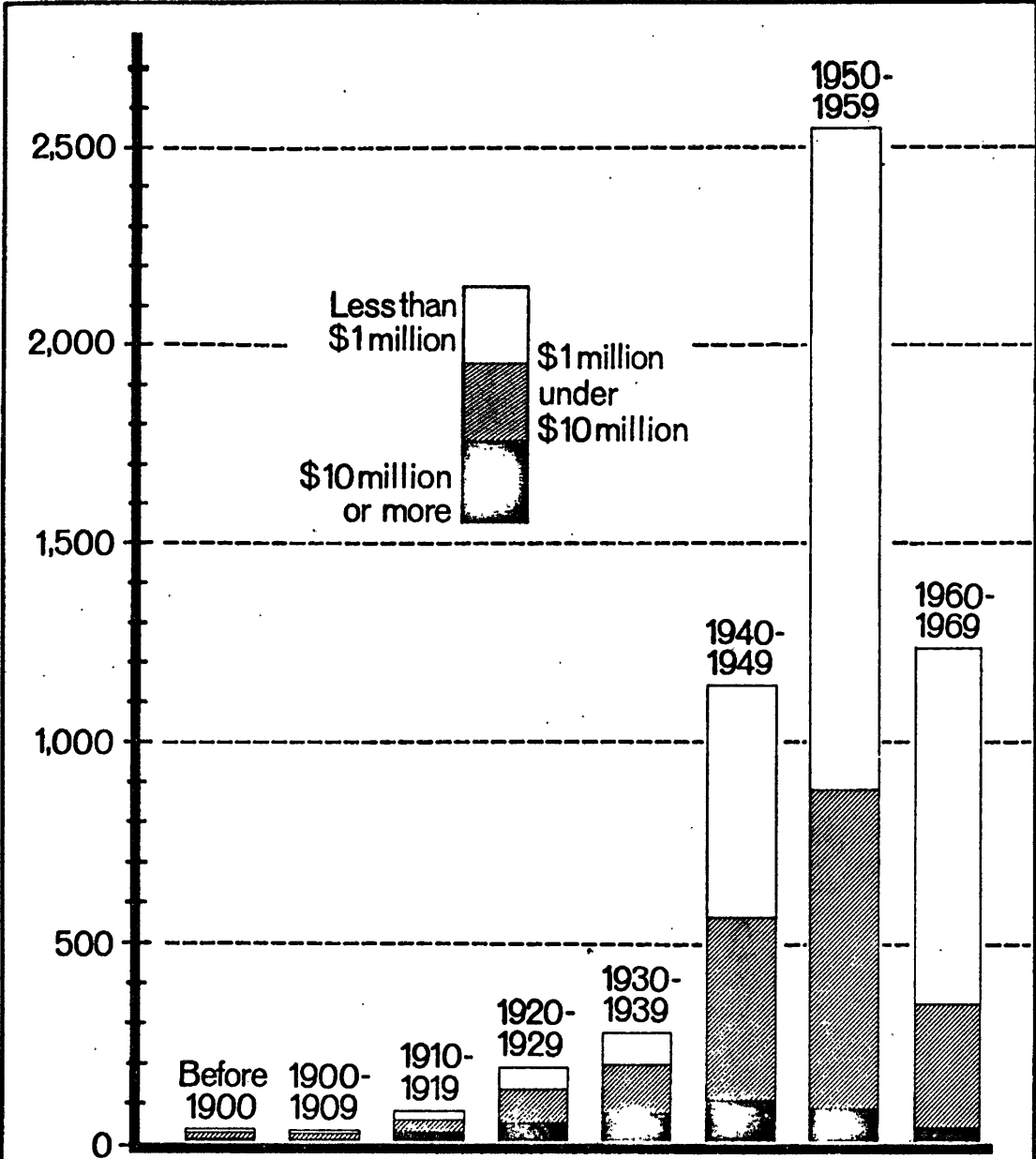


CHART II
PERIOD OF ESTABLISHMENT OF 5,436
FOUNDATIONS, BY ASSET CLASSES.

Source: The Foundation Directory, Edition 4, 1971.

APPENDIX K

TABLE 25. EXPENDITURES, OR NUMBER OF FOUNDATIONS MAKING EXPENDITURES OR EXPRESSING CURRENT INTEREST, IN CERTAIN FIELDS, 1921, 1930, 1944, AND 1954

Dollar figures in thousands

Field	1921		1930		1944		1954	
	Amount	Per cent	Amount	Per cent	Number	Per cent	Number	Per cent
Total	\$35,197	100.0	\$59,219	100.0	335	100.0	620	100.0
Education	15,072	42.8	32,661	55.2	163	48.7	449	72.4
Social welfare	6,545	18.6	7,910	13.3	150	44.8	404	65.2
Health	11,490	32.7	15,156	25.6	129	38.5	414	66.8
Recreation	151	0.4	572	1.0	51	15.2	118	19.0
Religion	752	2.1	715	1.2	37	11.0	123	30.5
International relations	727	2.1	951	1.6	26	7.8	42	6.8
Race relations	7	0.0	78	0.1	26	7.8	58	9.4
Economics	n.d.	-	n.d.	-	19	5.7	103	16.6
Government and public administration	445	1.3	1,161	2.0	19	5.7	104	16.8
Physical sciences	n.d.	-	n.d.	-	1	0.3	57	9.2
Miscellaneous	8	0.0	15	0.0	11	3.3	59	9.5

n.d.—no data.

SOURCES: For 1921 and 1930 data, Lindeman, *Wealth and Culture*, pp. 68-135; for 1944 data, Harrison and Andrews, *American Foundations for Social Welfare*, p. 79; for 1954 data, Rich, *American Foundations and Their Fields*, 7th ed., American Foundations Information Service, p. xxxvi.

Source: Andrews, 1956: 278.

APPENDIX L

TABLE 4
 FOUNDATIONS THAT HAVE MADE SUBSTANTIAL GRANTS TO MEDICAL RESEARCH AND HEALTH-RELATED ACTIVITIES DURING RECENT YEARS

Foundation	State	Medical research	Hospitals	Medical education	Patient services	Nursing	Public health	Mental health
Avalon	N.Y.	X	X	X	X	X		
Association for Aid to Crippled Children	N.Y.	X						
China Medical Board of N.Y.	N.Y.	X		X			X	
Commonwealth Fund	N.Y.	X	X	X	X	X	X	
Duke Endowment	N.Y.	X	X	X				
Fleischman (Max)	Nev.	X	X	X				X
Ford	N.Y.	X	X	X				
Hartford (John A.)	N.Y.	X	X	X	X			
James	N.Y.		X	X				
Kellogg (W. K.)	Mich.	X	X	X	X	X	X	
Kennedy (Joseph P., Jr.)	N.Y.	X			X			X
Kresge	Mich.	X	X	X				
Macy (Josiah, Jr.)	N.Y.	X		X				
Markle (John & Mary B.)	N.Y.			X				
Moody	Texas		X	X				
Morris (Wm. T.)	N.Y.		X		X			
New York	N.Y.	X	X		X			X
Pfeiffer (Gustavus Louise)	N.Y.			X			X	
Reynolds (Z. Smith)	N.C.		X				X	
Rippel (Frannie E.)	N.J.	X	X		X			
Rockefeller	N.Y.	X		X		X	X	X
Sloan	N.Y.	X		X				

Source: Weaver, 1967: 263.

APPENDIX M

TABLE A.41.
DISTRIBUTION OF 1968 FOUNDATION GRANTS

	Foundations by Asset Size						Com- pany Founda- tions	Com- munity Founda- tions	
	Under \$200,000	\$200,000- \$1 million	\$1-10 million	\$10-100 million	Over \$100 million Total	Excluding Ford			Ford
Qualified charitable organizations									
Public charities	89%	75%	70%	77%	67%	63%	70%	66%	64%
Other	9	13	22	22	17	22	13	33	23
Noncharitable tax-exempt or nonprofit organizations	†	...	†	†	...	...	...	†	9
Foreign organizations (and profit-making organizations)	...	...	1	1	11	7	14	†	...
Individuals	2	11	7	†	4	6	3	†	4
	100%	99%	100%	100%	99%	98%	100%	99%	100%
	(N=42)	(N=19)	(N=39)	(N=22)	(N=17)	(N=16)	(N=1)	(N=18)	(N=38)

†Less than 0.5 percent.

APPENDIX N

TABLE A.43.
PURPOSE OF FOUNDATION GRANTS, 1968

	Foundations by Asset Size						Com- pany Founda- tions	Com- munity Founda- tions	
	Under \$200,000	\$200,000- \$1 million	\$1-10 million	\$10-100 million	Over \$100 million Total	Excluding Ford			Ford
Health and medicine	55%	35%	15%	27%	14%	20%	9%	5%	18%
Individual and family services	1	1	5	2	†	1	0	†	5
General welfare	30	16	4	7	1	2	0	20	9
Education	7	19	48	33	40	43	37	35	13
Manpower and vocational training	0	†	1	1	3	2	4	†	2
Housing	†	0	2	†	2	†	3	†	2
Community action and services	2	6	5	8	5	4	5	2	17
Community, racial, or ethnic relations	1	5	†	†	2	2	3	5	6
Political-process related activities	†	†	†	0	1	†	1	†	†
Conservation and recreation	†	1	1	1	3	2	3	†	3
Religion	3	15	11	2	1	2	0	†	1
Science and technology	†	†	1	11	4	7	1	†	0
Cultural institutions	1	2	8	5	9	5	12	23	19
Arts and humanities	1	1	†	†	7	3	10	†	3
Social sciences	†	0	†	1	7	3	9	1	†
Other	0	†	†	1	2	1	3	8	1
	100%	100%	100%	100%	100%	100%	100%	100%	100%
	(N=42)	(N=20)	(N=39)	(N=21)	(N=17)	(N=16)	(N=1)	(N=19)	(N=37)

†Less than 0.5 percent.

Source: The Peterson Commission, 1970: Appendices.

APPENDIX O

TABLE 4: US Foundations' Grants of \$10,000 or more, by Fields, 1962-71 [in \$ millions]

<i>Field</i>	<i>YEAR</i>										<i>Total</i>	<i>Per cent</i>
	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971		
Education	\$145	83	186	164	157	191	308	202	281	343	\$2,060	93
Health	32	35	129	103	62	81	77	106	121	156	902	14
International	52	82	74	128	141	84	93	75	59	106	894	14
Welfare	20	24	44	104	81	82	74	102	136	174	841	13
Sciences	45	47	58	60	69	78	106	114	93	111	781	12
Humanities	16	48	39	39	117	39	72	37	52	103	562	9
Religion	5	5	26	51	34	24	23	41	51	73	333	5
	\$315	324	556	649	661	579	753	677	793	1,066	\$6,373	100

Source: Foundation News, Vol. 13, No. 1, Jan/Feb, 1972.

APPENDIX P

GRANTS BY FIELD

The following table gives a comparative summary of grants by field of activity as reported in The Foundation Grants Index for 1975, 1976, and 1977 (Grants of \$5,000⁺ from 340 foundations)

	1975			1976			1977		
	No. of Grants	Amount (millions)	Per-cent	No. of Grants	Amount (millions)	Per-cent	No. of Grants	Amount (millions)	Per-cent
Education	2,372	\$ 177	26	2,852	\$ 217	29	3,068	\$ 200	26
Health	1,571	162	24	1,726	141	19	2,135	167	22
Sciences	2,006	105	16	2,285	125	17	2,710	135	17
Welfare	2,317	80	12	2,679	104	14	3,264	100	13
International Activities	883	75	11	892	72	9	1,103	85	11
Humanities	1,200	65	9	1,350	81	11	1,535	66	9
Religion	329	13	2	335	12	1	460	17	2
	10,678	\$ 677	100%	12,119	\$ 752	100%	14,275	\$ 770	100%

Source: The Foundation Grants Index, 1978.

APPENDIX Q

Table 1. The Big Foundations by Rank Order of Size

<i>Name</i>	<i>Year Established</i>	<i>Headquarters</i>	<i>Assets (at market, 1968)</i>
Ford Foundation	1936	New York	\$3,661,000,000
Rockefeller Foundation	1913	New York	890,000,000
Duke Endowment	1924	New York	629,000,000
Lilly Endowment	1937	Indianapolis	579,000,000
Pew Memorial Trust	1948	Philadelphia	437,000,000
W. K. Kellogg Foundation	1930	Battle Creek	435,000,000
Charles Stewart Mott Foundation	1926	Flint	413,000,000
Nemours Foundation *	1936	Jacksonville	400,000,000
Kresge Foundation	1924	Detroit	353,000,000
John A. Hartford Foundation	1929	New York	352,000,000
Carnegie Corporation of New York	1911	New York	334,000,000
Alfred P. Sloan Foundation	1934	New York	329,000,000
Andrew W. Mellon Foundation †	1969	New York	273,000,000
Longwood Foundation	1937	Wilmington	226,000,000
Rockefeller Brothers Fund	1940	New York	222,000,000
Houston Endowment	1937	Houston	214,000,000
Moody Foundation	1942	Galveston	191,000,000
Danforth Foundation	1927	St. Louis	173,000,000
Emily & Ernest Woodruff Foundation	1938	Atlanta	167,000,000
Richard King Mellon Foundation	1947	Pittsburgh	162,000,000
Sarah Mellon Scaife Foundation	1941	Pittsburgh	145,000,000
Commonwealth Fund	1918	New York	142,000,000
Irvine Foundation	1937	San Francisco	119,000,000
Haas Community Fund ‡	1945	Philadelphia	115,000,000
Brown Foundation Inc. Edwin H. and Helen M. Land Foundation	1951	Houston	108,000,000
Henry J. Kaiser Family Foundation	1961	Cambridge	107,000,000
Sid W. Richardson Foundation	1948	Oakland	106,000,000
Surdna Foundation	1947	Fort Worth	106,000,000
Vincent Astor Foundation	1917	Yonkers	105,000,000
Charles F. Kettering Foundation	1948	New York	103,000,000
Max C. Fleischmann Foundation	1927	Dayton	103,000,000
A. G. Bush Foundation	1952	Reno	102,000,000
	1953	St. Paul	100,000,000

* See chapter 8 for explanation of relationship between the Alfred I. du Pont Estate, which owns the bulk of these assets, and the Nemours Foundation, the beneficiary of the estate.

† Created in 1969 out of merger of pre-existing Old Dominion Foundation and Avalon Foundation established in 1941 and 1940 respectively.

‡ Formerly the Phoebe Waterman Foundation.

Source: Nielsen, 1972: 22.

APPENDIX R

Table 4
 Successive Stages of Evolutionary Change Reached by the Big Foundations as of 1972

	Age (1972)	Nucleus of staff	Fuller staff develop- ment	Development of defined programs; sophisticated grant-making	Significant investment diversifi- cation	Significant innovative programing	High degrec of independence of donor family and company	High degree of board diversti- fication
Astor	24	x			x			
Brown	21	x						
Bush	19	x					x*	x*
Carnegie	61	x	x	x	x	x	x	
Commonwealth	54	x	x	x	x		x	
Danforth	45	x	x	x		x		x
Duke	48	x	x	x				
Fleischmann	20			x	x	x	x	x
Ford	36	x	x	x	x	x	x	x
Haas (Waterman)	27	x	x	x		x		
Hartford	43	x						
Houston	35	x			x			
Irvine	35	x						
Kaiser	24	x						
Kellogg	42	x	x	x		x		
Kettering	45	x	x	x			x	x
Kresge	48	x			x			
Land	11							
Lilly	35	x	x	x				
Longwood	35							
A. W. Mellon †	32	x	x		x			
R. K. Mellon	25	x	x	x				
Moody	30	x						
Mott	46	x	x	x		x		
Nemours	36							
Pew	24							
Richardson	25	x						
Rockefeller	59	x	x	x	x	x	x	x
Rockefeller Bros.	32	x	x	x	x	x		
Scaife	31	x						
Sloan	38	x	x	x	x	x	x	
Surdna	55				x			
Woodruff	34	x						
Totals		27	15	15	12	10	8	6

* By court order

† Age of component foundations merged in 1969

Source: Nielsen, 1972: 292.

APPENDIX S

Table E PRINCIPAL INVESTMENT HOLDING, 45 FOUNDATIONS WITH 1960 ASSETS OF \$30 MILLION OR MORE
(Dollar values in millions)

	Date of balance sheet	Market value of total assets	Corporation stock		Largest equity holding		
			Amount	Per cent total assets	Company	Amount	Per cent total assets
<i>The Ford Foundation</i>	9/30/60	\$2,747.2	\$2,094.5	76.2	Ford Motor	\$2,050.2	74.6
<i>The Rockefeller Foundation</i>	12/31/60	536.8	445.3	83.0	Jersey Standard	247.5	46.1
<i>The John A. Hartford Foundation, Inc.</i>	12/31/60	508.9	466.8	91.7	Atlantic & Pacific	461.1	90.6
<i>The Duke Endowment</i>	12/31/60	463.4	417.5	90.1	Duke Power *	337.8	72.9
<i>Carnegie Corporation of New York</i>	9/30/60	258.9	128.1	49.5	A.T. & T.	5.8	2.2
<i>W. K. Kellogg Foundation</i>	8/31/60	254.6	227.9	89.5	Kellogg *	214.3	84.2
<i>Alfred P. Sloan Foundation</i>	12/31/60	200.2	159.1	79.5	General Motors	48.2	24.1
<i>The Pew Memorial Trust</i>	12/31/60	135.3	134.1	99.1	Sun Oil	132.5	97.9
<i>Rockefeller Brothers Fund</i>	12/31/60	129.8	86.6	66.7	Jersey Standard	38.7	29.8
<i>Lilly Endowment, Inc.</i>	12/31/60	126.9	126.1	99.4	Eli Lilly *	126.1	99.4
<i>Longwood Foundation, Inc.</i>	9/30/60	122.7	107.5	87.6	Christiana Securities	64.0	52.2
<i>The Commonwealth Fund</i>	6/30/60	114.6	69.9	61.2	Stocks in no industry exceed \$24,393. or 21.3% of assets		
<i>The Moody Foundation</i>	7/31/60	118.3	110.3	93.2	American National Insurance *	102.3	86.5
<i>Z. Smith Reynolds Foundation, Inc.</i>	2/28/61	99.3	84.2	84.8	Reynolds Tobacco	43.1	43.5
<i>The Danforth Foundation</i>	12/31/60	98.8	87.3	88.3	Ralston Purina	69.2	70.0
<i>Carnegie Institution of Washington</i>	6/30/60	92.7	47.9	51.7	IBM	4.0	4.3
<i>The Kresge Foundation</i>	12/31/60	89.0	65.5	73.6	S. S. Kresge	53.2	59.8
<i>James Foundation of New York, Inc.</i>	12/31/60	85.4	55.4	64.9	A.T. & T.	4.9	5.7
<i>Richard King Mellon Foundation</i>	12/31/62	82.7	74.0	89.5	Gulf Oil	35.2	42.6
<i>Avalon Foundation</i>	12/31/60	78.8	64.4	81.7	Gulf Oil	44.8	56.8
<i>Charles Stewart Mott Foundation</i>	12/31/60	76.8	70.4	91.6	U.S. Sugar	26.5	34.6
<i>Charles F. Kettering Foundation</i>	12/31/61	75.4	68.9	91.4	General Motors	58.9	78.1
<i>Phoebe Waterman Foundation, Inc.</i>	12/31/60	70.7	69.8	98.8	Rohm & Haas	68.4	96.8
<i>Houston Endowment, Inc.</i>	12/31/60	69.7	44.4	63.8	National Bank of Commerce *	18.9	27.2
<i>Max C. Fleischmann Foundation of Nevada</i>	6/30/60	69.1	42.2	61.2	Standard Brands *	12.9	18.7
<i>Charles Hayden Foundation</i>	9/30/60	65.9	26.9	40.9	40% of assets in 49 issues of high grade common stocks		
<i>Louis W. and Maud Hill Family Foundation</i>	2/28/61	59.5	46.8	78.7	Minnesota Mining	15.9	26.7
<i>El Pomar Foundation</i>	12/31/60	55.2	52.4	94.9	El Pomar Investment	45.3	82.2
<i>China Medical Board of New York, Inc.</i>	6/30/60	52.3	24.7	47.2	Minnesota Mining	2.6	4.9
<i>The Vincent Astor Foundation</i>	12/31/62	51.8	33.1	64.0	IBM	3.9	7.5
<i>Emily and Ernest Woodruff Foundation</i>	12/31/60	51.2	49.1	96.0	Coca-Cola	42.1	82.2
<i>The Field Foundation, Inc.</i>	9/30/60	50.5	0.3	0.7	Field Building	31.3	61.9
<i>The Herbert H. and Grace A. Dow Foundation</i>	12/31/60	48.7	48.2	98.8	Dow Chemical	48.2	98.8
<i>Old Dominion Foundation</i>	12/31/60	48.5	43.9	90.5	Gulf Oil	36.1	74.4
<i>The Robert A. Welch Foundation</i>	8/31/60	48.3	28.7	59.4	Oil Properties Federal Cartridge **	—	64.7 *
<i>Olin Foundation, Inc.</i>	12/31/60	45.1	26.2	58.1	H. J. Heinz	12.1	26.9
<i>Howard Heinz Endowment</i>	12/31/60	43.5	42.8	98.4	Aluminium Limited	42.6	97.8
<i>Donner Foundation, Incorporated</i>	12/31/60	42.2	28.4	67.4		2.6	6.3

Source: Nelson, 1967: 186.